

Report on Corporate Governance and Ownership Structure 2019



Company profile

Snam is one of the world's leading energy infrastructure operators and one of the largest Italian listed companies in terms of market capitalization. The company's sustainable and technologically advanced network guarantees security of supply and promotes development in the areas in which it operates, while also contributing to promote the energy transition. Through its international subsidiaries, it operates in Albania (AGSCo), Austria (TAG, GCA), China (Snam Gas & Energy Services Beijing), France (Terēga), Greece (DESFA) and the United Kingdom (Interconnector UK). Snam is also one of the main shareholders of TAP (Trans Adriatic Pipeline), the final section of the Southern Energy Corridor.

The company has the most extensive transmission network among European peers (over 41,000 km including international activities) and greatest natural gas storage capacity (ca. 20 billion cubic meters, including international activities). It is also one of the main regasification operators in Europe, an activity it carries out through its Panigaglia terminal and its stakes in the Livorno (OLT)¹ and Rovigo (Adriatic LNG) plants in Italy and in the Revithoussa (DESFA) plant in Greece, with a total pro rata regasification capacity of around 8.5 billion cubic metres per year.

As part of its new €6.5 billion plan to 2023, Snam will invest €1.4 bn in the SnamTec (Tomorrow's Energy Company) project, which aims to reduce the environmental impact of its activities by promoting innovation and contribute to decarbonisation. Through this project, Snam aims to reduce methane emissions by 40% by 2025 and direct and indirect CO₂ equivalent emissions by the same amount by 2030 and to invest in new energy transition businesses. These include sustainable mobility (compressed – CNG and bio-CNG – and liquefied – LNG and bio-LNG – natural gas distributors, Small Scale LNG), infrastructure for biomethane from organic waste and agricultural and agro-industrial waste, and energy efficiency services tailored to apartment buildings, the public administration and industry. Promoting the use of renewable gases, Snam was also the first European company to test the introduction of hydrogen blended with natural gas in its network.

Snam's business model is based on sustainable growth, transparency, the promotion of talent and diversity and the social development of regions through the initiatives of Fondazione Snam.

¹ The acquisition of a 49.07% share of the OLT regasification terminal was completed on 26 February 2020.

Report on Corporate Governance and Ownership Structure 2019

pursuant to Article 123-*bis* of Legislative Decree No. 58 of 24 February 1998
Issuer: Snam S.p.A.
Website: www.snam.it
Financial year to which the Report refers: 2019
Report approval date: 6 May 2020

Snam's Reports



THE ANNUAL REPORT

It provides a comprehensive view both on the financial performances through the Directors' Report, the Consolidated Financial Statement, the Statutory Financial Statement and on the non-financial ones through the Non-Financial Statement drafted according to the 254 Legislative Decree.



THE FINANCIAL DISCLOSURE ON CLIMATE CHANGE

It describes the governance, the strategy, the scenarios, the risk and opportunities, the metrics and targets laid out by the company to manage the climate change issue according to the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD).



THE REMUNERATION REPORT

It describes the company's remuneration policy of Directors and Executives specifying the goals, the involved bodies, the procedures for its adoption and implementation in addition to the remuneration paid.



THE SUSTAINABILITY REPORT

It describes performances and future goals regarding the environmental, social and governance topics (ESG), strengthening the relationship and collaboration with a wide audience of stakeholders.

REPORTING PROCESS

Snam has been following, for some time, a path of integration of reporting processes based on the assumption that “integrated reporting means integrated thinking”. This approach has allowed for an organic and integrated approach to meet the demands of all stakeholders and shareholders, proposing comprehensive, transparent and responsible corporate reporting and providing a complete view of the activities, performance and challenges that Snam faces today.

Report on Corporate Governance and Ownership Structure



The Report on Corporate Governance and Ownership Structure 2019 (the “**Report**”) is intended to be a journey of discovery for Snam and is mainly concerned, in the respective Sections, with presenting the Company, providing information on its ownership structure and illustrating the structure of the corporate governance system adopted by Snam. The Report is preceded by an “Executive Summary” which indicates the main elements that characterize the corporate governance system.

The Report was produced in accordance with the “Format for the report on corporate governance and ownership structure” of Borsa Italiana S.p.A. (VIII Edition of January 2019), the 7th Report on the application of the Corporate Governance Code of the Italian Corporate Governance Committee of Borsa Italiana, “2019 Report on the evolution of the corporate governance of listed companies”, and the 2019 report entitled “Corporate governance in Italy: self-regulation, remuneration and comply-or-explain” produced by Assonime in January 2020.

Finally, the Report contains a check-list through which identify the sections of the Report in which it is illustrated, for each principle or criterion of the Corporate Governance Code, the application or non-application of the same by Snam.

2019



Introduction

The information on the corporate governance system and ownership structure of Snam S.p.A. (“**Snam**” or the “Company”) contained in this Report refers, unless otherwise explicitly specified, to the financial year 2019².

The Report is designed to provide a means for discovery of Snam. Its various Sections provide:

- an introduction to the Company;
- information on its ownership structure;
- a description of the structure of the corporate governance system adopted by the Company.

The Report³ is preceded by an *Executive Summary* specifying the main elements characterising the corporate governance system.

The Report was drafted in accordance with:

- the document entitled “*Format for the report on corporate governance and ownership structure*” of Borsa Italiana S.p.A. (“**Borsa Italiana**”) (VIII Edition of January 2019)⁴;
- the 7th Report on the application of the Corporate Governance Code of the Italian Corporate Governance Committee of Borsa Italiana, “*2019 report on the evolution of the corporate governance of listed companies*”;
- the 2019 report entitled “*Corporate governance in Italy: self-regulation, remuneration and comply-or-explain*” published by Assonime in January 2020.

Since its listing on the screen-based equity market (*mercato telematico azionario*) organised and managed by Borsa Italiana in 2001, Snam has been compliant with the recommendations of the Corporate Governance Code in its various successive versions published over time⁵. Annex 1 of Section VI – Summary Tables, contains a checklist for identifying the sections of the Report which indicate whether or not Snam applies each principle and application criterion of the Corporate Governance Code (the version adopted in July 2018 and currently in force).

Contacts

Snam values discussion with its investors and aims to establish a constructive dialogue to ensure constant improvement in Snam’s entity in multiple respects; therefore, it invites readers to use the contact details specified below for clarifications or requests for information:

Legal, Governance, Compliance, ERM & HSEQ

Tel: +39 02.3703.7435

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Governance, Risk & Control

segreteria@societaria@snam.it

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

³ The Report is published in the “Governance and Conduct” section of the Company’s website.

⁴ The Borsa Italiana format is available here: (<https://www.borsaitaliana.it/comitato-corporate-governance/documenti/format2019.en.pdf>).

⁵ Compliance with the Corporate Governance Code is voluntary and issuers may decide not to apply all or part of its recommendations. However, the reasons for any non-application must be indicated in the report on corporate governance and ownership structure, in accordance with the comply-or-explain principle set forth in Article 123-*bis* of the Legislative Decree No. 58 of 24 February 1998.

Glossary

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

ARERA: *Autorità di Regolazione per Energia Reti Ambiente* (the Italian Regulatory Authority for Energy, Networks and Environment)

Borsa Italiana: Borsa Italiana S.p.A.

Consob: *Commissione Nazionale per le Società e la Borsa* (the Italian National Stock Exchange Supervisory Commission)

Consolidated Financial Act (or TUF): Legislative Decree No. 58 of 24 February 1998, as subsequently amended and modified

Corporate Governance Code: the corporate governance code for listed companies approved in July 2001 by the Corporate Governance Committee, as amended in July 2018 and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria. The text is available at: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>⁶

External Auditors: PricewaterhouseCoopers S.p.A. (or PwC)⁷

Financial Reporting Officer: Financial Reporting Officer pursuant to Article 154-*bis* of the Legislative Decree No. 58 of 24 February 1998

Group or Snam Group: Snam and its Subsidiaries

Issuers' Regulation: regulations issued by Consob by means of Resolution No. 11971 of 14 May 1999, as subsequently amended and modified, relating to issuers

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

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

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

Non-Financial Statement: the consolidated non-financial statement, which, to the extent necessary to ensure an understanding of the company's business, its performance, results and impact, covers environmental, social and personnel-related issues, respect for human rights and the fight against active and passive corruption, which are relevant in view of the Company's activities and characteristics

RAB: The Regulatory Asset Base, i.e. the value of the net capital invested, calculated according to the rules established by ARERA for transport and regasification companies for the purpose of determining the reference revenue

⁶ On 31 January 2020, the Corporate Governance Committee adopted a new version of the Corporate Governance Code, which companies are required to adopt from the first financial year following 31 December 2020, informing the market in the report on corporate governance and ownership structure to be published in 2022.

⁷ On 23 October 2019, the Shareholders' Meeting of Snam consensually resolved to terminate the mandate of PricewaterhouseCoopers S.p.A. as Snam's external auditors and, at the same time, to engage Deloitte & Touche S.p.A. as the external auditors for the financial years as of 31 December from 2020 to 2028.

Regulations on Related-Party Transactions: regulations issued by Consob by means of Resolution No. 17221 of 22 March 2010, as subsequently amended and modified, concerning related-party transactions

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

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

Subsidiaries (or “Subsidiary Companies”): the following companies are subsidiaries of Snam: Snam Rete Gas S.p.A.; Stoccaggi Gas Italia S.p.A. – Stogit; GNL Italia S.p.A.; Infrastrutture Trasporto Gas S.p.A.; Snam International B.V.; Gasrule Insurance Limited; Enura S.p.A.; Snam 4 Mobility S.p.A.; Snam 4 Environment S.r.l.; Snam 4 Efficiency S.r.l.; Cubogas S.r.l.; IES Biogas S.r.l.; IES Biogas (Argentina); Copower S.r.l.; Enersi Sicilia S.r.l.; TEP Energy Solutions S.r.l.; TEP Energy Solutions Nordest S.r.l.; Tea Servizi S.r.l.; Tea Innovazione Due S.r.l.; Snam Gas & Energy Services (Beijing) Co. Ltd.; Renerwaste S.r.l.; Renerwaste Lodi S.r.l.; Ecoprogetto Milano S.p.A.; Ecoprogetto Tortona S.r.l..

Supervisory Body: the supervisory body established pursuant to Legislative Decree No. 231 of 2001

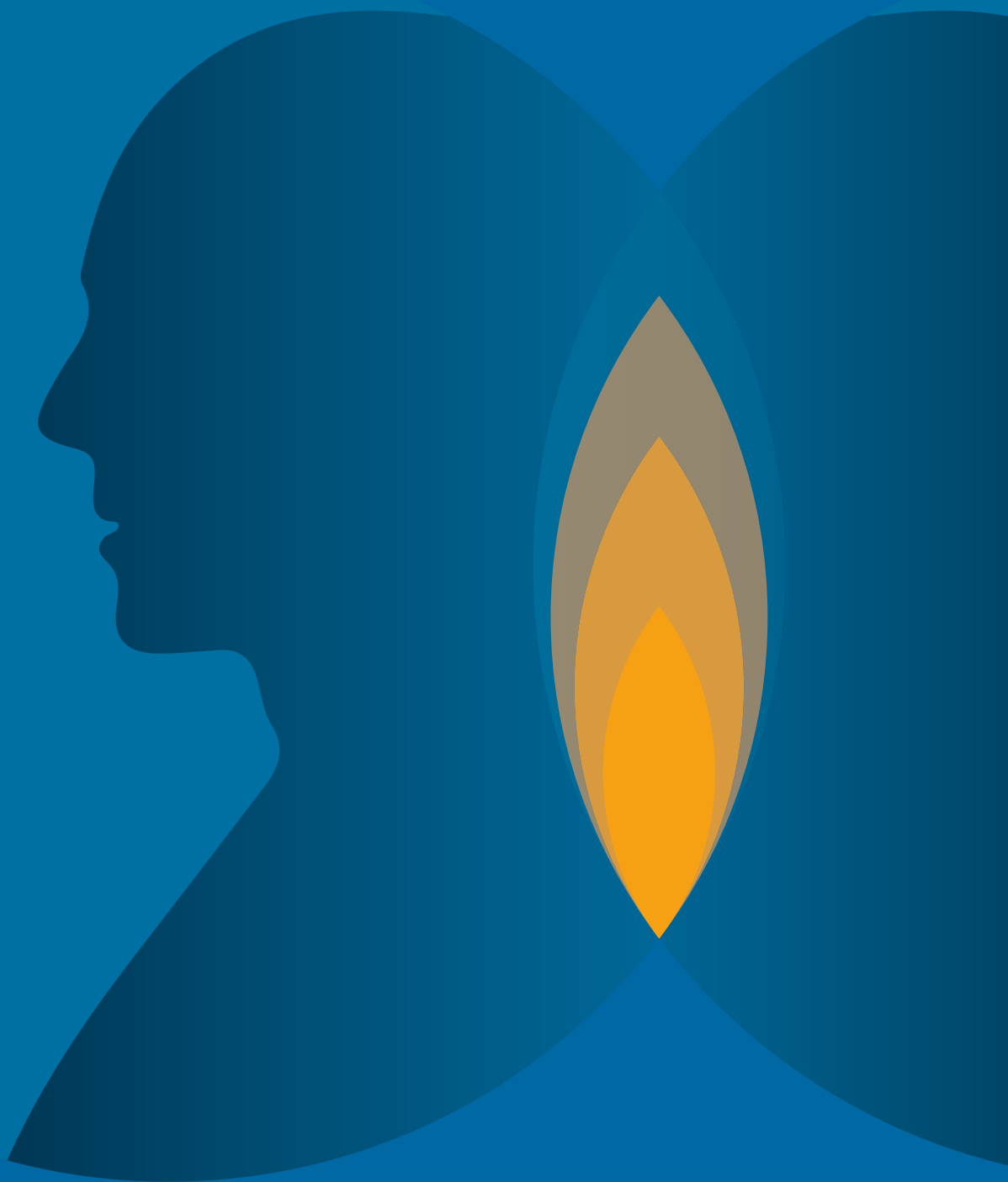
The Company’s website: www.snam.it

Unbundling Regulations: European and national provisions on functional and/or ownership unbundling that apply to all operators in the electricity and natural gas sectors. Specifically: Directive 2009/73/EC, Legislative Decree No. 93 of 1 June 2011, and the Prime Ministerial Decree of 25 May 2012, as amended by the Prime Ministerial Decree of 15 November 2019, containing “*Criteria, terms and conditions for the adoption of the ownership unbundling model of the company Snam S.p.A. pursuant to Article 15 of Law No. 27 of 24 March 2012*”

2020 Corporate Governance Recommendations: the recommendations of the Chairman of the Corporate Governance Committee contained in the letter of 21 December 2019 and circulated to the Chairmen of the Boards of Directors of listed companies

231 Model: the organisation, management and control model adopted by Snam pursuant to the Italian legislation on the “*liability of entities for administrative offences relating to crimes*” contained in Legislative Decree No. 231 of 2001

Contents



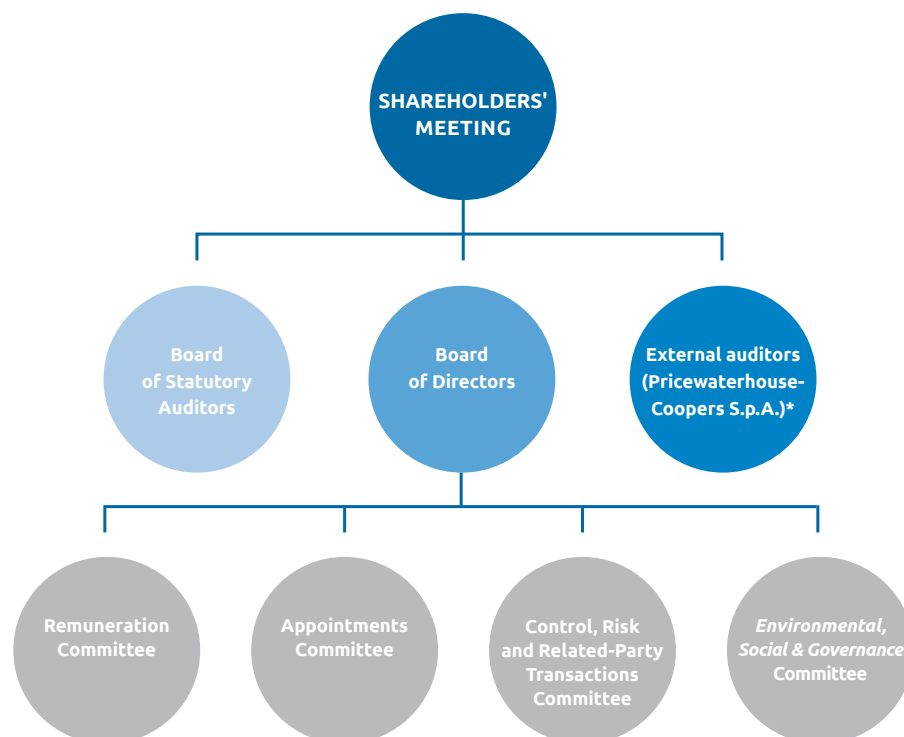
Contents

10	Executive Summary
20	Section I An introduction to Snam
30	Section II Snam's ownership structure
40	Section III Snam's Corporate Governance System
82	Section IV Snam's internal control and risk management system
114	Section V Any changes to the corporate governance structure that occurred after the end of the financial year
116	Section VI Summary tables



Executive Summary

Corporate Governance



* On 23 October 2019, the Shareholders' Meeting of Snam consensually resolved to terminate the audit mandate of PricewaterhouseCoopers S.p.A. and at the same time to appoint Deloitte & Touche S.p.A. as the external auditors for the financial years as of 31 December from 2020 to 2028.

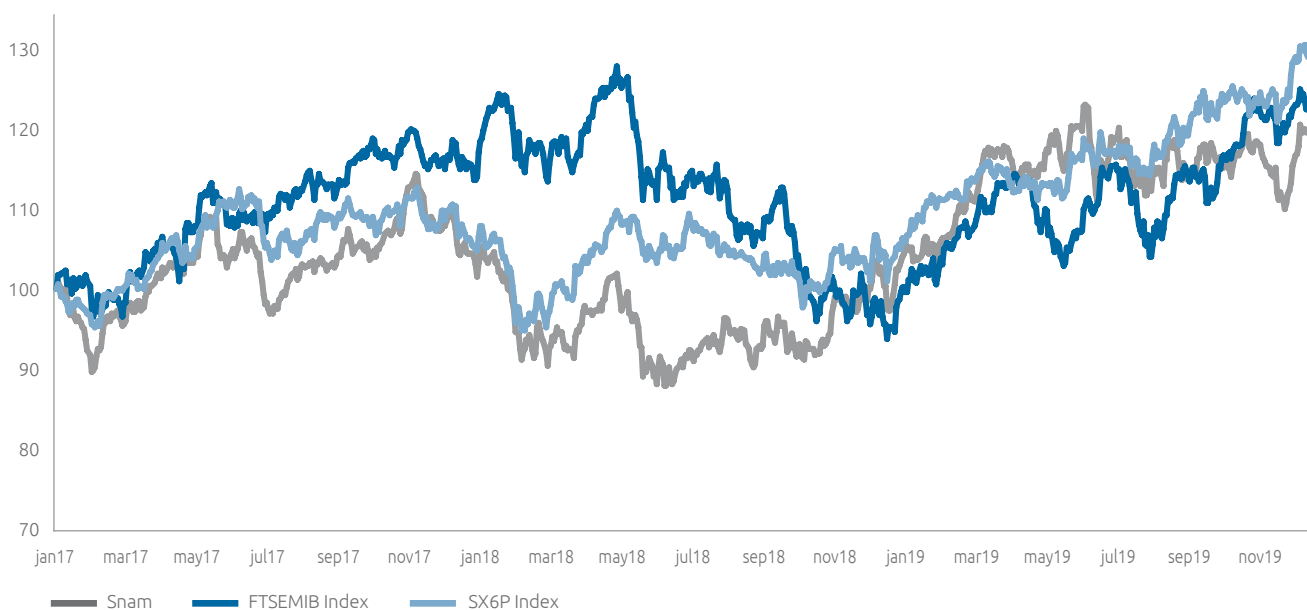
Main company highlights

Figures in millions of euros	2017	2018	2019	DELTA	% change 2018-2019
Total revenues	2,533	2,586	2,665	79	3.1
EBIT	1,348	1,384	1,452	68	4.9
Net profit (a)	897	960	1,090	130	13.5
Net indebtedness	11,550	11,548	11,923	375	3.2
Capitalisation at 31/12 (b)	13,953	12,606	15,428	2,822	22.4
Employees	2,919	3,016	3,025	9	0.3
Sector	<i>Utility</i>				

(a) Entirely attributable to Snam's shareholders.

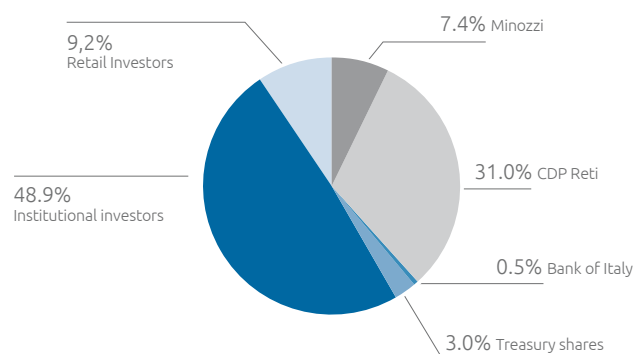
(b) The number of outstanding shares (actual number) multiplied by the official price per share at 31 December 2019.

Share performance, 2017 - 2019

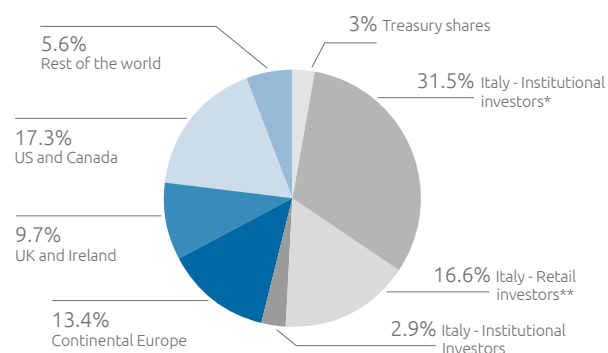


SHAREHOLDING STRUCTURE AND REPRESENTATION (AT 31 DECEMBER 2019)

Shareholding Structure



Type of investor



* Italian strategic shareholders include Banca d'Italia and CDP Reti
 ** Italian retail shareholders include the stake owned by Romano Minozzi

Other characteristics of the shareholding structure

	Yes/No	% of the share capital
Shareholders' agreement	Yes	31.04%
Majority voting	No	
Shareholding of the senior management	Yes	0.0025%
Shareholding threshold for the submission of lists	Yes	0.5%
Shareholding of Italian institutional investors	Yes	34.9%
Shareholding of foreign institutional investors	Yes	45.7%

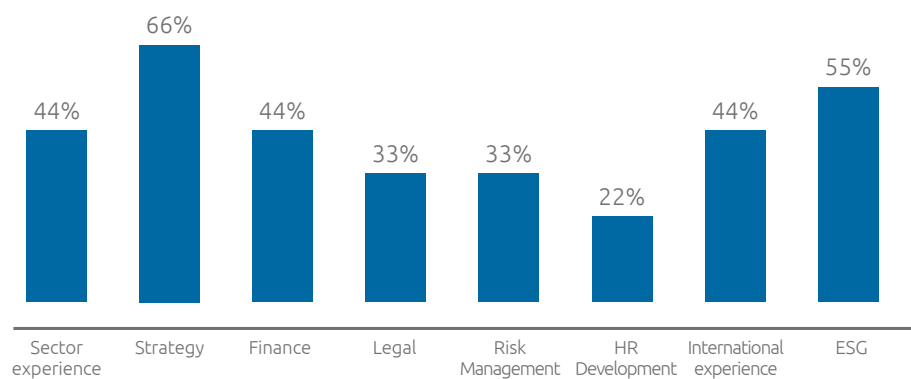
COMPOSITION OF THE BOARD OF DIRECTORS

Structure of the Board of Directors

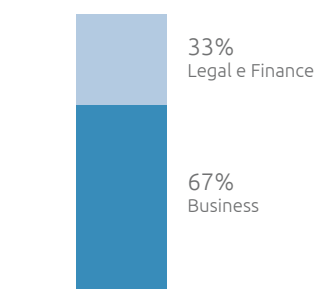
Director	Office	Role	M/m	CRRPTC	RC	AC	ESGC
Luca Dal Fabbro	Chairman	Independent (pursuant to TUF)	M				
Marco Alverà	CEO	Executive	M				
Laura Cavatorta	Director	Independent (pursuant to TUF/Code)	m			✓	C
Francesco Gori	Director	Independent (pursuant to TUF/Code)	m	C			
Yunpeng He	Director	Non-executive	M				✓
Antonio Marano	Director	Independent (pursuant to TUF/Code)	M	✓		C	
Francesca Pace	Director	Independent (pursuant to TUF/Code)	M	✓	C		
Rita Rolli	Director	Independent (pursuant to TUF/Code)	m		✓		✓
Alessandro Tonetti	Director	Non-executive	M		✓	✓	

CRRPTC: Control and Risk and Related-Party Transactions Committee;
 RC: Remuneration Committee;
 AC: Appointments Committee;
 ESGC: Environmental, Social & Governance Committee
 M: Majority list;
 m: minority list;
 C: Chairman

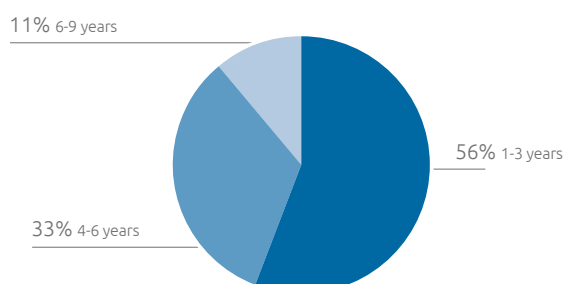
Directors' expertise



% of business expertise compared with legal and financial expertise



Seniority of office of the Directors on the Board of Directors



Change compared with previous mandate

	Last mandate	Current mandate	FTSE MIB average
Number of directors	9	9	12.6**
Directors elected by the minority	3 (33.3%)	3 (33.3%)	2.5 (17)%**
% of the less-represented gender on the BoD	44.4%	33.3%	36.9%*
% of independent directors	56%	66.6%***	54.6%**
Average age of directors	56	54	57**
Status of Chairman	Non-executive	Non-executive	Non-executive 74%**
Existence of lead independent director	no	no	24.3%*

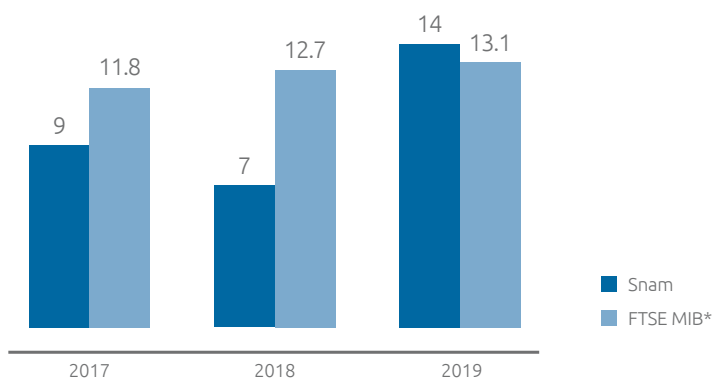
* CORPORATE GOVERNANCE COMMITTEE, 2019 report on the evolution of the corporate governance of listed companies, 7th report on the application of the Corporate Governance Code.

** ASSONIME – “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain” (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain) (2019), Note e Studi 2/20. The 2019 survey includes 220 Italian companies, listed at 31 December 2018, for which Reports were available on 15 July 2019.

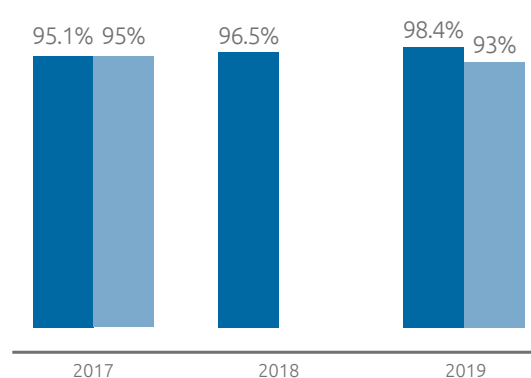
*** Five directors are independent pursuant to the Consolidated Financial Act (TUF) and the Corporate Governance Code and one is independent pursuant to the TUF.

FUNCTIONING OF THE BOARD OF DIRECTORS

Number of Board meetings



Rate of attendance at Board meetings



* ASSONIME – “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain” (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain) (2019), Note e Studi 2/20. The 2019 survey includes 220 Italian companies, listed at 31 December 2018, for which Reports were available on 15 July 2019.

Number of Committee meetings and rate of attendance of directors

Committee	Number of meetings	Rate of attendance	Presence of independent members
Remuneration Committee	11	100%	100%
Control and Risk and Related-Party Transactions Committee	18	100%	100%
Appointments Committee	8	100%	100%
Environmental, Social & Governance Committee	8	100%	100%

Directors who hold positions as director or statutory auditor in other significant companies pursuant to the Corporate Governance Code

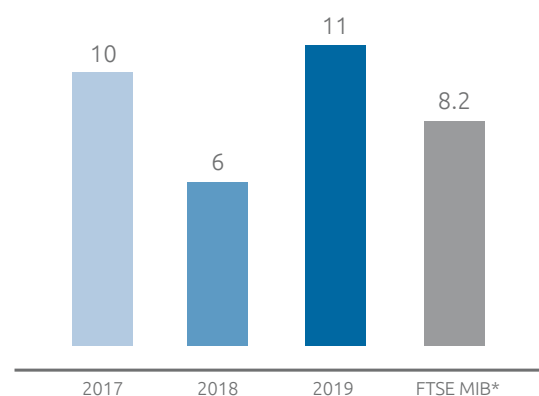
	Group companies	Other listed companies			Financial, banking and insurance companies and those of significant size			
		Non-executive director	Independent director	Statutory auditor	Non-executive director	Executive director	Independent director	Statutory auditor
Marco Alverà	-	-	1	-	-	-	-	-
Laura Cavatorta	-	-	1	-	-	-	-	-
Francesco Gori	-	1	1	-	-	-	-	-
Yunpeng He	-	3	-	-	1	-	-	-
Francesca Pace	-	-	-	-	-	-	1	-
Rita Rolli	-	-	2	-	-	-	-	-

Annual Board Evaluation process

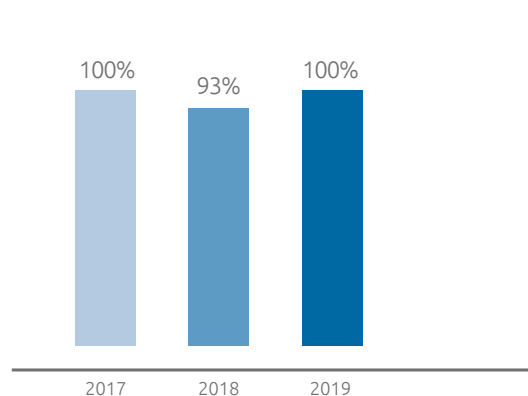
Board Evaluation process completed	Yes
Evaluator	Self-assessment with the support of an advisor
Questionnaire self-assessment methods (in questionnaires/collegial meetings)	Questionnaires/collegial meetings/peer-to-peer reviews consisting of an analysis of the individual contributions of each director by his/her colleagues

REMUNERATION

Number of meetings of the Remuneration Committee



Rate of attendance of the Remuneration Committee



* ASSONIME – “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain” (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain) (2019), Note e Studi 2/20. The 2019 survey includes 220 Italian companies, listed at 31 December 2018, for which Reports were available on 15 July 2019.

Short-term incentive system (STI)

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

STI parameters for CEO

	Weighting
Ebitda	20%
Investments	15%
Operating Efficiency	30%
New activities	15%
Sustainability	20%

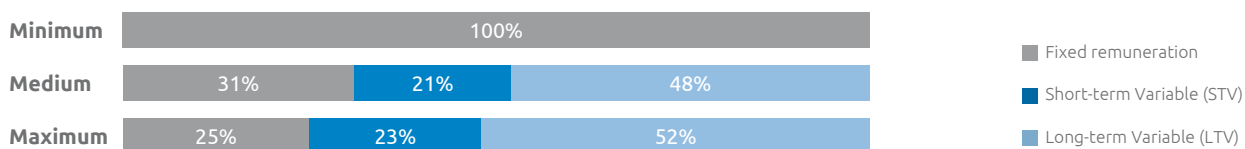
Long-term incentive system (LTI)

Existence of a long-term incentive system	
LTI Vehicles	
<i>Cash</i>	
Financial instruments	✓

LTI parameters for CEO

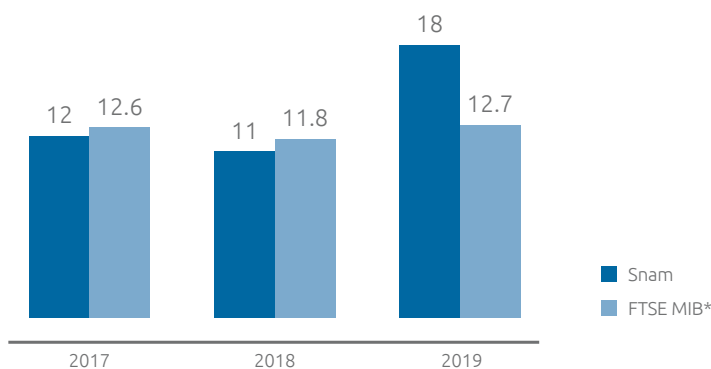
	Peso
Adjusted net profit	50%
Added Value	30%
Sustainability	20%

Theoretical pay mix for the CEO

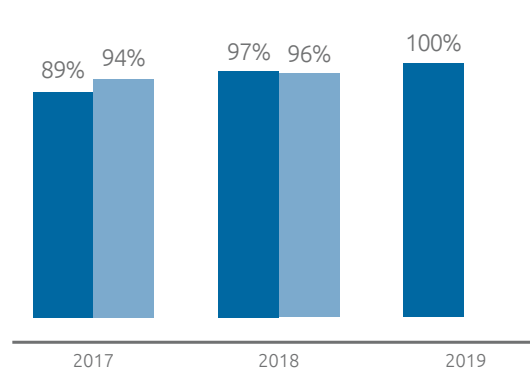


INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Number of meetings of Control and Risk Committee



Rate of attendance of Control and Risk Committee meetings



* ASSONIME – “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain” (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain) (2019), Note e Studi 2/20. The 2019 survey includes 220 Italian companies, listed at 31 December 2018, for which Reports were available on 15 July 2019.

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

	Independent	Executive/non-executive
Francesco Gori (Chairman)	✓	Non-executive
Francesca Pace	✓	Non-executive
Antonio Marano	✓	Non-executive

BOARD OF STATUTORY AUDITORS

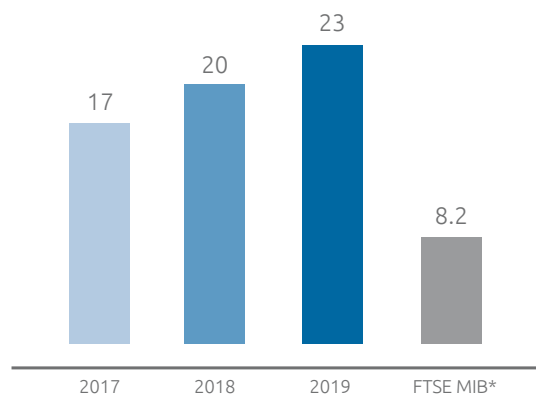
Composition of the Board of Statutory Auditors

Statutory auditors	Office	Ind.**	M/m*	Other positions
Stefano Gnocchi	Chairman	✓	m	7
Gianfranco Chinellato	Standing	✓	M	4
Donata Paola Patrini	Standing	✓	M	3
Maria Gimigliano	Alternate	✓	M	N/A
Federica Albizzati	Alternate	✓	m	N/A

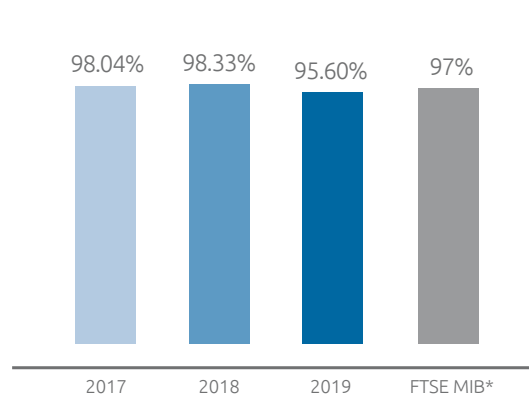
* M: Majority list;
m: minority list

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

Number of meetings of Auditors



Attendance rate of Auditors



* ASSONIME – “La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain” (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain) (2019), Note e Studi 2/20. The 2019 survey includes 220 Italian companies, listed at 31 December 2018, for which Reports were available on 15 July 2019.

Main elements of the Internal Control and Risk Management System

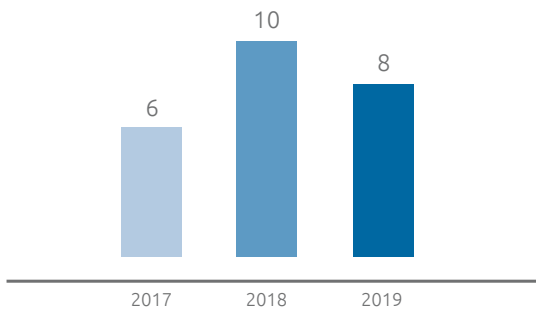
	Yes/No
Presence of the Risk Management function	yes
Is there an Enterprise Risk Management plan	yes
If so, has this plan been discussed with the Committee?	yes
Presence of succession plans (with regard to management)	yes
Preparation of specific Compliance programmes (<i>Antitrust, Anticorruption, Whistleblowing, etc.</i>)	yes

Main risks

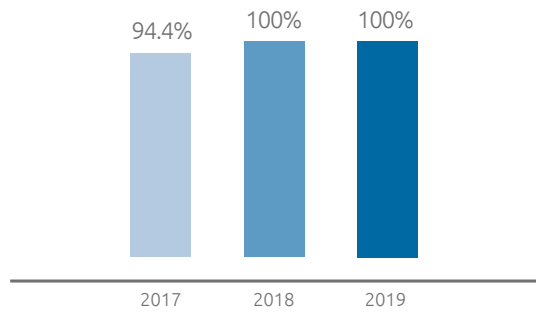
Main risks	Mitigation measures
Regulatory change (regulatory, legal and non-compliance context)	Monitoring and discussion with the main institutions responsible. Training for management and employees on anti-corruption and administrative liability pursuant to Legislative Decree No. 231 of 2001, privacy, market abuse, antitrust and issues relating to other potential offences. Refresher and awareness training on contractual rules and standards in line with applicable legislation and case law. Reputational audits of suppliers and sub-contractors. Anti-corruption and antitrust monitoring.
Operating risk (damage, breakdown, etc.)	Continuous control and monitoring measures and actions designed to prevent and/or limit the impact of third-party interference, potential situations of inadequate on-site coordination, and the occurrence of hydrogeological events.
Cybersecurity risk	Action to centralise, analyse and supervise all monitoring sources on a 24-hour basis in a single command and control centre. Periodic risk assessment for analysis of cyber risk
Infrastructure construction	Actions designed to strengthen relations with the local communities in which Snam operates, through the integrated, preventive and ongoing involvement of its stakeholders with a view to building a sustainable business for the regions and creating value.

ETHICS, SUSTAINABILITY AND GOVERNANCE

Number of meetings of the Environmental, Social & Governance Committee

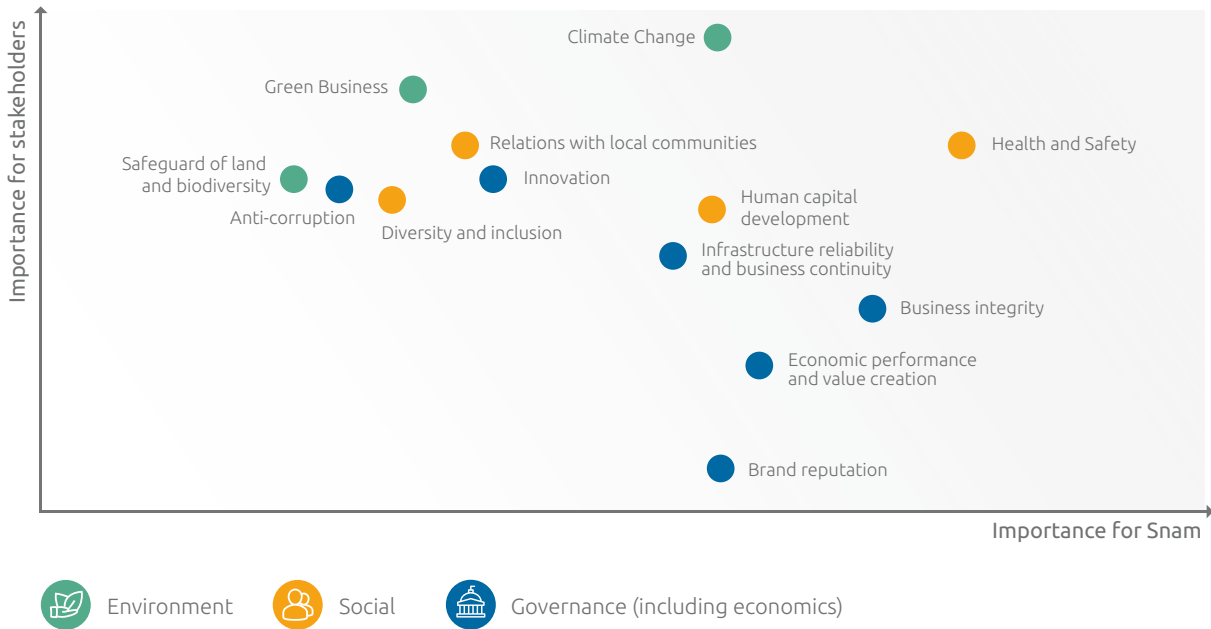


Rate of attendance of the Environmental, Social & Governance Committee meetings

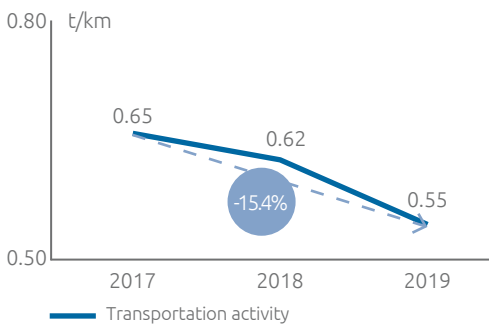


* The Environmental, Social & Governance Committee was established by Snam's Board of Directors on 14 May 2019, to replace the Sustainability Committee. The 2017 and 2018 figures, therefore, refer to the number of meetings and the rate of attendance of the Sustainability Committee.

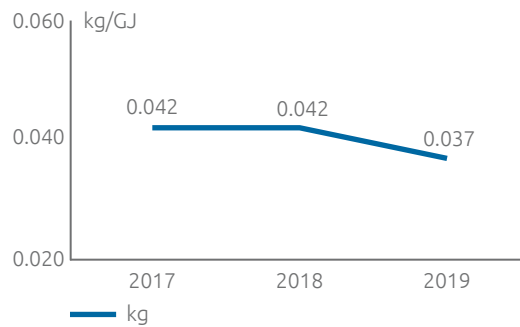
Materiality Matrix 2019



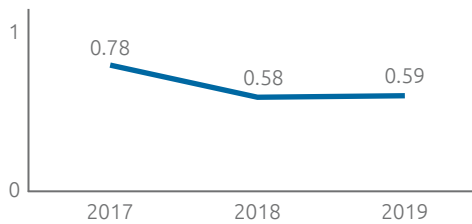
Methane emissions/network km



NO_x emissions/energy used



Accidents at work - Employee and contract worker frequency index



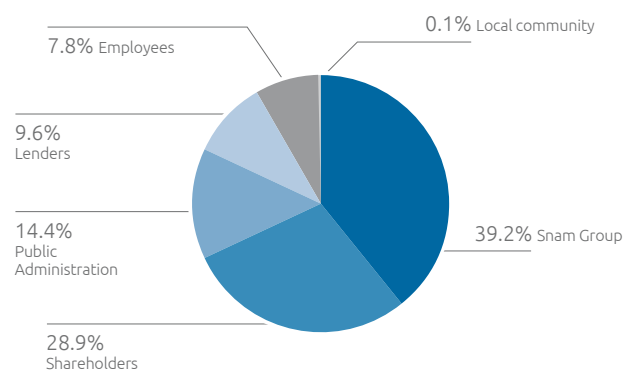
Number of accidents without itinere, with an inability of at least one day, per million hours worked

BREAKDOWN OF ADDED VALUE*

Breakdown of added value

(millions of euro)	2017	2018	2019
Added Value produced (A)	2,447	2,532	2,695
Added Value distributed (B)	1,621	1,634	1,639
Employees	249	280	258
Local community	5	3	3
Lenders (Bondholders and Banks)	292	249	211
Shareholders	732	746	780
Public Administration	343	356	387
Direct taxes	329	341	375
Indirect taxes	14	15	12
Added Value retained by the Company (A) - (B)	826	898	1,056

Breakdown of Added Value



Snam calculates the Added Value based on the standard set by the *Gruppo di Studio per il Bilancio Sociale* (GBS) and the GRI Standards

* Sustainability and value creation are strongly linked concepts for Snam. Sustainability creates value for the company and for stakeholders by connecting the business with corporate social responsibility. The Company generates wealth that contributes to the economic growth of the social and environmental context in which it operates and measures this wealth in terms of added value produced and distributed to its stakeholders.

Snam calculates the Added Value on the basis of the standard set by the Gruppo di Studio per il Bilancio Sociale (GBS) and the GRI Standards.

This description is useful to gain an understanding of the Group's economic impact and enables the consolidated financial statements to be read from the standpoint of stakeholders.

It should be noted that Added Value has been calculated on the basis of values taken from the income statement in its legally defined context.

In 2019, Snam's gross overall Added Value was €2,695 million, up €163 million, equal to 6.4% compared with 2018 (€2,532 million).

The 39.2% of the gross overall Added Value produced by Snam was reinvested within the Group (an increase compared to 2018; +3.7%), of which approximately 68.4% was allocated to the depreciation of Group assets (77% in 2018). With regard to the main reference stakeholders, 2019 shows a reduction in the value distributed to the lenders (7.8%; -2.0% compared to 2018), against a reduction in financial charges attributable to the effects of the actions to optimise the financial structure implemented during 2016, 2017 and 2018, in particular, by liability management operations. The value distributed to shareholders through the distribution of dividends was substantially stable (28.9%; 29.5% in 2018). In the presence of an increasing unit dividend (+5% compared to 2018), confirming the commitment to guarantee shareholders attractive and sustainable remuneration, there was a reduction in the number of outstanding shares against the repurchase of treasury shares made by Snam as part of the Share buyback programme.

Also with regard to employees, there was a lower incidence of distributed Added Value (9.6%; -1.5% compared to 2018) through direct remuneration, consisting of wages, salaries and severance indemnities, and indirect remuneration, consisting of social security contributions and costs for staff services (canteen services, reimbursement of travel expenses). The reduction is essentially due to the extraordinary components recorded in 2018 against the charges for subsidised leaving, in application of the early retirement instrument regulated by art. 4, paragraphs 1-7 of Law no. 92/2012, known as "Legge Fornero".

The value allocated to the Public Administration through the payment of direct and indirect taxes was substantially stable (14.4%; +0.4% compared to 2018). Finally, an amount of about €3 million was allocated to local communities (0.1% of the value generated) through donations and sponsorships and environmental compensation made in accordance with the applicable law.

For the protection of the environment, Snam made expenses of approximately €114 million (€101 million for investments and €13,4 million for operating costs).

Section I

An introduction to Snam



22	1. Mission and international growth
23	2. The stages of a long journey
25	3. Snam's presence in Italy and Europe
28	4. Governance and sustainable development of the business
28	5. Corporate governance at Snam
29	6. Code of Ethics

1. MISSION AND INTERNATIONAL GROWTH

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

Snam follows an ethical and socially responsible model, as also specified in the Company's Articles of Association, the Code of Ethics and the Sustainability Report⁸, which generates value for the business and for the community in which it operates through recognised professionalism and transparent dialogue with all stakeholders, while respecting the environment and individual territories. It has a development strategy that is clear and sustainable over time and is based on one of the most significant investment plans in the industrial landscape of the countries in which it operates, enabling the Company to attract Italian and foreign capital, promoting growth and employment.

Snam also has an economic and business model that includes respect for people in its business activities, in the belief that their skills and their constant progression are a true investment to which to commit – for stakeholders, the environment and the community as a whole.

Snam is active in the transportation, distribution and storage of natural gas and regasification of liquefied natural gas (LNG). It manages a national transportation network covering more than 32,700 km, nine storage sites and one regasifier.

Snam owns the main gas infrastructure within Italy and is a key operator in Europe in terms of its regulatory asset base (estimated at approximately €21 billion at the end of 2019)⁹.

The Company actively promotes the use of natural gas as a flexible, safe and low environmental impact energy source. Snam has launched various projects to promote the use of compressed natural gas (CNG), liquefied natural gas (LNG) and biomethane through the company Renerwaste S.r.l., which was acquired by Snam in 2019. In 2019, for the first time in Europe, Snam tested the release into the transmission network of a mixture of natural gas and hydrogen, first at 5% and then at 10% in volume. Snam also operates in the energy efficiency sector through its Subsidiaries TEP Energy Solution S.r.l. and TEA Servizi S.r.l.

In recent years, Snam has increased its focus on the international scene. Through its investee companies in Austria (TAG and GCA), France (TEREGA), the United Kingdom (Interconnector UK) and Greece (DESFA), the Company manages over 41,000 kilometres of network and over 20 billion cubic metres of storage capacity, through 11 sites. It is also a shareholder in the TAP project, the European section of the pipeline linking Azerbaijan's fields with the European Union and has established the joint venture Albanian Gas Company Service Sh.A. in Albania with Albgaz SH.A.



⁸ For further information, see Section I, Paragraph 4, of the Report.

⁹ Source: 2019 Annual Financial Report.

2. THE STAGES OF A LONG JOURNEY

1941

The foundation of Snam, an integrated operator in the supply, transportation and sale of gas

1941-1999

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

2000

In 2000, following the Letta Decree 164/2000¹⁰ promoting the liberalisation of the gas market, Snam Rete Gas was established. The new entity is assigned LNG transport, dispatching and regasification businesses, regulated by the Authority

2001-2011

On 6 December 2001, Snam Rete Gas started its journey as a listed company; over the years it has built a success story in regulated transport activities. In 2009, its range of operations was extended: after the Company bought 100% of Stogit and Italgas from ENI, it became an integrated operator of regulated activities, occupying a leading position in the European landscape

2012

In early 2012, Snam Rete Gas altered its corporate structure and changed its name to "Snam". The gas transport business was transferred to a wholly-owned company named Snam Rete Gas. In the following October, its shareholding structure also changed considerably: after the acquisition from Eni of 30% of the share capital of Snam, CDP became the new reference shareholder

2016

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

Technically, this was a partial and proportional demerger of Snam, whereby a proportion amounting to 86.5% of the shareholding held by Snam in Italgas S.p.A. was transferred, pro rata, to Snam's current shareholders

2017

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

Demonstrating Snam's commitment to sustainable development, in December 2017 Snam signed the first implementation contract for the development of methane supply stations in Italy with Eni, launching the activities of Snam 4 Mobility S.p.A. (wholly owned by Snam)

¹⁰ Legislative Decree No. 164 of 23 May 2000 ("Implementation of Directive 98/30/EC containing common rules for the internal natural gas market, pursuant to Article 41 of Law No. 144 of 17 May 1999").

2018

In March 2018, Snam relaunched its brand identity, renewing its logo and the values that will support the group as it addresses its future challenges, from the construction of infrastructure to ensure stable and secure energy supplies, to the development of gas as a renewable source.

“Energy to inspire the world” is the message on which the strategic repositioning of Snam is based, in an increasingly global market undergoing changes and innovation that are transforming the energy and environmental landscape.

In 2018, alongside growth in its core business of regulated activities, concluded with the acquisition in December, through a DEFSA European consortium, of the national operator in the natural gas infrastructure sector in Greece, Snam made significant investments in the development of new businesses aimed at promoting decarbonisation and the improved use of energy, specifically in the biomethane sector (IES Biogas and Enersi Sicilia), sustainable mobility (Cubogas) and energy efficiency (TEP Energy Solution).

It also signed major agreements to develop sustainable mobility, including through the development of micro-liquefaction plants, and agreements to evaluate potential collaborative projects in China, specifically in biomethane, research and development in renewable gas, sustainable mobility and joint electricity-gas projects.

In order to enhance Snam’s consolidated experience at a global level, within the scope of the activities launched by the Snam Global Solution business unit, Snam set up a joint venture with the Albanian infrastructure operator Albgaz, to provide services related to the operation and maintenance (O&M) of the Albanian section of the TAP gas pipeline.

Snam today

In line with its sustainable development model and in parallel with the conduct of its core business, Snam has launched numerous projects in recent years to promote a more sustainable energy system, developing initiatives and actions in the fields of energy efficiency, compressed natural gas (CNG), liquefied natural gas (LNG) and biomethane, and creating in 2019 a new business unit dedicated to hydrogen, with a view to evaluating possible pilot projects, contributing to the development of the supply chain and conducting scenario analysis, including an initial study to assess the potential for hydrogen in Italy to 2050, undertaken with the analytical support of a leading consultancy. During 2019, for the first time in Europe, Snam tested the release into the transmission network of a mixture of natural gas and hydrogen, first at 5% and then at 10% in volume, with direct supply to two industrial users, strongly believing in the potential of this energy carrier in the global anti-climate change environment. The Company has become a point of reference for the integration into the Italian energy mix of biomethane and hydrogen, which add value to the existing transport and storage infrastructure and increase production and the flexibility of the national energy supply.

Snam has been named one of the world’s best-known companies in the fight against climate change: in 2019, it was again included on the Climate Change A-List of the CPD (formerly the Carbon Disclosure Project), a testament to the effectiveness of the ongoing efforts to reduce emissions and climate risks. A major breakthrough in the strengthening of the commitment to combating climate change was the issue in February 2019 of the first Climate Action Bond at the European level (and the second at global level). This is a financial instrument used to allocate funds to projects related to the reduction of CO₂ emissions, the development of renewables, energy efficiency and green project development based on environmental criteria. In addition, in April 2019, the Company obtained a margin reduction on its “sustainable loan” of €3.2 billion following the achievement of objectives related to social and environmental sustainability parameters. Snam was also included in Bloomberg’s 2020 Gender-Equality Index (GEI).

In late November 2019, Snam presented its new Strategic Plan for the period 2019-2023, with targets set to continually create value for regulated businesses and taking a leading role in energy transition through the use of natural gas and biomethane and increasing exposure to new businesses, such as sustainable mobility, energy efficiency and, in the future, hydrogen as a clean energy carrier. Investments in the biomethane sector create synergies with investments planned for sustainable mobility, in particular to support the expansion of the Italian network of distributors of compressed natural gas (CNG and bio-CNG) and liquefied natural gas (LNG and bio-LNG).

With specific reference to energy efficiency, in addition to its subsidiary TEP Energy Solution, which specialises in energy efficiency solutions for residential buildings, businesses and public administrations, Snam has acquired TEA Servizi S.r.l., an energy services company that designs and builds industrial facilities with a focus on SMEs.

Finally, Snam is also looking abroad, and intends to develop potential joint initiatives for the construction of biogas and biomethane infrastructure in China.

2012

2013

2014

1 Interconnector (23.54% through Snam International BV)

235 km undersea pipeline between Bacton (UK) and Zeebrugge (Belgium)
1 terminal and 1 compression station at Bacton, and 1 terminal and 1 compression station at Zeebrugge

2 Terēga (40.5%)

5,080 km of network
6 compression stations
About 16% of French total gas volume
5.8 bn m³ of storage capacity (2.8 bn m³ working gas): around 25% of national capacity

3 TAG (84.47%)

3 parallel pipelines of about 380 km each
5 compression stations





2015

4 TAP (20%)

Assets under development: final section of the South gas Corridor from Azerbaijan to Europe

878 km long (773 km on-shore and 105 km off-shore) through Greece, Albania, Adriatic sea and Italy

2 compression stations (Initial capacity of 10 bn m³/year, which can be increased to 20 bn m³/year)

Expected to come into service in 4Q 2020



2016

5 GCA (49% via AS Gasinfrastructure)

564 km of transportation network

322 km of distribution network

5 compression stations



2018

6 DESFA (66% via Senfluga)

1,466 km of transportation network:

- 2 entry point (Bulgaria and Turkey)

- 1 LNG entry point (Agia Triada)

1 LNG terminal (with 6 bn m³/year regasification capacity)

1 compression station



INFRASTRUCTURE IN ITALY

NATURAL GAS TRANSPORTATION

	ENTRY POINT	8
	REVERSE FLOW	
	COMPRESSION STATION	13
	PIPELINES UNDER OPERATIONS	

NATURAL GAS STORAGE

	OPERATING CONCESSIONS	9
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LNG REGASIFICATION

	REGASIFICATION PLANT	1
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INVESTMENTS OVERSEAS

	INTERNATIONAL PIPELINES	
	COMPRESSION STATION	
	STORAGE FIELDS	
	REGASIFICATION PLANT	

OTHER OPERATORS

	INTERNATIONAL PIPELINES	
--	-------------------------	--

4. GOVERNANCE AND SUSTAINABLE DEVELOPMENT OF THE BUSINESS

The corporate governance serves to facilitate the creation of value for shareholders, while also accommodating the interests of the Company's stakeholders. Snam oversees matters of mutual interest and compliance with the rules and promotes a constructive dialogue with its stakeholders, with the ultimate aim of orienting its actions towards the creation of shared value.

The business is based on the principles established in the UN Universal Declaration of Human Rights, in the International Labour Organisation (ILO) fundamental Conventions and in the OECD Guidelines for Multinationals. Snam also adheres to the UN Global Compact, the world's biggest international sustainability initiative, which aims to promote and disseminate ten global ethical principles concerning human rights, the environment, workers' rights and anti-corruption. Finally, the commitment to sustainable development is also reflected in environmental protection as an integral part of the Company's policies. Snam intends to promote the co-existence of the environment and economic development, without neglecting land conservation.

Snam's shares are listed on the FTSE MIB index of Borsa Italiana and are present on the main international indices (STOXX Europe 600, STOXX Europe Utilities), and on the main sustainability indices (Dow Jones Sustainability, FTSE4Good, CDP, Stoxx Global ESG Leaders, MSCI, United Nations Global Compact 100, Vigeo, Oekom and Sustainalytics).

In order to illustrate the value created and the sustainability of its business to its stakeholders in a transparent manner, Snam produces the following documents:

- (i) since 2006, a Sustainability Report in accordance with the most advanced standards of the Global Reporting Initiative;
- (ii) since 2015, a Management Report for the Financial Report, supplemented with financial and non-financial data and information, according to the recommendations of the framework proposed by the International Integrated Reporting Council (IIRC);
- (iii) since 2017, the Non-Financial Statement contained in the Management Report, pursuant to Legislative Decree No. 254 of 2016;
- (iv) since 2018, a document entitled "Financial Disclosure on Climate Change", drawn up in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure established by the Financial Stability Board¹¹.

11 The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) – the body that promotes and monitors the stability of the global financial system – and tasked with drawing up a series of recommendations on reporting the risks of climate change. The aim is to guide and encourage companies to align the information they disclose with investors' expectations and needs.

The Financial Report is available on the Company's website at (https://redazione-piw.snamretegas.priv/repository/ENG_file/investor_relations/reports/annual_reports/2019/SNAM_2019_Annual_Report.pdf)

The document entitled "Financial Disclosure on Climate Change 2019" is available on the Company's website https://www.snam.it/repository/ENG_file/Sustainability/strategy_commitments/Snam_climate_change_2019.pdf

Snam publishes a Sustainability Report, drawn up in accordance with the GRI (Global Reporting Initiative) standards, which is considered an important tool for managing the sustainability process and communicating with stakeholders. The Sustainability Report is approved by Snam's Board of Directors¹².

The Sustainability Report is available on the Company's website (http://www.snam.it/repository/file/investor_relations/bilanci_relazioni/bilanci_annuali/2019/report_di_sostenibilita_2019.pdf)

5. CORPORATE GOVERNANCE AT SNAM

Corporate governance of an enterprise consists of the rules and methods for the planning, management and control required for the functioning of the company.

Snam's corporate governance system was drafted by the Board of Directors in compliance with the legislation applicable to the Company¹³.

The system is based on key principles, such as proper and transparent business management implemented through (i) the definition of information flows between corporate bodies; (ii) efficient definition of the internal control and risk management system; and (iii) the adoption of an Enterprise Risk Management system (the "**ERM Model**"). This consists of rules and organisational structures aimed at identifying, measuring, managing and monitoring the main risks that could affect the achievement of the Company's strategic objectives.

12 For more information, see Section III of this Report.

13 Specifically, the legislation to which the Company is subject (i) as a listed issuer; (ii) as an entity adhering to the Corporate Governance Code; and (iii) as an entity adhering to the national and international best practices against which the Company measures itself. The corporate governance system also pays special attention to compliance with the Unbundling Regulations, in view of the specific features of the business conducted by Snam and by its Subsidiaries, subject to the regulation of ARERA.

The Company's **Articles of Association** define the governance model of the Company and the main rules of procedure of its corporate bodies.

Snam's current corporate governance model conforms to the traditional system of administration and control. It is composed of two bodies appointed by the Shareholders' Meeting¹⁴, i.e. the shareholders' decision-making body: the Board of Directors, vested with the broadest powers for the ordinary and extraordinary management of the Company; and the Board of Statutory Auditors, which supervises administration and compliance with the law and with the Articles of Association¹⁵.

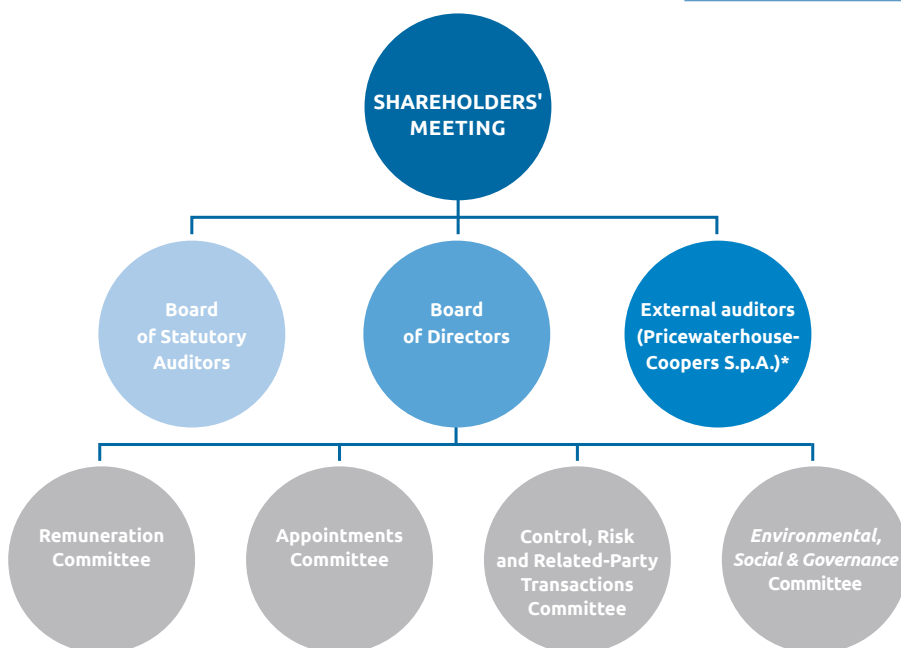
The statutory audit of the financial statements as of 31 December 2019 was carried out by PwC S.p.A. as the external auditors appointed by the Shareholders' Meeting on the recommendation of the Board of Statutory Auditors.

The Board of Directors established the following four Committees, in compliance with the Corporate Governance Code and with the Articles of Association¹⁶:

- the Control and Risk and Related-Party Transactions Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Environmental, Social & Governance (ESG) Committee.

The Articles of Association can be viewed on the Company's website (<http://www.snam.it/export/sites/snam-rp/repository/file/Governance/statuto/Snam-S.p.A.-Statuto-sociale-Novembre-2019-Clean-ITA.pdf>)

The following is a graphic representation of the Company's corporate governance structure at the date of this Report.



14 For further information, see Section III, Paragraph 1 of the Report.

15 For further information, see Section III, Paragraph 4 of the Report.

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

6. CODE OF ETHICS

The Code of Ethics defines a shared value system and expresses Snam's business ethics culture. It forms the basis for the Company's strategic thinking and the conduct of its business¹⁷. In particular, the Code of Ethics:

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

The Code of Ethics represents, among other things, a mandatory general principle of the 231 Model. The Board of Directors has assigned to the Supervisory Body¹⁸ the role of Code of Ethics Supervisor, to which the following may be submitted:

- requests for clarification and interpretation of the principles contained in the Code of Ethics;
- suggestions relating to the application of the Code of Ethics;
- notifications of breaches of the Code of Ethics.

The Code of Ethics is available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/Codice_Etico.pdf)

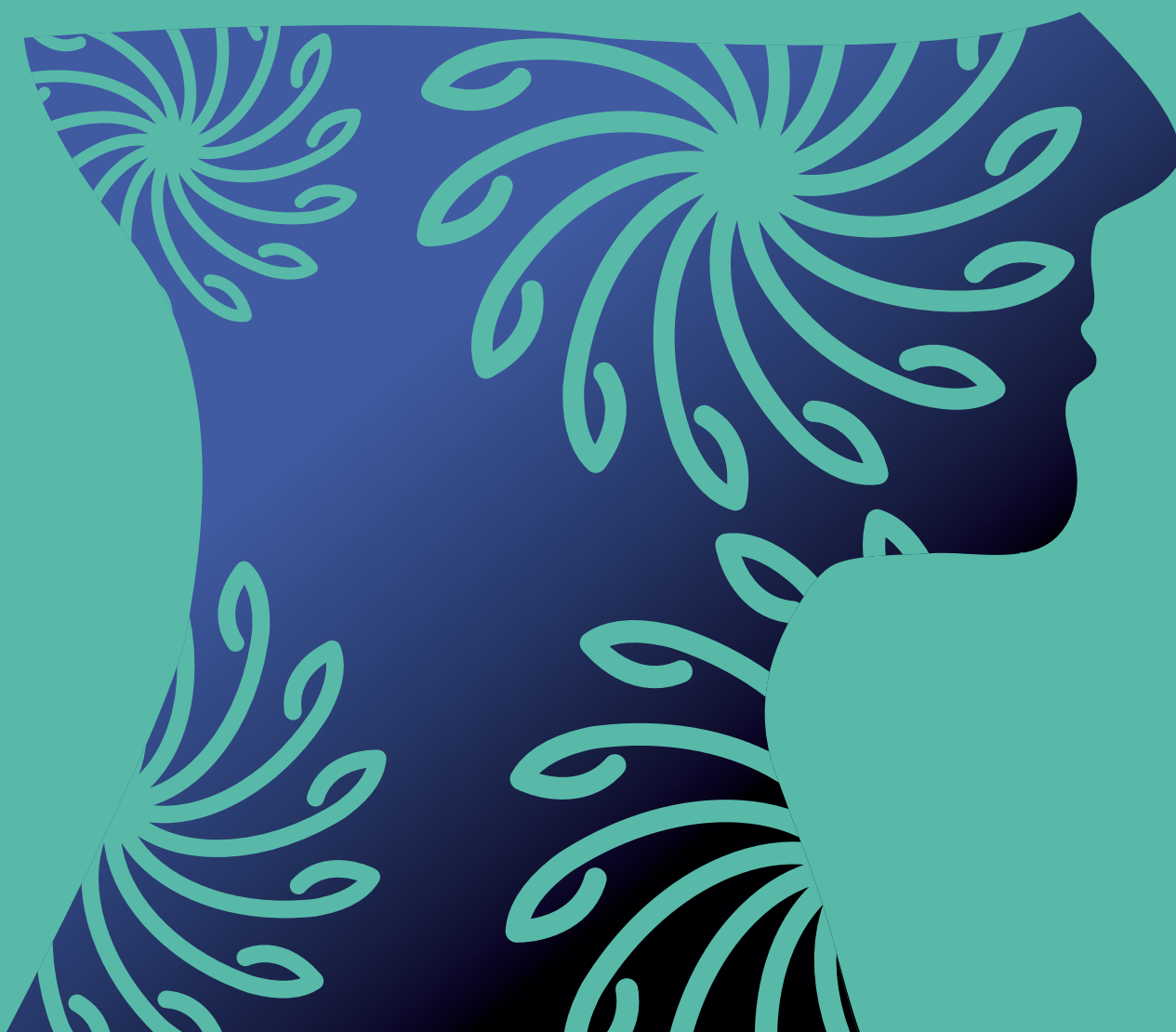
* On 23 October 2019, the Shareholders' Meeting of Snam consensually resolved to terminate the audit mandate of PricewaterhouseCoopers S.p.A. and at the same time to appoint Deloitte & Touche S.p.A. as the external auditors for the financial years as of 31 December from 2020 to 2028.

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

18 The Supervisory Body was established pursuant to Legislative Decree No. 231 of 2001.

Section II

Snam's ownership structure



32	1. Structure of share capital and changes in shareholder structure and market capitalisation
32	2. Breakdown of shareholder structure by geographical area
33	3. Significant shareholdings
33	4. Restrictions on the transfer of shares and voting rights
33	4.1 Unbundling Regulations
34	5. Securities that entitle the holder to special rights
35	6. Special powers of the State
35	7. Mechanism for exercising voting rights in a possible employee share ownership system
36	8. Shareholder agreements
37	9. Change-of-control clauses and provisions on takeover bids
37	10. Powers to increase the share capital and authorisations to buy treasury shares
38	11. Direction and coordination activities
39	12. Further information - References

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

The fully subscribed and paid-up share capital is €2,735,670,475.56, divided into 3,394,840,916 ordinary registered shares, with no nominal value indicated.

Share class	No. of shares	Proportion of share capital (%)	Listing market	Rights and obligations
Ordinary shares with no nominal value	3,394,840,916	100	<i>Mercato Telematico Azionario</i> (the screen-based equity market) organised and managed by Borsa Italiana S.p.A.	The shares are indivisible, and each share entitles the holder to one vote. Shareholders may exercise corporate and ownership rights, subject to the limits set by the regulations in force and by the Articles of Association

As at 31 December 2019, the Company held 102,412,920 treasury shares, equal to 3.02% of the share capital. The floating capital was 65.4%.

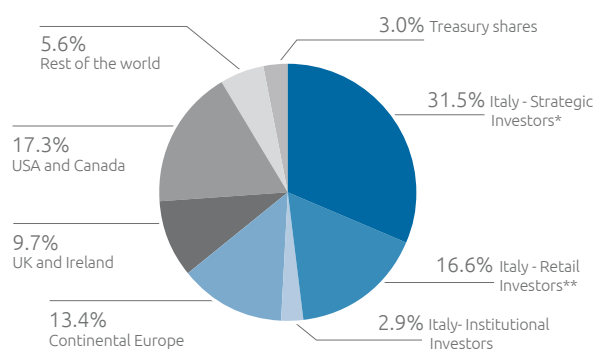
The Company's market capitalisation increased from €12,606 million as at 31 December 2018 to €15,428 million as at 31 December 2019 (based on an official price of €4.686 per share and a total number of outstanding shares of 3,292,427,996).

2. BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHICAL AREA

The table shows a breakdown of the shareholder structure by geographical¹⁹.

Shareholding area	Proportion of share capital (%)
Italy	54.0
Rest of continental Europe	13.4
USA and Canada	17.3
UK and Ireland	9.7
Rest of the world	5.6
Total	100.00

Type of investor



¹⁹ The table was prepared based on the information available to the Company on the date of approval of the Report.

3. SIGNIFICANT SHAREHOLDINGS

The table below shows shareholders with equity investments of more than 1% in Snam's share capital²⁰, as indicated by the information available to the Company.

Declarant	Direct shareholder	Proportion of ordinary share capital (%)
CDP S.p.A.	CDP RETI S.p.A. ⁽¹⁾	31.038
	Minozzi Romano	3.734
	Iris Ceramica Group S.p.A.	2.501
	GranitiFiandre S.p.A.	0.827
	Finanziaria Ceramica Castellarano S.p.A.	0.323
		Total: 7.385
BLACKROCK INC.		5.109
LAZARD ASSET MANAGEMENT LLC.		4.918
NORGES BANK		1.729
BANK OF ITALY		1.005
SNAM S.p.A.	SNAM S.p.A.	3.70

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

4. RESTRICTIONS ON THE TRANSFER OF SHARES AND VOTING RIGHTS

The Articles of Association do not establish any restrictions on the transfer or limitations on the ownership of shares of the Company. However, the provisions of law described below do establish a number of restrictions on the transfer and ownership of shares in Snam.

4.1 Unbundling Regulations

The Prime Ministerial Decree of 25 May 2012, as amended by the Prime Ministerial Decree of 15 November 2019 (the "DPCM"), establishes the "criteria, conditions and procedures which Snam S.p.A. is required to follow to adopt the ownership unbundling model of the national gas transportation network and ensure the full separation of Snam S.p.A. from vertically integrated companies producing and supplying natural gas and electricity".

In accordance with the ownership unbundling regime, on 15 October 2012, CDP RETI S.p.A. (then a wholly owned subsidiary of CDP S.p.A.) purchased from Eni S.p.A. 30% less one share of the share capital of Snam. Eni S.p.A. subsequently reduced its interest and now does not have a stake in the Company's capital.

²⁰ Pursuant to Article 120, paragraph 2-bis, of TUF, Consob resolution no. 21326 of 8 April 2020 introduced the additional threshold of 1% of Snam's share capital, for a period of three months after the Consob resolution comes into force and subject to early revocation.

In order to ensure that Snam is fully separated, the DPCM²¹ also provides that:

- (i) even if Snam is included in “separate management” activities of CDP S.p.A., all decisions relating to the management of equity investments in Snam are adopted by the Board of Directors of CDP S.p.A. as if the equity investment were part of its “ordinary management” operations, i.e. the Ministry of Economy and Finance will have no power to guide such decisions and the members of the Board of Directors of CDP S.p.A. in charge of “separate management” activities will not be able to influence them;
- (ii) the members of the administrative or control bodies, as well as those with managerial functions at Eni S.p.A. or its subsidiaries, may not be members of the administrative or control bodies or hold managerial positions at Cassa Depositi e Prestiti S.p.A. or Snam S.p.A. or their subsidiaries, if the latter operate in the natural gas transport or electricity transmission sector, nor may they have any direct or indirect professional or financial relationship with such companies; similarly, members of the administrative or control bodies, and those with managerial positions at Cassa Depositi e Prestiti S.p.A. who have a direct or indirect professional or financial relationship with companies operating in the natural gas transport or electricity transmission sector, at Snam S.p.A., Terna S.p.A. and their subsidiaries operating in the natural gas transport or electricity transmission sector, may not be members of the administrative or control bodies or hold managerial positions at Eni S.p.A. or its subsidiaries, nor enter any direct or indirect professional or financial relationship with these companies

The voting rights attached to shares acquired (including through deeds, transactions or agreements of any kind), as well as to shares already held, directly or indirectly, by gas and/or electricity producers or suppliers or by their parent companies, subsidiaries or associates pursuant to the Italian Civil Code, and any powers of appointment pertaining to them, shall be restricted in compliance with the provisions of Article 19 of Legislative Decree no. 93/2011²². Article 19 of Legislative Decree no. 93/2011 provides that the same party (whether a natural person or legal entity) may not:

- (i) exercise control, directly or indirectly, over an undertaking that produces or supplies natural gas or electricity and at the same time exercise control or rights, directly or indirectly, over a natural gas or electricity transmission system operator or over a natural gas or electricity transmission system;

- (ii) appoint members of the Supervisory Body, the Board of Directors or the bodies that legally represent the Company within a transport system operator or a transport system and, simultaneously, directly or indirectly control or hold rights over natural gas production or supply operations²³.

In accordance with the aforementioned provisions, the shareholders that produce and sell gas and/or electricity are forbidden from exercising voting rights at the Company's Shareholders' Meetings. Therefore, they hold only the ownership rights to the shares they hold in Snam.

As a result of the legislative changes and Eni S.p.A.'s consequent loss of control over Snam, on 14 November 2013, ARERA adopted Resolution 515/2013/R/gas, implementing its decision to definitively certify Snam Rete Gas as a natural gas transportation system operator under the ownership unbundling regime. By Resolution 318/2016/R/GAS of 16 June 2016, adopted following CDP S.p.A.'s sale of shares in CDP RETI S.p.A. to the company State Grid Europe Limited, ARERA confirmed that the requirements laid down in the regulations in force continued to be met.

Finally, by resolution 589/2018/R/GAS of 20 November 2018, ARERA certified Infrastructure Trasporto Gas S.p.A., acquired by Snam (which owns 100% of the share capital) in October 2017, as a natural gas transportation system operator under the ownership unbundling regime.

5. SECURITIES THAT ENTITLE THE HOLDER TO SPECIAL RIGHTS

The Company's Articles of Association do not provide for the issuance of multiple voting shares or loyalty shares. The Company has not issued any securities that entitle the holder to special control rights.

²¹ See Article 2 of the DPCM.

²² In this regard, see Article 19 of Legislative Decree No. 93 of 1 June 2011, “Implementation of Directives 2009/72/EC, 2009/73/EC and 2008/92/EC on common rules for the internal market in electricity, natural gas and a Community procedure on the transparency of prices to the industrial final consumer of gas and electricity, and repeal of Directives 2003/54/EC and 2003/55/EC”.

²³ Such rights include the power to exercise voting rights and to appoint members of the Supervisory Body, Board of Directors or bodies that legally represent the company.

6. SPECIAL POWERS OF THE STATE

Decree-Law No. 21 of 15 March 2012²⁴ affects regulation of the so-called special powers by re-writing the conditions and methods of the exercise of special government powers over strategic assets in the energy, transport and communications sectors, in order to bring the national regulations into line with the rules laid down the Treaty on the Functioning of the European Union. This legislation grants powers of intervention to the government to protect the country's legitimate, strategic and essential interests.

With regard to the energy sector, the Decree-Law No. 21 of 15 March 2012 (as amended, lastly, by the Decree-Law No. 23 of 8 April 2020 on urgent measures relating, inter alia, to special powers in strategic sectors which shall apply until 31 December 2020), confers upon the Government: (i) a power of veto over resolutions, actions or operations adopted by companies that own strategic assets in the energy sector, provided that such resolutions, actions or operations result in a loss of control or availability of the assets or a change in their use; and (ii) a power to impose certain duties or to oppose the acquisition of controlling shareholdings or shareholdings higher than certain thresholds in said companies.

As far as Snam is concerned, provision is made for the following duties of disclosure:

- (i) in the event of changes to the ownership, control, availability or destination of the networks, plants, assets and relationships that are strategically important for the national interest (the “Core Assets”)²⁵. Resolutions passed by the Shareholders’ Meeting or the management bodies concerning the transfer of Subsidiaries that hold the aforementioned Core Assets must be

reported within the same timeframe. If, after a period of 45 days²⁶ from the notification²⁷, the Prime Minister has not notified any veto or imposed provisions or conditions aimed at ensuring the protection of the public interest, the transaction may be carried out;

- (ii) in the event of the acquisition of shareholdings in a company that holds Core Assets.²⁸

If the acquisition poses the threat of serious harm to the fundamental interests of the State, or a danger to security or public order²⁹, the Prime Minister may:

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

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

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

There are no plans for an employee share ownership system.

24 Decree-Law No. 21 of 15 March 2012, converted into Law No. 56 of 11 May 2012, subsequently amended by Decree-Law No. 148 of 16 October 2017 – converted with amendments by Law No. 172 of 4 December 2017 –, by Decree-Law No. 105 of 21 September 2019 – converted with amendments by Law No. 133 of 18 November 2019 –, as well as, lastly, by Decree-Law No. 23 of 8 April 2020, contains rules concerning special powers on corporate ownership in the defence and national security sector, as well as for activities of strategic importance in the energy, transportation and communication sectors.

25 Article 2 of Decree-Law No. 21 of 15 March 2012 provides for the identification of assets considered important for the national interest in the energy, transport and communication sectors through one or more regulations adopted by Presidential Decree. On 6 June 2014, the Official Gazette published the two decrees implementing Article 2, paragraph 9 of Decree-Law 21/2012, as approved by the Council of Ministers on 14 March 2014, which identify: (i) strategically important assets in the energy, transport and communications sectors (Presidential Decree No. 85 of 25 March 2014) and (ii) procedures for activating special powers in the energy, transport and communications sectors (Presidential Decree No. 86 of 25 March 2014). Lastly, on 2 October 2014, the text of the DPCM of 6 August 2014 was published, containing the “*regulations on the coordination activities of the Prime Minister in preparation for the exercise of special powers over shareholder structures in the defence and national security sectors, and on assets of strategic importance in the energy, transport and telecommunication sectors*”. Specifically, the Core Assets include the national natural gas transportation network and the relative compressor stations, dispatch centres, gas storage plants, onshore and offshore LNG regasification plants and management activities associated with the use of the above networks and infrastructure.

26 If it becomes necessary to request information from the company, the time limit may be suspended only once until receipt of the requested information, which is provided within ten days.

27 The Company notifies the Prime Minister within ten days of adoption of any resolution, act or operation affecting the Core Assets and, in any case, before it is implemented.

28 Article 15, paragraph 1, of Decree-Law No. 23 of 8 April 2020, in order to counter the epidemiological emergency of COVID-19 and contain its negative effects, provided that, until 31 December 2020, the notification obligation shall apply “*to purchases for any reason of shareholdings, by foreign subjects, including those belonging to the European Union, of such importance as to determine the purchaser’s permanent establishment by reason of the acquisition of control of the company whose shareholding is the object of the acquisition, pursuant to Article 2359 of the Italian Civil Code and the Consolidated Financial Act pursuant to Legislative Decree No. 58 of 24 February 1998, as well as the purchases of shareholdings, by foreign subjects not belonging to the European Union, that attribute a share of the voting rights or the share capital of at least 10 per cent, taking into account the shares or units already directly or indirectly held, and the total value of the investment is equal to or greater than 1 million euros, and acquisitions that determine the exceedance of the thresholds of 15 per cent, 20 per cent, 25 per cent and 50 per cent shall be notified as well*”.

29 Article 14 of Decree-Law No. 148/2017, converted into Law No. 172 of 4 December 2017, partially amended the rules set out in Article 2 of Decree-Law No. 21 of 15 March 2012. To this end, it is established that “*in order to determine whether a foreign investment may affect security or public order, consideration may be given to the fact that the foreign investor is controlled by the government of a third country, not belonging to the European Union, including through significant financing*”.

8. SHAREHOLDER AGREEMENTS

The largest direct shareholder of Snam is CDP RETI S.p.A., whose main shareholders are CDP S.p.A. (59.1%) and State Grid Europe Limited (“SGEL”) (35%), a company wholly-owned by State Grid International Development Limited. CDP S.p.A., SGEL and State Grid International Development Limited are parties to a shareholders’ agreement dated 27 November 2014 (the “Shareholders’ Agreement”).

The Shareholders’ Agreement was first amended on 7 November 2016, following the completion of the partial and proportionate demerger to Italgas S.p.A. of the shareholding of Snam in Italgas Reti S.p.A., which was completed on 7 November 2016 (the “Demerger”), in order to (i) reflect the new corporate structure of the group headed by CDP RETI S.p.A.; (ii) extend the provisions of the Shareholders’ Agreement to cover new investee company Italgas; and (iii) to coordinate the content of the Shareholders’ Agreement with the provisions of the shareholders’ agreement signed on 20 October 2016 between CDP RETI S.p.A., CDP Gas S.r.l. and Snam concerning all the shares held by CDP RETI S.p.A., CDP Gas S.r.l. and Snam in Italgas³⁰. The Shareholders’ Agreement was last updated on 23 May 2017 to note the sale by CDP S.p.A. to CDP RETI S.p.A. of the entirety of the shareholding of CDP S.p.A. in Italgas S.p.A. and in Snam. In particular, on 1 May 2017, the merger by incorporation of CDP GAS S.r.l. into CDP S.p.A. came into effect, and CDP S.p.A. thus took over the ownership of the Snam and Italgas shares owned by CDP GAS on that date. Given the above, on 19 May 2017, CDP S.p.A. transferred both the entire shareholding in Italgas and the entire shareholding in Snam to CDP RETI S.p.A.

The shareholders’ agreement – which has a term of three years from the signing date, and will renew automatically for successive three-year periods, unless one of the parties withdraws – governs, *inter alia*, certain aspects relating to Snam’s corporate governance. Specifically:

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

The essential information pertaining to the Shareholders’ Agreement is available on the Company’s website (http://www.snam.it/it/investor-relations/azionariato/patti_parasociali/).

³⁰ The shareholders’ agreement applying to the equity investments held in Italgas by CDP RETI S.p.A., CDP Gas S.r.l. and Snam came into effect on 7 November 2016 and governs, *inter alia*, the exercise of voting rights attached to the syndicated shares, the creation of an “Advisory Committee” to make decisions on the exercise of voting rights attached to the syndicated shares at Italgas’ shareholders’ meeting, the obligations and methods for the formation and submission, through this Advisory Committee, of a joint list for the appointment of members of Italgas’ board of directors, and certain restrictions on the sale and purchase of Italgas shares.

Specifically with regard to the Advisory Committee, the Italgas shareholders’ agreement provides that it shall have five members, four of them appointed by CDP RETI S.p.A. (and specifically three members, including the Chairman of the Committee, representing CDP S.p.A., and one member representing SGEL) and one appointed by Snam. The voting rights associated with the shares syndicated under the shareholders’ agreement will be exercised pursuant to the resolutions adopted by the Advisory Committee: the parties have therefore undertaken to confer on the Committee chairman a general power of attorney to exercise these voting rights at the relevant shareholders’ meetings of Italgas, pursuant to the resolutions adopted by the Advisory Committee.

The shareholders’ agreement – which contains significant provisions pursuant to Article No. 122, paragraphs 1 and 5, letters a) and b), of TUF - has been published in accordance with the relevant legislation.

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

Snam and its Subsidiaries have entered into loan agreements containing specific clauses applicable in the event of a change of control of the Company.

Specifically, these are bank financing agreements that allow the other party to terminate the contract prematurely, either after an entity or entities acting in concert, other than CDP S.p.A., gain control of Snam, or when this also entails a downgrade of Snam's credit rating to below predetermined thresholds following this acquisition of control³¹.

The Articles of Association do not provide for any exceptions to the provisions on the passivity rule provided for by Article 104, paragraphs 1 and 2 of TUF.

Article 104, paragraph 1 of TUF:

"Unless authorised by the ordinary or extraordinary shareholders' meeting for the relevant resolutions, listed Italian companies whose securities are subject to the offer shall refrain from acts or operations that may conflict with the achievement of the objectives of the offer. [...] Merely seeking other offers does not constitute an act or operation that conflicts with the objectives of the offer"

Nor do they provide for the application of the neutralisation rules set out in Article 104-bis, paragraphs 2 and 3 of TUF.

Article 104-bis, paragraph 2 of TUF:

"During the period of acceptance of the offer, the restrictions on the transfer of securities laid down in the articles of association shall not have any effect on the offerer, nor shall any restrictions on the right to vote laid down in the articles of association or shareholders' agreements have any effect in shareholders' meetings called to decide on the acts and operations provided for in Article 104 [...]"

31 Further information on the financial agreements can be found in the 2019 Annual Financial Report, under Note 26, "Guarantees, commitments and risks – Management of financial risks", of the Notes to the consolidated financial statements.

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

The Company's Board of Directors does not have the power to increase the share capital³². The Articles of Association provide that the Company may issue shares, including special classes of shares, to be allotted free of charge³³.

The Company's Ordinary Shareholders' Meeting of 2 April 2019 revoked the unimplemented part of the authorisation granted on 24 April 2018 and authorised a plan to purchase treasury shares for a maximum outlay of €500 million and a maximum of 126,664,660 shares, without in any case exceeding 6.5% of the share capital subscribed and paid in respect of the treasury shares already held by the Company, to be carried out, on one or more occasions, within 18 (eighteen) months of the date of the shareholders' meeting.

The authorisation to purchase treasury shares is for the following purposes: (i) to provide the Company with a tool for financial and strategic flexibility in order to increase shareholder value, including by improving the Company's financial structure; (ii) to undertake activities to promote liquidity and manage the volatility of the Company's share price and, in particular, to act in the context of contingent market situations; (iii) as part of actions related to future industrial and financial projects consistent with the strategies that the Company intends to pursue, including by means of the exchange, trading, contribution, sale or other act of disposal of treasury shares for the acquisition of equity investments or share packages, for industrial projects or other extraordinary financial transactions involving the allocation or disposal of treasury shares; and (iv) the execution of stock option plans of the Company and any future share incentive plans³⁴.

32 In this regard, see Article 2443 of the Italian Civil Code.

33 In this regard, see Article 2349 of the Italian Civil Code.

34 Transaction performed pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of TUF.

11. DIRECTION AND COORDINATION ACTIVITIES

The shareholder CDP S.p.A. declared, in its 2014 Annual Financial Report, with effect from the reporting date of the financial statements as of 31 December 2014, the existence of a *de facto* controlling stake in Snam S.p.A. in accordance with IFRS 10 – Consolidated Financial Statements. Snam is not directed or coordinated by any other entity. In particular, with a communication dated 30 October 2013, CDP S.p.A. formally declared to ARERA:

- (i) that it does not exercise direction and coordination activities with regard to Snam and its Subsidiaries;
- (ii) that it only exercises administrative and ownership rights with respect to Snam as a shareholder, without the power to influence or limit in any way the free management choices of the administrative body of Snam and its Subsidiaries, including with regard to investments, business plans and commercial strategies;
- (iii) that it does not receive any commercially sensitive or inside information on the activity of Snam and its Subsidiaries, except for information made available to all market operators in equal measure and without discrimination³⁵.

By resolution of 1 August 2019, the Board of Directors of CDP S.p.A. reclassified this participatory relationship with Snam as *de facto* control, also pursuant to Article 2359, paragraph 1, no. 2) of the Italian Civil Code and Article 93 of TUF. CDP S.p.A. has confirmed that it does not exercise direction and coordination activities with regard to Snam and its Subsidiaries.

Snam exercises direction and coordination activity with regard to its Subsidiaries, with the exception of Renerwaste S.r.l., Renerwaste Lodi S.r.l., Ecoprogetto Milano S.p.A. and Ecoprogetto Tortona S.r.l.

On 11 December 2018, Snam's Board of Directors adopted the Corporate Governance guidelines (the "**Corporate Governance Guidelines**"), with the aim of consolidating and streamlining all regulations, guidelines and internal rules relating to corporate governance through which the direction and coordination activity within the Snam Group is carried out, specifying their interpretation and simplifying their implementation.

The Corporate Governance Guidelines contain provisions on **direction and coordination activities** within the Snam Group that define a standard framework for governance structures, as well as organisational and managerial rules intended to enhance the role played by Snam as an entity that performs direction and coordination activities strategically, while also considering the legal autonomy and principles of proper corporate and business management of its Subsidiaries.

In particular, the Corporate Governance Guidelines contain:

- (a) the principles, content, tools and operating methods of the strategic activity carried out by Snam with respect to its Subsidiaries, in accordance with its corporate governance system and the characteristics of its organisational structure;
- (b) the criteria, roles and responsibilities for conferring, exercising and revoking the delegated powers and powers of representation to persons operating within the scope and in the interest of Snam and its Subsidiaries;
- (c) the roles, responsibilities and procedures for conferring, managing and revoking mandates to the entity responsible for the statutory audit of Snam and its Subsidiaries;
- (d) a description of information flows aimed at (i) ensuring the transparency of the management of the Company; (ii) ensuring the conditions for the effective and efficient management and control of the Company's activities and business operations by the Board of Directors; and (iii) providing the Board of Statutory Auditors with the information required for the efficient execution of its supervisory role.

³⁵ See ARERA Resolution 515/2013/R/GAS of 14 November 2013.

The Corporate Governance Guidelines also refer to other documents adopted as part of direction and coordination activities.

This document lays down, *inter alia* the principles of proper corporate and business management adopted by Snam when directing and coordinating its Subsidiaries, including:

- compliance with general legislation, self-regulatory rules and the applicable industry regulations;
- control of corporate risks;
- transparency with regard to the market;
- harmonisation in the management of the Snam Group;
- maximisation of value for shareholders;
- a focus on qualified stakeholders in the areas in which the Snam Group operates;
- confidentiality obligations.

The Corporate Governance Guidelines are adopted by the Boards of Directors of the Subsidiaries.

The Corporate Governance Guidelines are available on the Company's website http://www.snam.it/export/sites/snam-rp/repository/file/Governance/sistema_corporate_governance/169_18_snm_linee_guida_corp_gov_03.pdf

12. FURTHER INFORMATION - REFERENCES

Information³⁶ on the agreements between the Company and the directors which provide for compensation in the event of resignation or dismissal without just cause or if their employment ends as a consequence of a takeover bid can be found in the specific Remuneration Policy Report, published as required by law.

The Remuneration Report is available on the Company's website (https://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2019/Remuneration_Report_2020.pdf).

The information relating³⁷ to the rules applicable to the appointment and replacement of directors and to the amendment of the Articles of Association, if different from the legislative and regulatory provisions that are additionally applicable, can be found in Section III, Paragraph 2 of this Report on the Board of Directors.

³⁶ In this regard, see the information required by Article 123-bis, paragraph 1, letter i) of TUF.

³⁷ In this regard, see the information required by Article 123-bis, paragraph 1, letter l) of TUF.

Section III

Snam's Corporate Governance System



42	1. Shareholders' Meeting and shareholders' rights
42	1.1 Overview and quorums
42	1.2 Shareholders' Meeting regulations
42	1.3 Shareholder's Meetings held in 2019
43	2. Snam's Board of Directors
44	2.1 Snam's Board of Directors
51	2.2 Meetings of the Board of Directors
55	2.3 Role of the Board of Directors
57	2.4 Board evaluation
58	2.5 Description of Snam's diversity policy
60	2.6 Chairman of the Board of Directors
61	2.7 Chief Executive Officer
61	2.8 Other executive directors
61	2.9 Independent directors
62	2.10 Maximum accumulation of offices held at other companies
63	2.11 Lead independent director
64	2.12 Succession plans
64	2.13 Remuneration system for directors and key management personnel
65	3. Snam's Committees
65	3.1 Remuneration Committee
67	3.2 Appointments Committee
69	3.3 Control and Risk and Related-Party Transactions Committee
71	3.4 Environmental, Social & Governance Committee
74	4. Snam's Board of Statutory Auditors and External Auditors
74	4.1 Snam's Board of Statutory Auditors
77	4.2 Board of Statutory Auditors evaluation
77	4.3 External Auditors
78	5. Induction programme for directors and statutory auditors
78	6. Relations with shareholders and investors
79	7. Considerations regarding the 2020 Recommendations of the Corporate Governance Committee

1. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

1.1 Overview and quorums

The Shareholders' Meeting is the shareholders' decision-making body. In addition to the matters irrevocably assigned by law, the Shareholders' Meeting³⁸ is exclusively responsible for adopting resolutions concerning the sale, transfer, lease, usufruct or any other act of disposal, including in the context of joint ventures, or of subjection to restrictions on the Company or on business units of strategic importance in relation to gas transportation and dispatching activities.

Shareholders' Meetings are privileged corporate meetings between the Company's management and its shareholders. The Shareholders' Meeting, with different quorums, may meet in ordinary or extraordinary session, depending on the agenda items and issues to be approved. The Articles of Association provide that Shareholders' Meetings shall be held on a single call, whether in ordinary or extraordinary session.

Ordinary Shareholders' Meeting (single call)

Constituent quorum	Quorum to pass resolutions
Not applicable	A majority of those in attendance in person or by proxy ³⁹

Extraordinary Shareholders' Meeting (single call)

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

1.2 Shareholders' Meeting regulations

Snam established its Shareholders' Meeting Regulations in 2001.

The Shareholders' Meeting Regulations are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/assemblea_azionisti/regolamento_assemblee.pdf)

³⁸ In this regard, see Article 12 of the Articles of Association.

³⁹ With the exception of specific matters that require a majority of three-quarters of the share capital.

1.3 Shareholder's Meetings held in 2019

The Shareholders' Meeting took place twice in 2019: on 2 April 2019 and on 23 October 2019, in both extraordinary and ordinary session.

On 2 April 2019:

- (i) in ordinary session, the Shareholders' Meeting resolved:
 - to approve the financial statements as at 31 December 2018, allocation of profit for the year and distribution of the dividend;
 - to authorise the purchase and sale of treasury shares, subject to revocation of the authorisation granted by the Ordinary Shareholders' Meeting on 24 April 2018;
 - to appoint the members of the Board of Directors, determining their number, term of office and remuneration;
 - to appoint the Chairman of the Board of Directors;
 - to appoint the members of the Board of Statutory Auditors and the Chairman of the Board of Statutory Auditors, determining the remuneration of the standing auditors;
 - approval of the remuneration policy pursuant to Article 123-ter of TUF;
- (ii) in extraordinary session, the Shareholders' Meeting approved the cancellation of 74,197,663 treasury shares with no nominal value, without reducing the share capital, and the consequent amendment of Article 5.1 of the Articles of Association⁴⁰.

7 directors from a total of 9 attended the Shareholders' Meeting. The Chairman of the Remuneration Committee, Monica De Virgili, introduced the contents of the Remuneration Report and, in particular, the remuneration policy guidelines followed by the Company. She also reported on the work done during the year, focusing in particular on the Committee's commitment to propose to the Board of Directors the necessary adjustments to ensure better compliance with national and international best practice the objectives for 2019, in particular the development of new business and new opportunities for business abroad, and in-depth studies on sustainability. The Board of Directors also reported on the work done during the year and the work scheduled for the current and future years.

On 23 October 2019:

- (i) in ordinary session, the Shareholders' Meeting consensually resolved, after consultation with the Board of Statutory Auditors, to terminate the mandate of PwC as the external auditor and, at the same time, to engage Deloitte & Touche S.p.A. as the external auditors for the financial years as of 31 December from 2020 to 2028, on the recommendation of the Board of Statutory Auditors;

⁴⁰ Article 5.1 of the Articles of Association, as amended by the Extraordinary Shareholders' Meeting on 2 April 2019, is set out below: "The share capital is €2,735,670,475.56 (two billion seven hundred and thirty-five million six hundred and seventy thousand four hundred and seventy-five point fifty-six), divided into 3,394,840,916 shares (three billion three hundred and ninety-four million eight hundred and forty thousand nine hundred and sixteen) with no nominal value".

- (ii) in extraordinary session, the Shareholders' Meeting resolved:
- to amend Articles 13 and 20 of the Articles of Association in relation to the provisions on gender balance in the composition of the Board of Directors and the Board of Statutory Auditors;
 - to amend Article 20 of the Articles of Association, increasing the number of alternate auditors on the Board of Statutory Auditors from two to three;
 - to include in the Articles of Association a transitional clause (Article 24) which provides for the application of the amendments concerning the number of alternate auditors starting from the first renewal of the control body following that appointed by the Shareholders' Meeting on 2 April 2019.

7 directors from a total of 9 attended the Shareholders' Meeting.

At the Shareholders' Meetings indicated above, the Board of Directors ensured that shareholders had adequate information, making reports on the draft resolutions available at the Company's registered office, at Borsa Italiana and on the Company website, as well as through the other means prescribed by law. These reports were also sent to those who requested a copy and were provided at the entrance to the Shareholders' Meeting, along with other useful documentation.

2. SNAM'S BOARD OF DIRECTORS



2.1 Snam's Board of Directors

(i) Overview

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

The Board of Directors is the central body within Snam's corporate governance system and is vested with the broadest powers for the ordinary and extraordinary administration of the Company. It is entitled to adopt any measures it deems necessary in order to implement and achieve the corporate objective, with the sole exception of measures that are reserved, by the law or by the Articles of Association, for the Shareholders' Meeting. The Board of Directors appoints the Chairman, if the Shareholders' Meeting has not already done so, delegates its powers to one or more of its members and may set up internal Committees.

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

A description of the powers that the Board has assigned itself pursuant to Article 2381 of the Italian Civil Code is available on the Company website (www.snam.it/export/sites/snam-rp/repository/file/Governance/sistema_corporate_governance/Attribuzioni_riservate_ex_art._2381_cc.pdf)

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

For a description of the provisions of the Articles of Association governing procedures for the appointment of the Board of Directors and the term of office, termination and dismissal of its members, see Annex 3 to this Report. In accordance with Consob determination no. 28 of 30 January 2020, the minimum shareholding required for the submission of lists of candidates for the election of Snam's corporate bodies of administration and control is equal to 0.5%.

(ii) Composition of Snam's Board of Directors

Appointment	2 April 2019
Term	Three financial years
Expiry	Approval of the financial statements as at 31 December 2021
Members	9
Executive	1
Independent	Six (of which 5 are independent pursuant to the TUF and the Corporate Governance Code and only 1 is independent pursuant to the TUF) ⁴¹
Committees	<ul style="list-style-type: none"> • Control and Risk and Related-Party Transactions Committee • Appointments Committee • Remuneration Committee • Environmental, Social & Governance (ESG) Committee

Snam was recognised in 2014 as the best Italian company for transparency and compliance in the process of appointing directors⁴². This recognition is the result of Snam's ongoing alignment with the highest international governance standards and bears witness to the significant results achieved in recent years by the Company in its relationship with institutional investors.

When the Board of Directors was renewed on 2 April 2019, the following two lists of candidates were submitted:

- (i) a list of eight candidates submitted by CDP RETI S.p.A.; and
- (ii) a list of three candidates submitted by institutional investors.

The share capital represented at the Shareholders' Meeting, all holders of which voted on the appointment of directors through list voting, accounted for 70.47% of the Company's share capital.

The list submitted by CDP RETI S.p.A. obtained the most votes (37.74% of the share capital represented in the Shareholders' Meeting), while the list submitted jointly by the institutional investors was voted for by 32.55% of the share capital represented in the Shareholders' Meeting.

Therefore, based on the provisions in the Articles of Association on the applicable list voting mechanism, 6 candidates were appointed from the majority list submitted by CDP RETI S.p.A. and 3 from the list presented by the institutional investors.

⁴¹ As specified in the table below.

⁴² This is the result of a study carried out by the United Nations through the Principles for Responsible Investment Initiative (PRI), a network which brings together institutional investors that focus more on the principles of sustainability and social responsibility in their investment choices.

The table below shows key information on the composition of the current Board of Directors of the Company, including which lists the current Directors were appointed from and which directors meet the independence requirements pursuant to the TUF and the Corporate Governance Code⁴³.

Director	Office and Position	List in which he/she was submitted	CRRPTC	AC	RC	ESGC
Luca Dal Fabbro	Non-executive director and Chairman ⁽¹⁾	CDP RETI S.p.A. list				
Marco Alverà	Chief Executive Officer	CDP RETI S.p.A. list				
Laura Cavatorta	Non-executive director ⁽²⁾	List submitted jointly by the institutional investors		✓		✓
Francesco Gori	Non-executive director ⁽²⁾	List submitted jointly by the institutional investors	✓			
Yunpeng He	Non-executive director	CDP RETI S.p.A. list				✓
Antonio Marano	Non-executive director ⁽²⁾	CDP RETI S.p.A. list	✓	✓		
Francesca Pace	Non-executive director ⁽²⁾	CDP RETI S.p.A. list	✓		✓	
Rita Rolli	Non-executive director ⁽²⁾	v			✓	✓
Alessandro Tonetti	Non-executive director	CDP RETI S.p.A. list		✓	✓	

- ⁽¹⁾ Independent director pursuant to the TUF
⁽²⁾ Independent director pursuant to the TUF and the Corporate Governance Code
- CRRPTC: Control and Risk and Related-Party Transactions Committee
 - AC: Appointments Committee
 - CC: Remuneration Committee
 - ESGC: Environmental, Social & Governance Committee

Three out of nine members of the Board of Directors are women. The number of women complies with the provisions of the gender balance legislation applicable at the time of appointment by the Shareholders' Meeting of 2 April 2019⁴⁴. Moreover, two out of the four Board Committees are chaired by women.

At its meeting of 2 April 2019, the Board of Directors:

- re-appointed Rozemaria Bala, Senior Vice President of the Governance, Risk & Control function (reporting directly to the General Counsel), Secretary to the Board of Directors; and
- certified that there are no grounds for ineligibility, forfeiture or incompatibility in relation to the directors in office, and that they fulfil the integrity requirements established applicable legislation.

With respect to the Financial Reporting Officer, at its meeting of 14 May 2019 (at which he was re-appointed), the Board of Directors certified that on the basis of his declaration, there are no grounds for incompatibility pursuant to Article 16.4 of the Articles of Association and that he meets the integrity requirements established in applicable legislation⁴⁵.

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

44 It should be noted that Article 147-ter, paragraph 1-ter of TUF was most recently amended by Law No. 160 of 27 December 2019, which provided for a different quota for the less-represented gender of at least two-fifths of the elected directors. However, this new gender balance criterion will apply from the first renewal of the administrative and control bodies following the entry into force of Law No. 160 of 27 December 2019 on 1 January 2020.

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

(iii) Our directors

A short biography of each director of the Company currently in office is provided below.⁴⁶



Luca Dal Fabbro

Nationality: Italian

Professional background: Manager

Career

Born in Milan in 1966.

Chairman of Snam since 2 April 2019.

Vice president of the Snam Foundation since 22 November 2019.

He holds a bachelor's degree in Chemical Engineering at "La Sapienza" University of Rome and a master's degree in International Policy from the ULB Centre d'Etudes des Relations Internationales & Stratégiques in Brussels; he also studied Advanced Management at the MIT Sloan School of Boston.

He is vice president of the Circular Economy Network, a project to promote the development of the circular economy in Italy, and a co-founder of the Organization for Climate & Circular Economy (OCCE) in Brussels.

He is general manager of INSO, an engineering and construction firm, and a contract professor for the Master's in Business Administration at LUISS in Rome.

He is also in the Advisory Board of Aspen's friends Association. Previously, he has gained extensive international management experience in energy and industrial companies, having served as CEO of Enel Energia S.p.A. and E.ON Italia S.p.A. and as manager of Techint and Procter&Gamble.

As Chairman, he successfully listed the energy storage company Electro Power System S.A. in Paris.

For 5 years, until March 2019, he has been also an independent director of Terna S.p.A.

In 2017, he wrote the book "L'Economia del Girotondo" on the challenges posed by the climate change and the circular economy.



Marco Alverà

Nationality: Italian

Professional background: Manager

Career

Born in New York in 1975.

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

From July 2017 to November 2017, he has been Managing Director of Snam Rete Gas.

Since June 2017, he has been vice president of the Snam Foundation.

He has gained 20 years of experience in the largest Italian energy companies. After graduating in Economics and Philosophy at London School of Economics, he began his career at Goldman Sachs in London, before moving to Enel and then Wind. Afterwards, he joined Eni, where he worked for more than 10 years taking on several management roles of growing responsibility.

He is currently chairman of GasNaturally, a partnership among six associations representing the entire European gas supply chain, a non-executive director of S&P Global and a member of the General Council of the Giorgio Cini Foundation in Venice. He is also a Visiting Fellow of Oxford University.

He wrote the book "Generation H" (Mondadori) on the potential of hydrogen as a clean energy resource.

⁴⁶ For the full versions of the CVs of each director of the Company currently in office, visit the following web address: <http://www.snam.it/it/etica-governance/consiglio-di-amministrazione/>.



Laura Cavatorta

Nationality: Italian

Professional background: Manager

Board Committees: Appointments Committee, Chairman of the Environmental, Social & Governance Committee

Career

Born in Treviso in 1964.

Director of Snam since 2 April 2019.

She graduated in sociology with honours.

She has more than 20 years of management experience in air transport, holding increasingly responsible roles in the Alitalia group from 1995 to 2017, performing positions of operational responsibility with 3,000-5,000 employees.

She has specific expertise in the restructuring, merger, acquisition and commissioning phases, as well as in the impacts of process re-engineering and HR dynamics, in particular being aware of the many aspects involved in each business change.

She has a strong interest in corporate governance, in particular ESG issues, and the various possible approaches to ensuring sustainable development over time. She follows the *B Corp* movement, which is engaged in spreading a sustainable business paradigm, capable of developing profits while having a positive impact on society and the environment.

She supports gender equality, the development of female talents and merit-based careers, believing in the need of a full integration of women in all the roles of society and their ability to make a significant contribution even in top positions.

She is active in various networks for sustainability and women's empowerment and collaborates in ASviS - Italian Alliance for Sustainable Development (*Alleanza Italiana per lo Sviluppo Sostenibile*), on the Gender Equality objective of the 2030 UN Agenda.



Francesco Gori

Nationality: Italian

Professional background: Manager

Board Committees: Chairman of the Control and Risk and Related-Party Transactions Committee

Career

Born in Florence in 1952.

Director of Snam since 26 March 2013.

He joined the Tyre division at Pirelli in 1978, where he was promoted to executive in 1984 and, after gaining a range of experience in sales, marketing, M&A and management roles in Italy and abroad, was appointed general manager of the Division in 2001, CEO of Pirelli Tyre S.p.A. in 2006 and, in 2009, also General Manager of Pirelli & C.

During his ten years at Pirelli, Pirelli Tyre doubled its sales and gross operating margin, generating cash by implementing a premium strategy that enabled top and bottom line growth above that of benchmark competitors, culminating in its entry into F1 as an exclusive supplier since 2010.

From 2006 to 2011, for two consecutive terms, he has been elected Chairman of ETR-MA, the European Tyre & Rubber Manufacturers' Association.

In 2012, he leaves on his own initiative the Pirelli Group. From 2013 to 2015 he was an Industrial Advisor at Malacalza Investimenti, Pirelli's second-largest shareholder.

Since 2014, he has been Managing Director of the Corporate Credit Recovery 1 fund of DEA Capital Alternative Funds SGR (De Agostini Group) and since 2018, he has been a senior Advisor of the Corporate Recovery 1 and 2 funds.

In 2015, he was appointed non-executive director of the supervisory and management boards of Apollo Tyres, a leading company in the sector that is listed in India. From 2016 to 2018, he was Executive Chairman of Benetton Group S.r.l.

He has been a member of the Board of Directors of Prysmian Group S.p.A. since September 2018, following co-optation.



Yunpeng He

Nationality: Chinese

Professional background: Manager

Board Committees: Environmental,
Social & Governance Committee

Career

Born in Baotou City (Inner Mongolia, China) in 1965.

Director of Snam since 26 January 2015.

He obtained a Specialised Degree in Electrical Systems and Automation from the University of Tianjin and a Master's in Technology Management from the Rensselaer Polytechnic Institute (RPI).

He is currently a member of the Board of Directors of CDP Reti S.p.A., Terna S.p.A., Italgas S.p.A. and IPTO S.A. (TSO of the Greek electricity transmission network).

He was Deputy General Manager of the European Office of the State Grid Corporation of China from January 2013 to December 2014.

He has also held the following positions at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer (CTO) from December 2008 to September 2012; Director of the Economic and Legal department from June 2011 to September 2012; Director of the Planning and Development department from October 2005 to December 2008; and Director of the Planning and Design department from January 2002 to October 2005.

In addition to these roles, he was Head of the *Tianjin Binhai Power Company* from December 2008 to March 2010 and Chairman of the *Tianjin Electric Power Design Institute* from June 2000 to January 2002.



Antonio Marano

Nationality: Austrian

Professional background: Manager

Board Committees: Control
and Risk and Related-Party
Transactions Committee, Chairman
of the Appointments Committee

Career

Born in Villach (Austria) in 1960.

Director of Snam since 2 April 2019.

He graduated in Law at the University of Bologna.

He is currently CEO of Partners 4 Energy S.r.l., an independent financial advisory company with a focus on infrastructure and renewable energy. In these areas, he provides strategic support to financial institutions and companies on mergers and acquisitions, financing and fund raising. He is Chairman of Aeroporto FVG S.p.A.

After holding managerial roles at financial companies, in 1998 he became General Manager for Italy of Commerzbank AG and, subsequently, in 2003, Director of Development of Autostrade S.p.A.

After serving as CEO and General Manager of Scala Capital S.p.A., in 2007 he became Deputy General Manager of Unicredit Corporate Banking and Head of the structure "Public Sector FIG & Infrastructures Italia".



Francesca Pace

Nationality: Italian

Professional background: Academic and professional career

Board Committees: Control and Risk and Related-Party Transactions Committee, Chairman of the Remuneration Committee

Career

Born in Rome in 1961.

Director of Snam since 2 April 2019.

She graduated in Law with honours at “La Sapienza” University of Rome.

She is registered on the Register of Judicial Administrators, Experts in Business Management Section, and the Register of Barristers of the Supreme Court.

Since May 2018, she has been an Independent Director of Cassa di Risparmio di Orvieto.

In addition to providing consultancy for commercial, regulatory, antitrust, M&A, restructuring, contract and litigation law, she is extraordinary commissioner and has held the role of judicial commissioner and judicial receiver of some Italian companies; she has been also Director of Legal and Corporate Affairs of WIND Telecomunicazioni S.p.A. and member of the Board of Directors of Banca Tercas and Acquedotto Pugliese S.p.A.



Rita Rolli

Nationality: Italian

Professional background: Academic and professional career

Board Committees: Remuneration Committee, Environmental, Social & Governance Committee

Career

Born in Forlì in 1969.

Director of Snam since 2 April 2019.

She graduated in Law with honours at the University of Bologna.

She is registered with the Register of Barristers of the Supreme Court and works in the field of civil law, commercial and corporate law, in both judicial and extra-judicial proceedings, in arbitration proceedings and in bankruptcy law (Galvano law firm).

She is Full Professor of Private Law at the Law School of the Department of Legal Sciences at the University of Bologna.

She is independent director, chairman of the control and risk and related-party transactions committee, as well as member of the appointments and remuneration committee of IMA S.p.A., and independent director, chairman of the control and risk and sustainability committee, as well as member of the related-party transactions committee of Trevifin S.p.A.

She is author of several publications and monographs and participates in the editing of prestigious legal journals.



Alessandro Tonetti

Nationality: Italian

Professional background: Academic and management career

Board Committees: Appointments Committee, Chairman of the Remuneration Committee

Career

Born in Ronciglione (VT) in 1977.

Director of Snam since 27 April 2016.

He is General Vice President and Chief Legal Officer of Cassa Depositi e Prestiti S.p.A.

He graduated with honours in Law and won two one-year scholarships for post-graduate completion courses in Administrative Sciences, with a particular focus on Public Economic Law, under the direction of Professor Sabino Cassese. Subsequently, he obtained a PhD in Administrative Law and Organisation and Functioning of the Public Administration at the University of Rome and a post-graduate specialisation diploma in European Public Law at the Academy of European Public Law of the Kapodistrian University of Athens, with an in-depth examination on the subject of competition and state aid.

Since December 2010, he has been manager of Cassa Depositi e Prestiti S.p.A. From June 2013 to February 2016, he first became a member of the Technical Unit for the Coordination of Economic Policy in support of the Presidency of the Council of Ministers, then, since March 2014, Deputy Head of Cabinet of the Ministry of Economy and Finance. In the latter period, representing the Ministry of the Economy and Finance, he has been member of the Coordination Group for the implementation of the discipline of special powers on corporate structures operating at the Presidency of the Council of Ministers.

Previously, he held management positions, including general management positions, at the Presidency of the Council of Ministers and was member of the Advisory Board for the regulation of public services, as well as of the Technical Secretariat of the National Director's Cabin for Economic Planning operating at the same Presidency, in support of the activities of the Interministerial Committee for Economic Planning.

He teaches at the 2nd level Interuniversity Master's in Administrative Law (since 2003) now at the University of "Roma Tre" and at the Master's in Economics and Development Policies at LUISS Guido Carli University (since 2016). Previously, he has been Adjunct Professor of Administrative Discipline for Business at the University of Tuscia (2001 - 2002) and of Media Law at the same University (2005 - 2010), as well as of Public Finance Law at the University of Suor Orsola Benincasa (2014 - 2016).

He has also lectured at the School of Public Administration and the School of Economics and Finance. He published several essays and articles in leading legal journals on national and European administrative law and public economic law. He is member of the Management Committee for the Special Funds of the Institute of Sports Credit.

He has been member of the Board of Directors of Enav S.p.A. in the three-year period 2014-2017 (during which the company has been listed) and member of the Board of Directors of the University of Fine Arts (*"Accademia delle Belle Arti"*) of Florence (2013-2016).

2.2 Meetings of the Board of Directors

The Company's Board of Directors meets regularly and is organised and operates to ensure the efficient and effective performance of its duties.

The Board of Directors has approved its Regulations to govern procedures for convening the Board, performing the Board's work and drafting the minutes of meeting⁴⁷.

In 2019:

- the Board of Directors met 14 times;
- the meetings were attended on average by 98.4% of directors;
- the attendance of independent directors was approximately 99.2% on average;
- the average duration of Board meetings was 126 minutes.

11 meetings are scheduled for 2020. As of the date of this Report, 4 meetings of the Board of Directors had been held in the current year.

As provided in the Regulations, notices of meetings of the Board of Directors are usually sent at least five days before the meeting. A complete, comprehensive set of documentation on agenda items is made available to directors and standing auditors by the Board Secretary at least five days prior to the date of the meeting, except in exceptional cases. This deadline has generally been met.

For more information on the procedures for convening and holding Board meetings, see Annex 3 to this Report.

The Company's governance provides that Board members shall act and pass resolutions independently and with full knowledge of the facts on matters within their competence, with the aim of creating shareholder value.

At Board meetings, heads of the competent Company and Group departments may, at the request of the Chairman and with the consent of those present, participate in order to provide appropriate background information on agenda items and enhance the directors' knowledge of the Group's situation and corporate dynamics⁴⁸.

In particular, in 2019, the following attended Board meetings when matters within their respective remits, described below in the summary of 2019 activity, were being discussed: the Chief Financial Officer & Chief International & Business Development Officer, the General Counsel, the EVP Institutional Affairs, ESG & Sustainability, Communication & Marketing, the EVP Human Resources, Organisation & PFM, the SVP Internal Audit and some managers of their structures for matters within their purview.

Pursuant to the Guidelines on "*Transactions in which directors and statutory auditors have an interest and related-party transactions*", the directors must declare any interest of their own or of third parties in specific transactions submitted for review and approval by the Board of Directors.

Digitalisation of the work of the Board of Directors

Snam has introduced an IT tool to facilitate the work of the Board of Directors, enabling the activities of the Board and Committees to be managed effectively and securely via tablet, smartphone and PC.

Through this system, documents prepared for meetings of the Board of Directors or the Committees can be accessed digitally, eliminating paper use and optimising time and costs. The digital portal:

- expedites Board meetings by, *inter alia*, enabling real-time sharing of documents or presentations;
 - allows users to view the status of a document or if there are unread messages or documents that need to be approved;
 - also displays documents in offline mode; and
 - enables the files made available to be edited.
-

47 At its meeting of 2 April 2019, the Board of Directors approved its own regulations for its operations and organisation.

48 In this regard, see Criterion 1.C.6 of the Corporate Governance Code.

The main activities of the Company's Board of Directors in 2019 and, most recently, at its meetings of 15 January 2020, 18 February 2020, 27 March 2020 and 6 May 2020, are described below.

MONTH	STRATEGY AND FINANCE ⁴⁹	GOVERNANCE	INTERNAL CONTROL AND RISK MANAGEMENT
February 2019	<ul style="list-style-type: none"> - Approval of the draft financial statements as at 31 December 2018, the consolidated financial statements, the Board of Directors' Management Report and dividend distribution for 2018 - Approval of the Non-Financial Statement pursuant to Legislative Decree No. 254 of 2016 - Approval of the document entitled "Financial Disclosure on Climate Change 2018" 	<ul style="list-style-type: none"> - Guidelines on the accumulation of offices by members of the Board of Directors - Guidelines on the Quantitative Composition of the Board of Directors - Positive assessment of the size, composition and functioning of the Board and its Committees - Reports of the Committees on their activities carried out in the second half of 2018 - 2018 Report on Corporate Governance and Ownership Structure - 2019 Remuneration Report - 2018 Corporate Social Responsibility Report - Adoption of the Antitrust Guidelines - Adoption of the Anti-Corruption Guidelines - Convening of Shareholders' Meeting of 02 April 2019 and approval of the relevant explanatory reports - Approval of the update to the Diversity Policy - Assessment of the recommendations made by the Chairman of the Corporate Governance Committee in the letter of 21 December 2018 - Check of the compatibility of the positions and verification of the independence and integrity requirements of directors 	<ul style="list-style-type: none"> - Assessment of the Company's organisational, administrative and accounting structure produced by the Chief Executive Officer with the support of the relevant offices and submitted, as well as to the Board of Directors for approval, to the Board of Statutory Auditors and the Control and Risk and Related-Party Transactions Committee. The Board of Directors expressed an appropriate opinion on the matter - Assessment of the organisational, administrative and accounting structure of the Subsidiaries, following approval by the Boards of Directors of each Subsidiary and following consultation with the respective Boards of Statutory Auditors. The Board of Directors expressed an appropriate opinion on the matter - The Board of Directors did not define criteria for the identification of strategic subsidiaries, as it assesses the organisational, administrative and accounting structure of all the Subsidiaries - Positive assessment of the adequacy and effectiveness of the internal control and risk management system - Review of the Audit Schedule and budget for the Internal Audit function for 2019
March 2019	<ul style="list-style-type: none"> - Proposed changes to the ECP programme 	<ul style="list-style-type: none"> - Validation and approval of lists of candidates for the office of director and statutory auditor 	
April 2019		<ul style="list-style-type: none"> - Approval of the operating and organisational regulations of the Board of Directors - Appointment of the Chief Executive Officer - Verification (i) that there are no grounds for incompatibility and ineligibility with regard to the directors and that they meet the integrity and independence requirements; (ii) of compliance with the legislative provisions and provisions in the Articles of Association on gender balance; and (iii) that there are no grounds for incompatibility and ineligibility with regard to the statutory auditors and that they meet the professionalism and integrity requirements - Review of the Board Induction programme - Approval of the 2019 Corporate and Financial Calendar 	

49 Inoltre al Consiglio di Amministrazione sono stati regolarmente sottoposti lo stato di avanzamento delle iniziative di sviluppo e i nuovi progetti.

MONTH	STRATEGY AND FINANCE	GOVERNANCE	INTERNAL CONTROL AND RISK MANAGEMENT
May 2019	<ul style="list-style-type: none"> – Approval of the interim management report as at 31 March 2019 	<ul style="list-style-type: none"> – Duties of the Chairman of the Board of Directors – Formation of the Internal Committees of the Board of Directors and assignment of the relevant tasks – Identification of the positions of: (i) the financial reporting officer; (ii) the employer; and (iii) the chief privacy officer 	
June 2019		<ul style="list-style-type: none"> – Approval of the regulations of the Internal Committees of the Board of Directors – Update on the renewal of the Supervisory Body and Code of Ethics Supervisor 	
July 2019	<ul style="list-style-type: none"> – Approval of the Half-Year Financial Report as at 30 June 2019 	<ul style="list-style-type: none"> – Half-yearly review of sustainability – Reports of the Committees on the activities carried out in the first half of 2019 – Long-term monetary incentive plan – regulations and proposal to allocate an incentive to the Chief Executive Officer – Establishing the final balance of adjusted net profit and total shareholder return for the 2016-2017 Long-Term Monetary Incentive Plans 	<ul style="list-style-type: none"> – Report on the adequacy of the Group's corporate reporting control system and compliance with administrative accounting procedures for the first half of 2019 – Report of the Supervisory Body on the activities performed in the first half of 2019
September 2019		<ul style="list-style-type: none"> – Appointment of Supervisory Body and Code of Ethics Supervisor 	
October 2019	<ul style="list-style-type: none"> – Renewal of the EMTN programme 		
November 2019	<ul style="list-style-type: none"> – Approval of the interim management report as at 30 September 2019 – Approval of 2020-2023 Strategic Plan – Proposed distribution of the interim dividend for 2019 		
December 2019	<ul style="list-style-type: none"> – Approval of the 2020 Budget 	<ul style="list-style-type: none"> – Annual assessment of the Guidelines on "Transactions in which directors and statutory auditors have an interest and related-party transactions" – Approval, on the recommendation of the Control and Risk and Related-Party Transactions Committee: (i) of the only materiality threshold for all related party transactions of €140,000,000; and (ii) of the maximum threshold of €1,000,000 for low-value transactions – Approval of the 2020 Financial Calendar – Information on the offices and shareholdings held by the Chairman of the Board of Directors of the Company 	<ul style="list-style-type: none"> – Annual review and analysis of the risks of the Company and the Subsidiaries

MONTH	STRATEGY AND FINANCE	GOVERNANCE	INTERNAL CONTROL AND RISK MANAGEMENT
January 2020		<ul style="list-style-type: none"> Information on the offices and shareholdings held by the Chairman of the Board of Directors of the Company 	
February 2020	<ul style="list-style-type: none"> Analysis of development initiatives in the energy efficiency market 	<ul style="list-style-type: none"> Reports of the Committees on their activities carried out in the second half of 2019 Preliminary activities for the approval of the 2019 Annual Financial Report Proposed amendment to the "Tax Control Framework – Tax Strategy" Guidelines Report on the Corporate Governance Code and the Consob Communication of 20 January 2020 concerning the clarification of provisions on gender balance in the bodies of listed companies 	
March 2020	<ul style="list-style-type: none"> Approval of the draft financial statements as at 31 December 2019, the consolidated financial statements, the Board of Directors' Management Report and dividend distribution for 2019 Approval of the Non-Financial Statement pursuant to Legislative Decree No. 254 of 2016 Approval of the document entitled "Financial Disclosure on Climate Change 2019" 	<ul style="list-style-type: none"> Report on the 2020 remuneration policy and remuneration paid 2019 Sustainability Report Positive assessment of the size, composition and functioning of the Board and its Committees⁵⁰ Appointment of the new Senior Vice President Internal Audit Amendment of the corporate calendar and deferment of the date of the Shareholders' Meeting – convened for 28 April 2020 – to 18 June 2020 pursuant to Decree-Law No. 18 of 17 March 2020 Appointment of the Financial Reporting Officer Amendment of the Regulations of the Appointments Committee 	<ul style="list-style-type: none"> Assessment of the Company's organisational, administrative and accounting structure produced by the Chief Executive Officer with the support of the relevant offices and submitted, as well as to the Board of Directors for approval, to the Board of Statutory Auditors and the Control and Risk and Related-Party Transactions Committee. The Board of Directors expressed an appropriate opinion on the matter Assessment of the organisational, administrative and accounting structure of the Subsidiaries, following approval by the Boards of Directors of each Subsidiary and following consultation with the respective Boards of Statutory Auditors. The Board of Directors expressed an appropriate opinion on the matter The Board of Directors did not defined criteria for the identification of subsidiaries of strategic importance, since it proceeds to the assessment of the organizational structure, administrative and accounting of all the Subsidiaries Positive assessment of the adequacy and effectiveness of the internal control and risk management system Assessment of the Audit Plan and Budget of the Internal Audit function for 2020
May 2020		<ul style="list-style-type: none"> Guidelines on the accumulation of offices by members of the Board of Directors 2019 Report on Corporate Governance and Ownership Structure Convening of Shareholders' Meeting of 18 June 2020 and approval of the relevant explanatory reports Assessment of the recommendations made by the Chairman of the Corporate Governance Committee in the letter of 19 December 2019 Approval of the update of Snam's diversity policy Check of the compatibility of the positions and verification of the independence and integrity requirements of the Directors Acknowledgement of the resignation of Mr Luca dal Fabbro from the office of Director and Chairman of the Board of Directors 	

50 For more information in this regard, see Paragraph 2.4 of this Section.

2.3 Role of the Board of Directors

The Board of Directors plays a central role in the Company's corporate governance structure and has powers over the orientation of the Company and the Subsidiaries in terms of strategy, organisation and control. In particular, the Board of Directors is assigned the duties indicated in the following table⁵¹.

<p>Examination and approval of strategic, business and financial plans</p>	<ul style="list-style-type: none"> • Defines the strategic guidelines and the objectives of the Company and the Group, including the sustainability policies • Examines and approves the strategic, business and financial plans of the Company and the Group, monitoring their implementation on an annual basis, as well as the Company's strategic agreements and its annual and multi-year infrastructure plan • Examines and approves the budget of the Company and of the Group, the half-year report and interim reports on operations of the Company and of the Group, the Sustainability Report and the Report on Corporate Governance and Ownership Structure
<p>Definition of corporate governance and Group structure</p>	<ul style="list-style-type: none"> • Adopts rules that ensure the transparency and correctness of transactions with related parties and transactions in which directors and statutory auditors have an interest, following consultation with the Control and Risk and Related-Party Transactions Committee • Adopts a procedure for the management and communication of corporate information, with a specific focus on inside information • Establishes internal Committees that provide recommendations and advice, from which it receives half-yearly reports • Appoints and revokes the General Managers and the Financial Reporting Officer, and identifies the person responsible for shareholder relations • Resolves upon the exercise of voting rights at the Shareholders' Meetings of the Subsidiaries, at the recommendation of the Chief Executive Officer • Resolves, on the proposal of the Appointments Committee, on the appointments of the members of the corporate bodies of Subsidiaries included in the scope of consolidation and of strategic foreign investee companies
<p>Assessment of the adequacy of the organisational, administrative and accounting structure</p>	<ul style="list-style-type: none"> • Defines the basic guidelines for the organisational, administrative and accounting structure of the Company and its Subsidiaries and evaluates its adequacy on an annual basis, with a particular focus on the internal control and risk management system • Defines, following consultation with the Control and Risk and Related-Party Transactions Committee, guidelines for the internal control and risk management system, in order to ensure the identification, measurement, management and monitoring of key risks, and also determining how compatible these risks are with management of the Company and the Group that is consistent with the strategic objectives identified, assessing its adequacy and effectiveness every year • Assesses, following consultation with the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, the results presented by the external auditors in any management letter and in the report on the fundamental questions arising from the audit • Appoints and revokes the Head of Internal Audit, defining his/her remuneration in line with the Company's remuneration policies, and ensures that this person has adequate resources to carry out his/her duties
<p>Assessment of general operational performance and relations with the delegated bodies</p>	<ul style="list-style-type: none"> • Assesses the general performance of operations, having regard to the information received from the delegated bodies, paying particular attention to conflicts of interest and periodically comparing the results achieved, as stated in the financial statements and the interim accounting statements, with those of the budget • Delegates powers to members of the Board of Directors and revokes them, defining the limits of these powers, ways to exercise them and the associated remuneration, reporting at least every quarter to the Board itself and the Board of Statutory Auditors on the exercise of the powers and on the transactions with the greatest impact on the financial statements carried out by the Company and the Subsidiaries, and on transactions with related parties⁵² • Is authorised to issue directives to the delegated bodies and take it upon itself to perform operations which are covered by the powers conferred

51 These duties are assigned to the Board of Directors pursuant to the resolution of the Board of Directors of 2 April 2019.

52 Information must be made available promptly when the directors have a direct interest in the transaction, when third parties are involved or when the transaction could be affected by any entity that carries out direction and coordination activities. This information is generally expected to be provided at each Board meeting.

<p>Approval of the significant transactions of Snam and the Subsidiaries</p>	<ul style="list-style-type: none"> Resolves, at the CEO's recommendation, upon the transactions of the Company and its Subsidiaries, in the context of exercising direction and coordination activities that are of significant strategic, economic, capital or financial importance for the Company and the Group. This is without prejudice, in any case, to compliance with the confidentiality obligations relating to the commercial relations between the Company and the Subsidiaries and/or third parties. <p>The following transaction types are considered to be of strategic importance or to have a significant impact on the financial statements:</p> <ul style="list-style-type: none"> acquisitions, disposals, sales, closures, contributions of companies or business units (including rent and usufruct), real estate and/or investments worth more than €100 million contracts for the sale of goods and/or services relating to the commercial activities of the Company and its Subsidiaries, worth over €1 billion and/or with a duration of over 15 years contracts relating directly to the activities indicated in the corporate object and/or relating to the day-to-day management of corporate activities worth over €100 million and/or with a duration of over 15 years the stipulation, amendment and termination of credit contracts for sums exceeding €2 billion and/or with a duration of over 15 years sureties and other forms of personal guarantee, as well as letters of patronage, in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for amounts greater than €100 million and in any event if the amount is not proportional to the investment held therein; sureties guaranteeing obligations assumed or to be assumed by the Company with third parties, worth over €100 million the Company's brokerage contracts
<p>Assessment of the size, composition and functioning of the Board of Directors and the Committees</p>	<ul style="list-style-type: none"> Assesses, on an annual basis, the composition and functioning of the Board and the Board Committees, assisted by an external advisor. The aspects assessed include: (i) the role of the Board of Directors in the strategic planning process, (ii) interaction between the Board and the Committees, (iii) the quality of Board information and debate, and (iv) the qualitative and quantitative composition of the Board and the Committees, referring in particular to the relationship between the executive, non-executive and independent directors and their individual expertise and experience
<p>Definition of remuneration policy</p>	<ul style="list-style-type: none"> Defines the remuneration policy for directors, general managers and key management personnel of the Company and its Subsidiaries, as well as the relevant compensation systems Implements the remuneration plans based on shares and/or financial instruments resolved upon by the Shareholders' Meeting Approves the Remuneration Report



24 Board Evaluation

In line with the provisions of the Corporate Governance Code, Snam's Board of Directors has implemented the self-assessment of the Board itself and its Committees for the 2019 financial year, to which the 9 Directors in office participated.

The objective of this activity was to carry out a structured reconnaissance of the effectiveness of Snam's Board of Directors from an operational point of view and to identify the opportunities for further improvement in order to better play the role of direction and control of a complex and evolving reality.

Following the awarding procedure by tender and the relevant investigation by the ESG Committee, the Board of Directors has decided to avail itself of an external advisor, Spencer Stuart Italia S.r.l., a company that has extensive and long-standing experience in the corporate governance sector.

The Board of Directors, with the support of the ESG Committee, has decided to implement a three-year path, as for the last three years, embracing the time horizon of the mandate, facilitated by the external advisor. In this way it is possible, from year to year, to accompany the Board of Directors and the Committees on an ongoing basis in their path of progressive efficiency improvement and optimization of the operation starting from the first year until the so-called end of term balance.

The self-assessment of Snam's Board of Directors and Snam's Committees for the 2019 financial year was conducted by two senior partners of Spencer Stuart, experts in board effectiveness activities through interviews – based on a structured guide – which took place during the period 15 December 2019 - 15 January 2020.

Before carrying out the interviews, the professionals involved made a careful reading of the documentation and the minutes of meetings of the Board of Directors and of the Committees, and they met as observers with the President of the Board of Statutory Auditors and the Standing Auditors, as well as the General Counsel and the Secretary of the Board of Directors.

The interviews with Snam's Directors were conducted taking into account the various aspects relating to the composition, size and functioning of the Board of Directors and the Committees.

In addition, a comparison has been made between the best practices of domestic and international listed companies and the practices adopted by Snam's Board of Directors; a specific study has been used for this purpose, systematically updated by Spencer Stuart at international level, called "Boardroom Best Practice".

In summary, the Directors expressed their full satisfaction and appreciation with the size, composition and functioning of the Board of Directors and its Committees; the Board of Directors in its first year in office launched a series of activities aimed at deepening knowledge of individual Directors who are new to the position and to strengthen awareness of the principles of governance.

The Board of Directors operates in substantial compliance with the Corporate Governance Code and the best practices, both at Italian and international level. With reference to the operations of the Board of Directors and the Committees during 2019 the following areas of strength have been identified:

- the Board of Directors is functioning well, with an open, confrontational and constructive board debate;
- the Directors feel they are in a position to express their opinions freely;
- great satisfaction was expressed for the role played by the Board of Directors with regard to the issues of sustainability, security, environment, respect for human rights and the fight against active and passive corruption, that are integrated into the corporate strategy;
- the knowledge of the business and the Snam Group by the Directors is growing progressively. The induction and updating plan, very intense and rich in topics, is considered overall effective by the majority of Directors;
- the corporate calendar is defined at least on an annual basis so as to ensure the broadest participation; the Directors ensure continuity and presence at Board of Directors' meetings;
- the Directors are fully aware of the responsibilities, faculties and duties inherent to the function that they are called upon to perform;
- the activities of Snam's Committees are appreciated;
- the Board of Directors' agendas are clear, the documentation prepared by the business structures involved depending on the subject matter under discussion is clear and it is made easily accessible through the computer platform and the use of dedicated iPads.

During the interviews, some areas for improvement were also identified. In particular, the opportunity to:

- foster the strengthening of interpersonal relations and cohesion between the Directors, in particular between those who are in their first term of office as Snam's Directors;
- reflect on planning a Strategy Day, as a time for collegial reflection on the corporate strategy, the future and as an opportunity for socialization also with the first line at a Group level;
- improve the timing of early submission of documentation;
- continue along the path already initiated in the previous mandate for the simplification of the documentation, in order to make it more usable: standardize the executive summary in shape and length, organize the material by theme, ensure the sending of the documentation with a rigorous timing, so that it can be made available earlier than the Board of Directors' meeting;
- given some specific features of the business of reference, accompany the documentation with a glossary of acronyms to make the material easy to understand and increase the readability of technical matters to all the Directors.

Finally, in the light of the recent issue of the new Corporate Governance Code for listed companies, to review the corporate governance policy and the internal regulations of the corporate bodies in order to comply with the new instructions.

The self-assessment of the size, composition and functioning of Snam's Board of Directors and Snam's Committees has been finalised with positive results during the Board of Directors' meeting of 18 March 2020.

25 Description of Snam's diversity policy

This section describes the policy adopted by Snam on diversity⁵³ in the composition of the Company's administrative, management and control bodies with regard to age, gender, training and career, as recently updated by resolution of the Board of Directors of 6 May 2020, on the recommendation of the ESG Committee.

The renewal of the corporate bodies on 2 April 2019 has been, for Snam, the last renewal in which the statutory provisions on gender balance adopted by the Company pursuant to the provisions of Law No. 120 of 2011 (which required compliance with the criterion of gender balance provided for therein for three terms of office following the entry into force of the law) have been applied.

The 2018 Corporate Governance Code, in anticipation of the termination of the effects of Law No. 120 of 2011, recommended to issuers that at least one third of the members of the Board of Directors and of the Board of Statutory Auditors shall be made up of the least represented gender, inviting them to choose and apply the most appropriate instrument to pursue this objective, in view of each issuer's ownership structure and degree of bonding deemed most appropriate to achieve the objective.

The Board of Directors, acting on a proposal from the ESG Committee and gathering the recommendations of the previous Board of Directors to examine, as soon as possible and, in any case, in due time in light of the expiry of the abovementioned law provisions, the integration of the statutory provisions, thereby making permanent the application of the principle of gender balance with regard to the composition of Snam's Board of Directors and Snam's Board of Statutory Auditors, on 23 October 2019 submitted to the approval of Snam's Shareholders' Meeting, which approved, an amendment to the Articles of Association that transposed, on a voluntary basis, the criterion that ensures gender balance, equal to at least one-third of the total of members of the Company's Board of Directors and of the Company's Board of Statutory Auditors (with reference to both the standing and alternate statutory auditors). This amendment has made permanent, even in the absence of a regulatory framework directly applicable to Snam, the principle of gender balance in the composition of the Board of Directors and the Board of Statutory Auditors.

Subsequently, paragraph 1-ter of Article 147-ter and paragraph 1-bis of Article 148 of TUF, governing gender balance in the boards of directors and statutory auditors of listed companies, were last amended by Law No. 160 of 27 December 2019. As a result of this amendment, the quota reserved for the less-represented gender within the administrative and control bodies must be at least two-fifths, rounding up to the nearest unit⁵⁴. In Communication 1/20 of 30 January 2020, Consob announced that it considers rounding up to the nearest unit to be unenforceable due to the arithmetic impossibility of this for corporate bodies with three members. The new criterion will apply from the first renewal of the members of Snam's Board of Directors and Board of Statutory Auditors following the date of entry into force of Law No. 160 of 27 December 2019, i.e. 3 January 2020 (and, therefore, for Snam, at the shareholders' meeting convened for the approval of the financial statements as of 31 December 2021). The Company will proceed, in time, to the amendment of the Articles of Association in relation to the new gender balance criterion.

53 The description of the diversity policy is provided for in Article 123-bis, paragraph 2, letter d-bis of TUF.

54 See paragraph 3 of Article 144-undecies.1 ("Gender balance"), of the Issuers' Regulation.

The Company believes that diversity makes a positive contribution to the effective action of the corporate bodies. In the composition of its administrative, management and control bodies, Snam aims to include a range of professional profiles, recognising that the proper functioning of its corporate bodies requires complementarity of experience and expertise, combined with diversity in terms of the genders and age groups of its members. Snam takes all necessary measures to ensure diversity from these perspectives.

Pursuing this objective, Snam has also implemented a corporate policy on diversity and inclusion, promoted by the ESG Committee and aimed at disseminating a culture of equal opportunities between employees and contractors.

The aim of the policy is to establish a workplace that is free of direct and indirect discrimination, and to implement specific policies and metrics within human resources to ensure fairness at all stages of employment, training and work-life balance. For Snam, protecting diversity is a driver of cultural transformation that aims to make the company more competitive, innovative and geared toward personal growth.

Below is a brief description of the main methods implemented by Snam with regard to diversity and the results obtained over the years.

a. Gender diversity

Snam's main objectives for the three-year period 2018-2020 include finalising methods for developing diversity, particularly gender diversity⁵⁵.

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

In light of the data set out below, it is believed that, in the composition of its corporate bodies, Snam ensures adequate gender diversity, in fact:

- two of the four Committees are chaired by women;
- three of the nine members of the Board of Directors are women (i.e. one-third of the total);
- the Board of Statutory Auditors consists of three standing auditors (one of whom is female) and two female alternate auditors.

Snam's commitment to gender diversity is also evident in its workforce. Specifically:

- by pursuing the policy adopted in 2018, Snam aims to achieve a better balance between men and women at the company level, through a recruitment policy – particularly for executive and management roles – that is more focused on gender diversity (2019 recruitment percentages: 22% women, 78% men); however, the percentage of women in the company – thanks to actions supporting retirement benefits – rose from 13.9% in 2018 to 14.6% in 2019;
- Snam's approach to combating the gender pay gap has led to a slight improvement in the pay differential compared with 2018. Specifically, the female/male pay differential is 99% for executives, 94% for managers and 90% for office staff. Our commitment has continued through careful monitoring and reporting of pay at all organisational levels, improvements to the application of the principle of equal pay, and the enhancement of the abilities, responsibilities and results achieved by all women at the company.

Furthermore, among the ESG objectives for the management's 2020-2022 Long-Term Incentives Plan, Snam has foreseen as KPI the increase in the number of women in managerial roles (executives and middle managers) with a presence of women at least of 21%, with a target of 23% and, as a maximum target, of 25%, starting from the percentage of the financial statements as of 31 December 2019, which was equal to 18%.

b. Training and career progression

The Company carefully analyses the expertise of the members of the administrative and control bodies and undertakes to constantly enhance the various skills within the various bodies in order to ensure a high level of expertise in the administration, management and control bodies in sectors relevant to Snam. The Company monitors the diversity and complementarity of the professional profiles within the Board.

The members of the Board of Directors and the Board of Statutory Auditors have a range of backgrounds, as they have pursued diverse educational trajectories and come from different professional backgrounds. These skills ensure that the corporate bodies function effectively and enable them to adapt immediately to any changes. Snam ensures, through periodic checks, that the members of the Board of Statutory Auditors and the Board of Directors meet the requirements of professionalism, integrity and independence laid down in the applicable legislation and the Corporate Governance Code.

55 The data are set out in the 2019 Sustainability Report, which is available on Snam's website.

Over the years, the Company has adopted tools and initiatives aimed at ensuring diversity, particularly through the guidelines produced by the Board of Directors for shareholders on the future size and composition of the Board of Directors⁵⁶ in view of the Shareholders' Meeting of 2 April 2019 and the resolutions of the Board of Directors on co-optation. The guidelines produced in view of the Shareholders' Meeting of 2 April 2019 took into account the required diversity within Snam's Board of Directors, not only in terms of gender, age and length of time in office, but also complementarity of professional and managerial experience, appropriate knowledge, including of language and culture of an international or foreign nature, and the characteristics and importance of positions previously held, including in institutional settings.

One method used by Snam to increase the capabilities and skills of members of the administrative and control bodies are the Board inductions⁵⁷, that include activities very intense and rich in topics, through which the members of the Board of Directors and the members of the Board of Statutory Auditors acquire specific sector-related skills.

The Board evaluations and Board inductions are taken into account when formulating these guidelines.

c. Age

Snam's Articles of Association do not set specific age limits for members of corporate bodies. The statutory limits are not deemed necessary, since an adequate diversity already exists in any case, as demonstrated by the following information:

- the age of Snam's Directors ranges from 42 to 67, with an average age of 54;
- the age of Snam's Statutory Auditors ranges from 43 to 68, with an average age of 54.

d. Methods adopted for the implementation of diversity policies

With regard to the methods used to implement diversity policies, the main references are the Board evaluations, carried out with the contribution of an external advisor, as described in greater detail in Paragraph 2.4 of this Section. Snam has undertaken – most recently on 18 March 2020 – an evaluation of the performance of the Board of Directors and its Committees, as well as their size and composition, taking into account the professional skills, experience (including managerial experience) and gender of its members and their length of service as directors.

The ESG Committee addresses issues related to gender diversity and inclusion, monitoring the related activities of the Company and expressing recommendations and proposals.

One of the initiatives to promote attention to diversity policies in corporate governance is Snam's adherence to "Valore D", which is an association of companies that promotes female diversity, talent and leadership, in order to stimulate the growth of companies and the country, through seminars, workshops and mentoring. The Company has also signed Valore D's "Manifesto for Female Employment", which identifies corporate tools for promoting female talent in concrete terms.

With regard to the Board of Statutory Auditors, Snam does not consider it necessary to adopt specific diversity policies for the control body, taking into account the provisions of the Articles of Association on diversity, the professional requirements set forth by the Articles of Association and by the applicable law, and the fact that the members of the Board of Statutory Auditors meet the independence requirements set forth by the Corporate Governance Code, as well as the participation of the Statutory Auditors to Board Induction sessions.

The current composition of the Board of Statutory Auditors is considered to be adequately structured in terms of age, gender and training and professional experience, as also shown by the evaluation of the Board of Statutory Auditors.

Finally, Snam also takes the diversity policy into account when exercising its direction and coordination activities, ensuring consistency among the Subsidiaries with the policy described above.

26 Chairman of the Board of Directors

The Shareholders' Meeting of 2 April 2019 appointed Luca Dal Fabbro as Chairman of the Board of Directors.

The Chairman, who does not have an executive role, performs the duties assigned to him by law, the Articles of Association and by resolution of the Board of Directors, as indicated in Annex 5 to this Report.

The Chairman is responsible for representing the Company, by agreement and in coordination with the Chief Executive Officer.

The Chairman is not the person principally responsible for managing the Company (Chief Executive Officer) and is not the controlling shareholder⁵⁸.

⁵⁶ For more information on the content of the guidelines produced by the Board of Directors, see Annex 4 of this Report.

⁵⁷ For more details, see Paragraph 5, Section III of this Report.

⁵⁸ Article 147-quinquies of TUF provides that "parties that perform management functions must meet the integrity requirements laid down for members of control bodies by the regulations issued by the Ministry of Justice pursuant to Article 148, paragraph 4" of the TUF. These requirements were set forth by Article 2 of Decree of the Ministry of Justice 162/2000 ("Regulations containing rules for setting the professionalism and integrity requirements for members of the board of statutory auditors of listed companies to be issued based on Article 148 of TUF").

2.7 Chief Executive Officer

At its meeting of 2 April 2019, the Board of Directors appointed Marco Alverà (already Chief Executive Officer of Snam from 27 April 2016) as Chief Executive Officer, and also confirmed his appointment as General Manager that took place on 15 January 2016. The Board of Directors assigned to him the duties of the Chief Executive Officer, and conferred upon him all the assignments and powers that are not reserved for the Board of Directors or the Chairman, which are described, respectively, in Paragraphs 3 and 2.5 of the present Section and in Annex 5.

The CEO performs the role of Director in charge of the internal control and risk management system (the “**Director in charge of the internal control and risk management system**”)⁵⁹.

There is no interlocking directorate in place, as defined in criterion 2.C.6 of the Corporate Governance Code⁶⁰, in relation to the CEO.

2.8 Other executive directors

With the exception of the Chief Executive Officer, all the members of the current Board of Directors are non-executive, as (i) they do not hold the position of chief executive officer or executive chairman in the Strategic Subsidiaries; and (ii) they do not hold executive positions in the Issuer or in the Strategic Subsidiaries.

2.9 Independent directors

The Board of Directors includes a number of independent directors sufficient to ensure, in terms of number and authority, that their opinion carries substantial weight when Board decisions are taken. In fact, out of a total of nine directors, six qualify as independent⁶¹, more than the number required by the Corporate Governance Code, which recommends that the proportion of independent directors on the boards of directors of issuers on the FTSE-Mib index should be one-third⁶². The presence of independent directors on both the Board of Directors and its Committees ensures that the interests of all shareholders are adequately protected.

On 2 April 2019, the Board of Directors verified:

- that the non-executive directors Laura Cavatorta, Francesco Gori, Antonio Marano, Francesca Pace and Rita Rolli meet the independence requirements set forth in the TUF and the Corporate Governance Code; and
- that Luca Dal Fabbro, the Chairman of the Board of Directors, meets the independence requirements set forth under the TUF.

59 For more information on the Director in charge of the internal control and risk management system, see Section IV, Paragraph 1.2 (ii).

60 Criterion 2.C.6 of the Corporate Governance Code provides that “*the chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A)*”.

61 Specifically, five directors are independent pursuant to the TUF and the Corporate Governance Code (Laura Cavatorta, Francesco Gori, Antonio Marano, Francesca Pace and Rita Rolli) and one is independent pursuant to the TUF (Luca Dal Fabbro).

62 In this regard, see the provision of Criterion 3.C.3 of the Corporate Governance Code.

On the same date, the Board of Directors announced the results of this assessment in a press release and subsequently confirmed that these requirements would continue to be met at its meeting of 6 May 2020.

On 6 May 2019, the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors in order to determine whether the directors met the independence requirements. The verification by the Board of Statutory Auditors for the year 2020 will be performed in May 2020.

In 2019, as the members of the Board of Directors were renewed during the same financial year (on 2 April 2019), no meetings exclusively for independent directors took place.

On 13 January 2020, a meeting exclusively for independent directors took place, during which the directors discussed and analysed the possible measures to be implemented to improve the functioning of the Board of Directors and its internal Committees, in particular with regard to the timeliness of pre-board information, the punctuality of the minutes of meetings of the Board of Directors and the Committees, the formalisation of management feedback on questions and requests from the Board of Directors and the Committees, as well as the planning of the fulfilments of the Committees and the objectives of their meetings.

On 18 February 2020, another meeting exclusively for independent directors took place. The independent directors agreed to meet at least twice a year.

2.10 Maximum accumulation of offices held at other companies

At its meeting of 6 May 2020, the Board of Directors, on the proposal of the Appointments Committee, confirmed its position on the accumulation of offices held by directors (already adopted at the meeting of 18 February 2019), according to which:

- (i) an **executive director** should not hold:
 - a) the office of executive director in another Italian or foreign listed company, or in a financial, banking or insurance company, or a company with net assets or consolidated annual turnover of more than €500 million or an equivalent amount if the company uses a different currency;
 - b) the office of non-executive director or statutory auditor (or member of another control body) in more than three of the companies listed under point (a). Furthermore, in case of the CEO, he/she should not assume the office of director of another issuer not belonging to the same group, whose CEO is another director of the Company;
- (ii) **non-executive directors** (including independent directors) should not, in addition to the position held at the Company, hold:
 - a) the office of executive director in one or more Italian or foreign listed companies, financial, banking or insurance companies, or companies with net assets or consolidated annual turnover of more than €500 million or an equivalent amount if the company uses a different currency, or the office of non-executive director or statutory auditor (or member of another control body) in more than three of the above companies; or
 - b) the office of non-executive director or statutory auditor (or member of another control body) in more than four of the companies listed under point a).

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

The Board of Directors, in its assessments of each subjective position, to be made in the interest of the Company, may take into account the specific circumstances and professional commitments (not limited to the holding of office) of the individual directors, to allow for any exemptions from the limits of offices, and to establish a possible reduction of the maximum number of offices that can be held. If appropriate, the Board of Directors will invite the director to take the consequent decisions.

Based on the declarations made by the directors, the following table lists the other important positions held by the Directors of the Company pursuant to the Corporate Governance Code and the relevant recommendations issued by the Board of Directors.

Director	Other important positions held
Marco Alverà	Independent director of S&P Global
Laura Cavatorta	Independent director of Infrastrutture Wireless Italiane S.p.A.
Francesco Gori	Non-executive director on the supervisory and management boards of Apollo Tyres Ltd Independent director of PRYSMIAN S.p.A.
Yunpeng He	Non-executive director of CDP RETI S.p.A., Terna S.p.A., Italgas S.p.A. and IPTO S.A.
Francesca Pace	Independent director of Cassa di Risparmio di Orvieto S.p.A.
Rita Rolli	Independent director of TREVI Finanziaria Industriale S.p.A. (Chairman of the Control and Risk and Sustainability Committee, member of the Related-Parties Committee) Independent director of I.M.A. Industria Macchine Automatiche S.p.A. (Chairman of the Control and Risk and Related-Party Transactions Committee, Member of the Appointments and Remuneration Committee)

At its meetings of 2 April 2019 and 6 May 2020, the Board of Directors verified that:

- (i) with the exception of the CEO, all the directors hold a non-executive role;
- (ii) the number of significant offices pursuant to the Corporate Governance Code and the position taken by the Board of Directors regarding the maximum number of offices held by the same director is compatible with the effective performance of the role of director of Snam.

2.11 Lead Independent Director

Snam has not appointed a lead independent director as the conditions set forth in the Corporate Governance Code are not met⁶³. The Chairman of the Board of Directors is not the person mainly responsible for managing the Company (the CEO) and does not hold a controlling stake in the Company. Furthermore, the appointment of a lead independent director was not requested by the independent directors.

⁶³ Criterion 2.C.4 states that: "the Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the board of directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer. The board of directors of issuers on the FTSE MIB index shall designate a lead independent director when requested by the majority of independent directors, except in the case of a different and reasoned assessment carried out by the board to be included in the corporate governance report."

2.12 Succession plans

The purpose of succession plans is to: (i) favour generational replacement in companies; (ii) improve the management of the termination of executive directors and top management; and (iii) limit the negative effects of any management discontinuity.

Snam pays particular attention to defining an evaluation process to be used as the basis for the selection of candidates. Candidates must be active, proactive and keen to make a contribution to the future of the Group. These characteristics are shared by the individuals who have committed themselves to the Company. Snam's success also stems from its particular focus on selecting key front-line functions.

Accordingly, Snam's key management personnel are considered in succession planning, i.e. Chief Energy Transition Officer, Chief Financial Officer and Chief International & Business Development Officer, Chief Industrial Assets Officer, General Counsel and EVP Human Resources, Organisation & PFM⁶⁴.

The methods used include:

- (i) conducting assessment interviews with current key position holders and potential successors;
- (ii) the identification, for each key position, of the requirements of the role, including the scope of responsibility, expertise, required skills and strategic objectives;
- (iii) the assessment and weighting of the risk associated with the individual key position;
- (iv) the identification and analysis of the line of succession of each key position, in order to identify consistency in terms of skills and experience and readiness;
- (v) action plan management: individual career plans for internal candidates/external selection or mapping, as appropriate;
- (vi) a hypothetical contingency plan for crisis situations.

The activity is carried out with the support of an external advisor. The Appointments Committee and the Board of Directors have reviewed and approved the methods used to draw up succession plans⁶⁵.

In view of the nature of its shareholder structure, Snam does not set out specific succession plans for its executive directors. On 13 March 2018, the Board of Directors, on the proposal of the Appointments Committee, approved a "Contingency Plan", in the event of premature termination of the CEO's office or permanent impediment to the performance of his/her duties, which provides for the

following:

- in the event of premature termination of the office of the CEO or permanent impediment to his/her duties, the Chairman of the Board of Directors will convene (within 24 hours) a meeting of the Board of Directors. In the absence of the Chairman of the Board of Directors, the Board of Directors is convened by the most senior director in terms of age, pursuant to Article 15.1 of Snam's Articles of Association;
- the Board of Directors, where possible, co-opts a Director and appoints the Chief Executive Officer, granting him or her the relevant powers, or promptly initiates the process of identifying a CEO, with the support of the Appointments Committee, in the meantime granting powers of ordinary management of the Company to a director;
- the Appointments Committee, which also avails itself of a consultancy firm specialising in the sector, submits proposals to the Board of Directors on the identification of the person best suited to the role of Chief Executive Officer;
- on the proposal of the Appointments Committee, the Board of Directors co-opts a director and identifies the new Chief Executive Officer, conferring the relevant powers on him or her.

2.13 Remuneration system for directors and key management personnel

The Board of Directors reviews the 2020 Remuneration Report pursuant to Article 123-ter of TUF, the first section of which – dedicated to the remuneration policy for directors and key management personnel adopted by the Company – is subject to a binding vote by the Shareholders' Meeting, while the second section – dedicated to the analytical illustration of the remuneration paid in any capacity and in any form by the Company and its Subsidiaries to the members of the administration and control bodies, general managers and key management personnel – is subject to a non-binding vote by the Shareholders' Meeting.

For an explanation of Snam's remuneration policy, see the Remuneration Report, which will be submitted to the Shareholders' Meeting for review on 18 June 2020 and made available on the Company's website.

The Remuneration Report is available on the Company website (https://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2019/Remuneration_Report_2020.pdf)

⁶⁴ As well as Snam's key management personnel, the Financial Reporting Officer and the SVP Internal Audit are taken into account in succession planning.

⁶⁵ Respectively the Appointments Committee, on 12 December 2019, duly reported to the Board of Directors on the same date.

3. SNAM'S COMMITTEES

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

- Remuneration Committee;
- Appointments Committee;
- Control and Risk and Related-Party Transactions Committee;
- Environmental, Social & Governance Committee.

In the performance of their functions, the Committees may access information and company departments. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors⁶⁶.

Individuals who are not members may participate at Committee meetings if asked to do so in relation to the particular agenda items. The respective Secretaries take the minutes of the Committee meetings.

The Committee Regulations provide that, after every meeting, the Chairman of each Committee shall update the Board of Directors by a report, at the next convenient meeting, on the matters addressed and the observations, recommendations and opinions expressed⁶⁷.

3.1 Remuneration Committee

(i) Composition

The composition of the Remuneration Committee is as follows:

Member	Position
Francesca Pace	Independent Non-Executive Director ⁽¹⁾ - Chairman
Rita Rolli	Independent Non-Executive Director ⁽¹⁾
Alessandro Tonetti	Non-executive

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

The Board of Directors has identified Francesca Pace as Chairman of the Remuneration Committee and has verified that all the members have sufficient knowledge and experience on financial matters and remuneration policies.

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

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

The Directors that are not members of the Remuneration Committee may attend the meetings in relation to the discussion of items of interest, upon sharing with the Chairman.

The Committee appointed the EVP Human Resources, Organisation & PFM as the Secretary.

(ii) Duties

The Remuneration Committee provides recommendations and advice⁶⁸, as described in the Regulations most recently approved by the Board of Directors on 12 June 2019, to the Board of Directors on Directors' remuneration.

In accordance with the Board's decision, the Remuneration Committee annually reviews the remuneration structure of the Head of Internal Audit and ensures that it is consistent with the general criteria approved by the Board of Directors for all managers, indicating the above to the Chairman of the Control and Risk and Related-Party Transactions Committee for the purposes of the opinion which he must express on this matter at the Board meeting⁶⁹.

(iii) Activities

The Remuneration Committee met 11 times in 2019, with an average attendance rate of 100%. The average duration of Committee meetings was 108.6 minutes.

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

67 In this regard, see the provision of Criterion 4.C.1, letter d) of the Corporate Governance Code.

68 For a detailed description of the duties of the Remuneration Committee, see Annex 5 to this Report.

69 See also Section III, Paragraph 3.3, of the Report.

Below is a brief description of the main issues dealt with by the Remuneration Committee during the 2019 financial year:

Activity

- Approval of the remuneration policy guidelines for 2019 in continuity with those approved for 2018
 - Approval of the final figures for the 2018 corporate objectives
 - Setting of the corporate objectives for 2019
 - Approval of the 2019 Remuneration Report
 - Proposal for annual monetary incentive for the Chief Executive Officer
 - Approval of the Committee Regulations
 - Induction: introduction to Snam's remuneration systems
 - Approval of the Committee's activities schedule for 2019
 - Review of the final results of the adjusted net profit and TSR indicators relating to the 2016-2017 Long-Term Share-Based Incentive Plans
 - Examination of the comparison criteria and background elements used to identify the reference panel for comparisons of remuneration, as well as the objectives most used in market practice for the remuneration of the Chairman and the Chief Executive Officer
 - Proposals relating to the remuneration of the Chairman, the Chief Executive Officer and Directors for participation in the Committees
 - Establishing the final balance of adjusted net profit and total shareholder return for the 2016-2017 Long-Term Monetary Incentive Plans
 - Long-Term Share-Based Incentive Plan – approval of settlement and incentive award for the Chief Executive Officer for 2019
 - Analysis of the results of the vote of the Shareholders' Meeting on the 2019 Remuneration Report, launching an in-depth examination of the issues raised by shareholders and proxy advisors
-

The Committee reported to the Board of Directors at the Board meetings of 31 July 2019 and 18 February 2020 on the activities carried out in the first and second semester of 2019. It also reported on each meeting held at the following Board meeting, pursuant to Criterion 4.C.1, letter d) of the Corporate Governance Code.

The Committee has defined its calendar and has scheduled 16 meetings for 2020, 4 of which scheduled if there are matters to be discussed. As of the date of approval of this Report, 9 meetings have been held.

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

During 2019, the Chairman of the Board of Statutory Auditors or a designated auditor regularly attended the Committee's meetings and, at the invitation of the Committee, other non-Committee members also attended the Committee's meetings in order to provide information and express an opinion on individual agenda items.

According to the Remuneration Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties. In particular, within the terms from time to time established by the Board of Directors, the Committee can avail itself of the services of external consultants through Company structure of the Company, provided that they are not in a situation likely to compromise their independent judgement.

The Committee availed itself of external consultants, some of whom also provide services (which do not compromise their independent judgement) to the Human Resources and Organisation business area.

The Remuneration Committee Regulations are available on the Company website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Regolamento_Comitato_Remuneratione_2019.pdf)

Table 1 in Section VI provides information on the attendance of each participant at Remuneration Committee meetings.

3.2 Appointments Committee

(i) Composition

Il Comitato Nomine è composto come segue:

Member	Position
Antonio Marano	Independent Non-Executive Director ⁽¹⁾ - Chairman
Laura Cavatorta	Independent Non-Executive Director ⁽¹⁾
Alessandro Tonetti	Non-Executive

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

The Chairman of the Board of Directors, the CEO and, for matters relevant to him, the Chairman of the Board of Statutory Auditors, or a standing auditor designated by him, are usually invited to attend Committee meetings, and this was generally the case in 2019. Other non-Committee members may also attend the Committee meetings, upon invitation by the Committee, in order to provide information and express an opinion on individual agenda items.

The Directors that are not members of the Appointments Committee may attend the meetings in relation to the discussion of items of interest, upon sharing with the Chairman.

The Committee appointed the SVP Governance, Risk & Control and Secretary to the Board of Directors as Secretary.

Committee meetings are deemed to be validly constituted with the presence of a majority of the members in office; the Committee adopts resolutions by an absolute majority of the attendees. In the event of a tie, the Chairman of the Committee has the casting vote.

(ii) Duties

The Committee provides recommendations and advice to the Board on the matters indicated in Annex 6 of this Report.

(iii) Activities

The Appointments Committee met 8 times in 2019, with 100% attendance by members. The average duration of Committee meetings was 38 minutes.

A brief description of the main activities of the Appointments Committee in 2019 is provided below.

Activity

- Review and proposal to the Board of Directors of the Final Board Evaluation Report of the advisor Spencer Stuart
 - Approval of the text of guidelines for the Shareholders' Meeting of 2 April 2019 on the qualitative and quantitative composition of the Board of Directors, to be submitted to the Board of Directors
 - Review and proposal to the Board of Directors on the limits and restrictions on the accumulation of offices by Snam's directors
 - Approval of the Report of the Appointments Committee on activities carried out in the second half of 2018
 - Approval of the Committee's activities schedule for 2019
 - Review of the Contingency Plan for the Chief Executive Officer
 - Review of the Snam's diversity policy pursuant to Article 123-*bis*, lett. d-*bis*) of TUF
 - With regard to the Subsidiaries included in the scope of consolidation and strategic foreign investees, the formulation of proposals for the Board of Directors on the appointment of members of the corporate bodies
 - Review and explanation to the CEO of methods and process for defining Snam's succession plans
-

The Appointments Committee Regulations were most recently approved by the Board of Directors on 27 March 2020.

The Appointments Committee Regulations are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Snam_Regolamento_del_Comitato_Nomine_2020.pdf)

The Committee reported to the Board of Directors, at the Board meetings of 31 July 2019 and 18 February 2020, on the activities carried out in the first and second semester of 2019. Furthermore, in accordance with Criterion 4.C.1, letter d) of the Corporate Governance Code, the Committee reported on each meeting held at the next convenient meeting of the Board of Directors.

The Committee has defined its calendar and has scheduled 6 meetings for 2020, 1 of which scheduled if there are matters to be discussed. As of the date of approval of this Report, 3 meetings have been held.

According to the Appointments Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties. In particular, within the terms established from time to time by the Board of Directors, the Committee can avail itself of the services of external consultants through the Company structure, provided that they are not in a situation likely to compromise their independent judgement.

In accordance with the Appointments Committee Regulations, in 2019 the EVP Human Resources & Organisation and the General Counsel took part at meetings of the Committee, in view of the purpose of these meetings.

Table 1 in Section VI provides information on the attendance of each participant at Appointments Committee meetings.

3.3 Control and Risk and Related-Party Transactions Committee

(i) Composition

The composition of the Control and Risk and Related-Party Transactions Committee is as follows:

Member	Position
Francesco Gori	Independent Non-Executive Director ⁽¹⁾ - Chairman
Francesca Pace	Independent Non-Executive Director ⁽¹⁾
Antonio Marano	Independent Non-Executive Director ⁽¹⁾

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

Snam's Board of Directors identified Francesco Gori as Chairman of the Control and Risk and Related-Party Transactions Committee and has verified that all the members have an adequate accounting, financial and risk management experience.

The Company's Chairman and the members of the Board of Statutory Auditors were invited to Committee meetings; on the invitation of the Committee itself, the Director in charge of the internal control and risk management system and other persons who are not Committee members may attend Committee meetings in order to provide information and express opinions, within their respective remits, on the individual agenda items.

The Directors that are not members of the Control and Risk and Related-Party Transactions Committee may attend the meetings in relation to the discussion of items of interest, upon sharing with the Chairman.

The Committee appointed as Secretary the SVP Governance, Risk & Control and Secretary to the Board of Directors.

Committee meetings are deemed to be validly constituted with the presence of the majority of the members in office; the Committee resolves by an absolute majority of the attendees. In the event of a tie, the Chairman of the Committee has the casting vote.

(ii) Duties

The Committee provides recommendations and advice⁷⁰ to the Board, carrying out appropriate investigations to support Board decisions and assessments concerning the internal control and risk management system, as well as those relating to the approval of financial reports. The Committee is also responsible for monitoring Corporate Tax Policy.

(iii) Activities

The Committee met 18 times in 2019, with attendance of 100%. The average duration of Committee meetings was approximately 166 minutes.

Below is a brief description of the main issues discussed and the main activities performed during the 2019 financial year.

⁷⁰ For a more detailed description of the duties of the Control and Risk and Related-Party Transactions Committee, see Annex 5 to this Report.

Area	Activity
Internal control and risk management system	<p>Activities of a non-recurring nature</p> <ul style="list-style-type: none"> • Analysis, with the support of the Senior Vice President Planning and Control and the Head of Budget and ABF BU Estero e Commerciale, of the methods used by Snam to perform the impairment tests and the preliminary results of this analysis • Analysis, with the support of the Senior Vice President Internal Audit, of reporting, including anonymous reporting, received by Snam and its Subsidiaries in 2019 • Analysis of the proposed adoption of Guidelines on: (i) Enterprise Risk Management, (ii) Health, Safety, Environment and Public Safety, (iii) Corporate Governance, and (iv) Snam Group Tax Strategy • Update on TAP project • Analysis, with the support of the Executive Vice President Human Resources & Organisation, of the Group's workforce, particularly senior management • Monitoring of the progress of the implementation of Snam's new regulatory model (the Lean – Simplify project) • Analysis of the issue of variations in gas volumes not accounted for, with the support of the General Counsel • Analysis of new business initiatives not regulated by Snam • Analysis, with the support of the General Counsel, of the state of implementation of privacy legislation • Analysis of the update to the Tax Compliance Model and monitoring of the Corporate Tax Policy • Update, with the support of the Chief Industrial Assets Officer, on maintenance activities for the storage and regasification business • Update, with the support of the General Counsel, on the controls established in the context of the acquisition of new companies • Report on the tender launched by the CDP S.p.A. Group to award the statutory audit mandate for the financial years 2020-2028 • In-depth examination on the offices and shareholdings held by the Chairman of the Board of Directors and some of his close family members, as a result of which it has been ascertained that no transactions were carried out between the Snam Group and the related parties attributable to the Chairman of Snam's Board of Directors
ERM Model and management of the main risks faced by the Company	<p>Activities of a recurring nature</p> <ul style="list-style-type: none"> • Review of quarterly reports on the identification and updating of the key corporate risks in the ERM system, particularly with regard to the risks associated with unregulated new business • Periodic analysis with the management of the Finance function of the management of financial risks and the risks associated with the 2019-2023 Strategic Plan
Oversight of the Internal Audit function	<ul style="list-style-type: none"> • Final balance of the 2018 target for the Senior Vice President Internal Audit on "quality of communication" • Analysis, with the Senior Vice President Internal Audit, of the report on the activities performed by the Internal Audit function in the second half of 2018. • Analysis of methodological updates of the internal auditing process of the INTAU function • Review of the state of progress of the implementation of the actions identified as a result of the Internal Quality Assurance Review conducted in 2018 with the specialist support of Deloitte • Detailed analyses of the internal audit reports produced in 2019 • Analysis of the quarterly reports on the notifications received by Snam and the Subsidiaries • Review of the functionalities of the information system supporting the internal audit process and updating of the continuous monitoring tool • Analysis of the proposed 2020 Audit Schedule
Corporate reporting control system	<ul style="list-style-type: none"> • Review of the report on the adequacy of the CRCS and on the compliance of the administrative and accounting procedures and the annual report on the organisational, administrative and accounting structure of Snam and its Subsidiaries • Analysis of the activities performed in 2019 to update and continuously improve the CRCS of the Snam Group
Independent audit of financial statements	<ul style="list-style-type: none"> • Analysis of issues relating to the half-year and annual financial report, with regard to both the auditing and the checks on the effectiveness of the CRCS
Legislative Decree No. 231 of 2001, Code of Ethics and Anti-Corruption Policy	<ul style="list-style-type: none"> • Review of the process of identifying members of the Supervisory Body and the related nominations • Meetings with the Supervisory Body regarding the report on the work performed in the second half of 2018 and in 2019
Corporate governance and regulatory compliance	<ul style="list-style-type: none"> • Review with the General Counsel of the 2018 Report on Corporate Governance and Ownership Structure and the 2018 Compliance Report • Analysis, with the support of the Executive Vice President Institutional Relations, CSR and Communication, the Senior Vice President Administration, Budget and Tax and the Head of Governance & Corporate Affairs, of: <ul style="list-style-type: none"> – the Non-Financial Statement pursuant to Legislative Decree No. 254 of 2016; – the 2018 Sustainability Report; and – the document entitled "Financial Disclosure on Climate Change", compiled on the basis of recommendations made by the Task Force on Climate Related Financial Disclosure • Analysis of issues relating to the interim management report as at 30 September 2019
Transactions in which directors and statutory auditors have an interest and related-party transactions	<ul style="list-style-type: none"> • Annual assessment of the decisions made by the Company to define the threshold for the purposes of distinguishing between transactions of lesser and greater significance in the "Guidelines on transactions in which directors and statutory auditors have an interest and related-party transactions". Proposal to the Board of Directors to: (i) confirm a single materiality threshold for all related-party transactions, established as €140,000,000; and (ii) provide for a maximum threshold of Euro 1,000,000 for low-value transactions. • Analysis of the report drawn up by the Administration function on the related-party transactions carried out in the first half of 2018

The Regulations of the Control and Risk and Related-Party Transactions Committee were most recently approved by the Board of Directors on 12 June 2019.

The Control and Risk and Related-Party Transactions Committee are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Snam_S.p.A.-Regolamento_CCROPC-ITA_2019_.pdf)

The Committee reported to the Board of Directors, at the Board meetings of 31 July 2019 and 18 February 2020, on the activities carried out in the first and second semester of 2019. It also reported on each meeting held at the following Board meeting, pursuant to Criterion 4.C.1, letter d) of the Corporate Governance Code.

The Committee has defined its calendar and has scheduled 12 meetings for 2020. As of the date of approval of this Report, 5 meetings have already been held.

During 2019, several non-Committee members attended meetings of the Control and Risk and Related-Party Transactions Committee at the Committee's invitation, in order to provide information and explanations. Normally, the Chairman of the Board of Statutory Auditors and/or other auditors also attended the Committee meetings.

The Committee Regulations provide that the Committee, when carrying out its duties, is authorised to access the information and corporate functions necessary to perform its duties.

The Board of Directors provides the Committee with the necessary resources to perform its duties. In particular, within the terms established from time to time by the Board of Directors, the Committee can avail itself of the services of external consultants, provided that they are not in a situation likely to compromise their independent judgement.

Table 1 in Section VI provides information on the attendance of each participant at Control and Risk and Related-Party Transactions Committee meetings.

3.4 Environmental, Social & Governance Committee

(i) Establishment of the Committee

On 14 May 2019, Snam's Board of Directors resolved to establish the Environmental, Social & Governance Committee, to replace the Sustainability Committee.

Based on the experience of the work of the Sustainability Committee in the previous three years and considering current best practices, Snam considered that the establishment of an ESG Committee to support the Board of Directors in incorporating environmental, social and governance issues into the business model (including by measuring KPIs) was a response consistent with the Company's goals of becoming a leader in the low-carbon energy transition, with a high-tech profile and increasingly interconnected with the region. As well as considering sustainability issues closely related to the energy sector, the Company also wanted to task the Committee with the oversight of issues of particular importance, such as the Company's policies on human rights, business ethics, integrity, diversity and inclusion, and sustainable finance initiatives.

(ii) Composition

The composition of the ESG Committee is as follows:

Member	Position
Laura Cavatorta	Independent Non-Executive Director ⁽¹⁾ - Chairman
Yunpeng He	Non-executive Director
Rita Rolli	Independent Non-Executive Director ⁽¹⁾

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

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

The Directors that are not members of the Environmental, Social & Governance Committee may attend the meetings in relation to the discussion of items of interest, upon sharing with the Chairman.

Members of the Board of Statutory Auditors usually took part at the meetings. Non-Committee members also took part at the Committee meetings, at the Committee's invitation, in order to provide information and express opinions, within their respective remits, on individual agenda items.

The Committee appointed the SVP Governance, Risk & Control and Secretary to the Board of Directors as Secretary.

Committee meetings are deemed to be validly constituted with the presence of the majority of the members in office; the Committee resolves by an absolute majority of the attendees.

(iii) Duties

The ESG Committee provides recommendations and advice to the Board of Directors, with the aim of: (i) promoting the continued incorporation of national and international best practices into Snam's corporate governance and of environmental, social and governance factors into corporate strategies, and (ii) creating value for shareholders generally and for stakeholders in the medium to long term, while respecting the principles of sustainable development.

(iv) Activities

The ESG Committee met eight times in 2019, including twice as the Sustainability Committee, with 100% attendance by members. The average duration of Committee meetings was 125.7 minutes.

In 2019, the Sustainability Committee and, since its establishment, the ESG Committee focused its activities on the matters indicated in the following table.

Activity

- Follow up on the review of the non-financial information contained in the 2018 Financial Report
 - Final balance of profit and non-profit initiatives for the year 2018 and review of profit and non-profit initiatives for the year 2019
 - Review of the draft Report of the Board of Directors to the Shareholders' Meeting containing the proposal to amend the Articles of Association in order to make gender diversity a permanent feature of the corporate bodies
 - Review and proposal to the Board of Directors of the preliminary process for the tender procedure to identify an advisor for the Board Evaluation and possible advisors to invite to tender
 - Review of the shareholder structure and shareholder engagement initiatives
 - Review of the Diversity & Inclusion Policy
 - Review of Half-Year Sustainability Review
 - Review of the Non-Financial Statement (NFS) in the Annual Financial Report
 - Review of the Sustainability Report
 - Sustainability at Snam – induction activities
 - Analysis of the impacts on Snam of the implementing provisions of the Shareholders' Rights Directive II
 - Review of ESG Committee Regulations
 - Analysis and proposal for the B Corp assessment
 - Report on the activities of the Snam Foundation and review of projects planned for 2019
 - Review of the corporate process for reporting non-financial information and the non-financial statement to be submitted to the Board of Directors
 - Review of the materiality process for the forming of the Non-Financial Statement and the document submitted to the Board
 - Analysis of sustainable finance initiatives
 - Analysis of climate change initiatives and incorporation of ESG themes and the relevant KPIs into the business model.
 - Analysis of the initiatives, sustainability objectives, new projects, methodology and investments included in the strategic plan in relation to the climate change strategy
 - Review of gender diversity initiatives
 - Updates on the TAP project
 - Review of the activities of the working group in relation to the TCFD
-

The ESG Committee Regulations were most recently approved by the Board of Directors on 12 June 2019.

The Environmental, Social & Governance Committee Regulations are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Snam_S.p.A.-Regolamento_Comitato_ESG-ITA_2019_.pdf)

The Committee reported to the Board of Directors, at the Board meetings of 31 July 2019 and 18 February 2020, on the activities carried out in the first and second semester of 2019. It also reported on each meeting held at the following Board meeting, pursuant to Criterion 4.C.1, letter d) of the Corporate Governance Code.

The Committee has defined its calendar and has scheduled 13 meetings for 2020. As of the date of approval of this Report, 8 meetings have already been held.

According to the ESG Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties. In particular, within the terms established from time to time by the Board of Directors, the Committee can avail itself of the services of external consultants through the Company structure, provided that they are not in a situation likely to compromise their independent judgement.

Table 1 in Section VI provides information on the attendance of each participant at ESG Committee meetings.



4. SNAM'S BOARD OF STATUTORY AUDITORS AND EXTERNAL AUDITORS

4.1 Snam's Board of Statutory Auditors

The Board of Statutory Auditors, pursuant to the TUF, oversees compliance with the law and with the deed of incorporation, as well as respect for the principles of proper administration in the performance of company activities. It also evaluates the adequacy of the organisational, administrative and accounting structure adopted by the Company, and how it functions in practice. Furthermore, pursuant to Article 19 of Legislative Decree No. 39 of 27 January 2010 (as updated by Legislative Decree No. 135 of 17 July 2016, which implemented European Directive 2014/56/EU on statutory audits), the Board of Statutory Auditors also performs supervisory functions in its capacity as the "Internal Control and Audit Committee".

(i) Composition

The Company's current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 2 April 2019 for three financial years and, in any event, until the date of the Shareholders' Meeting called to approve the financial statements as of 31 December 2021. Information on the current members of the Board are provided below:

Member	Office and Position	List in which he/she was submitted
Stefano Gnocchi	Standing Auditor and Chairman	List submitted jointly by the institutional investors
Gianfranco Chinellato	Standing Auditor	CDP RETI S.p.A. list
Donata Paola Patrini	Standing Auditor	CDP RETI S.p.A. list
Federica Albizzati	Alternate Auditor	List submitted jointly by the institutional investors
Maria Gimigliano	Alternate Auditor	CDP RETI S.p.A. list

Two lists for the appointment of the Board of Statutory Auditors were submitted at the Shareholders' Meeting of 2 April 2019:

- (i) a list presented by CDP RETI S.p.A. (two candidates for standing auditor and one candidate for alternate auditor); and
- (ii) a joint list presented by institutional investors (one candidate for standing auditor and one candidate for alternate auditor).

The share capital represented at the Shareholders' Meeting for the appointment of statutory auditors through list voting constituted 70.47% of the share capital, and 70.25% of the share capital voted. The list submitted by CDP RETI S.p.A. was voted for by 92.76% of the share capital represented in the Shareholders' Meeting (the list receiving the most votes), while the list submitted jointly by the institutional investors was voted for by 6.93% of the share capital represented.

Therefore, applying the provisions of the Articles of Association on the list voting mechanism applicable in 2019, 3 standing auditors were appointed (2 from the CDP RETI S.p.A. list and 1, namely the Chairman of the Board of Statutory Auditors, from the institutional investors' list) and two alternate auditors were appointed (1 from the CDP RETI S.p.A. list and 1 from the institutional investors' list).

On the basis of declarations provided by its members, on 2 April 2019, the Board of Statutory Auditors verified that all its members met the independence requirements laid down in Article 148, paragraph 3 of TUF, as well as the requirements for directors laid down in Articles 3 and 8 of the Corporate Governance Code. The Board of Directors issued a press release on the results of these verifications⁷¹.

⁷¹ In this regard, see the provision of Criterion 8.C.1 of the Corporate Governance Code.

The personal and professional characteristics of each statutory auditor are described in the biographies below⁷².



Stefano Gnocchi
Chairman

Nationality: Italian
Professional background:
Chartered accountant
and auditor - University lecturer

Career

Born in Codogno (LO) in 1974.

Chairman of Snam's Board of Statutory Auditors since 2 April 2019.

He holds a degree in Economics with a specialisation in finance and a Master's in Business and Knowledge Audit at the Catholic University of Milan.

He is a Chartered Accountant and Statutory Auditor, Certificate Risk Management Assurance (CRMA), Information System Auditor (CISA), Internal Audit Qualified External Assessor/Validator (QAR).

He is Chairman of the board of statutory auditors of MutuiOnline, listed group leader in Italy in the market for the distribution of credit products. Standing auditor at MTA S.p.A., automotive multinational company.

Member of the supervisory body of listed company; member of the commissions of the Order of Chartered Accountants of Milan and of the research committees of Assirevi.

Member of the AIIA, AIAF, ANDAF, IGS and NedCommunity associations.

Contract lecturer at the Department of Economic and Business Sciences at the University of Pavia (2010-2017).

20 years of professional experience at the Big Four (both in Italy and the US) and at Mazars (Italy), in the areas of governance and internal control systems, evaluation of governance, compliance, internal audit, risk management, management control, investigation & fraud auditing and financial audit, certification of business plans and assurance of management control systems and prospectuses.

Main sectors: automotive, petroleum, energy&utilities, food&gdo, fashion, retail, e-commerce, insurance, banking, asset management, real estate.



Gianfranco Chinellato
Standing Auditor

Nationality: Italian
Professional background:
Chartered accountant
and auditor - University lecturer

Career

Born in Padua in 1951.

Standing Auditor of Snam since 2 April 2019.

He graduated in Economics and Business from "La Sapienza" University in Rome.

He is registered in the Register of Chartered Accountants and in the Register of Statutory Auditors.

Since 1996 he has been a professor of tax law at the University of Tuscia in Viterbo, and at the Accademia della Guardia di Finanza. He is the author of the monography "*Codificazione Tributaria e Abuso del Diritto – Contributo allo studio degli strumenti di contrasto all'elusione fiscale*", Cedam, Padova, - 2007 in the series "Current Issues of Tax Law", directed by Franco Gallo, of the section "*Diporto Nautico, Diritto Tributario*" in Legal Encyclopaedia, Istituto della Enciclopedia Italiana Treccani, Rome – 2005, as well as author of several essays and articles on tax and corporate issues in leading legal journals.

Since 1978, he has performed corporate and economic consultancy and assistance work, both in Italy and abroad, in the various industrial, hotel, hospital and service sectors, as well as consulting, assistance, defence and tax representation work for leading banking institutions, public and private bodies, and industrial, commercial and services companies of all sizes, including securities and insurance brokers.

Among his other activities, for the National Research Council (CNR), Vicariate General for Vatican City, ADN Kronos Group, Italian Private Hospitals Association (A.I.O.P.), HUMANITAS, GIOMI S.p.A., GVM S.p.A., TRAFALGAR Ltd Group, *Cassa Nazionale di Previdenza e Assistenza Dottori Commercialisti* (social welfare fund for chartered accountants), *Cassa Nazionale degli Ingegneri* (social welfare fund for engineers), *Cassa Nazionale di Previdenza degli Psicologi* (social welfare fund for psychologists), as well as Costa Smeralda Consortium, Porto Rotondo Consortium, UNIONCAMERE and special Chamber of Commerce-registered Companies and Firms.

Since 1978, he has held and continues to hold positions as Chairman and Statutory Auditor of listed and non-listed companies, and as Chairman and member of the supervisory bodies of various companies.

Since 1996, he has been registered in the Register of Technical Advisors of the Court of Rome, for which he has produced major expert reports, including on ENEL S.p.A. (distribution unit, 1999), SERFI S.p.A. and SOFID S.p.A. (ENI Group, 1998).

From 2010 to 2015, he was a technical consultant to the Land Registry, now embedded in the Tax Agency.

72 For the full versions of the CVs of each statutory auditor of the Company currently in office, visit the following web address: <http://www.snam.it/it/etica-governance/collegio-sindacale/>.



Donata Paola Patrini

Standing Auditor

Nationality: Italian

Professional background:

Chartered accountant and auditor

Career

Born in Milan in 1956.

Standing Auditor of Snam since 2 April 2019.

She holds a degree in Economics and Business.

She is registered in the Register of Accountants of Milan, the Register of Statutory Auditors and in the Register of Technical Consultants of the Court of Milan.

Since 1985, she has been a founding partner of Patrini and Associati, an association of chartered accountants, mainly dealing with the financial, tax and corporate aspects of large Italian and multinational companies.

She is a statutory auditor, director and member of the supervisory boards of various Italian and foreign companies operating in the pharmaceutical, healthcare, financial, industrial, commercial, energy, telecommunications, publishing and fashion sectors.

Federica Albizzati

Alternate Auditor

Nationality: Italian

Professional background:

Chartered accountant and auditor

Career

Born in Varese in 1970.

Alternate Auditor of Snam since 2 April 2019.

She holds a degree with honours in Business Economics at the Luigi Bocconi University of Milan in 1994.

Qualifying exam for the exercise of the profession of Chartered Accountant and Auditor in 2001.

She is registered in the register of Chartered Accountants and Accounting Experts of Busto Arsizio at no. 513, section A and in the Register of Statutory Auditors since 2001.

She is a Senior Tax Consultant of Counsel at Caravati Pagani – *Dottori Commercialisti Associati*.

Her areas of specialization are corporate and tax consultancy, extraordinary transactions, corporate groups, holding companies and contracts.

She holds the positions of chairman of the board of statutory auditors, standing auditor and external auditor in various Italian companies.

Maria Gimigliano

Alternate Auditor

Nationality: Italian

Professional background:

Chartered accountant and auditor

Career

Born in Naples in 1976.

Alternate Auditor of Snam since 26 March 2013.

She holds a degree in Business Economics from the Luigi Bocconi University of Milan.

She is member of the Board of Auditors of the Luigi Bocconi University.

She is standing auditor and member of the Supervisory Board of Cedacri S.p.A. and Oasi S.p.A.

She is statutory auditor of Infrastrutture Trasporto Gas S.p.A., Surfaces Technological Abrasives S.p.A., ADI S.r.l., Ennefin S.p.A., RBM Italia S.r.l., Asset Company 2 S.r.l., Tep Energy Solution S.r.l., Nocoat S.p.A., Luna Abrasivi S.r.l. and Luna Brand S.r.l.

She is registered in the Register of Statutory Auditors.

For a description of the main duties of the Board of Statutory Auditors pursuant to the applicable law, and the provisions of the Articles of Association governing methods of appointing the statutory auditors and their term of office, see Annex 7 to this Report.

The remuneration of the Board of Statutory Auditors is determined by the Shareholders' Meeting, taking account of the commitment required, the importance of the position held and the size and sector characteristics of Snam.

(ii) Meetings of the Board of Statutory Auditors

The Board of Statutory Auditors met 23 times in 2019, with average attendance of 95.6% (see Table 2 in Section VI). The average duration of the meetings was 171.7 minutes.

The Board of Statutory Auditors has scheduled 15 meetings for 2020. As of the date of approval of this Report, 8 meetings had been held.

Pursuant to the Guidelines entitled "Transactions in which directors and statutory auditors have an interest and related-party transactions", the members of the Board of Statutory Auditors must declare any interest on their own behalf or that of third parties in specific transactions submitted to the Board of Directors. No situations arose in which such declarations were required from the members of the Board of Statutory Auditors in 2019.

The Board of Statutory Auditors is the recipient of the information flows necessary for the exercise of its duties as provided for in the "Framework Resolution between the Boards of Statutory Auditors of the Snam Group", which formalises the information flows between the boards of statutory auditors of the Snam Group.

A description of the ways in which the Board of Statutory Auditors interacts with the Control and Risk and Related-Party Transactions Committee and with the Internal Audit function can be found in Paragraph 1.3 of Section IV of the Report.

4.2 Board of Statutory Auditors evaluation

Snam's Board of Statutory Auditors has decided to carry out its own self-assessment for 2019.

In order to make this activity a completely transparent and structured process, as well as inspired by the best practices, it has been supported by Spencer Stuart S.r.l., a leading consulting firm in corporate governance matters, which also follows the self-assessment of the Company's Board of Directors.

The Board of Statutory Auditors shared the methodology proposed by Spencer Stuart, based on an integrated approach consisting of a written interview guide, associated with an individual interview.

Drawing inspiration from the regulations and practices relating to financial institutions, based on the "Rules of Conduct of the Board of Statutory Auditors of Listed Companies", edited by the Audit Working Group Rules of Conduct of the Board of Statutory Auditors of Listed Companies - Administration System Area and Control by the National Council of Chartered Accountants and Accounting Experts (updated to April 2018) the process involved all the effective members of Snam's Board of Statutory Auditors.

The assessment is based on the information received from the members of the Board of Statutory Auditors during the individual interviews and through the compilation of the interview Guide prepared by Spencer Stuart, on the basis of the relevant legislation and regulations.

Overall, the self-assessment provided a positive outcome of the composition and functioning of Snam's Board of Statutory Auditors.

In summary, the Statutory Auditors expressed their satisfaction and appreciation with the size, composition and functioning of Snam's Board of Statutory Auditors. The Board of Statutory Auditors, also thanks to an intense activity carried out in these first months of the year under review, is working with commitment and constancy towards a progressive consolidation of knowledge of the Group and the reference market, also increasing its awareness of the governance principles of a listed company. Snam represents a complex, highly organised and highly procedure-oriented reality that the Board of Statutory Auditors is gradually getting to know.

4.3 External Auditors

As required by law, the statutory audit is assigned to an independent auditing firm listed in the relevant register and appointed by the Shareholders' Meeting based on a reasoned proposal from the Board of Statutory Auditors. On 23 October 2019, the Shareholders' Meeting consensually resolved, after consultation with the Board of Statutory Auditors, to terminate the mandate of PricewaterhouseCoopers S.p.A. as the external auditors and, at the same time, to engage Deloitte & Touche S.p.A. as the external auditors for the financial years as of 31 December from 2020 to 2028, on the recommendation of the Board of Statutory Auditors.

5. INDUCTION PROGRAMME FOR DIRECTORS AND STATUTORY AUDITORS

Snam takes a proactive approach to improving the Company's efficiency by involving directors and statutory auditors in Board induction sessions, which consist of opportunities for discussion such as strategy days, and off-site visits.

Board induction sessions and off-site visits

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

In accordance with the Corporate Governance Code, Board induction sessions aim to provide directors and standing auditors with adequate knowledge of the sector in which the Company operates. They also focus on corporate dynamics and changes in the ownership structure. The sessions were designed and led by the management teams of the relevant departments.

In particular, in 2019, the following meetings took place in which the issues indicated were explored:

- 2 April 2019: a general presentation of the Snam Group was made when the new corporate bodies were inaugurated;
- 13 May 2019: Snam's corporate governance, value creation, the 2019 Budget, the results for the first quarter of 2019, finance in Snam, Snam's real estate assets, and initiatives for cultural change at Snam;
- 14 May 2019: the development of the gas market landscape, the Strategic Plan and the regulatory context;
- 12 June 2019: the activities of the Asset Italia Business Unit and the support provided for Snam's business by the DT&T function. Visit to the Western Central District of Snam Rete Gas;
- 16 July 2019: activities abroad, the system of internal control of corporate reporting; the Tax Control Framework – Cooperative Compliance;
- 11 September 2019: risks and opportunities of climate change, Strategic Plan scenarios, update on ongoing projects;
- 2 October 2019: Visit to the Bordolano storage plants.

Visits to Snam Group plants provide a clearer understanding of the industrial processes of the Snam Group and direct knowledge of the sites and the people working there.

Strategy Dinners

These are opportunities for discussion between the corporate bodies and management on issues or projects of strategic importance for the Group.

In particular, on 11 September 2019, a meeting was dedicated to the content of the 2020-2023 Strategic Plan, with an in-depth analysis of themes relating to the Group's scenarios and future strategies. Strategy Dinners are a time for collective reflection on the future and an opportunity for socialising that ensures greater cohesion and shared objectives.

The Board members and statutory auditors were also invited, on 10 October 2019 and 11 October 2020, to an event organised by Snam in Rome, "*The Hydrogen Challenge - 2019 Global ESG Conference*", dedicated to the potential of hydrogen as a clean energy carrier in a context in which environmental, social and governance (ESG) issues are increasingly important for businesses.

6. RELATIONS WITH SHAREHOLDERS AND INVESTORS

In line with the Code of Ethics and the Corporate Governance Code, Snam has engaged in constant dialogue with shareholders, institutional investors, socially responsible investors, analysts and all financial market operators, ensuring the systematic disclosure of prompt and comprehensive information on its activities, without prejudice to the confidentiality requirements pertaining to certain types of information. Information is provided to investors, the market and news media through press releases, periodic meetings with institutional investors, the financial community and the press, and ample documentation and numerous publications are made available and continually updated on the Company's website.

Information on statement of accounts, significant events/transactions and procedures issued by Snam in relation to corporate governance is disclosed to the public promptly and posted on the Company's website, where it is also possible to access Snam press releases, documents used during meetings with financial analysts, shareholder notices, and information and documents on the agenda items of the Shareholders' Meeting, and the relevant minutes.

As in 2018, the Investor Relations function undertook engagement activities with the main proxy advisors, with the aim of establishing a fruitful and ongoing dialogue with them over the years on the subject of corporate governance.

Relations with shareholders and all financial market operators are handled by the “Corporate Strategy and Investor Relations” function. Information of interest to them is available on the Company’s website and may be requested by e-mail at the following address: investor.relations@snam.it.

The “Investor Publications” page, in the Investor Relations section of Snam’s website, contains all the institutional products addressed those who wish to invest in Snam or obtain a better understanding of the Company’s characteristics and the contexts in which it operates.

Snam has been promoting digital communication for years as an efficient and preferred means of sharing corporate, financial and business information, with a view to establishing a relationship of transparency and trust with its stakeholders and potential investors. During the two-year period 2018-2019, the Company remained at the top of the digital corporate communication classification, Webranking by Comprend 2018-2019 Italy and Europe⁷³.

Snam believes that involving shareholders and establishing a relationship of trust with them are strategically important goals, which it therefore continued to pursue in 2019. The Corporate Strategy and Investor Relations function encourages the exercise of voting rights at the Shareholders’ Meeting, and believes that an active policy of engagement is a valid resource for the whole Group, since it ensures shareholder satisfaction, helps to strengthen relations between shareholders and the Company, and plays a part in involving and informing shareholders about their shares and their decisions, as well as helping the Company to understand their expectations.

Snam also favours initiatives on the drafting of stewardship codes, i.e. principles for managers, investors and advisers on transparent voting, monitoring investee companies and managing conflicts of interest, such as, for example, the principles contained in the stewardship code published by Assogestioni, which reproduces the principles contained in the EFAMA (European Fund and Asset Management Association) Code, drawn up at the European level. These principles promote, in particular, the adoption and application of a policy on the exercise of rights relating to the instruments held in the portfolio, as well as the responsible management of ongoing dialogue with participating issuers, ensuring the adequacy and accuracy of any dialogue with its corporate bodies.

7. CONSIDERATIONS REGARDING THE 2020 RECOMMENDATIONS OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has identified certain areas in which it has called on listed companies to comply more closely with the provisions of the Corporate Governance Code (the “**2020 Corporate Governance Recommendations**”). Specifically, the Corporate Governance Committee invites the boards of directors:

- a) to incorporate business sustainability when defining remuneration strategies and policy, including on the basis of an analysis of the importance of factors that may affect the generation of value over the long term;
- b) to oversee, including in any regulations governing the work of the board of directors, adequate management of information flows to the board of directors, ensuring that confidentiality requirements are protected without compromising the completeness, usability and timeliness of the information;
- c) to apply more rigorously the independence criteria defined by the Corporate Governance Code and the control bodies to ensure the correct application of these criteria. As well as reiterating the exceptional nature and the necessary individual justification – linked, therefore, to the specific case of each individual director – for exemptions from all independence criteria recommended by the Corporate Governance Code, the Corporate Governance Committee calls on issuers to pay greater attention to the assessment of the significance of the relationships being assessed. To this end, the Committee invites administrative bodies to define ex ante the quantitative and/or qualitative criteria to be used to assess the significance of the relationships under review. These criteria should concern the overall position, not limited to economic benefit alone, of the director whose independence is being assessed, and should be adequately and transparently communicated to the market in the report on corporate governance and ownership structure;
- d) to verify that the remuneration awarded to non-executive directors and members of the control body is appropriate for the expertise, professionalism and commitment required for their position. To this end, a reference to remuneration practices in the relevant sectors and for companies of similar size could be useful, possibly also taking into account comparable foreign experience;

73 The market analysis is available at https://lundquist.it/wp-content/uploads/2017/11/Whitepaper_Webranking_Italia-2017-2018.pdf

The 2020 Corporate Governance Recommendations are a useful tool to align companies' corporate governance structures with national and international best practice. Snam, on the proposal of the ESG Committee, submitted these Recommendations to the Board of Directors at its meeting of 6 May 2020.

Snam believes that for some time it has aligned with the Recommendations expressed by the Corporate Governance Committee, as detailed below. In particular:

- a) The Board of Directors defines, on the recommendation of the Chief Executive Officer, the strategic guidelines and objectives of the Company and the Group, including the sustainability policies.
 - In May 2019, Snam established the Environmental, Social & Governance Committee, which provides proposals and advice to the Board of Directors with the aim of promoting the continued incorporation of national and international best practice into Snam's corporate governance, and of environmental, social and governance factors into corporate strategies in order to create value for shareholders generally and for stakeholders in the medium to long term, while respecting the principles of sustainable development.
 - The Remuneration Committee: (a) proposes the definition of performance objectives, which include indicators of ESG factors identified by agreement with the ESG Committee; and (b) with a view to promoting the creation of sustainable value in the medium/long term, examines the recommendations of the Chief Executive Officer and proposes: (i) general criteria for the remuneration of key management personnel, (ii) general guidelines for the remuneration of other executives of Snam and its Subsidiaries, and (iii) annual and long-term incentive plans, including share-based plans.
 - The Control and Risk and Related-Party Transactions Committee expresses its opinion to the Board of Directors for the purposes of: (i) defining the guidelines for the internal control and risk management system, including the medium and long-term risks, so that the main risks – including, in coordination with the ESG Committee, those risks that are significant in terms of sustainability, also for the purposes of preparing non-financial information – concerning the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored, and (ii) determining the degree of compatibility of such risks with management that is consistent with the strategic objectives that have been identified.

In 2020, the ESG targets contained in the remuneration policy have a weight of 20% in both the short-term and long-term incentives. The description of these objectives is contained in the first section of the "Report on remuneration policy and compensation paid".

- b) Snam adopts the necessary safeguards to ensure effective compliance with rules on pre-meeting reporting, which are acknowledged to be timely, complete and useful in both the Board Evaluation (as described in Paragraph 2.4, Section III, of the present Report) and the provisions of the Regulations on the functioning of the Board of Directors (as described in Paragraph 2.2., Section III, of the present Report);
- c) each year, the Board of Directors verifies that the majority of directors meet the independence requirements (five out of nine directors meet the independence requirements set forth in the TUF and the Corporate Governance Code to which Snam adheres, as described in detail in Paragraph 2.9, Section III of the Report). The Board of Statutory Auditors checks on an annual basis that the criteria and procedures adopted by the Board of Directors to assess the independence of its members are correctly applied, as described in Paragraph 2.9, Section III of the Report. In accordance with the new provisions of the Corporate Governance Code effective from 1 January 2021, the Board of Directors will predefine the quantitative and qualitative criteria for assessing the significance of the relationships indicated in letters c) and d) of Recommendation 7, Article 2, of the Corporate Governance Code;
- d) the remuneration set by Snam's Ordinary Shareholders' Meeting of 2 April 2019 for directors (€70,000 per annum gross, plus the reimbursement of expenses incurred in relation to their office) and statutory auditors (Chairman: €80,000 per annum gross – standing auditors: €60,000 per annum gross, plus the reimbursement of expenses incurred in relation to their office) are consistent, as indicated in the Board of Directors' Report to the Shareholders' Meeting, both with an analysis of a benchmarking exercise against companies on the FTSE MIB and with the commitment required by the Company to perform the role. The remuneration set by the Board of Directors on 20 November 2019 for participation in Committees, as detailed in the Remuneration Report, is consistent with the analysis of a benchmarking exercise by a leading company on the remuneration offer in Snam's Italian reference market (FTSE MIB peer group used to benchmark the remuneration of the Chief Executive Officer and the Chairman), and with the commitment required by the Company to perform the role.

Although Snam considers that action has already been taken in the areas indicated by the Corporate Governance Committee and has therefore found substantial alignment with those recommendations, it will adopt additional measures (particularly in relation to point c)) in order to improve the Company's corporate governance.



Section IV

Snam's internal control and risk management system



84	1. The structure of the internal control and risk management system and the parties involved
84	1.1 Introduction
85	1.2 The corporate bodies, entities and functions involved
90	1.3 Coordination between the parties involved in the ICRMS
90	A) Information flows within the scope of the ICRMS
92	B) Information flows between the boards of statutory auditors of the Snam Group
92	2. Snam's Legal Framework
93	3. Compliance at Snam
93	3.1 Compliance Programme for the Prevention of Offences
95	3.2 The Risk Assurance & Integrated Compliance Model
97	3.3 231 Model
98	3.4 Enterprise Risk Management Model
101	3.5 Anti-Corruption Compliance Programme
103	3.6 Antitrust Compliance Programme
104	3.7 Privacy Compliance Programme
105	3.8 Whistleblowing
106	3.9 Health, Safety, Environment and Public Safety
107	3.10 Key features of the internal control and risk management system in relation to corporate reporting
109	3.11 Snam Group Tax Strategy and Tax Cooperative Compliance
110	3.12 Related Parties Guidelines
111	3.13 Market Abuse Guidelines

1. THE STRUCTURE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AND THE PARTIES INVOLVED

1.1 Introduction

The Internal Control and Risk Management System comprises all the guidelines, rules and organisational structures that enable identification, measurement, management and monitoring of key risks.

Snam has adopted and undertakes to promote and maintain an adequate Internal Control and Risk Management System ("ICRMS").

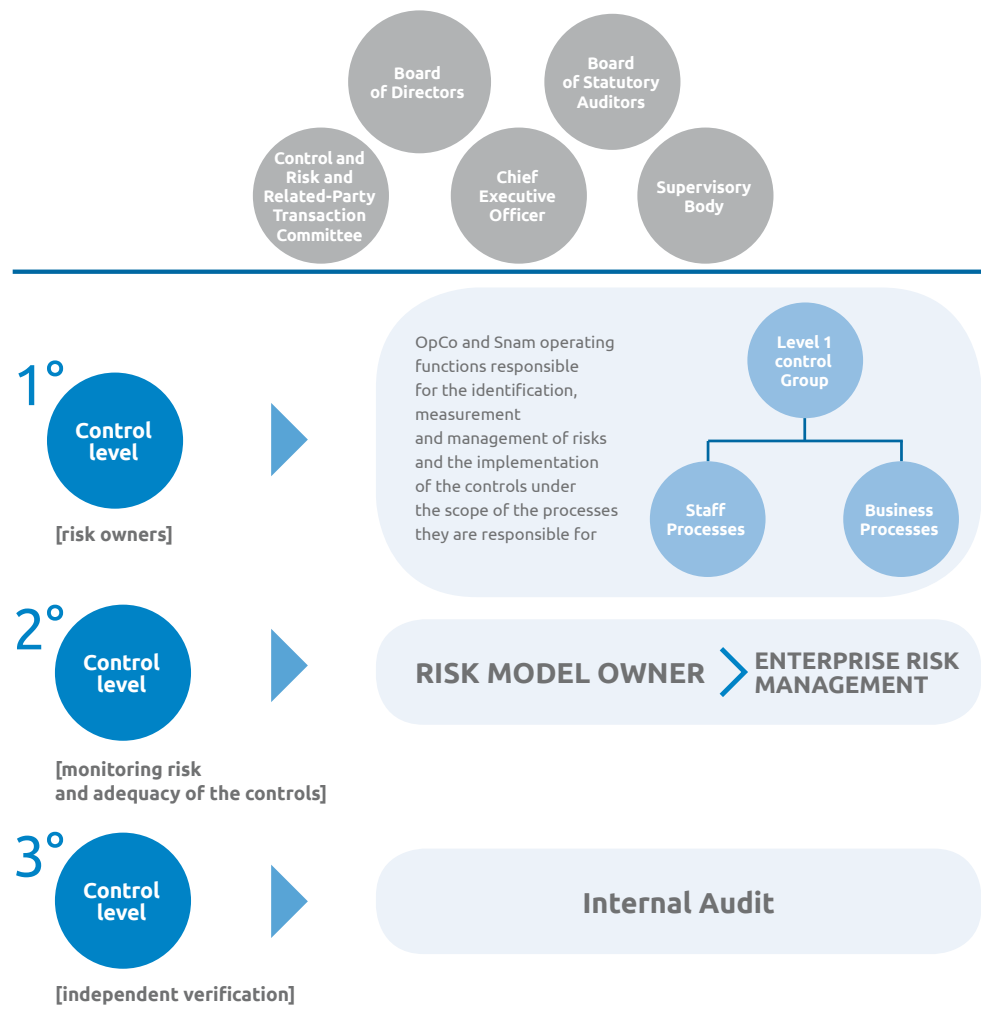
The ICRMS is part of the organisational, administrative and accounting structure and, more generally, Snam's corporate governance structure, and is based on the Corporate Governance Code to which Snam adheres, taking national and international models and best practice as a reference.

The Code of Ethics⁷⁴ sets out the guiding principles on which the ICRMS is based, such as:

- the separation of activities between persons responsible for authorisation, executive or control procedures;
- the existence of company regulations that can provide general benchmark principles for governing corporate processes and activities;
- the existence of formal rules for the exercise of signing authority and internal powers of authorisation; and
- traceability (through the adoption of information systems that can identify and reconstruct sources, information and checks carried out in support of the formation and implementation of the Company's decisions and procedures for managing financial resources).

The ICRMS is audited and updated over time to ensure that it is always appropriate and to oversee the main areas of corporate risk. In this context, and also to execute the provisions of the Corporate Governance Code, Snam has adopted the Enterprise Risk Management Model⁷⁵.

(i) Control levels



74 For more information on the Code of Ethics, see Section I, Paragraph 6 of this Report.

75 For more information on the Enterprise Risk Management Model, see Section IV, Paragraph 3.3, of this Report.

Level One:	<p>Identification, evaluation and monitoring of risks relating to the individual Group processes.</p> <p>The Snam Group functions that 'own' the individual risks, and are responsible for identifying, measuring and managing them and for implementing the necessary controls within the processes within their purview, are located at this level.</p>
Level Two:	<p>Monitoring of the main risks to ensure that they are effectively and efficiently managed and processed, and monitoring of the adequacy and functioning of the controls put in place to protect against these risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls.</p> <p>This level contains Group personnel tasked with coordinating and managing the main control systems (e.g. corporate administrative liability, corporate disclosure, anti-corruption, anti-trust, etc.).</p>
Level Three:	<p>Independent and objective verification of the operating effectiveness and adequacy of Levels One and Two and, in general, of the overall risk management methods. Internal Audit operates on the basis of the Guidelines.</p>

1.2 The corporate bodies, entities and functions involved

The ICRMS is an integrated system that involves the entire organisational structure: both the corporate bodies and the company structures are required to contribute to its operation, in a coordinated manner, according to the diagram set out below, to ensure that the main risks for the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored in line with the strategic objectives identified.

(i) The Board of Directors

Duties performed within the scope of the ICRMS	<ul style="list-style-type: none"> As part of the preparation of the Snam Group's Strategic Plan, the ICRMS defines the nature and level of risk consistent with Snam's strategic objectives – based on risk mapping carried out as part of the ERM Model – including in its assessments all risks that might be significant in terms of the medium/long-term sustainability of Snam's activity
	<ul style="list-style-type: none"> Defines the ICRMS guidelines as part of the preparation of the Snam Group Strategic Plan
	<ul style="list-style-type: none"> Assesses, at least once a year (following consultation with the Control and Risk and Related-Party Transactions Committee), the adequacy of the ICRMS with respect to the characteristics of the Company and the Group, and the risk profile assumed <p>With regard to 2019, on 18 February 2019 and, with regard to 2020, on 18 March 2020, the Board of Directors assessed, based on the preliminary activity carried out by the Control and Risk and Related-Party Transactions Committee, the adequacy and effectiveness of the ICRMS.</p>
	<ul style="list-style-type: none"> Approves, on at least an annual basis, the Audit Schedule prepared by the Head of Internal Audit, following consultation with the Control and Risk and Related-Party Transactions Committee and the Chairman of the Board of Directors, the Director in charge of the internal control and risk management system and the Board of Statutory Auditors <p>The Audit Schedule for 2019 was approved at the meeting of 18 February 2019 and, with regard to 2020, at the meeting of 18 March 2020.</p>
	<ul style="list-style-type: none"> Assesses the adequacy of the ICRMS in relation to the characteristics of the company and the risk profile assumed, as well as its effectiveness <p>On 18 February 2019 and, with regard to 2020, on 18 March 2020, the Board of Directors assessed the organisational, administrative and accounting structure appropriate to the current size and type of business of Snam and its Subsidiaries, as produced by the administrative and organisational structures headed by the Chief Executive Officer, after presentation to the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors.</p>

For further details on the remit for resolutions of the Board of Directors, see Section III, Paragraph 2.3 of this Report.

(ii) Director in charge of the internal control and risk management system

Pursuant to the Company's governance rules, Snam's CEO performs the role of Director in charge of the internal control and risk management system.

Duties performed within the scope of the ICRMS	<ul style="list-style-type: none"> The Director is responsible for identifying the main corporate risks, in view of the characteristics of the activities performed by Snam and the Subsidiaries, and taking them into account in the definition of the 2019-2022 Strategic Plan approved by the Board of Directors
	<ul style="list-style-type: none"> He is responsible for planning, creating and managing the ICRMS, and checking its adequacy and effectiveness on an ongoing basis
	<ul style="list-style-type: none"> He adjusts the ICRMS to the dynamics of the operating conditions and the legislative and regulatory framework
	<ul style="list-style-type: none"> He has the power to request that the Head of Internal Audit perform checks on specific operational areas and on compliance with internal rules in the execution of corporate transactions, informing the Chairman of the Board of Directors, the Chairman of the Control and Risk and Related Transactions Committee and the Chairman of the Board of Statutory Auditors of this request
	<ul style="list-style-type: none"> He provides prompt information, including through his structures, to the Control and Risk and Related-Party Transactions Committee on problems and issues arising during the course of his activities or of which he had been made aware

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

The Control and Risk and Related-Party Transactions Committee is responsible for making appropriate enquiries to support assessments and decisions made by the Board of Directors concerning the ICRMS, as well as those relating to the approval of financial reports.

For a more detailed description of the duties of the Control and Risk and Related-Party Transactions Committee, see Annex 6 to this Report.

(iv) Board of Statutory Auditors

In its capacity as the Internal Control and Audit Committee pursuant to Legislative Decree No. 39 of 2010, the Board of Statutory Auditors oversees the effectiveness of the ICRMS.

For more information on the main duties performed by the Board of Statutory Auditors, see Annex 7 to this Report.

(v) Supervisory Body and Code of Ethics Supervisor

The Supervisory Body currently comprises three members external to the Company and the Group, one of whom acts as Chairman, who are experts in legal and corporate matters, economics and corporate organisation. The presence of only external members is also intended to ensure adequate separation of duties and also to ensure that persons with specific areas of expertise are present within the Supervisory Body, so that the tasks assigned to such body can be performed effectively.

At its meeting of 2 October 2019, the Board of Directors appointed the new members of the Supervisory Body and Code of Ethics Supervisor, as described in the table below.

Member	Position
Franco Gallo	External member (Chairman)
Désirée Fondaroli	External member
Silvano Corbella	External member

The Supervisory Body:

- (i) oversees the effectiveness of the 231 Model and monitors how it is implemented and updated;
- (ii) examines the 231 Model's adequacy in terms of preventing unlawful conducts;
- (iii) manages, within its competence, the relevant information flows with the various corporate functions and the Supervisory Bodies of the Subsidiaries; and
- (iv) acts as the Code of Ethics Supervisor.

The Supervisory Body has unlimited access to corporate information necessary for investigation, analysis and control activities. Any corporate department, employee and/or member of corporate bodies is subject to a disclosure obligation of all the information relevant to the performance of the activities falling within the remit of the Supervisory Body, in the event of any request by the Supervisory Body, as well as in case of the occurrence of specific events or circumstances.

If any critical aspects arise in execution of its assigned tasks, the Supervisory Body notifies the outcome of its activities, according to the methods and timescales described in greater detail in Paragraph 1.3, letter A) of this Section.

In 2019, the Supervisory Body met 10 times, with close to 100% attendance.

(vi) Financial Reporting Officer

The Financial Reporting Officer prepares appropriate administrative and accounting procedures for the drafting of the individual financial statements and, where applicable, the consolidated financial statements, as well as all other financial communications

On 14 May 2019, the Board of Directors, in accordance with Article 16.4 of the Articles of Association and Article 154-bis of TUF, at the CEO's proposal, in agreement with the Chairman and with the prior approval of the Board of Statutory Auditors, re-appointed Franco Pruzzi, Snam's Senior Vice President Administration, Budget and Tax, as the Financial Reporting Officer.

On 27 March 2020, the Board of Directors, pursuant to Article 16.4 of Snam's Articles of Association and Article 154-bis of TUF, on the proposal of the Chief Executive Officer, in agreement with the Chairman of the Board of Directors and having received the approval of the Board of Statutory Auditors, appointed Mr Luca Oglialoro as Financial Reporting Officer, effective as of 1 April 2020, in replacement of Mr Franco Pruzzi, who took the office of Head of Internal Audit of Snam.

The Financial Reporting Officer is selected from personnel who are not members of the administrative or control bodies or holders of senior management positions at Eni S.p.A. and its subsidiaries, and who do not have any direct or indirect professional or financial relationship with said companies⁷⁶. Pursuant to Article 16 of the Articles of Association, the Financial Reporting Officer must have spent at least three years performing one of the following activities:

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

The Board of Directors annually verifies that, based on the declaration made by the Financial Reporting Officer, there are no grounds for the latter's incompatibility pursuant to the Articles of Association and that the Financial Reporting Officer meets the integrity requirements established under the applicable law.

The Board of Directors performs an annual check on the adequacy of the powers and means available to the Financial Reporting Officer pursuant to the applicable law for the fulfilment of the duties assigned, as well as a half-yearly check on compliance with existing administrative and accounting procedures.

These checks were carried out, with regard to 2019, on 18 February 2019 and, with regard to 2020, on 27 March 2020.

(vii) Head of Internal Audit

The Internal Audit function is centralised in Snam. Its scope of operation covers Snam itself, the Subsidiaries within the meaning of Article 93 of TUF, and joint ventures/equity investments held jointly with other partners in accordance with the express provisions contained in agreements between the parties.

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

Snam's Board of Directors, on the recommendation of the Director in charge of the internal control and risk management system and in agreement with the Chairman of Snam's Board of Directors, having received the approval of the Control and Risk and Related-Party Transactions Committee and following consultation with the Board of Statutory Auditors, appoints the Head of Internal Audit for an indefinite term and may revoke this appointment at any time⁷⁷. The Board of Directors evaluates, at least once during the term of office determined by the Shareholders' Meeting, the reappointment of the Head of Internal Audit, also according to rotation criteria, and, where appropriate, proposes revocation following consultation with the Board of Statutory Auditors.

The Head of Internal Audit carries out auditing activities entirely independently, in accordance with instructions from the Board of Directors. On 14 May 2019, following a resolution of Snam's Board of Directors, the Chairman of the Board of Directors, on behalf of the Board of Directors, coordinated and ordered the Head of Internal Audit to perform the activities falling within the purview of the Internal Audit function, which reports to the Board of Directors. Furthermore, Snam's Board of Statutory Auditors and the Control and Risk and Related-Party Transactions Committee receive and periodically collect from Internal Audit significant information on the controls performed and any weaknesses, problems or anomalies encountered.

⁷⁶ In accordance with the DPCM 25 May 2012, as amended by the DPCM 15 November 2019.

⁷⁷ Pursuant to application criterion 7.C.5, letter b) of the Corporate Governance Code, the Board of Directors has used its exclusive power to issue instructions to the Head of Internal Audit.

Internal Audit activities are performed while maintaining the necessary independence and autonomy, and due objectivity, competence and professional diligence, as provided in the Internal Audit mission statement and in the mandatory guidance of the Institute of Internal Auditors⁷⁸, and in compliance with the principles laid down in the Code of Ethics⁷⁹.

As part of the process of approving the Audit Schedule, once per year the Board of Directors approves the budget required for the Internal Audit function to fulfil its duties. The Internal Audit Guidelines provide that the Head of Internal Audit shall have autonomous powers of expenditure to carry out the activities of ascertaining, analysing and assessing the internal control and risk management system and/or the activities related thereto. The Head of Internal Audit, in the event of exceptional and urgent situations requiring the availability of resources in excess of the budget, may propose the approval of an extra Internal Audit budget for the performance of his/her duties, subject to the approval of the Control and Risk and Related-Party Transactions Committee.

The Director in charge of the internal control and risk management system has the power to request that the Head of Internal Audit perform checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, informing the Chairman of the Board of Directors, the Chairman of the Control and Risk and Related Transactions Committee and the Chairman of the Board of Statutory Auditors of said request.

The fixed and variable remuneration of the Head of Internal Audit is approved by the Board of Directors, on the proposal of the Director in charge of the internal control and risk management system, in agreement with the Chairman of the Board of Directors, in line with corporate policies and following the approval of the Control and Risk and Related-Party Transactions Committee and following consultation with the Board of Statutory Auditors. The proposal is also subject to examination by the Remuneration Committee.

At its meeting of 14 December 2016, Snam's Board of Directors, following consultation with the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, on the recommendation of the Director in charge of the internal control and risk management system and with the approval of the Chairman of the Board of Directors⁸⁰, appointed Lorenzo Alzati as the Head of Internal Audit. On 18 March 2020, Snam's Board of Directors, following consultation with the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, on the recommendation of the Director in charge of the internal control and risk management system and with the agreement of the Chairman of the Board of Administration appointed Mr Franco Pruzzi with effect from 1 April 2020 as the new Head of Internal Audit, replacing Lorenzo Alzati, who has left the Company.

The appointment of Mr Franco Pruzzi as Head of Internal Audit is open-ended and may be revoked by the Board of Directors.

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

79 In this regard, see Section IV, Paragraph 1, of the present Report.

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

Duties performed within the scope of the ICRMS	<ul style="list-style-type: none"> • He verifies, both on a continual basis and in relation to specific requirements, in compliance with international standards, the functioning and suitability of the ICRMS via an Audit Schedule, approved by the Board of Directors, based on a structured process of analysing and prioritising key risks
	<ul style="list-style-type: none"> • He is not responsible for, and does not have authority over, the processes subject to control, and has direct access to all information that is useful for carrying out his duties
	<ul style="list-style-type: none"> • He produces periodic reports containing adequate information on his activity, the way in which risk management is conducted and compliance with the plans established to contain risk, including an assessment of the suitability of the ICRMS, and forwards them to the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk and Related-Party Transactions Committee, the Chairman of the Board of Directors and the Director in charge of the internal control and risk management system
	<ul style="list-style-type: none"> • He promptly produces reports on events of particular significance and sends them to the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk and Related-Party Transactions Committee, the Chairman of the Board of Directors and the Director in charge of the internal control and risk management system
	<ul style="list-style-type: none"> • He verifies, in the context of the Audit Schedule, the reliability of the IT systems used, including the accounting systems
	<ul style="list-style-type: none"> • He verifies, in the context of the Audit Schedule, the reliability of the IT systems used, including the accounting systems

Main activities in 2019

In 2019, the Internal Audit function performed its scheduled activities as expected. Specifically, these consisted of:

- (i) drawing up the draft Audit Schedule based on an identification and prioritisation of the main risks facing the Company by the ERM unit;
- (ii) executing the Audit Schedule, comprising 14 actions, approved by Snam's Board of Directors on 18 February 2019 following the approval of the Control and Risk and Related-Party Transactions Committee;
- (iii) performing the independent monitoring programme drawn up with the Financial Reporting Officer as part of Snam's Corporate Reporting Control System;
- (iv) notifications, anonymous or otherwise, of problems relating to the internal control and risk management system, to the administrative liability of the Company, to irregularities or to fraud (whistleblowing); and
- (v) performing two additional audits not included in the schedule (spot audits);
- (vi) related activities (a) relations with the External Auditors, (b) overseeing the process of the assignment and management of additional mandates by Snam Group companies and the relevant rules and regulations, as well as support, jointly with the legal and administrative functions, for the tender procedure launched by the CDP S.p.A. Group to identify the Group's sole auditor for the years 2020-2028;

- (vii) the use and full operation of the IT tool for the management of audit activities, from the planning phase to follow-up corrective actions. In order to draw up the Audit Schedule, the "audit universe" of audit subjects was updated, partly to take into account the organisational changes that took place in 2019, particularly for Snam S.p.A., and to include new processes deriving from the acquisitions of companies in relation to the new businesses;
- (viii) the implementation of all the improvement actions recommended after the Internal Quality Review⁸¹ carried out at the end of 2018, including the following:
 - a. the updating of key risk indicators and the implementation of new risks as part of the continuous monitoring of the passive cycle process, producing, from the third quarter of 2019, a report on the results of the analysis for the management of the relevant functions;
 - b. the updating of periodic reporting, introducing Key Performance Indicators (KPIs) for the work performed by the function, including regarding issues relating to sustainability.

⁸¹ The Internal Audit function has adopted, in accordance with the standards issued by the Institute of Internal Auditors, a quality assurance and continuous improvement programme applicable to all aspects of auditing activity, in order to assess the compliance of this activity with the definition of internal control, the professional standards drawn up by the Institute of Head of Internal Audit and the Code of Ethics adopted by the institute.

(viii) Functions with specific control tasks

The ICRMS clearly positions the corporate functions within the three levels of internal control.

In line with an evolutionary process designed to constantly improve the efficiency and effectiveness of the ICRMS and its enhanced integration, in addition to the functions described above, the following organisational structures play an important and coordinated role in identifying, measuring and monitoring risks associated with management of the Company's business through continuous information flows, as part of their own operational responsibilities.

Specifically:

- the Legal function, through the Compliance function: (i) ensures the dissemination and promotion of a culture of compliance and the simplification/rationalisation of models for compliance and the system of related rules and procedures, quantifying the real risk in the specific areas in line with best practice and monitoring their application; (ii) provides the necessary legal advice and assistance on compliance to the business units; (iii) follows Italian and foreign regulatory and case law developments (regulatory oversight), monitoring and analysing possible impacts on Snam's business and supporting Snam's business units in the application of regulations; (iv) is responsible for updating the internal control and risk management system and the 231 Model with privacy and data protection themes; (v) is responsible for the design, proposal and definition of the compliance programme for the prevention of offences; monitors regulatory developments and best practices; and (vi) through the Ethics & Antibribery Function disseminates and promotes a business ethics culture and supervises the updating of Snam's Code of Ethics; (vii) updates the anti-corruption compliance programme, overseeing the implementation and monitoring of corporate regulatory and training tools to prevent criminal infiltration; (viii) supervises reputational checks on third parties and coordinates the activities of the Valuation Team; (ix) carries out anti-corruption due diligence and (x) manages relations with international institutions and bodies such as Transparency International, the OECD, the WEF, the Ministry of Foreign Affairs and the B20 Presidency.
- The Administration, Budget and Tax function oversees strategic and financial risks. Within this function, the Corporate Reporting Internal Control System function was established to support the Financial Reporting Officer. The function is tasked, *inter alia*, with (i) defining the Corporate Reporting Control System model, the relevant methodologies, operating methods and tools; (ii) carrying out risk assessment activities; (iii) managing information flows, control assessments and reporting, and preparing reports and information on the state of the system for the Chief Executive Officer, the Financial Reporting Officer, the control bodies, Internal Audit and the External Auditors; and (iv) providing methodological

and operational support to the functions involved in implementing the CRCS.

1.3 Coordination between the parties involved in the ICRMS

The corporate procedures adopted by Snam in the context of its ICRMS and its corporate reporting control system ("CRCS") ensure adequate coordination of all parties involved.

In particular, the information flows that ensure coordination between the parties involved in the ICRMS and the Board of Directors is ensured by:

- (i) the review by the Board of Directors of the opinions and reports prepared by persons involved in the ICRMS;
- (ii) the information provided to the Board of Directors and the Board of Statutory Auditors by the Chairman of the Control and Risk and Related-Party Transactions Committee and the presence of the Board of Statutory Auditors at meetings of the Board of Directors; and
- (iii) participation at the meetings of the Board of Directors and the Control and Risk and Related-Party Transactions Committee, for matters within their respective remits, of the managers of the control functions and the Financial Reporting Officer.

A. Information flows within the scope of the ICRMS

The Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors of Snam - periodically or where particular requirements exist - receive information flows from Internal Audit, the Company's other control functions (i.e. Enterprise Risk Management and Compliance), the Supervisory Body, the External Auditors and the Financial Reporting Officer. When the information is obtained, they meet to assess the results.

In particular, the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors receive from the Financial Reporting Officer a half-year report and an annual report on the assessment of the CRCS and on compliance with the administrative and accounting procedures and an annual report on the organisational, administrative and accounting structure of the Snam Group.

Furthermore, Snam's Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, pursuant to Legislative Decree No. 39 of 2010, receives from the External Auditors the information flows necessary to carry out its tasks as provided in the legislation applicable *pro tempore*.

In addition, and at the same time as the other company bodies, the Chief Executive Officer, as the Director in charge of the internal control and risk management system, receives from the Director and from the Head of Internal Audit periodic information flows or information on events of particular

importance; in turn, he/she reports promptly to the Control and Risk and Related-Party Transactions Committee and/or to the Board of Directors, at the next convenient meeting, on issues and problems relating to the ICRMS.

In addition, provision is made for information flows from management to the Supervisory Body and information flows (continuous, half-yearly or immediate in the case of particular situations and/or requirements) from the Supervisory Body to the Company's senior management (CEO, Control and Risk and Related-Party Transactions Committee, Board of Statutory Auditors).

Specifically, Snam's Supervisory Body provides the following information flows to the Company's senior management:

- ongoing, to the CEO, who reports to the Board of Directors when reporting on the performance of his duties;
- half-yearly, to the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors. To this end, a half-yearly report is produced on activities performed, noting the outcome of controls and any legislative developments relating to the administrative liability of entities. On this occasion, specific meetings are organised with the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors. The half-yearly report is also sent to the Chairman and the CEO, and the Board of Directors is informed of its contents;
- immediate, in the case of ascertained facts of special importance and significance, to the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, after informing the Chairman and the CEO.

The Financial Reporting Officer, following consultation with the External Auditors and the Board of Statutory Auditors, assesses, with the Control and Risk and Related-Party Transactions Committee, the correct application of the accounting standards and their homogeneity for the purposes of the consolidated financial statements. In view of the specific duties assigned to the Financial Reporting Officer as part of the CRCS, the CFO receives information flows from other persons, bodies and functions within the Company and the Subsidiaries.

The Internal Audit function receives and provides information on the ICRMS, pursuant to the Internal Audit Guidelines adopted by Snam.

Specifically:

- it obtains information and assessments from the Boards of Directors, Boards of Statutory Auditors and Supervisory Bodies of Snam and the Subsidiaries, for the purposes of formulating the proposed Audit Schedule for subsequent approval by the Board of Directors;
- it sends Internal Audit reports on every audit intervention performed to the Chairman of the Board of Di-

rectors, the Director in charge of the internal control and risk management system, the top management of the audited structures, the Control and Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, and, for matters within their competence, the Supervisory Body and the Financial Reporting Officer. For audit interventions on Subsidiaries, the reports are also sent to the Chairman of the Board of Directors, the CEO, the Board of Statutory Auditors and the Supervisory Body of the companies concerned, subject to any exceptions for Internal Audit interventions on joint ventures with other partners or similar agreements to be evaluated from time to time;

- if the results show alleged unlawful conduct on the part of Snam's staff or third parties, including – among others – suppliers, the Head of Internal Audit also forwards the audit report to the EVP Human Resources, Organisation & PFM and the General Counsel, for matters within their respective purviews;
- it provides a systematic, periodical quarterly information flow to the supervisory bodies of Snam and the Subsidiaries with summary assessments of audits carried out and the state of implementation of the corrective actions;
- it drafts a six-monthly report containing adequate information on its own activities and on the company's risk management process, and on compliance with plans for risk mitigation. In particular, this report sent to the Director in charge of the internal control and risk management system, the Chairman of Snam's Board of Directors, the Control and Risk and Related-Party Transactions Committee, Snam's Board of Statutory Auditors and the Financial Reporting Officer, contains the following information: (i) the state of progress of the measures envisaged in the Audit Schedule, with evidence of any spot audits carried out in the period, (ii) a summary of the main internal control issues emerging from the audit activities, (iii) a summary of the results of the monitoring of corrective actions and the evolution of the related summary assessments of the internal control system, (iv) the adequacy of the resources committed, (v) any other information and certifications, and (vi) an assessment of the suitability of the internal control and risk management system;
- with specific regard to the CRCS, notifies the managers of the functions involved of the results of the independent monitoring activity performed;
- fulfils the disclosure obligations provided in the "Guidelines for notifications, including anonymous notifications" and, in particular, prepares a quarterly report on notifications, shared by the Ombudsman, which is sent by the Head of Internal Audit to the Supervisory Body, and for information to the Chairman of the Board of Directors, the Director in charge of the internal control and risk management system, the Board of Statutory Auditors, the Control and Risk and Related-Party Transactions Committee, the External Auditors, the General Counsel

and the Legal and Ethics & Anti-Bribery functions, the CFO and the Financial Reporting Officer and, lastly, the EVP Human Resources, Organisation & PFM. With reference to notifications relating to the Subsidiaries, the reports, insofar as they are relevant, are sent to the Chief Executive Officers of each Subsidiary concerned, as well as to the related Control and Supervisory Bodies.

The Enterprise Risk Management function: (i) transmits on a quarterly basis to the risk owners reports on risks mapped in their areas of competence; (ii) submits to the Chief Executive Officer, the Financial Reporting Officer, the General Counsel and the SVP Internal Audit periodic reports on the updating of critical and high risks and annual reports, also to the Board of Directors, on the updating of all corporate risks; and (iii) presents and submits, on a quarterly basis, the performance of the activities performed, the results thereof and the related management plans to the Control and Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body, so as to permit an assessment of the effectiveness of the ICRMS.

Lastly, the Legal function reports periodically to the Control and Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body, in particular in order to examine compliance issues regarding, *inter alia*, any critical issues and/or possible indications of improvement, as well as the status of the Company's legal dispute; in this context, a report is also sent on the verification, training, assessment and monitoring activities required by the anti-corruption policy.

B. Information flows between the boards of statutory auditors of the Snam Group

In order for Snam's Board of Statutory Auditors to fulfil its supervisory and control obligations with respect to the Snam Group, including with regard to the direction and coordination of Snam's Subsidiaries, Snam's Board of Statutory Auditors receives, from the boards of statutory auditors of the Subsidiaries, information flows:

- (i) in the context of joint meetings between the boards of statutory auditors of the Snam Group;
- (ii) through the transmission of periodic reports or in the presence of particular circumstances;
- (iii) through the transmission of information at the request of Snam's Board of Statutory Auditors or on the independent initiative of the boards of statutory auditors of the Subsidiaries.

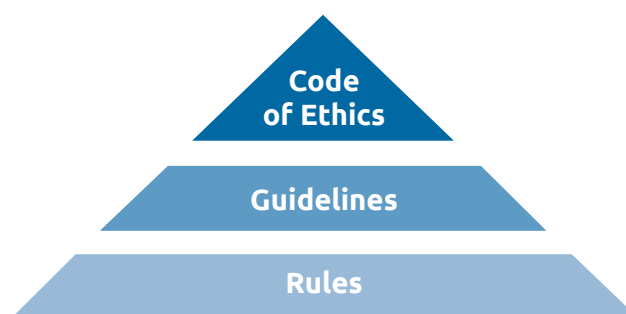
In particular, Snam's Board of Statutory Auditors receives a half-year report on the supervisory activity performed by the boards of statutory auditors of its Subsidiaries.

Snam's Board of Statutory Auditors, on the basis of all reports received from the corporate control bodies, business control structures and all control entities and functions, promptly informs the Board of Directors if it detects any weaknesses, critical issues or anomalies in the ICRMS, so that the Board of Directors can take any measures it deems necessary or appropriate.

2. SNAM'S LEGAL FRAMEWORK

Snam has embarked on a process of simplifying and rationalising its legal framework (the "**Legal Framework**").

The new Legal Framework has a pyramid structure that is divided into three hierarchical levels, corresponding to different types of regulatory instruments, as described below:



- (i) Code of Ethics: (Level 1): defines the values, principles of conduct and guiding principles on which the entire ICRMS that Snam recognises, accepts, shares and assumes internally and externally is based;
- (ii) Guidelines (Level 2): define the set of principles and conduct that every employee of Snam is required to follow. They also define all the procedures and tools of the ICRMS;
- (iii) Rules (Level 3): define the process flow, the accountability matrix, the task list and the process level controls matrix.

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

Snam's Legal Framework is designed to:

- (i) monitor and support the effectiveness of the ICRMS; and
- (ii) govern certain aspects of the direction and coordination exercised by Snam over the Subsidiaries, to whose respective boards of directors the regulatory instruments adopted by Snam are sent periodically for information purposes.

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

The Guidelines described in the present Report have been approved by Snam's Board of Directors.

3. COMPLIANCE AT SNAM

Compliance helps to maximise Snam's value and to ensure the correct pursuit of corporate objectives.

The ICRMS forms an integral part of Snam's strategy and governance. In particular, compliance fosters business development in terms of business results and competitive advantage.

A compliance culture is an ethical value to be promoted and shared with all stakeholders (internal and external) and is an investment in corporate efficiency. The main objective of compliance activities is the prevention of actions that do not comply with laws, applicable regulations, any measures imposed by public authorities and self-regulatory provisions.

Effective compliance protects Snam against, *inter alia*, the risk of incurring penalties and suffering financial, operational and reputational damage (legal and non-compliance risk). In this regard, reference should be made to the legal and non-compliance safeguards in the ICRMS, and the importance of monitoring the sustainability risks as of the Corporate Governance Code⁸². In fact, the Corporate Governance Code recommends: (i) that the risk management function and the function overseeing legal and non-compliance risk also be involved, as a matter of key importance, in the organisation

of the internal control system; and (ii) that the management body define the nature and level of risk compatible with the strategic objectives of the company, including in its assessments all elements that may be relevant to the company's long-term success.

In a wider sense, the compliance function is tasked with defining tools, in line with best practice⁸³, to prevent offences being committed within organisations, to ensure that the control and governance safeguards as a whole play a role in protecting lawfulness.

Snam has established structures and tools to identify, analyse and manage legal and non-compliance risk. Specifically, the manifestation of this risk is highlighted within the context of the Enterprise Risk Management system and the safeguards for its management are highlighted within the context of Snam's Legal Framework.

3.1 Compliance Programme for the Prevention of Offences

Snam's compliance activity is an integral part of the ICRMS, which is based on an integrated control model divided into three levels, as described in Paragraph 1.1 of this Section, which identifies the tasks of each body and function involved, and practical procedures for coordination between these bodies and functions⁸⁴.

The Compliance Programme for the Prevention of Offences (the "CPPO") was defined in this context. This programme ensures, as a preventative measure, maximum incorporation within the scope of the ICRMS, and improved coordination and integration of the relative flows and interactions between the three lines of control.

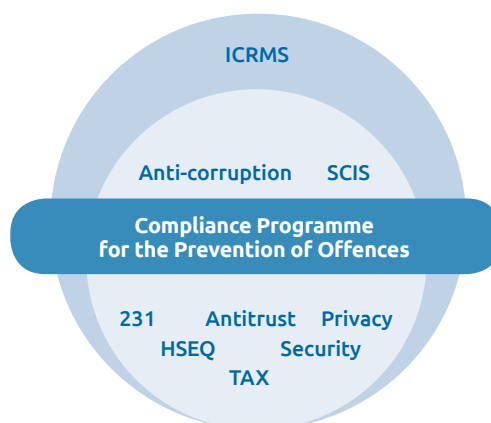
The CPPO encompasses the second-level control models (ERM, 231, CRCS, Tax Control Framework, Privacy, Antitrust, Anti-Corruption, HSEQ and Security). Although these models each retain their specific methodologies, they belong to a single integrated system of risks and controls, as tools to implement the programme in line with the relevant leading practices and in full compliance with the Code of Ethics, which sets out the values, principles of conduct and main guidelines that form the basis of the entire ICRMS, which

82 In accordance with their specific business context and organisational profile, issuers may also refer to the definitions developed by transnational bodies and the legislation applicable to the regulated sectors. Legal and non-compliance risk concerns the failure to comply, in whole or in part, with the rules and regulations at European, national, regional and local level that Snam is required to apply in conducting its business. Infringements of the rules and regulations may result in criminal, civil and/or administrative penalties, as well as damage to assets and economic and/or reputational damage. With regard to specific cases, the infringement of employee health and safety and environmental legislation and the violation of anti-corruption laws may also result in possibly substantial penalties for the company based on the administrative liability of entities (Legislative Decree No. 231 of 2001).

83 See "Prevenzione e governo del rischio di reato: la disciplina 231/2001 e le politiche di contrasto dell'illegalità nell'attività di impresa" (Prevention and governance of the risk of crime: the 231/2001 regulations and policies for combating illegality in business activities) – Assonime – note e studi 05/2019.

84 In this context, compliance is a second-level control activity that, *inter alia*, ensures that specific compliance programmes are defined and updated, monitoring their application, and analyses and verifies the compliance-related aspects of Snam's Legal Framework so that it can operate in accordance with the applicable rules, whether imposed externally or by the company itself. The individual operational and commercial business units and functions, within the scope of their respective processes, are responsible for the application of these programmes and tools and for managing the associated risks.

Snam recognises, accepts, shares and assumes both internally and externally⁸⁵.



In the context of the CPPO, compliance activities are overseen by various “key individuals” who input information into and oversee the ICRMS in order to establish innovative and synergistic integrated risk management and related control measures that precisely define the Risk Assurance & Integrated Compliance model (“**RAIC**”), ensuring integration and coordination between the individual models, promoting consistency in innovative risk assessment methodologies and, where applicable, the integration of the controls of the various models.

In the context of the CPPO, compliance activities are mainly overseen by the legal function, which also ensures the integration and coordination of the individual models represented in the ICRMS.

The organisational structures responsible for defining compliance models therefore play a central role in enhancing the ICRMS, as well as in prevention.

In this context, the CPPO has been defined, from a preventative standpoint, working on robust risk assessment processes under the context of applicable standards, and from a “detection”, standpoint, through a structured activity of monitoring and testing control safeguards that can highlight deficiencies or possible infringements and indicate the consequent remedial actions. Lastly, the results of these activities are notified, through appropriate reports, to senior management and the corporate bodies.

In this regard, the compliance models are integrated into a process of sharing strategies and responses to non-compliance risks, as part of the wider corporate risk management process.

In this context, compliance activity, by strengthening controls and making them more effective from an integrated perspective, becomes a tool for mitigating business risks and for the correct pursuit of strategic objectives.

The implementation of IT solutions and of new technologies in general to support the RAIC model are also essential in order to improve efficiency and coordination of flows and interactions between the various control lines.

85 As specified in paragraph 3.2 below, the CPPO was defined within the “Risk Assurance & Integrated Compliance” Guidelines, approved by Snam’s Board of Directors on 11 December 2018.

3.2 The Risk Assurance & Integrated Compliance Model

As anticipated, the RAIC model, referred to in the “Risk Assurance & Integrated Compliance” Guidelines approved by Snam’s Board of Directors on 11 December 2018, has a dual purpose:

- to integrate within the ICRMS the so-called second-level control models such as: Enterprise Risk Management⁸⁶, 231 Model, CRCS, Tax Control Framework (“TCF”), Privacy, Antitrust, Anti-Corruption, Health, Safety, Environment & Quality (“HSEQ”)⁸⁷, and Security⁸⁸;
- and to promote and support compliance with the reference legislation and the prevention of any offences during the conduct of business, through the adoption and effective implementation of the CPPO.

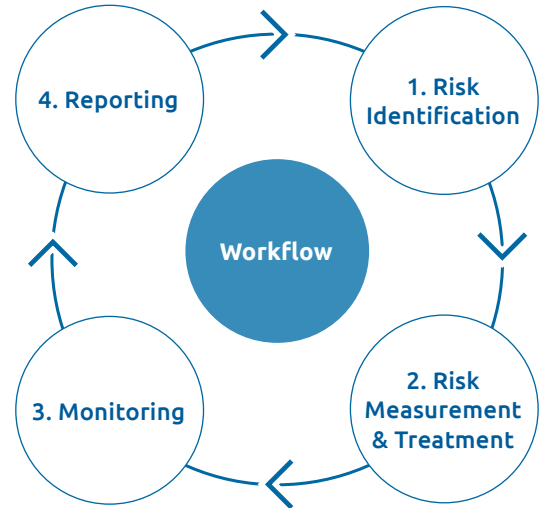
The CPPO is implemented and made operational through:

- (i) the Legal Framework;
- (ii) the corporate governance provisions adopted in accordance with the applicable legislation and international best practice;
- (iii) the provisions, methods and activities of the models applied by the responsible functions;
- (iv) a risk assurance & integrated compliance process.

The following are key elements for implementation of the CPPO:

- (i) the RAIC model;
- (ii) systems of (a) notifications, (b) rewards and (c) penalties⁸⁹;
- (iii) training and communication⁹⁰.

With regard to the first element, it has been implemented a RAIC IT platform that enables the coordination of risk management activities within the scope of the second-level control models, while maintaining the specific methodologies of each model. The following activities are carried out through the RAIC IT platform within periodic time windows (“campaigns”):



- **Risk Identification:** identification and association of existing risks and controls;
- **Risk Measurement & Treatment:** assessment of risks and the consequent definition of strategies to manage them, including an action plan;
- **Monitoring:** periodic monitoring of the design and effectiveness of existing controls over the risks identified, and the risk processing actions to be approved or implemented;
- **Reporting:** generation of specific reports for each model and integrated reports for senior management and the corporate bodies.

86 The ERM model, the risk assessment methods and the roles and responsibilities of the persons involved are described in the ERM Guidelines approved by Snam’s Board of Directors.

87 The HSEQ model comprises two modules: Workplace Health and Safety and Environment

88 The Security model comprises the following modules: Data Classification; Scope of Certifications; Security Assessment; Business Continuity.

89 The reward system and incentive mechanisms for employees and management define, assign and finalise remuneration policy measures, in accordance with the guidelines drawn up by senior management. The adoption of a system of penalties for failure to observe provisions/rules established to prevent unlawful conduct and/or the commission of offences helps to ensure compliance with the CPPO and therefore the applicable reference legislation.

90 The relevant functions promote knowledge of the CPPO and the related models among Snam’s employees by means of specific training/communication activities, with different levels of complexity according to the positions and roles of the employees concerned.

The application of the RAIC model requires the individuals involved in the said activities to be clearly identified with assigned responsibilities. In particular, the engagement of the following is envisaged:

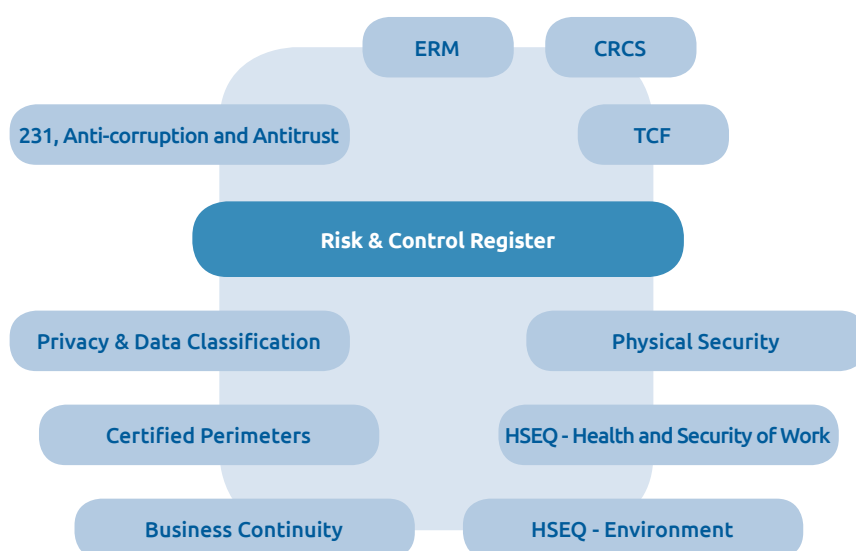
- Risk owners, i.e. heads of corporate functions responsible for carrying out risk assessment and control activities within the scope of the processes for which they are responsible;
- Risk specialists, i.e. individuals identified within the function manager's unit to conduct risk assessment and control and interface activities for the risk model owners;
- Risk model owners, i.e. contact persons in the function dedicated to the management of the individual control model.

A risk & control register is created through the RAIC platform, where the models involved in the RAIC process share a single catalogue of risks and controls⁹¹. This repository enables the integrated collection of consistent, complete information and data to support the decision-making processes of senior management and the corporate bodies receiving dedicated reporting flows.

In the context of the RAIC model, the risk model owners have to act in concert to plan and share their respective activities. Coordination between the risk model owners takes place through risk meetings convened by the Legal function, before and after risk assessment and/or monitoring campaigns. The DT&T and Organisation functions are regularly invited to discuss matters within their purview.

The main aim of the risk meetings is to discuss the results obtained and to plan future actions. In particular, the following are discussed:

- planning of the schedule of activities and the relevant deadlines;
- definition of the scope of the assessment and monitoring campaigns;
- methods of conducting monitoring activities;
- control weaknesses and risk processing actions in the case of cross-functional controls and/or risks associated with more than one model;
- discussion of new risks and new controls to be included in the risk & control register.



The planning phase was completed in 2019 and all the control models were progressively implemented in the RAIC.

91 The catalogue is made up of fields shared by all the models and fields specific to each model.

3.3 231 Model

The 231 Model is an organic set of principles, rules and provisions concerning, *inter alia*, the management and control of each corporate process. Its aim is to protect the Company from any conduct that may entail its administrative liability, pursuant to Legislative Decree No. 231 of 2001, in relation to offences or attempted offences committed in the interest or to the advantage of the Company by persons holding a “senior” position within the entity or by those who are subject to the oversight and control of such persons.

The Board of Directors adopted a 231 Model in order to prevent the offences indicated in the legislation on corporate administrative liability for crimes committed in the interest or to the advantage of the company and has set up a Supervisory Body vested with autonomous powers of initiative and control, in compliance with the applicable law.

The analysis of corporate processes and the comparative analysis of the existing control environment and the oversight measures are carried out on the basis of the COSO Framework, which is the international benchmark model for the establishment, updating, analysis and assessment of internal control systems (the “**COSO Framework**”, published most recently in May 2013⁹²).

The Subsidiaries have also adopted their own 231 Models for their specific circumstances, appointing their own supervisory bodies to monitor the implementation and effective application of the model.

In accordance with the provisions of Chapter 7, paragraph 7.2 of the 231 Model, the implementation of the so-called “Transposition Programme” is guaranteed in case of (a) new legislation with reference to the regulation of the administrative liability of legal entities deriving from criminal offences, (b) significant changes of the Company’s organisational structure or sectors of activity, (c) significant violations of the 231 Model and/or the results of checks on its effectiveness and/or public domain experience in the sector.

During 2019, the General Part of 231 Models has been as updated, which concerned specifically: (i) the section dedicated to the term of office of the Supervisory Body, providing for a duration in office for three years, released from the term of office of the Board of Directors that appointed it; (ii) the section dedicated, among others, to the reasons for ineligibility and/or forfeiture of the members of the Supervisory Body; (iii) the section dedicated to disciplinary sanctions, the outcome of the renewal of the National Collective Labour

Agreement; (iv) the section on Snam’s Legal Framework with a reference to the “Antitrust Guidelines”.

Moreover, during 2019, the impacts on individual 231 Models structures (including the related existing controls) determined by the introduction of important new law provisions have been analysed:

- “crime of trafficking of illicit influences”, referred to in Law No. 3 of 9 January 2019 on anti-corruption, which provides, among other amendments, for the extension of the catalogue of predicate offences referred to in Article 25 of the Legislative Decree No. 231 of 2001;
- “fraud in sports competitions, abusive gaming or betting and gambling exercised by means of prohibited apparatus”, referred to in Law No. 39 of 3 May 2019, which introduced Article 25-*quaterdecies* of Legislative Decree No. 231 of 2001;
- “violations of the regulations regarding the perimeter of national cybernetic security”, referred to in Decree-Law No. 105 of 21 September 2019 (converted into Law No. 133 of 18 November 2019), which amended Article 24-*bis*, paragraph 3, of Legislative Decree No. 231 of 2001.

Therefore, in the second half of 2019, risk assessment and gap analysis activities have been carried out – with the support of the RAIC Platform – in order to update the 231 Model of Snam and its Subsidiaries, also in view of the abovementioned legislative changes (in particular with reference to the offences introduced by Law No. 39 of 2019 (Fraud in sports competitions, illegal gaming or betting and gambling exercised by means of prohibited devices) and Decree-Law No. 105 of 2019 (violations of national cyber security regulations).

The results of these activities will make it possible to adapt the Special Part documents called “Processes, Sensitive Activities and Specific Control Standards of 231 Model” for the companies of the Group.

Taking into account the recent publication of Law No. 157 of 19 December 2019, which converted Decree-Law No. 124 of 2019 (the “2020 Fiscal Decree”), extending the liability pursuant to Legislative Decree No. 231 of 2001 also to the following offences of a fiscal nature:

- fraudulent declaration through the use of invoices or other documents for non-existent transactions;
- fraudulent declaration by means of other devices;
- issuing invoices or other documents for non-existent operations;
- concealment or destruction of accounting documents;
- fraudulent deduction of tax payments;

a risk assessment activity will be launched in order to identify the areas of risk for the commission of the types of offences referred to in Article 25-*quinquiesdecies* of Legislative Decree No. 231 of 2001, assessing the existing controls applicable and then defining and/or updating the rules and procedures relating to the management of tax risks.

92 The catalogue is made up of fields shared by all the models and fields specific to each model.

In the second half of 2019, Snam carried out a compliance training course aimed at the entire company population and structured in 5 modules:

- **231 Model:** the course focuses on issues relating to the organisation, management and control model pursuant to Legislative Decree No. 231 of 2001, company processes and sensitive activities, control standards and the duties of the Supervisory Body;
- **Privacy:** the course describes the innovations introduced by European legislation on Privacy (GDPR) and provides in-depth information on privacy management at Snam, the role of the Data Protection Officer, the protection of the rights of those concerned and security measures to prevent the management of any data breaches;
- **Market Abuse:** the course describes how recent European and national provisions on market abuse have been implemented in Snam, providing examples and practical indications for the correct management of confidential information and provides in-depth information on illegal conduct in this area, the contents of the Market Abuse Guidelines and the correct management of confidential information;
- **Antitrust:** the course presents an overview of antitrust law and the importance of protecting competition and goes in depth into national and European antitrust law, how to manage relations with competitors, the correct conduct to behave in order to act in compliance with antitrust law, the management of any inspections by the Antitrust Authorities;
- **Anti-bribery and corruption:** the course describes the principles of the fight against corruption at Snam and provides in-depth information on the various types of fraud/corruption, with practical examples of potential illegal conduct, Snam's control mechanisms and culture and the principles of the Anti-corruption Compliance Programme.

The 231 Model is available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/responsabilita_amministrativa_231/Modello-231_snam_finale_2019.pdf)

3.4 Enterprise Risk Management Model

The Enterprise Risk Management Model ("**ERM Model**") provides appropriate tools for identifying, measuring, managing and monitoring the key risks that could impact the achievement of strategic objectives

Snam's ERM Model, in line with the reference models and existing international best practices (COSO Framework and ISO 31000), provides for an integrated, cross-functional and dynamic assessment of risk that evaluates existing management systems in individual corporate processes and is updated to ensure that it always acts as an effective risk management model. It also provides for ongoing training of all personnel involved. As part of Level Two controls, the duties of the ERM function include:

- defining and updating Snam's ERM Model through specialist methodological support in identifying and evaluating risks;
- coordinating the overall enterprise risk management process ("**ERM**"), in order to properly consolidate and prioritise Snam's risks;
- consolidation of the risk management strategies identified by the competent corporate functions for identifying and measuring enterprise risks;
- regular preparation of reports and management and updating of defined risk indicators, in order to ensure coordination of risk monitoring and control activities.

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

Risk is defined as the effect of uncertainty on objectives and may be negative or positive (opportunity).

An enterprise measurement is assigned to each event, which summarises, for each risk, the various evaluations performed by the risk owners and by the centralised units with specialist areas of expertise. Risks are prioritised according to a combination of impact and probability scores. Management strategies are identified for all risks, as well as any specific interventions and a time frame for their implementation.

The risk mapping is reviewed periodically, based on the enterprise assessment. This re-checking takes place at least annually in any case, including for low-priority risks. Periodic reporting ensures that the information on risk management and monitoring activities is available and represented across the different levels of the Company. The graphic below illustrates the various operational phases of the ERM Model.



During 2019, the risk mapping was updated through the RAIC IT platform within the framework of an integrated risk assurance and compliance model aimed at incorporating the information flows of second-level controls with a synergistic approach aimed at maximum streamlining and overall efficiency. In this context, issues were explored relating to: (i) the development of new services and businesses (biomethane, Compressed Natural Gas - CNG, Small Scale LNG and the marketing of Snam Group business services); (ii) climate change, as the energy and climate scenarios entail a series of risks (and opportunities) to be analysed in order to operate in the long term in a sustainable way; and (iii) cyber security, as the evolution of the business and the use of innovative solutions capable of continuously improving it require an increased focus on these aspects.

At the end of 2019, around 141 enterprise risks and 28 opportunities were mapped across all corporate processes. The main corporate risks identified and monitored were classified into the following categories: strategic risks; legal and non-compliance risk; operational risks; and financial risks.

Strategic and operational risks also include risks related to sustainability. In this regard, Snam implements materiality analysis with the aim of capturing material issues, i.e. issues that can reflect the company's significant economic, environmental and social impacts or that can substantially influence stakeholder assessments and decisions. The joint consideration of significance within the organisation and externally (stakeholders), collected by sending questionnaires, has led to the identification of the materiality matrix. The materiality matrix, reported in the Executive Summary of this Report, has been validated by the management, the ESG Committee and the Chief Executive Officer and reviewed by the appointed auditor.

For more detail, see the *"Factors of uncertainty and risk management"* chapter of the 2019 Management Report.

(i) Enterprise Risk Management Guidelines

Snam considers risk management to be of primary importance and with the Enterprise Risk Management Guidelines (the “**ERM Guidelines**”) it intends to promote a structured and systematic approach based on the following principles:

- promoting and disseminating a culture of fair and transparent risk management;
- ensuring, in all corporate processes, proactive, effective and efficient risk management that is consistent with the strategic objectives and the corporate governance system;
- ensuring, through appropriate procedural, management and organisational systems, that risks are effectively identified, assessed, managed and periodically monitored;
- conducting and managing all corporate activities with a view to risk prevention, in compliance with the law, the Code of Ethics, corporate provisions and national and international best practices;
- ensuring that the risks identified, which are different by their nature, are assessed using a homogeneous and cross-functional model.

Highlights of the ERM Guidelines

- Establishment and updating of a Risk Register which records the data necessary to identify, measure, manage and monitor risks;
- Provision of a risk taxonomy, divided into strategic, legal, non-compliance, operational and financial risks;
- Integration between ERM processes and strategic planning;
- At least one update per year on the metrics for probability and impact measurement by the ERM function;
- Sharing of the mapped risks between the functions;
- Periodic reporting to the Board of Directors, the Control and Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body.

The ERM Guidelines, in particular, describe the methodology for assessing the risks, roles/responsibilities and reporting activities envisaged by the ERM Model, in line with international best practices and in particular the reference COSO framework and ISO 31000 models. In this context, risk is defined as the effect of uncertainty on objectives and may be negative or positive (opportunity).

The main benefits of the adoption of the ERM Guidelines are:

- a better understanding of the main risks related to the planned strategy and the business objectives; and
- an increased ability to prevent, adapt to and react to changes in the external environment.

The ERM Guidelines are divided into nine sections, which describe:

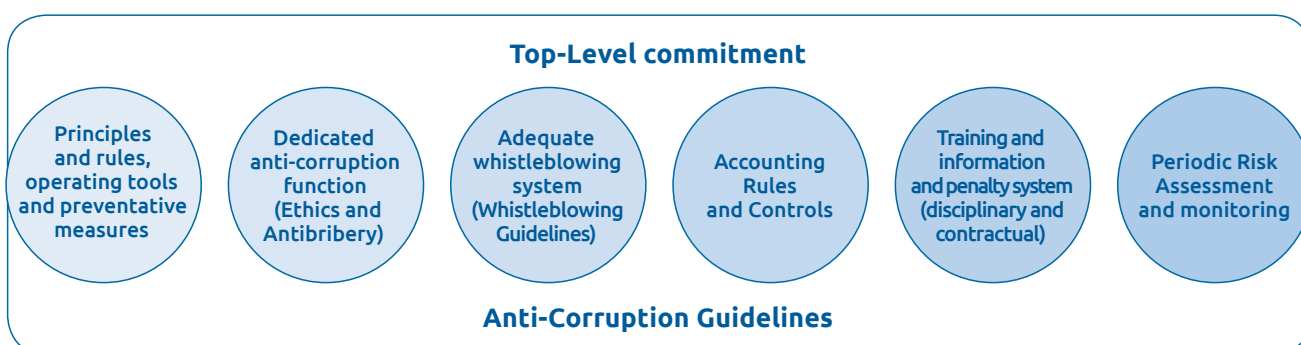
- the fundamental principles of corporate risk governance;
- the scope of application;
- the ERM Model;
- the Risk Register;
- the valuation methodology;
- roles and responsibilities;
- reporting;
- communication and training; and
- responsibility for updates.

The Enterprise Risk Management Guidelines are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Sostenibilita/documenti_sostenibilita/Linea-Guida-Enterprise-Risk-Management.pdf)

3.5 Anti-Corruption Compliance Programme

Snam, in establishing and maintaining an Anti-Corruption Compliance Programme, is not limited to adopting a 231 Model (aimed at preventing the predicate offences of administrative liability for corporate crime, including corruption offences) but, in accordance with international guidance and best practice, has also implemented the following tools⁹³:

- "Top level commitment", i.e. a commitment at the highest level to fight corruption;
- the adoption of specific anti-corruption measures;
- the establishment of a dedicated Anti-Corruption Unit (Ethics & Anti-Bribery);
- anti-corruption due diligence on contractual/commercial counterparties;
- monitoring by an external and independent advisor to verify actual knowledge of and implementation of the procedures;
- raising of awareness of employees through specific training and information activities;
- disciplinary action in the event of breaches of the anti-corruption rules;
- periodic risk assessment.



⁹³ In this regard, the Code of Ethics establishes, *inter alia*, that Snam rejects all kinds of corruption (in all its forms with regard to any public or private entity) and that corrupt practices, unlawful favours, collusive behaviour, and requests, made directly and/or through third parties, for personal and career advantages for oneself or for others, are prohibited without exception.

Collaboration with Transparency International and other initiatives

- In September 2016, Snam and Transparency International signed an agreement to develop a partnership in the context of the Global Corporate Supporters Forum promoted by the non-governmental organisation. Under the agreement, Snam was the first Italian company to join the international partners in the Forum, which was created with the aim of bringing together companies that stand out due to their integrity in the management of business, in accordance with the standards of good governance, transparency and accountability promoted by Transparency International, within the framework of global anti-corruption efforts and commitment to ethical business conduct. The agreement was renewed for another two years on the occasion of the 18th International Anti-Corruption Conference of Transparency International in October 2018.
- The partnership – sealed with a memorandum of understanding – formalised the principles of cooperation between Transparency International and Snam on the management of anti-corruption programmes and policies combating fraud and irregularities, conflicts of interest and whistleblowing, among other measures aimed at consolidating the highest anti-corruption standards recognised by Transparency International.
- In 2017, Snam participated in initiatives promoted by the OECD and the Ministry of Foreign Affairs, participating in the OECD Global Forum on Responsible Business Conduct, held in Paris on 30 June, and participating, as the world's first private sector company, in the panel dedicated to comparing due diligence approaches in the field of anti-corruption and safeguarding human rights. Furthermore, again in 2017, Snam joined the Business and Industry Advisory Committee (BIAC), now renamed "Business at OECD".
- During 2018, Snam participated in a series of events, including the 27th Session of the Commission on Crime Prevention and Criminal Justice of the United Nations organised at the United Nations headquarters in Vienna, by the Ministry of Foreign Affairs and International Cooperation in collaboration with Transparency International; the "Business Integrity Forum Roadshow 2018", organised by Transparency International Italy in May, and the Working Party on State Owned Enterprise, held at the headquarters of the OECD in Paris in November.
- In 2019, as a result of Snam's ongoing commitment to anti-corruption, business ethics, integrity and transparency, the Company was involved in a number of initiatives, including: (i) the Anti-corruption & Integrity Forum at the OECD (March); (ii) the Working Party on Bribery Consultation at the OECD (December 2019); (iii) the six-monthly conference of the Partnering Against Corruption Initiative (PACI) of the World Economic Forum (October); and (iv) the Italian Business Integrity Day organised by the Ministry of Foreign Affairs and International Cooperation, in collaboration with the Italian Embassy in Abu Dhabi, on the occasion of the 8th Conference of Member States of the United Nations Convention against Corruption (December).
- Between October and November 2019, Snam's General Counsel was also appointed (i) Vice-Chair of the Anti-corruption Committee of BIAC and (ii) a standing member of the Compliance & Integrity Taskforce within the B20, under Saudi Arabia's presidency.

Highlights of the Anti-Corruption Compliance Programme

- A policy of zero tolerance towards any form of corruption.
- Specific regulations and controls in relation to activities identified as potentially "at risk" and to activities relating to the effective implementation of anti-corruption compliance
- A clear distinction between permitted conduct and prohibited conduct
- A particular focus on relationships with government officials, suppliers and subcontractors, and in general, all business associates
- Establishment of a dedicated Ethics & Anti-Bribery function
- Annual monitoring with the involvement of management
- Specific training launched in 2016 for over 1,442 participants, continued in 2017 and 2018 for all new employees, and renewed in 2019 for all company personnel (2,904 people).
- Preparation of the "Mini-Anti-Corruption Guide", distributed to Snam's staff as a readily available source of support, aimed at strengthening the anti-corruption culture
- Identified as an example of "absolute excellence" by Transparency International Italy after its "Assessment on Transparency on Reporting on Anti-Corruption"
- More than 5,000 reputational audits of counterparties carried out in 2019 (including 2,490 on suppliers and subcontractors).

The Anti-Corruption Guidelines are an integral part of a broader business ethics control system that aims to ensure the Company's compliance with national and international⁹⁴ anti-corruption laws, and with the best international anti-corruption

⁹⁴ these include the Foreign Corrupt Practices Act (FCPA) enacted in the United States; the UK Bribery Act enacted in the United Kingdom; the Organisation for Economic Co-operation and Development Convention on Combating Bribery of Foreign Public Officials in International Business Operations; and the United Nations Convention Against Corruption.

tion standards, also helping to protect Snam's reputation. The Anti-Corruption Guidelines place particular emphasis, *inter alia*, on the selection of suppliers and business partners, the management of relations with them, and the relevant contractual protection clauses.

The Anti-Corruption Guidelines apply to Snam and its Subsidiaries, and the investee companies are also made aware of them, in order to promote conduct and information flows that are consistent with those of Snam. Snam also uses its influence, to the extent that is reasonable according to circumstances, to ensure that the companies and entities in which Snam has a non-controlling stake and its business associates comply with the standards set forth in the Anti-Corruption Guidelines.

The Anti-Corruption Guidelines are available on the Company's website (https://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/anticorruzione/Snam_anticorruzione_anticorruption_2019.pdf)

3.6 Antitrust Compliance Programme

The principles of the free market and competition are included in Snam's fundamental values, are recognised in both the Articles of Association and the Code of Ethics and are an integral part of Snam's corporate culture.

The aim of the Antitrust Compliance Programme is to identify breaches of Italian and European competition laws, in order to prevent non-compliant conduct and to raise awareness among employees, middle managers and executives regarding compliance with applicable legislative provisions.

Highlights of the Antitrust Compliance Programme

The programme is implemented through:

- the Antitrust Guidelines, which aim to describe the content of antitrust legislation in a simple and accessible manner, while providing practical guidance on how to act in concrete situations that could lead to potential antitrust violations, also performing a simplifying role. The Antitrust Guidelines consist of a central document and several annexes; specifically, the central document briefly describes the fundamental concepts of antitrust law; the structure of the compliance programme adopted by Snam; the powers of the Italian antitrust authorities to ensure compliance with specific regulations; and, lastly, the rules of conduct for Snam's employees to prevent antitrust risk. The individual annexes contain the necessary information on the topics addressed;
- a specific dawn raid procedure governs the stages, modes of conduct and roles of the various company functions involved in the event of inspections by the EU and/or national authorities responsible for supervising compliance with competition principles;
- dedicated communication and training initiatives for all employees designed to ensure familiarity with the Antitrust Guidelines, as well as their effectiveness and correct implementation;
- the establishment of an Antitrust Supervisor within Snam's Legal, Governance, Compliance, ERM & HSEQ Function, who will provide the necessary support and assistance on the application of the Antitrust Guidelines;
- a monitoring programme designed to verify the effectiveness of the training and the application of the rules in the Antitrust Guidelines and to enable amendments and updates to be made to them;
- a risk mapping exercise carried out on the basis of interviews with staff most exposed to antitrust risk considering the specific role performed.

The Antitrust Guidelines are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/lineaguida_antitrust/lineaguida_antitrust.pdf)

3.7 Privacy Compliance Programme

The purpose of the “*Privacy Guidelines*” is to (i) define the corporate roles and requirements to be implemented with regard to the protection of personal data in accordance with Regulation (EU) 2016/679 and (ii) guide all Snam’s employees so that personal data is processed in compliance with the fundamental rights and freedoms of natural persons and, in particular, with the right to the protection of personal data.

In line with the Code of Ethics, the document specifies the actions to be taken in accordance with both national and EU legislation on the processing and protection of initiatives to be undertaken at company level, including in order to prevent data breaches.

The document is structured into three macro areas that can be distinguished as:

- foundations for the lawfulness of processing and the rights of data subjects, aimed at identifying the legal basis of the processing and the main rights granted to stakeholders, referring to the principles of lawfulness, transparency and proportionality;
- a privacy management system, which incorporates Snam’s approach to the privacy system (risk assessment, impact assessment, security measures adopted, privacy by design and by default);
- key privacy roles and responsibilities, for all of which individuals have been identified, both inside and outside Snam, which contribute, in various ways, to maintaining an effective and efficient management system and the relevant responsibilities.



3.8 Whistleblowing

Since 2006, Snam has implemented specific rules to establish a codified system for the collection, analysis, verification and reporting of notifications, anonymous or otherwise, received by Snam and its Subsidiaries (the “**Whistleblowing Guidelines**”) and to establish the criteria and methods for the establishment of information channels.

Whistleblowing highlights

- Management of communication channels assigned to an external person (an Ombudsman) identified as a professional with a high degree of legal training in criminal matters, who ensures that reports are received and analysed by applying criteria of maximum confidentiality in order, *inter alia*, to protect the good repute of persons involved and efficiency of investigations
- Preliminary investigations into notifications carried out in an integrated and coordinated manner, through the involvement of the Internal Audit function, having first consulted the Legal, Governance, Compliance, ERM & HSEQ function for those matters within its purview. Quarterly circulation of a report on notifications received - issued by the Internal Audit function - to the following corporate functions:
 - Chairman of Snam;
 - Chief Executive Officer;
 - Snam’s Board of Statutory Auditors;
 - Control and Risk and Related-Party Transactions Committee;
 - Supervisory Body;
 - External Auditors;
 - General Counsel;
 - CFO and Financial Reporting Officer;
 - EVP Human Resources & Organisation.

In case of notifications regarding Subsidiaries, the reports, insofar as they are relevant, are sent to the managing directors of each Subsidiary concerned, as well as to the relevant control and supervisory bodies.

The Whistleblowing Guidelines have also been revised to take account of new provisions introduced by Law No. 179 of 30 November 2017 (“*Provisions for the protection of persons reporting offences or irregularities of which they become aware in the context of a public or private employment relationship*”) which, with reference to the private sector, provided, through changes to Article 6 of Legislative Decree No. 231 of 2001, for protection of employees or contractors reporting illegal conduct or breaches of the entity’s organisation and management model, and the provision (i) of one or more channels to enable the transmission of reports, at least one of which is capable of guaranteeing the confidentiality – using computerised means – of the reporting person’s identity during the handling of the report, and (ii) of disciplinary sanctions against any person who breaches measures to safeguard the whistleblower.

The Whistleblowing Guidelines are available on the Company’s website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/procedure_segnaIazioni/snam_segnaIazioni_anche_anonime_04.pdf)

The table below breaks down the work performed by Internal Audit in relation to notifications received during the last three years:

	2017	2018	2019
Reports received	5	5	11
- relating to the Internal Control System	-	-	1
- relating to accounting, auditing, fraud, etc.	-	-	-
- relating to administrative liability pursuant to Legislative Decree No. 231 of 2001	-	-	-
- relating to breaches of the anti-corruption law	-	-	-
- relating to other matters (Code of Ethics, mobbing, theft, security, etc.)	5	4	10 ⁹⁵
Notifications dismissed due to lack of evidence or because untrue (no.)	1	2	5
Reports resulting in corporate disciplinary or managerial ⁹⁶ action and/or referral to a legal authority	4	2	5
Reports in the process of examination (no.)	-	-	1

3.9 Health, Safety, Environment and Public Safety

The “Health, Safety, Environment and Public Safety” Guidelines describe the principles of HSEQ and Public Safety that guide actions with a view to transparency and collaboration with suppliers and business partners. These principles, precisely expressed through the adoption of specific HSEQ policies, have been adopted by Snam with the aim of preventing risks and reducing the impact on health, safety and the environment of its activities.

All measures prescribed by laws and industry regulations are also implemented through the development, continuous updating and prompt implementation of HSEQ management systems. Consistent with international standards and certified by third parties, these systems also enable Snam to ensure a continuous improvement in performance and the adoption of international best practice.

The HSEQ Guidelines provide, *inter alia*, that a review must be carried out periodically by senior management and by the functions which, according to their remits, analyse the internal and external context of the company, in order to evaluate the adequacy, suitability and effectiveness of the management systems, including in relation to the achievement of objectives, continuous improvement and compliance with the applicable rules and requirements, and to ensure alignment with the strategic guidelines. Finally, provision is made for periodic reports, meetings and management reviews, as the main communication and information tools by which top management, the corporate control bodies and the reporting lines verify compliance with the reference standards and the adequacy, efficiency and effectiveness of the management systems.

95 It includes the management of four additions to three reports received during 2019, one of which is under review.

96 “Managerial” also means organisational/procedural measures relating to measures to improve the ICRMS.

3.10 Key features of the internal control and risk management system in relation to corporate reporting

(i) Introduction

The ICRMS in relation to the financial reporting process is an element of the same system (the CRCS), designed to ensure the dependability⁹⁷, accuracy⁹⁸, reliability⁹⁹ and timeliness of the Company's financial reporting and the capacity of the main relevant corporate processes to produce such reporting in accordance with the accounting standards.

The reporting consists of all data and information – whether financial or non-financial (the latter aims to describe the relevant aspects of the business, comment on the economic and financial results for the year and/or describe the outlook) – contained in the periodic accounting documents required by law as well as in any other accounting document or external communication covered by the statements provided for by Article 154-*bis* of TUF.

The CRCS model adopted by Snam and its Subsidiaries was defined in accordance with the provisions of Article 154-*bis* of TUF and is based, from a methodological point of view, on the COSO Framework. With this document, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) not only outlines the five essential components of the CRCS but has also codified 17 principles that the CRCS must conform to in order to ensure the efficiency and effectiveness of the disclosure processes. The 17 principles identified by the COSO Framework, with reference to the system adopted by Snam, mainly concern: (i) structural elements of Snam's CRCS, such as the procedure for identifying risks and the allocation of activities to the individual functions involved; and (ii) control and monitoring activities, which are regulated by Snam's Legal Framework, through multiple and diversified tools, as described in greater detail in Paragraph 2 of this Section.

The Snam Group's CRCS is governed by a body of regulations that defines the methodologies, roles, responsibilities, activities to be performed and reporting flows for the establishment, maintenance over time, functioning and assessment of the effectiveness of the Group's CRCS, applied to Snam and the Subsidiaries, taking into account their significance.

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

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

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

(ii) Phases of the CRCS

The CRCS is planned, established and maintained through the following activities:

1. Scoping	2. Risk assesment	3. Identification of controls	4. Monitoring of controls	5. Evaluation and reporting
Identification of the scope of analysis in relation to Group companies which apply the CRCS on the basis of the financial statement items and information that are significant for this purpose and the importance of the companies in relation to processes and specific risks	Identification of specific activities likely to generate risks of unintentional error or fraud, which may have a significant impact on the financial statements or potential events that if they occur could compromise the achievement of control objectives relating to corporate reporting	The significant companies and processes and the relevant risks having been identified, the system is based on two fundamental principles: (i) the dissemination of controls to all levels of the organisational structure, in line with the operational responsibilities assigned, and (ii) sustaining the controls over time, so that they are integrated and compatible with operating requirements. The model provides both company entity-level controls, operating across the reference entity, and process-level controls, i.e. specific controls carried out within significant business processes (process-level controls, segregation of duties, IT general controls)	The controls are regularly checked for adequacy of design and effective operation, through both line monitoring assigned to management and independent monitoring assigned to Internal Audit. Snam's Board of Directors has also mandated the External Auditors to examine the adequacy of the internal control system in connection with the preparation of financial information for the drafting of Snam's individual financial statements and consolidated financial statements	The outcomes of the assessments of the controls carried out on the basis of monitoring activities are regularly reported. The Financial Reporting Officer uses these reports to draft a half-year report and an annual report on the adequacy and effective implementation of the CRCS, which is shared with the CEO and sent to the Board of Directors and subsequently notified to the Control and Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, at the time of approval of the draft separate and consolidated financial statements and the consolidated half-year financial report

(iii) Positions and functions involved

The Financial Reporting Officer is assisted in risk identification, control, monitoring and assessment activities by various persons (e.g. the Risk Owner, the managers of the functions) at various levels of the organisational structure of Snam and its Subsidiaries.

Furthermore, the senior managers and CEOs of the individual Group companies are responsible for establishing and maintaining the Company's control system over time; they receive the results of the checks performed on all the controls and draw up dedicated half-year and annual reports that they submit to their own boards of directors, having informed the board of statutory auditors, and to the parent company.

(iv) Updating of the Model

The CRCS is constantly updated to take into account the new companies within Snam's scope of consolidation, as well as changes in activities and responsibilities, in order to maintain controls that are always adequate.

Ongoing training on the CRCS is also provided in e-learning mode to the staff of the Snam Group in order to inform them of the prerequisites, aims and characteristics of the model, so that each person is aware of his/her role and responsibility and can make an adequate contribution to the proper functioning of the model.

3.11 Snam Group Tax Strategy and Tax Cooperative Compliance

The “Snam Group Tax Strategy” Guidelines describe the principles that inform the Group’s tax governance both in strategic terms, with regard to the risk appetite and the long-term objectives pursued with reference to the tax variable, and in operational terms, with regard to the architecture of the tax risk control system (the “**Tax Control Framework**” or “**TCF**”)¹⁰⁰.

The adoption of a clear and documented tax strategy represents, *inter alia*, the main requirement for access to the tax cooperative compliance regime established by Legislative Decree No. 128 of 5 August 2015, which promotes forms of communication and cooperation between tax authorities and taxpayers.

With the tax cooperative compliance programme, the Italian Revenue Agency aims to establish a relationship of trust between the authorities and taxpayers to increase the level of certainty on relevant tax issues. This objective is pursued through ongoing, preventative dialogue with taxpayers on factual and legal matters, in order to make a common assessment of situations likely to generate tax risks.

Membership of the scheme is for taxpayers who meet the legal requirements and who have a system for detecting, measuring, managing and controlling tax risk (“Tax Control Framework”) understood as the risk of violating rules of a tax nature or operating contrary to the principles or purposes of the tax system.

In return for the implementation of this system for the prevention of tax risk, the law provides some benefits, in particular:

- ongoing dialogue with the Italian Revenue Agency, which offers the opportunity to manage uncertain situations and is prepared to resolve tax disputes as soon as possible;
- clear advantages in reputational terms through the inclusion of the company in public lists of “virtuous” taxpayers (the list is published on the Italian Revenue Agency website);
- a 50% reduction in penalties in the event of disputes.

Snam’s adherence constitutes a fundamental step on the path of accountability, presenting Snam and the Group as an entity that acts in full transparency with the tax authorities, completely in line with its sustainability programme.

On 2 December 2019, with the order of admission to the cooperative compliance regime notified by the Italian Revenue Agency, Snam and Snam Rete Gas S.p.A. were included on the list of companies operating in full transparency with the Italian tax authorities, published on the Italian Revenue Agency’s website.

¹⁰⁰ *Tax Control Framework – Tax Strategy* Guidelines

3.12 Related Parties Guidelines

The Guidelines for “Transactions in which directors and statutory auditors have an interest and related-party transactions” have been adopted pursuant to the Regulations on Related-Party Transactions (the “**Related-Parties Guidelines**”)¹⁰¹, in accordance with the Unbundling Regulations, taking into account the specific nature of the business of Snam and its Subsidiaries, which are overseen by ARERA.

Highlights of the Related-Party Guidelines

- Involvement, as the case may be, of the Control and Risk and Related-Party Transactions Committee or the Remuneration Committee (for decisions concerning the remuneration of Snam’s directors, statutory auditors and key management personnel)
- Provision of a fixed materiality threshold of €140 million
- Extension of the scope of application of the Guidelines to all transactions entered into by the Subsidiaries with related parties of Snam
- Establishment of a special approval process for transactions in which directors or statutory auditors of Snam have an interest

The Related-Parties Guidelines make a distinction between Large Transactions and Small Transactions, on the basis of a materiality threshold. In particular, in order to ensure maximum market transparency, the Related-Parties Guidelines have adopted a stricter parameter for identifying Large Transactions than that provided for by the Regulations on Related-Party Transactions, setting a materiality threshold of €140 million.

The Related-Parties Guidelines require that the competent Committee issue:

- for “**Small Transactions**”¹⁰², a non-binding reasoned opinion that must address the Company’s interest in the transaction, as well as the expediency and substantial accuracy of its conditions. In the event of a negative opinion, the Company is required to inform the market of the reasons that led it to conclude the transaction despite this opinion;
- for “**Large Transactions**”¹⁰³, which are the exclusive preserve of the Board of Directors, a favourable reasoned opinion on the Company’s interest in the transaction, as well as the suitability and substantive accuracy of its conditions. The Committee is also involved in the negotiation and examination stages, promptly receiving comprehensive information, with the power to request information and submit comments to the authorised bodies and persons tasked with the negotiations and examination.

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

¹⁰¹ The “Transactions in which directors and statutory auditors have an interest and related-party transactions” Guidelines define a “transaction” (or “transactions”) as the active or passive transfer of resources, services or assumption of obligations, regardless of whether a fee has been agreed, carried out by Snam or its Subsidiaries with related parties of Snam. These include: (i) mergers or demergers by incorporation or non-proportional demergers; (ii) any decision relating to the awarding of remuneration and financial benefits, in any form, to members of the administration and control bodies and to executives with strategic responsibilities.

¹⁰² Within the meaning of the Related-Parties Guidelines, “Small Transactions” are all transactions other than “Large Transactions” and “Negligible Transactions” (defined in Annex 2 of the Procedure).

¹⁰³ “Large Transactions” are indicated in Annex 1 to the Related-Parties Guidelines.

Finally, the Related-Parties Guidelines set out a special approval process - which requires, *inter alia*, that the Control and Risk and Related-Party Transactions Committee issue a non-binding opinion on the appropriateness of the transaction for the Company - in the case of transactions, other than related-party transactions, in which Snam's directors or statutory auditors have an interest, on their own account or on behalf of third parties.

The Related-Party Guidelines are available on the Company's website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/lineaguida/parti_correlate/Linea_Guida_Operazioni_con_Interessi_degli_Ammistratori_e_Sindaci_e_Operazioni_con_Part_Correlate_febbraio_2020.pdf)

3.13 Market Abuse Guidelines

Snam's Market Abuse Guidelines combine and coordinate within a single systematic document the market abuse rules and principles with which the Company and its related parties must comply in order to:

- protect investors, to prevent situations of information asymmetry, and prevent certain persons from using non-public information to carry out speculative market transactions; and
- protect the Company from any liability that it may incur as a result of the conduct of persons attributable to it.

Highlights of the Market Abuse Guidelines

- Snam's Market Abuse Guidelines – that take account of the “Market Abuse Regulation” pursuant to EU Regulation 596/2014 (and the relevant implementing regulations) – came into force on 3 July 2016 and were most recently updated in March 2018 with the aim of complying with the regulatory amendments introduced to the Issuers' Regulation by Consob Resolution No. 19925 of 22 March 2017 and of taking account of the Guidelines on the Management of Inside Information published by Consob on 13 October 2017
- A single document – organic, systematic and updated to incorporate new European legislation – that incorporates all measures relating to market abuse. Provision relating to the management of price sensitive information, relevant information, internal dealing, black-out periods and insider register
- Provision of a specific procedure for delayed dissemination of inside information
- Identification of detailed information flows within the corporate organisational structure and with the Subsidiaries
- Training programme, in order to raise awareness among Snam's employees on issues related to rules on market abuse

The Market Abuse Guidelines are divided into three sections, as described in more detail below.

Section I – Management of inside information

This section covers:

- a) the identification and management of relevant and inside information
- b) the procedures to be followed for communicating such information both within and outside of the corporate environment
- c) the procedure to be followed if the Company considers it necessary to delay dissemination to the public of inside information
- d) the establishment, maintenance and updating of the register of persons who have access to relevant information and the register of persons who have access to inside information

Section II - Internal dealing

This section covers disclosure and conduct requirements related to: (a) transactions on shares or debt instruments issued by the Company or on derivatives and other financial instruments linked thereto, and – where applicable – on emission allowances and auctioned products based thereon or related derivatives, by persons with managerial or control duties or by persons closely associated with them; and (b) transactions involving shares of the Company or other financial instruments linked thereto, carried out, directly or indirectly, by anyone holding shares of the Company equal to 10% of the share capital, and by any other person controlling the Company.

Specifically, it includes the following:

- a) criteria for identifying “Relevant Persons”, “Relevant Shareholders” and “Relevant Transactions” to which the legislation in question applies;
- b) the disclosure obligations of “Relevant Persons”, “Relevant Shareholders” and the Company in respect of Consob and the public in relation to “Relevant Transactions”; and
- c) rules preventing “Relevant Persons” from carrying out “Relevant Transactions” in given periods (“black-out periods¹⁰⁴”).

Section III – Final provisions

This section covers provisions relating to: (a) market surveys; and (b) the updating of the Guidelines and final provisions.

The Market Abuse Guidelines are available on the Company’s website (http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/Market_Abuse/Procedure_Market_Snam_REV04.pdf)

¹⁰⁴ Pursuant to the Market Abuse Guidelines, “Relevant Persons” and “Closely-Related Persons” are not permitted to carry out – directly or via an intermediary – “Relevant Transactions” within a period of 30 calendar days before the Company announces the figures contained in the annual financial report, the half-year financial report and in other periodic financial reports that are subject to mandatory publication.

For the definition of “Relevant Persons”, “Closely-Related Persons” and “Relevant Transactions”, see the Market Abuse Guidelines.



Sezione V

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



In the first months of 2020 in Italy, as in other countries of the world, a serious health crisis started due to the pandemic spread of coronavirus. Since the news of the first contagions in our country, Snam has set up an interfunctional team to manage the difficult moment and put in place, with the extraordinary contribution of all its people, the necessary actions to guarantee the continuity of the service and to ensure the country's energy security. Employees continued their work through the tool of smart working from home, with physical safeguards limited to the minimum necessary to guarantee operations. All thanks to the support from the necessary technological and IT resources. In addition to being close to its people, Snam also wanted to be close to our country by allocating, also through Snam Foundation, a contribution of €20 million to carry out initiatives for the Italian health system and the third sector which, working in a way incessant and extraordinary, found themselves facing a situation of extreme emergency.

The Board of Directors supervises and monitors, through the constant information received from the management and the competent internal committees in relation to corporate risks and social initiatives, the evolution of the emergency and the initiatives undertaken by the Company (i) to protect the safety of the employees, (ii) to guarantee business continuity and (iii) of a social nature.

Following the COVID-19 health emergency, on 9 April 2020, Decree Law No. 23 of 8 April 2020 on *"Urgent measures concerning access to credit and tax compliance for businesses, special powers in strategic sectors, as well as measures in the field of health and work, extension of administrative and procedural deadlines"* came into force, which introduced some amendments to the regulation concerning government powers to control investment (foreign, but also domestic) in strategic sectors (the so-called "golden power"). For further information, please refer to Section II, Paragraph 6, of this Report.

As announced in the press release issued on 6 May 2020, Mr Luca Dal Fabbro has resigned from the office of Chairman and Director of the Company with effect on the date of Snam's Shareholders' Meeting scheduled for 18 June 2020. At the meeting held on 6 May 2020, Snam's Board of Directors, having acknowledged Mr Dal Fabbro's resignation, resolved to leave any decision regarding the appointment of a new Director and the new Chairman of the Board of Directors to the Company's Shareholders' Meeting of 18 June 2020, without proceeding with the co-optation of a new Director pursuant to Article 2386 of the Italian Civil Code.

Snam's Shareholders' Meeting scheduled for 18 June 2020 will be called, therefore, to resolve upon the appointment of a new Director to integrate the composition of the Board of Directors and a new Chairman of the Board of Directors on the basis of the proposals to be submitted by the Shareholders.

For further information, please refer to the explanatory report drafted by the Board of Directors pursuant to Article 125-ter of TUF and Article 84-ter of the Issuers' Regulation concerning the matters listed in items 6 and 7 on the agenda of the Shareholders' Meeting of 18 June 2020, available on the Company's website at www.snam.it and on the authorized storage mechanism www.emarketstorage.com.

Section VI

Summary tables





IV	Annex 1
XVI	Annex 2
XVII	Annex 3
XIX	Annex 4
XXI	Annex 5
XXII	Annex 6
XXIV	Annex 7

Table 1 – Structure of Snam's Board of Directors and Committees

Board of Directors											Control and Risk and Related-Party Transact. Committee			Remun. Committee		Appoint. Committee		Environm., Social & Governance Committee		Possible Executive Committee	
Post	Members	Year of birth	Date of first appoint.*	In office since	In office until	List **	Exec.	Non-exec.	Indip. Code	Indip. TUF	No. of other posts ***	(*) ¹⁰⁵	(*) ¹⁰⁶	(**)	(*) ¹⁰⁷	(**)	(*) ¹⁰⁸	(**)	(*) ¹⁰⁹	(**)	
Chairman	Luca Dal Fabbro	1966	02/04/19	02/04/19	Financ.stat. 31/12/21	M		✓		✓	0	10/10									N/A
Chief Executive Officer (•) (◊)	Marco Alverà	1975	27/04/16 ¹¹⁰	02/04/19	Financ.stat. 31/12/21	M	✓				1	14/14									N/A
Director	Laura Cavatorta	1964	02/04/19	02/04/19	Financ.stat. 31/12/21	m		✓	✓	✓	1	10/10					4/4	M	6/6	C	N/A
Director	Antonio Marano	1960	02/04/19	02/04/19	Financ.stat. 31/12/21	M		✓	✓	✓	0	9/10	14/14	M			4/4	C			N/A
Director	Gori Francesco	1952	26/03/13	02/04/19	Financ.stat. 31/12/21	m		✓	✓	✓	2	14/14	14/14	C							N/A
Director	Francesca Pace	1961	02/04/19	02/04/19	Financ.stat. 31/12/21	M		✓	✓	✓	1	10/10	14/14	M	8/8	C					N/A
Director	He Yunpeng	1965	26/01/15	02/04/19	Financ.stat. 31/12/21	M		✓			4	14/14							8/8 ¹⁰⁹	M	N/A
Director	Rita Rolli	1969	02/04/19	02/04/19	Financ.stat. 31/12/21	m		✓	✓	✓	2	10/10			8/8	M			6/6	M	N/A
Director	Alessandro Tonetti	1977	27/04/16	02/04/19	Financ.stat. 31/12/21	M		✓			0	14/14			11/11 ¹¹²	M	8/8 ¹¹³	M			N/A
DIRECTORS WHOSE TERM EXPIRED DURING THE YEAR																					
Chairman	Carlo Malacarne	1953	27/04/06 ¹¹⁴	27/04/16	Financ.stat. 31/12/18	M		✓			=	4/4									
Director	Sabrina Bruno	1965	26/03/13	27/04/16	Financ.stat. 31/12/18	m		✓	✓	✓	=	4/4	4/4	M					2/2		C
Director	Monica De Virgillis	1967	27/04/16	27/04/16	Financ.stat. 31/12/18	M		✓	✓	✓	=	4/4			3/3	C	4/4	M			
Director	Lucia Morselli	1956	27/04/16	27/04/16	Financ.stat. 31/12/18	M		✓	✓	✓	=	3/4	4/4	M					2/2		M
Director	Elisabetta Oliveri	1963	27/04/10	27/04/16	Financ.stat. 31/12/18	m		✓	✓	✓	=	4/4	4/4	C	3/3	M					
No. of meetings held during the year: 14						Control and Risk and Related-Party Transactions Committee: 18					Remuneration Committee: 11			Appointments Committee: 8		Environmental, Social & Governance Committee: 8					

Indicate the quorum required for the submission of lists of candidates by minority shareholders for the election of one or more members¹¹⁵: 0.5% of the share capital

NOTES

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

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

105 The total number of meetings of the Board of Directors held in 2019 was 14; the number of meetings of the Board of Directors held after the appointment of the members of the Board of Directors on 2 April 2019 was 10; and the number of meetings of the Board of Directors held before the appointment of the members of the Board of Directors on 2 April 2019 was 4.

106 The total number of meetings of the Control and Risk and Related-Party Transactions Committee held in 2019 was 18; and the number of meetings of the Control and Risk and Related-Party Transactions Committee held after the appointment of the members of the Board of Directors on 2 April 2019 was 14.

107 The total number of meetings of the Remuneration Committee held in 2019 was 11; and the number of meetings of the Remuneration Committee held after the appointment of the members of the Board of Directors on 2 April 2019 was 8.

108 The total number of meetings of the Appointments Committee held in 2019 was 8; and the number of meetings of the Appointments Committee held after the appointment of the members of the Board of Directors on 2 April 2019 was 4.

109 The total number of Environmental, Social & Governance Committee meetings held in 2019 was 8; and the number of Environmental, Social & Governance Committee meetings held after the appointment of the members of the Board of Directors on 2 April 2019 was six.

110 Since 15 January 2016, Marco Alverà has fulfilled the role of General Manager, a post that he continues to occupy after his appointment as Chief Executive Officer.

111 Yunpeng He attended all the meetings of the Sustainability Committee (in place of which, as of 14 May 2019, the Environmental, Social & Governance Committee has been established) of 2019, as he was already a director of Snam and a member of the Sustainability Committee even before the renewal of the members of the Board of Directors at the Shareholders' Meeting of 2 April 2019, at which he was re-appointed as a director of Snam.

112 Alessandro Tonetti attended all the meetings of the Remuneration Committee of 2019, as he was already a director of Snam and a member of the Remuneration Committee even before the renewal of the members of the Board of Directors at the Shareholders' Meeting of 2 April 2019, at which he was re-appointed as a director of Snam.

113 Alessandro Tonetti attended all the meetings of the Appointments Committee of 2019, as he was already a director of Snam and a member of the Appointments Committee even before the renewal of the members of the Board of Directors at the Shareholders' Meeting of 2 April 2019, at which he was re-appointed as a director of Snam.

114 The date refers to the appointment of Carlo Malacarne as a director by the Shareholders' Meeting. From 8 May 2006 to 27 April 2016, Carlo Malacarne fulfilled the role of Chief Executive Officer.

115 In accordance with Consob determination no. 28 of 30 January 2020.

Table 2 - Structure of Snam's Board of Statutory Auditors

Post	Members	Year of birth	Date of first appointment*	In office since	In office until	List**	Indep. Code	Indep. TUF	Attendance at meetings of Board of Statutory Auditors***	Attendance at meetings of the BoD	No. of other offices****
Chairman	Stefano Gnocchi	1974	02/04/2019	02/04/2019	Financ. stat. 31/12/2021	m	✓	✓	17/17	10/10	7
Standing auditor	Gianfranco Chinellato	1951	02/04/2019	02/04/2019	Financ. stat. 31/12/2021	M	✓	✓	17/17	10/10	4
Standing auditor	Donata Paola Patrini	1956	02/04/2019	02/04/2019	Financ. stat. 31/12/2021	M	✓	✓	16/17	10/10	3
Alternate auditor	Maria Gimigliano	1976	26/03/2013	02/04/2019	Financ. stat. 31/12/2021	M	✓	✓	=	=	=
Alternate auditor	Federica Albizzati	1970	02/04/2019	02/04/2019	Financ. stat. 31/12/2021	m	✓	✓	=	=	=

STATUTORY AUDITORS WHOSE TERM EXPIRED DURING THE YEAR

Chairman	Leo Amato	1961	26/03/2013	27/04/2016	Financ. stat. 31/12/2018	M	✓		6/6	4/4	=
Standing auditor	Massimo Gatto	1963	27/04/2010	27/04/2016	Financ. stat. 31/12/2018	m	✓		5/6	4/4	=
Standing auditor	Maria Luisa Mosconi	1962	27/04/2016	27/04/2016	Financ. stat. 31/12/2018	M	✓		5/6	4/4	=
Alternate auditor	Sonia Ferrero	1971	27/04/2016	27/04/2016	Financ. stat. 31/12/2018	m	✓		=	=	=

No. of meetings held during the year: 23

Indicate the quorum required for the submission of lists of candidates by minority shareholders for the election of one or more members¹¹⁴: 0.5% of the share capital

NOTES

* The date of first appointment of each statutory auditor means the date on which the statutory auditor was unanimously appointed for the first time (in absolute terms) to Snam's Board of Statutory Auditors.

** This column indicates the list from which each statutory auditor was drawn ("M": majority list; "m": minority list).

*** The total number of meetings of the Board of Statutory Auditors held during 2019 was 23; the number of meetings of the Board of Statutory Auditors that were held after the appointment of the members of the Board of Statutory Auditors on 2 April 2019 was 17; the number of meetings of the Board of Statutory Auditors that were held before the appointment of the members of the Board of Statutory Auditors on 2 April 2019 was six. This column shows the statutory auditors' attendance at meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared with the total number of meetings that could have been attended, e.g. 6/8, 8/8, etc.).

**** This column shows the number of directorships and auditor posts held by the interested party pursuant to Article 148-bis of TUF and its implementing provisions contained in the Issuers' Regulation. The complete list of posts is published by Consob on its own website pursuant to Article 144-quinquiesdecies of the Issuers' Regulation.

	<p>this Code and, in particular, the number and average duration of meetings of the board and of the executive committee, if any, held during the financial year, as well as the relevant rate of attendance of each director; and (3) the methods of implementing the evaluation procedure described in letter g) above; and (4) the objectives, methods of implementation and results of application of the diversity criteria recommended in articles 2 and 8;</p> <p>j) in order to ensure the correct handling of corporate information, adopt, on the proposal of the chief executive officer or the chairman of the board of directors, internal procedures for the internal handling and disclosure to third parties of information concerning the issuer, having special regard to price sensitive information.</p>			p. 55
1.C.2	<p>The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of considerable size. The board shall record, according to the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the corporate governance report.</p>	✓		pp. 62-63
1.C.3	<p>The board shall issue guidelines regarding the maximum number of directorships or positions as statutory auditor for the types of companies indicated in the above paragraph that may be considered compatible with the effective performance of a director's duties, taking into account the attendance of directors at the committees set up within the board. To this end, the board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive, non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, and whether or not the companies are members of the issuer's group.</p>	✓		pp. 62-63
1.C.4	<p>If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, the board of directors shall evaluate each such issue, reporting any critical matters at the next shareholders' meeting. To this end, each director shall inform the board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any material changes thereafter.</p>		✓	p. 44
1.C.5	<p>The chairman of the board of directors shall ensure that the documentation concerning the agenda of board meetings is made available to directors and statutory auditors sufficiently in advance of the board meeting. The board of directors shall provide information in the corporate governance report on the promptness and completeness of materials provided in advance of meetings, providing details, <i>inter alia</i>, on the prior notice usually deemed adequate for the provision of documents and specifying whether such prior notice has usually been observed.</p>	✓		p. 51
1.C.6	<p>The chairman of the board of directors, also upon request of one or more directors, may request to the managing directors that certain executives of the issuer or companies belonging to its group who are in charge of the pertinent management areas related to the board agenda, attend the meetings of the Board in order to provide appropriate additional information on the items on the agenda. The corporate governance report shall provide information on their attendance.</p>	✓		p. 51

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

	Applied	Not applied	Inapplic.	Page reference
Article 2 – Composition of the Board of Directors				
2.P.1	✓			pp. 46-50
2.P.2	✓			Annex 3
2.P.3	✓			Annex 3
2.P.4	✓			pp. 58-60
2.P.5	✓			pp. 60-61
2.P.6			✓	p. 61
2.C.1	✓			p. 61
<p>The following are classed as executive directors of the issuer:</p> <ul style="list-style-type: none"> - the chief executive officers of the issuer or a strategically important subsidiary, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of business strategies; - directors that perform management duties within the issuer or in one of its strategically important subsidiaries, or in a controlling company when the office also concerns the issuer; - directors who are members of the executive committee of the issuer, when no chief executive officer is appointed or when participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, effectively entails the systematic involvement of its members in the day-to-day management of the issuer. <p>The granting of deputy powers or powers in cases of urgency to directors, who are not vested with management powers is not sufficient, per se, to cause them to be identified as executive directors, provided however, that such powers are not actually exercised with notable frequency.</p>				
2.C.2	✓			p. 78
<p>Directors are required to be familiar with the duties and responsibilities of their office.</p> <p>The chairman of the board of directors shall make every effort to enable directors and statutory auditors, after their election and during their mandate, in the most appropriate forms, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant changes, proper management of risk and the relevant regulatory and self-regulatory framework.</p> <p>The issuer shall include the type and organisational methods of the initiatives taken during the reporting period in the corporate governance report.</p>				
2.C.3	✓			p. 59
2.C.4			✓	p. 63

	The board of directors of issuers on the FTSE MIB index shall designate a lead independent director when requested by the majority of independent directors, except in the case of a different and reasoned assessment made by the board and included in the corporate governance report.			
2.C.5	The lead independent director: a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below; b) cooperates with the chairman of the board of directors in order to ensure that directors promptly receive complete information.		✓	p. 63
2.C.6	The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in case the chief executive officer of issuer (B) is a director of issuer (A).	✓		p. 61
3.P.1	Article 3 – Independent directors An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer, or persons linked to the issuer, of such a significance as to influence their autonomous judgement.	✓		pp. 61-62
3.P.2	The directors' independence shall be assessed by the board of directors after appointment and, subsequently, on a yearly basis. The results of the assessments of the board shall be communicated to the market.	✓		pp. 61-62
3.C.1	The board of directors shall evaluate the independence of its non-executive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following circumstances, merely by way of example: a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise control or significant influence over the issuer; b) if he/she is, or has been in the preceding three financial years, a significant representative of the issuer, a strategically important subsidiary or a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise significant influence over the same, also jointly with others through a shareholders' agreement; c) if he/she has, or had in the preceding financial year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship: • with the issuer, one of its subsidiaries, or any person holding a prominent position therein; • with a party that, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant holders of a prominent position; or is, or has been in the preceding three financial years, an employee of the above-mentioned parties; d) if he/she receives, or has received in the preceding three financial years, from the issuer or a subsidiary or holding company of the issuer, significant additional remuneration (compared with the "fixed" remuneration of non-executive directors of the issuer and remuneration of attendance at the committees recommended by the Code), including in the form of participation in incentive plans linked to the company's performance, including stock option plans; e) if he/she has been a director of the issuer for more than nine of the last 12 years; f) if he/she is holds the office of executive director in another company in which an executive director of the issuer holds the office of director; g) if he/she is shareholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer; h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.	✓		pp. 61-62, Annex 3

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

Applied **Not applied** **Inapplic.** **Page reference**

3.C.2	For the purpose of the above, the chairman of the entity, the chairman of the board of directors, the executive directors and key management personnel of the relevant company or entity, are deemed to hold a "prominent position".	✓		pp. 61-62
3.C.3	The number and competences of independent directors shall be adequate in relation to the size of the board and the business of the issuer; moreover, they must be such as to enable the constitution of committees within the board, according to the indications set out in the Code. In the case of issuers on the FTSE MIB index, at least one-third of the board of directors' members shall be composed of independent directors. If this fraction is not an integer, it shall be rounded down. In any event, there shall be no fewer than two independent directors.	✓		p. 61
3.C.4	After the appointment of a director who classes himself/herself as independent, and subsequently, when circumstances arise that affect the independence requirement and in any case at least once a year, the board of directors shall evaluate, on the basis of the information provided by the director in question or available to the issuer, relations which could be or appear to be such as to jeopardise the independent judgement of this director. The board of directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, in the corporate governance report. In the documents mentioned above, the Board of Directors shall: - disclose whether criteria other than those recommended by the Code for assessing independence have been adopted, also with reference to individual directors, and if so, specifying the reasons; - describe the quantitative and/or qualitative criteria used, if any, in assessing the significance of the relationships being evaluated.	✓		p. 61
3.C.5	The board of statutory auditors shall ascertain, within the framework of the duties assigned to it by law, the correct application of the assessment criteria and procedures adopted by the board of directors for evaluating the independence of its members. The result of such controls shall be notified to the market in the corporate governance report or in the report of the board of statutory auditors to the shareholders' meeting.	✓		pp. 62, 74
3.C.6	The independent directors shall meet at least once a year without the presence of the other directors.	✓		p. 62
	Article 4 – Establishment and functioning of the internal committees of the board of directors			
4.P.1	The board of directors shall establish from among its members one or more committees, tasked with providing proposals and advice as indicated below.	✓		p. 65
4.C.1	The establishment and functioning of the committees governed by the Code shall meet the following criteria: a) the committees shall be composed of at least three members. However, for issuers whose boards of directors are made up of no more than eight members, committees may be composed of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman; b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the board of directors; c) the functions that the Code attributes to different committees may be distributed in a different manner or requested from a number of committees lower than that envisaged, provided that the rules for composition indicated from time to time by the Code are complied with and the underlying objectives are achieved; d) the meetings of each committee shall be evidenced by minutes and the chairman of the committee shall inform the board of directors of these minutes at the next convenient meeting; e) in the performance of their duties, the committees are entitled to access the information and corporate functions necessary to carry out their tasks,	✓		pp. 65-73

	<p>and to engage external consultants, according to the procedures established by the board of directors. The issuer shall make adequate financial resources available to the committees for the performance of their duties, within the limits of the budget approved by the board;</p> <p>f) persons who are not members of the committee, including other board members or persons within the issuer's structure, may participate in the meetings of each committee upon invitation of the said committee, with reference to individual items on the agenda;</p> <p>g) the issuer shall provide adequate information, in the corporate governance report, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided by each committee, the activity actually performed during the financial year, the number of meetings held, their average duration and the relevant percentage attendance of each member.</p>			
4.C.2	<p>The establishment of one or more committees may be avoided and the relevant duties may be assigned to the board of directors, under the coordination of the chairman and provided that: (i) independent directors represent at least half of the board members; if the number of the board members is odd, the number shall be rounded down; (ii) adequate time is dedicated during the board meetings to the actions that the Code requires the committees to carry out, and this circumstance is disclosed in the corporate governance report; (iii) with respect to the control and risk committee, the issuer is neither controlled by another listed company nor subject to direction and coordination.</p> <p>The board of directors shall describe in detail in the corporate governance report the reasons underlying the decision not to establish one or more committees; in particular, it shall provide adequate grounds for the decision not to establish the risk and control committee in consideration of the level of complexity of the issuer and the sector in which it operates. In addition, the board shall periodically reassess this decision.</p>			✓
	Article 5 – Appointment of directors			
5.P.1	<p>The board of directors shall establish from among its members a committee to nominate candidates for appointment to the position of director, composed of a majority of independent directors.</p>	✓		pp. 67-68
5.C.1	<p>The appointments committee is assigned the following tasks:</p> <p>a) to submit opinions to the board of directors regarding its size and composition and make recommendations on the professional skills necessary within the board and with regard to the topics indicated in articles 1.C.3. and 1.C.4;</p> <p>b) to submit to the board of directors candidates for the office of director in cases of co-option, should the replacement of independent directors be necessary.</p>	✓		Annex 6
5.C.2	<p>The board of directors shall assess whether to adopt a plan for the succession of executive directors. If such a plan is adopted, the issuer shall disclose this in the corporate governance report. An assessment of the preparation of the said plan shall be carried out by the appointments committee or by another committee established within the board of directors that is assigned this task.</p>	✓		pp. 64,, 67-68
	Article 6 – Remuneration of directors			
6.P.1	<p>The remuneration of directors and key management personnel shall be sufficient to attract, retain and motivate individuals with the professional skills necessary to successfully manage the issuer.</p>	✓		p. 64, Remuneration Report
6.P.2	<p>The remuneration of executive directors and key management personnel shall be defined in such a way as to align their interests with the pursuit of the priority objective of creating medium/long-term value for shareholders. With regard to directors with managerial powers or performing, including on a <i>de facto</i> basis, functions related to business management, and with regard to key management personnel, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined in line with the guidelines contained in the policy described in principle 6.P.4.</p> <p>The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.</p>	✓		Remuneration Report

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

Applied **Not applied** **Inapplic.** **Page reference**

6.P.3	The board of directors shall establish a remuneration committee from among its members, composed of independent directors. Alternatively, the committee may be composed of non-executive directors, the majority of which shall be independent; in this case, the chairman of the committee shall be selected from among the independent directors. At least one committee member shall have adequate knowledge of and experience in finance or remuneration policies, to be assessed by the board of directors at the time of his/her appointment.	✓		pp. 65-67
6.P.4	The board of directors shall, on the proposal of the remuneration committee, establish a policy for the remuneration of directors and key management personnel.	✓		pp. 64-67
6.P.5	If the office or the employment of an executive director or a general manager is terminated, the issuer shall disclose detailed information on the matter via a press release, on completion of the internal process leading to the assignment or recognition of indemnities and/or other benefits.	✓		Remuneration Report
6.C.1	The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues in line with the criteria detailed below: a) the fixed component and the variable component are properly balanced according to the issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of its particular business; b) upper limits are established for the variable components; c) the fixed component is sufficient to reward the director when the variable component is not disbursed due to failure to achieve the performance objectives specified by the board of directors; d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based remuneration plans) is linked – is predetermined, measurable and linked to the creation of value for the shareholders in the medium/long term; e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile; f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated; g) any indemnities established by the issuer in case of termination of directors shall not exceed a fixed amount or a fixed number of years of annual remuneration. Such severance payments shall not be paid if the termination is due to inadequate performance.	✓		Remuneration Report
6.C.2	In preparing plans for share-based remuneration, the board of directors shall ensure that: a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years; b) the vesting indicated in paragraph a) shall be subject to predetermined and measurable performance criteria; c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights indicated in paragraph a), until the end of their term of office.	✓		Remuneration Report
6.C.3	Criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of managers with strategic responsibilities. Any incentive plan for the person in charge of internal audit and for the person responsible for the preparation of the corporate financial documents shall be consistent with their role.	✓		Remuneration Report

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

		Applied	Not applied	Inapplic.	Page reference
6.C.4	The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based remuneration plans, unless it is so decided by the shareholders' meeting, which shall also give the relevant reasons.	✓			Remuneration Report
6.C.5	The remuneration committee shall: <ul style="list-style-type: none"> - periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the board of directors in that regard; - submit proposals or issue opinions to the board of directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the board of directors and verify, in particular, the actual achievement of performance objectives. 	✓			pp. 65-67, Remuneration Report
6.C.6	No director shall participate in meetings of the remuneration committee in which proposals are formulated to the board of directors relating to his/her remuneration.	✓			p. 66
6.C.7	When availing itself of the services of an external consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall verify in advance that the consultant concerned is not in a position which might compromise his or her independence.	✓			p. 66
6.C.8	According to principle 6.P.5., the press release should provide: <ol style="list-style-type: none"> a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately disbursed and the payment subject to deferral mechanisms and between the component received as director and those relating to an employment relationship, if any – and claw-back clauses, if any, with specific reference to: <ul style="list-style-type: none"> - severance benefits, specifying the circumstances of their accrual (for example, expiry, revocation or settlement agreement); - maintenance of rights related to any incentive plans (monetary or based on financial instruments); - benefits (both monetary and non-monetary) upon termination of office; - non-compete undertakings, describing their main contents; - any other payment assigned for any reason and in any form; b) information on the compliance or otherwise of the indemnity and/or other benefits with the remuneration policy and, in case of even partial non-compliance with the remuneration policy, information on the internal procedures applied according to Consob's regulations on related-party transactions; c) information on the application or otherwise of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to objectively inadequate results, as well as whether requests have been formulated for the restitution of remuneration already paid out; d) information as whether the replacement of the terminated executive director or general manager is governed by any succession plan adopted by the company and, in any case, information on procedures that have been or will be applied for the replacement of the director or manager. 	✓			Remuneration Report
	Article 7 – Internal control and risk management system				
7.P.1	Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organisational structures aimed at identifying, measuring, managing and monitoring key risks. The said system shall be integral to the organisational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.	✓			pp. 84-92

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

Applied **Not applied** **Inapplic.** **Page reference**

7.P.2	An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the board of directors, promoting an informed decision-making process. It helps to ensure the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of the information provided to the corporate bodies and to the market, and compliance with laws and regulations, including the articles of association and internal procedures.	✓		pp. 84-92
7.P.3	<p>The internal control and risk management system involves the following bodies, each within its respective area of competence:</p> <p>a) the board of directors, which guides and assesses the adequacy of the system, and identifies from among its own members:</p> <p>(i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "director in charge of the internal control and risk management system"), and</p> <p>(ii) a control and risk committee, with the characteristics described in Principle 7.P.4, and the role of supporting - with appropriate investigative activities - the assessments and decisions made by the board of directors concerning the internal control and risk management system, as well as those relating to the approval of financial reports;</p> <p>b) the person in charge of internal audit, entrusted with the task of verifying the functioning and adequacy of the internal control and risk management system;</p> <p>c) other roles and business functions with specific tasks relating to internal control and risk management, organised according to the company's size, complexity and risk profile;</p> <p>d) the board of statutory auditors, also acting as an internal control and audit committee, which is responsible for oversight of the internal control and risk management system.</p> <p>Each issuer shall provide for coordination methods between the above-mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce duplication of activities.</p>	✓		pp. 84-92
7.P.4	The control and risk committee shall be composed of independent directors. Alternatively, the committee may be composed of non-executive directors, the majority of which shall be independent; in this case, the chairman of the committee shall be selected from among the independent directors. If the issuer is controlled by another listed company or is subject to the management and control of another company, the committee shall be composed exclusively of independent directors. At least one member of the committee is required to have adequate experience in the area of accounting and finance or risk management, to be assessed by the board of directors at the time of appointment.	✓		pp. 69-71
7.C.1	<p>The board of directors, following consultation with the control and risk committee, shall:</p> <p>a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;</p> <p>b) evaluate, at least once a year, the adequacy of the internal control and risk management system, taking into account the characteristics of the company and its risk profile, as well as its effectiveness;</p> <p>c) approve, at least once a year, the working plan drafted by the head of internal audit, following consultation with the board of statutory auditors and the director in charge of the internal control and risk management system;</p> <p>d) describe, in the corporate governance report, the main features of the internal control and risk management system and the methods of coordination established by the entities involved in it, providing an assessment of its adequacy;</p> <p>e) following consultation with the board of statutory auditors, assess the findings reported by the external auditor in any letter containing recommendations and in the report on the main issues resulting from the audit.</p>	✓		pp. 56, 85

	<p>The board of directors shall, on the proposal of the director in charge of the internal control and risk management system, subject to the approval of the control and risk committee, and following consultation with the board of statutory auditors:</p> <ul style="list-style-type: none"> • appoint and revoke the head of the internal audit function; • ensure that this person is provided with adequate resources to fulfil his/her duties; • define the relevant remuneration in line with company policies. 			pp. 56, 87-88
7.C.2	<p>The control and risk committee, when assisting the board of directors, shall:</p> <ol style="list-style-type: none"> a) assess, together with the Financial Reporting Officer, following consultation with the external auditors and the board of statutory auditors, the correct application of the accounting principles and in the case of groups their consistency for the purpose of the preparation of the consolidated financial statements; b) give opinions on specific aspects relating to the identification of the main risks for the company; c) review the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the internal audit function that are particularly significant; d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function; e) request the internal audit function to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of statutory auditors; f) reports to the board, at least every six months, upon approval of the annual and half-year financial report, on the activity it carries out and the adequacy of the internal control and risk management system; g) supports, with appropriate investigations, the assessments and decisions of the board of directors relating to the management of risks arising due to prejudicial acts of which the board has become aware. 	✓		pp. 56, 69-71, 86, Annex 6
7.C.3	<p>The chairman of the board of statutory auditors or another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.</p>	✓		p. 69
7.C.4	<p>The director in charge of the internal control and risk management system shall:</p> <ol style="list-style-type: none"> a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the board of directors; b) implement the guidelines defined by the board of directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness; c) adjust this system to the dynamics of the operating conditions and the legislative and regulatory framework; d) may request that the internal audit function carry out audits of specific operational areas and of the compliance with internal rules and procedures for business operations, simultaneously notifying the chairman of the board of directors, the chairman of the control and risk committee and the chairman of the board of statutory auditors; e) promptly report to the control and risk committee (or to the board of directors) issues and problems resulting from his/her activity or of which he/she has become aware in order for the committee (or the board) to take the appropriate actions. 	✓		p. 69
7.C.5	<p>The head of internal audit:</p> <ol style="list-style-type: none"> a) shall verify, both on a continuous basis and in relation to special requirements, in accordance with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit schedule to be approved by the board of directors. The said plan shall be based on a structured analysis and ranking of the main risks; b) is not responsible for any operational area and reports directly to the board of directors; c) shall have direct access to all useful information for the performance of its duties; 	✓		pp. 87-89

	<p>d) shall draft periodic reports containing adequate information on his or her own activity, and on the company's risk management process, as well as on the compliance with the management plans defined for risk mitigation. These periodic reports shall include an assessment of the ability of the internal control system to achieve an acceptable risk management profile;</p> <p>e) shall promptly produce reports on particularly significant events;</p> <p>f) shall submit the reports indicated in letters d) and e) above to the chairman of the board of statutory auditors, the control and risk committee and the board of directors, as well as to the director in charge of the internal control and risk management system;</p> <p>g) verify, according to the audit schedule, the reliability of information systems, including the accounting systems.</p>		
7.C.6	<p>The internal audit function may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that this person meets the requirements of professionalism, independence and organisation. The adoption of such organisational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Corporate Governance Report.</p>		✓
	Article 8 – Statutory auditors		
8.P.1	<p>The statutory auditors shall act with autonomy and independence, including with regard to the shareholders that elected them.</p>	✓	pp. 74-77
8.P.2	<p>Issuers shall apply gender and diversity criteria with regard to the composition of the board of statutory auditors.</p>	✓	pp. 58-60
8.P.3	<p>The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the board of statutory auditors.</p>	✓	pp. 74-77, Annex 7
8.C.1	<p>The statutory auditors shall be selected from persons who may be classed as independent, including on the basis of the criteria provided by this Code with reference to directors. The board shall verify compliance with the above criteria after appointment and once a year thereafter, sending the results of its verifications to the board of directors, which shall present them, after appointment, by means of a press release to the market, and, subsequently, in the corporate governance report, using methods that conform to those provided for directors.</p>	✓	p. 74, Annex 7
8.C.2	<p>The statutory auditors shall accept their appointment if they believe that they can devote the necessary time to the diligent performance of their duties.</p>	✓	Table 2
8.C.3	<p>At least one-third of the standing and alternate members of the board of statutory auditors shall belong to the less-represented gender.</p>	✓	p. 59
8.C.4	<p>The remuneration of statutory auditors shall also be commensurate with the duties required of them, the importance of the role held, and the dimensional and sectoral characteristics of the business.</p>	✓	Remuneration Report
8.C.5	<p>A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall, in a timely and comprehensive manner, inform the other statutory auditors and the chairman of the Board of the nature, terms, origin and extent of this interest.</p>	✓	p. 77
8.C.6	<p>In the framework of their activities, the statutory auditors may request the internal audit function to make assessments on specific operating areas or transactions of the company.</p>	✓	pp. 86-87
8.C.7	<p>The board of statutory auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.</p>	✓	p. 86

CORPORATE GOVERNANCE CODE JULY 2018
Principles and Criteria (Borsa Italiana)

		Applied	Not applied	Inapplic.	Page reference
	Article 9 – Shareholder relations				
9.P.1	The board of directors shall establish initiatives designed to promote the maximum possible participation by shareholders in the shareholders' meetings and facilitating the exercise of shareholders' rights.	✓			Annex 3
9.P.2	The board of directors shall endeavour to establish an ongoing dialogue with shareholders based on the understanding of their reciprocal roles.	✓			pp. 78-79
9.C.1	The board of directors shall ensure that a person is appointed as head of relationships with shareholders and shall periodically assess whether it would be advisable to establish a corporate office to perform this function.	✓			pp. 78-79
9.C.2	All directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing price-sensitive information. In particular, the board of directors shall report to the shareholders' meeting on the activity performed and planned and make every effort to ensure that the shareholders receive adequate information on the necessary elements so that they can adopt in an informed manner the resolutions that fall within the remit of the shareholders' meeting.	✓			p. 43
9.C.3	The board of directors shall submit for the approval of the shareholders' meeting regulations establishing the procedures to be followed to enable orderly and effective management of shareholders' meetings, while at the same time guaranteeing the right of each shareholder to express his/her opinion on the matters under discussion.	✓			p. 42
9.C.4	In the event of significant changes in the market capitalisation of the company's shares or in the composition of its shareholders, the board of directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the articles of association with respect to the majorities required to exercise the actions and rights provided for the protection of minority interests.			✓	

ANNEX 2

Shareholders' Meeting: role and functioning

1. Role and functions of the Shareholders' Meeting

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

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

Pursuant to law, the Extraordinary Shareholders' Meeting adopts resolutions on:

- amendments to the Articles of Association;
- extraordinary transactions other than matters that, pursuant to the Articles of Association, are reserved to the Board of Directors.

Article 12 of the Articles of Association provides that the Board of Directors is competent to adopt resolutions on specific matters.

2. Convocation, validity and right to speak at Shareholders' Meetings

The Shareholders' Meeting is convened through a notice published on the Company's website at least 30 days prior to the Meeting date (or by another deadline specified by law for specific matters). In the case of a Shareholders' Meeting convened to elect members of the administration and control bodies using a list voting mechanism, the deadline for publishing the notice of meeting is 40 days prior to the date of the Shareholders' Meeting. The notice of meeting sets out the applicable regulations and describes the procedure for speaking at a Shareholders' Meeting. The Shareholders' Meeting may be attended by shareholders for whom a notification certifying their entitlement has been provided to the Company by an authorised intermediary pursuant to applicable legislation, at the end of the business day on the seventh market day prior to the date set for the Shareholders' Meeting in a single call (the "record date"). The notification must reach Snam by the end of the third trading day prior to the date set for the Meeting convened in a single call.

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

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

Shareholders may ask questions on agenda items both prior to and during the Meeting. The notice of meeting shall indicate the deadline within which any questions submitted prior to the Meeting must reach the Company¹¹⁸. Questions arriving before the Shareholders' Meeting shall be answered during the Meeting. A policy statement is given in observance of the provisions governing price-sensitive information.

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

¹¹⁸ Pursuant to Article 127-ter of TUF, the deadline cannot be earlier than five days prior to the date of the first or single call of the Shareholders' Meeting, or seven days prior if the notice of meeting requires the Company to provide a response to the questions received before the Meeting. In this case, the answers shall be provided at least two days before the Shareholders' Meeting, including through publication in a dedicated section of the Company website. No response is required, either before or during the Meeting, to questions deposited in advance if the information requested is already available in question-and-answer format in the section of the Company website indicated in Article 127-ter, paragraph 1-bis of TUF, or if the answer has already been published pursuant to said paragraph.

ANNEX 3

Board of directors: Appointment, term of office and functioning

1. Appointment of the Board of Directors

(i) Overview

Article 13 of the Articles of Association provides for a list voting mechanism for the appointment of the Board of Directors, which is structured in such a way as to permit the presence on the Board of Directors of directors appointed by minority shareholders, and the allocation of directors to be elected on the basis of a criterion that ensures gender balance in the Board of Directors; in particular, in accordance with the provisions of Law No. 120 of 2011 (then effective), Article 13 of the Articles of Association – as amended on 23 October 2019 – provides that at least one-third of the members of the Board of Directors of the Company shall belong to the less-represented gender¹¹⁹.

Furthermore, the Articles of Association state, with greater stringency than is required by Article 147-ter, paragraph 4 of TUF, that at least one director, if the Board of Directors is composed of no more than seven members, or at least three directors, if the Board is composed of more than seven members, must meet the independence criteria set out in the TUF¹²⁰. The list voting mechanism applies only for the replacement of the entire Board of Directors. The Shareholders' Meeting may change the number of members on the Board of Directors, including during its term of office, provided that it remains within the limit of a minimum of five and a maximum of nine, as set out in the Articles of Association, making the relevant appointments. The term of office of directors thus elected shall expire with those in office.

Candidates meeting the independence requirements must be specifically indicated on the lists. All candidates must also meet the integrity requirements established by applicable legislation.

Lists may be submitted by shareholders that, either alone or together with other shareholders, represent the minimum percentage calculated pursuant to the regulations in force (equivalent to 1% of the share capital, as provided for by Consob Resolution No. 13 of 24 January 2019). Each shareholder may submit or contribute to the submission of only one list and may vote for one list only.

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

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

2. List voting mechanism

The following is a description of the procedures for appointing members of the Board of Directors through the list voting mechanism pursuant to Article 13 of the Articles of Association:

- a) seven-tenths of the directors to be elected are taken from the list receiving the majority of the shareholders' votes (the "Majority List") in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal;
- b) the remaining directors shall be taken from other lists (the "Minority Lists") that may not be associated in any way, including indirectly, with shareholders that submitted or voted for the list that obtained the highest number of votes; therefore, the votes obtained by said lists are divided successively by one, two or three, depending on the progressive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown therein. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients are elected. If several candidates obtain the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected;

¹¹⁹ Paragraph 1-ter, Article 147-ter, of TUF, which governs the allocation of directors in such a way as to ensure gender balance, was first replaced by Article 58-sexies, paragraph 1 of Legislative Decree No. 124 of 26 October 2019, converted with amendments by Law No. 157 of 19 December 2019 and then by Article 1, paragraph 302 of Law No. 160 of 27 December 2019: as a result of this amendment, at least two-fifths of the elected directors must be of the less-represented gender. In any event, this criterion for a proportion of at least two-fifths will apply from the first renewal of the members of Snam's Board of Directors and Board of Statutory Auditors following the date of entry into force of Law No. 160 of 27 December 2019, i.e. on the date of the Company's Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2021.

¹²⁰ Or, pursuant to Article 147-ter, paragraph 4 of TUF, the independence criteria required for statutory auditors pursuant to Article 148, paragraph 3 of the TUF.

- b-bis) if the Majority List does not contain enough candidates to ensure that the number of directors to be elected pursuant to letter a) above can be obtained from the list, all the candidates listed will be taken from this list, according to the sequential order of the list; having then taken the other directors from the Minority Lists, pursuant to letter b) above, for the number of positions, amounting to three-tenths of the total, provided for this list, the remaining directors, for positions not covered by the Majority List, shall be taken from the list obtaining the highest number of votes among the Minority Lists (the "First Minority List") up to the capacity of this list. If there is insufficient capacity, the remaining directors will be taken, using the same procedures, from the next list (the "Second Minority List") or from any of the subsequent lists, according to the number of votes and the capacity of the lists. Lastly, if the total number of candidates included in the lists submitted, both in the Majority List and in the Minority Lists, is less than the number of directors to be elected, the remaining directors shall be elected by the shareholders' meeting by means of a resolution adopted pursuant to letter d) below;
- c) if, after applying the procedure described above, the minimum number of independent directors required by the Articles of Association is not elected, the quotient of votes to be attributed to each candidate taken from the lists is calculated by dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by persons who meet the independence criteria and appointed in accordance with the procedure described under e). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, if the numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who obtains the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;
- d) if the procedure described under letters a) b) and b)-bis above does not allow for compliance with the provisions in the Articles of Association on gender balance, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the more-represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the less-represented gender (with the next highest order number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure described under e). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who obtains the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;
- e) for the appointment of directors not appointed for any reason by the above procedures, the Shareholders' Meeting shall resolve by statutory majority to ensure that the composition of the Board of Directors is consistent both with the law and with the Articles of Association.

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

3. Term of office, termination and forfeiture

Pursuant to Article 13.2 of the Articles of Association, directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term of office. They may be re-elected. Pursuant to Article 13.8 of the Articles of Association, if, during the financial year, the office of one or more directors is vacated, the provisions of law shall apply¹²¹. If the majority of the directors should vacate their offices, the entire Board shall be deemed to have resigned, and a Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.

Pursuant to Article 13.4 of the Articles of Association, the Board shall evaluate, on an annual basis, the independence and integrity of the directors, as well as the lack of grounds for ineligibility and incompatibility¹²². If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for him/her to be replaced, or will ask that he/she either removes the grounds for incompatibility within an established period of time or forfeit the post.

4. Meetings of the Board of Directors

Pursuant to the Articles of Association and the Regulations, the Board of Directors is convened by the Chairman or, if he/she is absent or unable to do so, by the CEO, or, finally, if he/she is absent or unable to do so, by the eldest Board member.

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

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

The Board of Directors meets regularly, at least once every quarter, in accordance with the legally established deadlines.

¹²¹ Pursuant to Article 2386 of the Italian Civil Code, if, during the financial year, one or more directors cease to hold office, the other directors will replace the director(s) in question by means of a resolution to be approved by the Board of Statutory Auditors, provided that the majority of the directors have been appointed by the Shareholders' Meeting.

¹²² The grounds for incompatibility include the provisions of Article 2, paragraph 2, letter c) of the DPCM 2012, as amended by the Prime Ministerial Decree of 15 November 2019, which provides that members of administrative or control bodies, as well as those with managerial functions at Cassa Depositi e Prestiti S.p.A., who have a direct or indirect professional or financial relationship with companies operating in the natural gas transportation or electricity transmission sector, at Snam, Terna S.p.A. and their subsidiaries operating in the natural gas transportation or electricity transmission sector, may not hold office at Eni S.p.A. or its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

ANNEX 4

Guidelines of Snam's Board of Directors for shareholders on the future size and composition of the Board of Directors

Purpose and process followed

Pursuant to the recommendations of the Corporate Governance Code, in view of the scheduled renewal of the corporate bodies at the Shareholders' Meeting of 2 April 2019, the Board of Directors of Snam, following consultation with the Appointments Committee, has produced some considerations on the future size and composition of the Board of Directors, to be submitted to Shareholders.

These considerations were produced as part of the annual self-assessment process of the Board and its Committees, through:

- an initial meeting of the Appointments Committee to define the working methods and the collection of useful data and information;
- the support of Spencer Stuart, the advisor assisting with the annual self-assessment, which has carried out a benchmarking exercise on the composition and size of the boards of directors of the main companies listed on the Italian stock exchange and the information provided to the market by outgoing boards of directors;
- a collegial meeting of Snam directors dedicated to the annual self-assessment, with the assistance of the said advisor, during which the size and composition of the Board of Directors were also analysed and discussed in view of the end of the current Board's term of office;
- the proposed Guidelines, prepared by the Appointments Committee;
- the approval of the Guidelines by the current Board of Directors at its meeting of 1 February 2019.
- dissemination of this document to the market, within the legal deadlines, to allow shareholders to conduct their own reflections in view of the appointment of Snam's new Board of Directors for the three-year period 2019-2021.

For the sake of completeness and for the benefit of the shareholders, the guidelines of the Board of Directors on the maximum number of offices held by directors, approved by the Board of Directors at its meeting of 18 February 2019, are also set out in this document.

Preliminary considerations

Firstly, the Board of Directors suggests ensuring, in line with corporate governance constraints and rules, adequate continuity in the composition of the administrative body, in order to enhance the wealth of knowledge of Snam acquired by the directors, which is necessary to pursue and support the current phase of development of a well-structured and complex group.

The composition of the Board of Directors should also be appropriate in terms of gender, age, length of time in office, complementarity of professional and managerial experience, appropriate knowledge, including of language and culture of an international or foreign nature, and the characteristics and importance of positions previously held, including in institutional settings.

Size of the Board of Directors

The Board of Directors considers the current number of nine directors, the maximum permitted by the Articles of Association in force, to be adequate. There should be an appropriate ratio of executive directors and non-executive directors not meeting the independence requirements, to independent directors, given the complex and specific nature of the governance activities and functions (including the Board Committees) of the Company and the Group of which it is the parent.

Composition of the Board of Directors

The Chairman

- should be a person with experience, authority and professional preparation adequate for the role and complementing the qualities of the CEO;
- should have high-level experience in – preferably as the head of – boards of directors of listed companies of comparable complexity, size and international scope to Snam, and/or high-level experience at the technical/institutional level;
- should have personal qualities that ensure a strong team spirit and cohesion among the members of the Board of Directors and should devote time, presence and commitment to fully performing the role assigned to him or her;
- should ensure, during his/her term of office, the proper and transparent management of the functioning of the Board of Directors and should represent a "safe pair of hands" for all Shareholders.

The Chief Executive Officer

- should be someone with leadership skills and recognised strategic vision and ability;
- should have in-depth expertise in the economic, financial and operational control of large infrastructure assets;
- should have experience, in the international arena, of the energy business, the energy transition, climate change and technological innovation;
- should have significant and successful managerial experience in executive roles at large listed companies of a comparable structure and complexity to Snam;
- should have a solid background in the energy business, particularly in terms of relationships, opportunities and risks of a governmental-institutional nature that are international in scope.

The other seven directors

- should all be non-executive directors, with at least five being independent – also in relation to the composition of the Committees – based on the criteria set out by law and by the recommendations of the Corporate Governance Code;
- should be able to demonstrate, in the light of their experience, including experience gained on boards of directors of listed companies with significant capitalisation, the ability to provide strategic guidance and to stimulate results, team work and the capacity to influence and resolve any disputes;
- should have adequate seniority, understood as having proven experience in complex organisational environments in business and/or professional and/or institutional areas;
- on the basis of all of the above, should represent the following areas of expertise and experience:
 - senior management experience in multinationals, including those undergoing strategic and corporate development;
 - proven experience in entities in technical and institutional foreign contexts at the highest level, in the countries where Snam operates;
 - proven experience in leading institutions and/or businesses in the energy sector at the international level;
 - proven expertise in the economic/financial, budgetary and risk management fields;
 - proven legal knowledge of corporate governance and Environmental, Social and Governance (ESG) topics.

Finally, with regard to the composition of the Board of Directors, see the provisions of the Articles of Association (Article 13) concerning compliance with the rules on gender balance pursuant to Law No. 120 of 12 July 2011¹²³.

Availability

All candidates for the role of executive or non-executive director, when accepting their candidacy, must have carefully considered and assured the shareholders nominating them that they will be available for the time required for the diligent performance of their duties.

For information purposes only, seven meetings of the Board of Directors, 11 meetings of the Control and Risk and Related-Party Transactions Committee, ten meetings of the Remuneration and Sustainability Committee and six meetings of the Appointments Committee were held in 2018.

Guidelines of the Board of Directors on the maximum number of offices that can be held by directors

At its meeting of 18 February 2019, the Board of Directors, on the recommendation of the Appointments Committee, approved guidelines on the maximum number of offices that can be held by directors.

Executive and non-executive directors:

- (i) an executive director should not hold:
 - a. an executive director position at another Italian or foreign listed company, or at a financial, banking or insurance company, or a company with net assets or consolidated annual turnover of more than €500 million or an equivalent amount if the company uses a different currency;
 - b. the office of non-executive director or statutory auditor (or member of another control body) at more than three of the companies listed under (i), letter a) above. Furthermore, in the case of the CEO, they may not accept the office of director of another issuer not belonging to the same group, whose CEO is another director of the Company;
- (ii) non-executive directors (including independent directors) must not, in addition to the position held at the Company, hold:
 - a. an executive director office at more than one Italian or foreign listed companies, financial, banking or insurance companies, or companies with net assets or consolidated annual turnover of more than €500 million or an equivalent amount if the company uses a different currency, or the office of non-executive director or statutory auditor (or member of another control body) at more than three of the above companies; or
 - b. the office of non-executive director or statutory auditor (or member of another control body) at more than four of the companies listed under (ii), letter a) above.

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

The Board of Directors, in the assessments of each subjective position, to be carried out in the interest of the Company, may take into account the specific circumstances and professional commitments (not limited to the holding of office) of the individual directors, both to allow for any exemptions from the limits of offices, and to provide for any reduction of the maximum number of offices that can be held. If appropriate, the Board of Directors will invite the director to take the consequent decisions.

¹²³ Paragraph 1-*ter*, Article 147-*ter*, of TUF, which governs the allocation of directors in such a way as to ensure gender balance, was first replaced by Article 58-sexies, paragraph 1 of Legislative Decree No. 124 of 26 October 2019, converted with amendments by Law No. 157 of 19 December 2019 and then by Article 1, paragraph 302 of Law No. 160 of 27 December 2019: as a result of this amendment, at least two-fifths of the elected directors must be of the less-represented gender. In any event, this criterion for a proportion of at least two-fifths will apply from the first renewal of the members of Snam's Board of Directors and Board of Statutory Auditors following the date of entry into force of Law No. 160 of 27 December 2019, i.e. on the date of the Company's Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2021.

ANNEX 5

Chairman of the Board of Directors: role

The powers of the Chairman of the Board of Directors are as follows:

- pursuant to Article 2381, paragraph 1, of the Italian Civil Code, the Chairman of the Board of Directors convenes meetings of the Board of Directors, sets the agenda, coordinates its work and ensures that directors are provided with adequate information on agenda items;
- pursuant to Article 19 of the Articles of Association, the Chairman has powers to represent the Company in respect of any legal or administrative authority and in respect of third parties, and also has powers of signature;
- pursuant to Article 14.1 of the Articles of Association, the Chairman of the Board of Directors: (i) chairs the Shareholders' Meeting, fulfilling the duties assigned by law and by the meeting regulations; (ii) convenes and chairs, sets the agenda for and coordinates the work of meetings of the Board of Directors; and (iii) ensures that the directors are provided with adequate information on the items on the agenda;
- pursuant to Article 16.1, paragraph 2 of the Articles of Association, the Board of Directors, on the recommendation of its Chairman, with the CEO's agreement, may also delegate responsibility for individual acts or categories of acts to other members of the Board of Directors. The Chairman and the CEO, within the limits of the powers attributed to them, may delegate responsibilities and powers of representation of the Company for individual acts or categories of acts to employees of the Company and also to third parties;
- pursuant to Article 16.2 of the Articles of Association, the Board of Directors, on the CEO's recommendation with the Chairman's agreement, may appoint one or more General Managers, defining their powers, having first ascertained that they meet the legally prescribed requirements for integrity;
- pursuant to Article 16.4, paragraph 1 of the Articles of Association, the Board of Directors, on the CEO's recommendation with the Chairman's agreement, and with the prior approval of the Board of Statutory Auditors, may appoint the Financial Reporting Officer;
- the Board of Directors, on the recommendation of the CEO, with the agreement of the Chairman of the Board of Directors, having received the approval of the Control and Risk Committee and following consultation with the Board of Statutory Auditors, appoints and dismisses the Head of Internal Audit and, following prior verification with the Remuneration Committee, sets their remuneration in line with the Company's remuneration policy; ensures that they are given the appropriate resources to fulfil their responsibilities;
- pursuant to the Appointments Committee Regulations, on the recommendation of the CEO and approval from the Chairman of the Board of Directors, it submits to the Board candidates for the corporate bodies of the Subsidiaries included in the scope of consolidation and of strategic foreign investee companies;
- pursuant to Article 3.1.2. of the Company's 231 Model, the composition of, and changes and additions to, the Supervisory Body have been approved by resolution of the Board of Directors, after consultation with the Control and Risk Committee and the Board of Statutory Auditors, on the CEO's recommendation with the agreement of the Chairman of the Board of Directors;
- promotes the activities of the Committees and coordinates and avails himself of: (i) the secretary of the Board of Directors, for Board inductions and Board evaluations and all activities relating to the Shareholders' Meeting, the Board of Directors, the Committees and – insofar as necessary – the control body; and (ii) the Head of Internal Audit, for activities within the purview of the Internal Audit function, which reports to the Board of Directors;
- The Chairman of the Board of Directors also performs the further duties indicated in the Corporate Governance Code approved by the Corporate Governance Committee relating to the role of the Chairman of the Board of Directors;
- in representing the Company, including by means of the relevant communications, the Chairman of the Board of Directors is assisted by the EVP Government Affairs, Corporate Social Responsibility and Communications.

ANNEX 6

Board Committees: powers

Remuneration Committee

The Remuneration Committee:

- a) submits the Remuneration Report and, in particular, the remuneration policy for directors and key management personnel, to the Board of Directors, for its approval and presentation to the Shareholders' Meeting called to approve the annual financial statements, within the legal deadlines;
- b) reviews the vote on the Remuneration Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;
- c) formulates proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of remuneration and financial terms;
- d) makes proposals concerning the remuneration of members of the Board Committees;
- e) examines information reported by the Chief Executive Officer and proposes – with the aim of promoting sustainable value creation in the middle-long term: (i) general criteria for the remuneration of key management personnel, (ii) annual and long-term incentive plans, including share-based plans, and (iii) general guidelines for the remuneration of other managers of Snam and its Subsidiaries;
- f) proposes the definition of performance targets, that include indicators relating to ESG factors identified in agreement with the ESG Committee, the aggregation of company results, the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable remuneration of directors with powers;
- g) proposes the definition, in relation to directors with powers, of: (i) the indemnification to be paid in the event of termination of their employment, and (ii) non-competition clauses;
- h) monitors the application of decisions made by the Board;
- i) periodically evaluates the adequacy, overall consistency and practical application of the policy adopted, as described under i) above, preparing proposals on this subject to the Board;
- j) performs any duties that may be required by the procedure on related-party transactions implemented by the Company;
- k) reports to the Board of Directors on its activities at least every six months and not after the deadline for approval of the financial statements and the half-year report, at the Board meeting indicated by the Chairman of the Board of Directors; in addition, after each of its own meetings, the Committee updates the Board of Directors at the next convenient meeting on the matters addressed and the observations, recommendations and opinions formulated.

Appointments Committee

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

- a) proposes to the Board of Directors candidates for the position of director, should the office of one or more directors be vacated during the year (Article 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the less-represented gender;
 - b) on the proposal of the CEO, with the agreement of the Chairman of the Board of Directors, submits to the Board of Directors the candidates for the administrative bodies of the Subsidiaries included in the scope of consolidation and of strategic investee companies. Proposals made by the Committee are compulsory;
 - b-bis) In order to support the process of identifying candidacies:
 1. in January and July of each calendar year a plan is submitted to the Committee detailing the appointments that will be submitted to it for review during the half year;
 2. during the year, before the call notice of each Committee meeting to examine the proposed candidacies is submitted to the Chairman's signature, the names and curricula vitae of the candidates are submitted to the attention of the Chairman, who examines these proposals and may, where deemed necessary, request meetings and interviews with the candidates.
- The candidacies brought to the attention of the Committee must comply with the requirements laid down in Annex B "Designation of members of the administrative and control bodies of the subsidiaries and investee companies" of the "Corporate Governance" Guidelines adopted by the Board of Directors on 11 December 2018: (i) the mix of skills required for the office to be held; (ii) the managerial experience gained and the company role, also in relation to the context in which the company whose members are being appointed operates; (iii) the commitment required to fulfil duties, in relation to positions previously held; (iv) the advisability of rotation in the positions; and (v) representation of the less represented gender;
- b-ter) periodically and at least once a year, the Committee analyses the identification of the strategic investee companies and, where deemed appropriate, makes proposals to the Board of Directors;
 - c) examines the candidacies for the appointment of the Senior Vice President of Internal Audit, giving the Board of Directors its opinion; the review of the candidacies is carried out, where deemed appropriate, through meetings with the candidates held by the Chairman of the Appointments Committee together with the Chairman of the Control, Risk and Related Party Transactions Committee. The Chairman of the Board of Statutory Auditors is invited to these meetings;
 - d) prepares and proposes: (i) procedures for the annual evaluation of the Board of Directors and its Committees, (ii) directives concerning limitations and restrictions for the accumulation of positions by directors of Snam and its Subsidiaries, and (iii) criteria for assessing both the requirements of professionalism and independence of the Directors of Snam and its Subsidiaries and the competing activities performed;
 - e) submits opinions to the Board of Directors on the size and composition of the Board and makes recommendations on the managerial and professional profiles deemed appropriate for appointment to the Board;
 - f) examines and assesses the methods used to prepare succession plans for the Company's key management personnel;
 - g) reports to the Board of Directors on the activities carried out, at least every half-year and not beyond the deadline for approval of the annual and half-year reports; in addition, after each of its own meetings, the Committee updates the Board of Directors at the next convenient meeting on the matters addressed and the observations, recommendations and opinions formulated.

The Control and Risk and Related-Party Transactions Committee

The Control and Risk and Related-Party Transactions Committee performs the following functions:

- a) evaluates, together with the Financial Reporting Officer and following consultation with the External Auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- b) issues opinions on specific aspects relating to the identification of the main risks faced by the Company; it performs the additional duties assigned to it by the Board of Directors in relation to transactions in which directors or statutory auditors have an interest and related-party transactions, in accordance with the terms and methods set out in the Guidelines annexed to the Committee Regulations;
- c) examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Senior Vice President Internal Audit;
- d) monitors the independence, suitability, effectiveness and efficiency of the Internal Audit function;
- e) may request that the Senior Vice President Internal Audit conduct inspections of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Director in charge of the internal control and risk management system;
- f) reports to the Board of Directors, at least every six months, upon approval of the annual and half-year financial report, on its activities and the adequacy of the internal control and risk management system. In any case, after each of its meetings, the Committee updates the Board of Directors at the next convenient meeting on the matters addressed and the observations, recommendations and opinions formulated;
- g) expresses its opinion on proposals made by the Director in charge of the internal control and risk management system, in agreement with the Chairman, to the Board of Directors: (i) relating to the appointment, dismissal and remuneration of the Senior Vice President Internal Audit, in line with the Company's remuneration policies, (ii) intended to ensure that this person has adequate resources to fulfil his/her duties, and (iii) supporting, with appropriate investigations, the assessments and decisions of the Board of Directors relating to the management of risks arising due to prejudicial acts of which the Board has become aware or that the Committee itself has reported to the Board.

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

- a) define the guidelines for the internal control and risk management system, including the medium- and long-term risks, so that the main risks – including, in coordination with the Environmental, Social & Governance Committee, those risks that may be relevant in terms of sustainability, including for the purposes of preparing non-financial information – concerning the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored, and determine the degree of compatibility of such risks with management that is consistent with the strategic objectives identified;
- b) periodically evaluate, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Company and the risk profile it has adopted;
- c) periodically approve, at least once a year, the Audit Schedule prepared by the Senior Vice President Internal Audit;
- d) describe, in the Report on Corporate Governance and Ownership Structure, the main features of the internal control and risk management system, as well as evaluate the adequacy of the system;
- e) evaluate the conclusions presented by the External Auditors in any management letters and in the report on key matters arising from the external audit.

Environmental, Social & Governance Committee

The Environmental, Social & Governance Committee provides the following consultative and advisory functions to the Board of Directors:

- a) examines: (i) the Company's policies on human rights, business ethics and integrity, diversity and inclusion; (ii) integration policies in the business model of environmental, social and governance issues, including through the analysis of the relevant KPIs; (iii) the initiatives undertaken by the Company to address climate change issues and the relevant reporting; (iv) the sustainability guidelines, objectives and consequent processes and the sustainability reports submitted annually to the Board of Directors; and (v) the correct use of the standards adopted for the purposes of preparing non-financial reporting and the document to be submitted for the approval of the Board of Directors, including and in coordination with the Control and Risk and Related-Party Transactions Committee, the report on risks that may be important in terms of sustainability in the medium to long term;
- b) monitors the alignment of Snam's corporate governance system with national and international best practices, formulating proposals for the Board of Directors;
- c) monitors: (i) the Company's positioning in financial markets with regard to sustainability, with particular reference to the Company's positioning in ethical sustainability indices; (ii) international ESG initiatives and the Company's participation in these, aimed at strengthening its international reputation;
- d) draws up and proposes to the Board diversity policies within the meaning of letter (d-bis) of Article 123-bis of TUF;
- e) reviews the Company's profit and non-profit strategy and its gas advocacy initiatives;
- f) provides instructions on board review activities, making the relevant proposals to the Board of Directors;
- g) expresses, at the Board of Directors' request, opinions on other matters relating to sustainability;
- h) reports to the Board of Directors on activities carried out, at least every half-year and not beyond the deadline for approval of the financial statements and the half-year report, at the Board meeting indicated by the Chairman of the Board of Directors; in addition, after each of its own meetings, the Committee updates the Board of Directors at the next convenient meeting on the matters addressed and the observations, recommendations and opinions formulated.

ANNEX 7

Board of Statutory Auditors: appointment and functions

1. Appointment of the Board of Statutory Auditors

Overview

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

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

Statutory auditors may not hold more than the maximum number of positions permitted by the applicable legislation. In any event, pursuant to Article 2, paragraph 2, letter c) of the DPCM 2012, as amended by the Prime Ministerial Decree of 15 November 2019, the statutory auditors may not be members of the administrative or control bodies, or hold senior management positions, at Eni S.p.A. and its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

As per the provisions laid down for the Board of Directors and in accordance with the applicable provisions, the Articles of Association provide that the statutory auditors must be appointed by list voting, unless they are replaced during their term of office. Furthermore, in accordance with the provisions of Law No. 120 of 2011 (applicable at the time), Article 20 of the Articles of Association – as amended on 23 October 2019 – provides that one standing auditor and one alternate auditor shall belong to the less-represented gender¹²⁴.

In the lists submitted by shareholders, the candidates must be listed by consecutive number and their number must not be greater than the number of members of the body to be elected. The rules for filing, submitting and publishing the lists are the same as for the election of directors (see Section III, Paragraph 2.1). Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms laid down in the applicable legislative and regulatory provisions.

Only shareholders that, alone or together with other shareholders, represent at least 0.5% of the share capital (the percentage set by Consob determination No. 28 of 30 January 2020) are entitled to submit lists. Each candidate may appear on only one list; otherwise their candidacy is declared void.

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

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

Lists for appointing statutory auditors, together with information on the candidates and information on the identity of the shareholders submitting said lists and the percentage equity interest owned, must be made available to the public at the Company's registered office and at Borsa Italiana and posted on the Company's website in a timely manner, or within the time periods provided for by current regulations. Additional mandatory provisions of law, including regulatory provisions, shall remain applicable in any case.

List voting mechanism

The procedure for appointing the Board of Statutory Auditors by list voting mechanism, as provided for by Article 20 of the Articles of Association, is described below.

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

¹²⁴ Paragraph 1-ter, Article 147-ter, of TUF, which governs the allocation of directors in such a way as to ensure gender balance, was first replaced by Article 58-sexies, paragraph 1 of Legislative Decree No. 124 of 26 October 2019, converted with amendments by Law No. 157 of 19 December 2019 and then by Article 1, paragraph 302 of Law No. 160 of 27 December 2019: as a result of this amendment, at least two-fifths of the elected directors must be of the less-represented gender. In any event, this criterion for a proportion of at least two-fifths will apply from the first renewal of the members of Snam's Board of Directors and Board of Statutory Auditors following the date of entry into force of Law No. 160 of 27 December 2019, i.e. on the date of the Company's Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2021.

In the event that, *mutatis mutandis*, a situation analogous to that provided for in Article 13.5, letter *b-bis*) of the Articles of Association should arise, the procedures indicated in letter *b-bis*) shall apply, both for standing auditors and for alternate auditors, insofar as they are compatible with current legislation and with the provisions of the aforementioned Article 20 of the Articles of Association.

Where following the above procedure fails to ensure compliance with the criterion for gender balance for standing auditors provided in Article 20 of the Articles of Association, the quotient of votes to be attributed to each candidate taken from the standing auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the more-represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the less-represented gender (with the highest consecutive number) from the same standing auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor that he/she has just been replaced by). If this fails to ensure compliance with the law on gender balance, the candidate is replaced by the person appointed by statutory majority at the Shareholders' Meeting, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and the Articles of Association.

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

In the event of the replacement of a statutory auditor from the list obtaining the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is replaced by the alternate auditor from these lists.

2. Functions

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

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

Pursuant to Article 19 of Legislative Decree No. 39 of 2010, as amended by Legislative Decree No. 135 of 17 July 2016, the Board of Statutory Auditors also performs supervisory functions in its capacity as the Internal Control and Audit Committee, overseeing in particular:

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

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

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



by
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