

INVESTING IN SNAM, INVESTING IN SUSTAINABILITY



Sustainability policies
and performances
at Snam in 2015

May 2016

Sustainability presented to our investors



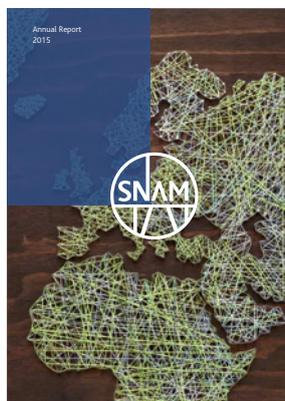
«Snam recognises that the success of a Company is measured through a combination of economic, environmental and social factors that meet the needs of all stakeholders»

Carlo Malacarne
Snam's Chairman

This document is directed to all Snam's shareholders, but particularly to those investors that integrate financial analysis with that focused on extra-financial issues when making their investment decisions about a stock: a wide and constantly growing audience, which is not confined to pure SRI (Socially Responsible Investing) portfolio managers.

Snam is aware that valuations of intangible assets and of non-financial components have become increasingly important in the decision making-process of investors. As a Company that has taken on a pioneering commitment to social responsibility issues, making them an integral part of its business strategy for a long time, in 2015 Snam meant to make the outcome of such commitment visible, by giving disclosure to its own performances not only in the Sustainability Report, but also compiling its first-ever Integrated Report. The new tool, which provides information about impacts, risks and opportunities in the economic, environmental and social field, is directed to a broad range of stakeholders and seeks to give comprehensive answers about the elements underlying present and future performances, especially to long-term investors, which present the ideal profile for a company like Snam. **Only over a long-term horizon, indeed, it becomes clear how the value created through the execution of a sustainable strategy translates into financial performance.**

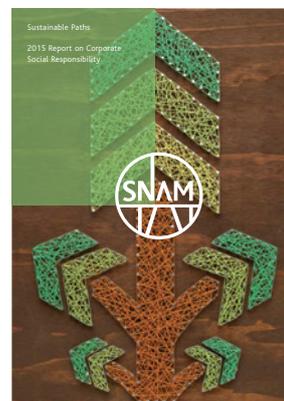
By means of the Integrated Report, Snam talks to stakeholders about its strategic results in the economic, environmental and social field. In particular, it provides further background information to be assessed by current and potential long-term investors.



This document summarises policies and performances contained in the 2015 reporting documents of Snam. The Directors' Report contained in the 2015 Consolidated Annual Report represents Snam's first attempt at the integrated reporting of financial and extra-financial data and information.

The separate Report on Corporate Social Responsibility replaces the Sustainability Report, which was published for nine editions, until last year. The continuity in the publication of such document made it possible to maintain a comprehensive reporting on material issues, in compliance with the G4 guidelines of the Global Reporting Initiative (GRI), particularly for the benefit of SRI analysts. The self-declared level of adherence to the G4 standard is "in accordance – comprehensive".

The report was subject to an audit by Reconta Ernst & Young S.p.A. based on the guidelines of the International Standard on Assurance Engagements (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB).



How Snam interprets sustainability

At Snam, sustainability is a guiding factor in the definition of strategic choices and a lever for medium and long-term growth: this approach ensures that generated value is shared with stakeholders. A structured governance system allows the Company to interact with the external environment and to apply its own principles and rules.

Approach to sustainability

Sustainability, for Snam, represents a clear commitment, aimed at creating an **economic and entrepreneurial development model** that integrates, in its business activities, respect for people, for stakeholders, for the environment and for Society as a whole. Social responsibility, corporate citizenship and sustainability are an integral part of Snam's corporate culture and governance; they represent the cornerstones of the business development model as well as of value creation.

The **sustainable development model** of Snam ensures adequate supervision of **material issues** and enhances sustainability principles at all **organisation** levels. The model is **integrated** into all the process phases of the Company's business (Planning, Management, Controlling and Reporting, Communication and Stakeholder Engagement). The Snam's business model aims to **create value** in the medium-to-long term, for shareholders and all the categories of stakeholders, by way of operating and financial efficiency and the pursuit of a balanced and sustainable development.

External context in which the Company operates, including the energy environment, the economic situation of the industry, and economic and social dynamics

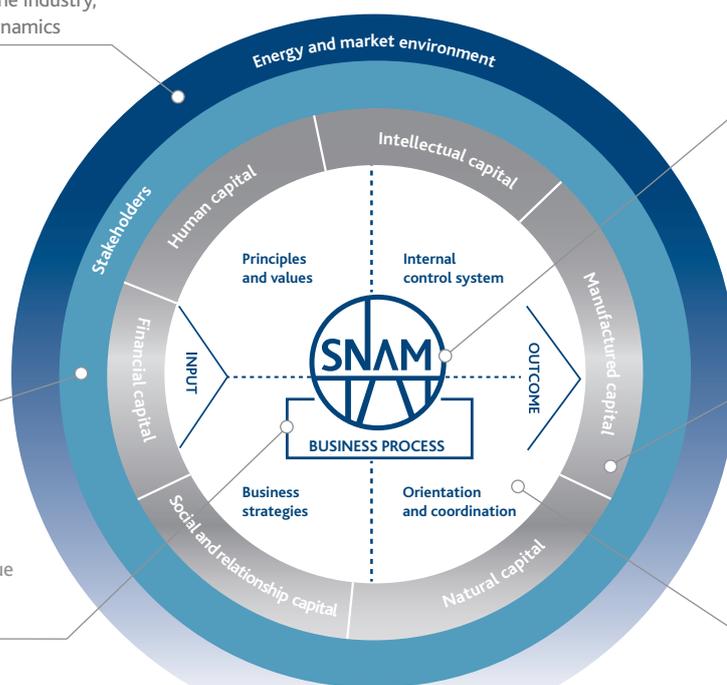
The Company oversees a value chain consisting mainly of regulated activities

The Company's **stakeholders** (gas system operators, financial markets, regulatory authorities, shareholders, local communities, suppliers etc.) can influence the conditions in which the Company operates and are the beneficiaries of its value creation

The Company operates using **input capital** (such as resources) which is transformed by business activities

The Company carries out its activities and creates value by means of **business and business support processes**

The Company operates within a governance system that establishes **principles and values, strategic direction and control systems**



Governance and risk management

Within the model of sustainable development, Snam’s governance effectively serves value creation dynamics and fair balance of different stakeholders’ interests. Despite the limited risk profile characterising regulated businesses, Snam applies a structured and systemic approach to the governance of all risks that can affect the conditions underpinning value creation.

Governance

Snam’s governance contributes to determine the conditions for **the Company to interact properly and adequately with its reference environment**, in particular by putting into practice the principles of **integrity, transparency and compliance** with external and internal rules. Snam has a traditional **governance system**, inspired by international best practices, which is developed in accordance with the regulations applicable for listed companies and sector operators (unbundling). The business management of all Group companies follows the **Corporate System Framework**. Such organisational and procedural system ensures that the system of rules governing the business is clear and organic. The **processes of business management** are based on the principles set out in the Universal Declaration of Human Rights of United Nations, the fundamental conventions of the ILO and the OECD Guidelines for Multinational Enterprises. Moreover, Snam supports the “Global Compact” of the United Nations.

Element of uncertainty and risk management

The **system** that Snam uses across the Group to **identify, assess, manage and control risk** has three levels, each with different objectives and associated responsibilities. The Board of Directors charges the **CEO** with giving structure to and maintaining the entire system.

Through its **Enterprise Risk Management (ERM)** and the new **Risk Management Policy** issued in 2015, Snam has introduced a structured method for identifying, evaluating, managing and monitoring risks, which is standardised for all Group companies. The **ERM model**, which is managed by a



dedicated corporate department, is an iterative one. It enables dynamic and integrated group-wide risk assessment that brings out the best of the existing management systems in individual corporate processes.

During 2015, four **risk assessment** cycles were performed on the entire Snam Group. As at the end of 2015, 360 enterprise risks had been mapped and broken down between all corporate processes. In addition to the ordinary activities of checking and monitoring the risks mapped, other measures were carried out with a view to continually improving the model adopted and supporting the risk managers.

The third level is represented by the **Internal Audit** function, in charge for the verification of the operating effectiveness and adequacy of the system.

Materiality: identifying and measuring what matters most

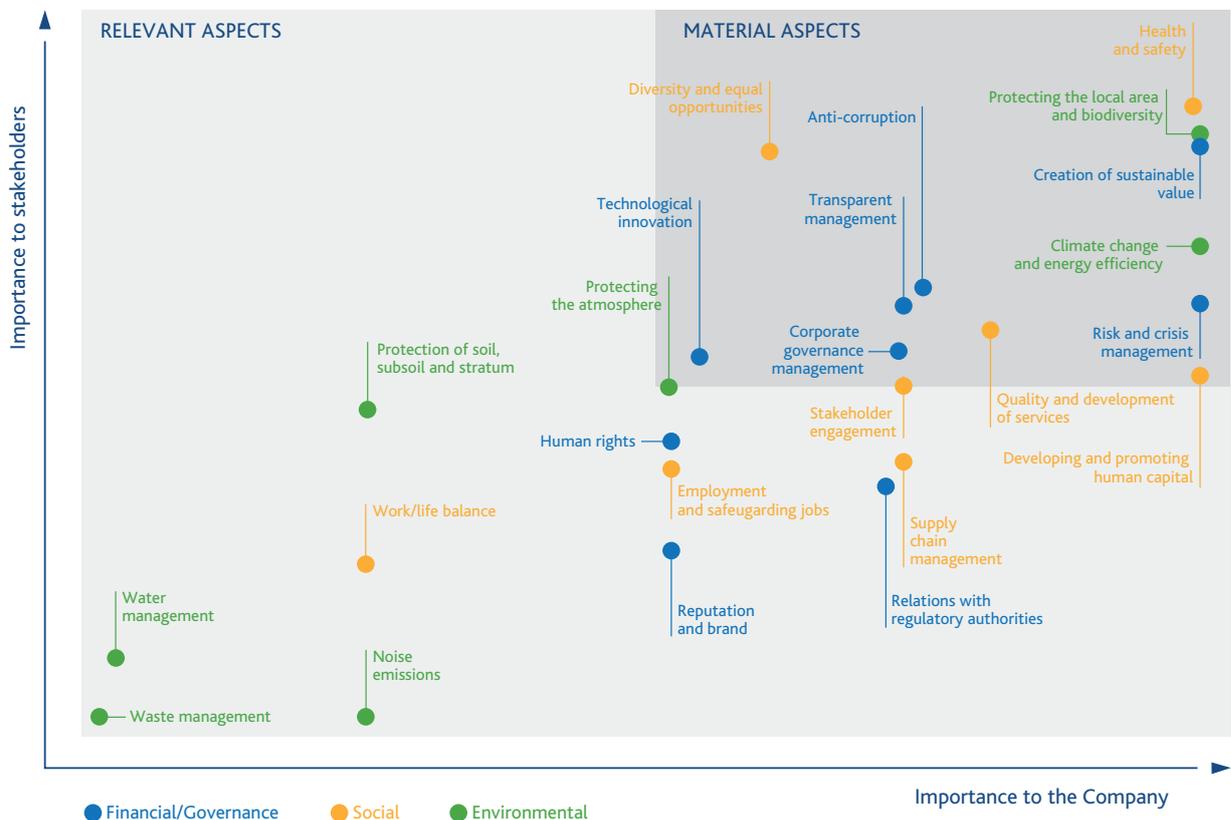
Material issues make a difference when it comes to performance, since they are the most relevant ones. Snam has chosen to include them in the strategic planning process: therefore, when allocating its resources, the Company can adequately prioritise key issues.

Materiality defines the issues that are most important to business and stakeholders; on those issues the Company focuses its efforts in terms of value creation and, subsequently, in measuring performance, making the whole process clear to the investor's eyes.

Snam continuously reviews and updates the **evaluation process** of its material topics. The analysis conducted in 2015 has allowed a broader and more precise record of external stakeholders' viewpoints on the topics that had been mapped in 2013 and confirmed in 2014.

MATERIALITY MATRIX

The **14 reference topics** emerging from the analysis have been grouped into **three main categories**, depending on the type of impact they have: among these, six fall within the financial/governance area, five within the social area and three within the environmental one.



The Capital Model in Snam's reporting

Capitals are the available resources that the Company transforms by business activities, with the aim of creating value, for itself, for its stakeholders and for the social environment in which it operates.

The **business model and the Company's capital model** presented in the **Integrated Report** and in the **Sustainability Report** are broken down according to the instructions provided in the framework published by the International Integrated Reporting Council (IIRC).

Snam's business capitals creating "shared value"

FINANCIAL

The fundamental input for making investments in gas system infrastructure. Snam funds these investments using its own resources and debt capital obtained either on the financial markets or through its own operating income.

MANUFACTURED

The network of infrastructure for transporting, storing and distributing natural gas and regasifying LNG, required to perform services for operators and users.

INTELLECTUAL

Unique to Snam, this consists mainly of the IT systems, procedures and good operating practices developed over time by managing the business.

HUMAN

This includes the specific skills and experience acquired by Snam's staff, primarily by way of internal development programmes (this is essentially a self-made capital), and the business culture with its distinctive values, above all a culture of safety.

SOCIAL AND RELATIONSHIP

This is the licence to operate that the stakeholders award to Snam, sustained by relations with these stakeholders at European and national levels, as well as by Snam's presence in the areas that host its infrastructure.

NATURAL

The land, air and biodiversity that Snam is committed to preserving through efficient and responsible environmental management, mitigating the environmental impacts and consequences generated predominantly during the construction of infrastructure.

Relationship capital enhanced by engagement policies

The trust relationship that Snam has built up with its stakeholders is a real intangible capital. Good governance of relationships and effective communications are key to cultivating such a goodwill.

Stakeholder engagement

The continual dialogue and listening with **stakeholders** represents a crucial moment, managed leveraging on confidence, within a relation featuring openness and transparency, through a constructive dialogue.

On 7 March 2016, Snam's CEO has **formally signed** the document representing the **stakeholder engagement policy**, based on the following guidelines:

- *Understanding the stakeholders' profile and the Company's position in relation to them;*
- *carefully studying material interests and issues relevant to each category of stakeholder;*
- *periodically communicating to stakeholders management achievements relating to material issues of mutual interest.*

Also in 2015, Snam has activated a plurality of **channels and tools with the aim of engaging its stakeholders**: in addition to institutional documents, the Company has published several products of **corporate literature**.

The **digital presence** has been very intense on a broad range of social networks, as well as through the corporate website, while the portals dedicated to customers and suppliers have improved their functioning.

Communication activities continued also through meetings, presentations and workshops, as well as through awareness-raising campaigns focused on specific issues.

Lastly, **listening activities** have been mainly conducted through surveys and feedback questionnaires.

Stakeholder mapping

In 2015, Snam updated its **stakeholder map**, also in light of the new shareholding structure and of the ever-increasing presence of international assets in its portfolio. This listening exercise provided Snam with the opportunity to gather new elements and perceptions on material issues, involving more than 1,000 persons.

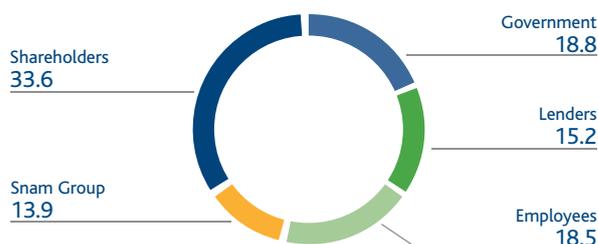


Breakdown of Added Value

In 2015, Snam distributed to stakeholders an overall value of **2,242 million euro**, against a generated added value of 2,605 million euro.

- 875 million euro to **shareholders**
- 489 million euro to **Government**
- 426 million euro to **lenders and banks**
- 364 million euro to **bondholders**
- 483 million euro to **employees**

BREAKDOWN OF ADDED VALUE (%)



Infrastructural capital: investing into the network

Snam plays its role of leader in the development of strategic infrastructures, by an efficient and save management of the network. Together with its European partners, Snam invests with the aim of guaranteeing, to households and enterprises, a continuous supply of an environmentally friendly source of energy.

Investments in domestic infrastructures

In 2015 Snam invested over 1.3 billion euro, transforming financial capital into the infrastructure and services required to transport gas wherever is requested.

In 2015, the main projects for the development of new infrastructure in the existing network were as follows:

- 211 million euro:** reverse flow at the interconnections point with Northern Europe.
- 85 million euro:** upgrade of the transport network from the entry points in Southern Italy.
- 67 million euro:** upgrade of the network and connection of new redelivery points in the regional and national network.
- 126 million euro:** developments of new storage fields.
- 79 million euro:** increase of the storage capacity.
- 180 million euro:** extension of distribution networks.

Thanks to the completion of certain works, in 2015 the gas pipeline network in operation increased by 61 km (+0.2% vs. 2014), while the installed power rose by 2.8 Mw (+3.1% vs. 2014).

International investments

In 2015, Snam has acquired a 20% stake in TAP, the company that will develop the Southern corridor enabling gas transport from Azerbaijan to European markets. This is the most recent milestone of a development path begun in 2012, with the acquisition of 31.5% of Interconnector UK, in a joint venture with Fluxys. A path continued in 2013 with

the acquisition of 45% (currently 40.5%) of TIGF in France and, in 2014, with the acquisition of 84.47% of TAG, owner of the Austrian pipeline linking Russia to Italy, in the East-West corridor.

Safety of the system

Safety, quality and continuity of service are absolute priorities for Snam and represent a shared value.

Snam regularly inspects the pipeline route – on foot, by road vehicles and by helicopter – in order to identify potentially dangerous situations. Moreover, Snam monitors the integrity of pipes internally, using smart devices.

Transport – Inspections

km	2013	2014	2015
Network inspected using smart pigs	2,342	1,950	1,315
Network inspected using helicopters	15,400	15,700	16,330

From the dispatching centre in San Donato Milanese, Snam performs round-the-clock monitoring and control of the gas flows' balance, guaranteeing network operations even in emergency conditions. In 2015, 27,000 km of the distribution network have been inspected. The monitoring was executed through 9,100 ongoing remote read points and 25,000 manual readings. The odorisation facilities, which allow to detect the presence of gas in case of atmospheric leaks, in 2015 have been modernised by installing automatic dosage systems.

Infrastructural capital: innovation and quality in services provided to clients

Snam's business is at the heart of a deep change, driven by the new needs of the customers that transport, store and exchange gas. The Company is committed to ensuring the highest system quality and to supporting market development through new infrastructures and services.

Relationship with AEEGSI

Snam's customers request availability of transport and storage capacity and new services, at a convenient price. **The investments required to meet demand are sustainable and, therefore, fundable, only if expected returns financially justify them.** The tariff structure directs investments in the network and extracts the most value from infrastructural capital, in a financial perspective: the quality and regularity of relations with the Authority for the Electricity, Gas and Water Services (AEEGSI) thus play a crucial role. Snam's 2015 turnover for 97.9% consists of regulated revenues; therefore, the Company promotes **constructive relations with the AEEGSI**, in an attempt to satisfy the interests of customers and investors. With the aim of creating a single European gas market, Snam participates to the development of European codes within **ENTSO**, the European Network of Transmission System Operators, while AEEGSI contributes to the development of the Guidelines, as partner of the Agency for the Cooperation of Energy Regulators (ACER).

Services for market facilitation

Snam has long invested in order to allow the development of **Shippers and Traders'** activities. Currently the active transport operators are 139, rising from 30 in 2003. In 2015, access to the network was guaranteed to all operators who requested it

In 2015, Snam has:

- **signed 65 new connections' contracts** for the creation of new delivery/redelivery points or for the upgrade of the existing ones;
- made available more than **370 million cubic metres of average daily transport capacity** at network entry points.

From November 2015 operators can execute gas swaps through the **PRISMA platform**, of which Snam is a partner, on a within-day, daily, monthly, quarterly, annual and pluriennial basis (up to a maximum of 15 years). Such trading activities take place during bidding sessions, according to the calendar issued by ENTSOG.

In 2015, the available **storage capacity** was **11.5 bcm** (16.0 bcm including strategic storage). For the 2015/2016 thermal year, the **offered capacity was fully conferred** as early as the June 2015 auctions.

Over time, Snam has developed **IT systems and web portals** that are continuously being innovated, in order to allow the trades among operators and the management of the relations with the Shippers themselves.

Commitment to quality of service

Again in 2015, the **ISO 9001 certification**, firstly obtained in 2011, has been confirmed. The certification regards the definition of all Snam's transport capacities.

Every year Snam measures the degree of satisfaction of its customers. The outcome of the last **customer satisfaction** survey was illustrated and discussed with Shippers and Traders in a dedicated event, in which nearly 200 people took part, representing around 90 companies. In the **transport** business, 126 operators filled in the questionnaire, with a participation rate above 83%; 90% of respondents (compared to 72% in the previous year) stated that they were fully satisfied with the initiatives of stakeholder engagement aimed to improve the offered services. In the **storage** business, the survey involved 73 customers; valuations indicated an improvement compared to 2014.

Legality and safety priorities for human capital management: employees and suppliers

Rules and practices that Snam has set to comply with anti-corruption and crime laws, as well as those for safeguarding health and safety, are integrated with listening activities and increase their effectiveness through continuous engagement.

Legality and anti-corruption

In 2015 Snam has dedicated to staff **training** on the Code of Ethics, Model 231 and anti-corruption **3,025 hours** as a whole, involving **1,920 participants**.

Last year Snam has paid particular attention to the **anti-corruption oversight vis-à-vis suppliers**, who are an integral part of Company's human capital, as they are directly involved in core processes of developing and maintaining the infrastructure network. The 2015 **annual workshop** has been therefore dedicated to "**Quality and transparency in Company-supplier relation**"; over 420 people took part in the event.

In 2015, Snam had **910 active suppliers**, of which 62% represented by SMEs, for **1.89 billion euro worth of procurement**. The **vendor management** process has led to Snam's involvement in the following activities:

- **19 key suppliers audited** at the qualification stage;
- **295 suppliers** subjected to **renewals and new allocations**, for a total of **2,547 suppliers on the vendor list** as at 31 December 2015;
- **1,300 pieces of feedback got** from 243 suppliers;
- **6,750 checks on 1,862 suppliers and subcontractors as to the regularity of their social security contributions**, uncovering 308 irregularities;
- **92 instances** of noncompliance, including warnings, suspensions or revocations.

Around **1,500 counterparts** are registered to the **Supplier Portal** of Snam (an increase of approximately 50% vs. 2014). All the suppliers representing the most critical categories

(A and B) possess quality and environment management systems that have been **certified** in accordance to the ISO 9001 and ISO 14001 standards, while 95% of them also have the OHSAS 18001 certification, concerning employee workers' health and safety.

Keeping human capital safe

The issue of workplace **safety** involves the whole Company to the extent that variable remuneration of Company's managers and executives partly depend on meeting such goal.

In 2015, Snam delivered **20,722 hours to train employees on health and safety** issues, involving **3,629 participants**.

Accident indices

(N.)	2013	2014	2015
Employees			
Frequency index (*)	1.51	1.49	2.14
Severity index (**)	0.09	0.08	0.10
Contract workers			
Frequency index (*)	2.63	1.91	1.38
Severity index (**)	0.16	0.10	0.11

(*) Number of accidents at work, resulting in absence of at least one day, per million hours worked.
 (**) Number of working days lost, due to accidents at work resulting in absence of at least one day, per thousand hours worked.
 Data do not reflect fatal accidents.

In 2015, while the frequency index of contractors' accident decreased (-27.7% vs. 2014), the frequency index of employees increased, mainly due to the gas distribution business, also as a result of new companies joining the corporate scope.

A human capital that develops while responding to change challenges

Today Snam operates on the European scene; this requires that human capital evolves in terms of diversification of skills, widespread leadership and innovation capacity.

Training as evolution tool

At 2015 year-end **Snam's people** are **6,303**, compared to 6,072 at 2014 year-end.

In 2015, Snam implemented the new **model for the development of managerial skills**, focused on seven competences identified as critical; such model integrates with the **new performance evaluation system**. All managers and executives have been evaluated: for each of them a two-year plan has been created, aimed to the development of one or two relevant skills. To ensure continuity to past commitments, at Group's level training KPIs for the 2014-2015 two-year period have been confirmed.

Training KPIs

	2015 target, set in 2013	Target achieved in 2015
Average hours per employee (no.)	25	25.5
Involvement of corporate population (%)	83	84.7

Equal opportunities

Today at Snam women represent **11.3% of total corporate population**; they account for 7.0% of executives and 13.3% of managers. In top positions, **female presence has the potential to increase**: more than one-third of managers participating in the Leadership Development and almost 40% of High Flyers (high-potential young resources) are women.

Compensation systems

Snam **periodically updates** its **compensation systems**, on the basis of a comparison with salary market benchmarks, in order to better reflect criteria inspired by meritocracy and internal equity.

Snam's management has a **long-term monetary incentive system**, linked to Total Shareholder Return in combination with adjusted Net Profit; the system also provides for a claw back clause. Moreover, all Group companies include the **"Profit-sharing scheme"**, based on Company's profitability (ROACE) and productivity, as measured in relation to annual targets agreed. Lastly, **young talented resources** have a specific incentive system, aimed at supporting motivation and retention.

Snam has assigned **sustainability targets** to employees for years. Starting from this year, management has been assigned a new sustainability target, concerning the confirmation of the membership and the improvement in absolute terms of the score in the DJSI and in the FTSE4Good sustainability indices.

Corporate welfare

Snam has a long-lasting tradition of attention to people, which led to an articulated welfare system, whose main areas are: Family, Health, Time and Space, Savings and Relationship. 2015 figures for some **KPIs** – absenteeism rate at 5.4% and turnover rate at 6.6% - indicate that the **investment in people's welfare produces positive results also for the benefit of the Company**.

Natural capital managed in a responsible way

Snam interacts with the environment in a sustainable way. When building new infrastructures and operating those existing, Snam follows a rigorous and constructive approach, to ensure environmental compatibility of establishments and to encourage acceptability by stakeholders.

Climate protection

The greenhouse gases (GHG) emitted into the atmosphere by Snam's activities are carbon dioxide (CO₂) and methane (CH₄).

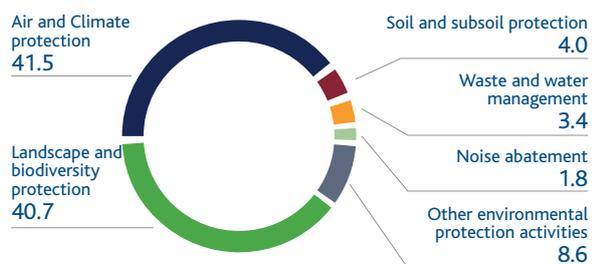
In addition to using natural gas as its main fuel, Snam is implementing a series of **Energy Management** initiatives to minimise GHG emissions. In 2015, **total GHG emissions** (direct Scope 1, and indirect Scope 2 and Scope 3) were **approximately 2.37 million tonnes** (2.34 mn tons in 2013); it should be considered that in 2015, emissions were calculated taking into account the indications provided in the study conducted by the Intergovernmental Panel on Climate Change. In 2015, direct CO_{2eq} emissions (Scope 1) were approximately 1.91 million tonnes, a 3.6% decrease compared to 2014. Lastly, direct natural gas emissions declined by approximately 17.4% vs. 2014, amounting to 78.5 Mm³.

Snam's environmental commitment has been applied in different areas:

- promoting sustainable use of natural resources;
- preventing pollution and protecting ecosystems and biodiversity;
- reducing greenhouse gas emissions;
- decreasing waste production and promoting recovery at its final destination.

In 2015, **environmental expenses** amounted to 164 million euro (147.7 million euro for investments and 16.4 million euro for management costs).

ENVIRONMENTAL EXPENSES BY TYPE (%)



Biodiversity

The Snam's approach to **biodiversity** goes beyond **pure safeguard goal**. Design choices derive from specialised field investigations, preliminarily conducted on the local areas that are impacted by the new works; following their execution, Snam conducts environmental restoration activities and monitors the most significant areas. The restoration includes the general reconstitution both of landscape and habitats for fauna.

(Km of networks)	2013	2014	2015
Restoration	131	78	240
Reforestation	22	16	11
Plant care	135	124	140
Environmental monitoring	1,063	1,055	1,009

Care and maintenance of the newly bedded-out plants last for at least five years. In particular, in 2015, 11 km of new forests were planted, in an area of approximately 143,700 sqm. In 2015, Snam also completed the five-year monitoring along the Bronte-Montalbano methane pipeline, 23 km long, of which roughly 15 km located inside the Nebrodi Park. The monitoring made it possible to check the evolutionary dynamics of the ecosystems for the vegetation, soil and fauna components.

Snam's natural capital managed as part of a sustainable ecosystem

Natural capital includes resources that play an essential role for the life on Earth. Snam follows well-defined investment and management policies, which allow the Company to operate its business while minimising the consumption of non-renewable resources and mitigating potential environmental impacts.

In 2015 Snam has avoided the emission of 141,000 tonnes of CO_{2eq}, thanks to a series of measures taken in 2014

- installation of new higher energy efficiency turbines and more efficient heat generators
- installation of photovoltaic plants in buildings and network plants
- replacement of several traditional light sources with LED lights
- natural gas recovery operations (recompression of gas in the transportation network and compression stations)
- replacement of cast-iron pipes in the gas distribution networks
- replacement of several natural gas-fuelled pneumatic actuators
- acquisition of electricity produced from renewable sources for certain sites that use a particularly high amount of energy
- installation of a system for distributing flows more evenly on reduction lines in some gas measurement and regulation plants
- renovation of buildings to improve their energy efficiency rating
- decreased use of air conditioning through the "no ties" summer programme

Energy consumption

In 2015, **energy consumption** was **9,658 TJ** (+9% compared to 2014), 93.8% of them being natural gas. Higher consumptions reflect higher volumes of gas transported (+8% compared to 2014) and stored (growing more than 20% compared to 2014).

Energy from renewable sources

Renewable source plants of Snam

- 1 wind generator;
- 1 solar thermal plant;
- 1,043 photovoltaic plants (of which 999 back up plants).

In 2015, at Snam the **installed power** of the **renewable source plants grew by 58%** (from 613 kW to 971 kW). **Energy produced** by renewable source plants **significantly increased** (+55% compared to 2014), reaching 740,000 kWh, thanks to the new plants installed in 2015 and to the network connection of plants installed in previous years.

Environmental performances

Air

In 2015, **emissions of nitrogen oxides** were 433 tonnes, a **12.9% decrease** vs. 2014. Such emissions, in addition to being limited in absolute terms (Snam uses gas as main energy source), declined as a result of a programme implying an increasingly extensive use of low emission (DLE) turbines.

Waste

In 2015, **total waste production** was approximately 36,288 tonnes, **down by 37%** compared to 2014. 91.4% of waste produced belongs to the "non-hazardous" waste category.

Water

In 2015, Snam procured **4.32 million cubic metres of water**, of which 4 million cubic metres of sea water. The amount is stable compared to 2014, as it is used for cooling auxiliary equipment in the LNG regasification process. The remaining 0.32 million cubic metres, represented by fresh water, decline by 5% compared to 2014.

Financial capital, the basis for Company's development

The planning of the infrastructure development is connected to finding the financial resources on the market. Maintaining good relations with the financial community is essential to Snam, in order to have access to the equity and debt capital markets and, when needed, to successfully launch capital increases and bond issues or new fund raising.

In 2015, Snam has recorded an **almost continuous price increase throughout the year**, reaching a new all-time high of 4.93 euro on 3 December. The number of **traded shares**, with daily volumes of 13 million shares, **increased by 28.4%** compared to 2014.

Thanks to good fundamentals, which made it possible to maintain an attractive dividend yield, in a transparent regulatory context, in 2015 **Snam's share price reached 4.85 euro at year end, outperforming** benchmark indices, in particular that of the utility sector.

2015 PERFORMANCE

Snam's share price: +17.8%;
 Stoxx Europe 600 Index: +6.8%;
 FTSE MIB Index: +12.7%;
 Stoxx Europe 600 Utilities Index: -3.7%.

At year-end 2015, the shareholding structure presents **the market (67.65%) as main Snam shareholder**, followed by CDP Reti with a 28.98% stake, Eni owning 2.22%, CDP Gas owning 1.12% and treasury shares accounting for 0.03%. International institutional investors' weight is approximately 53% of share capital. The Eni's holdings declined to 0.02% on 18 January 2016, after the conversion of the Eni bond convertible into Snam shares.

In 2015 Snam played **an active role in engaging investors**, which can be summarised as follows:

2015 INVESTOR RELATIONS ACTIVITIES

19 roadshows across the main financial centres in Europe and North America.

108 one-to-ones and **42 group meetings** for a total of 287 institutional investors met.

Conference call for the presentation of annual, interim e quarterly results, in addition to that for the Strategic Plan.

Achieved a 36% level for meetings with SRI investors on total SRI investors identified in the shareholding base.

Snam's **debt structure** is consistent with the funding needs of operating activities.

As of 31 December 2015, net financial indebtedness is 13,779 billion euro, while liquid assets are 17 million euro. Unused long term committed credit lines are 3.95 billion euro; in addition to the amount available (2.3 billion euro) in terms of bond issues under the EMTN programme.

Long-term debt account for 80% and short-term debt for the remaining 20%. Fixed rate debt represents 64% of gross financial debt, while floating rate debt is 36%.

Three **rating agencies** - Fitch has joined the group, issuing its credit rating in July 2015 – consider Snam's debt as "investment grade".

MOODY'S

Baa 1

STANDARD & POOR'S

BBB

FitchRatings

BBB+

Investing in Snam: investing in a “sustainable stock”

The implementation into business activities of Corporate Social Responsibility issues allows Snam to be selected by an increasing number of Socially Responsible Investors (SRI) and included into the most important international sustainability indices.

Snam is aware that investors focus on social responsibility performances when considering the opportunity of buying and holding a stock in their own portfolio: for this reason, it dedicates great efforts to undergo Assessment processes aimed to the inclusion into sustainability index.

Sustainability indices indeed represent a valuable tool for professional investors, as they set benchmarks for building their own portfolios, managing them over time and measuring their performances. From this perspective, listed companies compete and focus their efforts with the aim of being included and confirmed in the most important indices, in the following years.

The **assessment** process covers a wide range of issues, in the economic, governance, social and environmental field, which, in the long term, also affect financial performance.

At Snam, such process has favoured an increasingly accurate and aware planning and management of sustainability, involving and stimulating all business functions across the

Company, along a path of continuous improvement.

The policies that Snam has structured over years, and the actions stemming from there, generated performances that made it possible to **enter the most important sustainability indices**. Thanks to those performances Snam is the Company, in its sector, boasting **the membership in the highest number of SRI indices**, among which, in particular, the following ones: in 2015, the specialised rating company, RobecoSAM, confirmed Snam in the DJSWI for the seventh consecutive year. On the back of the high score achieved among utilities, in January 2016, RobecoSAM awarded Snam with the Silver Class of the “Sustainability Yearbook 2016”. Since 2002, Snam also retained its presence in the prestigious FTSE4Good Index Series, and, for the third year in a row, in the CDP Italy Climate Disclosure Leadership Index. Moreover, Snam stock was included, for the second consecutive year, in the MSCI World ESG and MSCI ACWI ESC indices, in addition to other indices presented below.





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We welcome your comments and suggestions.

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