

Governance



Business integrity

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

THE CORPORATE AND ORGANIZATIONAL STRUCTURE

Snam's Corporate Governance system consists of a set of planning, management and control rules and methods necessary for the company to operate. These were outlined by the Board of Directors, in accordance with the laws which apply to company as a listed issuer and in adherence to the Code of Corporate Governance approved by the Corporate Governance Committee.

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

Snam exercises management and coordination activities with regard to subsidiaries and has adopted specific guidelines on Corporate Governance which define, among other things, the principles, contents, instruments and operating methods for the strategic guidelines implemented by Snam. In line with the corporate governance system and characteristics of its organisational structure, the management and coordination activities take into adequate consideration the legal autonomy and principles of correct corporate and business management of the subsidiaries.

Snam's organisational structure is divided into four business units and staff functions, arranged with a view to simplifying processes, efficiency and continuous improvement. The business units are focused on the commercial-development activities, management of the Italian subsidiaries, management of the foreign shareholdings, and development of technical services focused on specialised skills and know-how for the gas-industry operators.

BUSINESS ARRANGEMENTS

The management of business activities refers to an organisational and procedural system that is consistent for all Snam Group companies, in Italy and abroad, created for the purpose of making the corporate management rules clear, simple and systematic.

Snam also adheres to the UN Global Compact, the most important international sustainable development initiative, which promotes and disseminates the ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption. These principles come from the Universal



The main policies are:

- Sustainable development** policy;
- Health, safety and environmental** protection policy;
- Diversity** policy;
- Corporate Governance** guidelines;
- Enterprise Risk Management** guidelines;
- Stakeholder **engagement** policy;
- Human rights** policy;
- Philanthropic** and **social** initiative activities management policy;
- Anticorruption** guideline;
- Supply chain** social policy.



The Snam Board of Directors has a high degree of:

independence, with 5 out of 9 directors qualified as independent pursuant to the Consolidated Finance Law and the Code of Corporate Governance;

representativeness, with a third of its members elected in the lists submitted by minority shareholders;

gender diversity: 44% of its directors are women, one of the highest values observed in companies listed on the Italian Stock Exchange (Borsa).

During 2018, the Sustainability Committee met

10 times

Declaration of Human Rights, the Declaration of the International Labour Organization on fundamental work principles and rights, the Rio Declaration on Environment and Development and, lastly the United Nations Convention Against Corruption. Fundamental to the well-functioning of the system is the allocation of specific objectives to each position of responsibility and the transparent assessment of results, thus enabling continuous improvements in the effectiveness and efficiency of the corporate processes.

THE BOARD OF DIRECTORS

The Board of Directors is the central body in the corporate governance system and is vested with the highest powers for the ordinary and extraordinary company management.

The Snam Board currently in office, appointed by the Shareholders' Meeting of 27 April 2016, is composed of nine directors who will remain in office for a period of three years. The Board of Directors plays a central role in overseeing the company's commitment to sustainable development along the value chain. The Board is assisted in these tasks by the Sustainability Committee, which plays a proactive and consulting role and it is composed of three non-executive directors, two of which are independent, including the Chairman.

During the year the Committee met 10 times with the competent corporate functions on environmental, social and economic issues. The participation rate of the Committee members was 100%.

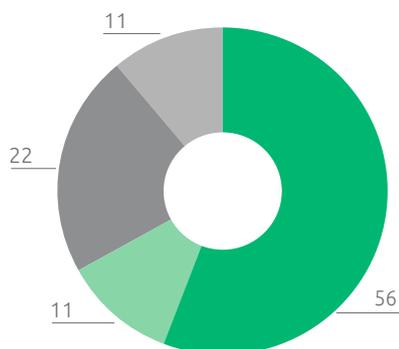
Evolution in the Terms of Office

	Previous terms of office	Current terms of office	Average FTSE MIB
Number of Directors	9	9	12.7*
Directors elected from minorities	3 (33.3%)	3 (33.3%)	2 (15.8*)
gender less represented in the Bod	33%	44.4%	35,5% *
Independent Directors	56%	56%	62% *
Average age of Directors	56	54	58.2
President Status	Non executive	Non executive	Non executive 75%**
Lead Independent Director Existence	no	no	16%*

* The European House – Ambrosetti S.p.A., L'osservatorio sull'eccellenza dei sistemi di governo in Italia, 2018 Edition. The data refers to FY 2017 and is taken from public sources, such as the 2017 Financial Statements and the Report on Corporate Governance published in the spring of 2018.

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

Seniority of office of the Directors on the BoD (%)



- 2-4 years
- 6-9 years
- 4-6 years
- 9+ years

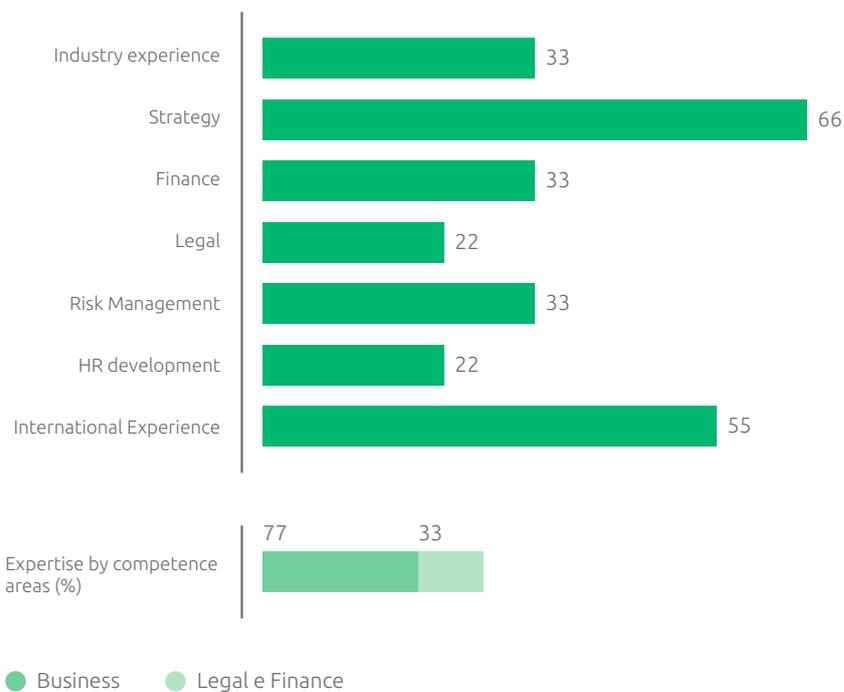


The detailed information about the Corporate Governance system is reported in the “**Relazione sul governo societario e gli assetti proprietari 2018**”, published on the website (http://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2019/Report_on_Corporate_Governance_and_Ownership_Structure_2018.pdf).

Board of Directors Members by Age (no.)

	2016	2017	2018
Bod Members < 30	0	0	0
BoD Members between 30 and 49	3	2	2
BoD Members > 50	6	7	7

Directors' expertise (%)



- Business
- Legal e Finance



The fight against corruption and illegality

Ethical principles and business values

Transparency, honesty, fairness, good faith in compliance with the competition protection rules;

Stakeholder engagement, including a dialogue on issues such as sustainability and corporate responsibility;

Creating competitive **value** for the company, its Stakeholders and the territories in which it operates;

Protecting and promoting human rights;

Protecting all forms of individual **freedom** and repudiating any type of discrimination, violence, corruption (in any form thereof with reference to any public or private persons), and forced or child labour;

Recognising and **safeguarding** the dignity, freedom and equality of human beings;

Protecting jobs and trade-union freedom, health, safety, the environment and biodiversity.

The main internal regulatory framework for fighting corruption is the Anticorruption Guideline which applies to Snam and the subsidiaries and which the other participating companies have been made aware of in order to promote principles and behaviour consistent with those expressed by Snam. The Guideline is inspired by the principles of ethics, transparency, fairness and professionalism already referred to in the Code of Ethics and also strives for the continuous improvement of the sensitivities of the Snam people in recognising corruption issues and other types of fraud, as well as their responsiveness in taking an active role in preventing, suppressing or reporting possible violations of the anticorruption laws. The Anticorruption Guideline is consistent with the tenth principle of the Global Compact that states that businesses should work against corruption "in all its forms, including extortion and bribery" and clearly outlines permitted and prohibited conduct. In particular:

- it prohibits the offering, promising, giving, paying, or allowing anyone to give or pay, directly or indirectly, an economic or material advantage or other benefits to a public official or to a private person (Active Corruption); it prohibits accepting the request from, or solicitations from, or allowing someone to accept or solicit, directly or indirectly, an economic or material advantage or other benefits from anyone (Passive Corruption);
- it pays particular attention to the selection of suppliers and the qualification process, the awarding of contracts, the management of contracts, the standard terms of protection, including those of commitment to respect Anti-Corruption Laws and to verify the ethical requirements of suppliers;
- it establishes that all relations with Snam which refer to or involve third parties should be conducted in compliance with the provisions of the Anticorruption Guideline and the instruments therein.

The Anti-Corruption Guideline is part and parcel of a broader business ethics control system adopted by Snam that aims to ensure the company's compliance with national and international laws and best standards. In this regard, Snam provides special awareness training to its staff and carries out monitoring activities to analyse the degree of dissemination and knowledge.

To prevent the risk of corruption and fraud in general in supply chain relations, all suppliers and subcontractors are required to sign the Ethics and Integrity Agreement that allows the performance of reputational analysis aimed at the early identification - also based on public information - of possible risks of infiltration by organised crime.

In 2018, Snam collaborated with:

- the OECD taking part in the:
 - *Anti-Corruption and Integrity Forum* in Paris in March. Snam was the only Italian private company to take part in a discussion comparing the various national approaches to the fight against corruption and the promotion of integrity in businesses;
 - at two discussions, in specific seminars, held at St. Petersburg and Moscow in June, which Snam was the only European company to take part in, on respectively: i) the improved control procedures in companies aimed at identifying any unlawful behaviour; ii) the contribution of companies in the public participation in the development of the new OECD guidelines on business integrity;

- at the *Working Party on State Ownership and Privatisation Practices*, organised in November, also in Paris, Snam intervened on the issue of promoting integrity and preventing corruption at corporate level, illustrating the company's experience in the management of relations with its business associates, also for the purpose of defining the new Guidelines on the subject;
- *Transparency International*, intervening:
 - at the "*BIF Roadshow 2018 - Against grey areas and corruption for a culture of legality*" held in Terni in the month of June. Specifically, Snam participated illustrating the actions that the company has undertaken to disseminate the principles of business integrity in relations with suppliers;
 - at the presentation of the *Business Index on Transparency at the Business Integrity Forum* held in November. On this occasion, the Company took part in a discussion comparing good practices for fighting corruption and, as the representative of the Energy sector, it stood out for its own best practices and for the extent of its culture of business ethics and preventive measures adopted;
- the Ministry of Foreign Affairs and International Cooperation, taking part in:
 - the "27th Session of the United Nations Commission on Crime Prevention and Criminal Justice" organised in May under the auspices of the Italian Business Integrity Day, in conjunction with Transparency International, at the United Nations in Vienna. The event was also preceded by a seminar at the International Anti-Corruption Academy, where Snam illustrated its experience in the fight against corruption;
 - at the Italian Business Integrity Day (IBID), in December at the Italian Embassy in Washington. Snam took part in a discussion about preventive approaches implemented by businesses, counterparty risk management and new strategies to make the internal anticorruption control system effective;
 - at the 2018 International Anticorruption Day at the Ministry of Foreign Affairs and International Cooperation in December. The Company was invited by the Ministry to take part in the revision of the first draft of the G20 High-Level Principles, on the issue of the prevention of corruption and the promotion of integrity in public or investee companies, which is expected to be finalised in 2019.

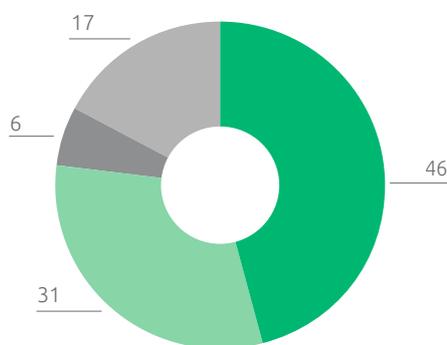
On these occasions the Company illustrated its instruments for overseeing transparency and fighting against corruption. Additionally, in matters of business ethics, legality and anti-corruption, approximately 321 hours of training were provided to new employees.

Snam, computerised the data flows to the National Anti-Corruption Authority. The direct interface between the computer systems, allows the Tender ID Code (IGC) to be obtained, to eliminate all manual filling procedures and to improve traceability, transparency and security for all the operations.

REPUTATIONAL CHECKS

In 2018, about 2,074 reputational checks were carried out on suppliers, subcontractors and participants in calls for tender. 31 measures were adopted as a result of these checks.

Breakdown of reputational audits (%)



- Qualification processes
- Authorisations to subcontracting
- Partecipation in calls for tender
- Approval/signing of contracts

Measures (no.)



Management systems

The main goal of the management systems is to promote constant improvements in corporate performance (environmental, health and safety and the quality of services provided) and to guarantee regulatory conformity, through the introduction and implementation of policies, organisational systems and specific programmes.

In 2018 Snam implemented all the activities necessary to extend the management system certifications to the new companies entering the scope of consolidation and to maintain and update other existing certifications, in accordance to the new standards (ISO 14001:15 and ISO 9001:15).

To check the effectiveness of the management systems, in 2018, 237 audits were carried out at various Group companies (95 of which were conducted by an outside team) and 54 audits on health, safety and the environment, at contractors working at sites. There are also 27 auditors, also qualified for external audits, working at Snam.

Audit (no.)

	2016	2017	2018
Internal	166	127	142
External	46	36	95
Total	212	163	237



Management systems

Company	Certification scope	Type of certification and accreditation	Year of first certification
Snam	Management of operational continuity for the planning, development, centralised management of process and remote control systems for the dispatching of natural gas transport	ISO 22301	2018
	Processes for natural gas transportation via gas pipelines, ancillary systems and compression stations (Administration, Business Development, Marketing of Services, Asset Creation, Asset Management, HSEQ, Planning and Control, Supply Chain) and for natural gas storage in geological units (Marketing of Services)	ISO 9001	2016
	Company	ISO 14001	2015
	Management of information security for the planning, development, centralised management of process and remote control systems for the dispatching of natural gas transport	ISO 27001	2014
	Company	BS OHSAS 18001	2012
Snam Rete gas	Company	ISO 9001	2016
	Natural gas transportation dispatching activities	ISO 22301	2015
	Company	ISO 14001	2013
	Company	BS OHSAS 18001	2010
	Testing laboratory (LAB 764 Piped gaseous flows)	ISO 17025	2007
	Calibration laboratory (LAT 155 Natural gas mixtures)	ISO 17025	2002
	Company	BS OHSAS 18001	2012
GNL Italia	Company	ISO 14001	2000
	Company	BS OHSAS 18001	2012
Stogit	Design and delivery of natural gas metering and accounting	ISO 9001	2008
	Company	ISO 14001	2002
ITG	Company	ISO 9001	2018
		ISO 14001	2010
		BS OHSAS 18001	2009
Snam 4 Mobility	Company	BS OHSAS 18001	2018
		ISO 9001	2018
		ISO 14001	2018
TEP	Company	UNI 11352:2014	2013
	Company	ISO 9001	2010
Cubogas	Company	BS OHSAS 18001	2018
		ISO 9001	2018
		ISO 14001	2018
IES Biogas	Company	ISO 9001	2018