



energy to inspire the world

Approach to Sustainability and Governance

October 2023



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Agenda



Snam at a glance



Stakeholders
engagement



Governance



Remuneration



Energy transition

Opening remarks



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Europe's leading midstream operator in the natural gas value chain

Upstream



Midstream



Downstream



Largest European Natural Gas Transportation network

H2 transport: \approx 99% of the network ready to transport H2, 750km certified by RINA



Largest European gas storage player

Tests confirm the possibility to store H2 in depleted gas fields



One of the largest European player in LNG



Central Role in Energy Transition

H2/ CCS, Biomethane & Energy Efficiency



STOREGGA

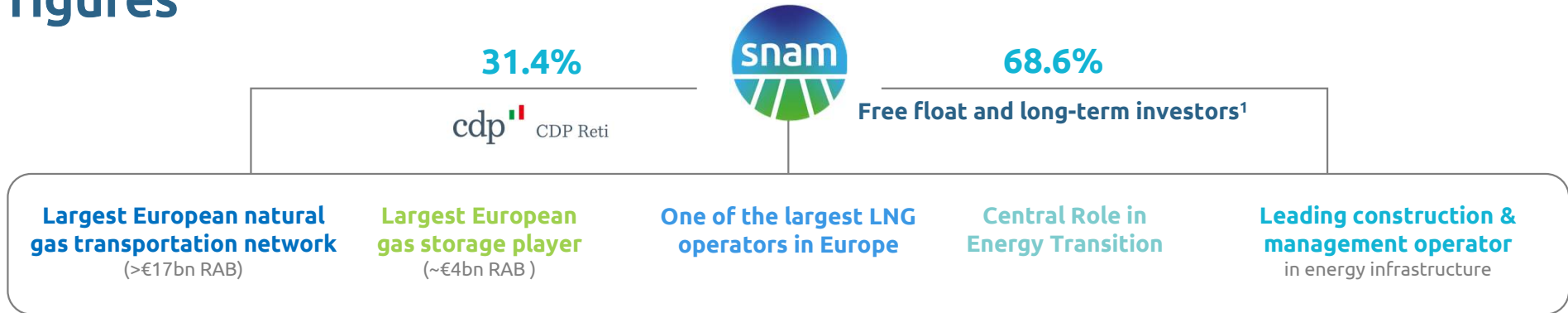


dCarbonX
Decarbonisation Exploration

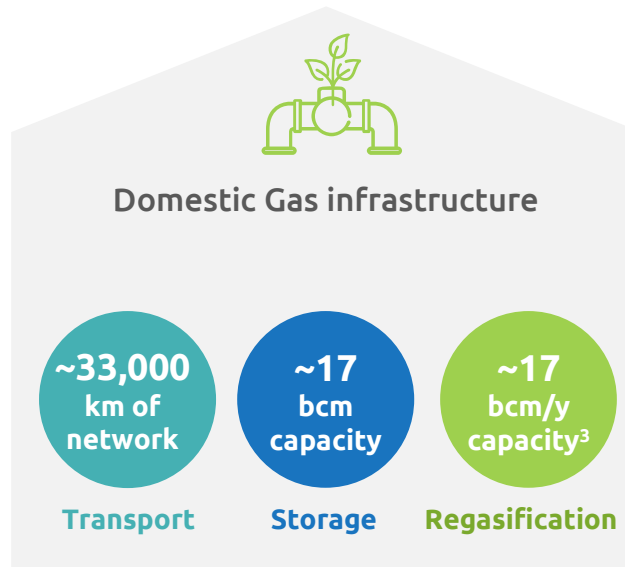
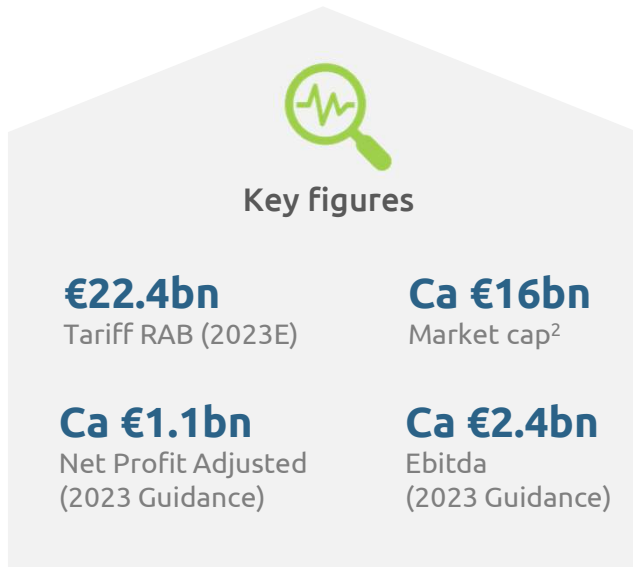


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Key figures



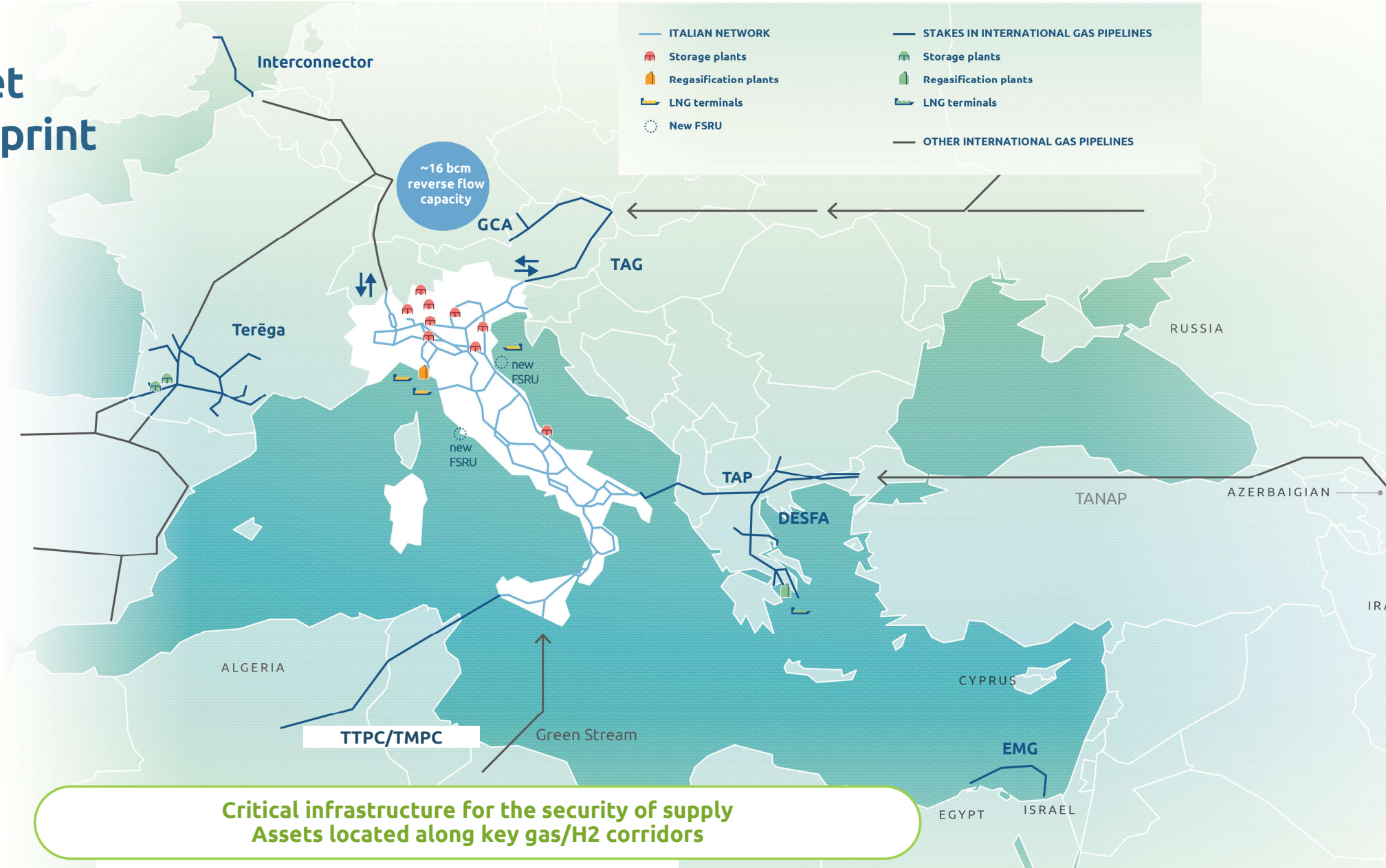
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1. Institutional investors 50.1%, retail investors 9.4%, Minozzi 7.5%, Banca d'Italia 1.4% and Treasury shares 0.2%
 2. Market capitalization at July 5, 2023. 3. Including 5 bcm of capacity of new FSRUs acquired but not yet in operation.

Asset footprint

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Critical infrastructure for the security of supply
Assets located along key gas/H2 corridors

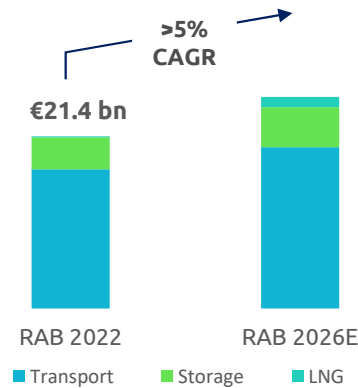
Strategy Plan 2022-26: key figures

Investments

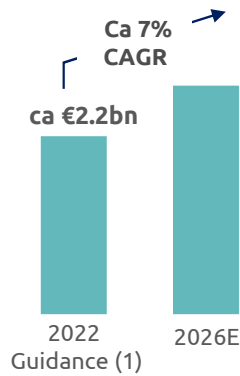


36% Taxonomy aligned

Tariff RAB

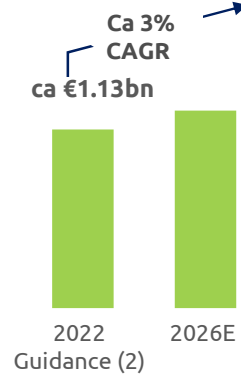


EBITDA



(1) €2,237 EBITDA FY 2022°

Net income



(2) €1,163m Net Profit FY 2022A

New Strategy Plan

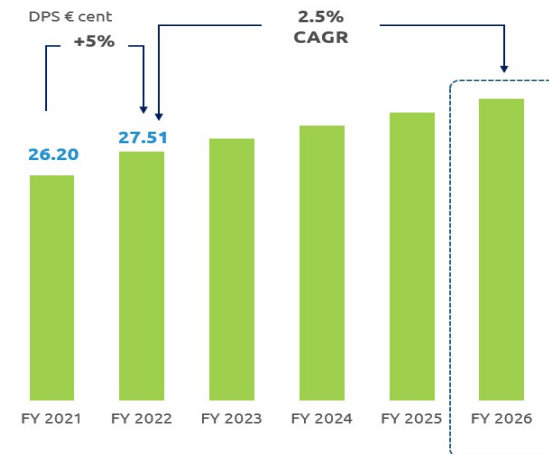
presented on
January 19, 2023

[Source](#)



Solid financial structure and compelling shareholders return

- <70% Net debt/Fixed Assets and FFO/Net debt at **ca 12%** over the plan horizon
- Dividend policy of min **2.5%** DPS annual growth 2022-26



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Snam at a glance



**Stakeholders
engagement**



Governance



Remuneration



Energy transition

Stakeholders engagement



Engagement with the financial community

Snam believes that maintaining constant, constructive relations with investors and the entire financial community is of strategic importance for its reputation.

Roadshow and meetings with investors (2022): >300 investors met in 2022 and >295 ytd in accordance with our engagement policy ([Link](#))



Engagement with Italian Regulator

Snam constantly engages with the Italian authority - Arera. Main public consultations carried out in 2022:

- 10-years Plan
- Adriatic project
- Asset Health Methodology
- Sardinia demand scenario and Virtual Pipeline Configuration
- Procedure for the first delivery of LNG Piombino
- Incremental Capacity Procedure in Melendugno (TAP enlargement)



Engagement with other stakeholders and Institutions (2022 figures)

Customers/suppliers

- 4 commercial workshop
- 1 workshop on 10-years plans
- 1 workshop on impacts evaluation as part of the 2022 materiality analysis

Local institutions

- 100+ national and local meetings, with regions affected by Snam's activities and infrastructure
- 20 mayors met to illustrate key projects
- 8 meetings with local farmers' associations
- 4 meetings with territorial associations

European institutions

- Participation in 7 key European public consultations
- Registration with the EU Transparency Register
- Cycle of hearings of the European Parliament, bringing our experience in decarbonisation
- Strengthening Snam's presence at Think Tanks and other associations₉

Trade Unions

- 143 virtual meetings

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engagement



Governance



Remuneration



Energy transition

Strengthened Governance and Management Team (since 2022 AGM)

New Governance

The Board:

1. Confirmed the Audit, Risk And Related Parties Transactions Committee
2. Assigned duties in the area of Energy Transition Scenarios to the existing Environmental, Social & Governance Committee
3. Merged the Nomination Committee and the Remuneration Committee
4. The Chair embarked on a shareholder engagement exercise to discuss the Snam's approach to sustainability and governance



Chair – Monica de Virgiliis

- Former executive with 25-year track record at international technology & industrial blue chips
- Founder and Chair of the French Chapter of the World Economic Forum's Climate Governance Initiative
- Member of the Supervisory Board of ASM International N.V., a high-tech Dutch company
- Former Board roles: Sustainability Committee Chair at Prysmian; Non-executive director at Geodis and Saras; Chair of Snam Remuneration Committee (2016-2019)

New Management



CEO – Stefano Venier

More than 30 years of managerial experience in the energy and utility sectors, both in Italy and internationally

- CEO of Hera, a multiutility company listed on the Italian Stock Exchange and active in energy, energy networks, water and the environment
- Former Vice-Chairman of Energy & Utilities at A.T. Kearney, working with some of the leading operators of the sector in Italy and Europe












CFO – Luca Passa

(Joined Snam in Jan. 2023)

- CFO of Endesa
- Former head of investor relations at Enel and Fincantieri
- Managing Director at Morgan Stanley, Investment Banking Division and Chief Operating Officer for Italy (2003-14)

Board of Directors (appointed on April 27, 2022)

ROLES AND COMPOSITION

											
Board of Directors	Monica de Virgiliis	Stefano Venier	Massimo Bergami	Laura Cavatorta	Augusta Iannini	Piero Manzoni	Rita Rolli	Qinjing Shen	Alessandro Tonetti	Average	
	Chair	CEO	Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director		
Independent Director ¹	✓		✓	✓	✓	✓	✓	(2)	(2)	67%	
Gender	Female	Male	Male	Female	Female	Male	Female	Male	Male	44% Female - 56% Male	
First appointment	2016-2019 2022	2022	2022	2019	2022	2022	2019	2022	2016	2,4 years average tenure	
Committees										Tot.	Ind.
Audit, Risk And Related Parties Transactions				Member	Member	Chair				3	100%
Nomination and Remuneration			Member				Chair		Member	3	67%
ESG and Energy Transition Scenarios			Member	Chair			Member	Member		4	75%

1. In accordance with the Italian Corporate Governance Code.
2. Officers of the jointly controlling shareholders who have been elected to the Board upon proposal of such shareholders.

Board skills matrix



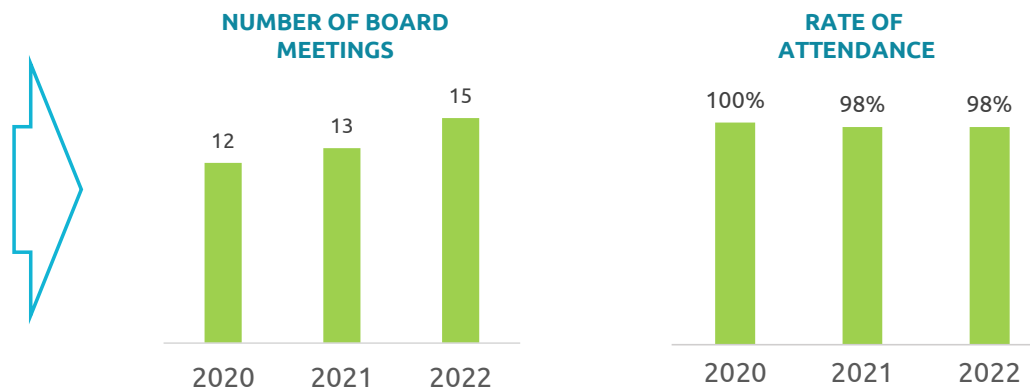
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Board dynamics

2022 Board activity

- The Board of Directors met **15 times**
- The attendance rate was **98%**



2022 Board functioning

Induction & training Programs	Proactive approach to improve the Company's efficiency by involving directors in Board induction sessions on key topics (such as market and regulation, global security and cyber defense, Energy transition businesses and ESG policies) (8 sessions in 2022 and 4 in 2023)
Joint cross-Committee meetings	In order to review matters of common interest, the Committees may meet in joint sessions. During the year, several meetings were held jointly by Committees on issues of cross-department interest . This method ensures effective coordination among the Committees, timely exchange of information and active discussion of shared issues
Strategy workshop	On September 15, 2022 the Board held an strategic offsite comprised of: <ul style="list-style-type: none"> - a morning induction session on scenarios; and - an afternoon session on strategies attended by Board members and a facilitation team
Self-assessment	The Board Evaluation process aims, among others, at identifying any elements that may improve the functioning of the Board in terms of efficacy and efficiency 2023 self-assessment process is currently ongoing to identify ; areas for improvement, : such as areas for requiring more training for Directors and improving internal Board dynamics



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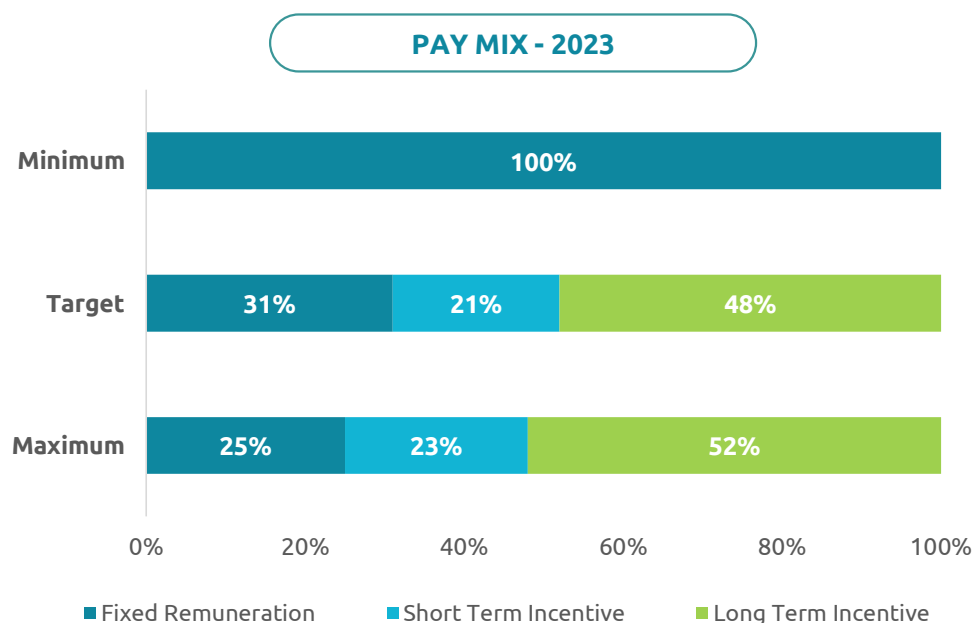
Remuneration



Energy transition

Remuneration Policy

Snam's Remuneration Policy aims at **ensuring alignment with the Company's strategic objectives** taking into account the characteristics of the company's business and the industry in which it operates while ensuring that **the variable component represents a significant portion of total remuneration**



KEY HIGHLIGHTS - 2023

- **Reduced Total Remuneration Opportunity:** As provided for in the 2022 Remuneration Policy, the Board determined the remuneration structure of the new CEO remained broadly the same as the previous CEO. However, the total **fixed remuneration of the CEO** has been **reduced** from Euro 970.000 to Euro 900.000. This reduction has also **reduced the total remuneration opportunity** for the new CEO (given the knock-on effect fixed remuneration has on variable remuneration opportunity).
- **KPIs Linked to Strategic Plan:** Stronger link between the Remuneration Policy and the 2022-2026 strategic plan in order to direct management towards the goal of creating sustainable value for shareholders.
- **Sustainability KPIs in Incentive Plans:** New objectives have been included in the incentive plans by including, for the short-term plan (AMI), a sustainability metric related to ESG criteria within the supply chain scoring model, and for the long-term plan (LTI), a business metric related to Energy Transition Readiness (please refer to next slide).
- **Reduced and capped the CEO severance**, calculated as two years of fixed annual remuneration supplemented by the average of the Annual Monetary Incentive paid in the last three years, **including any indemnity for lack of notice**. There are **no non-competition agreements for the CEO**.

Remuneration performance KPIs

New KPIs approved at the 2023 AG

Annual Monetary Incentive – 2023 KPIs

Objective	Description	Weight
Adjusted EBITDA		30%
Investments	Investments gas infrastructure 1: Spending: Regulated gas infrastructure	10%
	Investments gas infrastructure 2: Milestones main projects	5%
Energy security projects	Strengthening the regasification capacity	20%
Non regulated business Achieving milestones	Biomethane and Energy efficiency	15%
Sustainability	Weighted index of frequency and severity of accidents of employees and contractors	10%
	Sustainable finance: new committed funding (euro/mln)	5%
	ESG criteria in supply chain scoring model	5%

Long-Term Variable Share-Based Incentive Plan 2023-2025 LTIP

Objective	Weight
Adjusted net profit	40%
Value added ¹	20%
Energy transition readiness 1: Km H2 ready	10%
Energy transition readiness 2: MW biomethane installed	5%
Energy transition readiness 3: Projects and market design CCS H2	5%
Sustainability 1: Reductions in natural gas emissions	10%
Sustainability 2: Gender diversity in Snam's management	10%



1. Calculated as the change in RAB in the reference period plus dividends distributed and treasury shares repurchased and reduced by the change in net debt.



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Remuneration



Energy transition

Snam strategy: sustainable value generation

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SYSTEM NEEDS

SNAM ACTIONS

Security of Supply

Develop the **gas value chain infrastructure** to enhance resilience through flexibility and adequate sizing

- **LNG** import: New FRSUs
- **Network** development: Adriatic Line
- **Storage**: pressure optimization & Alfonsine field
- Strengthen **interconnections**: reverse flow and corridor
- **Small Scale mid-stream LNG** 

Sustainability

Accelerate **energy transition** through green and low-carbon gases development

- **Biomethane**: >100MW target
- **Energy Efficiency**: diversify growth
- **CCS ecosystem**: Italy and UK
- **H2 projects**: focus on delivery



Affordability

Ensure energy cost-competitiveness through **innovation efforts and efficiency initiatives**

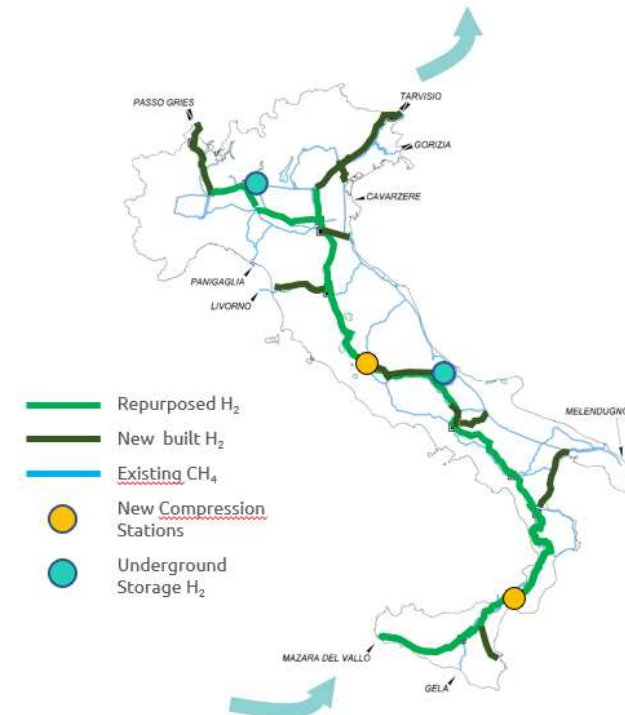
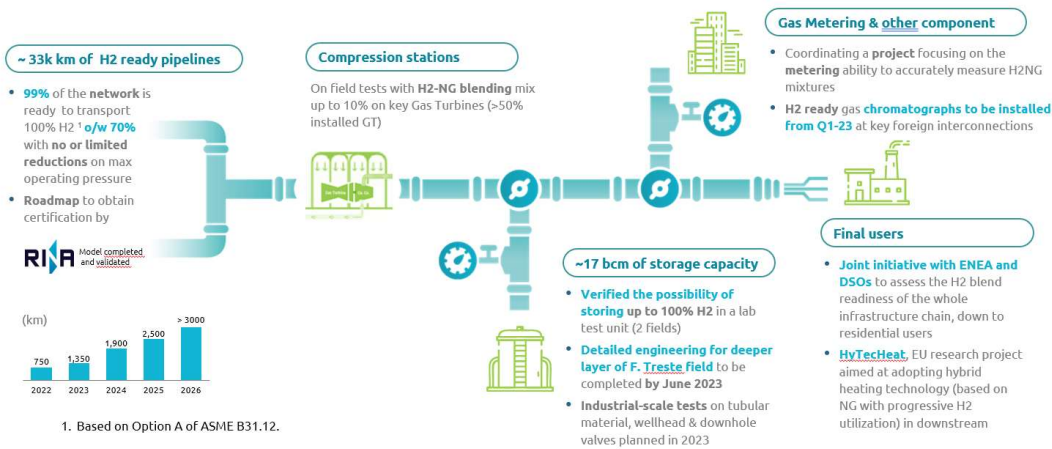
- **SnamTEC**: >50 active projects
- Focus on costs efficiency, preparing for ROSS*
- Flexibility & effectiveness for output based incentives

€10 bn investments 2022-26 to accelerate security of supply and future-proof the asset base

Enabling Energy Transition through our assets

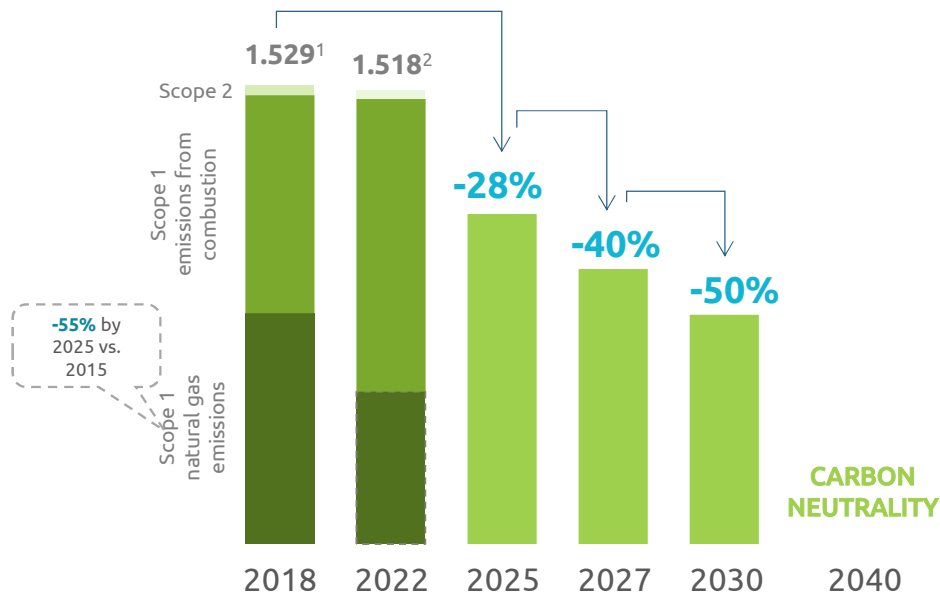
From asset H2 readiness...

...to the future multi-molecule Energy System



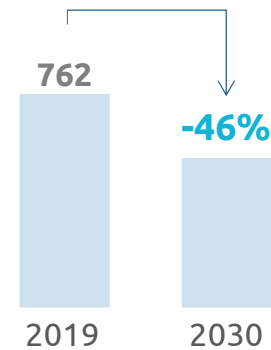
Committed to carbon neutrality

Scope 1 & 2 targets (ktons of CO2e)

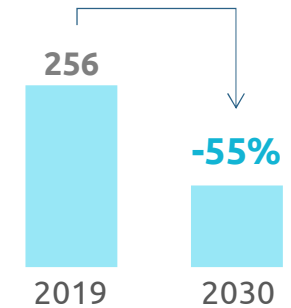


Scope 3 emissions targets

Associates, fuel & energy, other (ktons of CO2e)



Supply chain emissions intensity (tCO2e/ M€ capex)

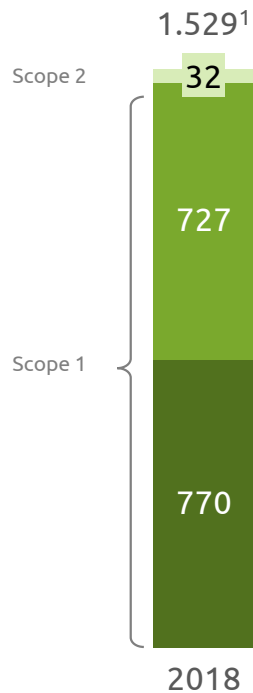


All scope targets aligned with 1.5° C and SBTi methodology³

1. Considering the new Methane Global Warming Potential issued by IPCC, AR6 (from 28 to 29,8), the 2018 baseline is 1.579 ktCO2e.
2. Scope 1 and 2 GHG emissions broadly in line with 2021 despite very challenging context : +3,4% on Snam Group. 1,451 ktons on a fully regulated perimeter , -0,6% vs 2021
3. Near-term targets in line with general methodology (1.5°). Once the Oil&Gas methodology is made available by SBTi, Snam will initiate its review to submit targets.

Scope 1 & 2 CO2e baseline and key actions to reduce emissions

Snam Scope 1 & 2 emissions (kton CO2e)



- Indirect emissions for use of electricity and hot & cold vectors
- Natural gas burned by compression stations, gas network heaters, office heating
- Fuel used by electrical generators and vehicle fleet
- Methane emissions (fugitive, pneumatic, vent and incomplete combustion)

Key future actions to reduce emissions

- Increase electric energy from renewable source, including production from photovoltaic plants
- New LEED-certified headquarter
- Dual fuel turbo compressors
- Installation of high-efficiency heaters / generators
- Increase in energy efficiency and savings from our buildings
- Conversion of company fleet to vehicles using natural gas
- Leak Detection And Repair (LDAR) program
- Replacement of gate valves in approx. 350 pressure reduction stations and in compressor stations
- Replacement of over 3,000 pneumatic actuators and instrumentation
- Recompress natural gas into the network during planned maintenance (target to reduce by 40% every year)

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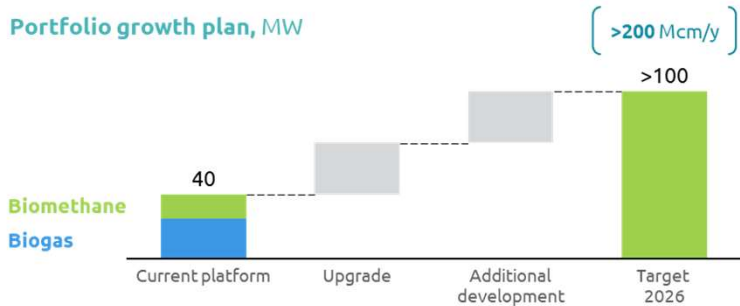
1. Considering the new Methane Global Warming Potential issued by IPCC, AR6 (from 28 to 29,8), the 2018 baseline is 1.579 ktCO2e.

Accelerating Energy Transition



BIOMETHANE

Portfolio growth plan, MW



HYDROGEN

Pursue options for H2 production and use leveraging on:

- Public funding contributions as key enablers
- H2 network readiness and **blending** as system services
- R&D of **innovative technologies**
- Strategic partnership with De Nora

CCS

Learning from experience in leading markets



Responding to Italian decarbonization needs

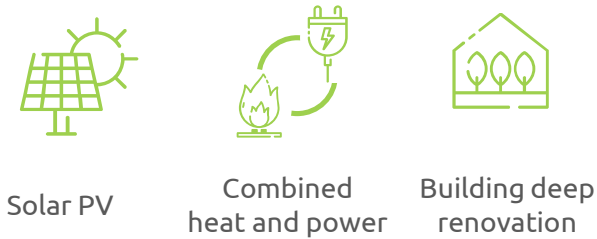


Pilot	Phase 1	Phase 2
0,03 MtCO ₂ /y	~4 Mt/y	~16 Mt/y
	Outside Plan horizon	



ENERGY EFFICIENCY

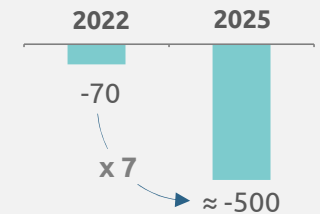
Foster energy independence through demand efficiency and distributed generation



Leadership in energy services

EMISSIONS AVOIDANCE ENABLED

ktons CO_{2e}



Just Transition

With the territory and for the territory in support of a **just transition**, with a focus on energy and ecological aspects



Energy Poverty

Helping people reduce their energy consumption and, together with them, promote the energy retrofit of residential buildings



Educational Poverty

Contrasting school dropout and supporting young people's access to the professions of the future, working directly with schools and in close contact with students



Food Poverty

Reducing food waste and encouraging the most fragile people to adopt sustainable eating styles



Snam Resources

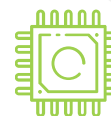
Involve Snam people and resources



Urban and rural regeneration and digitalisation will facilitate the grounding of the initiatives on energy, education and food poverty

Urban and rural regeneration

Promoting united, resilient and sustainable communities, including through the physical redevelopment of spaces

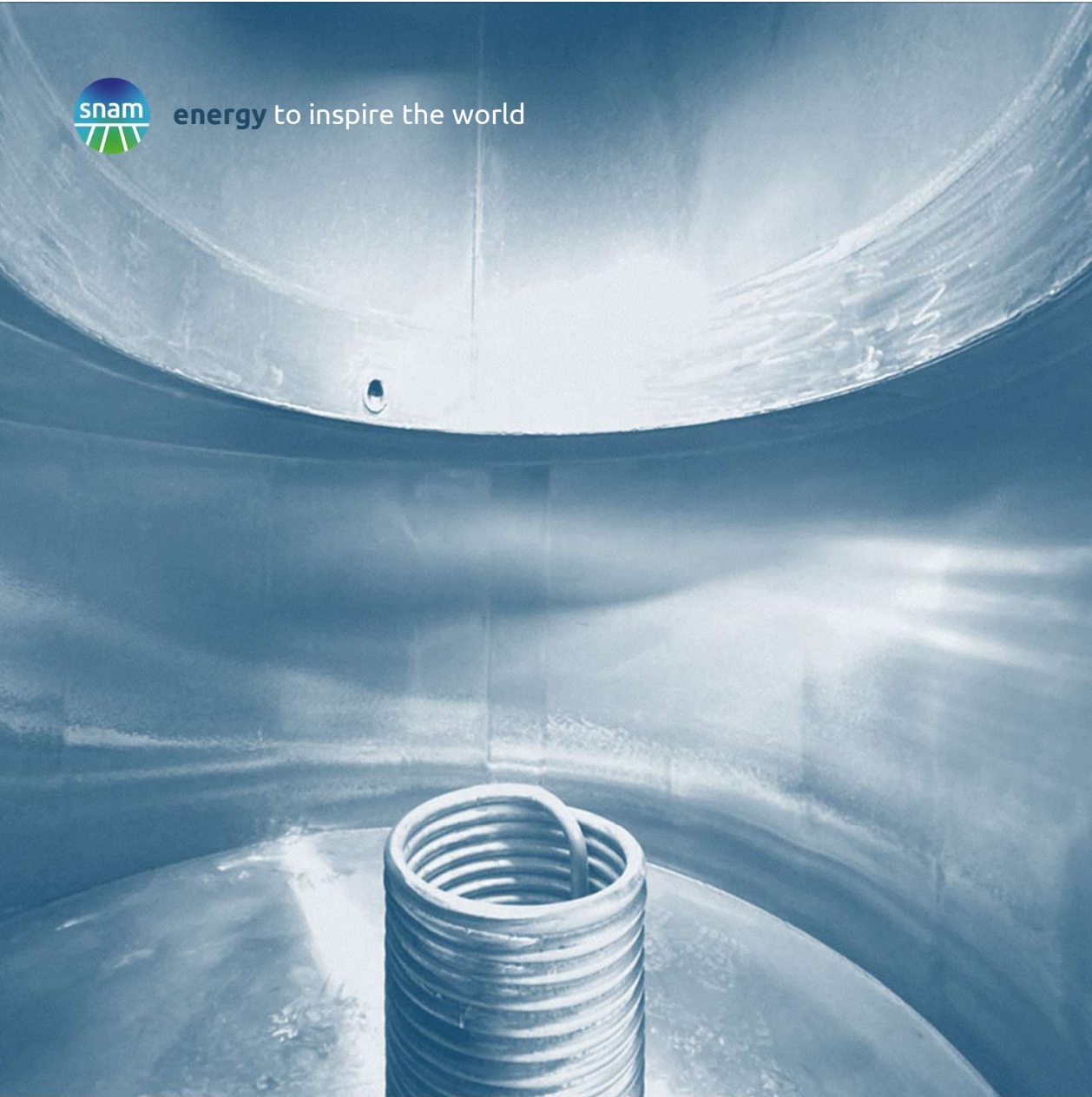


Digitalisation

Reducing inequalities and expanding opportunities for individual and community growth



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Back UP

D&I, HR development & Welfare

D&I

Gender Policy

- HRO practices and processes to create a work environment with **equal gender opportunities**
- Entire cycle of **selection, management, development** and career of people

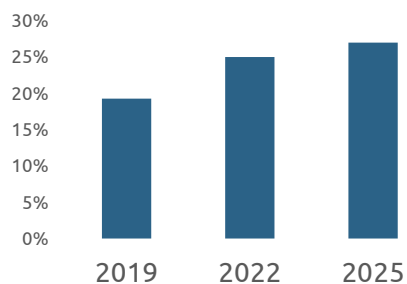
Diversity Recruiting Policy

- Standardised and inclusive methodology
- Selection and recruitment process through **clear and shared guidelines**
- Uses AI to make the process **gender-neutral**

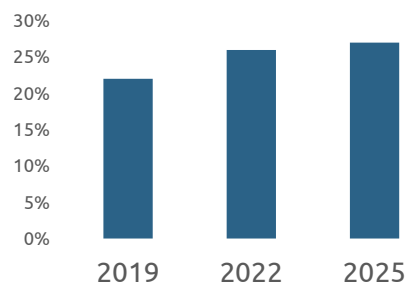
Harassment Policy

- Guidelines to prevent, detect, prohibit and **constantly monitor phenomena** related to physical and psychological harassment in the workplace

% of women in executive and middle-management roles



% of women in succession planning (1° and 2° reporting line and key positions)



Training

As an innovation accelerator, the **Snam Institute** disseminates Snam's technical know-how to make it available to everyone through training courses. 3 main areas:

1. **Leadership:** managerial skills
2. **Innovation & Transformation:** project & change management
3. **Technical:** strategic competences

Ca 120.000 training hours in 2022 (+33% vs 2021)

Welfare initiatives

Snam employees are covered by collective agreements that in Italy include minimum wage and welfare protection.

Snam offers over **30 welfare services** to meet its employees' needs organised into 5 main areas of intervention:

Snam pays particular attention to employees wellbeing with several initiatives: in 2023 for example a plan has been started to be deployed on all employees to provide integrative health insurance.

- **Family and Education**
- **Health and Care**
- **Well-being and Work-Life Balance**
- **Finance and Savings**
- **Social Commitment**

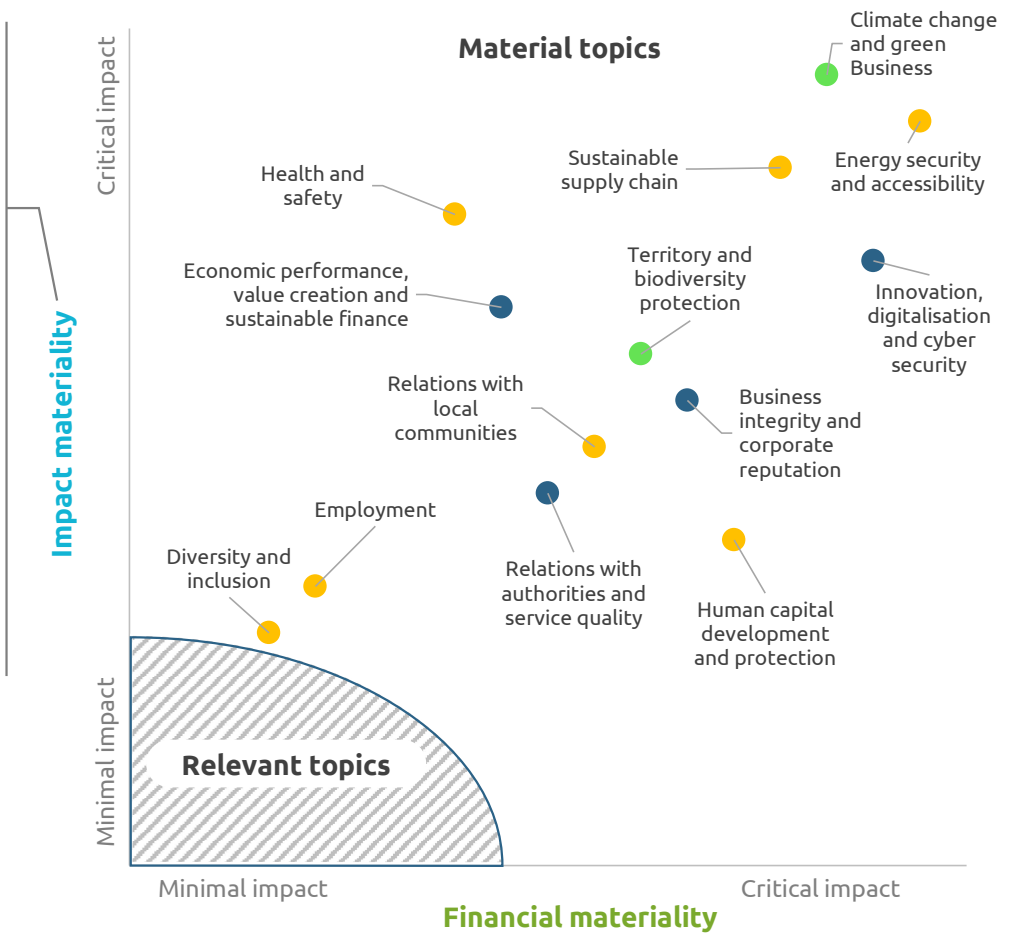
Materiality analysis – Preliminary results 2022

● Environment ● Social ● Governance

MATERIAL TOPICS ACCORDING TO GRI

- Climate change and green Business
- Energy security and accessibility
- Sustainable supply chain
- Health and safety
- Innovation, digitalisation and cyber security
- Economic performance, value creation and sustainable finance
- Territory and biodiversity protection
- Business integrity and corporate reputation
- Relations with local communities
- Relations with authorities and service quality
- Employment
- Diversity and inclusion

DOUBLE MATERIALITY



In order to determine the relevance from the two perspectives, different types of activities have been carried out:

- **Survey** (11 categories for impact materiality and 2 for financial) **with >2.800 inputs**
- **3 workshops**

Compared to the materiality definition provided by the GRI Standards, the **CSRD** introduces the **double materiality** concept composed by **two perspectives: impact and financial materiality**



Board of Directors - Committees

Audit, Risk and Related Parties Transactions – 100% independent



Piero Manzoni

Independent Chairman
of the Committee



Laura Cavatorta

Independent
Director



Augusta Iannini

Independent
Director



10 meetings in 2022

Responsibilities

- Financial and non-financial statements
- ERM
- Internal control and compliance
- Related parties transactions

Nomination and Remuneration – 67% independent



Rita Rolli

Independent Chairwoman
of the Committee



Massimo Bergami

Independent
Director



Alessandro Tonetti

Non-executive
Director



21 meetings in 2022*

- Board composition and nomination
- Succession planning
- Board performance evaluation
- Remuneration

ESG and Energy Transition Scenarios – 75% independent



Laura Cavatorta

Independent Chairwoman
of the Committee



Massimo Bergami

Independent
Director



Rita Rolli

Independent
Director



Qijing Shen

Non-executive
Director



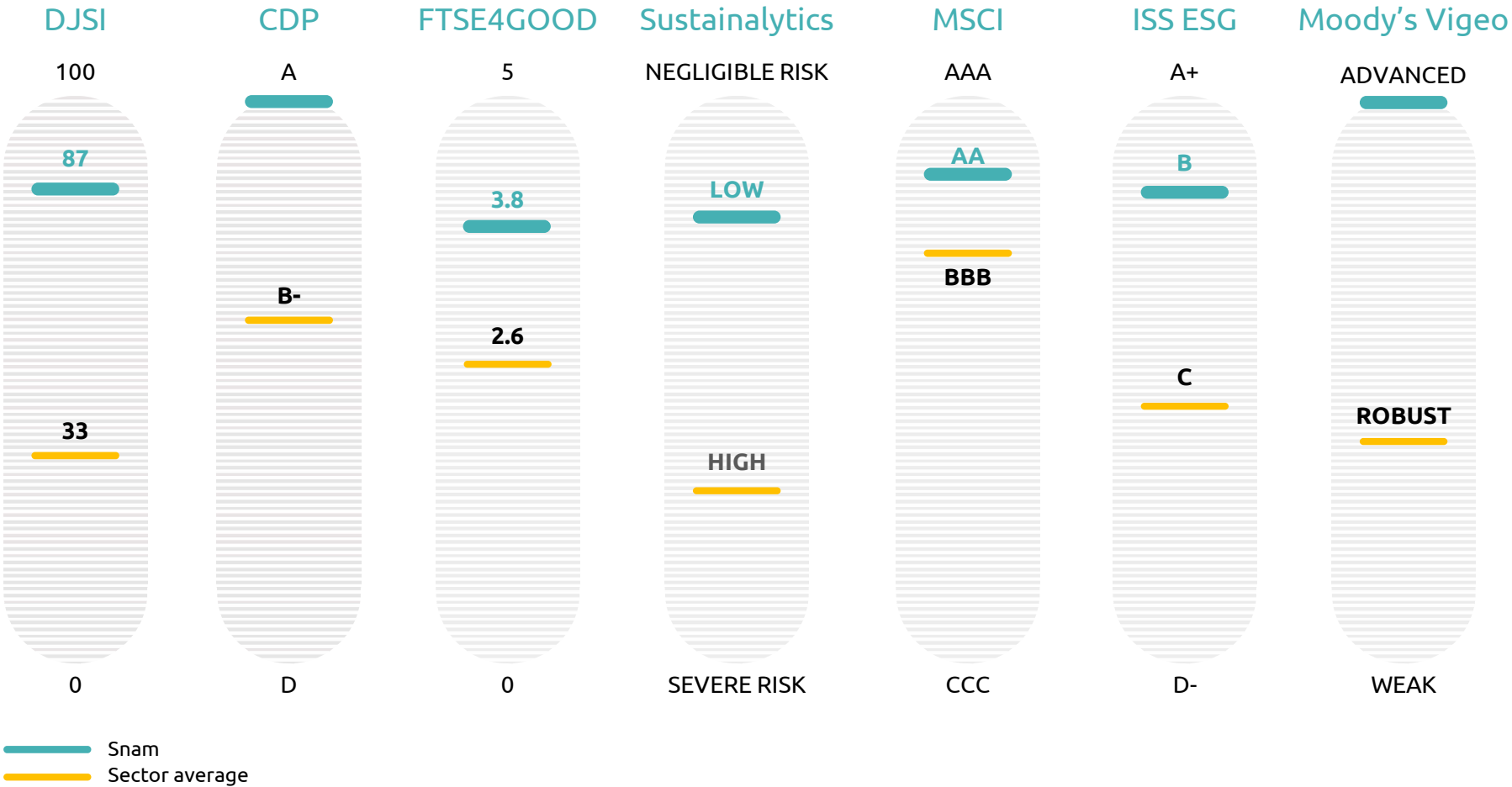
12 meetings in 2022

- Sustainability strategy and reporting
- Energy transition scenarios
- Just transition

* Before April 27, 2022:
(i) Nomination Committee: 4 meetings
(ii) Remuneration Committee: 7 meetings.

Snam ESG index positioning

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Taxonomy eligibility and alignment

— FY 2022
— FY 2021

Eligibility

Alignment

Revenues

- **Transport of CH4** : pro-quota of yearly demand
- **Storage of CH4**: excluded
- **LNG**: excluded
- **Biomethane**: 100% eligible
- **Mobility**: excluded
- **Energy Efficiency**: 100% eligible
- **H2&CCS**: 100% eligible

21%

81%

- **Transport of CH4**: revenues aligned pro-quota of green gases on yearly demand
- **Biomethane**: 100% aligned
- **Energy Efficiency**: cogeneration excluded
- **H2&CCS**: 100% aligned

20%

n.a.

Opex

- Only Opex for maintaining the assets
- Same interpretation as Capex

75%

94%

- Same interpretation as Capex

37%

n.a.

Capex

- **Transport of CH4**: 100% eligible
- **Storage of CH4**: excluded
- **Biomethane**: 100% eligible
- **Buildings**: 100% eligible
- **Mobility**: Excluded
- **Energy Efficiency**: 100% eligible
- **H2&CCS**: 100% eligible

63%

73%

- **Transport of CH4** :
 - H2-ready capex 100% aligned
 - Maintenance excluded
 - Methane leakage reduction 100% aligned
 - investments to reduce emissions 100% aligned
 - Connection of biomethane plants 100% aligned
- **Biomethane**: 100% aligned
- **Buildings**: alignment depending on energy efficiency criteria
- **Energy Efficiency**: cogeneration excluded, remainder 100% aligned
- **H2&CCS**: 100% aligned

39%

37%



ESG Scorecard FY-2022



Environment

	Actual 2022	Target 2022
1 % reduction of NG emissions vs 2015	-45%	-40%
2 % NG recovered from maintenance activities (avg. last 5y)	57%	>40%
3 MWh of electricity production by photovoltaic plants	1.035	>860
4 % retrofit and methane fuelled cars out of total car fleet	59%	55%
5 Production of biomethane (Mscm)	19,1	33,1
6 Reduction of CO2 equivalent from energy efficiency (Kton)	26	24
7 Cumulated number of installed CNG and LNG stations	85	85
8 Available LNG capacity for SSLNG market (mln m3)	-	-
9 % of vegetation restoration of the natural and semi-natural areas involved in the construction of pipelines routing	99,9%	>99%



Social

	Actual 2022	Target 2022
10 % participation in welfare initiative	71,8%	52%
11 % employee engagement index	-	-
12 IpFG (Combined Frequency and Severity Index)	0,60	0,7
13 % of women in executive and middle-management roles	23,1%	23% (Target) 25% (Max)
14 % of women in succession planning	26%	26%
15 % of spending to local suppliers on total non-public procurement	44%	40%
16 % of local suppliers involved out of total contractualized suppliers	67%	45%
17 Introduction of ESG criteria in scoring models (% of spending on assigned contracts)	34%	10%
18 % employees hours devoted to Snam Foundation initiatives supporting local communities	6.147	4.600



Governance

	Actual 2022	Target 2022
19 Average annual customers satisfaction rate in terms of service quality	8,4	7,95
20 % of reliability levels on gas supply	99,9%	99,9%
21 % of third parties on which reputational due diligence checks done	100%	100%
22 % of ESG Financing on the total Committed Funding	70%	65%
23 % of BoD time dedicated to ESG matters in strategy meetings and induction sections	42%	At least 40%

Disclaimer

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