2022 ANNUAL REPORT

SUSTAINABLE THINKING

snam

Energy to inspire the world

Snam is the leading European operator in natural gas transport, with a network of around 38,000 km in Italy and abroad. The company also deals with storage, of which it holds 17.1% of the European capacity, and regasification, with 6.5 billion cubic meters of gas that will rise to 16.6 billion cubic meters to 2024 due to the installation of regasification plants in Piombino and Ravenna. Snam is among the leading Italian listed companies by market capitalisation.

With its 80 years of experience in the development and management of infrastructure, Snam guarantees security of supply and promotes energy transition with investments in green gas (biomethane and hydrogen), energy efficiency and CCS (Carbon Capture and Storage) technology. It also creates new green areas through a benefit company focused on urban forestation projects.

Snam is committed, among the first companies in the energy sector, to achieving zero net greenhouse gas emissions ("Scope 1" and "Scope 2" emissions) by 2040. As of 2021, the company has set a reduction target on indirect "Scope 3" emissions compared to subsidiaries and suppliers by 2030. The corporate business model of the company is based on sustainable growth, transparency, the development of talent and diversity and the protection and social development of local communities.

2022

ANNUAL REPORT

SUSTAINABLE THINKING

This document is an English language translation of the official Italian version and it is provided in addition to the European Single Electronic Format (ESEF) version, required by the European Commission delegated Regulation (EU) 2019/815, published and filed in accordance with the provisions of the law.

CORPORATE BODIES

BOARD OF DIRECTORS(*)

Chairwoman
Monica de Virgiliis(1)(2)(3)

Chief Executive Officer
Stefano Venier(1)

Directors
Massimo Bergami(1)(3)
Laura Cavatorta(3)(4)
Augusta Iannini(1)(3)
Piero Manzoni(3)(4)
Rita Rolli(3)(4)
Qinjing Shen(1)
Alessandro Tonetti(1)

BOARD OF STATUTORY AUDITORS(*)

Chairman
Stefano Gnocchi(6)

Standing Statutory Auditors
Gianfranco Chinellato(5)
Ines Gandini(5)

Alternate Statutory Auditors
Federica Albizzati(6)
Maria Gimigliano(5)

CONTROL AND RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE(**)

Piero Manzoni - Chairman
Augusta Iannini
Laura Cavatorta

APPOINTMENTS AND REMUNERATION COMMITTEE(**)

Rita Rolli - Chairwoman
Massimo Bergami
Alessandro Tonetti

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE AND ENERGY TRANSITION SCENARIOS(**)

Laura Cavatorta - Chairwoman
Massimo Bergami
Qinjing Shen
Rita Rolli

INDEPENDENT AUDITORS(***)

Deloitte & Touche S.p.A.

(*) Appointed by the Shareholders' Meeting of 27 April 2022 - in office until the date of the Shareholders' Meeting to be convened in 2025 to approve the financial statements for the year ending 31 December 2024.
(**) Established by the Board of Directors on 27 April 2022.
(***) Appointed by the Shareholders' Meeting of 23 October 2019 for the period covering the years 2020 - 2028.
(1) Directors nominated in the list submitted by the shareholder CDP Reti S.p.A.
(2) Appointed Chair of the Board of Directors on the proposal of the Shareholder CDP Reti S.p.A.
(3) Independent Directors pursuant to the TUF and the Corporate Governance Code.
(4) Directors nominated in the list submitted jointly by Institutional Investors.
(5) Auditors nominated in the list submitted by the shareholder CDP Reti S.p.A.
(6) Auditors nominated in the list presented jointly by Institutional Investors.

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DISCLAIMER

The Annual Report contains forward-looking statements, in particular in the sections on Strategy and Outlook with reference to: evolution in natural gas demand, investment plans and future operating performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. Actual results could therefore differ from those announced due to various factors, including: foreseeable trends in natural gas demand, supply and prices, general macroeconomic conditions, the impact of energy and environmental legislation, success in the development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.

Snam, the Snam Group (or the Group) means Snam S.p.A. and the companies within its scope of consolidation.

For the Glossary please refer to www.snam.it/en/utilities/Glossary/index.html.

SNAM'S REPORT

Snam has structured its reporting in an integrated manner with the aim of providing a broad, complete, transparent and responsible response to its stakeholders' requests, presenting a detailed view of its activities, performance and objectives for the future.

MANDATORY

ANNUAL REPORT

It provides a **comprehensive view of financial and non-financial performance** through the information contained in the Director's Report - Integrated Report, the Non-Financial Statement, the Consolidated Financial Statements and the Annual Financial Statements.

NON-FINANCIAL CONSOLIDATED STATEMENT

The document, drawn up in accordance with Legislative Decree 254/2016, describes the company management and organizational models, the policies implemented, the risks, their management and mitigation measures, as well as the performances in relation to the sustainability issues relevant to the Group.

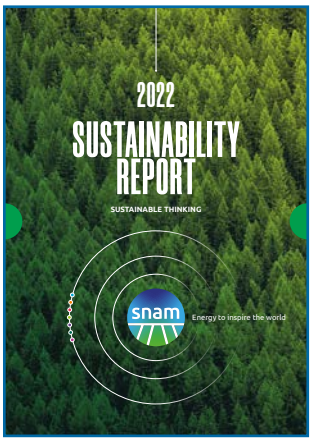
REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

It provides detailed information about the Company, its **governance structure** system, the **ownership structure**, the **internal control and risk management system** and related topics.

REPORT ON THE REMUNERATION POLICY AND FEES PAID

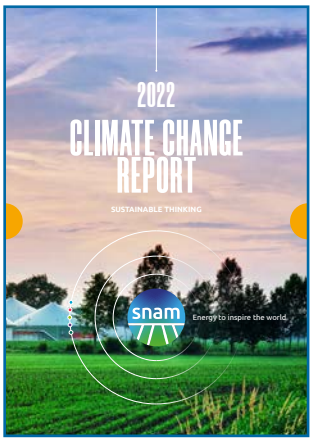
It describes and investigates the Company's **Remuneration Policy of Directors and Executives** specifying the goals, the involved bodies, the procedures for its adoption and implementation in addition to the remuneration paid.

VOLUNTARY



SUSTAINABILITY REPORT

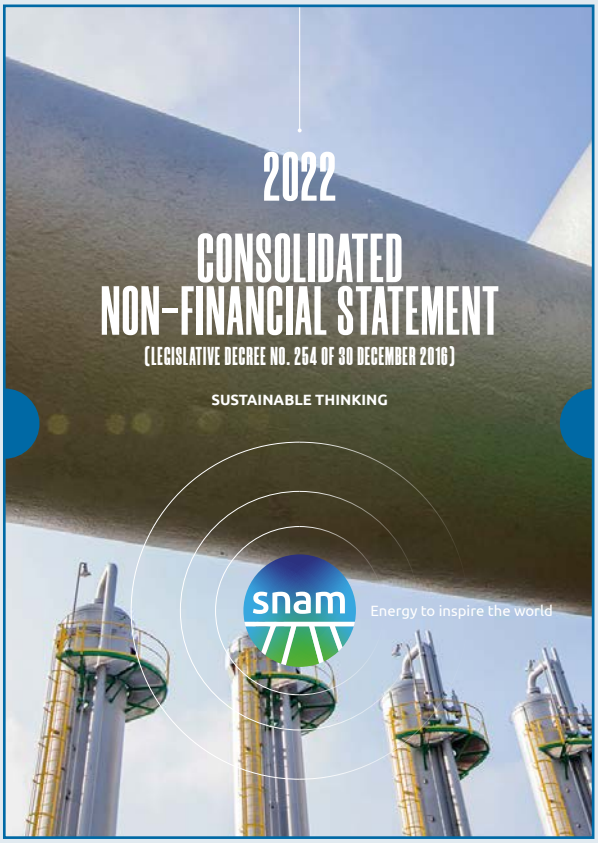
Drawn up in accordance with the GRI Sustainability Reporting Standards, it presents initiatives, major projects, performance and targets on **environmental, social and economic (ESG)** issues in order to strengthen the relationship and collaboration with all the Group's stakeholders.



CLIMATE CHANGE REPORT

It describes the **governance, strategy** and scenarios, risks and **opportunities, metrics** and **targets for the fight against climate change**, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board.

FOCUS ON



ANNUAL REPORT

The **Annual Report**, which includes the **Directors' Report**, represents the **Integrated Report** drawn up in accordance with the principles of the Framework of the **IIRC** (International Integrated Reporting Council). In addition to the **Directors' Report**, the document also contains the C**onsolidated Financial Statements** and the **Separate Financial Statements**.

The Directors' Report aims to represent, **in addition to annual results, Snam's model for creating sustainable value over the medium/long-term**, highlighting the integration and existing connections between strategy, economic/financial performance and the social, environmental and economic situation in which the Group functions. The aspects dealt with in the Directors' Report represent the main factors which may influence its economic/financial performance and their impacts on sustainability topics which are material for the Group.

In addition, the Directors' Report contains the **Consolidated Non-Financial Statement (NFS)**, which was prepared in accordance with the provisions of Legislative Decree 254/2016, in accordance with the GRI Standards of the Global Reporting Initiative. The NFS contains information on the company's management and organisational methods, policies, risks and how they are managed, and performance on sustainability issues relevant to the Group. When necessary or expedient, the contents of the NFS include references to information available in other sections of the Directors' Report, which can be easily identified by the **blue "NFS" symbol** placed next to the title of the relevant chapter/section. Additionally, given Snam's adhesion to the Task Force on Climate-Related Financial Disclosure - TCFD, sections of the document which contain information on the recommendations are identified through the **light blue "TCFD"** symbol found next to the title.

As of 2022, in addition to the reporting of the **Sustainability Accounting Standards Board (SASB)** indicators for the midstream oil & gas sector and the **World Economic Forum (WEF)**, contained in the white paper 'Measuring Stakeholder Capitalism', the Report also provides information on the **Principal Adverse Impact indicators (PAI indicators)** required by the EU Sustainable Finance Disclosure Regulation (SFDR).

DIRECTORS' REPORT
INTEGRATED REPORT

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ENERGY TO INSPIRE THE FUTURE

Infrastructure development

Energy transition and decarbonisation

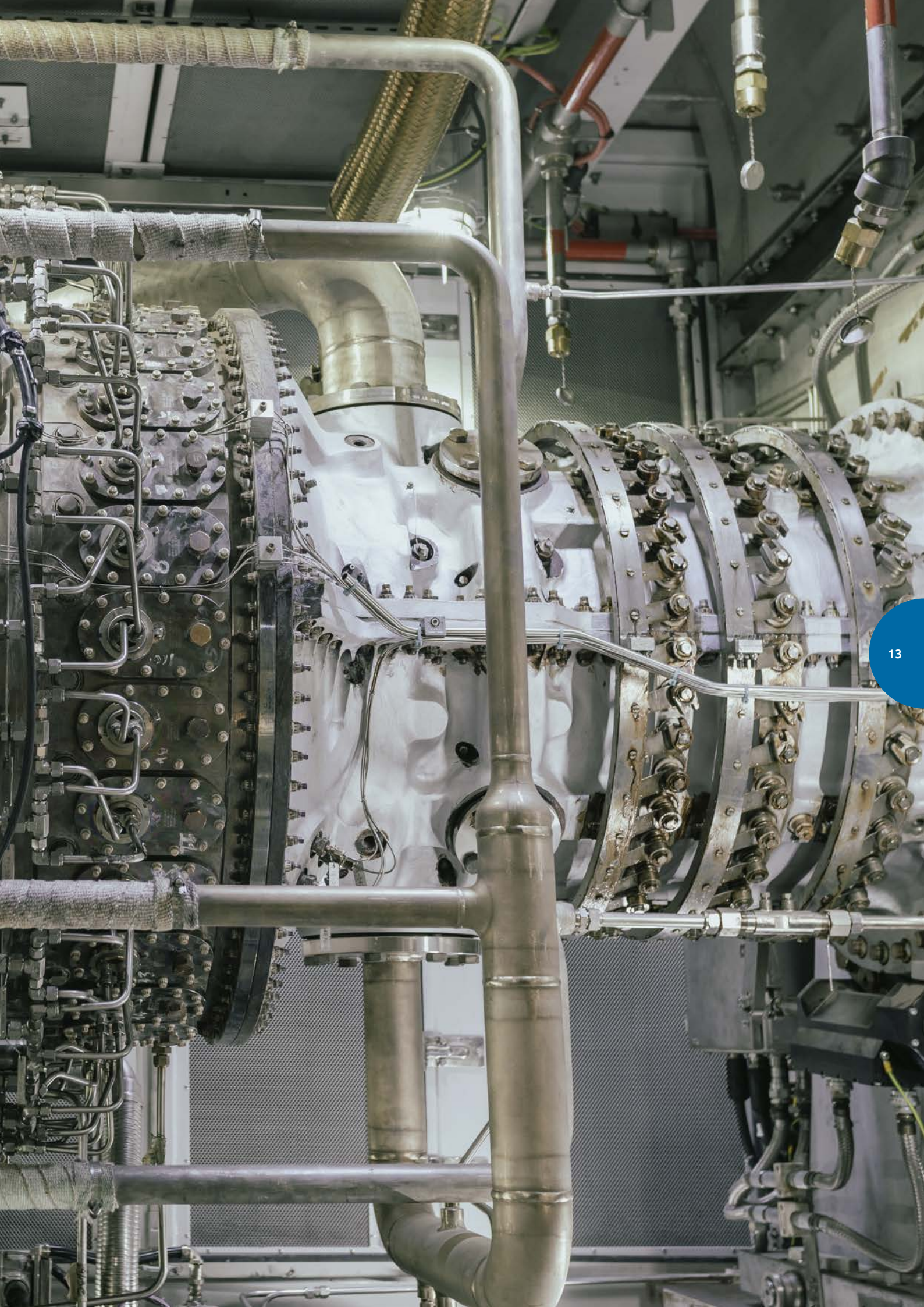
Digitalisation

SNAM'S PURPOSE

"**Energy to inspire the world**", Snam's purpose included in its Articles of Association in 2021, is based on Aristotle's thought that the purpose of every individual - its reason for being - lies at the intersection between the individual's talent and what the world needs. "Energy to inspire the world" encapsulates Snam's experience, engineering tradition and ability to be a leader in the energy sector, while providing the tools and innovation needed to achieve the **objectives of security and drive towards the country's energy transition**, with a view to creating a resilient, safe and sustainable energy system.

These goals, supported by a major investment plan (**2022-2026 Strategic Plan**) in infrastructure business, green gas (biomethane and hydrogen), energy efficiency and decarbonisation technologies, will be achieved through the Group's expertise, the creation of solid and trusting relationships with local communities, and collaboration with suppliers and associate companies.

The major integration of sustainability into the business, which is part of Snam's purpose, is also demonstrated by the ESG Scorecard, a set of annual targets in the environmental, social and governance spheres, designed to provide stakeholders with maximum transparency on the Group's commitment in these areas and to report transparently on the progress achieved.



LETTER TO STAKEHOLDERS

Chairwoman

MONICA DE VIRGILIIS

Chief Executive Officer

STEFANO VENIER

Dear Stakeholders,

2022 was a watershed year for the global energy system, which had to cope with the geopolitical, economic and social consequences of the Russian invasion of Ukraine.

The ongoing war has completely reshaped the priorities of the energy sector, which had already been under strain in the previous months due to the structural reduction of investments and the negative events in the European electricity sector. The gradual decline in the flow of Russian-sourced natural gas to Europe has brought general attention back to the issue of security of supply in a way that has not happened since the energy crises of the 1970s and 1980s.

The centre of gravity of the entire Italian energy system was reversed, shifting towards the Mediterranean area: gas volumes transported from North to South fell by 31% year-on-year while imports from the southern routes grew by 15%. Meanwhile, the quantities of LNG (liquefied natural gas) from the US, Africa and the Middle East soared by 46%.

A complex scenario, which Snam was able to tackle effectively and quickly. In full harmony with the measures taken by the government and thanks to our tangible and intangible assets, we responded to the short-term crisis in real time while still managing not to lose sight of the objective of working towards building a more resilient energy system geared towards enabling the energy transition. The hourglass of gas flows was overturned, and Snam accompanied this change of direction while preventing any disturbances to the system.

We acted along all lines of our business. The actions implemented in storage with last-resort filling (started since last summer), counter-flow storage, intraday auctions, and services to optimise available capacity made it possible, on the one hand, to start the winter delivery phase with greater than 95% filling, and on the other hand to preserve the gas in storage with quantities that will have a positive effect on the next filling campaign and on prices in the months to come. We quickly purchased and will soon make two new regasifier ships available to the country, each with a capacity of 5 billion cubic metres per year.

Both have completed the authorisation process and the first will be operational starting in May 2023. Looking ahead, the LNG contribution to meeting domestic demand could thus rise from the current 20% to 40%, ensuring higher levels of flexibility and security and offering new opportunities to emerging areas of the Mediterranean.

Also thanks to these lines of development and the presence abroad, we can continue to strengthen our unique position in Europe as an integrated TSO (Transmission System Operator) across the entire value chain (transportation, storage, LNG) with assets strategically located along key corridors for natural gas and, in perspective, for hydrogen: north, west and more recently south after the conclusion of the purchase of the shares of the gas pipeline from Algeria (TTPC and TMPC) in January 2023.

Building a more resilient energy system in a time of great volatility and uncertainty was only the first step in our strategy, geared towards support to the goal of 'carbon neutrality'. We have consolidated our commitment in energy transition by acting as enablers of new technological solutions for decarbonisation: we have increased our presence in biomethane with Bioenerys; we have continued to invest in energy efficiency and sign agreements with the public administration with Renovit; in a joint venture with Eni, we have launched the first Italian CCS (Carbon Capture and Storage) project. The memorandum of understanding concluded with Edison for the development of the small scale LNG business goes in the direction of decarbonising land, sea and rail transport.

Our commitment in innovation and for new technologies continues with the Snaminnova and HyAccelerator programmes, the latter dedicated to technologies for hydrogen development and decarbonisation.

In short, today's Snam is a company with a clear strategic development path ahead, capable of rebalancing the 'energy trilemma' (security, competitiveness, sustainability of supplies) called into question by the events of recent years.

The direction to follow has been outlined and specified both in the 2022-2026 Strategic Plan of last January and in our vision to 2030: a) infrastructure development, all with a view to H2 readiness; b) decarbonisation through green gases (hydrogen and biomethane), CCS and energy efficiency; c) digitalisation and optimisation of assets and industrial processes. Three guidelines on which we have planned ten billion euros investments over the plan period. Over the same period, and while maintaining financial solidity, Snam expects significant growth in key performance indicators, with average annual growth of 7% in EBITDA and 3% in net profit, while the weight of sustainable finance is expected to increase from the 70% achieved at year-end to 80% in 2026.

Even in an uncertain scenario, the financial results for 2022 demonstrate the Group's solidity and make it possible to propose a unit dividend of 0.2751 euros (of which 0.11 euros has already been distributed as an interim payment) to the Shareholders' Meeting on 4 May, confirming a shareholder remuneration policy that is not only attractive but also sustainable over time.

Snam's commitment for carbon neutrality targets by 2040 remains unchanged despite the current challenging context. Changes in the industrial set-up and changes in gas transport flows have, in fact, had and will have an impact on emissions. However, countermeasures have already been taken in the past year that will bear fruit in the medium to long term. The plan to replace compressor stations with dual-fuel (gas/electric) solutions was updated. Actions to reduce methane emissions (-45% in 2022 compared to 2015) beyond plan targets and UNEP, United Nations Environment Programme, objectives will continue.

In line with the goal of a 'just transition', we have also refocused our efforts for social sustainability, put at risk by the long wave of the pandemic and the effects of the energy crisis on the most exposed sections of society. With the Snam Foundation, we have also redesigned our areas of intervention, focusing on combating three kinds of poverty: energy, education and food, with initiatives targeted at territories, particularly those where our industrial activity is most concentrated.

The decarbonisation of the energy system is a multi-level, interconnected process: geography, timing, investments, prices, technologies, geopolitical factors. Precisely for this reason, energy transition is not a linear path and the events of recent months have shown it.

Anticipating and governing this framework, we have shown that we can play a leading role in the ongoing processes, and be capable of building a 'security corridor' for the country and our stakeholders. Thanks to our assets, and the skills of our people, we are ready to seize all opportunities to consolidate and develop our globally recognised leadership in energy.

15 March 2023

For the Board of Directors

Chairwoman *CEO*

OUR HISTORY

1941 – ESTABLISHMENT OF SNAM

On 30 October 1941, the National Methane Pipeline Company for the construction and use of methane pipelines, and the distribution and sale of gas, is established.

1960/1985 – THE METHANISATION OF ITALY

From 1960 to 1980, the network in Italy is quadrupled, reaching almost 15,000 km of total length in 1980.
Import pipelines from Holland, Siberia and Algeria are built.

1995 – FIRST ENVIRONMENTAL REPORT

Snam publishes its first Environmental Report, a voluntary tool adopted to make public data relating to atmospheric emissions, waste management, protection of the land and biodiversity, etc.

1997 – UPGRADING OF GAS PIPELINES

Snam completes the upgrading of the import gas pipelines from Northern Europe and begins the construction of an additional import line from Russia and of the Greenstream, the undersea submarine gas pipeline imported from Libya.

2000 – THE FIRST MANAGEMENT SYSTEMS

The Company obtains certification of its environmental management system in accordance with the UNI EN ISO 14001 international standard, from a third-party independent body, for its gas compression stations and LNG regasification plant in Panigaglia. The Group develops its Occupational Health and Safety Management System in accordance with the BS 8800 guidelines.

2001 – LISTING ON THE STOCK EXCHANGE

Rete Gas Italia is founded, later renamed Snam Rete Gas (SRG), which takes over Snam's technological assets and skills in the transportation sector and is listed on the stock exchange.
GNL Italia is established to manage LNG regasification activities.

2002 – INCLUSION IN SUSTAINABILITY INDICES

Snam Rete Gas (SRG) is included in the FTSE4Good family of sustainability indices, which are internationally recognised by the financial community for their importance and influence in the composition of benchmarks and ethical portfolios.

2003 – LIBERALISATION OF THE MARKET

The Italian legislation implemented European Directive 98/30/EC, deciding for the corporate unbundling of transport and dispatching activities from all the others. SRG therefore divests its gas procurement and sales activities.

2006 – CORPORATE FUNCTIONS FOR SUSTAINABILITY

SRG sets up specific organisational structures under the new "Health, Safety, Environment, Sustainability and Technology Directorate". In addition, the Sustainability Project Team is set up, which, involving all departments across the board, elaborating proposals for the definition of the Group's sustainable development model and the preparation of the first Sustainability Report.

2007 – THE FIRST SUSTAINABILITY REPORT

SRG publishes its first Group Sustainability Report for the 2006 reporting year and wins the 2007 Oscar di Bilancio for Corporate Governance.

2009 – ADHERENCE TO THE UN GLOBAL COMPACT

SRG becomes a member of the Global Compact, the international initiative launched in July 2000 by the United Nations. It also joins the Dow Jones Sustainability World Index and the ECPI Ethical Index Global.

History of the business

History of sustainability

2011

INCLUSION IN THE SAM BRONZE CLASS 2011

SRG is selected in the SAM Bronze Class 2011.
Furthering the concept of Shared Value, we approach sustainability in terms of actions for the 'creation of value', both for the Group and for the community in which it operates.

2012

THE NEW CORPORATE STRUCTURE

The company name is changed from SRG to Snam, defining a new corporate structure: Stogit for storage, Italgas for distribution, Snam Rete Gas for transport and dispatching and GNL Italia for regasification.
The same year includes the separation from Eni and the acquisition of 31.5% of Interconnector UK.

2013

INTERNATIONAL ACQUISITIONS

Starting in 2013, Snam embarks on a series of acquisitions (Teréga, TAG and TAP) to expand its international presence.

2016

ESG COMMITTEE AND SEPARATION FROM ITALGAS

Snam sets up an Internal Board Committee dedicated to sustainability issues.
Snam separates from Italgas and acquires 49% of Gas Connect Austria.

2017

AGREEMENTS AND MEMORANDA

Snam signs several agreements and Memoranda of Understanding for business expansion (e.g., development of natural gas stations with Enel).
In the same year it acquires ITG and a stake in Adriatic LNG.

2018

THE NEW BRAND IDENTITY, DESFA AND THE NEW BUSINESSES

Snam relaunches its brand identity, renewing its logo and corporate values. It also defines the new purpose: “Energy to Inspire the World.” It starts investing in biomethane, sustainable mobility and energy efficiency.
Negotiations begin for the acquisition of 66% of DESFA.

2019

COMMITMENT TO ENERGY TRANSITION

Snam introduces a mix of hydrogen and natural gas into its transmission network for the first time on an experimental basis, first at 5% and then 10%. In addition, it creates a business unit entirely focused on developing hydrogen, assuming a key role in the energy transition.

2020

THE COMMITMENT TO DECARBONISATION

Snam declares a Net Zero objective for its activities by 2040, also defining intermediate targets for the reduction of greenhouse gas emissions by 2030, and increases investments in new businesses in favour of the energy transition.
Arbolia is created, in collaboration with CDP, for the development of green areas and CO_2 absorption.

2021

THE 2030 VISION AND CARBON NEUTRALITY

Snam renews its commitment to decarbonisation and energy transition by presenting the Strategic Plan and the 2030 vision, which see significant investments in the biomethane and hydrogen businesses for the achievement of carbon neutrality by 2040 and sets targets to reduce value chain emissions (scope 3 emissions) by 2030.
Snam wins the 2021 “Oscar di Bilancio” for its 2020 reporting year. Snam includes its purpose "Energy to inspire the world" in its Articles of Association.

2022

THE CHALLENGE OF THE "ENERGY TRILEMMA"

The outbreak of the Russian-Ukrainian conflict puts the focus back on what is known as the 'energy trilemma', i.e., the need to simultaneously ensure the security, sustainability and competitiveness/accessibility of the energy system. With this in mind and with reference to its goals for carbon neutrality, Snam accelerates the transition process with the development of green gases, decarbonisation technologies, innovation and energy efficiency initiatives, investing in floating storage regasification units (FSRUs), alternative energy sources and carbon capture and storage (CCS) technologies, continuing the path towards a just ecological transition.
The Board of Directors is renewed, appointing Monica de Virgiliis as Chairwoman and Stefano Venier as CEO. In addition, the 'Environmental, Social & Governance and Energy Transition Scenarios' Internal Board Committee is established to further integrate ESG, climate transition and technological innovation issues.

2022 HIGHLIGHTS

FINANCIAL

€ 3,515 MILLION
Total revenues
(+6.6% vs 2021, including charges to cover energy costs)

€ 2,237 MILLION
Adjusted EBITDA
(-0.6% vs 2021)

€ 1,351 MILLION
Technical investments
(+6.4% vs 2021)

€ 0.2751 DIVIDEND
proposed dividend per share
(+5% vs 2021)

70%
Percentage of sustainable finance out of total funding

OPERATIONAL

68.69 BILLION M³
Gas demand
(-9.9% vs 2021)

75.40 BILLION M³
Natural gas injected in the network
(-0.5% vs 2021)

16.5 BILLION M³
Total storage capacity
(the broadest offer at European level)

2.24 BILLION M³
LNG volumes regasified
(113,3% vs 2021)

99%
Hydrogen ready infrastructure

ENVIRONMENTAL

-8.1% VS. 2018
CO_{2eq} emissions - Scope 1 and 2 regulated perimeter

-45% VS. 2015
Natural gas emissions

100%
Restored vegetation of natural and semi-natural areas impacted by pipeline construction

Snam included in
CDP CLIMATE "A- LIST"
CDP SUPPLIER "A LIST"

SOCIAL

3,610
Employees

Included for the fourth year in a row in the
BLOOMBERG GENDER EQUALITY INDEX

6,147 HOURS
Volunteering at the Snam Foundation
(+35% vs 2021)

44%
Procurement spent on SMEs
(+7% vs 2021)

GOVERNANCE

6,166
Reputational checks on counterparties

Snam among the best Italian companies according to the
INTEGRATED GOVERNANCE INDEX

15
Organised training meetings on anti-corruption issues

THE SUSTAINABLE DEVELOPMENT GOALS

In pursuing its purpose, Snam reconciles its strategic choices with its commitment to achieving the Sustainable Development Goals (SDGs) defined by the United Nations in 2015.

Snam focuses its efforts on the four SDGs closest to its mission, its purpose and on which it can make a concrete impact in their achievement.

At the same time, it also contributes to Goals 3,4,5,8,10,11 with actions aimed at environmental protection, responsible production and consumption, the development of people and the creation of value for stakeholders.

SDGs TO WHICH SNAM CONTRIBUTES

2022: KEY EVENTS

JANUARY

Snam issues first Sustainability-Linked Bond (SLB) for 1.5 billion euros.

Snam and Tenova launch a collaboration to decarbonise the metals industry through the use of green hydrogen.

ARBOLIA diamo radici al futuro

Arbolia creates an urban forest of over 2,000 trees in the municipality of San Donato Milanese.

FEBRUARY

Snam rewards the first start-ups to join Hyaccelerator, the hydrogen-focused start-up acceleration programme promoted by the company.

Hyaccelerator powered by snam

Snam rewards the first start-ups to join Hyaccelerator, the hydrogen-focused start-up acceleration programme promoted by the company.

renovit

In terms of number of employees and turnover, Renovit becomes the first Italian B Corp in the energy efficiency sector and one of the first five European companies in the same sector to be certified.

MARCH

Snam and the Snam Foundation launch a fundraiser in aid of Ukrainian children and refugees. Proceeds are distributed to Unicef Italy and the Italian Red Cross Association.

APRIL

Snam renews its Board of Directors and Board of Statutory Auditors, appointing Monica De Virgiliis as Chairwoman and Stefano Venier as CEO.

The Shareholders' meeting approves the 2021 financial statements and distribution of a balance dividend of 0.2620 euros per share.

Snam establishes the following Board committees: Audit and Risk and Related Party Transactions Committee, Appointments and Remuneration Committee, ESG and Energy Transition Scenarios Committee.

MAY

sn4m environment

Snam4Environment, the first biomethane plant from FORSU (organic fraction of municipal solid waste) in Sicily opens in Caltanissetta.

Snam and Golar LNG Limited sign contract for the sale of the LNG carrier 'Golar Arctic', subject to conversion into a storage and regasification unit (FSRU).

WGC2022

International Gas Union (IGU), Snam and Rystad Energy present the Global Gas Report 2022 at the 28th World Gas Conference.

At the World Gas Conference, Snam receives the IGU Global Gas Award for its commitment to reducing methane emissions from its infrastructure and operations.

JUNE

Snam acquires 100% of Golar LNG NB 13 Corporation to contribute to national energy security and diversification through the LNG carrier Golar Tundra.

INTEGRATED GOVERNANCE INDEX 2022

Snam is confirmed at the top of the ET.group Integrated Governance Index, positioning itself among the best companies in integrating ESG factors into corporate strategies.

JULY

Snam and BW LNG sign contract for Snam Group to acquire 100% of the share capital of FSRU I Limited, for the storage and regasification vessel (FSRU) BW Singapore.

Snam and Edison sign a collaboration agreement for the development of the Small-Scale LNG market in Italy to promote the decarbonisation of transport and utilities.

S&P Global Ratings confirms Snam's long-term rating of BBB+, revising the outlook to stable from positive.

AUGUST

Snam and Terna publish the Document describing the 2022 scenarios prepared jointly by the two operators pursuant to ARERA Resolutions 468/201/R/gas and 654/2017/R/eel.

Moody's Investors Service (Moody's) confirms Snam's long-term rating of Baa2, revising the outlook to negative from stable.

SEPTEMBER

Snam participates in Gastech, one of the world's leading events in the natural gas industry, as a partner.

Snam Dispatching, the technological 'brain' of the Italian gas network, located in San Donato Milanese, turns 60 years old.

OCTOBER

Snam renews the Euro Medium Term Notes (EMTN) Programme by increasing the maximum total countervalue to 13 billion euros to give the company greater flexibility.

IES Biogas buys five agricultural biogas plants with a capacity of 1MWe in Veneto and Friuli Venezia-Giulia for 30 million euros.

Snam has been honoured in the 'Energy' category of the Green Awards, as part of the Greentech Festival, for the company's commitment to the energy transition.

NOVEMBER

Snam presents at Ecomondo the new identity of Snam4Environment, which becomes Bioenerys, bringing together companies that develop renewable gases.

Snam ranks second in the Webranking Europe 500, with a score of 95.1 out of 100, among the most transparent companies in Italy and Europe in the field of digital communication.

Snam issues its first EU Taxonomy-Aligned Transition Bond, the proceeds of which will be used to finance energy transition projects defined in the Sustainable Finance Framework.

DECEMBER

Snam is included for the thirteenth time in S&P's Dow Jones Sustainability World Index, with a score of 87/100.

Eni and Snam form a 50:50 joint venture to develop and manage Phase 1 of the Ravenna CO_2 capture and storage (CCS) project.

Snam confirms its place among the world's top companies with inclusion in CDP's "A- List" (formerly the Carbon Disclosure Project).

SNAM'S MANAGEMENT OF IMPACTS OF THE RUSSIAN-UKRAINIAN CONFLICT

The Russian-Ukrainian conflict that erupted in February 2022 not only drastically altered the international geo-political context, but also generated significant effects on the entire energy sector, leading to a continuous and progressive decline in gas supplies from Russia that Italy and Europe had to cope with.

In the scenario of uncertainty and volatility created, Italy promptly intervened by increasing supplies from the Mediterranean area. Similarly, Snam, Europe's leading gas infrastructure operator, provided a rapid response to the emergency situation, managing its assets in a flexible manner, and acting to allow greater diversification of supply sources. In fact, following the Italian Decree-Law of 1 March 2022, Snam has committed to a series of actions aimed at contributing to the achievement of the storage filling targets set by MASE (Ministry of the Environment and Energy Security, formerly Mite), with a view to guaranteeing energy availability for the winter.

Nonetheles, the new environment has caused repercussions for Snam's various areas of operation. In particular, within the sustainable mobility business, the production and marketing activities of compressors were affected, mainly in the first half of 2022, by accentuated difficulties in the procurement of certain raw materials used in the production phase due to delays in the supply chain. In addition, the significant increase in natural gas prices led to a lower growth in consumption and thus in the volume supplies from refuelling stations, which, nevertheless, did not compromise the commissioning activity of the new stations (60 stations as at 31 December 2022 compared to 46 stations to 31 December 2021).

The energy transition businesses, in particular the design and construction of biomethane plants, also experienced difficulties in sourcing raw materials, which resulted in higher prices and extended delivery times. Despite the generalised increase in raw material costs, the energy efficiency business benefited from indexation clauses that protect companies from price escalation in contracts signed with customers, with no significant economic effects.

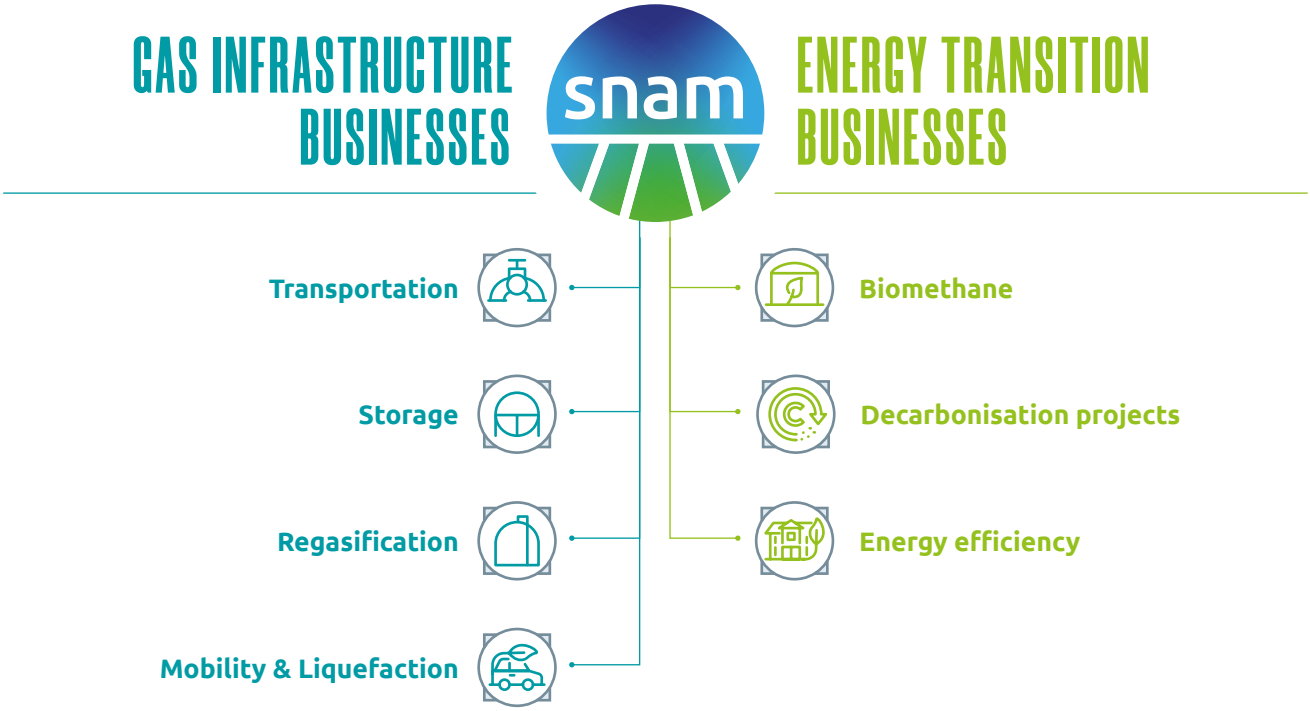
SNAM PROFILE

For over 80 years, Snam has been involved in transportation, dispatching, storage and regasification of natural gas in the European and national energy context, ensuring energy security.

In recent years, the company has progressively increased its efforts to become an enabler of the energy transition through its energy transition businesses: biomethane, hydrogen and energy efficiency, which will also play a key role in achieving energy independence.

With the goal of achieving carbon neutrality by 2040, Snam will continue to leverage its gas infrastructure business, converting existing assets to 'multi-commodity', i.e. operating to make them capable of transporting and storing not only natural gas, but also renewable gases such as hydrogen and biomethane.

The Group's Businesses



GAS INFRASTRUCTURE BUSINESSES

TRANSPORTATION

Natural gas, which flows throughout Italy thanks to a network of pipelines that covers the country extensively and which Snam manages through its subsidiary **Snam Rete Gas**. Pipeline transport guarantees a high degree of safety and environmental sustainability: not only by avoiding road transport, which is inefficient and less reliable, but also thanks to Snam's specific know-how, which builds infrastructure in equilibrium with the environment.

The gas is moved from import points, regasification plants and production and storage centres located throughout the country to local distribution networks, to redelivery points in the regional network or to large end-customers (thermal power stations or industrial production plants).

In order to guarantee national energy distribution and security, and to ensure the regular flow of gas, the company uses **13 compression plants** located along the national gas pipeline network, according to a precise logic aimed at maintaining constant gas pressure along its entire route. In order to supervise and control the activities of the **48 Maintenance Centres** distributed throughout the country, Snam has **8 Districts** and a **Dispatching Centre**, considered the technological 'brain' of the Italian gas network, which remotely monitors and controls the transport network and coordinates the compression plants.

Thanks to an IT platform, shippers (users of transport services) have the possibility to sell and exchange gas at a **Virtual Trading Point (VTPs)** of the national grid.

In recent years, the existing transport network has been repurposed in a Hydrogen-ready (H2- ready) manner, thus making it capable of transporting increasing percentages of hydrogen. Already by 2021, 99% of Snam's pipelines are capable of transporting up to 100% hydrogen.

STORAGE

Snam also contributes to the country's energy security through its storage system, which it manages through its subsidiary **Stogit**. Indeed, storage makes it possible to compensate for the different needs between gas supply and consumption by guaranteeing continuity of service in the event of any rapid increase in demand. For this reason, Snam's storage system stores gas during periods of lower demand (typically in the summer period) and delivers natural gas at peak demand times or in the event of a shortage or momentary interruption of imports (typically in the winter period). In addition, storage is essential to manage fluctuations in demand related to seasonal dynamics and is a strategic solution against unforeseen events or unexpected increases in demand due to particular weather conditions. Lastly, it also ensures that strategic quantities of gas are available to compensate for any lack of or reduction in non-European supply or to overcome crises in the gas system.

Snam manages a total of **9 storage facilities** that act in synergy with the Company's other transport and regasification infrastructures, making it the largest storage operator in Italy and one of the main ones in Europe.

With the aim of making the storage system more flexible, as well as optimised and upgraded, the Group started work on the construction of a new plant at the Alfonsine (RA) site, which will increase Snam's storage capacity by 15% (1.8 bcm).

Like the transportation business, Snam's storage business will also evolve towards a multi-purpose structure, i.e. also capable of handling green gases such as hydrogen and biomethane in order to contribute not only to greater energy security but also to the achievement of carbon neutrality by 2040.

REGASIFICATION

Snam, through the subsidiary **GNL Italia**, deals with the regasification of natural gas, an activity which consists in returning to the original state the gas which, extracted from fields, is then liquefid and transported on LNG carriers to the regasifiation point. After treatment, the gas is thus fed into the national transportation network.

The first regasification plant built in Italy was the terminal in **Panigaglia** (La Spezia), built in 1971. The terminal occupies an area of approximately 45 thousand square metres and consists of 2 storage tanks of 50 thousand cubic metres each, vaporisation plants and a landing stage for LNG carriers. The design, construction and operational criteria of the Panigaglia terminal meet rigorous international standards and use the most modern technologies for safety and environmental protection.

During 2022, in order to promote greater security and diversification of Italy's energy supply, Snam purchased 2 floating units (FSRUs): **Golar Tundra**, which will be installed in central-northern Italy, and **BW Singapore**, which will be located near the coast of Ravenna. Each of them have a maximum storage capacity of about 170 thousand cubic metres of liquefied natural gas and a nominal continuous regasification capacity of about 5 billion cubic metres per year.

MOBILITY & LIQUEFACTION

Snam, through **Snam4Mobility**, is committed to the development of sustainable mobility, leveraging its infrastructures, the synergies between its businesses and its capillary presence throughout the country, to build the first liquefied and compressed natural gas refuelling stations. It also launched the first Small scale LNG (SSLNG) initiatives to promote the use of liquefied natural gas for heavy goods vehicles, in rail, maritime and heavy land transport, leading to a significant reduction in emissions.

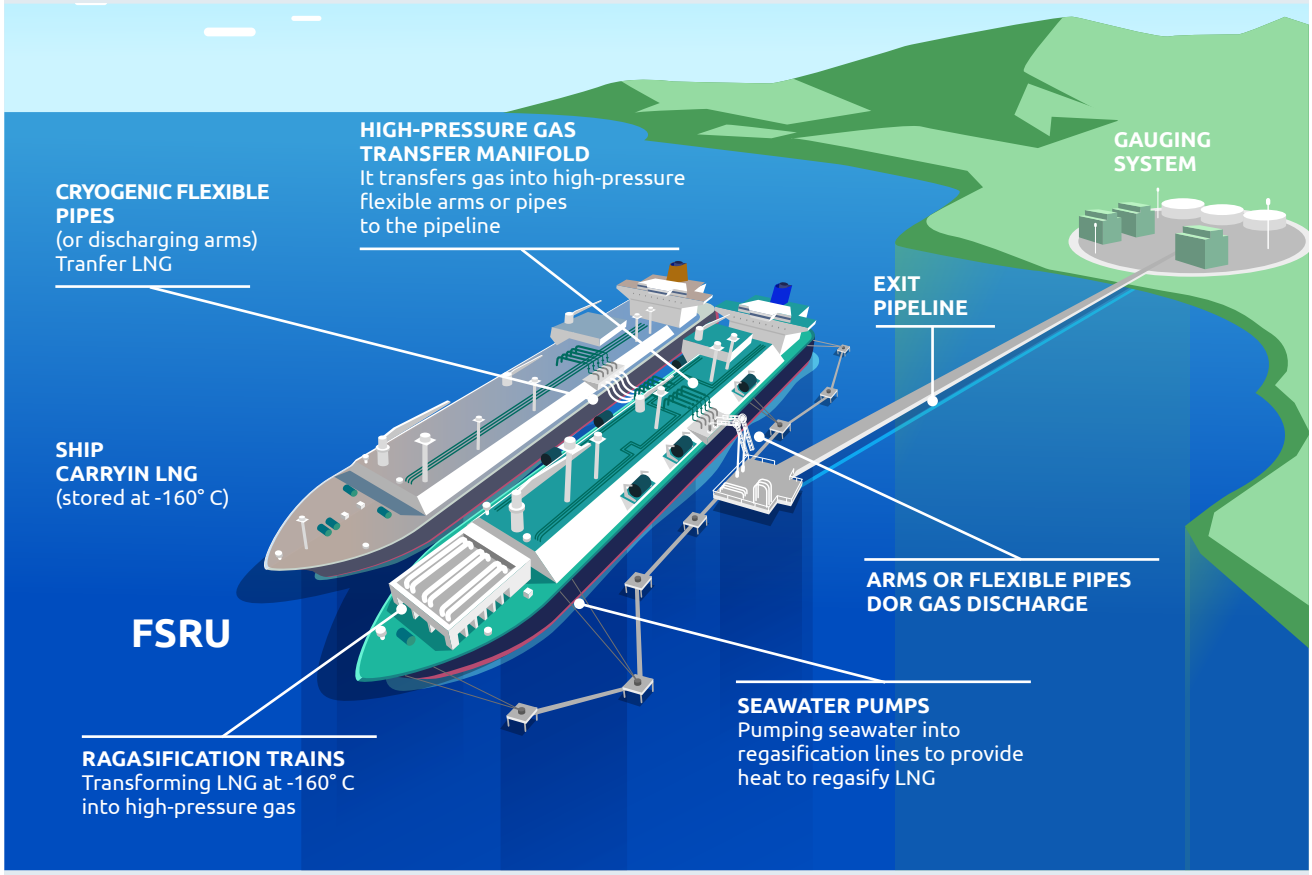
After a long period of stable and secure supplies, 2022 called for a rapid evolution of the business strategies of energy companies. The instability of gas prices and the overriding need for energy independence for our country, in particular, have led Snam to review the positioning of its assets, imposing a rethinking of its long-term strategy, also in light of the Group's renewed plans that aim to ensure security of supply through diversification of sources, from FSRUs to the doubling of TAP supplies and the Adriatic Line.

Part of this scenario is the rebranding activity of Snam4Mobility, now **Greenture**. It is no longer focused only on the automotive sector but now oriented towards the construction of midstream infrastructures dedicated to heavy transport, shipping and railway sectors, the development of which aims to accredit Snam as an infrastructure operator of reference for small-scale projects, among which small liquefaction and bunkering units to relaunch the sustainable mobility of trucks and ships in Italy.

LNG AND FSRU, IN FAVOUR OF ENERGY INDEPENDENCE

Natural gas imported in its liquid state (LNG) via LNG carriers, which receive it from liquefaction plants in exporting countries and bring it to regasification plants in importing countries, has a volume about 600 times smaller than that in its gaseous state.

Because of these characteristics, it is the global source that guarantees more **energy independence**. The world market is approaching 500 billion cubic metres of LNG marketed annually, which is more than the demand for the whole of Europe. Thanks to the contribution of the new regasification units acquired by Snam in Italy, liquefied natural gas will cover about one third of Italy's annual demand.



How does a floating regasifier work?

Once it has come close to an FSRU, a ship carrying LNG at a temperature of -160° C transfers liquid gas into the terminal's tanks. The transfer takes place via steel discharge arms installed on the FSRU. The arms extend and engage with the flanges of the LNG carrier. The liquid gas is then transferred into the unit's tanks and stored.

Subsequently, depending on market needs, the LNG is regasified by introducing the liquid methane into a heat exchanger through which a warmer liquid flows, usually seawater, whose natural temperature is sufficient to return the gas to its gaseous state. LNG and seawater exchange energy (LNG gives off cold, seawater gives off heat), although they never come into contact with each other.

The room-temperature gas obtained from the regasification process is then compressed and fed into a pipeline from the FSRU to the national transportation network.

ENERGY TRANSITION BUSINESSES

BIOMETHANE

Thanks to the work of Snam4Environment, which will became **Bioenerys** in 2022, and the technical know-how of **IES Biogas**, Snam promotes the development of biomethane infrastructures, as well as the dissemination and use of biomethane throughout the country, contributing to the creation of value and fostering the country's energy transition. Indeed, biomethane is a renewable and sustainable source and can be used in a flexible, programmable and efficient manner, significantly contributing to achieving the emission reduction targets set at European and national level.

Snam, also leveraging the incentives obtained from the PNRR and the Biomethane Decree, has now consolidated a role as an industrial developer, with about 40 MW of biogas and biomethane plants operational by the end of 2022. The Group intends to increase this share with the aim of creating a **biomethane platform**. In particular, Snam will accelerate the development of biomethane and expand its production from agricultural waste and organic waste, also through collaboration with leading companies in the relevant sectors, from which Snam will acquire new expertise.

DECARBONISATION PROJECTS

Snam's hydrogen and carbon capture and storage projects are managed by **Decarbonisation Projects**, which was established in July 2022. The function is responsible for developing and accelerating the adoption of hydrogen both in industrial applications and in the field of sustainable mobility, exploiting the positive impact that this vector will have with respect to the achievement of decarbonisation objectives. In fact, hydrogen does not generate carbon dioxide or other climate-changing gases, nor emissions that are harmful to humans and the environment. Its versatility also allows it to be used both in industrial applications (thermal, feedstock and fuel cells) and in sustainable mobility (trains, refuelling stations for light and heavy vehicles, airports).

Snam's hydrogen strategy envisages a series of investments to be developed also through the funds allocated by PNRR and, at the European level, through participation in calls for tenders such as IPCEI, Innovation Fund, Clean Hydrogen Joint Undertaking and Horizon Europe, as well as in working groups aimed at supporting the spread of green gas, the development of demand and the acquisition of new skills by Snam.

In addition, Snam intends to develop the Italian ecosystem for **carbon capture and storage** (CCS), leveraging holdings in companies such as Storegga and DCarbonX. In particular, the company plans to exploit the existing transport infrastructure by contributing to the realisation of the CCS value chain, to participate in the definition of proposals for technical standards and regulatory instruments for the development of projects in this field, and to promote the adoption of CCS in hard-to-abate sectors in specific geographical areas, also through partnerships and agreements with leading companies in the sector. A first step in this direction was taken in December 2022, when Snam and Eni launched the first phase of the Ravenna CO_2 Capture and Storage (CCS) Project.

ENERGY EFFICIENCY

Energy efficiency is considered one of the key resources to promote decarbonisation and support economic and social development, but also to incentivise – on technologically neutral bases -innovation. The ultimate goal of energy efficiency operations, in fact, is to find a way to use energy more rationally, reducing consumption and thus both energy and environmental costs.

To date, Snam is one of Italy's leading operators in energy efficiency services in the residential, industrial, tertiary and public administration sectors, all through its subsidiary **Renovit**, which was established in 2021 by Snam and CDP Equity and became B-Corp at the beginning of 2022. Renovit offers innovative energy efficiency solutions to its customers by investing directly in decarbonisation, digitalisation and distributed energy generation, leveraging government incentives (PNRR and Superbonus) and promoting self-consumption.

THE WORLD OF GAS

NATURAL GAS

INJECTION INTO THE NATIONAL NETWORK

LNG CARRIER

LNG REGASSIFICATION PLANT

GAS COMPRESSION PLANT

"FSRU" FLOATING STORAGE AND REGASIFICATION UNIT

SNAM HEADQUARTERS

SNAM DISPATCHING CENTER

STORAGE PLANT

SECONDARY LNG TRANSPORT

BUNKERING ACTIVITIES

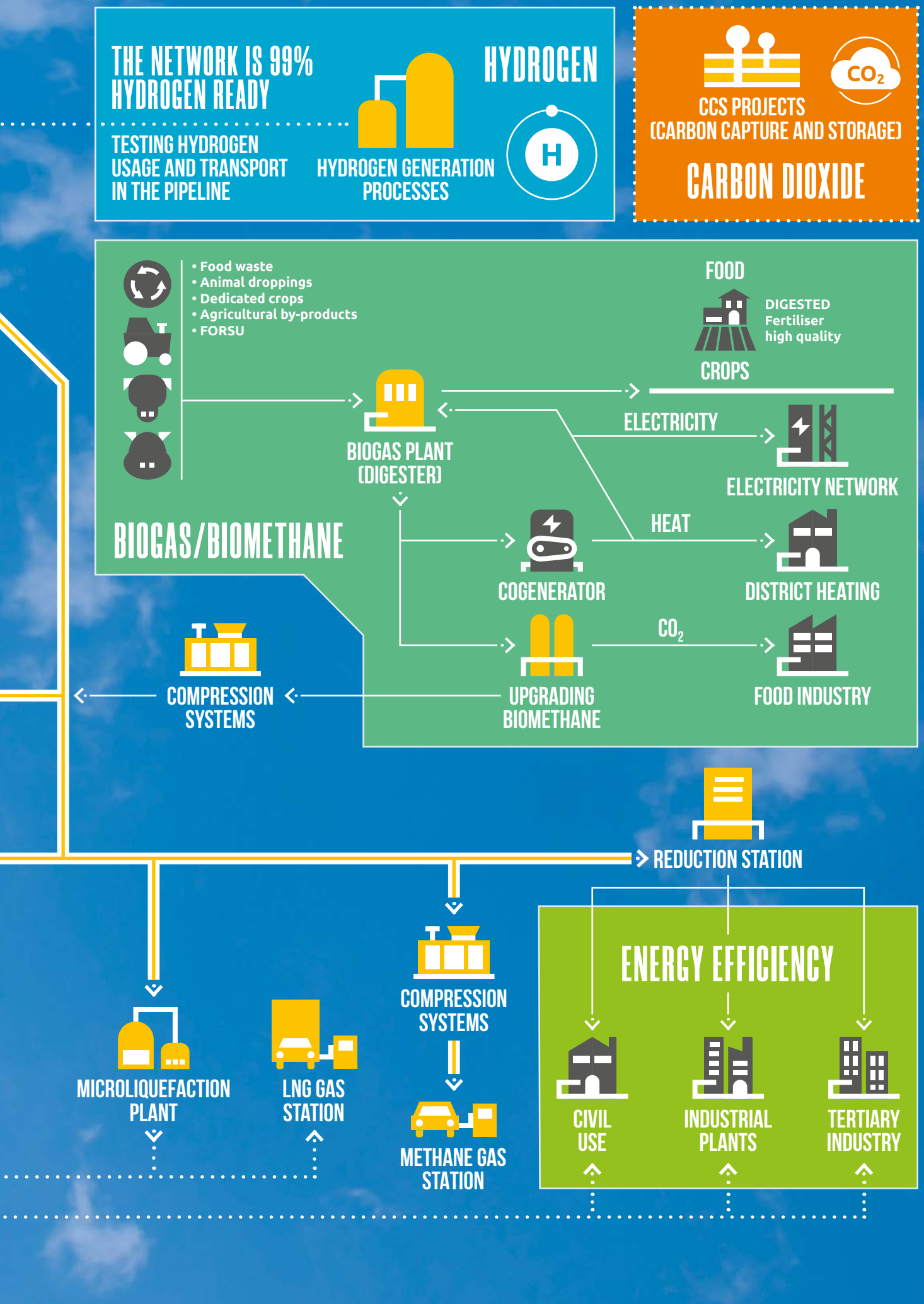
THERMOELECTRIC POWER PLANT

CRYO LNG GAS TRUCK

SNAM ACTIVITIES

OTHER ACTIVITIES

ACTIVITIES IN DEVELOPMENT


THE NETWORK IS 99% HYDROGEN READY
TESTING HYDROGEN USAGE AND TRANSPORT IN THE PIPELINE
HYDROGEN GENERATION PROCESSES
HYDROGEN
H
CCS PROJECTS (CARBON CAPTURE AND STORAGE)
CO2
CARBON DIOXIDE
• Food waste
• Animal droppings
• Dedicated crops
• Agricultural by-products
• FORSU
BIOGAS/BIOMETHANE
BIOGAS PLANT (DIGESTER)
FOOD
DIGESTED Fertiliser high quality
CROPS
ELECTRICITY
ELECTRICITY NETWORK
HEAT
COGENERATOR
DISTRICT HEATING
CO2
UPGRADING BIOMETHANE
FOOD INDUSTRY
COMPRESSION SYSTEMS
REDUCTION STATION
ENERGY EFFICIENCY
CIVIL USE
INDUSTRIAL PLANTS
TERTIARY INDUSTRY
COMPRESSION SYSTEMS
METHANE GAS STATION
MICROLIQUEFACTION PLANT
LNG GAS STATION

GROUP STRUCTURE AT 31 DECEMBER 2022

NFS

ENERGY TRANSITION

BIOMETHANE / BIOGAS

Bioenerys S.r.l. 100%

IES Biogas S.r.l. 100%
- Emiliana Agroenergia Società Agricola S.r.l. **100%**
- Piacentina Agroenergia Società Agricola S.r.l. **100%**
- Società Agricola Agrimetano S.r.l. **100%**
- Società Agricola Agrimezzana Biogas S.r.l. **100%**
- Società Agricola Asola Energie Biogas S.r.l. **100%**
- Società Agricola Biostellato 1 S.r.l. **100%**
- Società Agricola Biostellato 2 S.r.l. **100%**
- Società Agricola Biostellato 3 S.r.l. **100%**
- Società Agricola Biostellato 4 S.r.l. **100%**
- Società Agricola Carignano Biogas S.r.l. **100%**
- Società Agricola La Valle Green Energy S.r.l. **100%**
- Società Agricola San Giuseppe Agroenergia S.r.l. **100%**
- Società Agricola Sangiovanni S.r.l. (**50%** IES Biogas **50%** SQ Energy)
  - Società Agricola G.B.E. Gruppo Bio Energie S.r.l. **100%**
  - Società Agricola Zoppola Biogas S.r.l. **100%**
- Società Agricola Santo Stefano Energia S.r.l. **100%**
- Società Agricola SQ Energy S.r.l. **100%**
- Società Agricola T4 Energy S.r.l. **100%**
- Società Agricola Tessagli Agroenergia S.r.l. **100%**

Iniziative BiometanoS.p.A. 51%
- Biogas Bruso Società Agricola A R.L. **99,9%**
- CA' Bianca Società Agricola A R.L. **70%** (*)
- EBS Società Agricola A R.L. **94,53%** (*)
- MAIERO ENERGIA Società Agricola A R.L. **100%**
- MOTTA ENERGIA Società Agricola A R.L. **94,80%** (*)
- MZ BIOGAS Società Agricola A R.L. **99,9%**
- Società Agricola Ariano Biometano S.r.l. **98%**

Renerwaste S.r.l. 100%
- Biowaste CH4 Anzio S.r.l. **100%**
- Biowaste CH4 Foligno S.r.l. **100%**
- Biowaste CH4 Genova S.r.l. **100%**
- Biowaste CH4 Group S.r.l. **100%**
- Biowaste CH4 Tuscania S.r.l. **100%**
- Ecoprogetto Milano S.r.l. (**55%** Renerwaste Lodi-Renerwaste **45%**)
- Ecoprogetto Tortona S.r.l. **100%**
- Enersi Sicilia S.r.l. **100%**
- Renerwaste Cupello S.r.l. **85%**
- Renerwaste Lodi S.r.l. **100%**

ENERGY EFFICIENCY

Renovit S.p.A 60,05%
- Evolve S.p.A. **70%**
- Mieci S.p.A. **70%**
  - T.Lux S.r.l. **85%**
- TEP Energy Solution S.r.l. **100%**

HYDROGEN

Asset Company 10 S.r.l. 100%

SCOPE OF CONSOLIDATION

GAS INFRASTRUCTURE

TRANSPORTATION

Snam Rete Gas S.p.A. 100%

Asset Company 2 S.r.l. 100%
› Infrastrutture Trasporto Gas S.p.A. **100%**

Enura S.p.A. 55%

STORAGE

Stogit S.p.A. 100%

REGASIFICATION

GNL Italia S.p.A. 100%

Snam FSRU Italia S.r.l. 100%
› Golar LNG NB13 Corporation **100%**
› Ravenna LNG Terminal S.r.l. **100%**

SUSTAINABLE MOBILITY

Greenture S.p.A. 100%

› Cubogas S.r.l. **100%**

OTHER

Gasrule Insurance DAC 100%

Snam International BV 100%

VALUED USING THE EQUITY

NATIONAL INVESTMENTS:
Industrie De Nora S.p.A. **25.79%**
Italgas S.p.A. **13.49%**
OLT Offshore LNG Toscana S.p.A. **49.07%**
INTERNATIONAL INVESTMENTS:
Albanian Gas Service Company SH.A. **25%**
AS Gasinfrastruktur Beteiligung GmbH **40%**
DCarbonX Ltd **28.89%**
East Mediterranean Gas Company S.A.E. (EMG) **25%**
Galaxy Pipeline Assets HoldCo Limited **12.327%**
Interconnector Limited **23.68%**
Interconnector Zeebrugge Terminal BV **25%**
Tèrega Holding S.A.S. **40.5%**
Trans Adiatric Pipeline AG (TAP) **20%**
Trans Austria Gaisletung GmbH (TAG) **84.47%**
Senfluga Energy Infrastructure Holdings S.A. **54%**

(*) Investments classified as held for sale in accordance with IFRS 5.

For more information on additional investee companies, please refer to the Annexes to the Notes to the 2022 Consolidated Financial Statements.

The changes in the scope of consolidation of the Snam Group at 31 December 2022 compared to 31 December 2021 concerned::

(i) the acquisition by Snam FSRU Italia S.r.l. of Golar LNG NB13 Corporation, owner of the Golar Tundra floating unit (FSRU), and of Ravenna LNG Terminal S.r.l., owner of the sea terminal off the port of Ravenna and of the state concession, relinquished in favour of Snam FSRU Italia, necessary for the commissioning of the BW Singapore vessel, which will be available to Snam at the end of 2023;

(ii) the acquisition, respectively from the subsidiaries Renerwaste and Ies Biogas, of 6 and 19 companies specialised in the construction and management of plants and in the promotion of circular economy projects for the energy valorisation of the organic fraction of waste - FORSU and agricultural waste. For further details, please refer to the annex 'Changes in the Scope of Consolidation' in the Notes to the Consolidated Financial Statements;

(iii) the acquisition of control, instead of joint control, of Iniziative Biometano S.p.A., due to the increase of its equity investment from 50% to 51% of the share capital following the exercise of a call option provided for within the contractual agreements between the shareholders.

- ITALIAN PIPELINE NETWORK
- Storage plants
- Regasification plants
- LNG terminals
- FSRU (Floating regasification unit)
  WORK IN PROGRESS
- STAKES IN INTERNATIONAL GAS PIPELINES
- Storage plants
- Regasification plants
- LNG terminals
- OTHER INTERNATIONAL GAS PIPELINES

SNAM'S PRESENCE IN ITALY AND IN THE INTERNATIONAL INFRASTRUCTURE SYSTEM

DNF

TCFD

GOVERNANCE AND ORGANISATION

Snam's purpose "**Energy to inspire the world**", by leveraging its experience, engineering tradition and sense of belonging to the energy industry, guides the Group towards the **country's ecological and energy transition, with a view to sustainable success**.

In this regard, Snam's commitment to "encouraging the energy transition towards forms of using resources and energy sources that are compatible with environmental protection and progressive decarbonisation" is also evidenced by the amendments to its articles of association, approved by the Shareholders' Meeting in February 2021.

Strengthened by this awareness, Snam has adopted a governance capable of promoting the dynamics of **value creation and favour the conditions for correct and adequate interaction between the Company and the reference context** in which it operates. It is in this direction that the Group pursues its strategy by leveraging the principles of **integrity, transparency and respect for rules**, so as to ensure a clear and sustainable development strategy that meets the needs of all stakeholders.

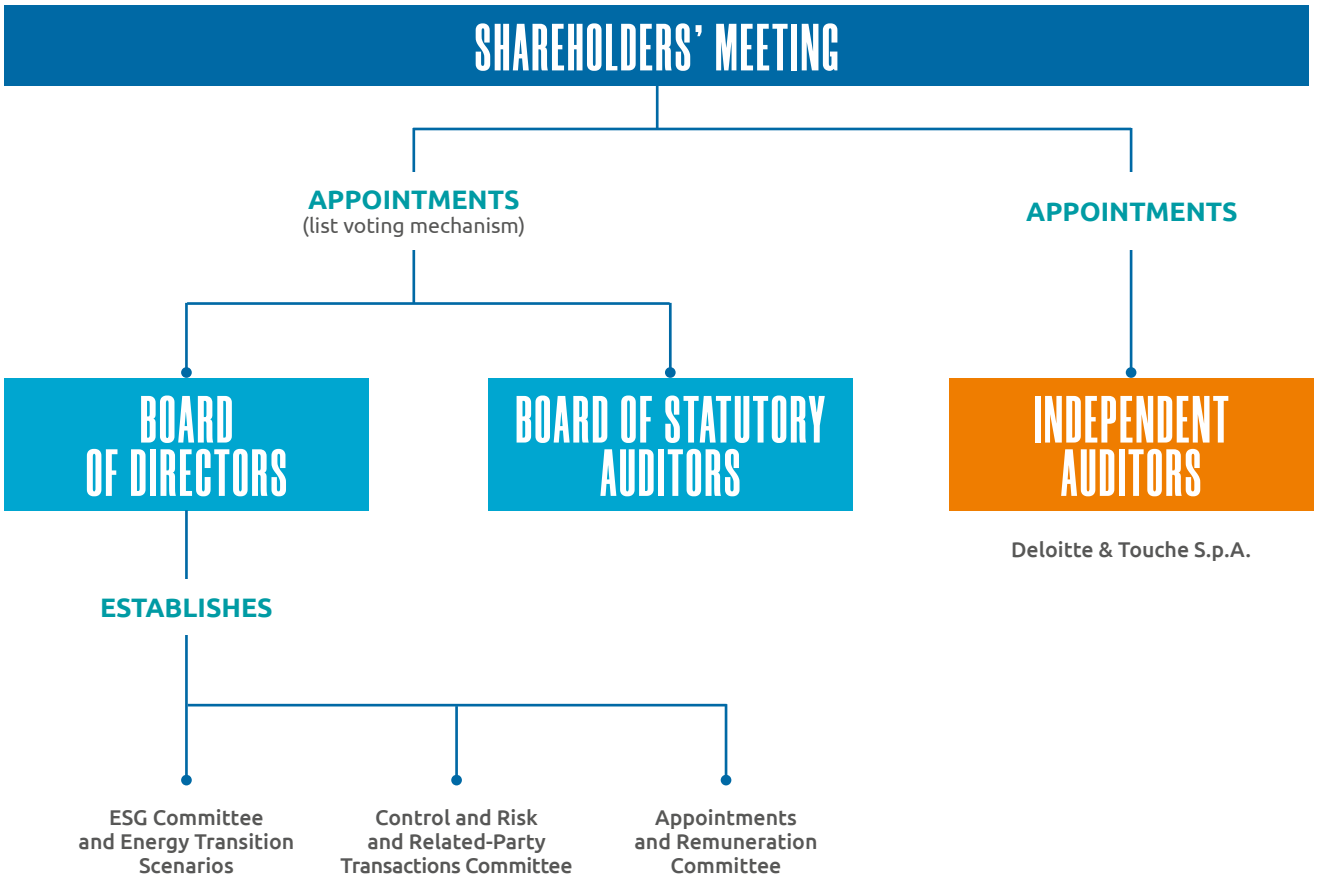
Snam adheres to the **UN Global Compact**, the important international **sustainable development** initiative, aimed at promoting and spreading the ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

The governance system, which reflects the so-called traditional model, is developed in compliance with the regulations in force and applicable across the sector (regulations for listed companies and Unbundling regulations), in consideration of Italian and international best practices, as well as of the principles contained in the Group's Code of Ethics[1]. In particular, the recommendations of the Corporate Governance Code, to which Snam adheres, were included in the **Corporate Governance and Unbundling Guidelines, last amended on 30 June 2022**. The Guidelines set out the principles, tools and operating methods of Snam's strategic guidance activity. In line with the corporate governance system and characteristics of its organisational structure, the management and coordination activities consider the legal autonomy and principles of correct corporate and business management of the subsidiaries.

The Group also operates under the frameworks of **OECD Guidelines** for Multinational businesses, the **UN Declaration of Human Rights**, the **fundamental Conventions of the ILO** and its own Code of Ethics, that is also an integral part of the **organisational model pursuant to Italian legislative Decree no. 231/2001**.

1 Snam's Code of Ethics can be viewed on the Company's website https://www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/Codice_Etico.pdf

NFS SNAM'S GOVERNANCE SYSTEM

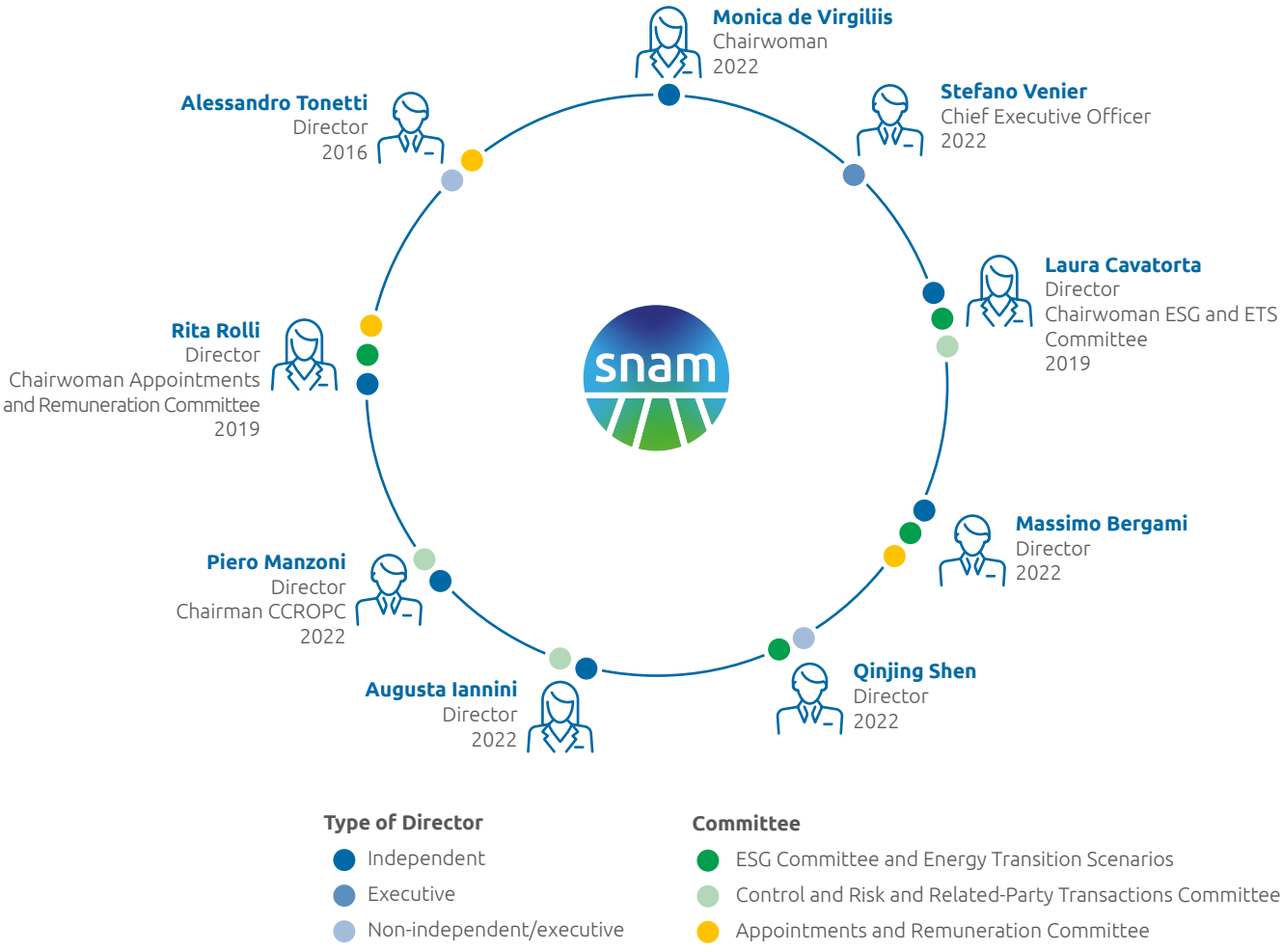


Also for 2022, Snam confirms its commitment to corporate governance management, repositioning itself among the best Italian companies for corporate governance and integration of ESG factors (environmental, social and governance) in corporate strategies according to the annual survey **Integrated Governance Index** created by ETicaNews.

Detailed information on governance and remuneration can be found in the "Report on Corporate Governance and Ownership Structure 2022" and the "Remuneration Report 2023", published on the website www.snam.it at the same time as the Annual Report.

BOARD OF DIRECTORS

The Shareholders' Meeting of 27 April 2022 established 9 Directors for a term of 3 years in office, due to expire at the date of the 2025 Meeting for the approval of the balance sheet at 31 December 2024.



Note: the year indicated for each Director refers to the year in which they joined the Snam Board of Directors

The role and functions of the Board of Directors (BoD) at a glance

Snam's Board of Directors plays a fundamental role in the corporate governance system. By centralising the broadest powers for the ordinary and extraordinary administration of Snam, this governing body is in fact committed to ensuring that Snam pursues **sustainable development along the value chain**. To this end, among the main tasks held, the Board:

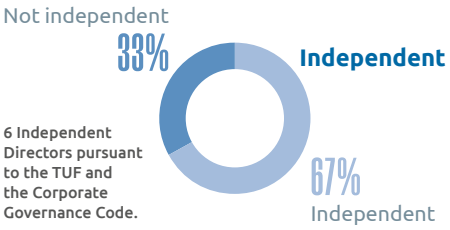
- performs all acts it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of those acts which the law or the Articles of Association reserve for the Shareholders' Meeting;
- assesses the organisational, administrative and accounting structure of the Company;
- approves strategic, commercial and financial plans and monitors their implementation;
- defines the corporate governance system and rules, as well as the internal control and risk management system of Snam and its subsidiaries;
- adopts procedures to ensure the principles of fairness and transparency in transactions between related parties or with stakeholders;
- adopts procedures for the management and dissemination of corporate and financial information, including price-sensitive information;

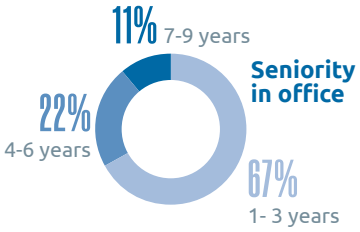
- periodically reviews and approves:
  - the **objectives linked to climate change and the energy transition**, integrated in the corporate strategies included in the Strategic Plan approved annually;
  - the group's **strategic risks**, among which those related to **climate change and energy transition** and verifies the effectiveness of the safeguards aimed at allowing the identification, measurement and monitoring of the main corporate risks, including ESG risks;
  - the **long-term Incentive Plan**, with reference also to ESG targets, including a KPI for reducing natural gas emissions, consistent with the Strategic Plan guidelines;
- the **institutional report** that includes the Half-Year Financial Report, the Annual Report (including the Consolidated Non-Financial Statement - NFS), the Sustainability Report and the Climate Change Report;
- it acknowledges the **information provided by the Committees**, in particular the Environmental, Social & Governance and Energy Transition Scenarios Committee, pursuant to the Regulation as part of disclosure to the Board required following every committee meeting.

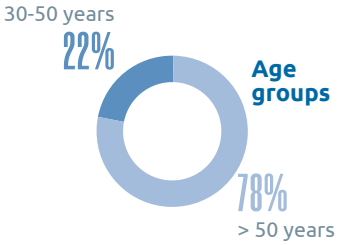
During 2022, the Board of Directors, in line with the provisions of the Corporate Governance Code, set up the Board Committees and appointed their members. In particular, the Board confirmed the establishment of the Control and Risk and Related-Party Transactions Committee. The BoD also assigned tasks in the area of Energy Transition Scenarios to the former Environmental, Social & Governance Committee and unified the Appointments Committee and the Remuneration Committee. The ESG and Energy Transition Scenarios Committee and the Appointments and Remuneration Committee are composed of non-executive directors, the majority of whom are independent. The Control and Risk and Related-Party Transactions Committee is composed only of independent directors.

In order to strengthen knowledge on issues of interest to the business sector in which Snam operates, also in light of corporate dynamics and the evolution of the corporate structure, Directors are involved in periodic **Board induction** sessions on specific topics, presented by the management of the relevant structures, in accordance with the recommendations of the Corporate Governance Code.

Meetings: **15**
Attendance rate: **98%**
Average duration of meetings: **155 minutes**







CHANGES COMPARED TO THE PREVIOUS MANDATE

	Previous mandate (2019-2022)	Current mandate (2022-2025)	FTSE MIB Average*
Number of directors	9	**9**	12.5
Directors elected by the minority	3 (33.3%)	**3 (33.3%)**	19.6%
Less-represented gender on the BoD	33.3%	**44.4%**	40.2%
Independent Directors (%)	66.6%	**66.6%**	65.4%
Average age of directors	53	**56**	58.1
Chair-CEO or Chair-controlling shareholder	no	**no**	10%
Lead Independent Director	no	**no**	39.4%

* Assonime - Report on Corporate Governance in Italy: the implementation of the Italian Corporate Governance Code, 2022

SUSTAINABILITY GOVERNANCE

The BoD plays a central role in ensuring that Snam is committed to pursuing sustainable development along the value chain, and ensures the dissemination and integration of a corporate culture aimed at fighting climate change, in line with the recommendations of the TCFD. With this in mind, the Board of Directors aims to comprehensively oversee the risks and opportunities associated with climate change, as well as activities to ensure the proper management of these aspects. The AD, appointed by the Board of Directors as the subject responsible for the internal control and risk management system, has set up an organisational structure that integrates climate change issues and risks into all phases of the business cycle. In this regard, the management carries out its activities by ensuring periodic meetings and the sharing of information flows with the Board of Directors, also for the purpose of identifying new initiatives related to climate change, as well as implementing and monitoring the identified strategies. The meetings mainly concern:

- **Business review**: quarterly meeting between the CEO and senior executives for monitoring the progress of strategic targets and lines;
- **Management meetings**: monthly update meetings between the CEO and the heads of all front lines and main functions on the latest business news;
- **HSE review**: half-yearly meetings to inform the CEO of the results achieved for the environment, health and safety;
- **Risk review**: quarterly meetings on the process of identifying and assessing risks and opportunities, including those deriving from climate change.

Furthermore, the Board of Directors is committed to integrating ESG issues into the corporate strategy, including, for example, reducing emissions and promoting a more efficient use of resources, as well as into the short- and long-term incentive schemes of Directors, Statutory Auditors and Key Managers, in which specific sustainability targets are set[2].

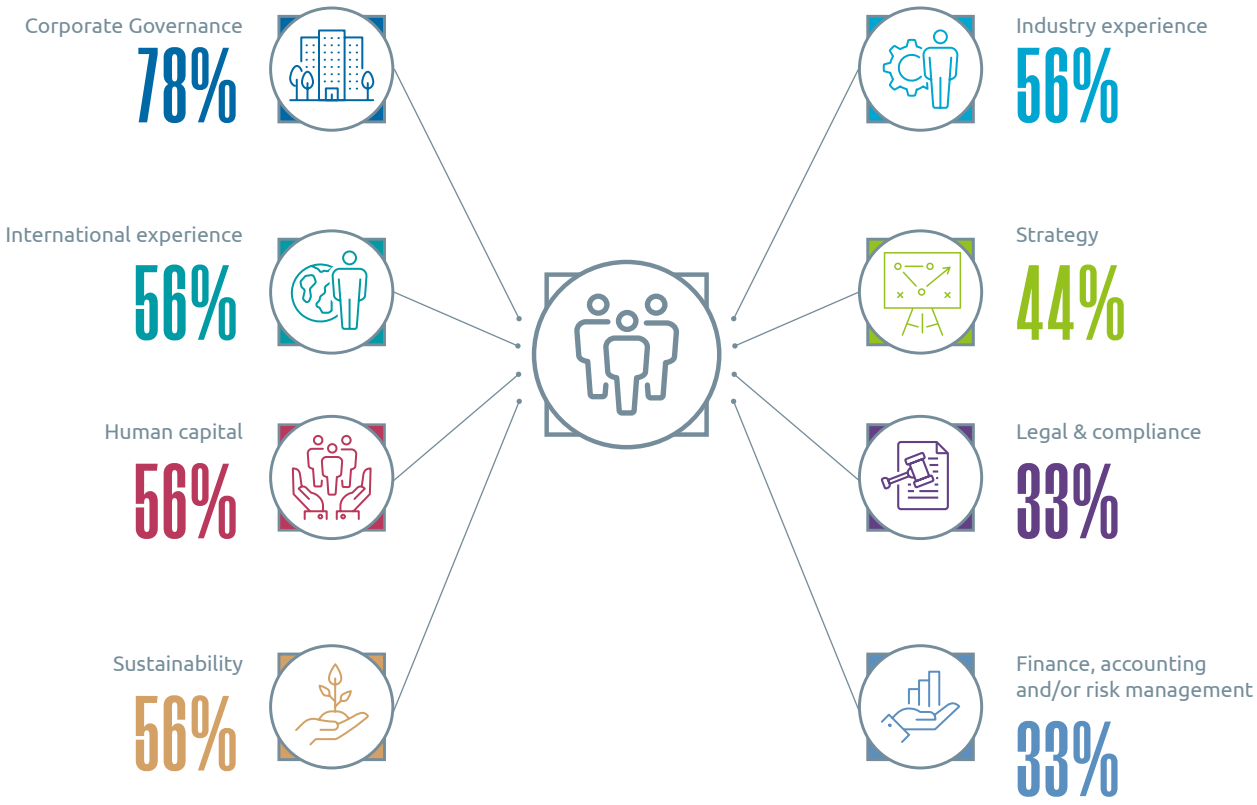
In this context, the ESG and Energy Transition Scenarios Committee plays an essential role in promoting and disseminating environmental, social and governance issues not only within the BoD through board induction sessions, but also within the company itself. For more information, see the paragraph "The Environmental, Social & Governance Committee and Energy Transition Scenarios" in this chapter.

In addition, the Control and Risk and Related-Party Transactions Committee, the ESG and STE Committee and the Enterprise Risk Management (ERM) function support the highest governance body in supervising corporate processes aimed at identifying and managing economic, environmental and social issues and their impacts, risks and opportunities. The ESG and STE Committee supports the Board of Directors in approving the Strategic Plan and conducting the analysis of issues relevant to long-term value generation (so-called materiality analysis). This analysis identifies the sustainability issues on which organisations generate the most significant impacts on the economy, environment and people, including impacts on human rights. In this context, the ERM function deals with the mapping of risks and opportunities, including sustainability risks that guide the Board's strategic choices.

Although board members possess significant experience in the field of sustainability - 56% of Directors, have expertise in these fields - ESG-related topics continue to represent a considerable percentage of the topics addressed in board meetings and Board Induction sessions. In 2022, the expected target (40%) set by the ESG Scorecard for the percentage of ESG issues addressed at these meetings was reached, with a result of 42% In particular, during the eight Board Induction sessions organised during the financial year, the Board of Directors addressed, among others, issues related to: 'Energy Transition Businesses' and ESG Policies.

2 For more information, see the section "Snam's remuneration and incentive system" in this chapter.

Powers of the Directors



Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting of 27 April 2022, performs the function of legality control in order to ensure the proper management of Snam. In particular, among its main tasks, the Board:

- monitors compliance with the law, the deed of incorporation and respect for the principles of proper administration in carrying out the company's activities;
- monitors the adequacy of the organisational, administrative and accounting structure adopted by the company and verifies its actual functioning;
- performs supervisory functions as the Internal Control and Accounts Auditing Committee, pursuant to Legislative Decree no. 39 of 27 January 2010.

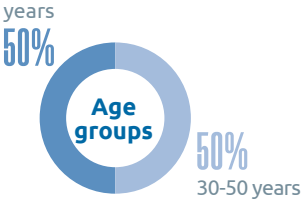
3 **50%**

3 **50%**

Meetings: **15**

Attendance rate: **100%**

Average duration of meetings: **180 minutes**



Environmental, Social & Governance Committee and Energy Transition Scenarios

The **Environmental, Social & Governance and Energy Transition Scenarios Committee** (ESG and STE Committee) has investigative, propositional and advisory functions vis-à-vis the Board of Directors on **sustainability and long-term energy transition scenarios**, particularly with regard to processes, initiatives and activities aimed at overseeing the Company's commitment to **sustainable development** along the value chain in the long term for the benefit of shareholders and other stakeholders relevant to the Group. To this end, it promotes the continuous integration of national and international best practices into Snam's corporate governance, as well asof environmental, social and governance factors into corporate strategies.

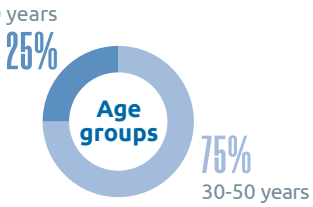
In particular, the Committee is responsible for ensuring the efficient oversight of issues relating to climate transition and technological innovation, energy access and sustainability, environment and energy efficiency, health, well-being and safety of people and local communities, respect for and protection of all rights, in particular human rights, integrity and transparency, diversity and inclusion, and corporate governance.

Among its main tasks, the Committee examines:
- long-term energy transition scenarios for the preparation of the Strategic Plan;
- energy transition issues, in particular those related to the use of resources and energy sources compatible with environmental protection and progressive decarbonisation, specifically assessing the Company's initiatives to address climate change issues and related reporting;
- issues of technological innovation and circular economy;
- sustainable finance initiatives, monitoring the Company's positioning with respect to financial markets on sustainability issues and ethical sustainability indices;
- policies for integrating environmental, social and governance issues into the business model, also through the analysis of the related KPIs;
- the guidelines, objectives and consequent sustainability processes and sustainable reporting submitted to the annual approval of the Board of Directors;
- the correct use of the standards adopted for the purpose of preparing non-financial disclosures and the document to be submitted to the Board of Directors for approval, including and - in coordination with the Control and Risk and Related-Party Transactions Committee - the reporting of risks related to ESG factors in the medium to long term;
- proposals and/or opinions concerning definition and calculation of performance targets that include indicators relating to ESG factors, in coordination with the Appointments and Remuneration Committee;
- the profit and non-profit strategy and its implementation, also in relation to individual projects, consistent with the Foundation's activities, through the non-profit plan submitted annually to the Board.

In addition, the Committee monitors international environmental, social and governance initiatives and the Company's participation in them, aimed at enhancing the Company's reputation on the international front. Finally, the Committee assists the Board of Directors in analysing relevant issues aimed at long-term value creation for the purpose of reviewing and approving the business plan and, at the Board's request, expresses an opinion on other ESG issues and energy transition scenarios.

In FY 2022, the Committee met 12 times, with an attendance rate of 95%, and addressed climate change issues on several occasions, analysing in particular the results and strategies implemented by Snam to combat it.

Meetings: **12**
Attendance rate: **95%**
Average duration of meetings: **124 minutes**



TOPICS COVERED BY THE ESG AND ETS COMMITTEE

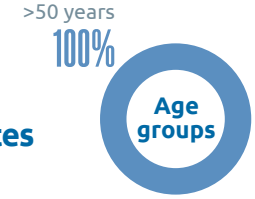
- Review of **financial and non-financial reporting** (NFS, Sustainability Report, Climate Change Report, Corporate Governance and Ownership Report)
- Calculation and target setting of ESG **targets** and the **ESG Scorecard**
- Examination of the **Risk register from an ESG perspective**
- Review of **sustainable finance** initiatives
- Insight into the new approach to materiality analysis, methane emissions and related targets and the gender pay gap

Control and Risk and Related-Party Transactions Committee

The Control and Risk and Related-Party Transactions Committee performs investigative, propositional and advisory functions vis-à-vis the Board of Directors, with the aim of supporting it, through adequate investigative activity, in assessments and decision-making phases regarding the internal control and risk management system and in decisions relating to the approval of periodic financial and non-financial reports. In particular, the Committee:

- assesses the suitability of periodic financial and non-financial information in fairly representing the Company's business model, strategies, the impact of its activities and the performance achieved, coordinating with the ESG and Energy Transition Scenarios Committee;
- periodically examines the main risks and opportunities, including those resulting from climate change;
- supports the Board of Directors in defining the guidelines of the internal control and risk management system, including medium and long-term ones, in order to correctly identify, measure, manage and monitor the main risks, including those that may be significant in the perspective of sustainability, in coordination with the ESG and Energy Transition Scenarios Committee;
- supports the Board of Directors in determining the degree of compatibility of these risks with consistent management of the strategic objectives.

Meetings: **10**
Attendance rate: **100%**
Average duration of meetings: **189 minutes**

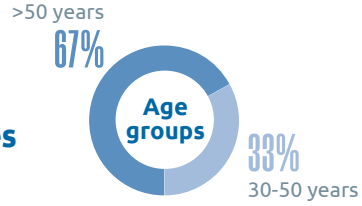


Appointments and Remuneration Committee

The **Appointments and Remuneration Committee** primarily carries out investigative, propositional and advisory functions vis-à-vis the Board of Directors, with regard to its **composition and size**, and with regard to **equal treatment and opportunities between genders** as well as **remuneration**. In particular:

- upon the proposal of the CEO, in agreement with the Chair 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, of the other associate companies qualified as strategic by the Board of Directors and of the foundations of which the Company is a founding member
- draws up and proposes guidelines in relation to the maximum number of positions on the boards of directors or boards of statutory auditors in other listed companies or companies of significant size that may be compatible with the effective performance of the office of director of the Company, taking into account the commitment deriving from the role held; criteria for assessing the professionalism and independence requirements of the directors of Snam and its Subsidiaries, as well as the activities performed in competition;
- examines and evaluates the methodologies that oversee the preparation of the succession plans for the Company's key managers;
- within the framework of the policies adopted by the Company on diversity and inclusion, including those aimed at reducing the pay gap and promoting professional equality, it ensures their adoption and implementation, with reference to the activities falling within its remit, and monitors their concrete implementation;
- assists the Board of Directors in the drafting of the **Remuneration Policy** and in the periodic evaluation of the same with respect to its adequacy, overall consistency and concrete application, as well as in the assessment of company results and the definition of claw back clauses;
- examines the indications of the CEO and proposes, with a view to sustainable value creation over the medium/long term: (i) general criteria for the remuneration of key managers; (ii) general guidelines for the remuneration of other executives of Snam and its subsidiaries; (iii) annual and long-term incentive plans, including share-based plans;
- proposes the definition of performance targets, (coordinating with the Environmental, Social & Governance and Energy Transition Scenarios Committee as regards the identification of those that include indicators relating to ESG factors), the final accounting of company results and the definition of claw back clauses, connected to the implementation of the incentive plans.

Meetings: **10**
Attendance rate: **93%**
Average duration of meetings: **73 minutes**



SNAM'S ORGANISATIONAL MODEL

Company management reflects a uniform organisational and procedural system for all Snam Companies, in Italy and abroad, created for the purpose of making its corporate management rules clear, simple and systematic.

In applying the system, managerial action is fundamental: in fact, this action assigns precise objectives to each position of responsibility and evaluates the results achieved according to a transparent perspective, thus favoring the constant consolidation of effectiveness and efficiency of business processes.

Snam's management team is decisive for the proper functioning of the system. All functions base their work on specific tasks, are given precise objectives and are evaluated on the results achieved, with a view to continuously improving the effectiveness and efficiency of business processes.

With the aim of seizing the new and important development opportunities defined by the Group's Strategic Plan, the organisational and procedural system was revised to foster change, providing increasing flexibility to the corporate structure to meet the new challenges of the energy transition. Snam's new organisational structure is characterised by being made up of **three business units** and staff functions, designed with a view to simplifying processes, efficiency and continuous improvement.

01 BUSINESS UNIT MOBILITY & LIQUEFACTION

Unregulated mobility business development and LNG commercial development

It oversees the definition of strategies, guidelines, objectives and the development of the unregulated mobility business and LNG commercial development.

02 BUSINESS UNIT ASSET ITALIA

Subsidiaries Italy (Transport, Storage, Regasification)

It oversees the definition of strategies, guidelines and industrial objectives of activities related to Snam's gas infrastructure business (transport, storage and regasification) of Italian subsidiaries and the development of technical services focused on specialised skills and know-how for gas operators.

03 BUSINESS UNIT ENVINRONMENT & EFFICIENCY

Unregulated biomethane business development and energy efficiency

It oversees the definition of strategies, guidelines, objectives and the development of the unregulated biomethane and energy efficiency businesses.

Legal, Governance, Compliance & ERM

Human Resources, Organization & PFM

Strategy, Innovation and Sustainability

Institutional Affairs

Global Security & Cyber Defence

Communication & Media Relations

Internal Audit*

P&C, Administration, Finance and M&A

P&C, Administration, Finance and M&A

International Engineering, Construction & Solutions

Corporate Services

Decarbonization Projects

International Asset Management and Business Development

* On behalf of the Board of Directors, the Chair coordinates and makes use of:
- the Board Secretary, for board induction and evaluation activities and all activities relating to the Shareholders' meeting, the Board of Directors, the Board Committees and - to the extent necessary - the control body;
- the Head of Internal Audit, for the activities falling within the remit of the Internal Audit Department, which reports hierarchically to the Board.

During 2022, in response to the changed international geopolitical framework and changes in the energy markets, the activities of the **Asset Italy Business Unit** were consolidated in order to ensure national energy security and a continuous energy supply. In particular, the organisational structure of the LNG function was reorganised to ensure the operational supervision of project activities related to the new FSRU terminals in Piombino and Ravenna.

During the year, in line with the strategic choices, which place the focus not only on a renewed gas infrastructure, but also on the increasingly significant role of biomethane and hydrogen, a new larger function - **Decarbonisation Projects (DECARB)** - was created, dedicated to the development and implementation of all decarbonisation projects: Carbon Capture and Storage (CCS), Hydrogen and Renewables.

Lastly, in order to respond to the changed prospects for international development, the new **International Asset Management and Business Development (IAMBD) unit** was created with the role of defining the development objectives for Snam's international presence and overseeing its foreign investments. The International & Business Development Business Unit was therefore merged into the new unit.

SNAM'S REMUNERATION AND INCENTIVE SYSTEM

Snam is committed to ensuring a remuneration system compliant with European and national legislation, such as to guarantee alignment with international best practices and promotes the Group's development, in line with its Strategic Plan.

Managed by the Appointments and Remuneration Committee, the remuneration system is functional not only to recognising the responsibilities assigned, but also to identifying the results achieved and the quality of the professional contribution of Snam's management team. The remuneration system also respects the principles of valuing people and equal opportunities that are part of Snam's organisational culture and are set out in its Code of Ethics.

Finally, the remuneration system is subject to an annual review as it represents a primary tool aimed at attracting, retaining and motivating a management team with high professional qualities, capable of successfully managing the Company and aligning its actions with the interests of the shareholders, promoting the creation of value in the medium-long term.

Snam's remuneration system

SENIOR MANAGERS

- **Fixed remuneration**, with possible annual adjustments established by merit or by progression of role/responsibility
- **Variable remuneration** with incentives aimed at promoting professional contribution in the short term, by assigning an **annual monetary incentive (IMA)**, as well as in the medium-long term, by assigning a **long-term share-based incentive (IALT)**.

Also, managers are subject to a **claw-back mechanism**, aimed at recovering the variable portion if the resulting compensation is not due if it was earned based on targets that were attained as a result of malicious or grossly negligent behaviour or that were proven to be manifestly incorrect. Finally, the **Compensation Statement** envisaged for managers is an information tool on the breakdown of individual remuneration that guarantees the promotion and transparency of the remuneration system.

COMPANY POPULATION (excluding executives)

Snam adopts a **short-term variable incentive plan** intended to reward best performance and the young resources with potential for development.

What is more, all companies in the Group implemented a "**Participation Bonus**", instituted by the National Collective Labour Agreement, based on the performance of profitability and productivity parameters, measured in relation to the targets agreed upon every year between the company and trade-union representatives

On 27 April 2022, the Shareholders' Meeting approved the Snam Remuneration Policy for 2022[3] concerning Directors, Statutory Auditors and Key Managers[4]. With reference to the 2022-2024 term of office, the Shareholders' Meeting is responsible for determining the remuneration for the non-executive members of the Board of Directors and for the Board of Statutory Auditors. The Board of Directors, upon proposal of the Remuneration Committee, defined the remuneration for the Chair and Chief Executive Officer, in accordance with the remuneration policy guidelines and with the pay mix structures described in this Report, in addition to the remuneration envisaged for participation to the internal Board Committees. In this regard, the performance targets associated with the short and long-term incentive schemes are directly connected to the fundamental guidelines of the Strategic Plan.

In the 2022 Remuneration Policy, sustainability is confirmed as a relevant factor, with **20% of the short and long-term variable incentive** linked to dedicated KPIs. In particular, this factor includes the following performance targets: the weighted injury frequency and severity index, inclusion in the CSA (ex DJSI), FTSE4GOOD, CDP Climate Change, Sustainalytics, the increase of sustainable financing, the reduction of natural gas emissions and a more equal representation in terms of gender diversity in the management structure.

Reward Policy

01 FIXED REMUNERATION

Includes all annual fixed components (Gross Annual Salary, directors' fees, remuneration for special offices,...)

02 ANNUAL MONETARY INCENTIVE (AMI)

Monetary plan defined on the basis of short-term objectives

KPI: Adjusted EBITDA, Investments, New business milestones, Strategic projects, **Sustainability**

03 LONG-TERM EQUITY INCENTIVE (LTEI)

Share-based plan with annual assignment and three-year vesting period

KPI: Value Added, Adjusted net profit, **Sustainability**

3 The Snam 2023 Remuneration Policy for Directors, Statutory Auditors and Managers with strategic responsibilities will be approved during the Shareholders' Meeting of 4 May 2023.

4 At Snam, Key Managers other than Directors and Statutory Auditors have the following roles: Chief Business Unit Asset Italia, Chief Financial Officer and Executive Vice President Human Resources & Organisation & PFM.

CONTROL SYSTEM

NFS

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (ICRMS)

Snam has adopted and is committed to promoting and maintaining an adequate **internal control and risk management system** ("ICRMS"), based on the Corporate Governance Code to which Snam adheres and which involves Snam's entire organisational, administrative and accounting structure and, more generally, corporate governance, in line with national and international models and best practices.

The ICRMS is the set of guidelines, rules and organisational structures that work together with all corporate bodies to ensure that the main risks pertaining to Snam and its subsidiaries are correctly **identified**, as well as adequately **measured**, **managed** and **monitored**, also in line with strategic objectives. The identified risks also include those related to the topics of Art. 3, paragraph 1, of Legislative Decree no. 254/2016 (in relation to environmental, social and personnel-related issues, respect for human rights, and the fight against active and passive corruption), and the monitoring of managerial processes.

Within the scope of the ICRMS, we use an integrated, dynamic and group-wide method of assessing risk that evaluates the existing management systems within the individual corporate processes, starting with those relating to the prevention of fraud and corruption and health, safety, environment and quality.

The ICRMS has three levels, each of which defines specific objectives and responsibilities:

CHIEF EXECUTIVE OFFICER

Appointed by the Board of Directors, the **CEO is responsible for structuring and maintaining the entire system**.

MANAGEMENT

Management is responsible for laying the foundations for the **creation of a positively oriented environment towards control**, overseeing the "line controls", consisting of the set of control activities that the individual operating units or companies carry out on their processes.

INTERNAL AUDIT

The **Internal Audit function is in charge of the independent control**, verifying that the system is functioning and adequate and providing periodic reports in which specific information is given on its activities, the way in which risk management is conducted, compliance with the plans defined for their containment, and ensuring the reliability of the information systems.

Snam's ICRMS is based on the principles defined in the Group's Code of Ethics, including:
- the segregation of the activities of the persons in charge of the authorisation, execution, 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 signatory powers and internal authorisation powers;
- traceability (guaranteed through information systems to identify and reconstruct sources, information and checks carried out in support of the formation and implementation of the Company's decisions and financial resources management procedures).

Periodically, the system is **audited** and **updated**, in order to ensure it is suited and appropriate to overseeing the main areas of corporate risk. In this context, also in order to fully implement the provisions of the Corporate Governance Code, Snam has adopted a specific ERM (Enterprise Risk Management) Model. For more information, please refer to the 'Strategy and Risk Management' chapter of this document.

The ERM Model identifies, measures, manages and monitors risks that could affect the achievement of strategic objectives. The methodology for assessing them makes it possible to identify them according to homogeneous and transversal logic, to order to them based on priority and implement the most appropriate treatment actions, as well as to draw up the relevant reporting.

Similarly, the ERM Model allows the mapping of opportunities, understanding by them the potentially positive scenarios, which, precisely because of uncertainty, can be considered for the corporate objectives.

RISK ASSURANCE & INTEGRATED COMPLIANCE

The **Risk Assurance & Integrated Compliance** (RACI) model, set out in the "Risk Assurance & Integrated Compliance" Guideline approved by the Board of Directors of Snam at its meeting on 11 December 2018, pursues a twofold objective:

1. integrate, within the ICRMS, the control models of the so-called 2nd level such as Enterprise Risk Management, Model 231, SCIS, Tax Control Framework (TCF), Privacy, Antitrust, Anti-corruption, Health, Safety, Environment & Quality (HSEQ), NFS and Security;

2. promote and support compliance with relevant regulations and the prevention of possible wrongdoing in the course of conducting business activities.

Through a special IT platform, the following activities are carried out in a coordinated manner - within periodic time windows (so-called campaigns) - taking into account the specificities of the 2nd level models[5], methodologies and reference provisions:

The IT platform ensures a single tool for interaction between first and second line of control that allows for the integrated collection of consistent and complete information and data in a risk & control register, to support the decision-making processes of the Top Management and Corporate Bodies recipients of dedicated reporting flows.

In an Integrated Risk Assurance & Compliance perspective, it is necessary that the Risk Model Owners (contact persons belonging to the function dedicated to the management of the individual control model) act jointly to plan and share their respective activities. In this regard, the Guideline regulates the coordination between the Risk Model Owners for the performance of the relevant activities within the scope.

THE MODEL 231

The **organisational, management and control model** pursuant to Legislative Decree no. 231/2001 (Model 231) represents an organic set of principles, rules and provisions relating to the control of each corporate process. The Model 231 has the fundamental function of protecting the company from any conduct that could lead to administrative liability, pursuant to Legislative Decree no. 231/2001, in relation to offences committed or attempted in the interest or to the advantage of the company by persons in "top" positions within the structure itself or by persons subject to the supervision and control of the latter.

Snam and its subsidiaries adopted their own Models 231[6] in order to prevent the offences referred to in the legislation on corporate administrative liability for the offences committed in the interests or for the benefit of the company, and they identified and appointed a **Supervisory Board** for each of them, with autonomous initiative and control powers, in compliance with the laws and regulations.

The **CoSo Framework** (most recently published in May 2013) is the basis for the analysis of corporate processes and the comparative analysis of the existing control environment and of the control systems. The Framework is the international reference model for the establishment, updating, analysis and assessment of the internal control system.

5 The prerogatives of the Manager responsible for preparing the Company's financial reports in particular are preserved as a result of Article 154-bis of the TUF, with reference, among other things, to the preparation of adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements as well as any other financial reports.
6 Model 231 is available on the Company's website www.snam.it.

On 27 July 2022, an amendment was introduced to the General Section of Snam S.p.A.'s Model 231, concerning the "Rules for updating Model 231" (Chapter 7, § 7.2): specifically, the task of ordering the updating of the Special Part of Model 231 was assigned to the Chief Executive Officer, who approves the outcomes and results of the transposition programme - already submitted to the Supervisory Board, for its possible observations - informing the Control and Risk and Related-Party Transactions Committee and, subsequently, the Board of Directors.

During the second half of 2022, the Boards of Directors of the subsidiaries resolved to amend the General Part of their respective Models 231, relating to the 'Rules for Updating', in line with the changes made to the holding company's Model 231 as outlined above.

In 2022, the impact of the following regulatory changes on the individual structures of Models 231 (including their existing controls) was analysed:
- Legislative Decree no. 184 of 2021 ("Implementation of Directive (EU) 2019/713 on combating fraud and counterfeiting of non-cash means of payment and replacing Council Framework Decision 2001/413/JHA"), which broadened the list of predicate offences with the introduction of Article 25-octies.1 ("Offences relating to non-cash means of payment");
- Legislative Decree no. 195 of 2021, implementing Directive (EU) 2018/1673 on combating money laundering by criminal law. In particular, culpable and non-culpable offences were included as predicate offences under Articles 648 et seq. of the Italian Criminal Code;
- European Law no. 238 of 2021, which amended certain existing provisions of the Criminal Code (also qualified as predicate offences under Legislative Decree no. 231/01) in order to adapt their contents to European law. In particular, Article 184 of the TUF was rewritten. ('Abuse or unlawful disclosure of inside information. Recommendation or inducement of others to commit insider dealing'), providing for a criminal sanction also for the so-called secondary insider;
- Decree-Law no. 13 of 2022, containing 'Urgent measures to combat fraud and for safety in the workplace in construction matters, as well as on electricity produced by plants from renewable sources', which intervened on certain predicate offences pursuant to Legislative Decree no. 231/01: Article 316-bis of the Criminal Code ('misappropriation of public funds'), Article 316-ter of the Criminal Code ('undue receipt of public funds', Article 640-bis of the Criminal Code ('aggravated fraud to obtain public funds');
- Law no. 22 of 2022, which introduced into the Criminal Code the new Title VIII-bis 'Of Crimes against the Cultural Heritage' (Articles 518-bis to 518-undevicies). Some of the new criminal offences have become part of the catalogue of predicate offences under Legislative Decree no. 231/01 (Articles 25-septiesdecies and 25-duodevicies).

Therefore, in 2022, the Special Section documents were updated entitled "Processes, Sensitive Activities and Specific Control Standards of Model 231" of Snam and its subsidiaries Snam Rete Gas, Infrastrutture Trasporto Gas, Stogit, GNL Italia, Gasrule, Snam4Mobility, Cubogas, Renovit, Tep Energy Solution, Bioenerys and Ies Biogas, following the related risk assessment and gap analysis activities carried out in accordance with the Integrated Risk Assurance & Compliance Model, in order to incorporate both the aforementioned regulatory changes and the organisational changes that have taken place.

Specifically, the update concerned the new categories of offences introduced and, as regards subsidiaries, the introduction of a new risk relating to the figure of the secondary insider. In other cases, the organisational changes that took place did not have an impact on the structure of Models 231, as there were no structural or process changes. The controls in place were also deemed suitable to guard against the new offences indicated above, and thus prevent them from being committed.

In addition, also during 2022:
- risk assessment and gap analysis activities were carried out to incorporate both the aforementioned regulatory changes and the organisational changes that had occurred for the companies Renerwaste, Mieci, Evolve, Arbolia and Enura. The results of these activities will also make it possible to update the Special Part documents of Models 231 of these companies;
- the Board of Directors of Iniziative Biometano and its subsidiaries adopted their own Model 231 with a resolution of 21 July 2022, following the performance of risk assessment activities, in line with the evolution of the integration process into the Snam Group;
- risk assessment and gap analysis activities were carried out for the purpose of adopting Models 231 of the companies Biowaste CH4 Group, Biowaste CH4 Anzio, Biowaste CH4 Foligno, Renerwaste Cupello, Enersi, as well as Snam Foundation.

Lastly, in December 2022, further risk assessment and gap analysis activities were started, aimed at updating the special part of Model 231 of Snam and Snam Rete Gas[7], in relation to further organisational changes that have occurred.

The outcomes of these activities will make it possible to adapt the Special Section documents entitled "Processes, Sensitive Activities and Specific Control Standards of Model 231" for Snam and Snam Rete Gas.

MANAGEMENT OF REPORTS: WHISTLEBLOWING

As part of Model 231 and, in particular, of the whistleblowing management process[8], Snam encourages all parties affected by the application of the Anti-Corruption Management System, whether inside or outside to the Company, to report any fact and/or behaviour, including omission, of which they have become aware as a result of their relations with the Company and which may, even indirectly or potentially, be seen as a form of corruption. It is in this direction that Snam is committed to promoting awareness of and compliance with the provisions of the Reporting Guidelines, which govern the process of receiving, collecting, analysing, verifying and reporting reports, including anonymous ones, received by Snam and its Subsidiaries. In particular:

- allows personnel inside and outside the Company to report, in good faith or on the basis of reasonable belief, and in any case even anonymously, attempted, alleged and actual acts of corruption, as well as any violations, shortcomings or improvements to Snam's Anti-Corruption Management System;
- provides for the application of appropriate sanctions against those who violate the whistleblower protection measures, as well as against those who maliciously or grossly negligently make reports that turn out to be unfounded;
- protects the confidentiality of the reporter's identity, prohibiting retaliation againstthose who make reports in good faith and thus protecting these subjects.

For the purpose of sending reports, Snam has made specific communication channels available to the Group itself and to all its Subsidiaries. These channels are managed by Ombudsman, an external body that guarantees the receipt and analysis of each report received by applying criteria of the utmost confidentiality capable of protecting the reputation of the persons reported, as well as the effectiveness of the investigations. The preliminary investigation of the reports is carried out in an integrated and coordinated manner, through the involvement of the Internal Audit Function, after hearing the Legal, Governance, Compliance, ERM & HSEQ Function to the extent of its competence.

INTERNAL AUDIT ACTIVITIES

Also during 2022, the performance of activities by Internal Audit complied with the necessary conditions of independence and autonomy, as well as maintaining due objectivity, competence and professional diligence, in line with the Mission of Internal Audit and the Mandatory Guidance of the Institute of Internal Auditors and the principles contained in the Code of Ethics. In particular, Internal Audit was instructed to regularly carry out scheduled activities in this regard:

- the preparation of the proposed Audit Plan based on measurement and prioritisation of the main corporate risks carried out by the ERM unit;
- the execution of the Audit Plan, composed of 17 measures, approved by the Board of Directors of Snam on 16 March 2022, following the favourable opinion of the Control and Risk and Related-Party Transactions Committee and after carrying out three further audits not scheduled in the plan (spot audits);
- monitoring of the implementation of corrective actions, established in accordance with the recommendations that were provided during the audit;
- development of the independent monitoring programme defined with the Manager responsible for preparing the Company's financial reports under the scope of Snam's Corporate Information Control System;
- confirmations relating to reports, including anonymous, of problems linked to the internal control and risk management system, the company's administrative responsibility, whistleblowing;
- activities relating to relations with the Independent Auditors concerning the management of the Framework Agreement entered into and, in particular, the supervision of activities for the conferral of additional appointments of the same.

7 The Q4 2022 campaign started on 15 December 2022 and will end on 27 February 2023.
8 Detailed information on the topics discussed in this section can be found in the "Report on Corporate Governance and Ownership Structure 2022", available on the Company's website at www.snam.it.

Regarding point 5, in 2022, Snam received 7 reports, 3 of which were anonymous. The Internal Audit department was appointed by the Supervisory Board to verify 7 of these, and, where necessary, activated the competent departments of Snam S.p.A. and Snam Rete Gas. The main issues reported in 2022 concerned alleged behaviour contrary to the Code of Ethics, Model 231 and company regulations by suppliers and employees. The 7 reports received during 2022 were fully processed by the Internal Audit function, which proposed their filing to the competent Supervisory Boards; of these, 4 were formally filed, while 3 are awaiting closure.

In addition, the main additional activities carried out concerned:
- updating the Operational Manual of the Function, including adding a session concerning the operational breakdown of the whistleblowing management process, according to the current Guideline "Reports, including anonymous ones, received by Snam and its subsidiaries";
- updating the audit universe, carried out also with the aim of considering the organisational changes that occurred in the Snam Group during 2022;
- managing specific requests raised during periodic meetings with Snam's control bodies;
- introducing a Customer Satisfaction tool to support the continuous improvement of the function's performance;
- introducing a new framework for monitoring the function's performance through Key Performance Indicators (KPIs).

In 2022, audit activities were performed by a dedicated team of 12 auditors (average annual headcount):

INTERNL AUDIT ACTIVITIES (NO.)

	2020	2021	2022
Total audits performed (planned and/or spot)	16	17[1]	18
of which for consulting activities	-	-	1
Independent monitoring activities (Law 262/05)	21	14	14
Reports received and processed[2]	10	6	7
those involving the Internal Control System	5	4	2
those involving accounts, audits, fraud, etc.	-	-	-
those pertaining to administrative liability pursuant to Legislative Decree no. 231/2001	-	-	3
those involving violations of anti-corruption law	-	-	2
those involving other subjects (Code of Ethics, mobbing, theft, security, etc.)	5	5	7[3]
Reports archived due to a lack of elements or untruthfulness	3	2	5[4]
Reports pending	1	6	0
Reports concluded with disciplinary procedures/managerial action and/or subject to the Judicial Authority[5]	6	0	8[6]

1. Figure updated in light of the final balance.
2. Reports may belong to more than one category at the same time.
3. Of which: i) 2 related to the normal operations of the gas transport business; ii) 2 also related to the Internal Control System, 231 and Anti-Corruption; iii) 1 also related to 231; iv) 2 related to discriminatory practices, in violation of the Code of Ethics.
4. Of which 3 refer to reports received in 2022 and 2 refer to reports received in 2021.
5. The term managerial also refers to organisational/procedural interventions relative to actions aimed at improving the Internal Control and Risk Management System.
6. Of which 4 refer to reports received in 2022 and 4 refer to reports received in 2021.

STRATEGY AND RISK MANAGEMENT

CREATING SUSTAINABLE VALUE: SNAM'S BUSINESS MODEL

Snam's business model is based on **sustainable growth, transparency, the enhancement of talent and diversity, and the protection and social development of local areas**, also through the work of the Snam Foundation.

The Group's purpose, vision, mission and values underpin its business model, which integrates the new energy transition business with the traditional core business. This model pursues sustainable success through the creation of long-term value to benefit shareholders, while considering the interests of relevant stakeholders.

The business plan and ESG coexist and are interconnected, with the goal of providing a concrete contribution to the achievement of the United Nations Sustainable Development Goals. The repositioning of the Company in recent years and the actions envisaged in the new plan put the Group in a position to seize the opportunities deriving from the energy transition, also thanks to the ever-increasing digitalisation of processes and the skills acquired by Snam people, subjects enablers of corporate values.

INPUT

FINANCIAL CAPITAL

The economic resources for carrying out the necessary investments to maintain and improve the infrastructure.

INFRASTRUCTURAL CAPITAL

The network for transport and facilities for storage and regasification of natural gas, production and injection of biomethane, distribution of natural gas for transportation.

RELATIONAL CAPITAL

The "license-to-operate" recognised by stakeholders in Snam, the trust placed in the Group, with its 80-year history.

INTELLECTUAL CAPITAL

Information systems, internal processes and procedures, practices developed and consolidated over time, approach to innovation.

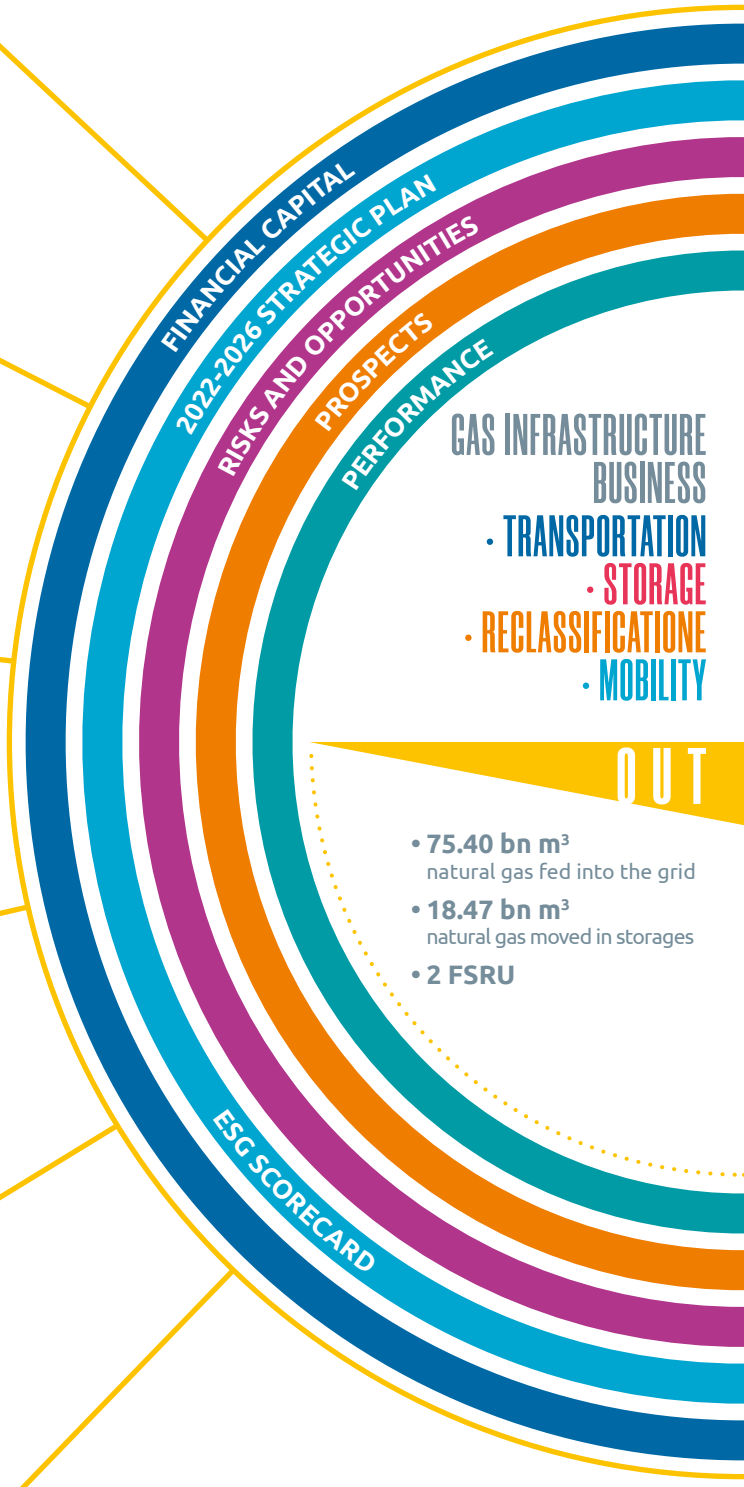
NATURAL CAPITAL

The richness of the land where Snam's infrastructure, air and biodiversity are located that are part of it and the energy resources that enable the Group to provide its services.

HUMAN CAPITAL

The skills, competencies and experience of the people who make up the Group, necessary to achieve Snam's strategic objectives and to maintain a high focus on our distinctive values.

PURPOSE



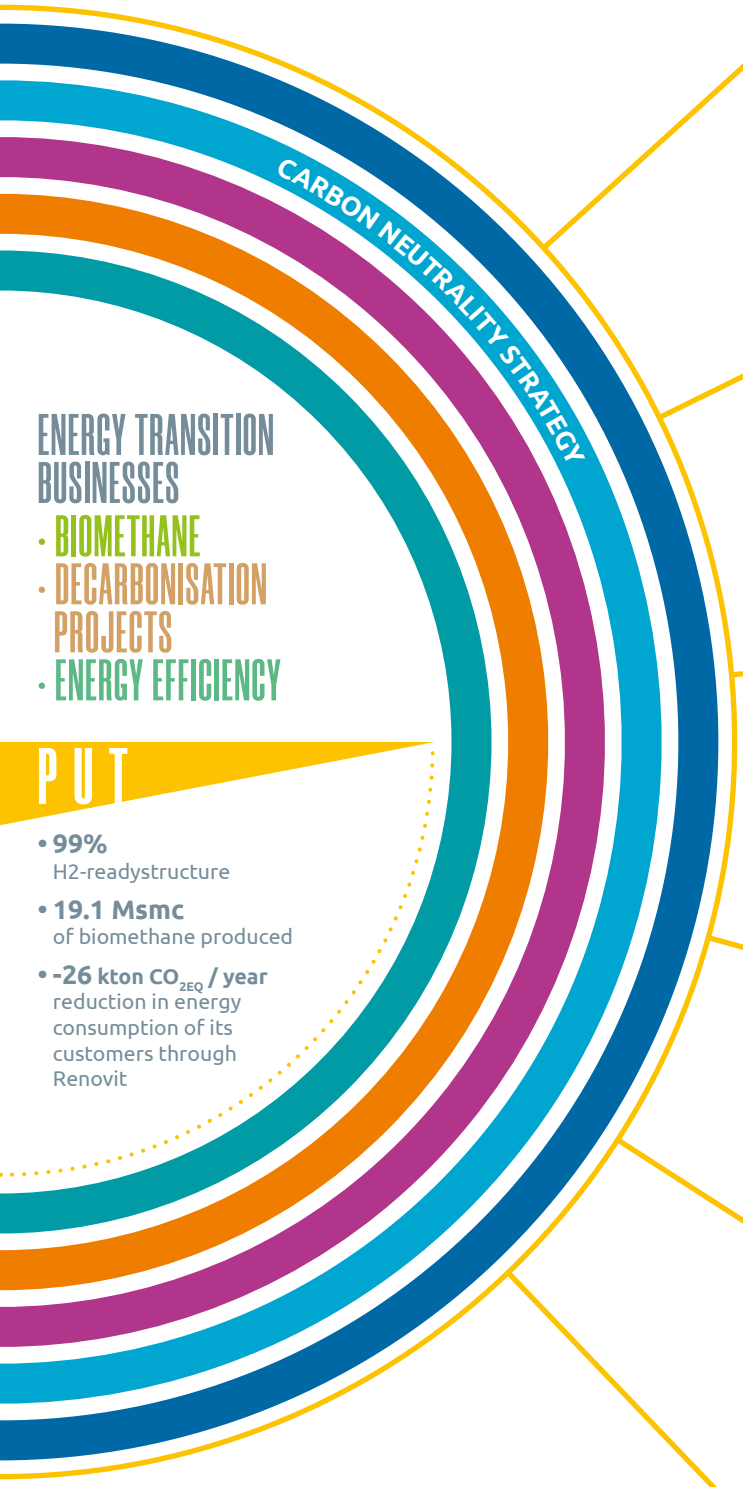
WE CONNECT TO BUILD OPPORTUNITIES

WE PROMOTE SAFETY

OUR PEOPLE

CREATION, PRESERVATION OR

ENERGY TO INSPIRE THE WORLD



WE SUPPORT THE CHANGING WORLD | **WE SHAPE THE FUTURE**

ENABLE OUR VALUES

OUTCOME

FINANCIAL CAPITAL
- Creating shared value for all stakeholders
- Attracting SRI investors through sustainable finance and investment in green projects
- Contributed to the development of local suppliers)

- **€ 3,515 mln** Total revenues
- **€ 2,587 mln** Added value distributed
- **70%** Sustainable finance in funding
- **44%** spent on local suppliers (SMEs in Italy) out of the total procured

INFRASTRUCTURAL CAPITAL
- Guaranteed energy access for all
- Multi-purpose infrastructure development
- Service continuity and reliability

- **324** Total active customers in transport, storage and regasification
- **8.4** Average annual customer satisfaction with quality of service
- **99.9%** level of reliability of supply of gas

RELATIONAL CAPITAL
- Support and development of local communities
- Fair compensation systems
- Improved reputation through transparent and comprehensive communication to all

- **6,417** hours dedicated to Snam Foundation activities for support to local communities from employees
- **14** project activities Snam Foundation
- **€ 2 mln** for environmental compensation

INTELLECTUAL CAPITAL
- Improved infrastructure management
- Loss or publication of sensitive data
- Awareness-raising and supplier training in the energy transition process

- **52** Snam TEC projects
- **190** suppliers involved in the CDP supply chain

NATURAL CAPITAL
- Generation of GHG emissions in the course of activities
- Safeguarding biodiversity
- Support for the circular economy (biogas and biomethane production)

- **52%** Electricity consumed out of total
- **1,518** ktonCO_{2eq} Emissions Scope 1 and Scope 2
- **195 km** of environmental restoration carried out

HUMAN CAPITAL
- Creating an inclusive working environment
- Dissemination of a culture ofhealth and safety at work
- Developing skills, increasing productivity and contributing to employee well-being

- **71.8%** of participants in welfare activities
- **121,630** Hours of training provided
- **0.51** employee accident frequency index

EROSION OF VALUE OVER TIME

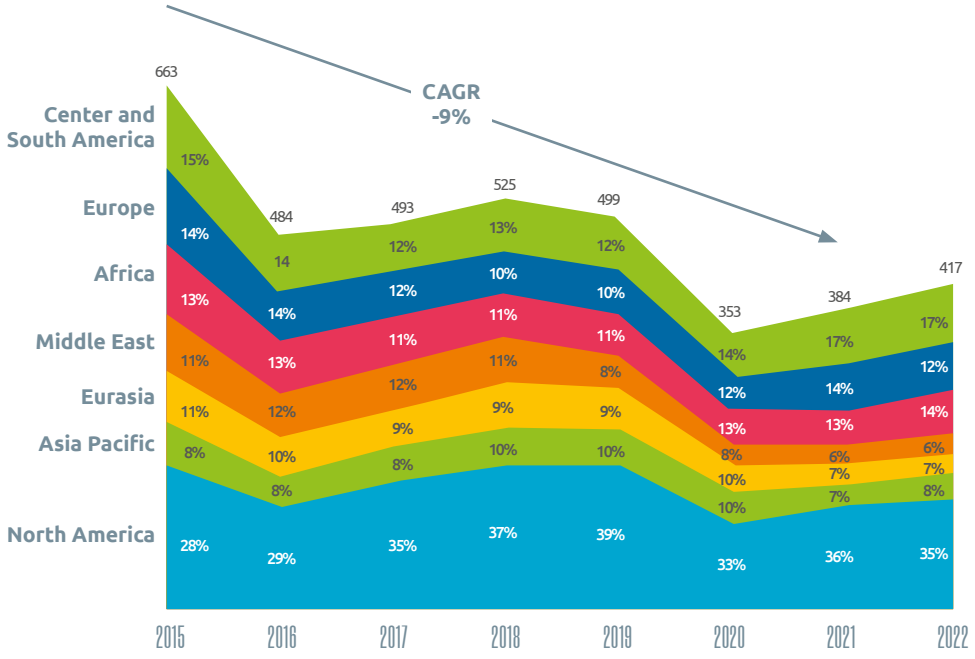
NFS

TRANSITION, SECURITY AND COMPETITIVENESS: THE CHALLENGES OF THE "ENERGY TRILEMMA"

In the last two years, the instability of gas demand and supply due to the pandemic, insufficient investment in the energy system in the face of a growing European and global gas demand accelerated by the conflict between Russia and Ukraine have highlighted how vulnerable the energy sector is to the dynamics arising from unstable contexts. Therefore, the so-called **energy trilemma**, i.e. the need to **ensure energy security, sustainability and competitiveness at the same time**, has become even more important.

INVESTMENT IN UPSTREAM OIL & GAS BY CONTINENT, BILLION DOLLARS, %

Source: World Energy Investment 2022, IEA



SUPPLY SECURITY	Developing gas infrastructure along the entire value chain to improve resilience through greater flexibility and appropriate sizing
SUSTAINABILITY	Accelerating the energy transition through the development of green and low-carbon gases
COMPETITIVENESS	Ensuring cost competitiveness through innovation and efficiency initiatives

All these actions will therefore contribute to increasing Europe's energy independence, to achieving carbon neutrality targets and to ensuring a more competitive and affordable energy price.

Among the short-term responses to cope with the decline in Russian gas imports by pipeline as a result of the Russian-Ukrainian war, the EU maximised imports from other countries (+17 bcm, +20%) and increased the use of liquefied natural gas (LNG), (+28 bcm, +56%). In order to structurally overcome the tensions related to the progressive achievement of independence from Russian gas, the EU also implemented a series of measures to ensure security of supply and market resilience, acting on the filling of storage facilities up to 80% for 2022/2023 and, thereafter 90%, increasing LNG imports, also thanks to the Floating Storage and Regasification Units (FSRUs) and reducing gas demand by 15% between August 2022 and March 2023, compared to the average of the last five years, providing exemptions so that the reduction request for Italy stands at around 7% on an annual basis.

Italy has also adopted for itself the goal of reducing its gas consumption by following the guidelines defined at European level and has increased its storage capacity through the acquisition of 2 floating regasification plants. For more information on FSRUs, see the section 'Snam Profile - Gas Infrastructure Business'.

The two floating regasification plants were delivered by Snam in a short time, leveraging its experience in building and managing large energy infrastructures. Once in operation, these plants, together with the existing Panigaglia plant, will contribute to making Italy's gas infrastructure more flexible as well as resilient and secure.

THE CENTRALITY OF THE ITALIAN ENERGY SYSTEM

While in 2021 about 40% of gas came to Italy from Russia via the Tarvisio entry point, 2022 witnessed an unprecedented reversal of gas flows, creating a scenario of extreme uncertainty and volatility, making it necessary to shift the centre of gravity of the European energy system towards the south and the Mediterranean area, strengthening south-to-north transportation capacity and asset flexibility.

NATURAL GAS FLOWS IN 2021

NATURAL GAS FLOWS AFTER THE RU-UA WAR

Import point · New import point · Main gas flows · Upgrades · Gas demand (bcm) 17 0

In this context, Snam, as a leading gas operator in Europe and the first in Italy, provided a rapid response to the emergency situation, while managing its strategic assets with a long-term perspective. Indeed, the Group intends to play a key role in achieving energy independence from Russian gas imports. The actions, implemented in its Strategic Plan, presented in January 2023, aim to rebalance the "energy trilemma", strengthen the national and European gas infrastructure, and maintain its commitment towards decarbonisation targets.

To facilitate the transition, it will be crucial to adopt a **strategy of diversification of sources** through the gradual replacement of fossil fuels by increasing the share of renewables in the energy mix and by green gases, in particular biomethane and hydrogen, as well as by envisaging the application of CCS (Carbon Capture and Storage) technologies for natural gas uses in the industrial sphere and for power generation and hydrogen. Indeed, as confirmed by recent reports by the IPCC (Intergovernmental Panel on Climate Change) and the IEA (International Energy Agency), CCS is considered a necessary technology to achieve global decarbonisation targets, because it plays a crucial role especially in the decarbonisation of the energy and hard-to-abate industrial sectors, where emissions - that as in the case of steel, chemicals, ceramics, paper, glass, cement and foundries are more difficult to abate - are linked to both production processes and high processing temperatures.

Starting in 2019, with the approval of the**European Green Deal**, the European Union has set out on a path towards a low-carbon economy, with the ultimate goal of achieving carbon neutrality by 2050. The Green Deal targets were reinforced by the **Fit-for-55** package, a set of proposals to update EU regulations relevant to the decarbonisation of energy systems in line with the climate targets agreed by the Council and the European Parliament.

To support the achievement of the 2030 and 2050 targets, the European Commission has promoted a series of legislative initiatives built around two main European policy documents:

- **EU Strategy on Energy System Integration**, which aims to optimise and modernise the European energy system as a whole by connecting different energy carriers with each other and with end-use sectors by leveraging emerging technologies, processes and business models;
- **Hydrogen Strategy**, in continuity with the EU Strategy on Energy System Integration, which aims to create a European hydrogen ecosystem by moving from research and development projects to the creation of scalable hydrogen infrastructures by leveraging the opportunity to decarbonise the European Union through production and use of renewable hydrogen;
- **EU Methane Strategy**, which aims to reduce methane emissions, improve air quality and strengthen European leadership in combating climate change through, for example, improved measurement, reporting and verification of these emissions by the energy sector, with the mandatory adoption of leak detection and repair tools.

In terms of legislative proposals, the main reforms proposed by the Commission and still under consideration by the European institutions are:

- **Fit for 55**, a set of proposals to update EU regulations relevant to the decarbonisation of energy systems in line with the climate targets agreed by the Council and the European Parliament. The package of proposals aims to provide a coherent and balanced framework for achieving the EU climate targets, to:
  - ensure a fair and socially just transition;
  - maintain and strengthen the innovation and competitiveness of EU industry while ensuring a level playing field with economic operators in third countries;
  - support the EU's leading position in the global fight against climate change;
- **Hydrogen and gas markets decarbonisation package**, a set of regulatory revisions aimed at decarbonising the EU gas market by facilitating the deployment of renewable and low-carbon gases, including hydrogen, and ensuring energy security for all European citizens. The main objectives include:

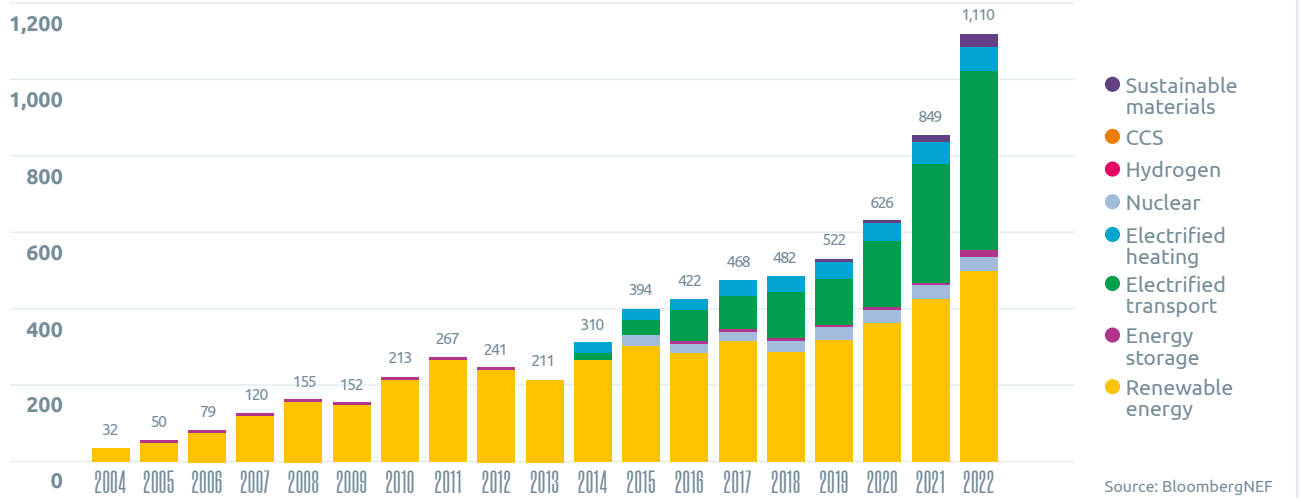
01	02	03	04
Creating a hydrogen market	**Creating national network development plans**	**Eliminating tariffs for cross-border interconnections**	**Improving the resilience of the gas system**
defining the conditions for the development of a dedicated infrastructure	based on a common scenario for electricity, gas and hydrogen	facilitating access to the existing gas network	and strengthening existing security of supply provisions

Finally, following Russia's invasion of Ukraine, the European Commission unveiled the **REPower EU** Plan in March 2022, setting out a series of legislative and non-legislative measures aimed at reducing Europe's dependence on natural gas from Russia, further increasing European ambitions on efficiency, renewables and hydrogen development targets.

In fact, hydrogen has a dual value: in addition to aiding the decarbonisation process, it can contribute to substituting fossil fuels, by decreasing dependence onthem and thus contribute to energy security in the long term. Thanks to the support policies and regulatory systems that will encourage its development, hydrogen can become a commodity with an international market. The **Global Hydrogen Review 2022**, published by the IEA, reports that **hydrogen demand** reached 94 million tonnes in 2021, recovering to pre-pandemic levels (91 million tonnes in 2019) and thus representing 2.5% of global final energy consumption. This increase is mainly attributable to the use of hydrogen in refining and industry, while the demand for new applications has grown to about 40 thousand tonnes (+60% since 2020), allowing to expect significant growth over the next 30 years.

To ensure the energy transition, investments are needed to adapt existing technologies and develop new ones. According to BloombergNEF **Energy Transition Investment Trends 2023**, some 1.1 trillion dollars was invested globally in decarbonising the energy system in 2022 (up 31% from 2021), including 495 billion dollars in new renewable energy capacity, 1.1 billion dollars in hydrogen, 6.4 million dollars in CCS and 30 billion euros in sustainable materials, highlighting the clear direction from institutions and industry sectors.

FIGURE 1: GLOBAL INVESTMENT IN ENERGY BY SECTOR $ BILLION



Source: BloombergNEF

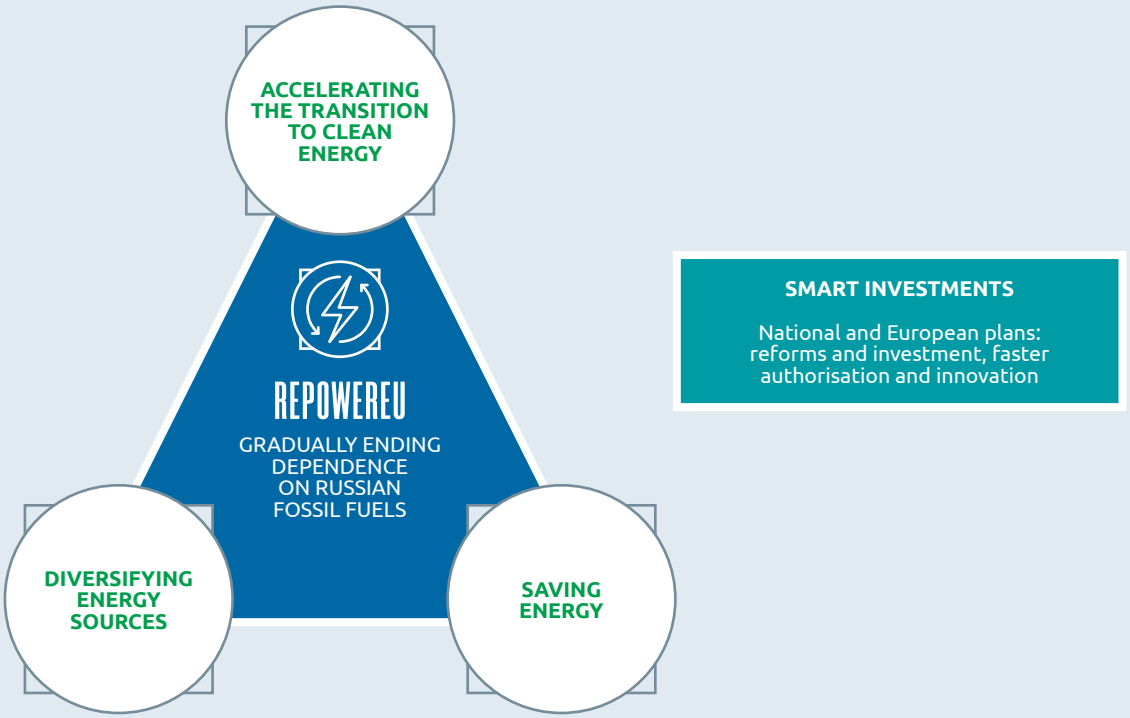
Although it highlighted the vulnerabilities of the energy system, therefore, 2022 also opened a **new era for the gas sector**. The rapid changes necessitated by the current situation and the demands of the institutions have, in fact, highlighted the key role that the energyworldwill play in ensuring a sustainable and secure energy future and in achieving the **energy transition** in line with the goals of the Paris Agreement and the UN Sustainable Development Goals.

Based on the principles of equity and solidarity of the EU Green Deal and the REPowerEU package, the European Commission envisaged that the energy transition process should be based on the principles of equity and solidarity, based on which no one should be left behind. This is all thanks to a strengthened cross-border solidarity mechanism, with a view to fostering **just transition**.

The **Just Transition Mechanism (JTM)** adopted in 2020 aims to support the regions, industries and workers that will be most affected by the socio-economic impact of the transition through three pillars: a new Just Transition Fund, a dedicated programme under InvestEU, and a new loan instrument for the public sector.

THE REPOWEREU PACKAGE TO ACCELERATE ENERGY TRANSITION IN THE EUROPEAN UNION

On 18 May 2022, the European Commission published **REPowerEU**, a plan based on the Fit for 55 package that presents three achievable objectives through the combined action of short-, medium- and long-term targets and measures.



REPowerEU is designed to encourage **energy savings** through increased energy efficiency, raising **the binding target of the Energy Efficiency Directive to 13%**, to make the EU economy more resilient and protect its competitiveness in the face of high fossil fuel prices.

In March 2022, in order to **diversify energy sources**, the Commission announced its intention to set up an EU platform for voluntary joint procurement of gas, LNG and hydrogen. Said procurement will accelerate the deployment of green gas and optimise the gas infrastructure also through long-term cooperation with trusted partners.

To **accelerate the clean energy transition**, the Commission also plans to increase the 2030 target of **the Renewable Energy Directive** from 40% in last year's proposal **to 45%**, and to install more than **320 GW** of solar **PV by 2025** and almost 600 GW by 2030.

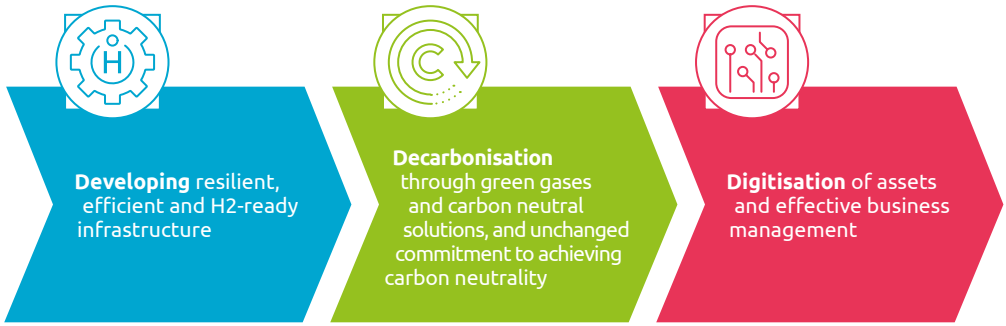
Renewable hydrogen will be instrumental in replacing natural gas, coal and oil in hard-to-abate industries and transportation. Therefore, the REPowerEU plan sets a target of **20 million tonnes of renewable hydrogen** by 2030 divided between that which is **domestically produced** and **imported**.

The Plan also envisages an increase in sustainable biomethane production to 35 bcm by 2030 as a cost-efficient way to achieve the goal of reducing natural gas imports from Russia.

Finally, the ecological transition will be achieved above all by the progressive **reduction and replacement of fossil fuels** in all economic sectors, **through electrification, the use of hydrogen and biomethane**.

According to the Commission's analysis, REPowerEU will require additional **investments of 210 billion euros between now and 2027**, in addition to those needed to realise the objectives of the Fit for 55 package proposals. However, these investments will pay off: by 2030, the implementation of the Fit for 55 framework and the REPowerEU plan will enable the EU to save 80 billion euros annually on gas imports, 12 billion euros on oil imports and 1.7 billion euros on coal imports.

BUILDING A SAFE AND SUSTAINABLE ENERGY SYSTEM: THE 2022-2026 STRATEGIC PLAN



Snam is determined to play an essential role in building a **more sustainable, resilient and durable energy system**. The Group intends to seize the opportunities for long-term strategies that have emerged from the current environment, characterised by extreme uncertainty and volatility, which have brought the issue of **security of supply** to everyone's attention. Indeed, in the current crisis scenario, Snam has been able to manage the emergency situation and consolidate its position as the main operator in the energy sector by providing effective short-term responses, which have been the basis on which the **2022-2026 Strategic Plan** has been founded.

In line with European objectives and with a view to moving towards greater **energy independence** from Russian gas imports, ensuring the **security of gas supply**, and **diversifying supplies**, as also indicated in the proposals of the European Commission contained in the **REPowerEU**, Snam has increased its investments to **10 billion euros** (+23% compared to the previous plan). For 9 billion euros, in particular, they will aim to strengthen gas infrastructure, making it more flexible and multi-purpose. At the same time, Snam intends to pursue **decarbonisation** goals, leveraging green molecules, mainly **hydrogen** and **biomethane**, with investments amounting to 1 billion euros, bringing the new Plan in line with the European 36% taxonomy. In addition, 450 million euros will be allocated to the Group's **innovation** and **digitalisation** programme, which will also contribute to security and continuity of supply with its projects. Despite the still unstable scenario that characterises the future of the energy sector, the Group expects significant growth, ensuring a solid financial structure that will support the development of sustainable finance (increased from 60% to 70% in 2022 and with the aim of increasing it to 80% by 2026).

All the investments envisaged in the Plan are perfectly consistent with the **European 2030 objectives** and with the **decarbonisation pathway** that envisages a progressive increase in the use of green gases, first through the development of biomethane production and, subsequently, with an increasingly decisive role for hydrogen and natural gas, in combination with CO_2 capture.

Considering the "**energy trilemma**" that aims to balance security of supply, sustainability and competitiveness, Snam, with its new Strategic Plan, places itself at the centre of it, investing along all three pillars through the development of a resilient and H2-ready **gas infrastructure**, the creation of an **energy transition platform** for the decarbonisation of the system through green gas and the full digitalisation of assets by leveraging **innovation and efficiency** projects.

PILLARS OF THE 2022-2026 STRATEGIC PLAN

GAS INFRASTRUCTURE

We invest in a multi-purpose gas infrastructure, meaning it is compatible with different gases along the entire value chain

- **Network** development: Adriatic backbone (to enhance South-North flows)
- **Storage**: expansion and optimisation of the system and first investments in the Alfonsine storage field
- **LNG** import: acquisition of 2 FSRUs
- Replacement of >1,000 km of pipeline
- Strengthening **interconnections**
- **SMALL SCALE LNG** infrastructure

SUSTAINABILITY

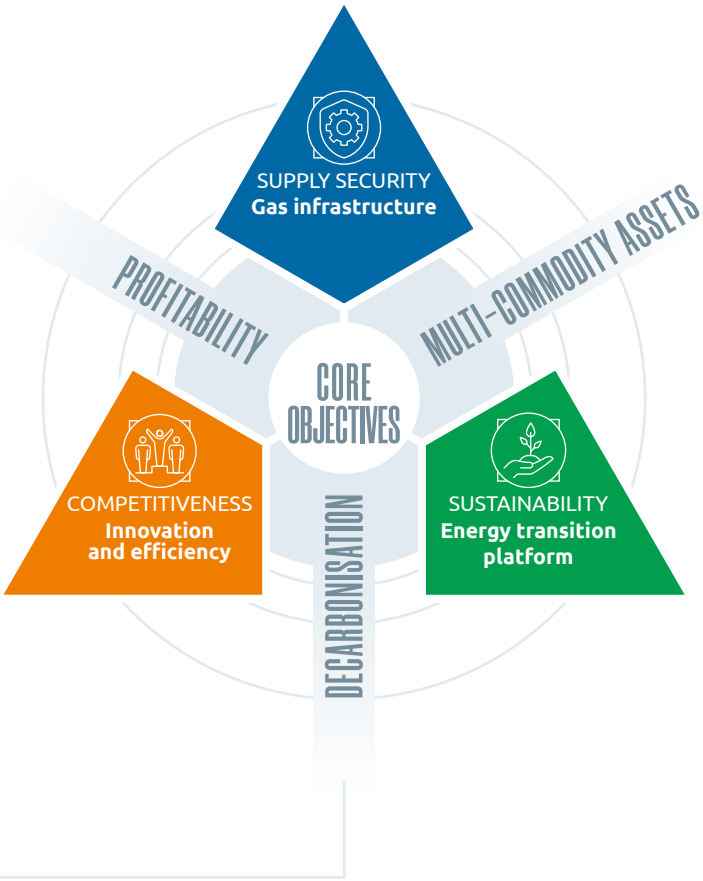
We develop green gases and contribute to the decarbonisation of consumption, developing the energy transition platform

- **Biomethane**: target >100MW installed capacity
- **H2** projects: demand development and skills enhancement
- **CCS** technologies: building a CCS ecosystem in Italy by leveraging equity investments in northern European companies
- **Energy Efficiency**: diversifying growth through public-private partnerships and energy performance contracts

COMPETITIVENESS

We digitise and optimise of assets and industrial processes

- **SnamTEC**: >50 active projects
- Focus on cost efficiency, preparation
- for ROSS*
- Flexibility and effectiveness for performance-based incentives



*ROSS: new regulation based on total expenditure (CapEx+OpEx)

The objectives defined by Snam in the Strategic Plan will also be achieved through collaboration with its subsidiaries, which have been grouped into clusters to reflect their role with respect to short- and medium- to long-term strategic objectives, and by maintaining commitment in the various dimensions of sustainability monitored in the ESG Scorecard and in Snam Foundation activities.

Snam's strategy, therefore, has been built to direct the investments needed to build a more resilient energy system and to support the path towards carbon neutrality while remaining a reliable partner for all stakeholders in the current context of extreme volatility and uncertainty.

Gas infrastructure

Providing greater flexibility to the gas infrastructure along the entire value chain is one of the main objectives pursued by Snam in order to strengthen its resilience in times of emergency.

In the new Strategic Plan, also for this reason, the Group has reconfirmed the investments earmarked in the last Plan to replace obsolete pipelines and storage equipment and install dual fuel compression stations, which will also contribute to reducing the Group's carbon footprint.

By 2026, Snam will allocate 6.3 billion euros to the transportation network, in particular, to the expansion of the **adriatic backbone**, which will be completed by 2027 and will allow the expansion of South-North capacity, giving the system greater flexibility and, thus cope with the effects of the Russian-Ukrainian conflict. To date, the Adriatic Line consists of three pipe sections from Sulmona to Minerbio and a compressor station in Sulmona. In addition, part of the investments dedicated to the gas transportation network will also be allocated to the application of the **Asset Health Methodology**, a methodology developed by Snam for assessing the state of health of natural gas transportation infrastructures, prepared by Snam Rete Gas in coordination with the other Italian gas transportation companies (in accordance with the mandate set forth in ARERA Resolution 195/2022/R/Gas), with the support of leading international consulting firms (Copperleaf) and academic institutions (Turin Polytechnic).

ASSET HEALTH METHODOLOGY

The natural gas transportation system in Italy represents an essential energy infrastructure and a crucial asset for the social and economic well-being of citizens and businesses.

The current infrastructure has been progressively built since the 1950s-60s to meet the country's growing demand for natural gas. Therefore, the age of the pipelines of the network in operation varies significantly, and a significant proportion of this infrastructure has already reached the end of its economic-technical life cycle. In practice, there is a wide range of situations that require specific and dedicated assessment.

The asset management process, developed since the 1980s, encompasses all activities aimed at preserving assets so that they can be managed safely and reliably. This process has evolved considerably, resulting in numerous regulations and standards. The most recent is the norm **ISO 55000**, which defines the main tasks of a structured and effective asset management system.

The **Methodology of Asset Health (MAH)** developed by Snam is based on these principles and takes its cue from best practices implemented internationally in various infrastructure sectors, particularly in the energy sector. This methodology identifies the **principles and approaches adopted by Italian gas transportation system operators in order to assess the health of their assets**. It also provides an additional tool to support investment decisions regarding the replacement of obsolete or fully depreciated assets.

For more information, please visit https://www.snam.it/it/trasporto/metodologia_asset_health/.

Of the 9 billion euros in the Plan, Snam intends to allocate 1.3 billion to **expand, enhance and optimise the storage system** in order to make it more flexible and increase its overall capacity to 16 bcm by 2026. More capacity will also be achieved thanks to the new Alfonsine plant, (+1.8 bcm or 15%), which will be completed within the next five years with the financial support of 50 million euros planned for 2022-2026.

As far as the regasification business is concerned, Snam will invest a total of 1.4 billion euros in the import of LNG, part of which has already begun with the acquisition and commissioning of 2 new **floating regasification units (FSRUs)** with 5bcm of capacity each, in Ravenna and Piombino, as well as the construction of the related infrastructure works. With a regasification capacity increased to about 27 bcm, LNG will be able to meet about 40% of the expected gas demand in the medium term. With this in mind, and with a share of about 17 bcm of regasification capacity, Snam will become one of the largest LNG operators in Europe, thus supporting greater security and greater diversification of Italy's energy supplies.

Snam has continued to invest in the modernisation of the infrastructure to make it **H2-ready**, i.e. such as to enable assets also for transporting hydrogen, with the aim of creating value also in the future. To date, almost all of Snam's pipelines are capable of transporting up to 100% hydrogen (according to ASME regulation B31.12[9]), of which 70% is unrestricted or with limited restrictions on maximum operating pressure. 750 km of the Snam network have been certified by RINA for hydrogen transport, with the aim of exceeding 3,000 km certified by 2026 and replacing more than 1,000 km with H2-ready by the plan time horizon.

Also with a view to diversifying energy sources, in November 2022 Snam successfully concluded a series of tests at its Istrana (TV) compressor station aimed at experimenting with the use of hydrogen as a fuel to power the plant's gas turbines. The trial, carried out in cooperation with Baker Hughes, a technology company serving energy and industry, demonstrated for the first time the compatibility of the various plant components with the use of a mixture of hydrogen (10%) and natural gas.

As in the case of transport, the possibility of storing up to 100% hydrogen in a laboratory unit was tested.

Furthermore, to further consolidate the H2-ready infrastructure, Snam plans to strengthen interconnections through the installation of chromatographs in early 2023 and has launched an initiative in cooperation with ENEA and Distribution System Operators (DSOs) to extend its H2-ready network to end users.

Considering the future scenarios, which foresee increasing volumes of hydrogen in the Italian and European system, the **hydrogen backbone** - the network of the future - was thus created, 2,300 km long, with the aim of exploiting the existing infrastructure (about 70%) by converting it into a multi-purpose one, i.e. capable of transporting and storing not only natural gas, but also hydrogen, which can be exported thanks to the construction of 500 MW compressor stations. The hydrogen backbone will also contribute to the creation of an integrated and interconnected European hydrogen market, where Italy, playing the role of transit country for green gas, will be able to consolidate itself as a reference Mediterranean hub for the energy transition.

In this scenario, hydrogen storage will be significant in mitigating the volatility resulting from the increasing share of renewables produced, as well as providing flexibility to the energy system with a capacity of 1.5 bcm. Given the project's potential, the Group applied for the **EU PCI** (Projects of Common Interest), which brings together projects of common interest and which the Commission has identified as a key priority for the interconnection of the European Union's energy system infrastructure.

Among the investments in gas infrastructure, Snam has also planned the development of **small scale LNG** (SSLNG) and the expansion of **LNG and bio-LNG station** networks, and in the future hydrogen.

9 The ASME (American Society of Mechanical Engineers) is a non-profit US association that enables collaboration, knowledge sharing and skills development across all engineering disciplines. ASME B31.12 is a standard for hydrogen pipes and pipelines and contains the requirements that infrastructures should have in order to enable the transport of hydrogen in a safe and quality manner.

Energy Transition Platform

Energy transition, the **promotion of renewable energy sources and resources, environmental protection**, the **achievement of carbon neutrality** and the **pursuit of sustainable success** are some of Snam's key objectives, based on which it orients its activities. In particular, over the 2022-2026 plan period, the development of green gases (hydrogen and biomethane) and energy efficiency measures, including CCS technologies, will be the drivers that will accompany Snam in achieving decarbonisation and carbon neutrality with total investments of 1 billion euros.

Biomethane

Among the green gases, biomethane is the most advanced, readily available and rapidly scalable. Through the operation of **Bioenerys**, Snam has now built a solid position in this segment, with about 40 MW of biogas and biomethane plants operational by the end of 2022. In this sense, the Group intends to act by taking on the role of industrial developer of the **biomethane platform**, targeting investments in agricultural production matrices, but also on **Small Scale (bio) LNG** and **downstream LNG**, exploiting the synergies between biomethane and these sectors.

Moreover, by leveraging the incentives of the **Biomethane Decree** and relying on the financial support from the investments included in the Plan (amounting to 550 million euros for biomethane), Snam intends to achieve more than **100 MW of operating plants by 2026** (with an expected production of about 200 million cubic metres), based on both the modernisation of biogas plants and new biomethane plants.

Decarbonisation projects

The work of = **Decarbonisation Projects** will be instrumental in accelerating the development of hydrogen and carbon capture and storage technologies.

Specifically, within the plan time horizon, mainly leveraging the economic support deriving from the funds allocated by the PNRR, the Horizon Europe programme and the Innovation Fund, Snam plans to allocate 100 million euros to develop a series of projects aimed at supporting the development of **hydrogen** demand and to strengthen the Group's skills to implement large-scale projects that will contribute to the creation of synergies with the existing infrastructure.

In this context, the partnership with **De Nora**, a leading Italian company in water treatment and alkaline electrolysis technologies, is strategic, allowing Snam to improve its technological positioning, while increasing its level of competitiveness in new hydrogen development projects. For example, the Italian Gigafactory is a collaboration between Snam and De Nora for the production of components for complete electrolysers has been authorised by the European Commission to obtain financial support of up to 63 million euros under the **IPCEI Hy2Tech** programme, a project of common interest approved by the Commission to support research and innovation in hydrogen technology. The Group has also detailed a proposal for the production of hydrogen from renewable capacity as a system service and will continue to target investments in research and development, including the **HyAccelerator**, the acceleration project for hydrogen start-ups created in order to showcase the most innovative companies.

The Decarbonisation Projects business unit will also develop **CCS** technologies with the aim of achieving global decarbonisation targets. As a major European player in the transport and storage of molecules, Snam is uniquely positioned to transfer this expertise to CO_2 transport and storage. The strategy pursued by the Group, financially supported by 120 million euros envisaged over the Plan period, consists in leveraging investments in companies such as the UK-based **Storegga**, a company with a strong exposure to CCS projects in the UK (Acorn), and the Anglo-Irish company **dCarbonX**, specialised in molecule storage to support the decarbonisation of hard-to-abate sectors starting in Northern Italy.

Confirming the growing efforts that the Group is putting into the development of this technology, in December 2022, in collaboration with Eni, Snam launched the first CCS project in Italy with the aim of progressively expanding the activity in order to meet the decarbonisation needs of the northern Italian industrial hub.

ENI AND SNAM: THE FIRST CCS PROJECT IN ITALY

In December 2022, **Snam** signed an agreement with **Eni** through which **the two companies** will collaborate on the **development** and **management** of **Phase 1** of the **Ravenna CO2capture and storage project** (CCS). The agreement also provides for the continuation of studies and activities preparatory to subsequent development phases aimed at progressively expanding the business to meet the decarbonisation needs of the Northern Italian industrial cluster.

Phase 1 of the Ravenna CCS Project envisages the **capture of 25 thousand tonnes of CO2** from Eni's natural gas treatment plant in Casalborsetti (Ravenna). Once captured, the CO2 will be piped to the Porto Corsini Mare Ovest platform and finally injected into the depleted gas field of the same name in the Ravenna offshore area.

The project represents a fundamental step towards meeting the **decarbonisation** needs of steel mills, cement factories, ceramic and chemical industries and, more generally, of hard-to-abate sectors through an immediately available, highly efficient and effective technological process that makes it possible to exploit the infrastructures and skills already present in the area. The planned activities will create new job opportunities, with an estimated total of over 500 new jobs in the first phase of the project alone.

Energy efficiency

In the field of energy efficiency, Snam, in just a few years, has been able to position itself among the leading Italian operators offering such services. Through **Renovit**, Snam is consolidating and accelerating its path to energy independence, planning around 200 million euros of investments in the period 2022-2026. In fact, Renovit offers energy efficiency solutions (solar panels, combined heating and power, and deep renovation of buildings) in the residential, industrial, tertiary and public administration sectors, working in demand efficiency and distributed generation with a focus on long-term energy performance contracts.

renovit

By 2026, thanks to Renovit energy efficiency measures and Bioenerys' biomethane production, Snam will play a key role as an enabler for third-party emission reductions. In particular, by 2025, the Group expects avoided emissions to rise from the current 70 ktons of CO_2 avoided per year to around 500 ktons.

Although attentive to adopt actions in the short term to address the extremely challenging environment that emerged from the Russian-Ukrainian conflict, the Group has always maintained its focus on longer-term goals, particularly on those related to achieving **carbon neutrality by 2040**. In particular, the plan to replace compressor stations with dual-fuel technology was accelerated, giving priority to equipment that brings gas from the South to the North and the commitment to reduce methane emissions was stepped up. Furthermore, with regard to Scope 3 emissions, Snam has introduced ESG criteria in tenders, worked closely with key suppliers in terms of awareness raising, data collection and sharing best practices, and supported subsidiaries in defining decarbonisation plans. Of these, seven out of nine have already set long-term GHG emission targets.

In line with the objectives related to reducing emissions, the Group also confirms its commitment to the other aspects of sustainability included in the **ESG Scorecard** for 2022 and the action taken in cooperation with the **Snam Foundation** on the just transition dimensions.

For more information, see the sections "Towards Carbon Neutrality" and "The ESG Scorecard" in this chapter and the section "Ensuring the Just Transition, Snam Foundation" in the Sustainability Report.

Innovation and efficiency

Ensuring effective infrastructure management through the digitalisation of assets and industrial processes is one of the key objectives pursued by Snam. To this end, the Group intends to invest 450 million euros by 2026 in **SnamTEC - Tomorrow's Energy Company**, the innovation and digitalisation platform that brings together 52 projects in 4 main macro-areas: security, asset resilience, process optimisation and activities to improve business sustainability. Among these, SnamTEC installed IoT[10] and sensors for data collection, increased computing capacity through distributed edge and cloud computing technology, used AI[11] to process data, and built a Data Platform to manage and deliver data and information in an integrated manner. In addition, SnamTEC has developed a predictive maintenance and intervention optimisation project that contributes to the safety and continuity of supplies, with consequent effects in terms of minimising intervention costs and downtime. In addition, the platform also supports the safety and security of personnel, as well as energy efficiency and the reduction of CO_2 emissions.

Snam's goal is to create the **Asset Control Room** by 2026, a single integrated and user-friendly data platform, 100% digitised in digital twin 3D, with over 70 re-engineered processes and more than 40 artificial intelligence algorithms capable of making data-driven decisions. This will further improve the security and integrity of Snam's assets and activities, making them more cost-efficient.

For more information on Snam's innovation and digitalisation strategy, see the chapter 'Innovation and digitalisation for business development and cybersecurity'.

NATIONAL AND INTERNATIONAL STRATEGIC PARTNERSHIPS

Snam consolidates its value creation by including, among its enabling competencies, the finalisation of national and international strategic partnerships, through which it increases the value of its portfolio of associate companies. These have recently included participation in the Southern Corridor with Algeria, consisting of TTPC and TMPC, grouped in clusters to reflect their role with respect to short- and medium-term strategic objectives.

The first group, consisting of the assets defined as '**Value Enhancers**' of the national infrastructure, includes all those associate companies with a connection to the Snam network in Italy, which contribute about 60% of the net income from equity investments expected by 2026.

On the other hand, the French Teréga, the British Interconnector and the Emirates Adnoc are defined as '**Enablers**' of business optionality: although they do not have a connection to Snam's Italian network, they offer market visibility, as well as business opportunities and possibilities with respect to portfolio evolutions.

Finally, Snam can boast holdings such as those in Italgas and ITM Power, which fall within a Group logic that guarantees more opportunities.

Solid financial structure and disciplined investments

Over the 2022-2026 period Snam plans to achieve sustainable growth in key performance indicators whilst preserving its financial solidity[12]. Over the plan time horizon, an average annual growth (CAGR) is expected greater than 5% of the RAB[13] in 2022-2026, more than double the forecasts for the previous period of the plan (2021-2025) due to higher investments and the deflator.

10 Internet of Things.
11 Artificial Intelligence
12 Macro assumptions: average deflator 2022-26 of 2.3% and WACC to 2026 of 5.4% for transport, 6.0% for storage and 6.1% for LNG.
13 RAB means Regulatory Asset Base, or net Capital Invested for regulatory purposes calculated on the basis of the rules defined by the Electricity, Gas and Water Authority, to determine reference revenues for regulated business.

Furthermore, Snam estimates an average annual growth of **approximately 7% in EBITDA**, compared to 4.5% in the previous plan, with a greater degree of certainty and visibility mainly due to the growth of the RAB (80%), higher remuneration from regulatory framework, the growing contribution of output-based incentives and energy transition businesses. Together, these factors will contribute to the **expected Group EBITDA growth of about 2.85 billion euros by 2026**, of which approximately 140 million euros will be related to energy transition businesses.

Over the course of the Plan, Snam expects to maintain an average annual growth of **3% in net profit** due to the increase in the industrial profitability of the business and efficiency measures, offset by an increase in financial expenses due to the increase in interest rates interest rates, which are assumed at an average of 2% over the period of the plan, considering a forecast of 1.1% in the previous 2021-2025 plan.

Compared to the guidance on net profit for the financial year 2022 of at least 1.13 billion euros, the projection to the end of 2026 is 1.27 billion euros.

Furthermore, between 2022 and 2026, a minimum annual dividend growth of 2.5% is expected.

After years of steady and significant reduction in the cost of debt, future efforts will be devoted to containing the negative effects of the worsening macroeconomic scenario. In order to mitigate the consequences of the current environment, in particular, Snam will leverage the significant portion of fixed-rate debt (currently around 80%), the medium- to long-term duration of debt (five years) and a maturity profile that is well spread over time. These actions will allow Snam to maintain the average cost of debt at 2%.

Instead, the main levers for the future will be a greater diversification of financing sources and instruments, without forgetting the use of more flexible debt instruments, thus exploiting the strong long-term relationship with major national and international banks.

Over the plan period, Snam, with **debt expected to rise to around 18 billion euros in 2026**, plans to maintain credit ratios consistent with current creditworthiness and a mix of fixed and floating debt of around 2/3.

Snam continues to support growth in sustainable finance, including through future bond issues linked to ESG objectives, including **Sustainability-Linked-Bond** or **Use of Proceeds**.

VISION TO 2030

Thanks to its work and by actively participating in the transformation process of the energy sector, Snam will be able to seize the important development opportunities that will characterise the next decade. In order to enable the transition from this perspective, in the period 2022-2030, the Group plans to continue its commitment, with investments of up to 20 billion euros, on the three pillars of the "energy trilemma", in particular:

SUPPLY SECURITY

SUSTAINABILITY

COMPETITIVENESS

- Maintaining the **reliability and resilience of assets, reducing the carbon footprint** and **replacing obsolete assets**;
- Increased **system flexibility** thanks to the completion of the **Adriatic Line** (2.5 billion euros in planned investments by 2027) and the development of new storage capacity (+15%) through the **Alfonsine** site around 1 billion euros in planned investments, mainly after 2026);
- Multi-molecule asset conversion through the **construction of the hydrogen backbone and hydrogen storage facilities**, whose investments will depend on the evolution of the regulatory framework;
- Continued development of the existing **Energy Transition Platform**;
- **Continued focus on operational effectiveness** also through **innovation** and **digitisation**;
- Maximising asset conversion to realise a **cost-efficient future energy system**.

THE SUSTAINABILITY STRATEGY

NFS TCFD

Aware of its role in the country system, already for years, Snam has been defining a sustainability strategy based on the challenge of decarbonisation and ecological transition, a commitment to guaranteeing its people job security and continuous professional growth, in a context of sustainability governance that guarantees the skills and commitment of the entire company. The Group also pays particular attention to the issue of **just transition**, protecting its employees and suppliers including through the development of specific programmes and policies (e.g., HSEQ policy, Social Supply Chain Policy), as well as providing training and carrying out awareness-raising activities, which all contribute to making Group employees more competent and more aware, in order to accompany them along the path of ecological transition in which **Snam Foundation** is a protagonist.

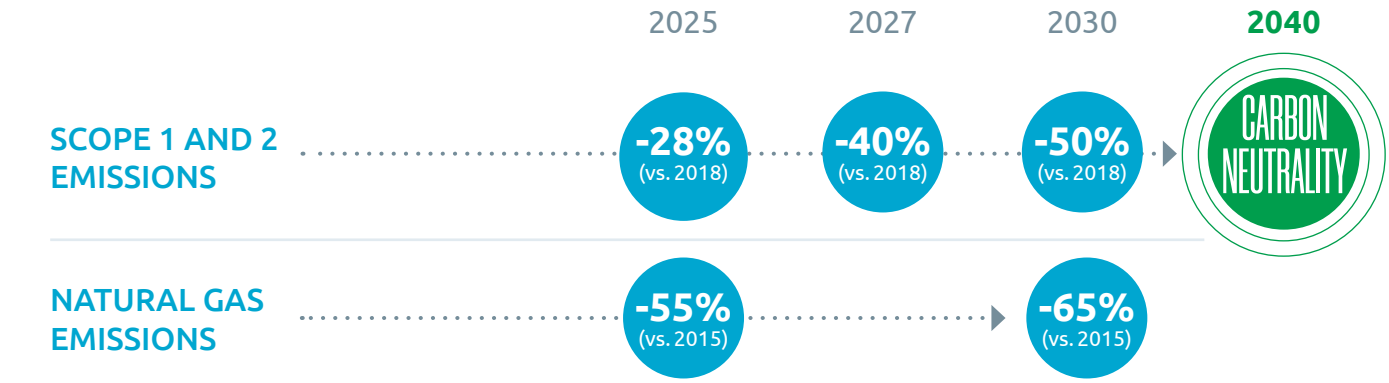
Snam has integrated sustainability into its business model, formalising its commitment to combating climate change through its **Carbon Neutrality strategy to 2040** and defining the **ESG Scorecard**, which monitors all key ESG factors.

The commitment of top management is absolute within this process, witnessed by the presence of KPIs related to sustainability aspects among the targets of the short- and long-term variable incentive defined in the Company's **Remuneration Policy**. In particular, in 2022, with regard to the short term, the following KPIs are included: the weighted accident frequency and severity index, inclusion in the DJSI, FTSE4GOOD, CDP Climate Change, Sustainalytics sustainability indices, and increase in sustainable financing. Instead, included in the long termare the reduction of natural gas emissions and equal representation in terms of gender diversity in the management team (middle and senior managers). For further details, please refer to the chapter "Governance and Organisation - The control System" in this document.

TOWARDS CARBON NEUTRALITY

NFS TCFD

The issue of climate change is central to Snam, which has defined an ad hoc decarbonisation strategy aimed at limiting and reducing greenhouse gas emissions, energy efficiency and the search for innovative, low-carbon solutions. The Group has outlined a clear pathway with intermediate targets at 2025, 2027 and 2030 in order to achieve **carbon neutrality in its operations by 2040** (to be understood as net zero emissions, also taking off-setting actions into account) and progressively reduce emissions along the value chain. Developed using the generic SBTi (Science-Based Targets initiative) methodology, the 2030 targets are in line with the goal of limiting global warming to within 1.5°C set in the Paris Agreement.



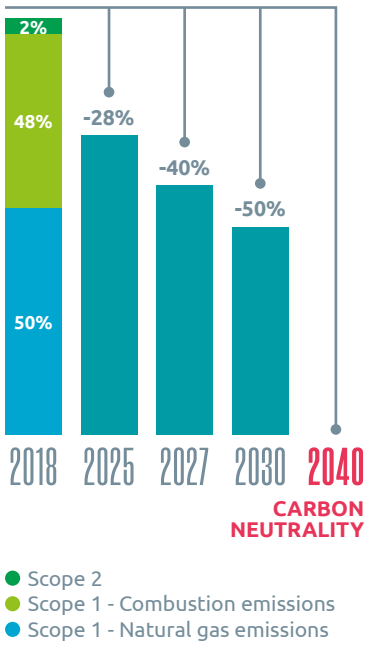
SCOPE 3 EMISSIONS

Subsidiaries, production and transmission of fuel and electricity, business travel, home-work travel	-46% (vs. 2019)
Suppliers (intensity tonCO_{2eq}/M€ CapEx)	-55% (vs. 2019)

GHG Scope 1 and Scope 2 Emissions

Snam plans to reduce GHG (greenhouse gas) Scope 1 and Scope 2 emissions by 28% by 2025, 40% by 2027 and 50% by 2030 (vs. 2018), to achieve carbon neutrality by 2040. The Company has also set a natural gas emission target of -55% by 2025 and of -65% by 2030 (vs. 2015), more challenging than what has been established by both the OGMP 2.0 (-45% by 2025 vs. 2015) and the Global Methane Pledge (-30% by 2030 vs. 2020) in relation to methane.

GHG SCOPE 1 AND 2 EMISSIONS



Actions to reduce GHG Scope 1 emissions

Reducing emissions from combustion
- Conversion of compressor stations to dual fuel (installation of new electric compressors in compressor stations and gas storage);
- Installation of boilers / high-efficiency heat generators;
- Increasing energy efficiency and energy savings in buildings.

Reducing methane emissions
- Adoption of Leak Detection and Repair (LDAR) systems in all the most relevant installations;
- Replacement of valves in approximately 350 pressure reduction and compressor stations;
- Replacement of more than 3,000 pneumatic actuators with low-emission, air-powered or electric instruments
- Recompression of natural gas in the network during planned maintenance (with an annual reduction target of 40%);
- Modification of gas boil-off compressors and installation of back-up compressors in the LNG terminal.

Actions to reduce GHG Scope 2 emissions

- Progressive increase in the share of renewable electricity, including production from photovoltaic plants;
- New headquarters with LEED GOLD certification.

For Scope 1 and Scope 2 emissions that cannot be eliminated by 2040 through the above-mentioned measures, Snam has planned offsetting measures through certified offsetting projects.

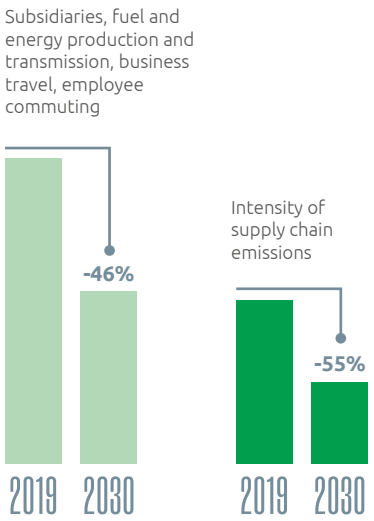
Direct GHG Scope 1 emissions include the following types of emissions:
- Natural gas emissions resulting from Snam's various businesses such as transportation, storage and regasification;
- Emissions due to Snam's direct consumption, such as natural gas used in the combustion of industrial processes, and for office heating industrial processes and for heating offices, and other fuels such as diesel oil,gasoline and LPG;
- Emissions of HFC (insignificant), used in air conditioning systems.

Indirect GHG Scope 2 energy emissions include indirect emissions for the production of electricity and steam produced by third parties, which Snam uses for its own activities.

GHG emissions Scope 3

Snam has set two targets for GHG Scope 3 emissions: -46% by 2030 (vs. 2019), concerning emissions from associate companies and other minor emission categories, and -55% by 2030 (vs. 2019), in relation to the emission intensity of the supply chain.

GHG SCOPE 3 EMISSIONS



Actions to reduce GHG Scope 3 emissions

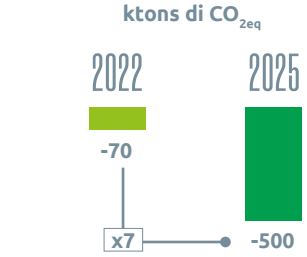
Initiatives with Associate companies
Snam intends to build an ongoing dialogue with its subsidiaries to present best practices and guide them in defining decarbonisation plans and strategies.

Initiatives with suppliers.
Snam encourages its suppliers to reduce their emissions by:
- involving them in the **definition of clear emission reduction plans** by establishing new ESG criteria in scoring models, including specific requirements related to decarbonisation
- **supporting them at the beginning of their emission reduction journey** through webinars to raise awareness of climate change and GHG emissions and through one-to-one interviews to offer solutions and best practices in this area
- requesting its most significant suppliers in terms of emissions to complete the **CDP Supply Chain questionnaire**.

Initiatives to reduce other indirect emissions
Snam intends to reduce fuel and electricity consumption, the number of business trips by favouring online meetings, and emissions from home-work trips by ensuring a smart working policy.

Other indirect GHG Scope 3 emissions include the following types of emissions:
- Emissions from the supply chain;
- GHG Scope 1 and Scope 2 emissions of associate companies;
- Emissions from business travel and employees' home-work journeys;
- Emissions from the production and transmission of fuels and electricity that Snam uses in its operations and that are not already included in GHG Scope 1 and 2 emissions (section from production to transport to reservoir).

EMISSIONS AVOIDED BY 2025



Thanks to biomethane production and energy efficiency projects

The Group's activities related to the energy transition business contribute to avoiding emissions that would otherwise be generated by other actors in the country system. Specifically, from the combined effect of the emissions not produced as a result of **Renovit** energy efficiency measures and as well as the emissions from the combustion of biomethane produced by **Bioenerys**, which can be considered zero if associated with the Guarantees of Origin, Snam has estimated that avoided emissions by 2025 will be 500 **ktons CO_{2eq}**.

Integration of TCFD recommendations

Snam's commitment to act as a major player in the energy transition is made concrete realized through more transparent reporting focussing on the issue of fighting climate change. In this regard, since 2018, the Group has published a stand-alone document in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). The recommendations indicated by the Task Force are structured around four thematic areas, representing the elements underlying the operations of organisations:

GOVERNANCE	Describe an organisation's governance model in relation to climate change issues
STRATEGY	Describe the actual or potential impacts of the risks and opportunities related to climate change on the business, strategy and financial planning of the organisation
RISK MANAGEMENT	Describe how the organisation identifies, measures, and manages climate change risks
METRICS AND OBJECTIVES	Describe the metrics and objectives used to measure and manage relevant climate change risks and opportunities

The reference context and Snam's role as Italy's leading operator in the natural gas transportation, storage and regasification sectors, active also in the biomethane, hydrogen and energy efficiency businesses, are significant and closely related elements to be taken into account in the Group's strategic and financial planning.

In particular, emission reduction targets aimed at achieving carbon neutrality were defined from reference scenarios based on those developed by ENTSOs[14] as part of the Ten Year Development Plan (TYNDP) and published, in cooperation with Terna, in the Document describing Scenarios 2022[15]. All scenarios, except for the Late Transition, are in line with the objectives of the Fit for 55 package and are consistent with the European Union's goal of achieving carbon neutrality by 2050, presenting, however, differences in terms of time horizons, policies and technological development, as summarised below:

	FIT-FOR-55 2030	GLOBAL AMBITION ITALY 2040	DISTRIBUTED ENERGY ITALY 2040	LATE TRANSITION 2030, 2040
POLICY AND TECHNOLOGICAL DEVELOPMENT	In line with the objectives defined in Fit-for-55: • CO_2 emissions -55% in the EU, -51% in Italy; • Energy efficiency in final consumption (about 95 Mtoe by 2030, -14% compared to 2019); • Maximised development of renewable energy sources capable of covering around 65% of electricity needs; • Strong growth in biomethane (5.4 bcm by 2030); • CCS development (5-15 mton CO_2 captured by 2030).	• Biomethane, H2 and e-fuel used in the transport sector (light-duty and heavy-duty trucks); • Heating of buildings through hybrid and purely electric heat pumps Hydrogen as a substitute for natural gas in the industrial sector and as a green fuel in the transport sector Start of penetration in the civil sector; • Strong development of (electricity) generation from renewable sources; • Introduction of CCS for process emissions and power plants (up to 20 CO_2 mton captured).	• Strong electrification of transport (light-duty vehicles and light-duty trucks) and residential heating; • Hydrogen in industry, mainly hard-to-abate, and in transport. Marginal share in the civil; • Maximum development of (electricity) generation from renewable sources; • Green gas and storage used as back-up for intermittent generation from renewable sources; • Residual use of CCS if necessary with captured volumes similar to Fit-for-55.	Not in line with the objectives defined in Fit-or-55: • CO_2 emissions -37%, in line with the Italian PNIEC 2019; • Limited development of green gases (1 bcm biomethane, 0.1 bcm eq. H2 in 2030).

More details on the Group's strategy and its resilience with respect to climate change can be found in the Climate Change Report 2022. Further considerations on Group governance, its risk management process, the risks and opportunities identified, and performance can be found in the relative sections of this document.

14 Snam is a member of ENTSOG (European Network of Transmission System Operators for Gas), a European association established in 2009 to improve cooperation in Europe between national gas transmission system operators. Every two years, ENTSOG and ENTSO-E draw up the TYNDP, the 10-year plan prepared on the basis of the national plans presenting the strategies and plans for the development of the European electricity and gas network.

15 Prepared jointly by Snam and Terna in conformity with resolutions 654/2017/R/EEL and 689/2017/R/GAS.

ENVIRONMENT

Natural Gas Emissions

% reduction of total natural gas emissions (vs 2015)

2022	-45%
2023	-48.6%
2026	**-58%**

% natural gas recovered from maintenance activities (average last 5 years)

>40% annually until 2026

Energy savings of operational management

MWh of electricity production by photovoltaic plants

2022	1,035
2023	>860
2026	**>900**

% of retrofit and methane fuelled cars out of total car fleet

59% for 2022

New Business - Green Innovation

Production of biomethane (Msmc)

2022	19.1
2023	39
2026	**220**

Reduction of CO_2 equivalent from energy efficiency intervention (kton)

2022	26
2023	72
2026	**192**

Cumulated number of installed CNG and L-CNG stations

2022	85
2023	100
2026	**155**

Available LNG capacity for SSLNG market (ktpa)

250 by 2026

Land Protection & Biodiversity

% vegetation restoration of the natural and semi-natural areas involved in the construction of the pipeline routing

>99% annually until 2026

GOVERNANCE

Governance Functioning and Structure

% of ESG matters discussed at BoD meetings and induction sessions

42% for 2022

Infrastructure Reliability

Average annual customer satisfactions rate in terms of service quality

2022	8.4
2023	8.1
2026	**8.1**

% of reliability levels on gas supply

99.8% annually until 2026

Anti-corruption

% of third parties subject to the procurement process on which reputational checks have been performed

100% annually until 2026

Sustainable Finance

ESG Financing % / Total Committed Funding

2022	70%
2023	75%
2026	**80%**

SOCIAL

Welfare

Partecipation to welfare initiatives

2022	71.8%
2023	54%
2026	**56%**

Employee engagement

% employee engagement index

2023	70-75%
2026	**> 75%**

Safety

IpFG (Combined Frequency and Severity Index)

< average last 3 years annually until 2026

Gender Diversity

% of women in executive and middle-management roles

2022	23.1%
2023	25%
2026	**27%**

% of women in succession planning (first and second reporting line)

2022	26%
2023	26%
2026	**27%**

Responsible Supply

% spending to local suppliers (Italy based SMEs) on total non-public procurement

2022	44%
2023	40%
2026	**40%**

% of local suppliers (Italy based SMEs) involved out of total contractualized suppliers

2022	67%
2023	50%
2026	**65%**

Introduction of ESG criteria in scoring models (% of spending on assigned contracts)

2022	34%
2023	30%
2026	**60%**

Local Community Engagement

Number of employees hours devoted to Snam Foundation's initiatives supporting local communities

2022	6,147
2023	4,800
2026	**5,500**

The ESG Scorecard

Snam has defined its ESG Scorecard as a tool for monitoring corporate performance with respect to the targets set for the most relevant sustainability issues. The Scorecard also aims to improve transparency in communicating the Company's actions and its commitment to stakeholders, the market and the general public, in line with the evolutions of the Strategic Plan and industrial priorities.

The ESG Scorecard and its KPIs are reviewed and updated annually downstream of the Strategic Plan, directly involving all the functions of the Group and its subsidiaries. Performance is monitored on a quarterly basis.

The scope of the indicators contained in the ESG Scorecard in 2022 remained unchanged from 2021. The targets on the indicator 'weighted accident frequency and severity index' for 2022, 2023 and 2026 and on 'fair representation in terms of gender diversity in management' for 2022 were aligned with the targets set in the remuneration policy. Changes are instead expected in 2023 related to projects coming to an end (the methane retrofit of the company fleet), activities that are considered immutable long-term commitments (vegetation recovery, anti-corruption, the percentage of Board time devoted to ESG issues) and new industry and/or scenario priorities (cybersecurity, innovation, CCS).

MANAGEMENT OF RISKS AND OPPORTUNITIES

NFS TCFD

The assessment of the risk factors that may affect the business is an essential condition to be able to continue to operate in the long term in a sustainable manner, namely directing strategies and monitoring changes in the boundary conditions of the same. The enterprise risk management (ERM) unit, located at the second level of the ICRMS, reports directly to the General Counsel and plays a key role in the integrated management of enterprise risks for all Group companies, using an ERM Model. This Model, which operates in line with the indications of the CoSO Framework[16] and of the Corporate Governance Code, as well as with international best practices, enables identification, assessment and monitoring of risks and opportunities, both current and prospective, associated with Snam's corporate strategy.

The results of the assessment and monitoring of risks and opportunities and of the related management strategies are periodically presented to the Control and Risk and Related-Party Transactions Committee, the ESG Committee, the Board of Statutory Auditors, the Supervisory Board and the Board of Directors of Snam. In this context, the ERM unit also carries out awareness-raising and training activities for executive and non-executive directors with regard to the applied risk management methodologies and the evolution of Snam's ERM Model. The results are also shared with the internal audit department, which uses them when preparing the audit plan; the Strategic planning department, which assesses coherence with the risk assessments and analyses of the Strategic Plan, and the Sustainability department, to support planning activities and to define strategies for managing ESG topics that are relevant to the Group.

16 Committee of Sponsoring Organisations of the Treadway Commission.

IDENTIFICATION

Identification of risk/opportunity events relating to corporate processes that could affect the achievement of corporate objectives by Staff and Business Managers, who are responsible for the implementation of initiatives aimed at the effective control of risks, supported by the ERM function also on the basis of specific context analyses and the corporate Strategic Plan and thus also ensuring the alignment of portfolio events with the same Plan

ASSESSMENT AND PRIORITISATION

Assessment and prioritisation of each event through the use of prioritisation matrices in which the probability of occurrence of the event and its negative impact (risks) or positive impact (opportunities) are represented. The probability of an event is determined on a scale of 1 (remote) to 4 (highly likely). The impact of the event is assessed according to different dimensions, which can be qualitative (industrial/business, asset, reputational, legal/compliance, market, health and safety, environment, social and governance) or quantitative (economic, financial), also measured on a scale from 1 (low) to 4 (significant). Prioritisation of risks and opportunities takes into account the different points of view of the risk owners (first reports of the CEO of Snam/Managing Director of the subsidiaries) and risk specialists, combining the impact and probability measures obtained according to 4 priority classes (low, medium-high and critical for risks; slight, fair, good and best for opportunities).

REPORTING

Monitoring and reporting through periodic mapping of risks and opportunities. The periodic reporting activity guarantees, also through the definition and monitoring of specific indicators (key indicators), correct information at the various company levels, the availability and representation of information relating to the risk management and monitoring activities under its responsibility. Specific reporting flows are activated towards the CEO, the Chief Financial Officer (CFO), the Financial Reporting Manager, the Internal Audit Manager and the control bodies.

MANAGEMENT

Definition of the management strategy (mitigation, monitoring, or transfer of risk) and any specific actions for all risks, for which, if necessary, the relevant implementation time frame is also identified. In particular, mitigation interventions are aimed at reducing the probability of occurrence and/or the impacts of the risk considered, while monitoring actions are aimed at monitoring the level of criticality of the risk. Risk transfer is aimed at transferring, partially or completely, the impacts inherent in a risk to a third party outside the Snam group.

Operational impact

Specialist impact

The risk assessment campaigns, envisaged by the ERM Model, conducted with a balanced Top Down and Bottom Up approach, are repeated on a periodic basis and envisage the involvement of risk specialist, risk impact specialist and risk owner, called upon to identify and assess risks according to probability and impact metrics of the ERM Model.

The wide-ranging nature of its impact measurement is a distinctive feature of Snam's ERM Model. Indeed, every risk event is assessed in relation to ten types of impact. Some of these are determined by risk owners/ specialists (operational impacts: Economic/Financial, Industrial/Business, Assets), others by risk specialists or referents of specialised functions (specialist impacts: Legal/Compliance, Health and Safety, Environment, Social, Governance, Reputational and Market).

In particular, the assessment of Environmental, Social and Governance impacts (together with HS impacts) allows the incorporation of ESG factors in the assessment of risks (and opportunities). Through the application of the corresponding metrics, each event in the ERM portfolio is in fact assessed and classified according to an ESG logic capable of distinguishing the nature and magnitude of the potential impacts in the three areas considered.

In addition, the application of the external impacts considered by the '**Environmental**' and '**Social**' metrics allows the ERM Model a first approach to the subject of double materiality. By being able to measure the aforementioned external impacts of risk events separately from the internal ones, ERM can separate inside-out effects from outside-in effects, and consequently assess each risk and opportunity from the dual perspective of financial materiality and impact materiality.

Over time, the **ERM Model** has progressively integrated **ESG aspects** into the assessment of risks and opportunities. In this regard, in 2021 Snam introduced specific metrics on **Environment, Social and Governance impacts**. In particular, E considers **environmental** and **climate change** impacts; S considers possible **impacts on human and labour rights**, as well as on **local communities**; G intercepts possible consequences on **governance capacity and the pursuit of sustainable success**.

In addition, **HS impact on health and safety** considers possible consequences on people such as possible accidents, injuries or serious events for risks and improvement of working conditions and environments for opportunities.

Risks are therefore assessed from different perspectives and their **assumption according to priority** is defined by combining measurements of their impacts and probability. The opportunities are identified in a similar way to risks, that is operational impacts are determined by risk owners/specialists and the other impacts by specialist departments. For all risks, management strategies and any specific actions are identified, with a time frame for implementation.

The ERM process also aims to disseminate a corporate culture of risk, in order to promote consistency in the assessments made by the various risk owners and risk specialists, and to enable informed choices to be made.

The risks identified through the ERM process are classified as: **financial, operational, legal and compliance** and **strategic**, which, in turn also include the **risks related to climate change**. The risk assessment phase concerning the physical impacts of climate change on Snam's infrastructures was carried out taking into account regional differences and the specificities that distinguish the company's various activities (Context-specific). With respect to these, both physical and transitional risks, identified as "ESG-related", are assessed by taking into account the time horizons indicated in the table below and the expected lifetime of the assets:

In addition, the risk assessment process also on physical and transitional risks takes into account downstream and upstream activities.

Snam, consistent with the CoSo WBSCD and TCFD recommendations, has decided to apply the definition of **ESG-related and Climate-related risks** within its Model across its risk portfolio. The link to ESG factors is therefore not reserved for a specific, specifically created risk category, but is expressed transversally across all risk categories by means of a characterisation of individual events linked to the valorisation of impacts in the Environmental and/or Social and/or Governance spheres.

Finally, the ERM risks are related to the material issues emerging from the Materiality Analysis favouring new interpretations of the Risk Management activities, integrating them into the Materiality Analysis and classifying the risks based on the cause or effect relationships that bind them to specific material topics.

Maintenance of the ERM Model is carried out continuously and independently of the process phases, with the aim of continuously having an effective Model that is consistent with the technological and methodological process of risk management. Continuing on from the previous year, again in 2022, the mapping of risks/ opportunities was updated through the **RACI** IT platform under the scope of the **Integrated Risk Assurance and Compliance Model**, aimed at integrating second-level control information flows with a synergistic approach, intended to achieve the maximum rationalisation and overall efficiency of the ICRMS (for further information, please refer to the paragraph "Risk Assurance & Integrated Compliance" of the "Governance and organisation" chapter). In addition, Snam's entry into the energy transition business has stimulated the need to define risk/opportunity assessment metrics at the level of the individual entity (i.e. individual company or line of business) with the aim of grasping its specificities and integrating the current enterprise view (i.e. at group level) of the ERM Model.

At the end of 2022, approximately 172 enterprise risks were mapped, along with 49 opportunities distributed across all corporate processes.

The table below highlights, for illustrative purposes, **8 ESG-related risks with strategic relevance and impact on the 2022-2026 Plan**. In particular, for each risk, the following are represented: the area of impact, the business to which it belongs (gas infrastructure or energy transition), the quantification of the economic impact.

Classification TCFD

	RISK	AREA OF IMPACT	BUSINESS AREA	RISK CLASS	TYPE OF RISK	POTENTIAL FINANCIAL IMPACT
1	**Revision of European directives disincentivising the intra-sectoral use of fossil fuels** and related stricter greenhouse gas emission reduction targets	Reduction in gas demand resulting in a reduction in variable transport revenues (i.e. commodity revenues) as a function of transported volumes	REGULATED	TRANSITION	POLITICAL-LEGAL	Approximately 9 million euros/ year
2	**Growth in the magnitude and frequency of extreme weather phenomena (physical hazards)** such as droughts, floods, storms	Damage to pipelines and systems that may cause malfunctions or service interruptions. Higher costs for insurance, operational and community communication premiums	REGULATED	PHYSICAL	PHYSICAL ACUTE	Negligible
3	**Revision of EU regulations on CO_2 emissions** from the European Emission Trading Scheme (ETS)	Potential fines for incorrect/ non-return of quotas or growth in quota acquisition costs. It should be noted that the regulatory recognition of the purchase costs of CO_2 quotas guarantees substantial neutrality in both economic and financial terms.	REGULATED	TRANSITION	POLITICAL-LEGAL	Negligible
4	**Revision of the sustainable finance framework** following changes to the European Taxonomy for Sustainable Energy Activities	**Reduced access to sustainable finance instruments** with an impact in the cost of debt (issuance of bonds at market conditions vs. issuance at lower spreads in sustainable finance systems)	REGULATED	TRANSITION	POLITICAL-LEGAL	< 5 million euros / year
5	**Growth in the negative perception** of both fossil fuel companies (industry-wide) and Snam itself as a result of insufficient commitment to sustainability and the energy transition	**Higher cost of debt** due to lower access to sustainable finance instruments (which means higher spread) and **higher cost of equity** due to a worsened perception of risks associated with long-term corporate sustainability	REGULATED	TRANSITION	POLITICAL-LEGAL	< 5 million euros / year
6	**Delays in the installation of electro-compressors (ELCO)** in compressor stations due to authorisation processes	**Slowdowns in GHG emission reductions** (CO_2) leading to delays in the decarbonisation pathway	REGULATED	TRANSITION	POLITICAL-LEGAL	56 million euros over the plan period (2022-2026)
7	**Development of the biomethane business slowed** due to delays in authorisation processes and legislation	**Lower availability of green gases that can be considered as avoided GHG emissions** (CO_2) and lower revenues from the biomethane business	BIOMETHANE	TRANSITION	POLITICAL-LEGAL	< 5 million euros / year on average over the plan period (2022-2026)
8	**Delays** in the implementation of the pilot project on **CCS in Ravenna** (Joint Venture with Eni)	**Reduced availability of decarbonisation instruments to offset GHG emissions** (CO_2) and increased financial burdens related to the project itself	CCS	TRANSITION	TECHNOLOGICAL	< 5 million euros / year on average over the plan period (2022-2026)

Risk Appetite Framework

During Q3 2022, Snam initiated a project to adopt a Group **Risk Appetite Framework** (hereinafter also referred to as RAF). The project is part of the ongoing evolution of Snam's Risk Management in order to refine its ability to identify and treat risks that could affect the achievement of corporate objectives.

Starting from the rationale that the company cannot achieve a return without taking risks, the Risk Appetite Framework is a tool that allows one to:

- make explicit the Group's risk appetite by defining the level of risk one is willing to accept in pursuit of the company's objectives (risk-return profile);
- support choices that are consistent with the risk appetite validated by the Board of Directors;
- facilitate escalation to the Board of Directors in the event of risk-taking beyond the defined limits;
- integrate the Enterprise Risk Management model by strengthening its ability to contribute to decision-making processes;
- strengthen the risk culture.

The project for the implementation of the Risk Appetite Framework includes an initial set-up phase and a first running (and confirmation) to be carried out and completed during 2023.

The set-up phase

In the set-up phase, the **methodology** and the **governance** and **monitoring system** of the RAF are developed. Both are built with a balanced Top down & Bottom up approach involving management and governing bodies.

The development of the methodology includes the following activities

1
identification of the key risk-return dimensions, i.e. the risk areas on which to express the Group's risk-return appetite.

2
a) for each identified dimension, definition of a qualitative statement setting out the level of risk the company is willing to accept in order to achieve its objectives, and
b) of indicators and metrics to monitor the risk-return profile assumed.

3
determination of suitable thresholds to place the company's risk profile within an acceptable range beyond which corrective action will be required.

Instead, the definition of the governance of the RAF involves the determination of roles, responsibilities and process logics for

1
ongoing monitoring and reporting on identified risk-return dimensions

2
escalation actions to be activated in the event of a breach of risk limits

3
periodic updating of the parameters defining the risk-return propensity

The first running phase

The first running phase, following the first approval of the RAF, will consist of an initial application and fine-tuning of the identified risk indicators (and related thresholds) as a consolidation step of the framework, step preparatory to the refinement/confirmation activities of the identified metrics/thresholds.

NFS TCFD

Risk and uncertainty factors

This paragraph illustrates the main risk and uncertainty factors featured in the ordinary management of Snam's operations.

The risks identified are divided into:

STRATEGIC | LEGAL AND COMPLIANCE | OPERATING | FINANCIAL | EMERGING

In addition, in view of the relevance of climate risks and opportunities, these aspects have been highlighted with differently coloured pages in the "Strategic Risks" section. Financial risks are illustrated in Note 27, "Financial risk management", of the Notes to the Consolidated Financial Statements.

RISKS AND UNCERTAINTIES ARISING FROM SNAM'S ORDINARY OPERATIONS

The descriptions of the risk categories are provided below.

The indication of the capital assets on which the identified risks may have an impact also provides a better understanding of how the risks may impact the Group's ability to preserve and create value over time.

STRATEGIC RISKS

Regulatory and legislative risk

Regulatory and legislative risk for Snam is linked to the regulation of activities in the gas sector. The decisions of the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) and the National Regulatory Authorities of the countries in which the foreign subsidiaries operate, European and national regulations and, more generally, the change in the regulatory reference framework, could have a significant impact on the operations, results and financial stability of the Company.

It is not possible to foresee the effect that future changes in legislative and fiscal policies could have on Snam's business and on the industrial sector in which it operates.

Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context regarding the criteria for determining reference tariffs are particularly significant.

Macroeconomic and geo-political risk

Due to the specific nature of the business in which Snam operates, risks related to political, social and economic instability in the countries where natural gas is supplied are also relevant, and are mainly attributable to the gas transportation sector. Much of the natural gas transported in the Italian national network has historically been imported from, or transits through, countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, from a TANAP-TAP perspective, Turkey together with the countries bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), nations subject to political, social and economic instability. The import and transit of natural gas from/through these countries are therefore subject to a wide range of risks, including terrorism and common crime; alteration of political-institutional balances; armed conflicts; socio-economic and ethno-economic tensions; unrest and unrest; deficient insolvency and creditor protection legislation; restrictions on investment and the import and export of goods and services; introduction and increases in taxes and excise duties; forced renegotiation of contracts; nationalisation of assets; changes in trade policies and monetary restrictions.

More specifically, 2022 was a year of particular significance for the energy system as a whole in view of the continuing high prices associated with the progressive reduction of natural gas imported from the Russian Federation (in Italy and Europe in general), which also made the issue of security of supply a continental priority once again.

In a time of crisis with a scenario of future uncertainty and extreme volatility, there is therefore an increasing need for greater flexibility and adequate dimensioning of gas infrastructures along the entire value chain in order to mitigate supply risks.

As regards market operators, if the shippers who use the transportation service through Snam networks are unable to supply or transport natural gas from/through the aforementioned countries due to such adverse conditions, or are otherwise affected by such adverse conditions, or to such an extent as to cause or encourage a consequent inability to fulfil their contractual obligations to Snam, this could have an adverse effect on the business and on the Snam Group's assets and liabilities, income and financial position.

In addition, Snam is exposed to macro-economic risks deriving from relocation or tension on financial markets or situations deriving from exogenous phenomena, which could have an impact on liquidity and access to financial markets.

Market risk

With reference to the risk associated with gas demand, based on the tariff system currently applied by ARERA to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes redelivered. The ARERA, however, confirmed for the fifth regulatory period (2020-2023), with Resolution 114/2019/R/gas, the guarantee mechanism with respect to the share of revenues related to volumes redelivered already introduced in the fourth regulatory period on transported volumes. This mechanism provides for the reconciliation of major or minor revenues, exceeding ± 4% of the reference revenues related to the volumes withdrawn. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed.

Based on the tariff system currently applied by the ARERA to natural gas storage activities, Snam's revenues, via Stogit, related to infrastructure usage. However, the ARERA has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenues was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenues (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent Resolution 232/2020/R/ gas) with voluntary participation that provides for an increase in profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulation criteria for the LNG regasification service for the fifth regulatory period (2020-2023), Resolution 474/2019/R/gas confirmed the mechanism to cover reference revenues at a guaranteed minimum level of 64%.

In general, the change to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, protection from market risk is offered by the French and Greek regulatory authorities (Teréga) and (DESFA), from the TAP and Austria long-term contracts (different expiry dates for TAG and Gas Connect from 2023), of France (with the gradual expiry of long-term contracts at the interconnection point with Spain starting 2023) and for the ADNOC Gas Pipeline (20 years tariff-based). In Austria and Egypt, however, volume risk coverage is not guaranteed; also in the United Kingdom (interconnector), volume risk coverage is not guaranteed but current capacity bookings already exceed the regulatory ceiling for the next regulatory period 2023-2026.

With reference to today's macroeconomic market framework and consumption, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players/private citizens) and switching to other energy carriers. This growth is due to a number of factors including: increased post-Covid consumption, structural reduction in continental gas production, reduction in imports from Russia, lower production from renewable electricity (wind, solar) especially in Northern Europe, increased gas consumption and LNG imports on a global scale in Asia, increased CO_2 quotations on the ETS market.

The contingent trend of commodity prices in Europe and the strong energy dependence on imports could represent elements of vulnerability for the Italian energy system. As far as gas is concerned, Snam has already mitigated this risk thanks to a series of countermeasures adopted in recent years, such as the diversification of supply sources (most recently, the commissioning of the TAP pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g. peak shaving through regasification terminals, interruptibility service for withdrawals from the transportation network).

At the behest of the Italian government, 2 FSRUs have been purchased in recent months that, once operational, will be able to contribute to the country's energy security and diversification by enhancing Italy's LNG entry capacity.

For some sectors, with particular reference to private users, there may be a perception that high prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Strategic risks

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

REGULATORY AND LEGISLATIVE RISK		
Description	Regulatory framework in Italy and in the countries of interest with penalising parameters, specifically as regards the criteria for determining tariffs.	Significant change in legislation and/or case law.
Related material topics	Relations with authorities and quality of services.	
Mitigation measures	• Maintaining a continuous and constructive dialogue with the regulator that contributes to the definition of a clear, transparent and stable framework to encourage the sustainable development of the gas system; • Monitoring consultation processes in a direct and/or indirect manner; • Preparation and transmission of documents containing company positions and/or proposals regarding the definition of the regulatory framework; • Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments.	
Impact on capital		

MACROECONOMIC AND GEO-POLITICAL RISK		
Description	Political, social and economic instability in natural gas supply countries.	Variation in gas demand in the short to medium term due to rising commodity prices coupled with the need for greater flexibility of the gas system in the face of reduced/disrupted supplies.
Related material topics	Relations with authorities and quality of services.	
Mitigation measures	• Continuous monitoring of the political, social and macroeconomic framework; • Maintaining relationships with the Authorities and Institutions responsible for managing crises in high-risk markets; • Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments; • Implementation of measures to counteract price increases (diversification of supply sources, availability of gas storage capacity, coordination of infrastructure operators, additional supporting regulatory instruments); • Implementation of measures to support security of supply; • Monitoring price developments of other commodities and supporting policies to reduce the cost of renewable gas;	
Impact on capital		

CLIMATE CHANGE RISK

The achievement of global climate targets will lead to significant investments in decarbonisation of the energy sector over the next 30 years.

In recent years, Snam has repositioned itself to benefit from new mega-trends of the energy transition, thanks to infrastructure that will be crucial for achieving decarbonisation targets, to its presence in energy transition business, to international growth and thanks to a disciplined approach to investments.

Snam is therefore committed to achieving carbon neutrality by 2040, with an intermediate target of reducing direct (Scope 1) and indirect (Scope 2) emissions by 50% by 2030 compared to 2018 values, in line with the target of containing global warming to within 1.5° C set out in the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the UNEP (UN Environment Programme) objectives of reducing CO_2 emissions, with which a protocol has been signed.

With regard to the risks associated with the emissions market, in field of the application of the European Union directives concerning the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants, with the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), the updating of the sector regulations has confirmed a constant reduction of the quotas on emissions released free of charge. The allowances will be assigned to each plant on a gradually decreasing basis, so they will no longer be constant, and will also depend on the actual functionality of the plants. The allowances assigned free of charge to Group plants no longer suffice to comply with the regulatory conformity obligations relative to ETS mechanisms, reason for which Snam Group companies will procure the additional allowances required on the market.

By Resolution 114/2019/R/gas of 28 March 2019, the ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transportation and metering service, providing also for the recognition of costs related to the Emission Trading System (ETS). Resolutions 419/2019/R/gas and 474/2019/R/gas also introduced the recognition of ETS-related costs for the storage service (regulatory period 2020-2025) and the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of energy mixes in different European countries and in the behaviour of the population, and could have an impact on the demand for natural gas (and the volumes transported).

On the one hand, in the short and medium-term, gas could benefit from its greater sustainability compared to other fossil fuels and represent a bridge solution towards the complete decarbonisation of some sectors.

On the other hand, individual policies and choices could lead to a progressive decrease in consumption of natural gas with a consequent impact on the current use of infrastructure. The raising of decarbonisation targets across the European Community, including the new legislative proposals currently being issued on the energy transition (such as the 'fit for 55' package and the EU Taxonomy) or studies of major importance in the international energy landscape (such as the IEA roadmap to net zero) could actually accelerate the progressive reduction of fossil natural gas demand and supply. On the other hand, this could encourage a greater and earlier penetration of renewable and low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) into the energy mix, thereby promoting Snam new businesses.

Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations), worsening natural and hydro-geological conditions in some areas with a possible impact on the quality and continuity of the service provided by Snam as well as on Italian and European gas demand. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see paragraph "Market risk" of this chapter.

Lastly, Snam has signed the Methane Guiding Principles, which commit the company to further reducing methane emissions deriving from its activities in natural gas infrastructure. In adhering to these principles, Snam is also committed to encouraging other players in the entire gas supply chain - from producer to end consumer - to pursue the same objective.

Snam joined the Oil & Gas Methane Partnership OGMP 2.0, a voluntary initiative launched by the UNEP to support Oil & Gas companies in reducing methane emissions. The company has participated, and is still actively involved, in the various UN forums that have enabled the development of the framework to provide governments and public with the assurance that methane emissions are treated and managed responsibly, with progress against stated targets and offering transparency and collaboration, including the implementation of best practices. The protocol suggests indications as to the objectives to be achieved: -45% by 2025 compared to 2015. Snam has renewed its commitment by setting methane emissions reduction targets for 2025 and 2030 of -55% and -65% respectively compared to 2015, more stringent than the one proposed by UNEP, becoming a fundamental part of the strategy Carbon Neutrality by 2040.

Strategic risks

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

CLIMATE CHANGE RISKS - TRANSITION RISKS

Description	**Political and legal risks** Tightening of the regulatory framework and emerging regulatory framework to accelerate GHG emission reduction	**Technological risks** Diffusion of new technologies favouring the use of alternative energy sources to gas and failure to adapt to new technological standards.
Related material topics	Climate change and green business; Innovation, digitalisation and cyber security; Relations with authorities and quality of services.	Climate change and green business; Innovation, digitalisation and cyber security; Relations with authorities and quality of services.
Mitigation measures	• Periodic monitoring of energy consumption and updating of consumption forecasts relating to plants subject to ETS, in order to correctly monitor and estimate quota needs; • Conversion programme for gas turbines in dual fuel compression and storage plants; • Identification of ambitious emission reduction targets (-50% by 2030 vs. 2018 for CO_{2eq} Scope 1 +2, -55% to 2025 and -65% to 2030 vs. 2015 for natural gas), culminating in the achievement of carbon neutrality by 2040; • SnamTec Project to reduce the environmental impact of Snam's activities by promoting innovation and contributing to decarbonisation; • Development and improvement of the efficiency of gas infrastructures in a multi-purpose approach, in order to foster the use of natural gas and biomethane to replace more polluting fossil fuels and promote green gases, such as hydrogen, to support the energy transition and enable the transportation and storage of CO_2; • Continuous monitoring of regulatory developments and best practices related to reporting, also through participation in European and international working groups.	• Consolidation of the energy transition platform, focused on the development of biomethane, decarbonisation projects (hydrogen and CCS) and energy efficiency; • Supporting the use of CNG/LNG in mobility; • Development of competencies in green and low carbon technologies to gas, through acquisitions also; • Monitoring and studying decarbonisation technologies that can be complementary to Snam's core business; • Partnership agreements to foster the development of decarbonisation and hydrogen value chain sectors, also through advocacy and awareness-raising activities both at home and abroad; • Enabling hybrid technologies (e.g. dual-fuel power plants) to promote the transport of green gas mixes (biomethane + hydrogen).
Impact on capital		

Strategic risks

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

CLIMATE CHANGE RISKS - TRANSITION RISKS

Description	**Market risks** Reduction in demand for natural gas.	**Reputational risks** Negative public perception of companies working in the fossil fuel sector.
Related material topics	Climate change and green business; Innovation, digitalisation and cyber security.	Climate change and green business.
Mitigation measures	• Development of new businesses related to green gases (biomethane and hydrogen), the implementation of the use of gas to support the energy transition, the development of carbon capture and storage (CCS) technologies and the efficient use of energy (energy efficiency); • Investments in multi-purpose infrastructures (e.g. hydrogen backbone, H2 tests in depleted gas field, development of storage and CCS expertise); • Support to the diffusion of more efficient gas technologies (gas heat pumps and high- efficiency cogeneration heating pumps); • Taking part in Italian, European and international round table discussions, including association ones, as part of energy transition and climate neutrality; • Awareness-raising activities on public opinion on natural gas as a key source to ensure energy security and enable the phasing out of coal in electricity generation; • Monitoring the European and national legislative initiatives on natural gas and representing corporate interests with regard to various institutional stakeholders; • Positioning activities and taking part in industry studies; • Monitoring of international, European and national public financing programmes in the infrastructure, energy and sustainable transportation fields; • Participation in internationally integrated projects on green and low carbon gases (biomethane and green and blue hydrogen) along the entire value chain to foster their further development.	• Representation actions with institutional stakeholders in order to promote the centralisation of the gas infrastructure as a tool for the transportation of green gases (for example, biomethane and green hydrogen) supporting the fight against climate change; • Dialogue and promotion/advocacy with reference stakeholders, institutional world and financial world, also in conjunction with associations and other gas chain operators; • Taking part in Italian, European and international round table discussions, including association ones, as part of energy transition and climate neutrality; • Adherence to national, European and international initiatives aimed at strengthening the commitment to reduce methane emissions, such as the UNEP Oil & Gas Methane Partnership OGMP 2.0 Protocol • Identification of ambitious emission reduction targets (-50% by 2030 vs. 2018 for CO_{2eq} Scope 1 +2, -55% to 2025 and -65% to 2030 vs. 2015 for natural gas), culminating in the achievement of carbon neutrality by 2040; • Adherence to the TCFD and disclosure of performance to combat climate change through the publication of the Sustainability Report and Climate Change Report, sustainability-related documentation.
Impact on capital		

TCFD Strategic risks

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

CLIMATE CHANGE RISKS - PHYSICAL RISKS

	Acute risks	Chronic risks
Description	Increase in the severity of extreme weather events, impacting service continuity and quality.	Increase in temperature with consequent decrease in gas demand.
Related material topics	Energy security and accessibility; Innovation, digitalisation and cyber security.	Climate change and green business; Innovation, digitalisation and cyber security.
Mitigation measures	• Bringing the recovery plan e-business continuity management system in line with international best practices; • Technologically advanced tools for monitoring/controlling the state of infrastructures, also in view of their useful life, and the environmental context in which they are located; • Systematic and continuous maintenance and control actions, with implementation of the pipeline replacement plan based on analyses of specific technical parameters; • Timely implementation of Emergency Response Procedures; • Continuity of investments in gas storage to provide additional flexibility in case of supply disruptions or more aggressive gas demand peaks; • Design and construction of transportation infrastructure based on the most recent technical and safety regulations, the carrying out of dedicated studies (geomorphological, hydraulic, environmental risk, etc.) during the design phase.	• Consolidation of new businesses related to green gases (biomethane and hydrogen), the implementation of the use of gas to support the energy transition, the development of carbon capture and storage (CCS) technologies and the efficient use of energy (energy efficiency) through the use of gas technologies such as micro-CHP; • Continued technology scouting in areas critical to the energy transition and decarbonisation of our infrastructure.
Impact on capital		

The table below provides a focused look at the main categories of **climate change-related opportunities** identified by the Group, which are represented in line with TCFD recommendations.

Opportunities related to climate change	Financial capital	Human capital	Infrastructural capital
	Relational capital	Intellectual capital	Natural capital

RESOURCE EFFICIENCY

Description	**Reduction of internal energy consumption**
Actions and strategies to capitalize on opportunity	• Identification of ambitious emission reduction targets (-50% by 2030 vs. 2018 for CO_{2eq} Scope 1 +2, -55% to 2025 and -65% to 2030 vs. 2015 for natural gas), culminating in the achievement of carbon neutrality by 2040; • Increased activities and investments to meet decarbonisation targets; • Conversion of compression and storage plants to dual fuel plants by replacing gas turbochargers with electric compressors.
Impact on capital	

ENERGY SOURCES

Description	**Use of energy sources and/or technologies with low GHG emissions**	**Development or expansion of business serving the energy transition**
Actions and strategies to capitalize on opportunity	• Identification of objectives for increasing the production of renewable energy (e.g. installation photovoltaic systems), for purchasing green electricity and for installing low-emission technologies (e.g. new high-efficiency heat generators, trigeneration plants, etc.); • Identification of a target for the use of at least 55% green electricity by 2030.	• Planning of investments for 1 billion euros in energy transition businesses: - 550 million euros in biomethane infrastructure to reach a capacity of over 100 MW by 2026; - 100 million euros in hydrogen, also with the support of PNRR funds, to help prepare the national ecosystem for the use of hydrogen; - 120 million euros in investments over the Plan period in CCS technologies, focusing on the decarbonisation of hard-to-abate sectors in northern Italy; - 200 million euros in energy efficiency to consolidate the position as national player; • Promotion of Snam's business related to the energy transition; • Support for the phasing out coal and promoting the use of gas as an alternative fuel to more pollutant fossil fuels.
Impact on capital		

Opportunities related to climate change

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

MARKETS

Description	Access to new foreign markets	Attracting new investors
Actions and strategies to capitalize on opportunity	• Pursuit of service sales activities through Snam Global Solution, leveraging on the expertise gained in the various Group companies, also on the subject of energy transition (India, China, Middle East, North Africa, Balkans); • Signing strategic agreements with important sector operators within the main continental energy corridors; • Redevelopment of Snam's role within the international infrastructure system (e.g. partnership with Eni for the management of the TTPC and TMPC pipelines linking Algeria to Italy and acquisition of shares in EMG, the owner of the offshore pipeline linking Israel to Egypt); • Participation in national and international working groups in order to take a leading role in advocacy and awareness-raising activities for decarbonisation in Italy and abroad, using our expertise.	• Participation in the assessment of the main international sustainability rating agencies (CDP, Sustainalytics and ISS ESG) and in the assessment of the main ESG indices (DJSI, MSCI, FTSE4good), thus increasing the Company's visibility among SRI investors and, more generally, among the entire financial community; • Issuance of bonds related to emissions reduction and climate resilience projects (Transition bonds and Sustainable-Linked Bonds); • Snam's regular participation in roadshows/seminars, with the aim of meeting institutional investors around the world, including SRI investors; • Setting a target in the ESG Scorecard related to sustainable finance of increasing the weight of sustainable finance in total funding to 80% by 2026; • Publication of a Sustainable Finance Framework for the issuance of instruments to finance projects aligned with the Delegated Acts of the European Taxonomy and corporate activity in general; • Alignment of activities related to European Taxonomy.
Impact on capital		

RESILIENCE

Description	Business diversification
Actions and strategies to capitalize on opportunity	• Development of new businesses related to green gases (biomethane and hydrogen), the implementation of the use of gas to support the energy transition, the development of carbon capture and storage (CCS) technologies and the efficient use of energy (energy efficiency), in Italy and abroad; • Investments in CO_2 transport and storage networks from the point of view of a multi-purpose infrastructure company; • Participation in working groups in order to take a leading role in advocacy and awareness-raising activities to promote the use of hydrogen and Carbon Capture Transport and Storage systems at national and international level; • Actions and investments aimed at developing hydrogen as an additional source to support the energy transition (e.g. insertion of a 10% hydrogen mixture in a section of the national network, testing of a 30% hydrogen mixture, position papers, studies dedicated and strategic placements); • Modernisation of infrastructure in a H2-ready perspective, already 99% ready, and the definition of standards for the acquisition of only H2-ready components for the grid.
Impact on capital	

LEGAL AND COMPLIANCE RISK

The **legal and compliance risk** concerns the failure to comply, in full or in part, with the European, national, regional and local laws and regulations with which Snam must comply in relation to the activities it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation.

With reference to specific cases, *inter alia*, violation of the rules protecting the health and safety of workers and the environment and violation of the rules for combating corruption may also lead to sanctions, including significant ones, against the company under the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). Snam has, therefore, adopted and undertakes to promote and maintain an adequate internal control and risk management system aimed at allowing for identification, measurement, management and monitoring of the main risks related to the activities carried out.

With regard to the **Risk of Fraud and Corruption**, Snam believes it is of vital importance to ensure a climate of fairness and transparency in corporate operations and repudiates corruption in all its forms in the widest context of its commitment to abiding by ethical principles. Snam's top management is strongly committed to pursuing an anti-corruption policy, trying to identify possible areas of vulnerability and eliminating them, strengthening controls and constantly working to increase employees' awareness of how to identify and prevent corruption in various business situations. In 2022, Snam began the project to implement a Company Corruption Prevention Management System in order to achieve certification in accordance with ISO 37001:2016, with the adoption of an Anti-Corruption Policy, the establishment of an Anti-Corruption Committee, which performs the function of Compliance and the function of Compliance for the Prevention of Corruption referred to in the aforementioned ISO (FCA) and which relies on the operational support of the Compliance & Business Integrity function, which is already assigned the role of anti-corruption function to oversee Snam's existing Anti-Corruption Compliance Programme.

The Anti-Corruption Policy, approved by the Board of Directors of Snam S.p.A. on 18.01.2023, expresses the commitment of Top Management and the Board of Directors to the prevention of corruption, in line with the values and ethical principles that have long been consolidated, incorporates the essential elements referred to in the ISO 37001 standard, and provides for the clarification of the approach adopted by the Company with zero tolerance towards all corrupt practices in relations with public and private stakeholders. Reputational checks as well as accepting and signing the Ethics and Integrity Agreement are pillars of the control system designed to prevent the risks associated with illegal behaviour and criminal infiltration of our suppliers and sub-contractors, with the goal of guaranteeing transparent relations and professional morality requirements throughout the supply chain and for the entire duration of the association. Snam is a member of the United Nations Global Compact and operates within the framework of principles enshrined in this global initiative, which are an integral part of its strategies, policies and rules. Among these, worthy of particular note is the tenth principle of zero tolerance towards all forms of corruption, the basis of a consolidated culture of integrity and business ethics.

Since 2016, Snam has been a partner of the General Secretariat of Transparency International and, thanks to its active role within the Business Integrity Forum of the Italian Chapter, it has been involved in various working tables and institutional events, in which it is called upon to represent its best practices in terms of business integrity and anti-corruption. As part of the partnership, Snam was one of the main players in the revision/update of Transparency International Italy's Charter of Ethical Principles, presented in September 2022. In 2017, Snam began a collaboration with the OECD, becoming part of the Business at OECD Committee (BIAC), and in October 2019 - as the first Italian company - joined the Leadership team as Vice-Chair of the Anti-corruption Committee. Within the OECD, Snam participated in several events, among which the Global Anti-Corruption & Integrity Forum, the Anti-Corruption Committee annual meeting and the 60th Anniversary of the Business at OECD (BIAC) are worth mentioning.

Finally, since 2020, Snam has been a full member of the Integrity & Compliance Taskforce of the B20 Forum and actively participates in the work on the development of its annual Policy Paper for G20 members. Also in 2022, in fact, the Group collaborated in the preparation of the Policy Recommendation Paper on Integrity & Compliance as part of its participation in the Indonesian Presidency's Integrity & Compliance Taskforce.

As part of multilateral collaborations, in addition to the above, Snam was a guest speaker at the Business Integrity Forum Academy Day on 1 June 2022, where Snam's CEO, Stefano Venier, spoke on the topic "Integrity Supply Chain" and participated in the panels "BIF Academy Day" on 2 June 2022, on the topic "Sustainable Supply Chain", "BIF Academy" in September, on the topic "Circular Integrity" and at the "BIF National Event" on the panel discussion entitled "Transparency, anti-corruption, ESG values and SDGs activities".

LEGAL AND COMPLIANCE RISKS

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

Description	Possible violation of rules and regulations, with particular reference to Legislative Decree no. 231/2001.	Maintaining an adequate reputation profile for suppliers and subcontractors.	Failure to align Corporate Governance and/or the internal control and risk system with regulations and/or best practices.
Related material topics	Health and safety; Business integrity and corporate reputation.	Business integrity and corporate reputation.	Business integrity and corporate reputation.
Mitigation measures	• Updating and monitoring of Model 231 protocols; • Awareness-raising and training initiatives on corruption and accident prevention for the entire company and its contractors; • Implementation of the Company's Corruption Prevention Management System in order to achieve certification under the ISO 37001:2016 standard; • Analysis and evaluation of the reports received via the channels provided in the reporting procedure; • Adoption and maintenance of Health, Safety and Environment management systems certified in accordance with the ISO 14001 and OSHAS 18001 or ISO 45001 standards.	• Introduction of additional measures to prevent corruption and criminal infiltration; • Obligation for suppliers and contractors to sign the Ethics and Integrity Agreement; • Reputation checks on suppliers and subcontractors.	• Regular review of employer's model; • Updating of Model 231 and Code of Ethics; • Analysis of compliance with the latest version (June 2020) of the Italian Stock Exchange's Corporate Governance Code and with corporate governance best practices.
Impact on capital			

OPERATIONAL RISKS

Ownership of storage concessions

The risk linked to maintaining ownership of storage concessions is associated for Snam to the business in which the subsidiary Stogit operates on the basis of concessions provided by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed no more than twice for a duration of ten years each time. With regard to these concessions, Stogit has submitted – within the statutory terms -– the extension request to the Ministry of Economic Development. The extensions for the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022. For the Alfonsine concession, the relevant proceedings are still pending at the above-mentioned Ministry. For the pending extension, the Company's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures that are in progress, as envisaged by the original authorisation, which will be extended automatically on expiry until said completion. One concession (Fiume Trieste) will expire in June 2022, has already been the subject of the first 10-year extension during 2011 and an application has been submitted for the second ten-year extension on 18 May 2020. Finally, one concession (Bordolano) will expire in November 2031 and may be extended for a further ten years. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on the Company's operations, results, balance sheet and cash flow.

Malfunction and unplanned service interruption

The risk of malfunction and unplanned service interruption is determined by accidental events including accidents or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, landslides or other similar events, third-party interference and corrosion, outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people and property, with potential compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks according to industry best practices, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in the progress of infrastructure implementation programs

In addition, there is the possibility that Snam may encounter delays in the progress of infrastructure construction programmes as a result of the numerous uncertainties linked to operational, economic, regulatory, authorisation, competitive and social factors, or to health emergencies beyond its control. Snam is therefore unable to guarantee in absolute terms that the projects for upgrading, maintaining and extending its network will be started, be completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer time frames than those originally planned, affecting Snam's financial position and economic results.

Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

Environmental risks

Snam and the sites in which it operates are subject to laws and regulation relating to pollution, environmental protection, the use of hazardous substances and waste management. The application of these rules exposes Snam to potential costs and liabilities associated with the operation of its assets. Indeed, the company cannot predict how environmental legislation will evolve over time, nor whether and in what way it may eventually become more binding. Nor can there be any guarantee that the future costs necessary to ensure compliance with environmental regulations will not increase or that these costs can be recovered within the applicable tariff mechanisms or regulation. Also subject to particular uncertainty are the costs arising from possible environmental clean-up obligations on Snam sites, costs that are particularly difficult to estimate both in terms of the extent of the contamination and the appropriate corrective actions to be put in place, and finally the possible sharing of responsibility with other parties.

Therefore, although Snam has taken out specific insurance contracts to cover some of the environmental risks, according to industry best practices, there might be substantial increases in costs relating to environmental compliance and other related aspects as well as any costs of possible sanctions, all of which could have a negative impact on business, operating results and financial and reputational aspects.

Employees and staff in key roles

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train or retain qualified personnel (particularly for technical positions in which the availability of appropriately qualified personnel may be limited) or situations in which the capacity to implement the long-term business strategy is influenced negatively due to significant disputes with employees could trigger an adverse effect on business, financial conditions and operating results. The events related to this risk category may also refer to the topic of Diversity and Inclusion.

Risk associated with foreign shareholdings

Snam's associate companies abroad may be subject to regulatory/legislative risk, conditions of political, social and economic instability, market risks, climate change and the cybersecurity, credit and financial and other risks typical of the natural gas transportation and storage segments identified for Snam such to negatively influence their operations, economic results, balance sheet and cash flows. For Snam, this could have negative impacts on the contribution to profit generated by such investments.

In addition, following the worsening of the economic scenario generated by the recent Russia-Ukraine conflict, the shareholders Snam and GCA have guaranteed TAG on the coverage of any liquidity shortfalls should the company not be able to use the credit lines already at its disposal and/or in the process of being finalised, for a period equal to 12 months from the date of issuance of the audit report on the 2021 financial statements (i.e. starting from 30 June 2022). This risk is mitigated by the fact that TAG in the last quarter of 2022 finalised the subscription of an additional 200M euros of committed credit lines.

Risks related to future acquisitions/equity investments

Every investment made under the scope of joint venture agreements and any future investment in Italian or foreign companies could involve an increase in the complexity of the Snam Group's operations and it may not be possible to ensure that these investments generate the anticipated income under the scope of the acquisition or investment decision, and are correctly integrated in terms of quality standards, policies and procedures consistent with the rest of Snam's operations. The integration process could require additional costs and investments. Improper management or supervision of the investment made may adversely affect business, operating results and financial aspects.

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

OPERATIONAL RISKS		
Description	Maintaining ownership of gas storage concessions.	Delays in the progress of infrastructure implementation programmes.
Related material topics	Economic performance, value creation and sustainable finance.	Protecting local areas and biodiversity; Relations with local communities; Sustainable supply chain.
Mitigation measures	Development of storage in accordance with the most current technical and economic criteria and science and technology best practices.	• Application of the strictest national and international environmental and safety standards during the design process with particular attention to protecting the natural value of the territories and biodiversity; • Communication policy concerning the work to be carried out in order to share projects with the territory and stakeholders from the beginning; • Structured and meticulous performance qualification and monitoring system for contractors;
Impact on capital		

OPERATIONAL RISKS		
Description	Breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption.	Acquisition of equity investments
Related material topics	Health and safety; Energy security and accessibility; Protecting local areas and biodiversity.	Economic performance, value creation and sustainable finance.
Mitigation measures	• Application of management systems and procedures that take the specific nature of Snam's activities into account; • Implementation of a recovery plan and business continuity management system; • Communication initiatives aimed at providing information regarding the presence of infrastructure and the behaviours to be avoided or implemented by third parties in order to prevent damage occurring to them; • Technologically-advanced tools for monitoring/controlling the state of the infrastructure/plants and the territories concerned; • Continuous verification of insurance coverage in relation to the type of business and related risks; • Systematic and continuous maintenance and control.	• Due diligence for investment assessment, also with the support of external advisers; • Overall planning in terms of the time, actions and resources required to ensure efficiency/effectiveness in the management of activities; • Elaboration and continuous monitoring of the acquisition business plan.
Impact on capital		

OPERATIONAL RISKS	
Description	Asset Management.
Related material topics	Economic performance, value creation and sustainable finance.
Mitigation measures	Supporting subsidiaries as industrial partners in regulatory, operational and financial optimisation matters.
Impact on capital	

FINANCIAL RISKS

Financial risks are illustrated in Note 27, "Financial risk management", of the Notes to the Consolidated Financial Statements.

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

FINANCIAL RISKS			
Description	Interest rate changes	Liquidity: inability to meet payment commitments	Receivables
Related material topics	Economic performance, value creation and sustainable finance		
Mitigation measures	• Cash Flow at Risk monitoring through an Asset & Liability Management (ALM) model • Minimising opportunity cost and maintaining a balance in terms of debt composition and maturity • Monitoring contractual protection clauses in loan agreements (e.g. negative pledge and pari passu clauses) • Constant monitoring of Snam's rating indicators and the availability of long-term credit lines • Periodic monitoring of the credit situation and systematic management of reminders and any recovery actions for overdue credits at certain deadlines, also taking into account obligations arising from regulation in relation to credits for which the company benefits from neutrality mechanisms (e.g. default service credits) • Check of the authenticity and validity of financial guarantees received • Reporting any criticalities in the regulatory system that may induce opportunistic/fraudulent behaviour on the part of operators, and that may lead to financial burdens for Group companies		
Impact on capital			

NFS TCFD

EMERGING RISKS

Within the Group's Enterprise Risk Management model, particular attention is paid to identifying changes in the reference context in order to seize upon events or macro-trends coming from outside the organisation that could have a significant medium-long term impact (3-5 years and beyond) on Snam's business or on the sector. These changes may, on the one hand, cause new risks to emerge in the long term, but also immediately have consequences for the company, changing nature and extent of potential impacts and the probability of occurring of already identified risks. The purpose of the process of identifying emerging risks is to succeed in assessing their impact in good time, to thus be able to put in place the necessary strategies and related mitigation measures, both in terms of prevention and control. In this area, some of the emerging risks identified by Snam are cybersecurity and risks related to the energy transition.

Cybersecurity

Materiality and potential impacts on Snam

Snam carries out its activities through a complex technological architecture relying on an integrated model of processes and solutions capable of promoting the efficient management of the entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, require a focus and an ability to continuously adapt to the changing needs to protect cybersecurity. For several years, Snam has been carrying out important investments in digitalisation - from the remote control of activities to the implementation of articulated infrastructures enabling the Internet of Things - via which Snam aims to become the most technologically-advanced gas transportation operator in the world, as well as to guarantee increasingly greater security and sustainability in its business processes.

The company's conviction, supported by public data and evidence, is that cybersecurity threats must be assessed and managed with great sensitivity and care, also because they are destined to evolve further in terms of both numbers and complexity. The digital channel is increasingly used illicitly by different types of players with different purposes and modes of action: cyber criminals, cyber hacktivists, state-sponsored action groups.

The radical changes in working methods and processes that have occurred as a result of the pandemic (including the widespread use of smartworking) have exacerbated some specific types of threat and have made it necessary to increase the level of attention to criminal phenomena that are destined to persist over time. Similarly, technological evolution makes increasingly sophisticated tools available to these wrongdoers, through which consolidated attack techniques can be made more effective and new ones can be developed. In addition to this, the increasing digitalisation of the network with the use of new technologies (e.g. Internet of Things) poses significant challenges for the Group, expanding the potential attack surface exposed by both internal and external threats.

Lastly, the geopolitical tensions should not be underestimated, since the cyber terrain has become, to all effects, an area of economic and political confrontation and conflict. In this scenario, cybersecurity plays an extremely important role as it deals with preventing or tackling very diverse events that can range from the compromise of individual workstations to the degradation of entire business processes in the field of transportation, storage and regasification, with potential effects on the normal capacity to provide the service.

A correct approach to cybersecurity management also makes it necessary to ensure full compliance with the increasingly stringent sector regulations issued at both European and national level, in order to improve the management and control oversight of companies that provide essential services to the country.

Mitigation measures

Snam has developed its own cybersecurity strategy based on a framework defined in accordance with standard principles on the subject and has had a dedicated department for a few years now which, comprehensively, deals with addressing and implementing what has been planned at the strategic level, ranging from governance aspects to those that are technological. First and foremost, we should note the adaptation of internal processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and ISO 22301 (Business Continuity Management Systems), as well as the formal certification of conformity to the listed standards of an independent third party. Secondly, on the basis of multiple activities, out of which Risk Analysis and Technical Verification activities stand out, the protection needs arising from technological evolution, from changing business processes or from the identification of previously unknown vulnerabilities, are assessed and, where appropriate, solutions to replace or integrate those already in place are implemented. More specifically, in order to adequately counter the most modern cyber threats, Snam has defined a cybersecurity incident management model intended to prevent, monitor and, when necessary, implement prompt remediation against events potentially capable of harming confidentiality, integrity and availability of information processed and the IT systems used.

At the basis of these activities is a Security Incident Response Team which, by relying on solutions that make it possible to collect and correlate all security events recorded throughout the company's IT infrastructure, has the task of monitoring all anomalous situations that could have negative impacts for the company and activate, when necessary, suitable containment and remediation actions via the involvement of the technical and business structures concerned.

To support the Security Incident Response Team, threat intelligence processes have been defined and enhanced over time, which provide for constant monitoring of potential external threats and also affect the supply chain.

In 2022, the Security Incident Response Team was able to work without interruption and guarantee its support activities 24 hours a day, seven days a week. The change made necessary in the operating processes, starting from 2020, and in particular the massive use of remote working methods, did not impact the overall security posture; this mainly due to the fact that the adoption of smartworking, which already took place before the pandemic period, had led to the execution of risk analysis activities and the adoption of security solutions suitable for preserving corporate interests even in the presence of a potential attack surface more extensive than in the past.

As part of the security prevention and security response activities, in compliance with the formal agreements signed between the parties, recourse is also made to info sharing logics with national and European institutions and peers in order to improve the ability and speed of response to of possible negative events to which one may also be exposed indirectly. This practice is also essential in order to best meet the latest national security regulations.

With regard to technological development, as mentioned previously, Snam has set in motion an ambitious digitalisation programme that will radically change business processes in the years to come and within which a strong focus on cybersecurity will always be guaranteed. In particular, starting 2020, the foundations were laid and the necessary processes implemented for the safe development of all the nascent Internet of Things initiatives. Firstly, a precise Security by Design process has been introduced, which puts in place compliance for precise requirements and checks for each application and infrastructural development. Additionally, more appropriate security technologies have been defined to support the new capabilities that Snam has acquired and will acquire in the years to come.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of weak signals and spread utmost awareness of cyber risks that could occur during normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia content, exercises and tests, newsletters, etc.

With reference to the management of information supporting business processes, it is worth highlighting that the company owns assets used for data transmission to and from the country (fibre); this gives greater intrinsic security thanks to not being dependent on the service provided by third-parties and the possibility of using the communication channel exclusively.

Energy transition and development of the hydrogen technologies market

Materiality and potential impacts on Snam

While the climate change demonstrates the real effects of rising temperatures, the energy sector is facing a momentous transformation. Without any change to the company's commitment to its core business of regulated activities for natural gas transportation, storage and regasification, Snam is building a wide-ranging and diversified platform of activities related to energy transportation (in particular, renewable energy transport and management and energy efficiency) to seize upon the opportunity of being a system integrator able to offer green solutions and contribute to the development of renewable gases.

Snam's consolidated ability to implement and manage projects in natural gas transportation and storage, its newly acquired expertise in green gas and new energy transition trends, and its growing presence in relevant geographic areas, including for integrated greenfield projects, combined in a strategy that places ESG factors at the centre, will be essential in helping to develop the energy system of the future, making it competitive, secure and with zero net emissions. Business diversification can strengthen Snam's position as an enabler of the energy transition towards forms of using resources and energy sources compatible with environmental protection and progressive decarbonisation, with a long-term vision consistent with the Group's purpose and European objectives.

The new Vision 2030 presented by the Company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which a strong acceleration of the energy transition is expected in order to achieve carbon neutrality targets with increasing investments, particularly in H2-ready energy transport and storage infrastructures, as well as in green gas development projects (hydrogen and biomethane) and contributing to the decarbonisation of consumption through energy efficiency measures and by investigating CCS (Carbon Capture and Storage) technology, which, although not concerned with precise targets defined in Europe, it appears as a relevant technology for decarbonisation.

In this context, and with particular reference to the Group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electric technologies, and/or delay in the development of new technologies for production, transportation and storage of green hydrogen at competitive costs. In addition to thse could be the delay or failure to make investments (infrastructures, projects, new acquisitions) as a result of uncertainties related to operational, economic, regulatory, authorisation, competitive and social factors, as well as the failure to develop the hydrogen market with to the value chain that should fuel its infrastructure. Finally, it must be considered that the uncertainty of the still evolving regulatory plan slows down the realisation of projects and the implementation of financing for hydrogen production.

In other words, these factors may penalise the achievement of the development objectives of the aforementioned activities and, more generally, the opportunity for Snam to benefit from the new mega-trends in the energy transition. In this regard, a further risk factor is emerging in relation to the full non-achievement of the targets set out in the Recovery and Resilience Plan by 2026, with potential repercussions on the development of hydrogen and its value chain, as well as on the development of biomethane and LNG (particularly in the heavy transport sector).

Mitigation measures

The development and introduction of new technologies that would enable the achievement of the development objectives for energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed, in order to respond to the urgent need to address climate change. With regard to CCS, Snam participates in various working tables to ensure the application of this technology in the near future at European level, as it is considered essential for achieving EU targets.

With particular reference to the hydrogen value chain, the study of the necessary technological developments connected to the chemical and physical processes for the relative production requires particular skills and expertise, in order to support research and development both within the company and the national system. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%) - a thermochemical conversion process, which requires conversion temperatures between 150° and 500° C with production of CO_2 equivalent to the hydrocarbon used - and electrolysis of water (4-5%).

In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by the rapidly changing external environment. That is why the Group is always committed to the development of internal competencies, to bringing skills in-house via acquisitions and to the participation and encouragement of governmental and industry working groups dedicated to hydrogen at national and international level.

At the European level, for example, the Company is also a member of Hydrogen Europe, while in Italy it is represented in the H2IT trade association - the Italian Hydrogen and Fuel Cell Association. The Group's structures and assets will also need to be ready to seize upon the opportunities arising from the development of alternative gases to natural gas.

The company is currently committed to verifying the full compatibility of its infrastructure with increasing quantities of hydrogen mixed with natural gas, as well as to supporting the development of the Italian supply chain, in order to promote the use of hydrogen in many sectors, from industry to transportation. Almost all of Snam's pipelines are capable of transporting up to 100% hydrogen according to ASME B31.12. Approximately 70% of pipelines can transport pure hydrogen with no or limited reductions from the maximum operating pressure, while about 30% need more significant reductions. Particular attention is reserved to the use of the machines in the operating thrust and compression plants.

Collaboration with suppliers is testing theoretical conclusions on the suitability of the network infrastructures to transport the new energy carriers (biomethane and hydrogen in different volume percentages). From this point of view, upgrades and replacement of obsolete machines are planned activites aimed at new transport scenarios with New HYReady Units.

The Group's infrastructure development, aimed on one hand, at the more efficient use of programmable and low-impact fossil fuels, at the same time, promotes the biomethane alternative and guarantees the necessary conditions for accommodating hydrogen also. Italy, afer all, can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain. This is why it is essential to develop partnerships to foster the development of operators along the hydrogen value chain, also participating in working groups so that Snam takes the lead in advocacy and awareness-raising activities for the use of hydrogen as a key energy source for decarbonisation both in Italy and abroad.

To date, the Group has reached agreements with various entities in order to promote the growth of all phases of the hydrogen value chain, with a focus on conducting pilot projects to increase the production and use of hydrogen, via strategic partnerships in hard-to-abate industries (e.g. steel plants, refineries, other energy-intensive industries, mobility) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

Financial capital | Human capital | Infrastructural capital
Relational capital | Intellectual capital | Natural capital

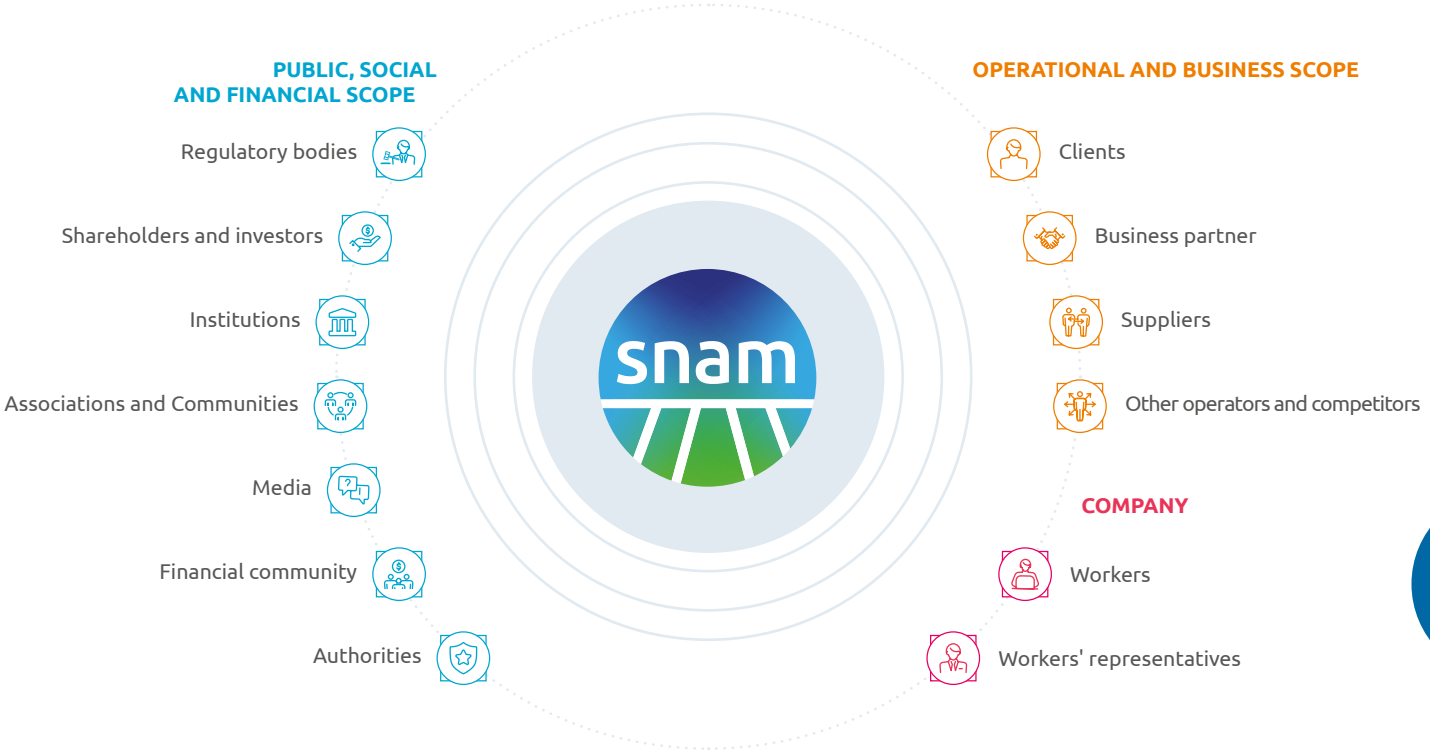
EMERGING RISKS			
Description	Cyber threats (Cybersecurity).		
Related material topics	Energy security and accessibility.		
Mitigation measures	• Adaptation of IT and business continuity systems to the ISO/IEC 27001 and ISO22013 standards respectively, with the provision of the relative certifications; • Definition of a security incident management team model to promptly respond to events that could potentially damage the integrity of information and computer systems used; • Development of a cybersecurity intelligence methodology for the preventive identification of potential threat sources; • Integrating cybersecurity into the implementation of new IT solutions, • Developing a cybersecurity culture among the corporate population.		
Impact on capital			

EMERGING RISKS			
Description	Delay in the development of new technologies for production, transport and storage of green hydrogen at competitive costs.	Delay or non-implementation of investments.	Failure to develop the hydrogen market.
Related material topics	Climate change and green business; Innovation, digitalisation and cybersecurity.		
Mitigation measures	• Development of internal skills; • Internalisation of expertise through acquisitions; • Participation in institutional and associative working tables dedicated to hydrogen at national and international level; • Verification of full compatibility of Snam's infrastructure for hydrogen transport.		
Impact on capital			

STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

STAKEHOLDER RELATIONS

For years, Snam has been committed to promoting a transparent and collaborative relationship with all its stakeholders. The Group has continued to engage in the organisation and reorganisation of its initiatives, with the aim of ensuring the performance of stakeholder engagement activities with a view to listening to and including all stakeholders, fostering continuous dialogue, increasing mutual trust and better serving its decision-making processes.



Within the scope of its competencies, stakeholder engagement initiatives involve all corporate structures, and ensure a homogeneous approach to dialogue activities through the adoption of a **Stakeholder Engagement Policy**. Implemented by Snam since 2016, it defines the Group's approach to the issue based on 4 key objectives:

Reward Policy

01 IDENTIFY	02 ANALYSE AND UNDERSTAND	03 EXPLORE	04 COMMUNICATE
through a mapping exercise, the **different categories of stakeholders** with which the company interacts, following the evolution of the context and the development of corporate activities	the **profile of stakeholders** and their **perception with respect to initiatives and activities of the Group**	interests and topics most relevant for each category of stakeholders also through **periodic meetings on ESG topics and update of the materiality analysis**	periodically to the stakeholders the **results of operations** in relation to the material topics of mutual interest, also through the **Sustainability Report** and all the other reporting and communication tools

THE STAKEHOLDER ENGAGEMENT PROCESS AND IMPLEMENTED INITIATIVES

The stakeholder engagement process is based on constant and proactive communication between Snam and its stakeholders with the goal of supporting continuous and reciprocal growth.

Phases

01	02	03	04
PLAN	**UNDERSTAND**	**TAKE ACTION**	**CONTINUOUS DIALOGUE**
Analysis of territories and mapping of stakeholders (local and professional associations, institutions, media, etc.)	Understanding the position and needs of the various stakeholders	Launching "value-driven" projects with the participation of al directly and indirectly interested parties	Establishing a qualitative dialogue with all stakeholders

In the course of 2022, also as a result of the changes in the geo-political environment brought about mainly by the Russian-Ukrainian conflict, engagement activities focused on **contributing to energy security**, of which Snam is among the main national guarantors, with the aim of sharing strategic guidelines, objectives and activities, as well as understanding the needs of stakeholders along the entire value chain. Furthermore, topics of constant relevance for the Group have not been forgotten, including the enhancement of territories and local communities, the promotion of energy transition businesses and innovation, but also the importance of training, sustainability and cybersecurity. In doing so, Snam keeps stakeholder engagement high along the entire value chain, through transparent communication and sharing of its objectives and activities.

Due to the need to ensure interpersonal distancing, in 2022 the Company continued to implement complementary dialogue solutions and tools, enriching its efforts in organising online meetings and events and promoting an ongoing dialogue with its stakeholders through proactive, multi-channel communication capable of establishing strong and lasting relationships.

The 2022 stakeholder engagement activities focused on the topics of infrastructure settlement, technological innovation, decarbonisation, the importance of education, sustainability and cybersecurity.

STAKEHOLDER CATEGORY	2022 ENGAGEMENT ACTIVITY	
WORKERS	Online Platform	**Easy**, the **intranet** that facilitates communication and promotes employee engagement, was awarded one of the best ten Internet platforms at global level in the Intranet Design Annual.
		Video messages update employees about Group initiatives and decisions, providing useful information on daily operations and raising awareness about relevant issues.
	Webinars	Through **webinars**, Snam provides training and information to, such as the one celebrating 2022 goals held at the end of the year.
	Workshops and focus groups	Employees were involved through **workshops** in the design of the Snam Experience on new ways of working and cooperating in the offices, and in the assessment of the impacts associated with potentially material topics as part of the 2022 materiality analysis.
WORKERS' REPRESENTATIVES	Meetings with trade unions	**143 telematic meetings on:** • business development projects, • definition of of paths deriving from the Works Project and the Plant Project, • initiatives aimed at optimising the Works activity as regards the management of the gas network and the Plant Management.
CUSTOMERS	Workshops and focus groups	• 4 commercial workshops. • 1 workshop on ten-year plans. • 1 workshop dedicated to the assessment of impacts associated to potentially material topics, as part of the 2022 materiality analysis.
	Questionnaires	**Customer satisfaction** analysis with a participation rate of 78% and an average satisfaction score of 8.3 out of 10.
BUSINESS PARTNERS	Partnerships and collaborations	Snam works in close contact with its business partners, with which it annually establishes partnerships, agreements and Memorandums of Understanding of strategic importance for developing business.
SUPPLIERS	Online platform	The **Supplier Portal**, primary tool for communication and information between Snam and its suppliers was enriched with the online help desk service.
		The **Supplier One Platform**, launched in 2021, optimises relationships with suppliers, reduces timing and increases the exchange of information.
	Workshops and focus groups	• Workshop to present Snam's decarbonisation strategy and to raise suppliers' awareness of Snam's work. • Ad hoc workshops for the assessment of impacts associated to potentially material topics, as part of the 2022 materiality analysis.
	Questionnaires	Participation of 112 suppliers (out of 190 invited) with a response rate of 59% to the CDP-Supply Chain questionnaire.
OTHER OPERATORS AND COMPETITORS	Partnerships and collaborations	Snam works closely with other operators in the sector, especially to create an integrated European network and to continue the development of market- oriented services, as well as to spread alternative uses of gas, through the promotion of biomethane, hydrogen and CCS technologies as the main solutions for achieving decarbonisation targets.
REGULATORS	Meetings with regulators and authorities	• In 2022, there were more than 21,200 exchanges, including data flows and regular reports to the **Regulatory Authority for Energy, Networks and Environment (ARERA)**. • Constant dialogue with the **Gestore Servizi Energetici (GSE)**.
SHAREHOLDERS AND INVESTORS FINANCIAL COMMUNITY	Roadshows and conferences	**24 industry conferences and roadshows**, in major European and North American financial centres, which allowed 307 investors, including 227 SRI investors, specialised in the utilities and infrastructure sector to meet with top management.
	Awards and recognitions	In 2022, Snam is included in **4 ESG ratings and 10 sustainability indices**.

INSTITUTIONS	**Meetings with institutions**	**Over 100 meetings**, national and local on the territories affected by Snam's activities and infrastructure.
	Meetings with institutions	• Registration in the **European Union's Transparency Register**. • Participation in **7 public consultations** in Europe on topics most relevant to strategic and business perspectives. • **Constant dialogue** with the Permanent Representation of Italy to the European Union, with the Services and Cabinets of the Commission and with the European Parliament directly and through the associations and forums promoted by the institutions.
	Seminars	Visit to the Snam dispatching facility in San Donato Milanese by a delegation from the Committee for **Industry, Research and Energy (ITRE) of the European Parliament** accompanied by the Snam CEO.
	Workshops and focus groups	Workshop to raise awareness of the Group's strategy, highlighting the integrated role of ESG topics in the Group's work, the activities carried out for the local area, including in collaboration with the Snam Foundation.
ASSOCIATIONS AND COMMUNITIES	**Working tables**	Active participation in working groups and technical tables: • organised by the associations of which Snam is a member, including **Proxigas, Confindustria Nazionale** and its territorial branches, • on the role of gas in the future energy mix and the use of renewable energy carriers, with the following associations: - **World Energy Council**, with participation in working tables and events focusing on the Euro-Mediterranean Energy Transition, - **East Mediterranean Gas Forum (EMGF)**, to support the formation of a regional gas market (in the future hydrogen), the optimised development of infrastructural resources and assets, as well as more competitive prices in the area and strengthened trade relations, - **Istituto Affari Internazionali**, with a focus on international politics and the geopolitical dimension of energy, - **Observatoire Méditerranéen de l'Energie (OME)**, for the development of new spaces for cooperation between Europe and North African countries, both with respect to natural gas and green gas transportation, and policies aimed at developing business opportunities in the Mediterranean region. Active participation in forums and platforms directly supported by the European Union: • **European Clean Hydrogen Alliance (ECHA) in the Transmission and Distribution Roundtable**, at the Hydrogen Forum, with focus on large-scale implementation of clean hydrogen technologies, • **European Biomethane Industrial Partnership (BIP)**, to support the achievement of the European target of producing 35 bcm of biomethane by 2030 defined in the REPowerEU Plan, • **European Energy Forum (EEF)**, with focus on relevant energy and climatetopics. Participation in international and national associations and initiatives including: • **Italian Hydrogen and Fuel Cells Association H2IT**, where Snam held the position of Vice-President for the two-year period 2020-2022, • **Hydrogen Council (HC)**, to accelerate the implementation of hydrogen solutions worldwide, • **Carbon Capture and Storage Association (CCSA)**, to support the commercial development of carbon capture, utilisation and storage (CCUS), • **Natural & bio Gas Vehicle Association (NGVA Europe)**, to promote the use of natural and renewable gas as a transport fuel, • **Gas for Climate (GFC)**, to raise awareness of the role of renewable and low-carbon gas in the future energy system. In this context, Snam is part of the **European Hydrogen Backbone Initiative**, which involves 29 European TSOs, • **Business at OECD**, in which Snam participated as a member in the anti-corruption, integrity and transparency events, • **Transparency International Italia**, in which Snam participated, through speeches and round tables and the Business Integrity Forum, • **Forum Business 20**, as part of the work of the integrity & Compliance Task force, of which Snam was an active member during the B20 Indonesian Presidency. Other associations: **ENTSO-G, Hydrogen Europe and Gas Infrastructure Europe (GIE), EU Delegation of Confindustria, Gas for Climate, European Hydrogen Backbone, European Gas Research Group (GERG)**.

ASSOCIATIONS AND COMMUNITIES	Meetings with local communities	• Visit to the **Sergnano** compression plant and biomethane plant of IES Biogas in **Schiavon** as part of the **Green Week** tour of Sustainability Factories. • Visit to the **Panigaglia** regasification plant as part of the **LNGnet visit** project organised by the **Florence School of Regulation**. • Visit to the **Foligno biomethane plant** as part of Open Factory. • Organisation of the **1st IGU Transmission Committee Meeting**, held in Taormina, involving the main international TSOs, proposing a visit to the **Messina** plant. • Inauguration of the biomethane plant at **Enersi Sicilia**. • Territorial and social communication on the **opening of new stations** of Greenture (formerly Snam4Mobility). • **Inaugurations of new woods** of Arbolia in Rome, Genoa and Vicenza and the launch of an **institutional advertising campaign** in **Rome** and **Milan**. • Involvement of schools through ad hoc projects.
MEDIA	Awards and recognitions	• Second place in the **Webranking Europe 500** ranking for transparency of corporate and financial communication on digital channels. • Awarded among the excellences of the '**Digital Stars 2022/2023**', ranking by the **German Institute of Quality and Finance and La Repubblica Affari & Finanza**. • **Forbes-Accenture award to 'Snamcast' project**,sustainability podcast for employees and external stakeholders. • **Award** at the #NCAwards 2022 as 'Best Holistic Campaign' in the public interest services category for the video on the role of gas in the energy transition made with Geopop in late 2021.
	Roadshows and conferences	Participation in numerous national and international events, including: • **Gastech 2022**, held in Milan, • main **trade fairs in the sector**, including **ANCI and realisation of the Renovit workshop**; **Ecomondo** with Bioenerys and participation of Greenture (formerly Snam4Mobility) in **LETExpo2022** and **Oil&NonOil**, • **Associazione Merita**, with appointments dedicated to energy with the meeting entitled "The role of Southern Italy for Italian and European energy security", • **Barcolana Sea Summit** in Trieste, • **Festival del Futuro** in Verona, • **AIET & Italian Energy Summit** with Sole24Ore, • **Economy Summit Abruzzo**, an opportunity for meetings, relations and collaboration between companies, banks, professionals, associations, institutions. To promote its commitment in decarbonisation and innovation, Snam has organised: • the launch of the call for start-ups and the **HY Accelerator** award event, • the **Innovation Day** event with the award ceremony for the finalists of Snaminnova's internal call for ideas, • **exhibition** on the **photographic book "The Thin Line"** dedicated to the sustainability of the network within the framework of **MIAFAIR** (International Contemporary Art Fair). Furthermore, during 2022, it participated in the main events for the agricultural, agro-industrial and biomethane sector from the Organic Fraction of Municipal Solid Waste (FORSU), among which **Ecomondo**.
	Workshops and focus groups	Realisation of the **workshop "Ten-Year Development Plans 2021-2030 for the Gas Transportation Network"** to present the main projects of the Italian Gas Transportation Operators and to ask transportation companies specific questions regarding the Ten-Year Plans submitted for consultation.
AUTHORITY	Meetings with regulators and authorities	The authorities with which Snam maintains relations are supervisory and control bodies and public safety bodies, with which the Group maintains a constant dialogue to ensure ethical and transparent business conduct.

MEDIA RELATIONS

In 2022, Snam continued and intensified its relations with the **local and national press**, while consolidating its position with the international media. Carried out through a broader platform of channels including articles, interviews, services and live TV broadcasts, press conferences and press trips, the activities have contributed to strengthening Snam's visibility and role as a key **player in the country's energy security**, enhancing the **strategic role** of its **infrastructures** and key projects such as the **regasifiers** in **Piombino and Ravenna**, and as an enabler of the **energy transition**, particularly with regard to the development of **green gases** (hydrogen and biomethane) and **new technologies for decarbonisation, energy efficiency** measures, **CCS** and **sustainable mobility** development activities.

During the year, communication on **ESG issues** and **stakeholder engagement projects** for **communities** and **territories** was strengthened, also thanks to the communication initiatives of **Fondazione Snam** and **Arbolia**, as well as **financial communication**, in collaboration with Snam's Finance, Investor Relations and M&A teams.

DIGITAL ENGAGEMENT

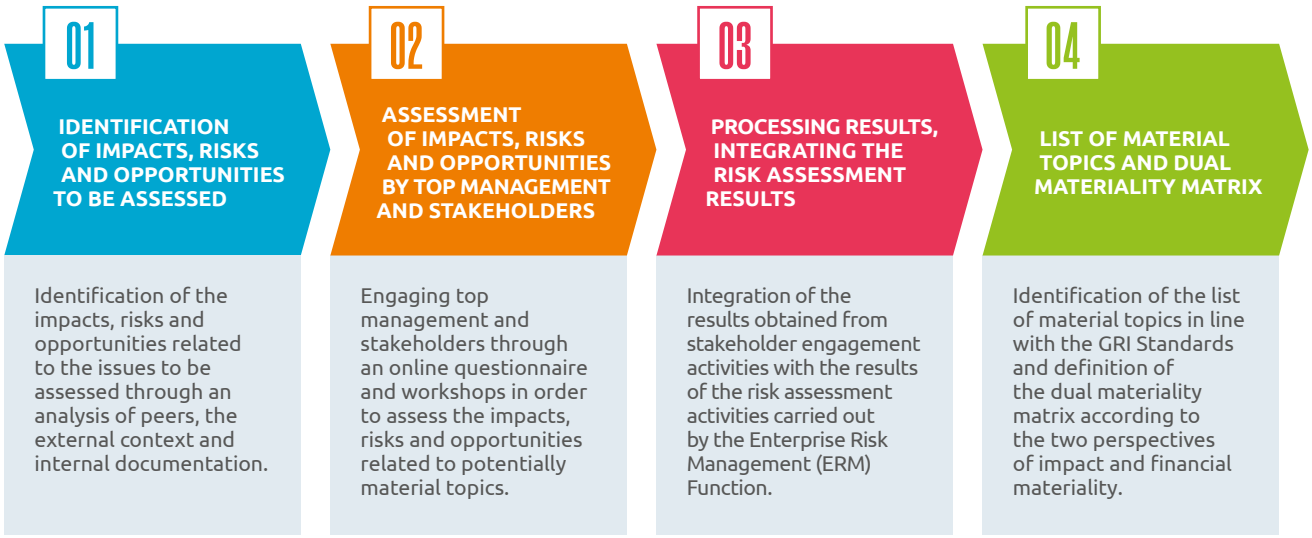
During the year, Snam consolidated its relationship with stakeholders by implementing digital, transparent, proactive and multi-channel communication. In particular, the Group proceeded with:
- the publication on **social channels of content dedicated to enhancing the role of infrastructure**.
- the creation of a **section of the Snam.it website** dedicated to the new **FSRUs**.
- the creation of **mini-territorial sites** Stogit for **Cupello** and Snam for **Sabbioncello** for a transparent dialogue with the territory.
- **influencer marketing campaign with Geopop** on **Biomethane** and how **FSRUs** work.
- the opening of a **Tik Tok** channel **and campaign to promote the TRED high school**.

MATERIAL TOPICS FOR SNAM

The materiality analysis, developed by Snam each year, reflects the requirements of Legislative Decree no. 254/2016, as well as the peculiarities of the sector to which the Company belongs, in order to ensure adequate communication of the Group's activities, its industrial performance, results and impact. The 2022 materiality analysis was carried out according to the recent GRI Universal Standards 2021, which proposes a new approach that requires companies to identify material issues according to the most significant impacts they generate on the economy, the environment and people, including impacts on their human rights (so-called **impact materiality**).

In addition, in anticipation of the requirements of the **Corporate Sustainability Reporting Directive** (CSRD) published in December 2022 and which will come into force as of 1 January 2024 with an impact on reports published in 2025, an initial exercise was carried out to apply the concept of **double materiality**, which involves, in addition to the analysis of impact materiality also the identification of external sustainability risks and opportunities that significantly affect or may significantly affect the company's future cash flows, with financial impact on the organisation's development, performance and positioning in the short, medium or long term (so-called **financial materiality**). For more information, see the in-depth article “Evolution of Materiality Analysis: Double Materiality”.

The process for updating the material topics carried out this year therefore envisaged the following activities:



The phase of **identification of the impacts, risks and opportunities to be assessed** involved the analysis according to both impact and financial materiality perspectives of the impacts, risks and opportunities identified by the Enterprise Risk Management (ERM) function during the risk assessment phase. The results of this initial analysis were then supplemented with additional impacts, derived from Snam's peer analysis, industry standards (including the new GRI 11: Oil & Gas Sector Standards), macro-trends, media and relevant internal documentation, including strategic priorities, Net Zero strategy, ESG Scorecard, etc.

The end result of the first phase was an overall list of impacts, risks and opportunities, which was then submitted for **evaluation through theinvolvement of Snam's top management and stakeholders**. In accordance with the requirements of the GRI Universal Standards, for the assessment of impacts according to the representation of impact materiality, stakeholders in the main categories[17] received an online questionnaire. In addition, some stakeholders in the 'employees', 'suppliers' and 'customers' categories participated in in-depth workshops, during which, after a brief introduction on the evolution of the socio-economic context of the last two years and the main global risks described by the World Economic Forum, Snam's sustainability strategy was presented. In addition, the set of issues, and the corresponding impacts, risks and opportunities, to be assessed were presented at the meetings. The stakeholders involved directly expressed their opinion with the help of a tool that allowed the results to be analysed and discussed in real time.

Similarly, an online questionnaire was submitted to **investors and the financial community**, allowing them to express their assessment of sustainability risks and opportunities that may affect Snam's ability to create value, in accordance with the financial materiality perspective. Finally, **top management** was asked to provide the materiality assesment based on the two perspectives of impact and financial materiality.

17 Employees, suppliers, customers, employee representatives other operators and competitors, institutions, authorities, regulators, business partners, associations and communities and the media.

In addition to top management, the 2022 materiality analysis involved the involvement of a total of more than **7,700 stakeholders**, with a response rate of about **37%**. The engagement activity showed that the topics considered most relevant according to stakeholders were 'Climate change and green business', demonstrating a growing awareness of this aspect, and 'Energy security and accessibility', a topic that emerged as a priority also as a consequence of the geopolitical events in 2022.

The assessments obtained as a result of stakeholder and top management involvement were were then integrated to the results of the risk assessment activities carried out by the ERM function. To this end, the likelihood and magnitude of impacts, risks and opportunities being assessed were considered.

The results of the processing, as required by the GRI Universal Standard 2021, were used to define the list of material topics according to the impact materiality perspective, as well as to draw an initial double materiality matrix. In conclusion, the final results were validated by management and the CEO and presented to the Environmental, Social, & Governance and Energy Transition Scenarios Committee and the Board of Directors of Snam. Below is the list of topics[18] obtained from the 2022 materiality analysis, according to the impact materiality perspective:

- Climate change and green business[19]
- Energy security and accessibility
- Sustainable supply chain
- Health and safety
- Innovation, digitalisation and cyber security
- Economic performance, value creation and sustainable finance[20]
- Protecting local areas and biodiversity
- Business integrity and corporate reputation[21]
- Relations with local communities
- Relations with authorities and quality of services
- Development and protection of human capital
- Employment
- Diversity and inclusion

Materiality threshold

- Waste management
- Polluting emissions[22]
- Respect for human rights
- Water resource management

Environmental topics · Topics related to the circular economy · Socialtopics · Governance topics (including economic aspects)

18 The descriptions of the material topics can be found in Annex 1 of the 2022 Annual Report.
19 The topic 'Climate change and green business' refers to carbon dioxide emissions CO_2. In 2021 it was divided into 'Climate change' and 'Green business'.
20 The 2021 theme 'Economic Performance and Value Creation' has been integrated with sustainable finance, confirming the increasing weight that Snam has given to this aspect in its funding, as well as in its investments.
21 The 2021 theme 'Business integrity' was integrated with the themes 'Fighting corruption' and 'Corporate reputation'.
22 The topic 'Polluting Emissions' refers to emissions of nitrogen oxides (NOx), particulate matter (PM10), carbon monoxide (CO), sulphur oxides (SOx). In 2021, the theme was 'Air Protection'.

Continuing on from last year, the theme '**Climate change and green business**' emerged as the most relevant, testifying not only to stakeholders' sensitivity in this regard, but also to Snam's commitment to combating climate change and enabling the energy transition.

The changing external context in 2022 meant that last year's theme 'Reliability and resilience of infrastructure, business continuity and cybersecurity' was subdivided into '**Energy security and accessibility**' and '**Innovation, digitalisation and cybersecurity**', which were among the top five material topics for 2022. Specifically, the second most important topic - 'Energy Security and Accessibility' - confirms the need to ensure the country's energy security through a reliable and resilient energy transport infrastructure, as well as investments in alternative energy sources. The topic 'Innovation, digitalisation and cybersecurity' in turn reflects Snam's commitment to technological innovation, also to make the infrastructure increasingly reliable and protect the Company, its customers and employees from potential cyber attacks.

Moreover, with respect to 2021, the topic '**Sustainable Supply Chain**' emerged as more relevant, manifesting not only its centrality in reducing Scope 3 emissions but also the expectations, including institutional ones, which aim at an extension of the organisation's responsibility to all players in the value chain.

The subject of '**Health and Safety**' is confirmed a priority, confirming that this aspect is considered an essential requirement, in line - moreover - with Snam's constant commitment to guaranteeing high safety standards to protect workers and employees.

Evolution of materiality analysis: double materiality

The activities carried out during 2022 were enriched with the analysis of double materiality in order to respond in advance to CSRD requests. The adaptation of the analysis was planned by Snam in order to consolidate Snam's best practices on the management of sustainability reporting aspects.

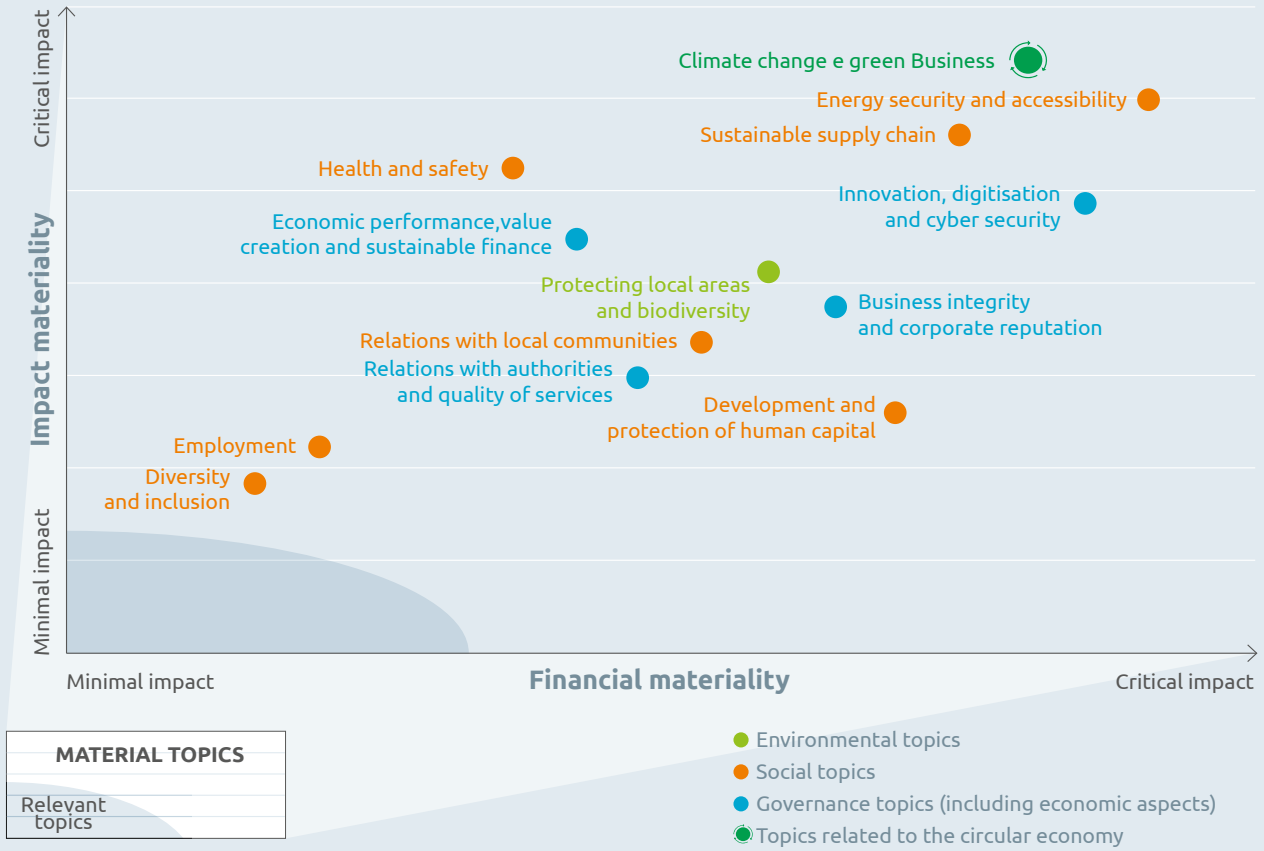
In comparison to the definition of materiality required by the GRI Standards, CSRD requires organisations to report on material issues by adopting a dual perspective (double materiality), which considers:

- significant impacts on people and environment, actual or potential, negative or positive, related to the organisation's activities as well as its value chain, upstream and downstream (impact materiality);
- sustainability risks and opportunities that affect or may significantly influence a company's future cash flows by triggering financial impacts on the organisation's development, performance and positioning in the short, medium or long term (financial materiality).

In order to integrate the perspective of financial materiality with that of impact materiality, Snam involved **investors, the financial community and top management**, who were asked, by means of an ad hoc questionnaire, to assess the significance of the risks and opportunities presented according to their ability to influence the Group's positioning and value creation. As done for impact materiality, the outcomes obtained were aggregated based on the probability and magnitude of the risks and opportunities identified by the ERM function in the risk assessment analysis.

The impact and financial materiality results are illustrated in the **double materiality matrix**, which confirms the consistency of the priority issues with the objectives defined by Snam towards which the Company is moving and on which it is laying the foundations of its future:

MATERIALITY MATRIX



The double materiality matrix shows that the priority topics according to both perspectives are "**Climate change and green business**", "**Energy security and accessibility**" and "**Sustainable supply chain**": impacts, risks and opportunities related to them are therefore significant for Snam and the community. According to the impact materiality perspective, the topic of '**Health and Safety**' emerges as the highest priority based on the relevance of the positive and negative impacts that Snam generates towards its employees.

On the contrary, according to the perspective of financial materiality, the topic that is more significant is that related to '**Innovation, digitalisation and cybersecurity**' is ,particularly in view of the relevance that the opportunities linked to technological innovation and the potential risks of cyber attacks have on the positioning and development of the Group.

Finally, even according to the dual perspective, the topics 'Waste Management', 'Polluting Emissions', 'Respect for Human Rights' and 'Water Management' are not material for Snam.

PERFORMANCE OF 2022

RESULTS

ADJUSTED RESULTS[23] [24]

The 2022 results confirm the solidity of the Group's path even in a scenario of uncertainty and volatility for the global energy system.

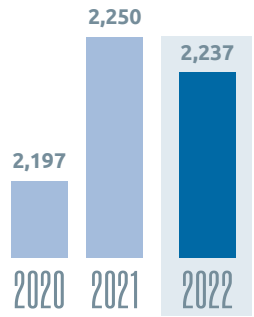
The **adjusted EBITDA** for the first half of 2022 amounted to 2,237 million euros, substantially in line (-13 million euros; -0.6%) with the corresponding figure in 2021. The growth in the energy transition business (+15 million euros), due to the positive contribution from energy efficiency (+9 million euros) and biogas/biomethane (+7 million euros), was absorbed by the reduction in the gas infrastructure business (-28 million euros). The effect of the reduction of the WACC (-130 million euros, of which 102 million euros related to transport) together with higher operating costs were only partly absorbed by the increase of the RAB base, the offer of output-based services, as well as positive one-off effects.

Adjusted EBIT in the financial year 2022 amounted to 1,364 million euros, down by 66 million euros (-4.6%) compared with the corresponding 2021 figure, due to the variation in Adjusted EBITDA and to greater amortisation and depreciation (-53 million euros, 6.5%) resulting primarily from the commissioning of new assets.

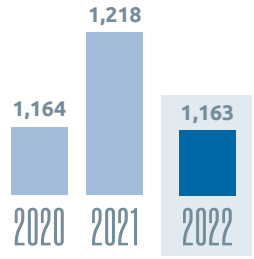
FY 2022 **group adjusted net profit** totalled 1,163 million euros, down by 55 million euros (4.5%) compared to 2021 adjusted net profit. In addition to lower operating profit, the reduction was due to higher financial expenses as a result of an increase in the average cost of gross debt from 0.8% in 2021 to 1.1% in 2022. The change in net profit was also affected by the positive contribution of associate companies (+29 million euros; equal to 18.1%), in particular, Interconnector Limited which benefited from the increase in capacity for export, favoured by current market conditions and the strong availability of liquefied natural gas in the UK, resulting in increased price competitiveness.

Net financial debt was 11,923 million euros at 31 December 2022, compared with 14,021 million euros at 31 December 2021. The positive net cash flow from operating activities (4,109 million euros), mainly attributable to the dynamics of working capital related to balancing activities, together with the proceeds from the repayment of the financial receivable by OLT and from the sale of a stake in Industrie De Nora, made it possible to fully finance technical investments and generate a free cash flow of 2,741 million euros. Net financial debt, including the equity cash flow (-866 million euros), deriving from the payment of the 2021 dividend to shareholders, and non-monetary changes (+223 million euros) mainly related to the settlement of the convertible bond through the allocation of Snam shares in portfolio, decreased by 2,098 million euros compared to 31 December 2021, to 11,923 million euros.

EBITDA ADJUSTED



ADJUSTED NET PROFIT



23 Please refer to the chapter 'Financial review - Non-GAAP Measures' for the definition of these indicators and their correlation with reported results.

24 An analysis of EBITDA and EBIT by business segment is provided in the chapter "Operating performance by business segment".

Dividends

The results achieved and solid business fundamentals allow to propose a dividend as balance of 0.1651 euros per share, to be paid starting from 21 June 2023 (record date 20 June 2023), ex dividend date of 19 June 2023. The dividend for the 2022 financial year is therefore determined equal to **0.2751 euros per share**, to the Shareholders' Meeting, of which 0.1100 euros per share was paid in January 2023 as an interim dividend (369 million euros). The proposed dividend, which is 5% higher than in 2021, in line with the dividend policy that we communicated to the market, confirms Snam's commitment to guaranteeing shareholders an attractive and sustainable return over time.

2022 dividend
0.2751 euros per share

KEY PERFORMANCE FIGURES (a)

(million euros)	2020	2021	2022	Abs. change	Change %
Total Revneues (a)	2,710	2,986	**3,317**	331	11.1
Gas Infrastructure Business Revenues (a)	2,564	2,616	**2,622**	6	0,2
- of which regulated revenues (a)	*2,488*	*2,558*	*2,521*	(37)	(1.4)
Energy Transition Business Revenues	146	370	**695**	325	87.8
EBITDA (b)	2,197	2,250	**2,237**	(13)	(0.6)
(EBIT) (b)	1,424	1,430	**1,364**	(66)	(4.6)
Net profit (b) (c)	1,164	1,218	**1,163**	(55)	(4.5)

(a) Net of fees to cover energy costs (198 million euros in 2022).
(b) Figures are stated in the adjusted configuration.
(c) Held by Snam shareholders.

REPORTED RESULTS

(million euros)	2020	2021	2022	Abs. change	Change %
EBIT	1,380	1,423	**1,328**	(95)	(6.7)
Net profit (a)	1,101	1,496	**671**	(825)	(55.1)

(a) Held by Snam shareholders.

KEY SHARE AND INCOME FIGURES

		2020	2021	2022	Abs. change	Change %
Net profit per share (a)	(€)	0.336	0.457	**0.201**	(0.256)	(56.0)
Adjusted net profit per share (a)	(€)	0.356	0.372	**0.349**	(0.023)	(6.2)
Group shareholders' equity per share (a)	(€)	1.98	2.20	**2.24**	0.04	1.8
Pay-out (Relevant dividend/Group net profit) (b)	%	74.11	57.62	**137.41**	79.79	
Adjusted pay-out (Relevant dividend/Group Adjusted net profit) (b)	%	70.10	70.77	**79.28**	8.51	12.0
Dividend yield (Relevant dividend/Year-end official % share price) (b)	%	5.4	4.9	**6.1**	1.2	24.5
Price/Book value (Official average price per share/ Group shareholders' equity per share)	(€)	2.23	2.04	**2.19**	0.15	7.4

(a) Calculated considering the average number of shares outstanding during the year.
(b) The 2022 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 10 March 2023.

KEY EQUITY AND FINANCIAL FIGURES

(million euros)	2020	2021	2022	Abs. change	Change %
Technical investments	1,189	1,270	**1,351**	81	6.4
Net invested capital at 31 December	19,364	21,261	**19,447**	(1,814)	(8.5)
Snam Shareholders' equity at 31 December	6,469	7,203	**7,468**	265	3.7
Net financial debt at 31 December	12,892	14,021	**11,923**	(2,098)	(15.0)
Free Cash Flow	(40)	(340)	**2,741**	3,081	

KEY SHAREHOLDER FIGURES

		2020	2021	2022	Abs. change	Change %
Number of shares of share capital	(millions)	3,361	3,361	**3,361**		
Number of shares outstanding at 31 December	(millions)	3,270	3,272	**3,353**	81	2.5
Average number of shares outstanding during the year	(millions)	3,272	3,271	**3,337**	66	2.0
Year-end official share price	(€)	4.601	5.300	**4.527**	(0,773)	(14.6)
Official average price per share for the year	(€)	4.417	4.830	**4.907**	0,077	1.6
Stock Market Capitalisation	(millions)	15,046	17,343	**15,178**	(2.165)	(12.5)
Dividend per share	(euros per share)	0.2495	0.2620	**0.2751**	0,0131	5.0
Dividends for the year in question (*)	(millions)	816	862	**922**	60	7.0
Dividends paid in the financial year	(millions)	779	811	**866**	55	6.8

(*) The 2022 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 10 March 2023.

OPERATING PERFORMANCE

TECHNICAL INVESTMENTS

Plant security and quality levels

Technical investments in 2022 amount to 1,351 million euros[25], up from 2021 (+81 million euros; 6.4%), and relate mainly to the transport (1,007 million euros) and storage (172 million euros) sectors, with levels in line with expectations.

Investments in projects aimed at maintaining plant security and quality totalled 878 million euros for transportation (663 million euros in 2021) and 126 million euros for storage (149 million euros in 2021).

The monitoring phase of the areas impacted by Snam's infrastructure projects also includes continuous checks on the proper functioning of the network, which are carried out using technology and experienced personnel, in order to ensure complete, efficient and effective monitoring of all assets.

Dispatching is the structure responsible for surveying and remote control of Snam's transportation network, whose pipelines are subject to regular maintenance and inspection activities. Monitoring is carried out by the company's specialised staff, who control the pipelines on foot, by means of vehicles or through overflying activities. Additional experienced personnel are assigned to guard the power plants, storage facilities and related auxiliary installations.

Technologies are a fundamental aid in ensuring high levels of quality in terms of infrastructure monitoring. Among these, Snam uses **In Line Inspection** (ILI) instruments, which, through the use of intelligent pigs equipped with sensors, pass through the pipelines, detecting the presence of any defects, geometric anomalies, corrosion, or minimal axial displacement of the pipelines themselves. ILI technologies also include remote control systems to check the stress state of pipes laid in areas with potential hydrogeological instability.

Technological innovations in this field are constantly evolving and Snam is committed to researching and developing new opportunities, with a view to constantly improving its ability to observe the infrastructure and prevent and/or intercept potential dangerous situations for network security. The company has recently equipped itself with **drones** and an organisational structure based on an aviation model, as well as with **satellite tracking technologies**. In this context, project work has been completed on a pilot route of approximately 1,400 km and field verification of the evidence produced is underway, with initial results being very satisfactory. In addition, the implementation of the **Leak Detection and Repair** (LDAR) project, developed in-house, continued in 2022, enabling inspection and field surveys to be carried out in order to prevent, detect and resolve any methane leaks from pipelines.

For **storage facilities**, monitoring is carried out by means of detection systems, including optical detectors, temperature-sensitive cables, fuse plugs, smoke detectors, sound level meters, pressure transmitters, etc. These systems allow the activation of emergency (ESD) or process (PSD) shut-downs, ensuring the safety of the installations.

25 An analysis of the technical investments made by each business sector is provided in the chapter "Operating performance by business segment" of this Report.

MONITORING AND INSPECTING THE NETWORK

	2020		2021		2022	
	km	% of network total	km	% of network total	km	% of network total
Total inspectable network with intelligent pigs as at 31.12 (*)	13,393	41%	13,494	41%	**13,601**	**41%**
Network inspected using smart pigs	1,487	5%	1,410	4%	**1,602**	**5%**
Total network subject to line control overflights as at 31.12 (**)	20,662	63%	20,841	64%	**21,379**	**65%**
Total subject to line leak detection control as at 31.12 (***)	32,582	100%	32,689	100%	**32,784**	**100%**
Network controlled for line leak detection in the reporting year	10,535	32%	10,889	33%	**11,160**	**34%**
Network with geological inspections carried out in the reporting year (****)	4,438	14%	5,993	18%	**3,894**	**12%**
Total pipeline network as at 31.12 (*****)	32,582		32,689		**32,784**	

(*) Carried out with multi-year cycles of different frequency depending on the route. The minimum frequency is 1 pass every 8 years, subject to transport conditions.
(**) Performed several times a year.
(***) Almost totally overflight - performed on three-year cycles.
(****) Activity performed on four-year cycles.
(*****) Network operated by SRG: National Network+Regional Network+ITG Network - source RE.ME.

INTERCONNECTED TRANSPORTATION-STORAGE CAPACITY AND NETWORK UTILISATION

The average transportation capacity provided in 2022 was 363.1 million cubic metres/day on average, which was a slight decrease on 2021 (-5.6 million average cubic metres/day; -1.5%), while transferred capacity totalled 207.2 million cubic metres/day on average. Network saturation[26] was 60.3, a decrease compared with 2021 (61.2%).

The number of active transport users in 2022 was 250 compared to 230 active users in 2021. In 2021, 65 connection agreements were entered into for the creation of new delivery/ redelivery points or for upgrading existing ones, 24 contracts for the injection of biomethane and 8 relating to CNG service areas.

Total storage capacity at end 2022, at equal strategic storage, is expected to be 16.5 billion cubic metres, among the highest in Europe during this period of supply difficulties across the continent.

There were 66 active storage customers (81 users in 2021).

26 Ratio of capacity transferred to available capacity.

BUSINESS VOLUMES

Gas Infrastructure Business

Gas injected into the grid
75.40 billion m³
(-0.5% compared to 2021)

Gas demand
68.69 billion m³
(-10.1% compared to 2021)

The **volume of gas injected into the grid** in 2022 totalled 75.40 billion cubic metres, broadly in line with 2021 (-0.37 billion cubic metres; -0.5%). **Gas demand in Italy** in 2022 was **68.69 billion cubic metres**, down by 7.68 billion cubic metres, or 10.1%, compared to 2021, due to the drop in consumption in all business sectors. More specifically, the decline in gas demand is attributable: (i) **to the residential and tertiary sector** (-4.62 billion cubic metres; -15.5%), as a result of significantly warmer weather than in 2021, concentrated in particular in the fourth quarter of the year, as well as the effects of actions to curb gas demand in implementation of Ministerial Decree no. 383 of 6 October 2022 to cope with the reduction in imports from Russia; (ii) **to the industrial sector** (-1.85 billion cubic metres; -13.6%) as a result of the increase in commodity prices and the unstable macroeconomic situation, which led to a drop in industrial production in certain energy-intensive sectors (iii) **to the thermoelectric sector** (-1.02 billion cubic metres; -3.3%) as a result of the drop in hydroelectric production caused by the extreme drought, which was partly absorbed by the lower use of natural gas in electricity generation due to higher prices.

Gas demand in temperature-normalised terms, estimated at 69.05 billion cubic meters, shows a reduction of 5.92 billion cubic meters (-7.9%) compared to the corresponding value in 2021 (74.97 billion cubic metres), against a progressive recovery in consumption which offsets the reduction due to the progressive increase in energy efficiency measures and the modernisation of heating systems with more efficient boilers, together with actions to contain the demand for natural gas required to face the winter risk resulting from the reduction of imports from Russia.

Overall storage capacity managed by the Snam group as at 31 December 202, including strategic storage, amounted to 16.5 billion cubic meters, the highest in Europe in this period of supply difficulties. The total capacity includes 4.5 billion cubic metres related to strategic storage as determined by the Ministry of Economic Development (unchanged from the thermal year 2021-2022) and 12.0 billion cubic metres related to **available capacity**. At 31 December 2022, the allocated capacity for the thermal year 2022-2023 was 94% of the available capacity offered (89.6% at 31 December 2021).

Gas moved in the Snam storage system
18.47 billion m³

The **volumes of gas moved in the Snam storage system** in 2022 amounted to 18.47 billion cubic metres, in line with 2021 (+0.06 billion cubic metres; +0.3%). Injections into storage increased by 1.98 billion cubic metres, or 23.3%, compared to the 2021 financial year, thanks also to the contribution of Snam, which, in its role as purchaser of last resort, purchased and injected approximately 1.3 billion cubic metres of gas, to which was added approximately 0.7 billion cubic metres for the operation of the infrastructure. The higher injections were offset by lower injections of 1.92 billion cubic metres, or 19.3%, due to favourable weather conditions and the National Plan to curb consumption.

59 landfills from LNG carriers
(25 in 2021)

The **volumes of LNG regasified** in 2022 at the Panigaglia (SP) terminal amounted to 2.24 billion m³ (1.05 billion m³ in 2021; +113.3%), and 59 landfills from LNG carriers (tanker loads), compared to 25 unloading carried out in 2021. From April 2022 onwards, there was an increase in the volumes regasified by LNG Italy and a consequent increase in the number of ships unloaded, mainly due to the impact of the Russia-Ukraine conflict on the gas market, which led to an increase in the demand for LNG to meet domestic demand.

The capacity allocation mechanisms based on auctions as well as the new businesses in the SSLNG sector, linked specifically to the possible future uses in heavy transportation and maritime transport, will lead to a scenario of further growth in the consumption of LNG in future years.

Energy Transition Businesses

At the end of 2022, there were 32 biomethane/biogas plants in operation, an increase of 22 compared to 2021, with an installed capacity of 40 MW compared to 12 MW at the end of 2021. The increase is due to the addition of 21 new waste (FORSU) and agricultural plants to the portfolio with a total installed capacity of 23 MW. In addition, two biomethane plants from agricultural waste came into operation (of which one biogas plant was converted during the year), increasing installed capacity by 4 MW, and one biogas plant from waste was converted to a biomethane plant, increasing capacity by 1 MW.

32 plants in operation (10 in 2021)

Installed megawatts (MW) on co-generation and photovoltaic plants for customer energy efficiency measures amounted to 46, up from 2021 (+26 MW) mainly due to the commissioning of plants contracted in 2021 for industrial customers. With regard to the backlog, there was an increase compared to 2021 (+821 million euros), due to the signing of new contracts whose commercial activity was initiated in previous years.

46 megawatt installed (19 in 2021)

KEY OPERATING FIGURES

The main operating figures are reported below by business segment. As of 31 December 2022, Snam has identified the following reportable segments: (i) the Natural Gas Transportation segment; (ii) the Natural Gas Storage segment; (iii) the LNG Regasification segment; (iv) the Energy Transition segment[27] which includes energy efficiency and biogas/biomethane activities, as well as decarbonisation projects.

KEY OPERATING FIGURES

	2020	2021	2022	Abs. change	Change %
Natural gas transportation (a)					
Natural gas injected into the National Gas Transportation Network (billion cubic metres) (b)	69.97	75.77	75.40	(0.37)	(0.5)
Gas demand (b)	71.31	76.37	68.69	(7.68)	(10.1)
Gas transportation network (kilometres in use)	32,647	32,767	32,862	95	0.3
Regasification of Liquefied Natural Gas (LNG) (a)					
LNG regasification (billion cubic metres)	2.55	1.05	2.24	1.19	
Natural gas storage (a)					
Total storage capacity (billion cubic metres) (c)	16.5	16.5	16.5		
Natural gas moved through the storage system (billion cubic metres)	19.60	18.41	18.47	0.06	0.3
Employees in service at year end (number) (e)	3,249	3,430	3,610	180	5.2
of which business segment:					
- Transportation Segment	1,910	1,843	1,903	60	3.3
- Regasification Segment	67	65	66	1	1.5
- Storage Segment	62	66	70	4	6.1
- Energy Transition Sector (d)	310	370	522	152	41.1
- Corporate and other activities	900	1,086	1,049	(37)	(3.4)

(a) With regards to 2022, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.573 kWh/SCM) for transportation and regasification activities and 39.3 MJ/SCM (10.919 Kwh/SCM) natural gas storage for the thermal year 2022-2023.
(b) The data for 2022 was last updated on 23 January 2023. The corresponding 2021 value has been definitively updated.
(c) Of which 4.5 billion cubic metres related to strategic gas and 12.0 billion cubic metres related to capacity available for modulation, mining and balancing services (so-called working gas). The capacity allocated for the thermal year 2022-2023 is 94% of the available capacity and 68% of the total capacity as at 31 December 2022, respectively.
(d) Operating segment subject to separate reporting from 31 December 2022. The values for previous years have been consistently restated.
(e) Fully consolidated companies. The change is mainly attributable to the Energy transition segment and reflects the entry of new resources due to the change in the scope of consolidation (60 resources) as well as new entries for the expansion of the business.

27 For more information, see Note 36 "Information by business segment" of the Notes to the Consolidated Financial Statements.

SNAM AND THE FINANCIAL MARKETS

Snam share performance

Snam shares ended 2022 with a price of 4.527 euros, a decrease of 14.6% compared to the price recorded at the end of 2021 of 5.30 euros.

The average share value during the year was 4.910 euros, with a high of 5.558 euros reached at the end of May and a low of 4.003 euros recorded in October.

In 2022, the stock market suffered from the volatility triggered by the conflict in Ukraine, which caused great uncertainty worldwide. In the first half of the year, Snam's shares outperformed the market, outperforming both the FTSE MIB and the Stoxx Europe 600 Utilities, based on the defensive nature of the regulated business in a highly uncertain environment, while from the second half of the year onwards, the growing inflationary pressure and the consequent increase in interest rates by central banks, substantially aligned performance with the sector and market trend.

Significant volumes were traded in the second half of March in connection with the presentation of the FY 2021 results.

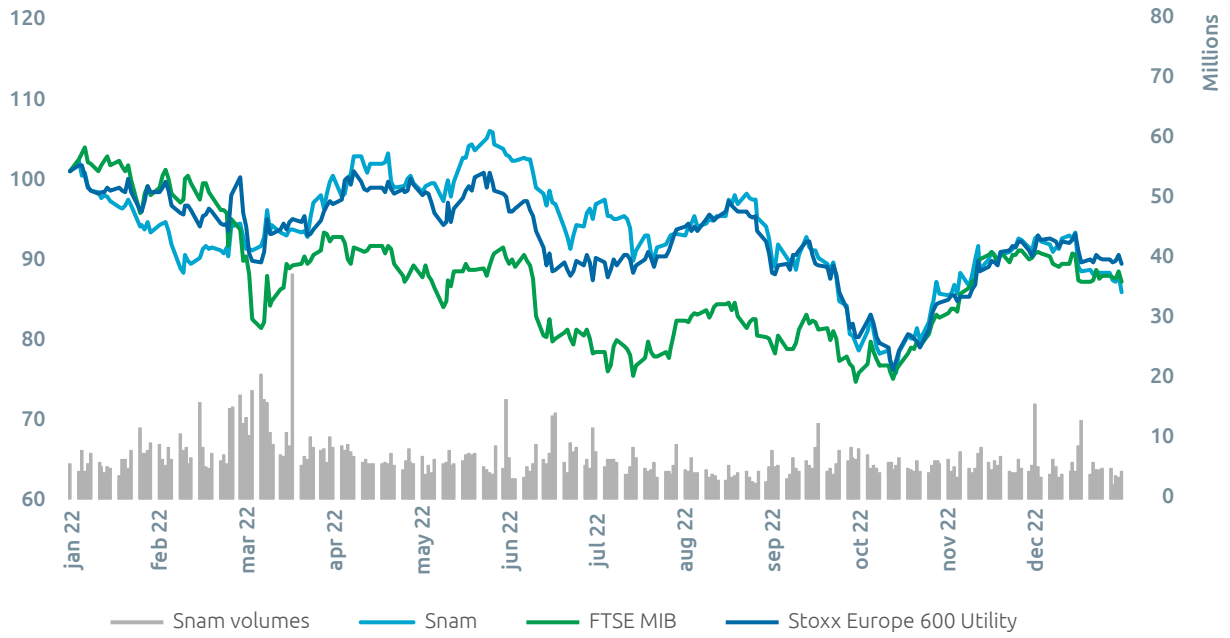
The year 2022 was a watershed year for the global energy system. In this context, characterised by uncertainty and volatility, Snam has contributed to coping with the emergency, playing a central role in energy security and supply diversification.

During the year, Snam signed agreements for the acquisition of 2 floating regasifiers and supported the national energy system by facilitating the filling of storage facilities.

Snam's regulated infrastructure thus confirmed its centrality for the country's energy security. At the same time, Snam's commitment to building a carbon neutral future through investments in energy transition businesses was also confirmed.

Investment activities in the regulated infrastructure, on the one hand, and in the energy transition business, on the other, will continue to provide shareholders with sustainable and profitable growth.

SNAM – COMPARISON OF SNAM, FTSE MIB AND STOXX EUROPE 600 UTILITIES LISTINGS (1 January 2022 - 31 December 2022)



Snam Shareholder composition at 31 December 2022

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A. (a)	31.35
	Romano Minozzi	7.46
	Snam S.p.A.	0.24
	Other shareholders	60.95
		100.00

(a) CDP S.p.A. holds 59.10% of CDP Reti S.p.A.

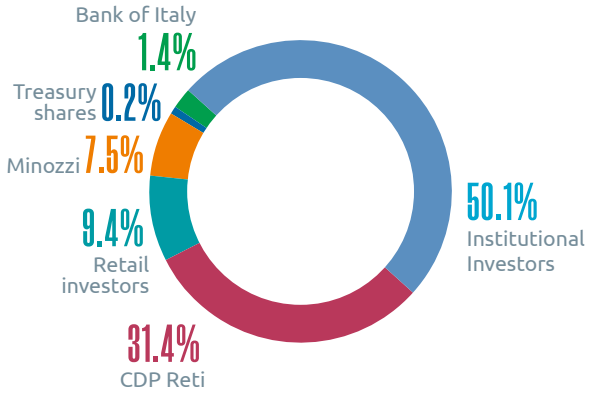
Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At the end of 2022, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 31.35% of share capital, Snam S.p.A. held 0.24% in the form of treasury shares, and the remaining 68.41% was in the hands of other shareholders.

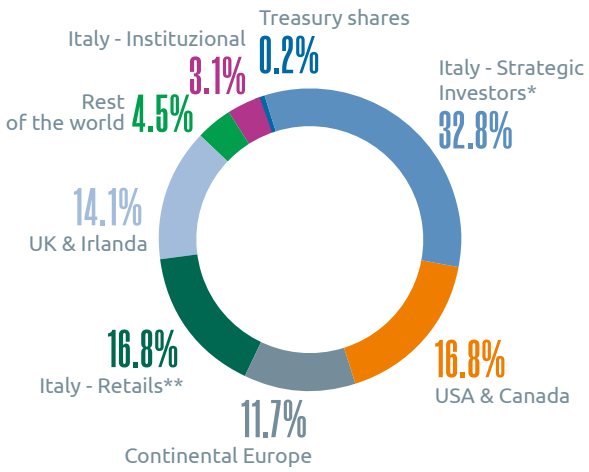
The share capital at 31 December 2022 consisted of 3,360,857,809 shares without indication of nominal value (unchanged from 31 December 2021), with a total value of 2,735,670,475.56 euros (unchanged from 31 December 2021).

As at 31 December 2022, Snam's portfolio contains 8,101,437 treasury shares (88,556,228 as at 31 December 2021), equal to 0.24% of its share capital, with a book value of about 33 million euros (2.70% for a book value of around 354 million euros at 31 December 2021). More information with regard to the changes in treasury shares in the portfolio in 2022 can be found in the chapter "Other information - Treasury shares" of this Report.

COMPOSITION OF SNAM SHAREHOLDERS



SHAREHOLDERS BY GEOGRAPHICAL AREA



(*) Italy's strategic investors include the Bank of Italy and CDP Reti.
(**) Italy's retail investors include the shares held by Romano Minozzi (7.5%).

Relations with the financial community and investor relations policy

Snam is committed to disseminating comprehensive and timely information capable of representing the business strategy and performance with a view to enhancing the dynamics that ensure the creation of value over time. This commitment was formalised with the approval, in July 2021, of the Policy for Managing Dialogue with Shareholders and Other Stakeholders[28], aimed at regulating the traditional means of conducting engagement, as well as the dialogue between the Board of Directors and Stakeholders on issues within the Board's purview.

2022 Engagement Activity

In addition to the normal activities of presenting the Strategic Plan and conference calls on the occasion of the publication of company results (annual results, half-yearly and quarterly results), also during 2022 Snam participated in numerous roadshows and industry conferences.

Inclusion of Snam stock in sustainability indices and ESG recognition

Also fro 2022, the Snam share is included in the main sustainability indices (Sustainable and Responsible Investment - SRI) and ESG ratings, which guarantee investors greater comparability with the Group's peers on issues related to ESG aspects, as well as making the Company more visible to investors and the market financial as a whole.

By 2022, SRI investors represent 43% of the total institutional shareholding and 18% of the total shareholding.

SNAM SHARE PRICE PERFORMANCE IN SUSTAINABILITY INDICES AND ESG RATINGS

SUSTAINABILITY INDEX/ESG RATING	EVALUATION SCALE	2021 RESULTS	2022 RESULTS	
CDP Climate Change	From D- to A	A-	A-	=
CDP Supplier Engagement Rating	From D- to A	A	A	=
ISS ESG	From D- to A+	B (*)		
Sustainalytics	From 0 to 40	15.9	14.1[29]	▲
DJSI	From 0 to 100	87	87	=
FTSE4GOOD	From 2.9 to 5	3.9	3.8	▼
MSCI	From CCC to AAA	A	AA	▲
Gender Equality Index Bloomberg	From 0% to 100%	77.13%	79.07%	▲
Moody's Vigeo Eiris	From 0 to 100	64 (**)	66	▲
GLIO/GRESB ESG	A to E	A	A	=

(*) The score was obtained in 2021. The next evaluation will take place in 2023.
(**) The score was obtained in 2020. The evaluation for inclusion in Moody's Vigeo Eiris indices takes place every two years.

28 The Policy for managing dialogue with shareholders and other stakeholders is available on the website https://www.snam.it/export/sites/snam-rp/repository/file/Governance/corporate_governance/Politica-in-materia-di-dialogo-con-gli-azionisti.pdf
29 Figure at 18 February 2023.

ESG RATINGS

Snam has once again been included in the "**A- List**" of **CDP** (formerly the Carbon Disclosure Project), one of the most important international non-profit organisations on the subject of climate change. The Company is at the top of the world with an A- score, demonstrating its strong commitment to climate change and energy transition issues.

Snam has joined the CDP Supplier Engagement Rating (SER), supply chain programme for the fourth consecutive year, the CDP programme aimed at involving its supply chain in the climate change questionnaire. Snam has been awarded the title of "**Supplier Engagement Leader**", reserved for the most reliable companies in measuring the climate risk of the activities of their supply chain - which affect Scope 3 emissions not directly attributable to the company itself - and in actions to counter it. In particular, **Snam obtained a score of A**, demonstrating its commitment to engaging its suppliers on issues related to reducing emissions and developing sustainable strategies.

Snam was confirmed in 2021 at the '**PRIME**' level by ISS ESG, with a rating upgrade from B- to B. The assessment is held every two years (the next one will occur in 2023).

Snam was confirmed in Sustainalytics' ratings in February 2023 with a risk rating of **14.1** (vs. 15.9 in February 2022) and a **first place ranking out of 94 companies in the gas utility sector** (second place out of 93 in 2022). Sustainalytics supports hundreds of the world's most important investors who incorporate ESG and corporate governance information into their investment processes

SUSTAINABILITY INDICES

In November 2022, the Snam stock was reconfirmed in the Corporate Sustainability Assessment (CSA), formerly the Dow Jones Sustainability World Index, of S&P Global, the most important global stock market index for assessing corporate social responsibility. The result of 87 points (unchanged from 2021), places the company in third place within the Gas Industry sector.

Since 2002, Snam has been present in the FTSE4Good, an index created to encourage investment in companies that meet globally recognised social responsibility standards and an important reference point for the creation of benchmarks and ethical portfolios. Snam performed very well in 2022, with a score of 3.8 out of 5 (vs. 3.9 in 2021).

Snam confirmed in the Ethibel indices, which include companies qualified as sector leaders in terms of CSR, according to the selection made by Forum Ethibel.

In October 2022, Snam was confirmed among the leading companies by MSCI, receiving an upgrade and returning to AA (from A in 2021). MSCI is a leading international provider of investment decision support tools for global investors, including asset managers, banks, hedge funds and pension funds. The MSCI Global Sustainability indices include companies with high sustainability ratings among those in their sector.

For the eleventh year in a row, the Snam stock is included in the STOXX Global ESG Leaders Indices, a group of indices based on a process of selection of performances in terms of sustainability, of 1800 companies listed worldwide.

Snam has been present since 2011 in five of the main ECPI sustainability indices, which take into account more than 100 ESG indicators in their methodology for the inclusion of companies.

Snam was also confirmed in 2022 in the Vigeo indices, a company part of the Moody's ESG group, a European leader in the assessment of companies on CSR issues. Snam increased its score, achieving 66/100 points (up from 64 in 2020). The evaluation for inclusion in the indices takes place every two years.

Snam is present for the fifth year running, in the United Nations Global Compact 100 index, which includes the 100 companies that have distinguished themselves at global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on human rights, labour, environment and anti-corruption issues.

For the fourth consecutive year, Snam is among the companies included in the Bloomberg Gender-Equality Index (GEI), the index that measures the performance of companies in terms of gender balance, inclusion and data transparency. Compared to 2021 results, the ranking improved by about two percentage points to 79.07% (GEI score) and grew especially in the sections policy against harassment at work (+20.0%), equal pay (+5.88%) and pro-women brand (+5.36%).

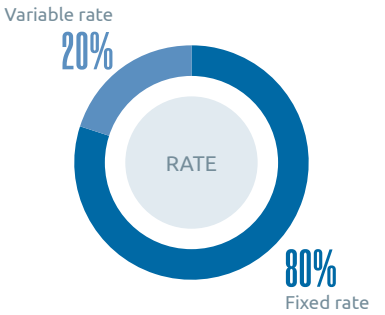
Snam was confirmed in the FTSE MIB ESG index, the first ESG index dedicated to Italian blue-chip companies that rewards the most effective sustainability practices. The index, activated in collaboration with Vigeo Eiris, a Moody's ESG Solutions company, has identified the best 40 Italian listed companies that have demonstrated perfect integration between economic performance and ESG criteria, in line with the principles of the United Nations Global Compact.

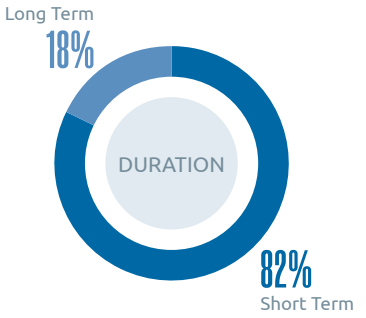
Debt management and credit rating

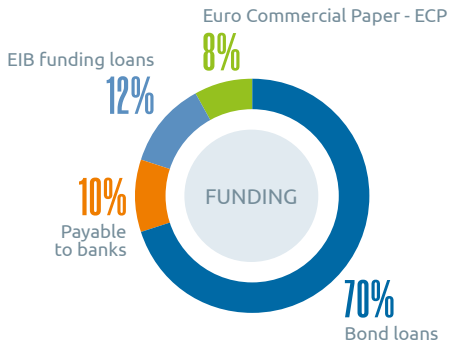
Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure.

The Group's net financial position at 31 December 2022 was 11,923 million euros, the result of a gross financial debt of 13,680 million euros and cash and cash equivalents of 1,757 million euros.

With reference to the capital market, Snam concluded in 2022: (i) the inaugural dual-tranche Sustainability-linked bond in January 2022 for 1.5 billion euros, whose economic performance is linked to the achievement of certain sustainability targets, in conjunction with a Liability Management exercise that led to the repurchase of 350 million euros to proactively manage future debt maturities and accelerate the transition from plain vanilla bonds to sustainable finance instruments (ii) the inaugural EU Taxonomy-Aligned Transition Bond in November 2022 for 300 million euros, aimed at financing investments in environmental sustainability and energy transition.







At 31 December 2022, Snam had unused committed long-term credit lines worth approximately 5.9 billion euros of which: (i) pooled credit lines of 4.65 billion euros; (ii) Revolving Credit Facilities (RCF) totalling 1.2 billion euros; (iii) approximately 40 million euros related to the framework loan signed with the EIB in June 2021. In order to increase the weight of sustainable finance on the total available funding, the Euro Commercial Paper programme was renewed in 2020, increased from 2 to 2.5 billion euros, linking it to environmental and social sustainability objectives in line with the Sustainable Loan and obtaining an ESG rating of EE from the company Standard Ethics, increased in 2022 to EE+.

At 31 December 2022, Snam has a Euro Medium Term Notes (EMTN) programme in place for a maximum total nominal value of 13 billion, used for approximately 9.5 billion euros and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of 2.5 billion euros, used at 31 December for 1,130 million euros. As at 31 December 2022, sustainable sources of financing stood at around 12.5 billion euros and represented approximately 70% of Snam's committed funding. This percentage is in line with the company's ambition to increase the proportion of available funding represented by sustainable finance to 80% over the plan time horizon.

At the same time, the communication activity continued with the rating agencies Moody's, Fitch and Standard & Poor's, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody's (Baa2 with a negative outlook), Fitch (BBB + with stable outlook), and Standard & Poor's (BBB + with a stable outlook).

In addition, when the Commercial Paper programme was renewed by Snam, the agencies confirmed the short-term rating of the company at P-2 for Moody's, A-2 for S&P and F2 for Fitch. Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt.

	Moody's	Standard & Poor's	Fitch Ratings
LAST UPDATE	6 September 2022	6 February 2023	16 February 2023
RATING ON DEBT TO LONG TERM	Baa2	BBB+	BBB+
RATING ON DEBT TO SHORT TERM	P-2	A-2	F2
OUTLOOK	Negative	Stable	Stable

NFS SUSTAINABLE FINANCE AND SDG INVESTMENTS

TARGETS AND PERFORMANCE

SDGs	KPI		Target	Performance 2022	
7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION	Percentage of ESG finance out of total available funding	ESG SCORECARD	65% by 2022 80% by 2026	70%	✓

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

✓ Target reached

⚙ Target in progress

⊘ Target not reached

Consistent with the growing importance that sustainable finance and related instruments are assuming within the financial landscape, Snam, since 2018, has progressively aligned its financial strategy with the Group's sustainability objectives, in order to strengthen its role in the energy transition, as well as diversify its investor base and make them aware of its ESG initiatives and investments. This commitment has also taken the form of setting a target to increase the weight of sustainable finance in total funding to 80% by 2026 - reaching 70% in 2022 - as well as issuing bonds to finance investments in environmental sustainability and the energy transition. In this regard, between 2019 and 2022, Snam issued a Climate Action Bond, four Transition Bonds and an Inaugural EU Taxonomy-Aligned Transition Bond.

Among other sustainable finance instruments used by Snam, a Sustainability-linked bond was issued for the first time in January 2022, the issuance of which was associated with a Liability Management exercise, which accelerated the transition from plain vanilla bonds to sustainable finance instruments.

2019

500 million euros Climate Action Bond, the proceeds of which were used to finance and, in part, refinance the Eligible Projects of Snam's Climate Action Bond Framework

2020-2021

Four Transition Bonds for 2,350 million euros,the proceeds of which were used to finance the Eligible Projects of Snam's Transition Bond Framework

2022

Inaugural sustainability-linked bond (SLB) for 1.5 billion euros whose economic performance is linked to the achievement of certain sustainability targets

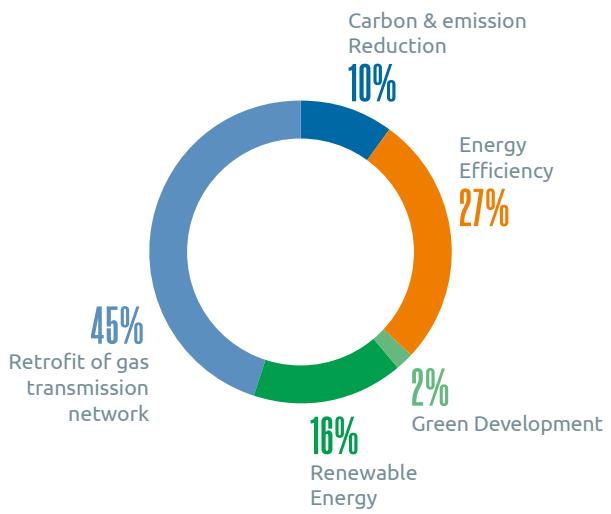
EU Taxonomy-Aligned Transition Bond for 300 million euros, dedicated to financing green projects

The inaugural Sustainable-Linked Bond (**General corporate purpose** format) and the EU Taxonomy-Aligned Transition Bond (**Use Of Proceeds** format) were issued as part of the **Sustainable Finance Framework**[30] published in 2021, which received a Second Party Opinion from ISS and is an evolution of the previous frameworks based on recent market developments in the area of bond issuance structures linked to environmental KPIs and the European Taxonomy of Green Investments.
For these first Bonds, the economic performance (step-up coupons) is linked to the achievement of targets linked to specific kPIs. The short tranche has been associated with a natural gas emission reduction target of -55% by 2025 compared to 2015 values and a Scope 1 and 2 emission reduction target of -40% by 2027, while the long tranche has been associated with a Scope 1 and 2 emission reduction target of -50% by 2030 compared to 2018.

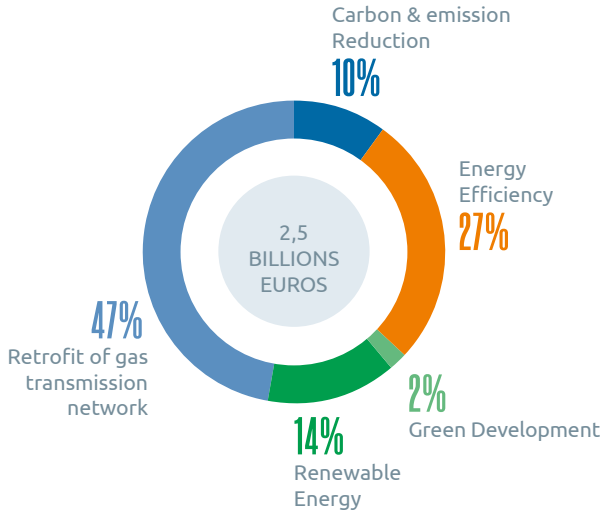
30 For more details on Snam's 'Sustainable Finance Framework,' see the document published at the following link https://www.snam.it/export/sites/snam-rp/it/investor-relations/debito_credit_rating/file/SustainableFinance-Framework_Snam_29.11.2021.pdf

Through its sustainable finance initiatives, as of 31 December 2022, Snam has financed eligible projects of approximately 2.5 billion euros (vs. 1.6 billion euros as of 2021), equal to approximately 80% of the instruments issued by 2022, of which approximately 50% of the total financed was allocated to the category of Retrofit of gas transmission networkprojects .

ELIGIBLE PROJECTS IDENTIFIED IN THE FIVE CATEGORIES



ALLOCATION OF PROCEEDS



Finally, starting in 2018, Snam has a **Euro Commercial Paper** programme available, which has been linked to environmental and social sustainability objectives in line with the Sustainable Loan since 2020, obtaining an EE+ ESG rating for the instrument from the ESG rating company Standard Ethics, increased in 2022 compared to the previous year.

Lastly, with regard to banking instruments, the following were finalised with major relationship banks during 2021 and 2022:

- revolving Credit Facilities (RCF) totalling 1.2 billion euros, of which 1.1 billion euros in KPI-linked and
- bank loans totalling approximately 1 billion euros, of which 875 million euros in Green loan or KPI-linked format.

Confirming Snam's commitment to sustainable finance, in 2021 the Group joined the Nasdaq Sustainable Bond Network, a sustainable finance platform managed by the Nasdaq, which brings together investors, issuers, investment banks and specialist organisations. In this regard, in order to be able to access this type of instrument, Snam significantly increases its relations with the financial community and socially responsible investors, developing dynamic synergies that guarantee the creation of value over time through constant and transparent reporting on business strategy and performance.

The CFO coalition for the SDGs

Snam has long been a member of the United Nations Global Compact *UNCG), which promotes the creation of a business model based on ten fundamental principles in the areas of human rights, labour, the environment and the fight against corruption, and aims to achieve the 17 Sustainable Development Goals of the 2030 Agenda. In this context, Snam participates in the CFO Coalition for the SDGs (formerly UNGC CFO Taskforce), an initiative launched by the UN as part of the Global Compact with the aim of **expanding the market for sustainable finance and promoting the flow of capital towards investments that significantly contribute to the achievement of the SDGs**.

The initiative involves multiple players on the corporate and non-corporate scene, including investors, banks, financial institutions and credit rating agencies, with the aim of expanding the sustainable finance market and promoting the flow of capital towards investments aimed at contributing significantly to the achievement of the SDGs. Between 2020 and 2021, Snam cooperated in dedicated working groups to:

1
launch the **CFO Principles**, the first principles on investment and finance integrated with the SDGs, to guide companies in the creation of long-term sustainable value

2
define a set of **KPIs and targets** to measure its performance in implementing the principles and on which it is required to report to the UNGC on an annual basis

3
prepare the **Blueprint and Implementation Guide**, a collection of best practices published on the CFO Coalition website, to support UNGC companies in choosing investments in line with the SDGs and, more generally, in integrating the Sustainable Development Goals into corporate finance

As an active member of the CFO Coalition, Snam adopts the principles and guidelines defined between 2020 and 2021 in cooperation with the other members of the initiative, with the ultimate aim of contributing to the creation of an increasingly transparent and efficient SDGs-aligned financial market. To this end, with regard to the 2022 final balance, Snam has carried out an alignment analysis between the SDGs and investments from which it emerged that, thanks to maintenance, modernisation and replacement activities and those related to energy transition businesses, 62% of CapEx is aligned and contributes in particular to the achievement of SDGs 7, 9, 12, 13. The change of 18 percentage points compared to 2021 is due to increased investments in biomethane and security of energy supply, also with the aim of increasing the competitiveness of energy prices.

SNAM'S ACTIONS FOR THE SDGS

Description	SDGs
Increase the production of energy from renewable resources, including biomethane, and improve the energy efficiency of Snam's operations, avoiding or reducing the impact on the environment, landscape and cultural heritage.	
Building a more resilient and sustainable infrastructure. In the new Strategic Plan, Snam has maintained its focus on the goals of achieving carbon neutrality by 2040, accelerating the plan to replace compressor stations with dual-fuel technology and continuing investments to modernise the infrastructure with an H2-ready perspective. Snam is also planning a substantial digitalisation of its business, which will enable the company to guarantee ever greater security and sustainability of its operations.	
Among the green gases, biomethane represents the one at the most advanced stage, available in a short time and rapidly scalable. Snam, through the work of **Bioenerys** (formerly Snam4Environment), intends to assume the role of industrial developer of a **national biomethane platform**. By 2026, the commissioning of plants for over 100 MW is expected, based both on the modernisation of biogas plants and on new biomethane plants.	
Playing a crucial role in the energy transition and with a long-term vision aligned with the purpose "Energy to inspire the world" and European objectives, being one of the first companies in the energy sector to achieve carbon neutrality by 2040, making a concrete contribution to the decarbonisation of the system through the development of green gases and, in particular, hydrogen and biomethane.	

NFS EUROPEAN TAXONOMY FOR ENVIRONMENTALLY-SUSTAINABLE ACTIVITIES

Attention to environmental and social sustainability issues has grown significantly in recent years, and with it, the role of private investment in supporting sustainable development. The European Commission defined specific objectives in favour of sustainable finance, which it is implementing through several initiatives.

One of these is the **European Regulation 2020/852** (EU Taxonomy), a measure that provides a classification system for economic activities by defining what is environmentally sustainable and what is not on the basis of objective criteria, based on the alignment to the environmental objectives of the European Union and compliance with certain clauses of a social nature. The Taxonomy therefore provides a common language for investors and companies to direct investments towards more sustainable technologies and activities. In particular, the **Climate Act** (EU Delegated Regulation of the European Commission of 4 June 2021 no. 2021/2139) identifies the economic activities that contribute to the first two environmental objectives (mitigation of climate change and adaptation to climate change) and defines the related **technical screening criteria** established by the European Commission.

'Environmentally-sustainable activities' (aligned activities) are defined as all those activities that contribute to at least one of the following environmental objectives, without, at the same time, causing significant harm to other environmental objectives (Do No Significant Harm - DNSH) and carried out in compliance with minimum social safeguards:

1	2	3	4	5	6
Climate change mitigation	Adaptation to climate change	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection of ecosystems and biodiversity

The Taxonomy classifies assets into:

- **Eligible**: economic activity described in the Delegated Acts relating to the environmental objectives envisaged by the Taxonomy, regardless of whether the respective technical screening criteria are met

- **Aligned**: eligible economic activity that substantially contributes to one of the objectives of the Taxonomy by meeting the technical screening criteria, which does not cause significant damage to the other environmental objectives and at the same time, respects the minimum social guarantees established by the Guidelines for Multinational Enterprises of the OECD and the United Nations Guiding Principles on Business and Human Rights.

The disclosure relating to FY 2021 envisaged, for non-financial corporations that are required to publish a Non-Financial Statement, the obligation to disclose the share of their revenues, capital expenditures (CapEx) and operating expenses (OpEx) defined as eligible (Taxonomy-Eligible) according to as defined by the Climate Act with reference to the first two environmental goals. Starting from 2023, with reference to FY 2022, in addition to the information relating to the share of **revenues, CapeEx and OpEx defined as eligible**, these companies will have to report on the extent to which their economic activities are environmentally sustainable (i.e. '**Taxonomy-aligned**'), representing the share of the same taxonomy-aligned KPIs in reference to the first two environmental objectives[31].

An economic activity is defined as Taxonomy-eligible if it is described in the Delegated Acts with respect to the intended environmental objectives. An economic activity is defined as 'Taxonomy-aligned' if it substantially contributes to one of the objectives of the Taxonomy, does not cause significant harm to other environmental objectives, complies with the technical screening criteria and simultaneously respects the minimum social guarantees established by the OECD and the United Nations.

31 On 4 June 2021, the European Commission adopted Delegated Regulation (EU) 2021/2139, which sets out the criteria for technical screening to determine when a given economic activity can be considered "environmentally sustainable" because it contributes substantially to climate change mitigation or adaptation, without causing significant harm to one or more of the other environmental objectives (the "Climate Act"). The Climate Act outlines the two sets of technical screening criteria respectively in Annex 1, for climate change mitigation (art. 10 of EU Regulation 2020/852), and Annex 2, for climate change adaptation (art. 11 of EU Regulation 2020/852).

The European Taxonomy Applied to Snam

Since the first developments of the European Taxonomy, Snam has welcomed the direction defined by the European Commission, in line with the strategy and investment choices of the Company, aimed at decarbonisation and the creation of a low-carbon economy.

Methodology

In 2021, in order to comply with the provisions of Article 10 of Regulation 2021/2178 of the European Commission, Snam assessed the share of eligible activities ("Taxonomy-eligible" activities) among those pursued by the Group based on the interpretation of the activities described in the Climate Act and on the information published by the European Commission. From Snam's interpretation of the measures contained therein, all activities associated with the maintenance, develpment and reconversion of gas transportation networks, activities related to the production and transportation of biomethane and hydrogen, emissions reduction, and energy efficiency are mapped by the Climate Act and therefore considered eligible.

Compared to the interpretation given last year, further investigations carried out in 2022, with a large group of companies in the sector and coordinated by the main trade associations, led to a change in the approach towards certain activities carried out by the Group from a more cautious perspective. In particular, activities in the field of sustainable mobility were excluded from the eligible activities and, as far as transport network management activities are concerned, only a proportion of revenues proportional to the share of green gases (biomethane and hydrogen) transported in 2022 in relation to the total demand for the same year was considered eligible in the calculation of the revenue KPI.

In carrying out the analysis aimed at identifying eligible activities, the Q&A published by the European Commission on 2 February 2022 was taken into account, which suggests that qualifications such as "low carbon", to which certain articles of the Climate Act refer, should only be taken into account for the purpose of determining compliance with the technical screening criteria, thus for the purpose of identifying taxonomy-aligned activities. This clarification supports Snam's interpretation of the articles of the Climate Act, according to which Transportation activities, including the construction, maintenance and operation of gas networks are to be considered fully Taxonomy-Eligible (ref. Transmission and distribution networks for hydrogen and low-carbon gases, Article 4.14 of the Climate Act).

Within the Climate Act, gas storage is not addressed: it represents a pillar of the future energy system based on hydrogen and green gases and is one of the activities that make a substantial contribution to the achievement of Net Zero objectives. Snam has completed the preliminary tests for the injection of hydrogen in the storage fields with favourable results, is working for H2 readiness, and is preparing for the conversion to hydrogen of some fields now used for the storage of methane.

More in detail, the activity of Storage is reported in the Climate Act with a different wording with respect to the transport activity mentioned above (ref. Storage of hydrogen, article 4.12 of the Climate Act), referring to activities exclusively dedicated to hydrogen storage activities. For this reason, Snam did not consider its storage activities as **Taxonomy-Eligible**, despite the fact that most of its investments meet H2 readiness criteria. It is believed that natural gas storage should instead be able to be included in the perimeter of eligible activities, consistently with the functioning of the network and considering that storage is a complementary and necessary activity for network operation. The integration of the two activities is essential for the energy system and the achievement of the decarbonisation objectives. For this reason, we hope that the delegated acts in the next formulations or future Q&A of the Commission clarify the issue. Snam's investment program envisages the gradual conversion of hydrogen fields and, if article 4.12 "Storage of hydrogen"", is extended to natural gas storage activities, consistently with the provision of the same Delegated Act on transport, also Snam's storage activities could be considered fully eligible.

Taxonomy-Eligible activities of the Snam group fall within the following articles of the Climate Act:

- **Activity 4.1** Electricity generation using solar photovoltaic technology
- **Activity 4.8** Production of electricity using bioenergy
- **Activity 4.13** Manufacture of biogas and biofuels for use in transport and of bioliquids
- **Activity 4.14** Transmission and distribution networks for renewable gases
- **Activity 4.19** Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels
- **Activity 5.7** Anaerobic digestion of bio-waste
- **Activity 5.9** Material recovery from non-hazardous waste
- **Activity 5.11** Transport of CO_2
- **Activity 6.15** Infrastructure enabling low-carbon road transport and public transport
- **Activity 7.1** Construction of new buildings
- **Activity 7.2** Renovation of existing buildings
- **Activity 7.3** Installation, maintenance and repair of energy efficiency equipment
- **Activity 8.1** Data processing, hosting and related activities
- **Activity 8.2** Data-driven solutions for GHG emissions reductions

The Group's economic indicators, necessary for the calculation of the KPIs relating to the **Taxonomy-Eligible** portion of the business for FY2022, were calculated using the following methodology:

- **Revenues**: revenues from regulated and non-regulated activities, excluding pass-through fees (see Note 29 'Operating revenues and income' to the Consolidated Financial Statements);
- **CapEx**: investments in property, plant and equipment and intangible assets recognised in accordance with IFRS16 (include the investments in Note 8 'Property, plant and equipment' and Note 9 'Intangible assets and goodwill' to the Consolidated Financial Statements, and financial investments for FSRU and new biomethane companies);
- **OpEx**: direct costs of managing group activities excluding overheads such as Snam S.p.A. costs, service contracts with subsidiaries and the costs of managing development and R&D projects.

Double accounting in the calculation of revenues, CapEx and OpEx is excluded as Snam uses financial data at the activity level and associates each **Taxonomy-Eligible and Taxonomy-Aligned** activity with the reference article of the Climate Act. For reporting purposes, aggregation is done on the basis of the individual items under which eligible activities fall.

(million euros)	Revenues	CapEx	OpEx
Total Taxonomy-Eligible	702	1,212	56
Total Snam	3,317	1,926	75
Portion Taxonomy-Eligible	21.2%	62.9%	74.7%

(million euros)	Revenues	CapEx	OpEx
Total Taxonomy-Aligned	661	747	28
Total Snam	3,317	1,926	75
Portion Taxonomy-Aligned	19.9%	38.8%	37.3%

For the "Models for key performance indicators (KPIs) of non-financial companies" referred to in Annex II of Delegated Regulation (EU) 2021/2178, please refer to Annex 5.

As mentioned above, for the purposes of identifying Taxonomy-Eligible activities, Snam considered gas transportation activities eligible, but not storage activities. It should be noted that unlike Taxonomy-Eligible activities, Taxonomy- Aligned activities are activities that contribute to at least one of the environmental objectives contained in the Climate Act, meet the technical screening criteria of the delegated acts, do not significantly harm any of the other objectives and are carried out in compliance with minimum measures of social safeguards.

As regards the minimum social protection requirements, the topics Human Rights, Corruption, Taxation and Competition were assessed, as identified by the Platform on Sustainable Finance. Snam has adopted solid policies and procedures with the aim of identifying, preventing and monitoring risks and managing the negative impacts relating to the areas described above. In addition, during 2022 Snam was not involved nor was it convicted in this regard.

In addition, Snam has already carried out a preliminary analysis on a voluntary basis with respect to the alignment of its CapEx plan with the Taxonomy, highlighting that around 3.6 billion euros of investments for the 2022-2026 period are aligned.

Snam will continue to monitor the publication of any further guidelines by the European Commission to ensure consistency of interpretation of the measures contained in the Climate Act.

KEY SUSTAINABILITY PERFORMANCE

Employment

The number of employees in service at 31 December 2022 was 3,610, an increase of 180 (+5.2%) over 2021. Over the year, the following were recorded:

- Entry of 447 resources (34 resources more than in 2021), of which 189 in the gas infrastructure business, 206 in the energy transition business, against the entry of new companies into the group perimeter and new hires in the market to strengthen the business;
- Exits of 267 resources (41 resources more than in 2021), mainly due to consensual termination of employment.

With respect to the Group's distribution country-wide, 2,775 people are employed in the northern regions of Italy, 328 in the central regions and 503 in the south and Sicily. Moreover, 4 resources are permanently in service abroad.

Industrial relations

During 2022, Snam maintained a constant relationship with Trade Unions at the national and local level through 143 meetings held in compliance with government provisions and specific business policies aimed at containing the spread of Covid-19.

During the meetings, Snam illustrated to the trade unions the projects for the evolution of its already consolidated businesses and including those recently started up, and issues related to organisational relevance arising also from the emergency situation still present were addressed. Moreover, meetings also concerned the definition of the paths deriving from the Works Project and the Installations Project, initiatives aimed at optimising respectively the activities of the Works with regard to the management of the gas network and the Installations Management.

In 2022, the renewal of the Energy and Petroleum Collective Labour Agreement was signed, the annual agreement was signed on the Participation Bonus and the collective closure of the San Donato Milanese Campus.

Per qAs far as the regasification business is concerned, with particular reference to the acquisition of the 2 FSRU vessels by Snam, meetings were held with the trade union organisations, at national and local level, aimed at sharing and discussing issues relating to the evolution of the business that can have an impact on employees and on the territory.

Snam has long introduced mobility procedures for personnel aimed at establishing better treatment for employees than that provided for by law and by the applicable CCNL. With reference to the operations area, in past years a number of reorganisations of territorial areas (centres) have occurred, which have entailed transfers of personnel to whom improved treatments have also been applied following specific trade union agreements reached. The notice period is that provided for by law and/or the applicable CCNL.

In 2022, 20% of employees were members of trade union organisations and the total number of pending disputes amounted to 14 (-4 compared to 2021), of which 4 for economic disputes on termination of employment and 10 for joint liability, while the number of open disputes during the year is 9 (-7 compared to the previous year).

Supply chain management[32]

Suppliers are fundamental allies in business development and strategic partners to achieve the decarbonisation goals that Snam has set itself by strengthening their relationship and promoting sustainability practices along the value chain.

In the current phase of progressive decarbonisation, Snam's strategic choices have focused both on high-tech initiatives (innovation, research and development to support large national and international transport networks) and on green economy businesses (sustainable mobility, renewable gas-biomethane, hydrogen, energy efficiency). In this context, the Company continued to work in synergy both with suppliers related to more traditional and consolidated activities, and with those related to energy transition and new business categories. In this way, the creation of added value was continued, laying the foundations for new management models capable of supporting the new strategic development scenarios.

During the year, contracts were registered with 681 suppliers, of which 545 categorised as SMEs, while 1,902 contracts were stipulated and the related revisions, of which 67% in favour of SMEs. In 2022, goods, works and services with a total value of 2,645 million euros were purchased, of which more than 938 million euros went to small and medium-sized enterprises (SMEs): 75% of these were in the public sector and 25% in the private sector. The proceeds of the top 15 suppliers amounted to approximately 1,677 million euros, which corresponds to about 63% of the total procured. In 2022, the procured value increased by about 75%, mainly due to the award of contracts for the refurbishment of some methane pipelines. The most significant raw material among those purchased is steel, with about 73,000 tonnes as part of the supply of pipes, valves and fittings, mainly used for the gas transport business.

In addition to the procurement activities of Group companies mainly related to the core business, supply contracts have been signed directly by the companies most involved in promoting green businesses aimed at achieving decarbonisation targets (Renovit, Bioenerys), for a total of about 900 million euros. The year 2022 saw a significant increase in new business, mainly driven by the activity of Renovit, which is committed to offering innovative energy efficiency solutions for companies, condominiums, the tertiary sector and public administration.

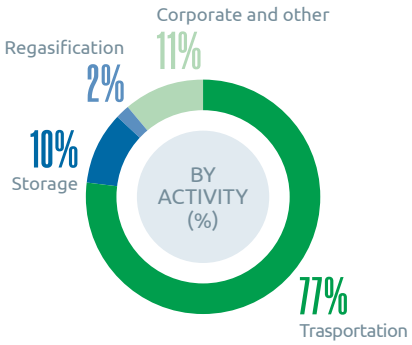
PROCUREMENT

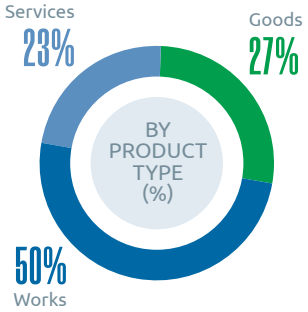
(million euros)	2020	2021	2022
Value of procurement	1,832	1,517	**2,645**

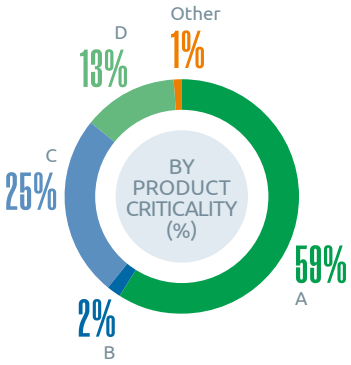
To ensure the adequacy of suppliers in relation to current and future procurement requirements, Snam is constantly conducting market intelligence analyses and scouting activities. Thus, the correct balancing of the number of suppliers on the Vendor List is ensured, according to criteria that follow the evolution of procurements needs over time. In 2022, the actions aimed at rationalising the number of suppliers on the Vendor List and the relevant product groups continued, seeking new and efficient synergies between those already available. At the same time, the number of suppliers operating in energy transition activities was increased.

As at 31 December 2022, the total number of qualified suppliers was 2,572, of which 215 belonged to the most important and strategic product categories (A and B) and 676 involved by the renewal of qualifications and those qualified ex-novo.

32 Unless otherwise specified, the data in this paragraph relate to the companies: Snam, SRG, GNL Italia, Stogit, Enura, Snam4Mobility, Cubogas.







Control of its supply chain is assured by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the year, 1,323 feedback were collected, referring to the performance of 178 suppliers, 470 contracts were analysed and, in line with the promotion of sustainable behaviour along the supply chain, 4,426 checks were carried out on the regularity of contributions (+ 1% compared to 2021) of 1,894 suppliers and subcontractors (+ 4.6% compared to 2021), intercepting a slightly higher number of irregularities than in 2021: 1.40% of cases.

Moreover, with regard to the fight against corruption, all suppliers and subcontractors are required to accept the Ethics and Integrity Agreement and are subject to reputational checks. In 2022, 1,374 reputational checks were conducted on suppliers and contractors. Snam has implemented a new process aimed at having a deeper knowledge of its suppliers, not only from a reputational point of view, but also from a broader compliance point of view. It then introduced the new category of “Compliance Audits”, which involve analyses of the financial soundness of suppliers as well as their suitability and adequacy, both from a technical and HSEQ point of view.

In procurement of works related to Snam’s core activities, the suppliers considered critical (critical levels A and B) must be in possession of quality and environment management systems certified with ISO 9001, ISO 14001, OHSAS 18001 and ISO 45001 standards.

To evaluate the performance of its own suppliers over time, Snam uses a rating index (IR) that takes into consideration compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Level of service), establishing a good relationship with the customer for the entire duration of the contract (Behaviour). Snam may restrict, suspend or even revoke the qualification of a supplier that fails to meet the agreed standards. The possible cases could include, for example: the failure to meet technical- organisational requirements, negative performance evaluation and/or safety procedures for it or its subcontractors and a non-compliance with the provisions about social security contribution regularity and with the rules laid out in the Snam Code of Ethics. A total of 14 measures were issued in 2022, i.e. 48% less than in 2021: this figure demonstrates and confirms our supply chain's growing commitment to adopting and promoting good behaviour.

Health and safety

Snam has always considered the protection of the health and safety of its people a key element and one worthy of great attention, above all considering the nature of the activities carried out by its employees on site and the operations required, for example, in infrastructure construction. In order to properly monitor the issue, all company activities are governed by management systems certified according to the **UNI ISO 45001** standard "Occupational health and safety management systems" and procedures and systems intended to prevent accidents and diseases at work and promote the protection and health and safety of workers. The management system covers all employees and contractors working at Snam's infrastructure and therefore the company also requires its suppliers to be ISO 45001 certified, as part of the approval process for suppliers of goods and services considered critical.

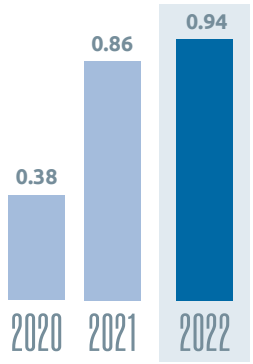
Despite the efforts made by the Group to reduce accident rates, including following the acquisition of new businesses that need time to adapt to Snam Group policies, a total of 16 accidents occurred in 2022 (12 in 2021). Specifically, 3 occurred to Snam Group employees (11 in 2021), all of which occurred in companies in the non-regulated sector; and 13 occurred to contract suppliers (1 in 2021), of which 1 unfortunately resulted in a fatal outcome. However, despite the increased number of injuries, the average severity of injuries decreased, as shown by the severity index, which is slightly lower than last year.

The injury frequency index for employees[33] in 2022 it is 0.51, a clear reduction compared to 2021 (2.11), while that for contractors is 1.17, an increase compared to 2021 (0.12), attributable to the fatal accident that occurred during the year.

The severity index decreased for both categories: 0.02 for employees (0.12 in 2021) and 0.73 for contractors (0.86 in 2021), reduced from 2021 (0.93). Overall, for employees and contractors, the frequency index was 0.94 while the severity index was 0.48.

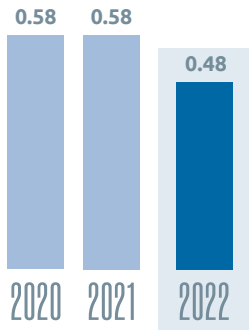
Accidents at work employees and contractors

FREQUENCY INDEX



Number of accidents at work (excluding during commutes) resulting in absence of at least one day, per one million of hours worked.

SEVERITY INDEX



Number of work days lost, related to accidents at work (excluding during commutes) resulting in absence of at least one day, per one thousand of hours worked. A fatal accident is counted as 7,500 days of absence.

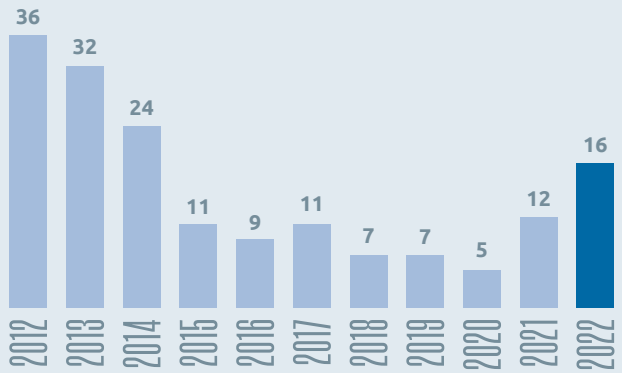
33 With reference to 2020, the accident indices exclude the company Snam Gas & Energy Services Beijing, deconsolidated as of 2021.

Health and safety: achievements over the last ten years

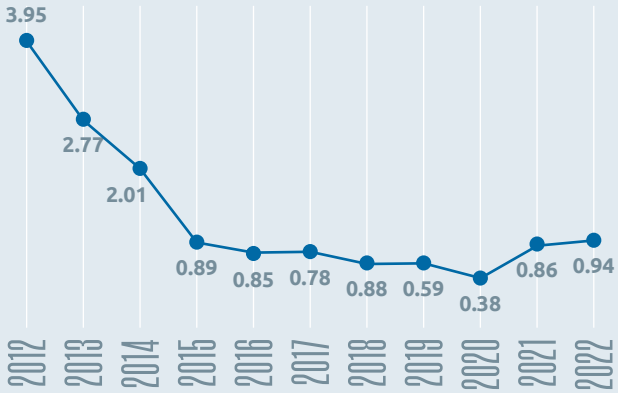
Over the past ten years, Snam has adopted, increased and improved the controls, activities and awareness-raising initiatives to effectively disseminate a safety culture at all levels of the Company, aimed at sharing the fundamental principles of health protection, accident prevention and safety, through the involvement of the entire company population, as well as contractors.

Constant monitoring of accidents, through the evaluation of specific indices, allows Snam to intervene promptly to correct and eliminate problems and critical issues that may arise.

NUMBER OF ACCIDENTS
Employees and contractors



FREQUENCY INDEX
Employees and contractors



Note: the frequency index was calculated as number of accidents at work (excluding during commutes) resulting in absence of at least one day, per one million of hours worked.

SEVERITY INDEX (INCLUDING FATALITIESI)
Employees and contractors

Note: the severity index was calculated as number of work days lost, relating to accidents (excluding during commutes) resulting in absence of at least one day, per thousands of hours worked. A fatal accident is counted as 7,500 days of absence.

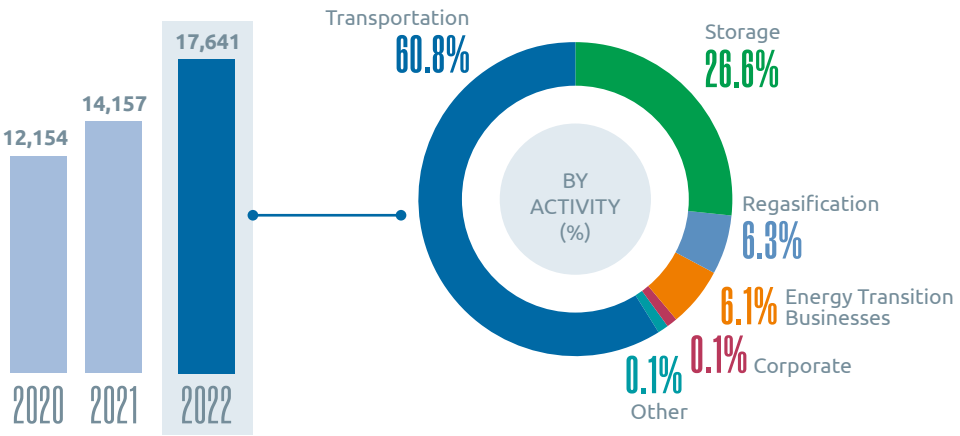
Energy consumption

The energy needed to operate the gas turbines used in the storage plants and those present in the compression plants represents the primary source of Snam's energy consumption.

Total energy consumption in 2022 was **17,641 TJ**, almost entirely attributable to natural gas (96.4%), mainly used for the operation of transportation, storage and regasification plants, but also for heating buildings and for automotive use. The remaining part of the energy mix includes electricity (3%) and other fuels (diesel, petrol, LPG and heat) which, together, equal 0.6% of energy consumption.

Regarding the consumption of individual business sectors:
- Gas transportation: 10727 TJ
- Gas storage: 4691 TJ
- Regasification (Panigaglia plant): 1.108 TJ, this consumption accounts for 6% of Snam's total consumption, and has doubled (+103% compared to 2021), in line with the increase in regasified gas (+113% compared to 2021) and with the changes in gas flows brought about by the different geopolitical scenario.
- Finally, non-regulated businesses, which greatly expanded their activities in 2022, recorded consumption of 6% of the total.

ENERGY CONSUMPTION, TJ

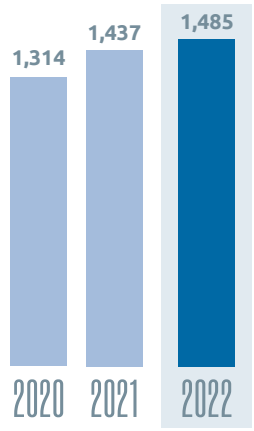


Greenhouse gas emissions

Snam's Scope 1 and 2 emissions amounted to around 1.52 million tonnes of CO_{2eq} (+3% vs. 2021); to these are added Scope 3 emissions of 1.34 million tonnes CO_{2eq} (+43% vs. 2021) including 0.85 supply chain-related and 0.3 associates-related; the Group's total GHG emissions are therefore 2.86 million tonnes CO_{2eq} (+19% compared to 2021). With reference to the regulated scope alone, which is more in line with the scope in place at the time of the announcement of decarbonisation commitments, Scope 1&2 emissions amounted to 1.45 million tonnes CO_{2eq} (-0.6% compared to 2021) and Scope 3 supplier emissions amounted to 0.56 million tonnes CO_{2eq}.

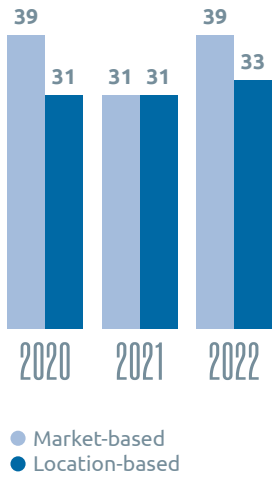
The overall group figure is influenced by various factors with uneven trends
- the increased intensity of activity (e.g. the use of more energy-intensive supply backbones, the increased filling of storages), which increased combustion emissions;
- the significant reduction in the share of Scope 1 emissions related to methane gas due to the implemented activities that achieved -46% emissions compared to 2015, 3 years ahead of the UNEP protocol target;
- the increase in orders that led to an increase in suppliers' Scope 3 emissions; the impact of some non-repeatable items (e.g. ancillary services related to the implementation of the FSRU in Piombino) and the impact on the supply chain of the different Italian energy mix in 2022) must also be considered on this figure.
- The increased weight of unregulated business (e.g. increased from 1 to 4% of total Scope 1&2 emissions);
- the less-than-proportional increase in Scope 1 and 2 emissions (+3% vs. 2021) compared to that recorded for energy consumption (+25%), due to measures concerning the recovery of natural gas emissions and energy efficiency and the increasing use of green electricity. Together, these activities avoided the emission of around **213 thousand tonnes CO_{2eq}**.

DIRECT GHG EMISSIONS - SCOPE 1 (ktonCO$_{2eq}$)



The CO_{2eq} was assessed in accordance with the instructions of the most recent Intergovernmental Panel on Climate Change (IPCC) "Sixth Assessment Report" that assigned methane a Global Warming Potential (GWP) of 29.8. The 2020 and 2021 emissions have been recalculated with the new GWP.

DIRECT GHG EMISSIONS - SCOPE 2 (ktonCO$_{2eq}$)



In 2022, direct emissions amounted to 1.48 million tonnes of CO_{2eq}, up 3% compared to 2021, but down 4% compared to 2018, the base year used in the Scope 1 and 2 emissions reduction target included in the Group's decarbonisation strategy; on the perimeter of regulated businesses only (more similar to that of 2020 when the decarbonisation targets were announced), direct emissions are 1.43 million tonnes of CO_{2eq} (0.3% lower than in 2021 and 7.5% lower than in 2018). If compared to the previous year, CO_2 emissions from combustion increased by 25% compared to 2021, reaching 0.98 million tonnes as a result of the increased activities carried out during 2022 for the purposes of security of supply (e.g. the reversal of the hourglass with the increase in imports from the south) as demonstrated by the increase in overall consumption in the compression plants of the gas transport network (+12%), in storage facilities (+20%), in the Panigaglia regasification terminal (+110%). Instead, CH_4 emissions decreased sharply, going from 658 thousand tonnes of CO_{2eq} to 508 thousand tonnes of CO_{2eq} in 2022. HFC emissions were almost the same, combing in at 1.13 thousand tonnes of CO_{2eq} (+12% compared with 2021).

In 2022, electricity consumption of around 146 thousand MWh increased by 32% compared to 2021 as a result of the increased operations of GNL Italia, Snam Rete Gas and Stogit, and to a predominant extent from new business, particularly the Bioenerys sites. This energy increase is not reflected in a similar increase in CO_{2eq} Market Based emissions, as the Company has pursued its commitment to increasingly use electricity from renewable sources. In fact, the share of green electricity use stood at 52%, of the total consumed, a marked increase compared to 2021 when this share was 41%. As a result, the increase in emissions was limited to only six percentage points, from 30.8 thousand tonnes CO_{2eq} in 2021 to 32.8 thousand tonnes CO_{2eq} in 2022. The new sites switched to electricity from renewable sources are the Malborghetto and Montesano plants, all the Snam headquarter offices in San Donato Milanese and Crema, the Snam4Mobility plants and some of the Bioenerys plants. The year 2022 also saw an increase in the amount of green electricity produced by installed photovoltaic panels. As a result of these actions, approximately 20 thousand tonnes of CO_{2eq} were avoided.

Indirect Scope 3 emissions are those emissions that originate from the value chain and are therefore not directly attributable to the scope of the Company.

Snam's Scope 3 emissions are calculated according to the **GHG Protocol** and have been reported for years in the CDP Climate Change Questionnaire (formerly the Carbon Disclosure Project). As part of the Scope 3 target-setting project, Snam revised its calculation methods and thus refined the data from previous years.

Snam's value chain emissions can be classified into the following macro-categories:

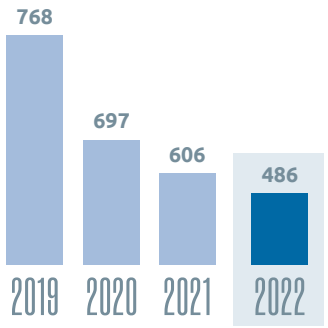
- **Emissions from Snam's associate companies** (GHG Protocol category): Investments);
- **Emissions from the supply chain**, which include emissions from suppliers working for Snam (GHG Protocol categories: Purchased goods and services, Capital goods, Upstream transportation and distribution, Waste generated in operations and Upstream leased assets);
- **Emissions from fuel extraction and electricity generation and transport** that are not included in Scope 1 and 2 (GHG Protocol category): Fuel-and-energy-related activities not included in Scope 1 or 2);
- Other, which includes **business travel** and employee **commuting** (GHG Protocol categories: Business Travels; Employee commuting).

During 2022, GHG Scope 3 emissions were equal to approximately 1.34 million tonnes CO_{2eq} with an increase of 43% compared to 2021. The growth is mainly due to indirect emissions from the supply chain, as the value recorded for the order in 2022 increased from 1.79 billion euros to 3.05 billion euros in comparison to the previous year:

- there was a 65% growth in expenditure on the energy infrastructure business,
- the contribution of the non-regulated business increased considerably to 965 million euros and from an emission point of view makes up 35% of the total supply chain emissions,
- included in the order, the expenses for ancillary services arising from the installation of the FSRU in Piombino.

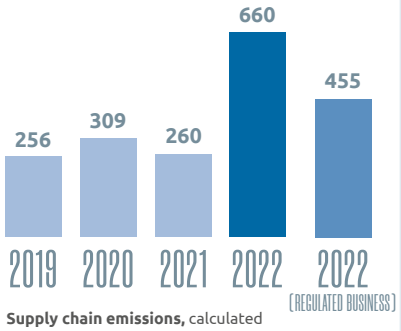
On the other hand, emissions from associate companies decreased from 0.46 to 0.31 million tonnes CO_{2eq}; compared to 2019, the reduction was 54%.

ASSOCIATES COMPANIES, FUEL AND ENERGY PRODUCTION AND TRANSMISSION, BUSINESS TRAVEL, EMPLOYEE COMMUTING ($ktonCO_{2eq}$)



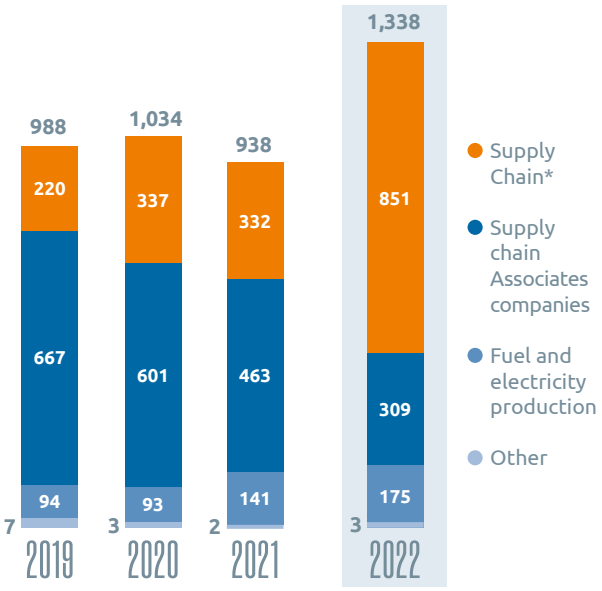
Note: The data for the three-year period 2019-2021 for the item "investee companies" have been recalculated in accordance with the new GWP

EMISSIONS INTENSITY OF THE SUPPLY CHAIN ($tonCO_{2eq}$/M€ CapEx)



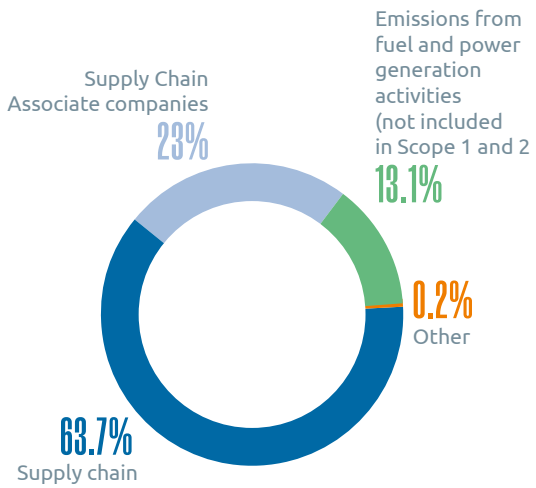
Supply chain emissions, calculated as the emissions of suppliers parametrised against millions of euros of CAPEX

GHG EMISSIONS SCOPE 3 ($ktonCO_{2eq}$)



Note: the figures for the three-year period 2019-2021 for the item 'investee companies' have been recalculated in accordance with the new GWP of 29.8.
(*) Includes categories, (1) Purchase of goods and services, (2) Capital goods, (3) Upstream transport and distribution, (4) Waste generated in operations, (5) Upstream leased assets.

GHG EMISSIONS SCOPE 3 (%)



FINANCIAL REVIEW AND OTHER INFORMATION

FINANCIAL REVIEW

INCOME STATEMENT

2020	(million euros)	2021		2022		2022 adjusted vs 2021 adjusted	
		Reported	Adjusted (*)	Reported	Adjusted (*)	Abs. change	Change %
2,548	Regulated revenues	2,869	**2,869**	2,719	**2,719**	(150)	**(5.2)**
76	Non-regulated revenues	58	**58**	101	**101**	43	
2,624	**Gas Infrastructure Business Revenues**	**2,927**	**2,927**	**2,820**	**2,820**	**(107)**	**(3.7)**
146	**Energy Transition Business Revenues**	**370**	**370**	**695**	**695**	**325**	**87.8**
2,770	**TOTAL REVENUES**	**3,297**	**3,297**	**3,515**	**3,515**	**218**	**6.6**
(431)	Gas Infrastructure Business Operating Costs	(693)	**(686)**	(616)	**(607)**	79	**(11.5)**
(142)	Energy Transition Business Operating Costs	(361)	**(361)**	(681)	**(671)**	(310)	**85.9**
(573)	**TOTAL OPERATING COSTS**	**(1,054)**	**(1,047)**	**(1,297)**	**(1,278)**	**(231)**	**22.1**
2,197	**EBITDA**	**2,243**	**2,250**	**2,218**	**2,237**	**(13)**	**(0.6)**
(773)	Amortisation, depreciation and impairment losses	(820)	**(820)**	(890)	**(873)**	(53)	**6.5**
1,424	**EBIT**	**1,423**	**1,430**	**1,328**	**1,364**	**(66)**	**(4.6)**
(126)	Net financial expense	(102)	**(102)**	(140)	**(123)**	(21)	**20.6**
249	Net income (expenses) from equity investments	294	**294**	(138)	**308**	14	**4.8**
1,547	**Profit before taxes**	**1,615**	**1,622**	**1,050**	**1,549**	**(73)**	**(4.5)**
(383)	Income taxes	(115)	**(400)**	(378)	**(385)**	15	**(3.8)**
1,164	**Net profit**	**1,500**	**1,222**	**672**	**1,164**	**(58)**	**(4.7)**
1,164	- Held by Snam's shareholders	1,496	**1,218**	671	**1,163**	(55)	**(4.5)**
	- Non-controlling interests	4	**4**	1	**1**	(3)	**(75.0)**

(*) The values exclude special items.

RECONCILED SUMMARY OF ADJUSTED RESULTS (*)

2020	(million euros)	2021	2022	Abs. change	Change %
2,153	**EBITDA**	**2,243**	**2,218**	**(25)**	**(1.1)**
44	Exclusion of special items	7	**19**	12	
2,197	**Adjusted EBITDA**	**2,250**	**2,237**	**(13)**	**(0.6)**
1,380	**EBIT**	**1,423**	**1,328**	**(95)**	**(6.7)**
44	Exclusion of special items	7	**36**	29	
1,424	**Adjusted EBIT**	**1,430**	**1,364**	**(66)**	**(4.6)**
1,101	**Net profit**	**1,500**	**672**	**(828)**	**(55.2)**
1,101	- Attributable to the parent company shareholders	1,496	**671**	(825)	(55.1)
	- Non-controlling interests	4	**1**	(3)	(75.0)
63	Exclusion of special items	(278)	**492**	770	
1,164	**Adjusted net profit**	**1,222**	**1,164**	**(58)**	**(4.7)**
1,164	- Attributable to the Snam's shareholders	1,218	**1,163**	(55)	(4.5)
	- Non-controlling interests	4	**1**	(3)	(75.0)

(*) For the nature and detailed reconciliation of the individual adjustments, see the paragraph "Non-GAAP measures" of this Report.

Analysis of adjusted income statement items

Consistent with the 2022-2026 Strategic Plan, announced to the market last January, and in accordance with IFRS 8 'Operating Segments', the Snam Group has identified the following operating segments: Transportation, Storage, Regasification and Energy Transition. This last segment, which includes the biogas/biomethane, energy efficiency and hydrogen start-up businesses, due to exceeding the materiality thresholds of IFRS 8, also confirmed in the Plan period, from 2022 constitutes an operating segment subject to separate reporting.

The 'Other segments', not subject to separate reporting, mainly include the sustainable mobility business, an activity that is being repositioned within the Gas Infrastructures business insofar as it is no longer focused solely on the automotive sector, but is oriented towards the construction of mid-stream infrastructures dedicated to heavy transport, shipping and railways.

Accordingly, the corresponding values for the periods compared were restated.

REVENUES BY BUSINESS SEGMENT

2020	(million euros)	2021	2022	Abs. change	Change %
	Business segments				
2,093	Transportation segment	2,379	**2,270**	(109)	(4.6)
504	Storage segment	530	**523**	(7)	(1.3)
23	Regasification segment	20	**46**	26	
146	Energy Transition Sector	370	**695**	325	87.8
60	Other segments	34	**27**	(7)	(20.6)
16	Amounts not allocated to segment	16	**17**	1	6.3
(72)	*Consolidation eliminations*	*(52)*	***(63)***	*(11)*	*21.2*
2,770	**TOTAL REVENUES**	**3,297**	**3,515**	**218**	**6.6**

REGULATED AND NON-REGULATED REVENUES

2020	(million euros)	2021	2022	Abs. change	Change %
2,624	**Gas Infrastructure Business Revenues**	**2,927**	**2,820**	**(107)**	**(3.7)**
2,548	***Regulated revenues***	***2,869***	***2,719***	***(150)***	***(5.2)***
2,028	- Transportation Segment	2,327	**2,162**	(165)	(7.1)
499	- Storage Segment	523	**515**	(8)	(1.5)
21	- Regasification Segment	19	**42**	23	121.1
76	***Non-regulated revenues***	***58***	***101***	***43***	***74.1***
146	**Energy Transition Business Revenues**	**370**	**695**	**325**	**87.8**
146	- Energy Transition Sector	370	**695**	325	87.8
2,770	**TOTAL REVENUES**	**3,297**	**3,515**	**218**	**6.6**

Total revenues for the 2022 financial year amount to 3,515 million euros, up by 218 million euros, equal to 6.6%, compared to 2021 and include variable fees to cover energy costs[34] (198 million euros; 311 million euros in 2021). Net of these fees, total revenues amounted to 3,317 million euros, up 331 million euros, or 11.1%, due to revenues from the energy transition business (+325 million euros; +87.8%), driven by growth in energy efficiency. Revenues from the gas infrastructure business rose by 6 million euros as a result of the implementation of planned investments and of the offering of output-based services, as well as positive one-off effects. The reduction of the WACC had a negative impact of 130 million euros.

Revenues from the gas infrastructure business (2,622 million euros, net of energy costs) increased slightly compared to FY 2021 (+6 million euros, or 0.2%), thanks in particular to the contribution of the transportation segment.

Regulated revenues (2,521 million euros, net of energy costs of 198 million euros) decreased by 37 million euros, or 1.4%, compared to the year 2021. The reduction in WACC (130 million euros, of which 102 million euros related to transport) was partly offset: (i) the increase in revenues associated with the growth of the RAB (+58 million euros, including the effect of lower "input-based" incentives); (ii) higher volumes of gas transported (+9 million euros) due to the recovery of domestic consumption and the growth of exports; (iii) higher revenues from output-based services (+37 million euros, relating to transportation and storage, for the flexibility services offered in short-term auctions). The financial year 2021 had also benefited from the release of prior balance sheet items for 17 million euros.

Non-regulated revenues (101 million euros), increased by 43 million euros or 74.1% compared to FY2021, mainly due to one-off proceeds related to the sale of proprietary gas inventories.

Energy Transition Business revenues (695 million euros) increased by 325 million euros, or 87.8%, compared to the 2021 financial year due to the positive contribution of energy efficiency (+268 million euros), in particular due to the strong development of the residential and biomethane business (+57 million euros) against the expansion of the company perimeter.

34 On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, the charges for the purchase of CO_2 emission rights and the consumption of electricity, are covered in revenues through the variable fee applied to users. In the course of 2021, the modalities for recognising the value of the gas volumes needed to operate the system were made operational. Consequently, until 2021 energy costs were recorded on the basis of market prices and, as from 2022, they are recorded on the basis of tariff proposal prices. The related revenues to cover costs were recognised in line with the way costs were recognised. The regulatory recognition of energy costs ensures substantial neutrality in both economic and financial terms.

OPERATING COSTS (*)

2020	(million euros)	2021	2022	Abs. change	Change %
431	*Gas Infrastructure Business Costs*	*686*	*607*	*(79)*	*(11.5)*
280	Fixed costs	289	**305**	16	5,5
46	Variable costs	210	**152**	(58)	(27.6)
105	Other costs	187	**150**	(37)	(19.8)
142	*Energy Transition Business Costs*	*361*	*671*	*310*	*85.9*
573	**TOTAL OPERATING COSTS**	**1,047**	**1,278**	**231**	**22.1**

(*) Excluding special items.

Operating costs in 2022 stood at 1,278 million euros, an increase of 231 million euros, up 22.1% compared with 2021. Net of energy costs, which are covered by the variable fees applied to users under the current regulatory framework for the fifth regulatory period, operating costs of the core business increased by 345 million euros, or 46.7%, mainly due to the growth in business volumes in energy efficiency.

The **operating costs of the gas infrastructure business** (413 million euros, net of energy costs) increased by 35 million euros, equal to 9.3%, compared to 2021. The increase is mainly attributable to higher utility costs, higher capital losses, as well as to changes in the provisions for risks and charges, due to releases made in 2021 for disputes that have come to an end. The increase in operating costs was also affected by withdrawals from inventory against the sale of owned gas inventories.

The **operating costs of the energy transition businesses** (671 million euros) increased by 310 million euros, equal to 85.9%, compared to 2021. The increase is attributable to growth in business volumes and costs deriving from the entry and integration of new companies active in the biomethane business, which entered the scope of consolidation in 2022.

The number of employees as at 31 December 2022 (3,610 units) is analysed below by professional status.

2020	(No.)	2021	2022	Abs. change	Change %
	Professional status				
131	Senior Managers	141	**132**	(9)	(6.4)
549	Middle Managers	600	**653**	53	8.8
1,764	Office workers	1,880	**1,957**	77	4.1
805	Manual workers	809	**868**	59	7.3
3,249	**TOTAL EMPLOYEES IN SERVICE**	**3,430**	**3,610**	**180**	**5.2**

The increase of 180 employees compared to the financial year 2021 is mainly due to resources from the expansion of the perimeter and new entries from the labour market for the strengthening of the Energy Transition business (152 resources).

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES (*)

2020	(million euros)	2021	2022	Abs. change	Change %
752	*Total amortisation and depreciation*	*809*	*867*	*58*	*7.2*
627	Transportation segment	659	**697**	38	5.8
7	Regasification segment	8	**11**	3	37.5
108	Storage segment	116	**120**	4	3.4
10	Energy Transition Sector	15	**28**	13	86.7
2	Other segments	2	**2**		
8	Amounts not allocated to segment	9	**9**		
11	*Impairment losses (Recovery of value)*	*11*	*6*	*(5)*	*(45.5)*
763	**TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES**	**820**	**873**	**53**	**6.5**

(*) Excluding special items.

Amortisation, depreciation and impairment losses (873 million euros) rose by 53 million euros or 6.5% compared with 2021. The increase is due to higher depreciation (+58 million euros; or 7.2%) essentially following the entry into operation of new infrastructures, partly absorbed by lower impairment losses (-5 million euros; or 45.5%).

Below is a breakdown of EBIT by business segment:

OPERATING PROFIT (*)

2020	(million euros)	2021	2022	Abs. change	Change %
	Business segments				
1,142	Transportation segment	1,135	**1,092**	(43)	(3.8)
	Regasification segment		**18**	18	
314	Storage segment	338	**305**	(33)	(9.8)
(6)	Energy Transition Sector	(6)	**(4)**	2	(33.3)
6	Other segments	(10)	**(21)**	(11)	
(32)	Amounts not allocated to segment	(27)	**(26)**	1	(3.7)
1,424	**TOTAL EBIT**	**1,430**	**1,364**	**(66)**	**(4.6)**

(*) Excluding special items.

With reference to the business segments subject to separate reporting pursuant to IFRS 8, an analysis of EBIT is provided in the "Business segment operating performance" section of this Report.

NET FINANCIAL EXPENSE (*)

2020	(million euros)	2021	2022	Abs. change	Change %
145	*Financial expense related to net financial debt*	*131*	*155*	*24*	*18.3*
156	- Interest and other expenses on short- and long-term debt	146	**158**	12	8.2
(11)	- Interest income and other income	(15)	**(3)**	12	(80.0)
(7)	*Other net financial expense (income)*	*(9)*	*(7)*	*2*	*(22.2)*
6	- Accretion discount	5	**12**	7	
(13)	- Other net financial expense (income)	(14)	**(19)**	(5)	35.7
(12)	*Financial expense capitalised*	*(20)*	*(25)*	*(5)*	*25.0*
126	**TOTAL NET FINANCIAL EXPENSES**	**102**	**123**	**21**	**20.6**

(*) Excluding special items.

Financial management in 2022 stood at 123 million euros, an increase of 21 million euros, 20.6% compared with 2021. The increase was mainly due to higher charges related to net financial debt (+24 million euros; +18.3%) mainly related to the higher average cost of debt, which rose from 0.8% in 2021 to about 1.1% in 2022. The increase in the average cost of debt can mostly be attributed to the changed interest rate scenario during the year.

Financial expense allocated to assets came to 25 million euros, an increase of 5 million euros or 25.0% compared to 2021, due to greater investments.

NET INCOME FROM EQUITY INVESTMENTS (*)

2020	(million euros)	2021	2022	Abs. change	Change %
247	Share of profit or loss of investments accounted for using the equity method	294	**323**	29	9.9
2	Other (expenses) and income from equity investments		**(15)**	(15)	
249	**TOTAL NET INCOME FROM EQUITY INVESTMENTS**	**294**	**308**	**14**	**4.8**

(*) Excluding special items.

Net income from equity investments (308 million euros; +14 million euros or 4.8%) related to the share of the net results for the period of companies accounted for using the equity method (323 million euros, +29 million euros; +9.9%).

Other expenses from equity investments (-15 million euros) mainly refer to: (i) the estimated price adjustment charges due to contractual commitments undertaken in connection with the acquisition of equity investments in previous years (-24 million euros); (ii) net income from revaluations/write-downs of investments in jointly controlled companies and associates (+6 million euros).

INCOME TAXES (*)

2020	(million euros)	2021	2022	Abs. change	Change %
409	Current taxes	425	**421**	(4)	(0.9)
(26)	Deferred taxes	(25)	**(36)**	(11)	44.0
383	**TOTAL INCOME TAXES**	**400**	**385**	**(15)**	**(3.8)**

(*) Excluding special items.

Income taxes amounted to 385 million euros and decreased by 15 million euros, or 3.8%, compared to 2021, mainly due to lower pre-tax profit.

NON-GAAP MEASURES

Snam's management assesses the Group's performance on the basis of result measures not provided for by IFRS ("Alternative Performance Measures"), which exclude from reported operating profit and net profit the expenses and income of an extraordinary nature as they are not related to ordinary industrial operations (special items), gross and net of related taxes, respectively. It is believed that these measures facilitate the analysis of the Group's performance and of the business segments, ensuring better comparability of results over time.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with the recommendations of Consob and ESMA regarding alternative performance indicators, the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, which cannot be directly inferred from reclassifications or algebraic sums of conventional indicators[35] compliant with international accounting standards[36].

EBITDA, EBIT and adjusted net profit

Adjusted EBITDA, EBIT and net profit are obtained by excluding special items, gross and net of related taxes, respectively, from reported EBIT and net profit (as per the statutory income statement format). Income components classified as special items in 2022 consist of:

(i) the write-down of the investment held by Snam S.p.A. (84.47%) in the Austrian company TAG (340 million euros), owner of the pipeline that transports Russian gas to Italy, following the effects of the Russia-Ukraine conflict and the resulting changes in the macroeconomic environment;

(ii) charges arising from the fair value valuation of contractual tariffs for the explicit period 2023-2040 of the subsidiary ADNOC Gas Pipeline Assets (179 million euros) due to changes in market interest rates. In order to reflect the substance of the transaction and the actual return for ADNOC investors, this effect was normalised, using a constant interest rate throughout the contractual term, made equal to the Internal Rate of Return (IRR) for investors on the acquisition date[37];

(iii) the capital gain deriving from the sale of shares in Industrie De Nora SpA aimed at the listing on the stock exchange (IPO) of the company and other proceeds connected with capital increases functional to the IPO, subscribed by the shareholders who became part of the shareholding structure (72 million euros overall, net of ancillary charges and related taxes), transactions following which Snam holds 25.79% of the company's share capital (35.63% before the IPO);

35 According to the CESR/05-178b recommendation of October 2005, all the data included in the financial statements audited in accordance with IFRS or in the balance sheet, the income statement, the statement of changes in shareholders' equity and the cash flow statement are conventional indicators or in the commentary notes.
36 Please refer to the Glossary for the definition of these items.
37 To this end, it is noted that for ADNOC Gas Pipeline Assets, changes in the interest rates used for the valuation of contractual tariffs do not impact returns to investors, as such changes: (i) do not change the contribution to the statement of comprehensive income that will be generated over the contractual period; (ii) do not affect the cash flow to shareholders, expressed in nominal currency terms over the contractual period.

(iv) the write-down of current and non-current assets (20 million euros in total; 18 million euros net of related taxation) related to the sustainable mobility business;

(v) financial expenses deriving from the buyback of bonds on the market as part of the liability management transaction completed in January 2022 (17 million euros; 14 million euros, net of the related tax effect);

(vi) accruals to provisions for risks and charges (10 million euros; 8 million euros net of related taxation), relating to matters not representing normal business operations;

(vii) the severance indemnity paid to the outgoing CEO, following the termination of his position as CEO and General Manager of Snam S.p.A. (6 million euros; 5 million euros net of related taxation).

Special item

The income components are classified under special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business. The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion.

Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report. During the year 2022 and the previous year under comparison, there were no significant events and transactions of a non-recurring nature.

Free cash flow

Free cash flow is the measure that allows the connection between the statutory cash flow statement, which expresses the change in liquidity between the beginning and end of the period, and the change in net financial debt between the beginning and end of the reclassified cash flow statement. The free cash flow represents the cash surplus or deficit left over after financing the investments and closes either: (i) on the cash change for the period, after the cash flows related to the financial payables/assets (credit/debit repayments/financial payables) have been added/subtracted, to self-owned capital (payment of dividends/net purchase of treasury shares/capital injections), as well as the effects on cash and cash equivalents of changes in the scope of consolidation and exchange differences arising from conversion; or (ii) on the change in net financial debt for the period, after the flows relating to self-owned capital have been added/subtracted, as well as the effects on net financial debt of changes in the scope of consolidation and exchange differences arising on conversion.

Net financial debt

Snam calculates net financial debt as the sum of short- and long-term financial debt, including financial debt for lease agreements pursuant to IFRS 16, net of cash and cash equivalents and current financial assets, such as securities held for trading, which are not cash and cash equivalents or derivative instruments used for hedging purposes.

In accordance with Consob Communication DEM/6064293 of 2006, as last amended on 5 May 2021, other current financial assets that do not constitute liquidity (e.g. short-term financial receivables maturing beyond 90 days) are excluded from the calculation of net financial debt.

The tables below show the reconciliation between the reported Income Statement and the adjusted Income Statement, as well as a table summarising the special items:

	2021			2022			2022 adjusted vs 2021 adjusted	
(million euros)	Reported	SPECIAL ITEM	Adjusted	Reported	SPECIAL ITEM	Adjusted	Abs. change	Change %
Regulated revenues	2,869		2,869	2,719		2,719	(150)	(5.2)
Non-regulated revenues	58		58	101		101	43	74.1
Gas Infrastructure Business Revenues	**2,927**		**2,927**	**2,820**		**2,820**	**(107)**	**(3.7)**
Energy Transition Business Revenues	**370**		**370**	**695**		**695**	**325**	**87.8**
TOTAL REVENUES	**3,297**		**3,297**	**3,515**		**3,515**	**218**	**6.6**
Gas Infrastructure Business Operating Costs	(693)	7	**(686)**	(616)	9	**(607)**	79	(11.5)
Energy Transition Business Operating Costs	(361)		**(361)**	(681)	10	**(671)**	(310)	85.9
TOTAL OPERATING COSTS	**(1,054)**	**7**	**(1,047)**	**(1,297)**	**19**	**(1,278)**	**(231)**	**22.1**
EBITDA	**2,243**	**7**	**2,250**	**2,218**	**19**	**2,237**	**(13)**	**(0.6)**
Amortisation, depreciation and impairment losses	(820)		**(820)**	(890)	17	**(873)**	(53)	6.5
EBIT	**1,423**	**7**	**1,430**	**1,328**	**36**	**1,364**	**(66)**	**(4.6)**
Net financial expense	(102)		**(102)**	(140)	17	**(123)**	(21)	20.6
Net income (expenses) from equity investments	294		**294**	(138)	446	**308**	14	4.8
Profit before taxes	**1,615**	**7**	**1,622**	**1,050**	**499**	**1,549**	**(73)**	**(4.5)**
Income taxes	(115)	(285)	**(400)**	(378)	(7)	**(385)**	15	(3.8)
Net profit	**1,500**	**(278)**	**1,222**	**672**	**492**	**1,164**	**(58)**	**(4.7)**
- Attributable to Snam's shareholders	1,496	(278)	**1,218**	671	492	**1,163**	(55)	(4.5)
- Non-controlling interests	4		**4**	1		**1**	(3)	(75.0)

DETAIL OF SPECIAL ITEMS

(million euros)	2021	2022	Abs. change	Change %
Special item of EBIT	**7**	**36**	**29**	
COVID-19 costs	7		(7)	(100.0)
Indemnities for termination of employment		**6**	6	
Allocations to provisions for risks and charges		**10**	10	
Write-down current and non-current assets		**20**	20	
Net financial expense		**17**	**17**	
- liability management finance charges		**17**	17	
Gains/(Losses) on investments		**446**	**446**	
- Gain on sale of investments in associates		**(73)**	(73)	
- Expenses from investments accounted for using the equity method		**519**	519	
Income taxes	**(285)**	**(7)**	**278**	**(97.5)**
- Snam Group tax realignment pursuant to DL 104/2020	(292)		292	(100.0)
- Tax effect on corporate reorganisation operations	9		(9)	(100.0)
- Taxation on special items	(2)	**(7)**	(5)	
Total special item of net profit	**(278)**	**492**	**770**	

Reclassified statement of financial position

The reclassified Statement of Financial Position combines the assets and liabilities of the Statutory layout included in the Annual Report based on how the business operates, usually split into the three basic functions of investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(million euros)	31.12.2021	31.12.2022	Abs. change
Fixed capital	**21,296**	**21,562**	**266**
Property, plant and equipment	17,204	**17,859**	655
- of which right-of-use leased assets	*20*	***33***	*13*
Non-current inventories – Compulsory inventories	363	**363**	
Intangible assets and goodwill	1,167	**1,321**	154
Equity investments accounted for using the equity method	2,560	**2,313**	(247)
Other financial assets	403	**175**	(228)
Net payables for investments	(401)	**(469)**	(68)
Net working capital	**1**	**(2,155)**	**(2,156)**
Liabilities for employee benefits	**(36)**	**(27)**	**9**
Assets held for sale and directly associated liabilities		**67**	**67**
NET INVESTED CAPITAL	**21,261**	**19,447**	**(1,814)**
Equity	**7,240**	**7,524**	**284**
- Snam shareholders' equity	7,203	**7,468**	265
- Minority interests	37	**56**	19
Net financial debt	**14,021**	**11,923**	**(2,098)**
- of which financial payables for leased assets (**)	*20*	***33***	*13*
COVERAGE	**21,261**	**19,447**	**(1,814)**

(*) For the reconciliation of the reclassified statement of financial position to the statutory financial statements, see "Reconciliation of the reclassified financial statements to the statutory financial statements" below.
(**) Of which 26 million euros long-term and 7 million euros short-term portions of non-current financial payables.

Fixed capital (21,562 million euros) increased by 266 million euros with respect to 31 December 2021, due to: (i) the increase in tangible and intangible assets (+741 million euros, including the trend in net payables relating to investing activities); (ii) the reduction in other financial assets (-228 million euros) mainly following the partial repayment of the shareholders loan by OLT; (iii) the reduction in equity investments valued using the equity method (-247 million euros) mainly following the write-down from the impairment test of the investment in the jointly controlled company TAG and the effects of the sale of a stake in the share capital of Industrie De Nora S.p.A. aimed at listing the company on the stock exchange, partly absorbed by the net profits achieved in 2022.

The change in property, plant and equipment and in intangible fixed assets can be broken down as follows:

(million euros)	Property, plant and equipment	Intangible fixed assets	Total
BALANCE AT 31 DECEMBER 2021	**17,204**	**1,167**	**18,371**
Technical investments	1,171	**180**	1,351
Amortisation, depreciation and impairment losses	(759)	**(131)**	(890)
Transfers, write-offs and derecognition	(25)	**(1)**	(26)
Change in scope of consolidation	548	**125**	673
Reclassifications pursuant to IFRS 5 - Assets held for sale	(36)	**(26)**	(62)
Other changes	(244)	**7**	(237)
BALANCE AT 31 December 2022	**17,859**	**1,321**	**19,180**

Technical investments in 2022 amount to 1,351 million euros[38], up from 2021 (+81 million euros; or 6.4%) and relate mainly to the transportation (1,007 million euros) and storage (172 million euros) segments.

The change in the scope of consolidation (673 million euros) refers mainly to the assets recognised in connection with the acquisition: (i) 100% of the share capital of Golar LNG NB 13 Corporation, owner of the FSRU vessel Golar Tundra (327 million euros, net of ancillary acquisition costs)[39]; (ii) respectively of 6 and 19 companies specialised in the construction and management of plants and in the promotion of circular economy projects for the energy recovery of the organic fraction of waste - OFMSW, and agricultural waste (252 million euros overall, including related goodwill); (iii) of the control of Iniziative Biometano SpA (8 companies consolidated on a line-by-line basis) instead of joint control (67 million euros in total). Further information on business combinations is illustrated in Note 25 "Business combinations" of the Notes to the consolidated financial statements, to which reference is made.

The other changes (-237 million euros) mainly refer to the effects deriving from the adjustment of the present value of disbursements for site dismantling and restoration costs (-228 million euros), following an increase in interest rates discounting expected, only partially absorbed by the increase in inflation rates.

Non-current inventories - Compulsory inventories

Non-current inventories - Compulsory inventories, of 363 million euros (the same as at 31 December 2021) include minimum quantities of natural gas that the storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001. The quantities of gas in storage, corresponding to approximately 4.5 billion standard cubic metres of natural gas, are determined annually by the Ministry of Economic Development[40].

Equity investments accounted for using the equity method

Equity investments accounted for using the equity method (2,313 million euros) mainly refer to associated companies (1,511 million euros) and jointly controlled companies (797 million euros). Detailed changes are provided in Note 10 “Equity investments accounted for using the equity method” in the Notes to the Consolidated Financial Statements.

38 An analysis of the technical investments made by each business sector is provided in the chapter "Operating performance by business segment" of this Report.

39 The acquisition of the controlling interest in Golar LNG NB 13 Corporation, qualifies as an Asset Acquisition and therefore outside the scope of IFRS 3 Business Combinations, as the consideration paid is entirely attributable to a single asset, more specifically the ship Golar Tundra.

40 By means of the Decree of 10 January 2022, the Ministry confirmed the strategic gas storage volume for the thermal year 2022-2023 (1 April 2022-31 March 2023) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit.

Other financial assets

Other financial assets (175 million euros) mainly relate to long-term financial receivables from OLT (101 million euros) and the minority equity investments at FVTOCI in the companies Terminale GNL Adriatico S.r.l. (27 million euros), ITM Power PLC (13 million euros) and Storegga (10 million euros).

Long-term financial receivables decreased by 226 million euros compared to 31 December 2021, mainly due to the partial repayment by OLT of the outstanding shareholder loan (197 million euros nominal value).

As part of the OLT refinancing, some limitations are envisaged for typical shareholders for transactions of this type, including: (i) the pledge of the shares held by Snam in OLT in favour of the lenders for the entire duration of the loan; (ii) the assignment of the remaining shareholders' credit as collateral.

For more details, see note no. 11 “Other current and non-current financial assets” in the Notes to the Consolidated Financial Statements.

NET WORKING CAPITAL

(million euros)	31.12.2021	31.12.2022	Abs. change
Trade receivables	2,729	4,244	1,515
Inventories	121	3,202	3,081
Tax receivables	255	172	(83)
Other assets	652	402	(250)
Provisions for risks and charges	(782)	(574)	208
- of which: Provision for decommissioning and site restoration	*(713)*	*(498)*	*215*
Trade payables	(1,348)	(1,546)	(198)
Accruals and deferrals from regulated activities	(4)	(100)	(96)
Net deferred tax liabilities	267	280	13
(Liabilities) Assets for hedging derivative instruments	(3)	4	7
Tax liabilities	(76)	(58)	18
Other liabilities	(1,810)	(8,181)	(6,371)
- of which: Payables to the Cassa per i Servizi Energetici e Ambientali (CSEA)	*(677)*	*(6,170)*	*(5,493)*
- of which: Payable for interim dividend	*(343)*	*(369)*	*(26)*
- of which: Security deposits	*(641)*	*(1,382)*	*(741)*
TOTAL NET WORKING CAPITAL	**1**	**(2,155)**	**(2,156)**

Net working capital decreased by 2,156 million euros compared to 31 December 2021. The decrease is mainly attributable: (i) the increase in net liabilities for the natural gas balancing service (-1.716 million euros, including security deposits) as a result of the greater quantities of gas sold by the Balancing Manager (RdB) to cover imbalances between gas injections and withdrawals in the network, the amounts of which, in part already collected at 31 December 2022, will have to be returned to the system in 2023 (ii) higher liabilities for tariff components (-318 million euros), attributable mainly to higher amounts billed to transportation service users, compared with the revenues recognised for 2022, and to higher penalties and additional fees applied to users. These effects were partly absorbed by the reduction in the provisions for risks and charges (+208 million euros), mainly due to the adjustment of the present value of site decommissioning and restoration charges following an increase in expected discount rates (+228 million euros).

The increase in inventories (+3,081 million euros) due to gas purchases made by Snam, in its role as purchaser of last resort to support the filling of storages and security of supply, is offset by items of equal amount recognised in other liabilities in the balance sheet.

COMPREHENSIVE INCOME STATEMENT

(million euros)	Note	2021	2022
PROFIT FOR THE YEAR		**1,500**	**672**
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT	(34.2)		
Cash flow hedge – effective portion of fair value change		17	**19**
Equity investments accounted for using the equity method - portion of other components in the comprehensive income statement (*)		58	**129**
Tax effect		(4)	**(4)**
Total components which are or could be reclassified in profit for the year, net of tax effect		***71***	***144***
Revaluation of defined benefit liabilities for employees		(3)	**8**
Equity investments accounted for using the equity method - share of other components in the comprehensive income statement		1	**1**
Equity investments accounted for at FVTOCI ("fair value through other components in the comprehensive income statement")		(16)	**(44)**
Tax effect		1	**(1)**
Total components which will not be reclassified in profit for the year, net of tax effect		***(17)***	***(36)***
TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT		**54**	**108**
TOTAL COMPREHENSIVE INCOME		**1,554**	**780**
Total comprehensive income statement attributable to:		**1,554**	**780**
- Snam's shareholders		*1,550*	***779***
- non-controlling interests		*4*	***1***

(*) The value refers to the change in fair value of derivative hedges and the change in investments in related companies

EQUITY

(million euros)		
Shareholders' equity at 31 December 2021		**7,240**
Increases owing to:		
- Comprehensive income	780	
- Convertible bond	381	
- Other changes	24	
		1,185
Decreases owing to:		
- 2021 dividend balance	(527)	
- 2022 Interim Dividend (*)	(369)	
- Purchase of treasury shares	(3)	
- Other changes	**(2)**	
		(901)
Shareholders' equity at 31 December 2022		**7,524**
- Equity attributable to Snam's shareholders		**7,468**
- Non controlling interests		**56**

(*) Amount paid on 24 January 2023.

Information about the individual equity items and changes therein compared with 31 December 2021 is given in Note 24 to the Consolidated Financial Statements, "Shareholders' Equity".

RECONCILIATION BETWEEN SNAM S.P.A.'S NET PROFIT AND THE SHAREHOLDERS' EQUITY AND THOSE OF THE CONSOLIDATED COMPANIES

(million euros)	Net profit		Equity	
	2021	2022	31.12.2021	31.12.2022
Statutory financial statements of Snam S.p.A.	***957***	***697***	***4,676***	***4,832***
Net profit of the Companies included in the scope of consolidation	1,326	**993**		
Difference between the carrying value of the equity investments in consolidated companies and the shareholders' equity in the annual financial statements, inclusive of the profit for the period			2,379	**2,451**
Adjustments made upon consolidation for:				
- Dividends	(878)	**(990)**		
- Difference between purchase price and corresponding net shareholders' equity	(7)	**(7)**		
- Adjustments due to uniformity of accounting principles	(26)	**(4)**		
- Income from valuation of equity investments accounted for using the equity method and other Income	128	**(17)**	185	**241**
	1,500	**672**	7,240	**7,524**
Non-controlling interests	(4)	**(1)**	(37)	**(56)**
CONSOLIDATED FINANCIAL STATEMENTS (*)	**1,496**	**671**	**7,203**	**7,468**

(*) Equity attributable to Parent company shareholders.

NET FINANCIAL DEBT (*)

(million euros)	31.12.2021	31.12.2022	Abs. change
Financial debt and bond	*15,358*	*13,680*	*(1,678)*
Current financial payables (*)	4,975	2,516	(2,459)
Non-current financial liabilities	10,363	11,131	768
Financial payables for leased assets (**)	20	33	13
Financial receivables and cash and cash equivalents	*(1,337)*	*(1,757)*	*(420)*
Cash and cash equivalents	(1,337)	(1,757)	(420)
NET FINANCIAL DEBT	**14,021**	**11,923**	**(2,098)**

(*) Includes the short-term portion of non-current financial payables.
(**) Of which 26 million euros long-term and 7 million euros short-term portions of non-current financial payables.

Net financial debt was 11,923 million euros at 31 December 2022, compared with 14,021 million euros at 31 December 2021.

The positive net cash flow from operating activities (4,109 million euros), mainly attributable to the dynamics of working capital related to the natural gas balancing service, together with the proceeds from the repayment of the financial receivable by OLT and from the sale of a stake in Industrie De Nora S.p.A., made it possible to fully finance technical investments and generate a free cash flow of 2,741 million euros. Net financial debt, including the equity cash flow (-866 million euros), deriving from the payment of the 2021 dividend to shareholders, and non-monetary changes (+223 million euros) mainly related to the settlement of the convertible bond through the allocation of Snam shares in portfolio, decreased by 2,098 million euros compared to 31 December 2021, to 11,923 million euros.

Financial and bond debts at 31 December 2022 equal to 13,680 million euros (15,358 million euros at 31 December 2021) comprise the following:

(million euros)	31.12.2021	31.12.2022	Abs. change
Bonds	9,138	9,457	319
- of which short-term (*)	*1,172*	*757*	*(415)*
Bank loans	3,695	2,860	(835)
- of which short-term (*)	*1,298*	*629*	*(669)*
Euro Commercial Paper - ECP (**)	2,503	1,128	(1,375)
Financial payables for leased assets	20	33	13
Other lenders	2	202	200
TOTAL FINANCIAL DEBTS AND BONDS	**15,358**	**13,680**	**(1,678)**

(*) Includes the short-term portion of non-current financial payables.
(**) Entirely short-term.

Bonds (9,457 million euros) increased by 319 million euros compared to 31 December 2021 mainly as a result of: (i) the dual tranche issue of a fixed-rate Sustainability-Linked Bond, for a total nominal value of 1,500 million euros; (ii) the issue of the first EU Taxonomy-Aligned Transition Bond at a fixed rate, for a total nominal amount of 300 million euros. These changes were partly offset by the redemption of three bonds, with a total nominal value of 1,130 million euros, and the repurchase of bonds on the market, with a total nominal value of 350 million euros.

Bank loans (2,860 million euros) recorded a reduction of 835 million euros mainly as a result of: (i) the repayment of Term Loans with a total nominal value of 590 million euros; (ii) lower net utilisation of uncommitted credit facilities of 510 million euros. These changes were partly offset by the signing of two new Term Loans for a total nominal value of 175 million euros and the disbursement of a loan with the European Investment Bank (EIB) in support of energy efficiency projects for a total amount of 110 million euros.

The Euro Commercial Papers (ECP) of 1,128 million euros (2,503 million euros at 31 December 2021) involve unsecured short-term securities issued on the money market and placed with institutional investors.

Amounts due to other lenders amounting to 202 million euros (2 million euros as of 31 December 2021) essentially refer to a Term Loan with a nominal value of 200 million euros to the parent company Cassa Depositi e Prestiti.

Cash and cash equivalents, of 1,757 million euros (1,337 million euros as at 31 December 2021) refer to current accounts and bank deposits in euros (1,659 million euros) and cash held at the subsidiaries (in all, 97 million euros).

At 31 December 2022, Snam had unused committed credit lines worth 5.9 billion euros.

Information on financial covenants can be found in Note 18.2 "Long-term financial liabilities and short-term portions of long-term liabilities" of the Notes to the Consolidated Financial Statements.

Reclassified cash flow statement

The reclassified cash flow statement below summarises the legally required cash flow statement format. The reclassified cash flow statement shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED CASH FLOW STATEMENT

(million euros)	2021	2022
Net profit	**1,500**	**672**
Adjusted for:		
- Amortisation, depreciation and other non-monetary components	527	**1,006**
- Net capital losses (capital gains) on asset sales and write-offs	13	**24**
- Dividends, interest and income taxes	206	**484**
Change in net working capital	(613)	**2,408**
Dividends, interest and income taxes collected (paid)	(295)	**(485)**
Cash inflow from operating activities	**1,338**	**4,109**
Technical investments	(1,244)	**(1,322)**
Technical disinvestments		**7**
Acquisition of subsidiaries and businesses, net of liquidity acquired		**(458)**
Equity investments	(453)	**143**
Change in long- and short-term financial receivables	12	**197**
Other changes relating to investment activities	7	**65**
Free cash flow	**(340)**	**2,741**
Repayment of financial liabilities for leased assets	(7)	**(8)**
Change in current and non-current financial liabilities	(584)	**(1,440)**
Equity cash flow (a)	(775)	**(866)**
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities		**(7)**
Change in liquidity companies leaving the scope of consolidation	(1)	
Net cash flow for the year	**(1,707)**	**420**

(a) Includes cash flows from the payment of dividends to shareholders.

CHANGE IN NET FINANCIAL DEBT

(million euros)	2021	2022
Free cash flow	**(340)**	**2,741**
Convertible bond		**381**
Equity cash flow	(775)	**(866)**
Financial payables and receivables from companies entering the consolidation scope	(1)	**(116)**
Change in financial liabilities for leased assets	(6)	**(16)**
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities		**(7)**
Other changes	(7)	**(19)**
Change in net financial debt	**(1,129)**	**2,098**

Reconciliation of the reclassified financial statement with the legally required Statements

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)		31.12.2021		31.12.2022	
Reclassified Statement of Financial Position items (where not explicitly stated, the component is obtained directly from the mandatory prospectus)	**Reference to the Notes to the Consolidated Financial Statements**	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
Fixed capital					
Property, plant and equipment			17,204		**17,859**
Non-current inventories – Compulsory inventories			363		**363**
Intangible assets and goodwill			1,167		**1,321**
Equity investments accounted for using the equity method			2,560		**2,313**
Other financial assets, consisting of:	(11)		403		**175**
- Minority investment accounted at FVTOCI		94		**52**	
- Short-term financial receivables - beyond 90 days		5		**1**	
- Long-term financial receivables - current portion		1		**2**	
- Long-term financial receivables - non-current portion		301		**116**	
- Other financial assets		2		**4**	
Net payables for investments, consisting of:			(401)		**(469)**
- Payables for investment activities	(23)	(412)		**(519)**	
- Receivables for contributions from individuals	(15)	11		**50**	
Total fixed capital			21,296		**21,562**
Net working capital					
Trade receivables			2,729		**4,244**
Current inventories			121		**3,202**
- Current income tax assets			255		**172**
- VAT credits	(16)	11		**50**	
- Other tax credits	(13)	201		**23**	
- IRES receivables for the National Tax	(11)	33		**89**	
Consolidation Scheme with former parent ENI	(15)	10		**10**	
Trade payables			(1,348)		**(1,546)**
Tax payables, consisting of:			(76)		**(58)**
- Current liabilities for income taxes	(16)	(50)		**(21)**	
- IRPEF withholdings for employees	(22)	(7)		**(8)**	
- Other taxes	(22)	(19)		**(29)**	
Net deferred tax liabilities, made up of	(20)		267		**280**
- Deferred tax assets		302		**331**	
- Deferred tax liabilities		(35)		**(51)**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)		31.12.2021		31.12.2022	
Reclassified Statement of Financial Position items (where not explicitly stated, the component is obtained directly from the mandatory prospectus)	**Reference to the Notes to the Consolidated Financial Statements**	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
Provisions for risks and charges			(782)		**(574)**
Market value of derivative financial instruments	(13, 22)		(3)		**4**
Other assets, consisting of:			652		**402**
- Other receivables from the Energy and Environmental Services Fund (CSEA)	(15)	552		**260**	
- Advances to suppliers	(15)	24		**50**	
- Other receivables	(15)	5		**10**	
- Other assets	(13)	71		**82**	
Assets and liabilities from regulated activities, consisting of:			(4)		**(100)**
- Regulatory assets	(13)	57		**116**	
- Regulatory liabilities	(22)	(61)		**(216)**	
Other liabilities, consisting of:			(1,810)		**(8,181)**
- Other payables	(23)	(452)		**(493)**	
- Other payables from the Energy and Environmental Services Fund (CSEA)	(23)	(677)		**(5,571)**	
- Other liabilities	(22)	(681)		**(2,117)**	
Total net working capital			**1**		**(2,155)**
Liabilities for employee benefits			(36)		**(27)**
Assets held for sale and directly associated liabilities	**(17)**				**67**
- Assets held for sale				**84**	
- Liabilities directly associated with assets held for sale				**(17)**	
NET INVESTED CAPITAL			**21,261**		**19,447**
Snam Shareholders' equity			7,203		**7,468**
Minorities' equity			37		**56**
Total equity	**(24)**		**7,240**		**7,524**
Net financial debt					
Financial liabilities, consisting of:	(18)		15,358		**13,680**
- Non-current financial liabilities		10,377		**11,157**	
- Current financial liabilities		4,981		**2,523**	
Cash and cash equivalents			(1,337)		**(1,757)**
total net financial debt			**14,021**		**11,923**
COVERAGE			**21,261**		**19,447**

RECLASSIFIED CASH FLOW STATEMENT

(million euros)	2021		2022	
Reclassified statement items and reconciliation of statutory statement items	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
PROFIT FOR THE YEAR		1,500		**672**
Adjusted for:				
Amortisation, depreciation and other non-monetary components:		527		**1,006**
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	809		**867**	
- Net impairment of tangible and intangible assets	11		**23**	
- Net write-downs of long-term equity investments			**334**	
- Share of profit or losses of equity investments accounted for using the equity method	(294)		**(144)**	
- Other (income) expenses from equity investments			**(79)**	
- Change in liabilities for employee benefits	(7)		**(1)**	
- Other changes	8		**6**	
Net losses (gains) on asset sales, write-offs and derecognition		13		**24**
Dividends, interest and income taxes:		206		**484**
- Interest income	(32)		**(38)**	
- Interest expense	123		**144**	
- Income taxes	115		**378**	
Change in net working capital:		(613)		**2,408**
- Inventories	(11)		**(3,064)**	
- Trade receivables	(1,173)		**(1,549)**	
- Trade payables	709		**151**	
- Change in provisions for risks and charges	(36)		**5**	
- Other assets and liabilities	(102)		**6,865**	
Dividends, interest and income taxes collected (paid):)		(295)		**(485)**
- Dividends collected	199		**108**	
- Interest collected	28		**12**	
- Interest paid	**(115)**		**(123)**	
- Income taxes (paid) received	**(407)**		**(482)**	

RECLASSIFIED CASH FLOW STATEMENT

(million euros)	2021		2022	
Reclassified statement items and reconciliation of statutory statement items	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
CASH FLOW FROM OPERATING ACTIVITIES		1,338		4,109
Technical investments:		(1,244)		(1,322)
- Property, plant and equipment	(1,096)		(1,142)	
- Intangible assets	(148)		(180)	
Technical disinvestments:				7
- Property, plant and equipment			6	
- Intangible assets			1	
Acquisition of subsidiaries and businesses, net of liquidity acquired				(458)
Equity investments:		(453)		143
- Investments	(524)		(18)	
- Divestments	71		161	
Short-term and long-term financial receivables		12		197
- Assumption of long-term financial receivables	(8)		(1)	
- Repayments of long-term financial receivables	20		198	
Other changes relating to investment activities:		7		65
- Change in net payables for investments	7		65	
FREE CASH FLOW		(340)		2,741
Change in financial payables:		(591)		(1,448)
- Increase in non current financial liabilities	1,600		2,269	
- Repayment of long-term financial payables	(1,295)		(1,821)	
- Increase (decrease) short-term financial payables	(889)		(1,888)	
- Repayment of financial liabilities for leased assets	(7)		(8)	
Equity cash flow:		(775)		(866)
- Dividends paid	(811)		(866)	
- Purchase of treasury shares	(5)		(3)	
- Change in minority interests in subsidiaries that do not entail a change of control	41			
- Capital increase subsidiaries - non-controlling interests			3	
Change in liquidity companies leaving the scope of consolidation		(1)		
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities				(7)
NET CASH FLOW FOR THE YEAR		(1,707)		420

SNAM S.P.A. FINANCIAL REVIEW

Corporate information

Snam S.p.A. (hereinafter also referred to as Snam) is an industrial holding company listed on the Milan stock exchange, which holds equity investments in industrial and service companies in Italy and abroad.

In its capacity as the holding, it is responsible for the strategic direction, planning and control of the financial management, direction and coordination of the group's activities. It provides Group companies with business support services (mainly administrative, tax, legal, human resources, information technology and HSEQ services) in order to optimise the available resources and efficiently use the existing know-how. These services are governed by specific inter-company service contracts.

As at 31 December 2022, the reference shareholder, CDP S.p.A. (CDP) holds, through CDP Reti S.p.A., 31.4% of the share capital of Snam S.p.A. To this end it is noted that from 1 August 2019, CDP reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 "Consolidated financial statements" from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

No management and coordination activity has been formalised or exercised by CDP over Snam.

Reclassified Income Statement

In order to facilitate the reading of the Income Statement, taking into consideration the nature of Snam S.p.A. as an industrial holding company, the Reclassified Income Statement was prepared by presenting items relating to financial management first, because they represent the most important component of an income nature[41].

RECLASSIFIED INCOME STATEMENT

2020	(million euros)	2021	2022	Abs. change	Change %
	Income and financial expenses				
1,124	Net income from equity investments	1,032	**760**	(272)	(26.4)
151	Interest income and other financial income	134	**183**	49	36.6
(188)	Interest expense and other financial expenses	(146)	**(177)**	(31)	21.2
1,087	***Total financial income and expenses***	***1,020***	***766***	***(254)***	***(24.9)***
	Other operating income				
260	Revenues from the provision of services	268	**276**	8	3.0
15	Other income		**3**	3	
275	***Total other operating income***	***268***	***279***	***11***	***4.1***
	Other operating costs				
(90)	For personnel	(102)	**(115)**	(13)	12.7
(253)	For the provision of non-financial services and other costs	(205)	**(218)**	(13)	6.3
(343)	***Total other operating costs***	***(307)***	***(333)***	***(26)***	***8.5***
1,019	**Profit before taxes**	**981**	**712**	**(269)**	**(27.4)**
(4)	Income taxes	(24)	**(15)**	9	(38.8)
1,015	**Net profit**	**957**	**697**	**(260)**	**(27.1)**

Net profit achieved in 2022 amounted to 697 million euros, reduction by 260 million euros (27.1%), compared to the previous year. The decrease was mainly due to lower net income from equity investments (-272 million euros; -26.4%), mainly as a result of the impairment test write-down on the equity investment in Trans Austria Gasleitung GmbH (TAG) (-226 million euros). TAG, the company that owns the pipeline that transports Russian gas to Italy via Austria, passing through Ukraine, Slovakia and up to the Tarvisio entry point, was negatively impacted by the continuing Russia-Ukraine conflict, which began in February 2022, which led to a significant reduction in gas flows from Russia detected at the Baumgarten entry point, equal to about 52.6% compared to 2021, with a consequent reduction in the volumes imported from the Tarvisio entry point (from 29.06 billion standard cubic metres in 2021 to 13.98 billion standard cubic metres in 2022). For further information, please refer to Note 9 "Investments in subsidiaries, associates and jointly controlled companies" in the Notes to the Separate Financial Statements.

41 This statement was prepared on the basis of the suggestions reported in Consob Communication no. 94001437 of 23 February 1994.

Analysis of income statement items

INCOME AND FINANCIAL EXPENSES

2020	(million euros)	2021	2022	Abs. change	Change %
1,124	*Net income from equity investments*	*1,032*	*760*	*(272)*	*(26.4)*
1,103	- Dividends	1,007	**1,045**	38	3.8
21	- Other income from investments	25	**15**	(10)	(40.0)
	- Gains on investments		**(300)**	(300)	
151	*Interest income and other financial income*	*134*	*183*	*49*	*36.6*
151	- Interest income	134	**174**	40	29.9
	- Other financial income		**9**	9	
(178)	*Interest expense and other financial expenses*	*(146)*	*(177)*	*(31)*	*21.2*
(171)	- Interest expense	(139)	**(165)**	(26)	18.7
(7)	- Other financial expense	(7)	**(12)**	(5)	71.4
(10)	*Losses from derivative financial instruments – ineffective portion*				
1,087	**TOTAL FINANCIAL INCOME AND EXPENSES**	**1,020**	**766**	**(254)**	**(24.9)**

Financial income and expense in 2022 (766 million euros) dropped by 254 million euros or 24.9% compared with 2021.

Dividends (1,045 million euros) increased by 38 million euros, or 3.8%, compared to 2021, as a result of higher dividends distributed by subsidiaries, also following higher profits achieved in 2021 thanks to the effects of the tax realignment pursuant to Decree-Law no. 104 of 14 August 2020, partly offset by lower dividends distributed by associates and jointly controlled companies.

Losses from equity investments (300 million euros) refer to impairment losses on investments in TAG (-226 million euros) and Greenture S.p.A. (-49 million euros) and to the estimated charges due as price adjustments for contractual commitments made when acquiring equity investments in previous years (-24 million euros).

Interest income and other financial income (183 million euros), principally relates to interest income from: (i) short-term financial receivables mainly granted to subsidiaries (103 million euros). In this regard, it should be noted that, effective 1 January 2022, the new intragroup treasury agreement contracts came into effect, which provide, *inter alia*, for the application of a different mark-up based on the counterparty's risk profile; (ii) long-term intragroup loans granted by Snam S.p.A. essentially to the subsidiaries Snam Rete Gas S.p.A. (40 million euros) and Stogit S.p.A. (10 million euros) and the jointly controlled company OLT (17 million euros, including income from the restatement of future cash flows related to the partial repayment of the Shareholders Loan by OLT).

The interest expense and other financial expenses (177 million euros[42]) relate to: (i) interest on 20 bonds for a total of 148 million euros; (ii) interest expense to banks (17 million euros), mainly related to term loans; (iii) the portion of up-front fees and non-use on revolving credit facilities (10 million euros). Interest expenses on bonds include charges related to the liability management transaction put in place in January 2022, which led to the repurchase on the market of bonds with a total nominal value of 350 million euros, of which 10 million euros was charged back to subsidiaries.

42 This amount includes the effects of cash flow hedge derivatives.

OTHER OPERATING INCOME

2020	(million euros)	2021	2022	Abs. change	Change %
274	*Revenues from the provision of services*	*263*	*276*	*13*	*4.9*
229	Revenues from services rendered to subsidiaries	239	254	15	6.3
31	Revenues from Global Solution services	9	7	(2)	(22.2)
13	Revenues from recharging telecommunications cables	15	15		
1	*Other operating income*	*5*	*3*	*(2)*	*(40.0)*
275	TOTAL OTHER OPERATING INCOME	268	279	11	4.1

Other operating income (279 million euros), which increased by 11 million euros, or 4.1%, compared to the year 2021, mainly relates to charge-backs for services rendered to subsidiaries governed by service contracts (254 million euros in total) and refers to the following areas ICT (138 million euros), personnel and organisation, planning and control, administration, tax, corporate strategy and investor relations, commercial, general services and real estate, security, legal affairs, corporate, compliance and Enterprise Risk Management - ERM, Health, Safety Environment & Quality - HSEQ, regulation and development, institutional relations and communication, internal audit, technical and procurement.

In this regard, it should be noted that the new service contracts from Snam to its subsidiaries came into force on 1 January 2022. In place of the previous pricing model whereby costs incurred were recharged according to the 'full costs' logic, the pricing method of the new contracts provides for a mark-up ranging from 5% to 9%, applied to internal costs only and differentiated according to the category of services, high or low value-added, while costs arising from external economies are charged without mark-up.

OTHER OPERATING COSTS

2020	(million euros)	2021	2022	Abs. change	Change %
253	*Costs for the provision of non-financial services and other costs*	*205*	*218*	*13*	*6.3*
26	Raw material costs	16	21	5	31.3
158	Non-financial services costs	163	159	(4)	(2.5)
11	Amortisation, depreciation and impairment losses	10	11	1	10.0
58	Other operating costs and expenses	16	27	11	68.8
90	*Staff costs*	*102*	*115*	*13*	*12.7*
343	TOTAL OTHER OPERATING COSTS	307	333	26	8.5

Other operating costs (333 million euros) increased by 26 million euros, or 8.5%, compared with 2021, mainly due to the increase in personnel costs (+13 million euros; +12.7%), due in particular to the severance indemnity paid to the outgoing CEO, following the termination of his position as CEO and General Manager of Snam S.p.A. (6 million euros), and higher other operating costs and expenses (+11 million euros; 68.8%) mainly due to the increase in costs for user licences and application software.

The number of staff in service as at 31 December 2022 (947 persons) decreased by 42 persons compared to the previous year (989 persons) and is analysed below by professional qualification.

EMPLOYEES BY PROFESSIONAL STATUS

31.12.2020	(No.)	31.12.2021	31.12.2022	Abs. change	Change %
	Professional status				
75	Senior Managers	93	**73**	(20)	(21.5)
265	Middle Managers	323	**330**	7	2.2
461	Office workers	570	**542**	(28)	(4.9)
3	Manual workers	3	**2**	(1)	(33.3)
804		**989**	**947**	**(42)**	**(4.2)**

Income taxes

Income taxes amounted to 15 million euros (24 million euros in 2021). The tax rate was 2.1%, mainly due to the non-taxable portion (95%) of dividends received during the year.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The reclassified statement of financial position combines the assets and liabilities of the condensed statement based on how the business operates, conventionally split into the three basic functions: investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

The reclassified statement of financial position format is used by management to calculate the key leverage and profitability ratios.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)	31.12.2021	31.12.2022	Abs. change
Fixed capital	**11,133**	**10,563**	**(570)**
Property, plant and equipment	16	14	(2)
- of which right-of-use leased assets	*9*	*6*	*(3)*
Intangible assets	18	39	21
Equity investments	7,203	7,369	166
Other financial assets	3,903	3,191	(712)
Net payables for investments	(7)	(50)	(43)
Net working capital	**(173)**	**(286)**	**(113)**
Provision for employee benefits	**(13)**	**(9)**	**4**
NET INVESTED CAPITAL	**10,947**	**10,268**	**(679)**
Equity	**4,676**	**4,832**	**156**
Net financial debt	**6,271**	**5,436**	**(835)**
- of which financial payables for leased assets (*)	*10*	*6*	*(4)*
COVERAGE	**10,947**	**10,268**	**(679)**

(*) Of which 3 million euros long-term and 3 million euros short-term portions of non-current financial payables.

Non-current assets (10,563 million euros) decreased by 570 million euros compared to 31 December 2021 mainly as a result of the reduction in other financial assets (-712 million euros) partly offset by the increase in equity investments (+166 million euros), as illustrated in the following paragraphs.

EQUITY INVESTMENTS

(million euros)	Balance at 31.12.2021	Acquisitions and subscriptions	Value adjustments	Balance at 31.12.2022
Investments in subsidiaries	5,682	441	(49)	6,074
Investments in jointly controlled companies	967		(226)	741
Investments in associates	554			554
TOTAL EQUITY INVESTMENTS	**7,203**	**441**	**(275)**	**7,369**

Acquisitions and subscriptions (441 million euros) relate to: (i) the capital contribution by the sole shareholder Snam S.p.A. in favour of Snam FSRU Italia S.r.l. (406 million euros), for the purpose of the acquisition, on 31 May 2022, of 100% of the share capital of Golar LNG NB 13 Corporation, a company that owns, as its sole asset, the storage and regasification vessel (FSRU) "Golar Tundra"; (ii) the capital contribution by the sole shareholder Snam S.p.A. in favour of Greenture S.p.A. (35 million euros) for the recapitalisation of the company.

Value adjustments (275 million euros) refer to the effects of the impairment test write-down of the investments in Trans Austria Gasleitung GmbH (226 million euros) and Greenture S.p.A. (49 million euros).

Detailed changes are provided in Note 9 'Investments in subsidiaries, associates and jointly controlled companies' in the Notes to the Separate Financial Statements.

Other financial assets

Other financial assets stand at 3,191 million euros and mainly relate to: (i) receivables for long-term loans, including the related short-term portions, mainly disbursed to the subsidiaries Snam Rete Gas (2,317 million euros; 2,808 million euros at 31 December 2021), Stogit (540 million euros; 659 million euros at 31 December 2021) and Tep Energy Solution S.r.l. (110 million euros); (ii) the loan disbursed to the jointly controlled company OLT (101 million euros; 286 million euros at 31 December 2021, down by 185 million euros mainly due to the repayment by OLT of part of the outstanding loan) ; (iii) the measurement at Fair Value Through OCI (FVTOCI) of the minority shareholdings, in particular in the companies Terminale GNL Adriatico Srl and ITM Power PLC (40 million euros in total; 93 million euros at 31 December 2021).

NET WORKING CAPITAL

(million euros)	31.12.2021	31.12.2022	Abs. change
Tax receivables	211	**103**	(108)
Trade receivables	234	**93**	(141)
Net prepaid tax assets	23	**16**	(7)
Derivatives	(3)	**4**	7
Other assets	27	**75**	48
Provisions for risks and charges	(16)	**(12)**	4
Tax liabilities	(179)	**(55)**	124
Trade payables	(79)	**(90)**	(11)
Other liabilities	(391)	**(420)**	(29)
- of which: Payable for interim dividend	*(343)*	***(369)***	*(26)*
NET WORKING CAPITAL	**(173)**	**(286)**	**(113)**

Net working capital (-286 million euros) decreased by 113 million euros compared to 31 December 2021, mainly due to the reduction in trade receivables (-141 million euros), represented by receivables for services rendered to subsidiaries, and lower tax receivables (-108 million euros). In this regard, it should be noted that, during 2022, Snam S.p.A. entered into non-recourse assignment transactions, relating to group VAT for the 2021 and 2022 tax years, with a total nominal value of 170 million euros.

EQUITY

(million euros)		
Shareholders' equity at 31 December 2021		**4,676**
Increases owing to:		
- 2022 Comprehensive income	670	
- Allocation of treasury shares Convertible Bond	381	
- Share-based payments	6	
		1,057
Decreases owing to:		
- 2021 dividend balance	(527)	
- 2022 interim dividend	(369)	
- Purchase of treasury shares	(3)	
- Other changes	(2)	
		(901)
Shareholders' equity at 31 December 2022		**4,832**

NET FINANCIAL DEBT

(million euros)	31.12.2021	31.12.2022	Abs. change
Financial payables and bonds (a)	***15,448***	***13,885***	***(1,563)***
Current financial payables (b)	5,083	**1,527**	(3,556)
Non-current financial liabilities	10,365	**12,358**	1,993
Liquidity	***(9,177)***	***(8,449)***	***728***
Cash and cash equivalents	(1,278)	**(1,659)**	(381)
Other current financial assets(c)	(7,899)	**(6,790)**	1,109
NET FINANCIAL DEBT	**6,271**	**5,436**	**(835)**

(a) This includes 6 million euros of financial liabilities for leased assets (10 million euros as at 31 December 2021).
(b) Includes the short-term portion of non-current financial payables.
(c) With a maturity of less than 90 days.

Net financial debt at 31 December 2022 was 5,436 million euros, a reduction of 835 million euros compared with 31 December 2021.

Financial and bond debts (13,885 million euros) are denominated in euros and relate mainly to bond loans (9,457 million euros; 68%) and bank loans (2,848 million euros, 20%, of which 1,572 million euros was provided by the European Investment Bank - EIB).

Non-current financial liabilities (12,358 million euros) represented around 89% of gross financial debt (around 67% at 31 December 2021).

Cash and cash equivalents, standing at 1,659 million euros (1,278 million euros as at 31 December 2021) refer to current accounts and bank deposit accounts.

Other current financial assets (6,790 million euros) relate to receivables arising from current account relationships between Snam S.p.A. and its subsidiaries. The decrease of 1,109 million euros compared to 31 December 2021 is mainly attributable to Snam Rete Gas (-1,701 million euros).

The breakdown of debt by type of interest rate at 31 December 2022 is as follows:

(million euros)	31.12.2021	%	31.12.2022	%	Abs. change
Fixed rate	11,112	72	10,923	79	(189)
Variable rate	4,336	28	2,962	21	(1,374)
FINANCIAL AND BOND DEBT	**15,448**	**100**	**13,885**	**100**	**(1,563)**

At 31 December 2022, Snam had unused committed long-term credit lines worth 5.9 billion euros.

Reclassified cash flow statement and change in net financial debt

The reclassified cash flow statement below summarises the legally required cash flow statement format. The reclassified cash flow statement shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED CASH FLOW STATEMENT

(million euros)	2021	2022
Net profit	**957**	**697**
Adjusted for:		
- Amortisation, depreciation and other non-monetary components	16	**292**
- Dividends, interest and income taxes	(1,000)	**(1,063)**
Change in net working capital	(198)	**173**
Dividends, interest and income taxes collected (paid)	1,042	**991**
Cash inflow from operating activities	**817**	**1,090**
Technical investments	(9)	**(29)**
Equity investments (including minorities recognised as non-current financial assets)	(429)	**(436)**
Change in long-term financial receivables	352	**678**
Other changes relating to investment activities		**42**
Free cash flow	**731**	**1,345**
Change in current and non-current financial liabilities	(528)	**(1,200)**
Repayment of financial liabilities for leased assets	(4)	**(4)**
Change in short-term financial receivables	(1,096)	**1,109**
Equity cash flow (a)	(816)	**(869)**
Net cash flow for the year	**(1,713)**	**381**

CHANGE IN NET FINANCIAL DEBT

(million euros)	2021	2022
Free cash flow	**731**	**1,345**
Equity cash flow (a)	(816)	**(869)**
Change in financial liabilities for leased assets	(1)	**(1)**
Bond conversion effect	3	**381**
Other changes	(10)	**(21)**
Change in net financial debt	**(93)**	**835**

(a) Includes cash flow and payment to shareholders of the dividend.

OTHER INFORMATION

TREASURY SHARES

In compliance with the provisions of Article 2428 of the Italian Civil Code, the treasury shares held by the Company at 31 December 2022 are analysed in the table below:

		No of shares	Average cost (euros)	Total cost (million euros)	Share capital (%)
Treasury shares held by the Company at 31 December 2020		**90,642,115**	3.987	361	2.70
Movements 2021					
- Shares granted free of charge under the 2018 stock incentive plan	(-)	2,441,742	3.987	10	
- Purchases 2021 (sell to cover)	(+)	1,023,634	4.962	5	
- Shares allocated for conversion of the Convertible Bond	(-)	667,779	3.998	3	
Treasury shares held by the Company at 31 December 2021		**88,556,228**	3.999	354	2.63
- Shares allocated for conversion of the Convertible Bond	(-)	79,444,888	3.998	318	
- Shares granted free of charge under the 2019 stock incentive plan	(-)	1,760,307	4.000	7	
- Purchases 2022 (sell to cover)	(+)	750,404	4.908	4	
Treasury shares held by the Company at 31 December 2022		**8,101,437**	4.076	33	0.24

As at 31 December 2022, Snam held 8,101,437 treasury shares, (88,556,228 treasury shares, equal to 2.63% of the share capital at 31 December 2021), equal to 0.24% of the share capital, with an overall book value of about 33 million euros. The market value of treasury shares at 31 December 2022 amounts to approximately 37 million euros[43]. The reduction in the number of treasury shares compared with 31 December 2021 is attributable to: (i) the assignment of 79,444,888 shares to service the Snam Convertible Bond, against requests for conversion of bonds with a nominal value of 381 million euros, against a total nominal value of 400 million euros; (ii) the free assignment of 1,760,307 shares to Snam executives under the 2019 Share-based Incentive Plan, the vesting period of which expired in July 2022, and the simultaneous repurchase, from the assignee executives themselves, of 750,404 shares to cover the amount of taxes owed by the assignees (sell to cover).

The share capital at 31 December 2022 consisted of 3,360,857,809 shares (the same at 31 December 2021), with no nominal value, for a total value of 2,736 million euros.

The subsidiaries of Snam S.p.A. do not hold, and have not been authorised by their Shareholders' Meetings to acquire, shares in Snam S.p.A.

43 Calculated by multiplying the number of treasury shares by the period-end official price of 4.527 euros per share.

The Snam Ordinary Shareholders' Meeting, held on 27 April 2022, authorised, subject to revocation of the resolution to authorise a purchase of treasury shares by the Ordinary Shareholders' Meeting on 28 April 2021, for the part that remained non-executed, a share buy-back plan, to be carried out on one or more occasions through one or more primary intermediaries appointed by the Company, for a maximum duration of 18 months from the Shareholders' Meeting, with a maximum disbursement of 500 million euros and up to a maximum limit of shares in portfolio equal to 6.5% of subscribed and paid-up share capital.

Incentive plans for executives with Snam shares

2020-2022 Long-Term Share-Based Incentive Plan

The Shareholders' Meeting of Snam, held on 18 June 2020 in ordinary session, approved the 2020-2022 long-term share-based incentive plan, conferring to the Board of Directors, every necessary power for the implementation of the Plan.

The plan is intended for Snam's Chief Executive Officer and managers, identified among those holding positions with the greatest impact on company results or with strategic importance for the achievement of Snam's long-term objectives, as well as any other positions identified in relation to performance achieved, skills possessed or with a view to retention, up to a maximum of 100 beneficiaries.

The Plan provides for three annual allocations for the period 2020-2022. Each allocation is subject to a three-year vesting period and consequently the actual vesting period is between 2023 and 2025, as illustrated in the scheme below:

Attribution	Performance period	End of vesting period	Assignaments of shares
2020	2020-2022	2023	2023
2021	2021-2023	2024	2024
2022	2022-2024	2025	2025

The Board of Directors has determined that a maximum of 3,500,000 Shares will be used for each three-year cycle of the Plan. The Plan will be concluded in 2025, upon expiry of the vesting period for the last attribution envisaged in 2022.

The Plan envisages the free assignment of a variable number of Shares, depending on the individual attribution and the degree to which the Plan performance conditions are achieved. The number of shares accrued is subject to the achievement of performance conditions, verified for all Beneficiaries at the end of each three-year implementation period following a detailed process of verification of the results actually achieved by the Remuneration Committee.

The performance conditions of the Plan, calculated according to a linear interpolation criterion between minimum, target and maximum values, are linked to the following parameters:
- Adjusted net profit cumulated in the three-year period corresponding to the Performance Period, with a weight of 50%;
- Added Value which reflects the generation of the value of the regulated business, calculated as the change in the RAB over the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt[44];
- ESG metric, with a weight of 20%, measured through the results achieved with respect to 2 indicators, aiming at:
  1) reducing natural gas emissions (weight 10%) in the three-year period corresponding to the Performance Period;
  2) guaranteeing a fair representation of the less present gender in Snam's management team (weighing for 10%) in terms of the % of the less represented gender in managers and executives out of all Group managers and executives.

44 The change in net debt is calculated excluding changes to working capital connected with regulatory dynamics and considering changes to commercial working capital.

It is also envisaged that an additional number of shares will be assigned - defined as "dividend equivalents" - according to the shares effectively assigned at the end of the vesting period. The number of additional shares to be allocated is determined by dividing the sum of the dividends distributed in the vesting period by the average price of the share recorded in the month prior to the assignment. For the Chief Executive Officer and the other Plan Beneficiaries, it is envisaged that 20% of the shares assigned, gross of those required to fulfil tax requirements, shall be subject to a lock-Up period.

For further information, see the "Information Document on the 2020-2022 Long-Term Share- Based Incentive Plan" prepared pursuant to Article 84-bis of the Issuers' Regulations, available on Snam's website.

Against the aforementioned Plan, the following have been attributed[45] 1,277,996 shares valid for the year 2020, 1,245,854 shares valid for the year 2021 and 1,032,626 shares valid for the year 2022.

The costs pertaining to the 2022 financial year, referring to the 2020-2021-2022 grants, equal to the product of the number of shares expected to mature upon maturity and their fair value at the grant date, were recognised as a cost component against a corresponding equity reserve, and amount to 6 million euros.

2017-2019 LONG-TERM SHARE-BASED INCENTIVE PLAN

Attribution	Performance period	End of vesting period	Assignaments of shares
2019	2019-2021	2022	2022

With reference to the 2017-2019 Long-Term Share-Based Incentive Plan, approved by the Snam Shareholders' Meeting on 11 April 2017, a total of 5,385,372 shares were granted, of which 1,368,397 shares valid for the 2017 allocation (allocated for 1,511,461 shares in July 2020, at the end of the vesting period), 2,324,413 shares valid for the 2018 allocation (allocated for 2,441,742 in July 2021, at the end of the vesting period) and 1,692,562 shares valid for the 2019 allocation.

The Plan ended on 30 June 2022 at the end of the Vesting Period relating to the last assignment of 2019.

For more information on the terms and conditions of the Plan, see the "Information Document 2017-2019 Long-Term Share-Based Incentive Plan" prepared pursuant to article 84-bis of the Issuers' Regulation, available on the Snam website.

Compensation paid to directors and statutory auditors, general managers and Key managers, and investments held by each of these

Information on the compensation paid to directors and statutory auditors, general managers and Key Managers, and the equity investments held by each of these, can be found in the Remuneration Report, which is prepared in accordance with Article 123- ter of Legislative Decree no. 58/1998 (TUF). The Remuneration Report is available on the Snam website (www.snam.it) in the Governance section, to which reference is made.

Transactions with related parties

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

Considering the de facto control of CDP S.p.A. over Snam S.p.A., based on the current Group ownership structure the related parties of Snam are represented by Snam's associates and jointly controlled companies as well as by the parent company CDP S.p.A. and its subsidiaries and associates, as well as subsidiaries, associates and companies under joint control (directly or indirectly) with the Ministry of Economy and Finance (MEF).

45 The number of shares refers to the target value (performance = 100) of rights allocated for each year.

Operations with these parties mainly involve the exchange of goods and the provision of regulated services in the gas sector.

These transactions are part of ordinary business operations and are generally settled at market conditions, i.e. the conditions which would be applied for two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group.

Pursuant to the provisions of the relevant legislation, the company has adopted internal procedures to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and statutory auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chair, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

No management or coordination activity of CDP S.p.A. has been formalised or exercised.

As at 31 December 2021, Snam manages and coordinates its significant subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the statement of financial position, income statement and cash flows, are provided in Note 35 "Transactions with related parties" of the Notes to the Consolidated Financial Statements.

Relations with Key Managers ("Key Managers") are shown in Note 28 "Operating costs and expenses" of the Notes to the Consolidated Financial Statements.

Performance of subsidiaries

For performance information concerning the segments in which the Company operates wholly or in part through subsidiaries, please refer to the sections "Business segment operating performance" and "Financial review" within this Report.

Branch offices

As required by Article 2428, paragraph five of the Italian Civil Code, it is noted that Snam does not have branch offices.

Research and Development

The innovation and technological development activities carried out by Snam are described in the consolidated non-financial statement, in the chapter "Innovation and digitalisation for business development and cybersecurity" of this Report.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, it should be noted that there were no atypical and/or unusual positions or transactions during the year.

BUSINESS SEGMENTS OPERATING PERFORMANCE

GAS REGULATED INFRASTRUCTURE

PRESENCE OF SNAM ITALIA

NATURAL GAS TRANSPORTATION

Entry points	9
Compression stations	13
Pipelines under operations	32,862km

LNG REGASIFICATION

Regasification plants	1

NATURAL GAS STORAGE

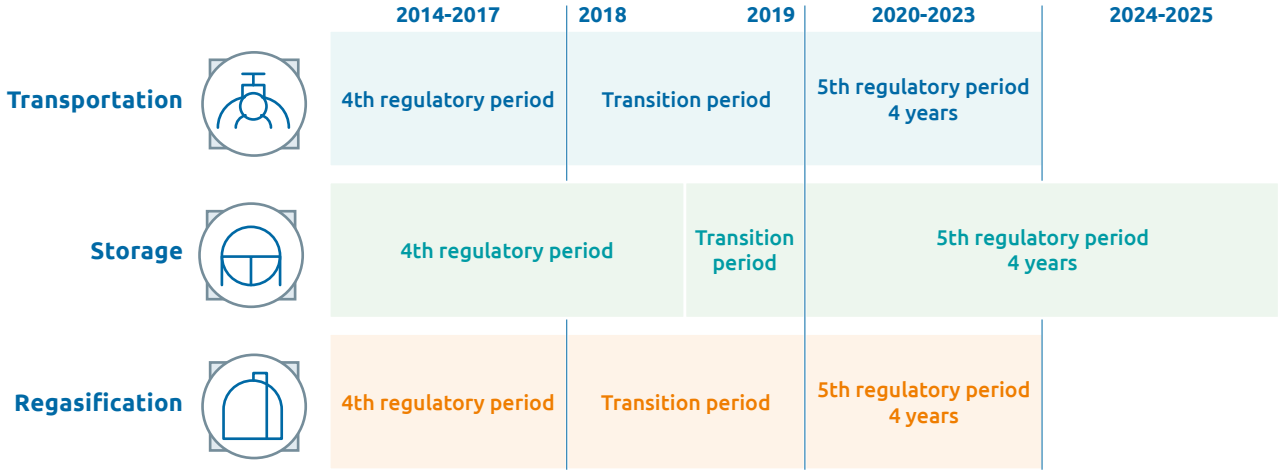
Operating concessions	9

APPLICABLE REGULATORY FRAMEWORK AND PRINCIPAL DEVELOPMENTS

Tariff regulation in Italy

With resolutions 114/2019/R/gas, 474/2019/R/gas and 419/2019/R/gas the Authority defined the tariff criteria for the fifth regulatory period, respectively for transportation and regasification activities (1 January 2020-31 December 2023) and for storage activities (1 January 2020-31 December 2025).

The following is the timeline connecting the current and previous regulatory periods, including the transitional period:



Below are the main tariff elements for each of the regulated activities carried out by Snam, based on the regulatory framework in force for 2021 and a summary of the changes for 2022 relating, in particular, to the rate of return on invested capital (WACC).

More information on the main regulatory measures with an impact on the current tariff system, and the changes in 2022 with reference to each business sector, is provided in the following paragraph “Main measures of the tariff framework of the business sectors and the changes in 2022”.

	TRANSPORTATION	REGASIFICATION	STORAGE
End of period of regulation (TARIFF)	**5th period:** 1 January 2020 – 31 December 2023	**5th period:** 1 January 2020 – 31 December 2023	**5th period:** 1 January 2020 – 31 December 2025
Calculation of capital net capital invested recognised for regulatory purposes (RAB)	**5th period:** Historic cost revalued Working capital recognised 0.8%	**5th period:** Historic cost revalued Working capital recognised 0.8%	**5th period:** Historic cost revalued Working capital recognised 0.8%
Remuneration of net invested capital recognised for regulatory purposes (WACC pre-tax)	**5th period:** 5.7% Years 2020-2021; 5.1% Year 2022 (*) LIC remuneration: - WACC 5.3% Years 2020-2021 - WACC 4.8% Year 2022 (*)	**5th period:** 6.8% Years 2020-2021; 6.1% Year 2022 (*) LIC excluded	**5th period:** 6.7% Years 2020-2021; 6% Year 2022 (*) LIC excluded
Incentives for new investments	**5th period:** (investments during financial year by 2022): +1.5% for 10 years (investments in new capacity of transportation and with cost analysis-benefits >1.5)	**5th period:** Withholding 40% of revenues flexibility services (covering revenues not subject to guarantee factors)	**5th period:** Withholding 50% of revenues from auctions short-term Possible optional strengthening of the percentage, against % reduction, revenue guarantees
Efficiency factor (X FACTOR)	**5th period:** 0.7% on operating costs (**)	**5th period:** 3.1% on operating costs	**5th period:** 1% on operating costs

(*) The rate of return on net invested capital (WACC) from 1 January 2022 was set by the Authority in Resolution 614/2021/R/com, published on 23 December 2021. The duration of the regulatory period for the WACC (PIWACC) for infrastructural regulations for the gas sector was set at six years (2022-2027) and a mechanism was established to adjust the rate halfway through the period, based on current trends.
(**) Referring to the largest transportation company.

The remuneration rate of net invested capital (WACC)

The **remuneration rate for net invested capital (WACC)** as of 1 January 2016 was set by the Authority with Resolution 583/2015/R/com of 2 December 2015 "Remuneration rate for capital invested in infrastructural services for the electric and gas sectors: criteria for determination and update". **The duration of the regulatory period for the WACC (TIWACC)** for infrastructural regulations for the gas sector **was set at six years (2016-2021)** and a mechanism was established to adjust the rate halfway through the period, based on current trends. By Resolution 639/2018/R/COM of 6 December 2018, the Authority updated the rate of return on capital employed for regulated infrastructure services in the gas sector for the year 2019. The respective resolutions defined the tariff adjustment criteria for the 5th regulatory period for this type of business, confirmed the value of the Beta parameter for all sectors for the year 2020, keeping the WACC unchanged for that year, in line with the TIWACC regulations.

With Resolution 380/2020/R/gas, published on 15 October 2020, the Authority began proceedings to determine the remuneration rate for capital invested (WACC) in the electricity and gas sectors for the second regulatory period, starting on **1 January 2022 (II PWACC)**. The document provides some **general guidelines**, which include:

- the duration of the II PWACC shall be no less than 4 years;
- an infra-period revision to allow adjustments to the WACC based on current trends;
- confirmation of the current general methodology (weighted average of Ke and Kd, use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
- identification of as detailed as possible criteria for estimating the Beta, to improve the predictability of the model and reduce the level of discretion;
- as part of preparatory activities to develop regulations for spending and service objectives, the start of a process to align regulations for electricity and gas infrastructure, in relation to criteria for recognition of capital invested and operating costs, to make the regulations as homogeneous as possible and avoid imbalances on returns on capital invested linked to differences in the regulatory treatment of specific operating cost items and capital.

The resolution established that documents will be made available for consultation containing the Authority's guidelines, as well as the possibility to call for hearings to consult with interested entities and associations.

During 2021, the Authority published two **consultation** documents, Consultation Document 308/2021/R/com, published on 16 July 2021, containing its initial guidance and Consultation Document 488/2021/R/com, published on 12 November 2021, containing the Authority's final guidance on the criteria for calculating and updating the rate of return on invested capital.

The two consultation documents were then followed by **Resolution 614/2021/R/com, published on 23 December 2021**, in which the Authority defined the criteria for calculating and updating the rate of return on capital employed for infrastructure services in the electricity and gas sectors for the second period (II PWACC), the main aspects of which are:

- duration of the II PWACC 6 years (2022-2027);
- mid-term review of baseline parameters and possibility of annual review in the event of a 50 bp change in WACC (trigger mechanism);
- confirmation of the current general methodology (weighted average of Ke and Kd, use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
- risk-free asset rate without floor with introduction of additional parameters (Convenience Premium, Forward Premium, Uncertainty Premium) to reflect actual market conditions;
- new methodology for calculating the cost of debt (Kd), based on the iBoxx index and with a distinction between existing and new debt, with a gradual implementation of the new methodology;
- beta revision for businesses with a current Beta of less than 0.4;
- confirmation of the corrective factor for taxation on nominal yields (F-factor).

The Resolution leads to **rates of return for the year 2022** in real terms before tax of 5.1% for the transmission service (previous 5.7%), 6.0% for storage (previous 6.7%) and 6.1% for regasification (previous 6.8%). These rate of return values were also confirmed for 2023 by Resolution 654/2022/R/com.

Urgent capacity allocation arrangements for the storage service for the thermal year 2022/2023

As a result of the ongoing conflict situation between Russia and Ukraine and rising gas prices, the Ministry of Ecological Transition - MITE issued Decree no. 18 of 14 March 2022 containing, among other things, provisions for the security of the national natural gas system and for the promotion of additional gas volumes in the national system, with the aim of "bringing storage filling to at least 90% of the available national storage capacity", in line with what was decided at European level.

With subsequent Decree no. 138 of 1 April 2022, the MITE established that Snam Rete Gas shall procure and inject into storage in April 2022 the volumes of gas for the operation of the system for the period November 2022 - March 2023, as well as for the management of the technical consumption of the storage companies, in accordance with the procedures defined by the Regulatory Authority - ARERA, which ensure Snam Rete Gas the economic neutrality of the filling operations. These methods were defined by the Authority with Resolution 165/2022/R/gas, published on 8 April 2022, which provides for the application of a premium to stocks as at 1 November 2022 and supply by Snam Rete Gas volumes covering system gas (consumption, losses, CNG, In-Out Delta) and gas for technical consumption of storage for next winter (with related costs incurred recognised through CSEA).

Subsequently, with Decree no. 253 of 22 June 2022, the MITE issued further provisions on the security of the national natural gas system aimed at achieving the technical filling level of 5,400 million standard cubic metres by the end of June necessary to not jeopardise the target of 90% filling at the end of the injection campaign. In particular, the Decree provided for Snam Rete Gas to offer a filling service of last resort by acquiring quantities of gas for injection at the storage infrastructure that are complementary to the quantities injected by market operators, in accordance with modalities defined by ARERA that provide for the recognition of the overall costs actually incurred, with the safeguarding of the Snam Rete Gas economic-financial balance.

These modalities were defined by ARERA with Resolution 274/2022/R/Gas, published on 24 June 2022, which provides that:

a) the Balancing Manager procures the gas quantities at the AGS platform of the GME, consistent with the modalities of April 2022 (as per Resolution 165/2022/R/Gas), and that the relevant financial expenses actually incurred are recognised, within the limit of the debt rate implicit in the WACC defined pursuant to Resolution 614/2021/R/Gas;
b) b) the difference between purchase and disposal costs is settled in the following winter;
c) c) the Balancing Manager has priority recourse to CSEA for the functional amounts of gas procurement up to 2 billion euros (for the portion advanced by CSEA, the recognition of financial expenses as per point a does not apply);
d) d) the storage premium is extended (as per Resolution 165/2022/R/Gas) to the implicit contributions of June, July, August and September.

Finally, with Resolution 442/2022/R/Gas, published on 23 September, the Authority established that, in order to reduce the burden on the system, the Cassa may provide the balancing manager with resources of up to 3.3 billion euros for the performance of the filling service of last resort (previously set at 2.5 billion euros by Resolution 349/2022/R/gas). In addition, ARERA has extended to 31 October 2022 the deadline for communicating the possible need to reinstate the amounts advanced in the event of insufficient CSEA resources (previously set at 30 September by Resolution 274/2022/R/gas).

RELATIONS WITH THE REGULATORY AUTHORITY

Over the years Snam has established a constructive relationship and effective cooperation with the Italian Regulatory Authority for Energy, Networks and the Environment – ARERA in the various sectors in which Snam works.

RELATIONS WITH THE REGULATORY AUTHORITY (NO.)

Natural gas transportation	2020	2021	2022
Responses to consultation documents and service proposals	4	7	11
Tariff proposals	6	7	7
Data collection	97	100	185
Investigations (*)	0	0	0
Proposals to amend/update codes and contractual documents (**)	9	6	4
Proposals to amend/update codes and contractual documents (approved)	8	8	4
Natural gas storage			
Responses to consultation documents and service proposals	0	3	2
Tariff proposals	2	2	2
Data collection	33	59	122
Proposals to amend/update codes and contractual documents (**)	1	0	1
Proposals to amend/update codes and contractual documents (approved)	1	2	1
Regasification of Liquefied Natural Gas			
Responses to consultation documents and service proposals	0	2	2
Tariff proposals	1	2	3
Data collection	22	20	21
Proposals to amend/update codes and contractual documents (**)	1	1	2
Proposals to amend/update codes and contractual documents (approved)	1	1	2

(*) Information transmitted to the Authority during the year with reference to investigations within the industry. Includes exploratory investigations.
(**) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector

Gas market monitoring

As part of its evaluations of the gas market and services, the Authority has mandated Snam, as the largest company, for structural aspects and phenomena relating to the functioning of the Gas System, and the Gestore dei Mercati Energetici, for the competitive aspects of the gas market, to support the Regulator's monitoring activities through (i) the preparation of an integrated database of key data relating to transportation and balancing, storage and regasification services, made available by Snam to the Regulator and fed on a daily basis; (ii) the provision of indices and reports on a regular basis as part of the operation of balancing and the balance of the system; (iii) further specific analyses at the request of the Authority. For the management of these activities, conventions, manuals and dedicated technical specifications are shared with the GME and approved by the Authority.

In 2022, following its provisions, over 21,200 data flows and periodic reports were sent to the Authority, as well as specific analyses and insights in relation to the services (transport, storage and regasification) in support of the Regulator's activities. For the management of these activities, conventions, manuals and dedicated technical specifications are shared with the GME and approved by the Authority.

RELATIONS WITH THE REGULATORY AUTHORITY RELATIVE TO GAS MARKET MONITORING IN 2022 (NO.)

Description	Transportation	Storage	Regasification
Reports/analysis (with reference to all business)	27	2	3
Monitoring conventions, manuals and specifications (with reference to all business)	2	2	2
Reports and data flows	14,680	3,792	2,732

Approval of the 2023 activity plan and the related cost estimate submitted by the largest transportation company in connection with the wholesale gas market monitoring activity

With Resolution 700/2022/R/gas, published on 20 December 2022, the Authority approved, pursuant to the TIMMIG, the 2023 activity plan and the related cost estimate submitted by Snam Rete Gas in in connection with the wholesale gas market monitoring activity.

MAIN PROVISIONS OF THE TARIFF FRAMEWORK OF THE SECTORS OF ACTIVITY AND THE NOVELTIES OF 2022

NATURAL GAS TRANSPORTATION

Regulation for the fifth regulatory period 2020 - 2023

Through Resolution 114/2019/R/gas, published on 29 March 2019, the Authority defined the regulation criteria of the natural gas transportation tariffs for the fifth regulatory period (1 January 2020-31 December 2023).

The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.364, with the WACC remaining unchanged at 5.7% before tax for the years 2020-2021, in line with the TIWACC framework. Works in progress are included in the calculation of the RAB predicting a real pre-tax return of 5.3%[46] . The inclusion in the RAB of investments made in the year t-1 for the purpose of remuneration to compensate the regulatory time-lag is also confirmed.

Limited to the interventions included in the Development Plans that will come into operation in the years 2020-2021-2022 with a cost/benefit ratio of more than 1.5, a greater WACC of +1.5% for 10 years is applied.

The revenue component relating to the return and amortisation and depreciation is updated on the basis of an annual recalculation of net invested capital (RAB) and additional revenue from the higher rate of return for investments realised in prior regulatory periods. Amortisation and depreciation are calculated based on the useful economic and technical life of the transportation infrastructure.

Operating costs recognised for 2020 are calculated based on effective recurring costs for 2017, increased by the greater efficiency achieved in the current period (50% profit sharing), with the possibility of including any recurring costs for 2018 if adequately justified. The application of the price-cap method for the purpose of updating operating costs is confirmed, envisaging an X-factor to return the greater efficiency achieved in the fourth regulatory period to users in 4 years.

It is expected that the largest transportation business will procure quantities of gas to cover self-consumption, leaks and unaccounted for gas (UFG) under the scope of the centralised market. The quantities of gas recognised are assessed based on the weighted average price of forward products with delivery to the PSV (Virtual Trading Point) in the reference tariff year. The resolution includes the recognition of the difference between the price recognised for these volumes and the effective procurement price, deferring the definition of the detail mechanism to the next provision. For more details, please see the section below, “UFG - Unaccounted for gas”.

With regard to tariff structure, the current methodology for determining the capacity/ commodity split was confirmed, providing for capacity revenue to cover capital costs (return and amortisation and depreciation) and commodity revenue to cover recognised operating costs. The current revenue correction factor applied to the capacity component (100% guaranteed) and to the component related to transported volumes (allowance ±4%) is confirmed. With reference to the metering service, a mechanism to cover revenues similar to that of the transportation service (100% guaranteed) was introduced.

The tariff structure based on the entry/exit model is confirmed, including not only the domestic network but also the regional network in the reference price methodology. The entry and exit capacity fees are calculated using the capacity weighted distance methodology (CWD) with the revenues distributed between the entry and exit points 28/72.

A variable fee was introduced, applied to volumes transported, intended to cover the operating costs recognised, the costs relating to the Emission Trading system, ratifying the principle of neutrality adopted by the business in relation to price risk and offering incentive for virtuous behaviour aimed at reducing CO_2 emissions, and the costs of procurement of quantities to cover self-consumption, leaks and UFG. This fee is applied to the transportation network entry points and is calculated annually based on the volumes effectively withdrawn in the year t-2.

46 Values updated by Resolution 614/2021/R/com

Finally, it is established that the definition will be deferred of the regulation criteria regarding quality of the natural gas transportation service for the fifth regulatory period, promoting experimental innovative uses of the transportation networks, as well as in respect of the restructuring of the metering services, as a result of specific consultation to be carried out in 2019. In this regard, with Resolution 554/2019/R/gas, published on 23 December 2019, the Authority has approved the new Integrated Text for the regulation of the quality of the gas transportation service, which contains provisions on service continuity, safety and commercial quality, valid for the fifth regulatory period 2020-2023.

Approval of revenues for the year 2021

With Resolution 180/2020/R/gas, published on 26 May 2020, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2021. The revenues recognised for the natural gas transportation service for the year 2021 amount to 2,121 million euros. The RAB used to calculate 2021 revenue for the transportation, dispatching and measurement business was 16.8 billion euros, and included the investments estimated for 2020.

Approval of revenues for the year 2022

With Resolution 230/2021/R/gas, published on 03 June 2021, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2022. The revenues recognised for the natural gas transportation service for the year 2022 amount to 2,174 million euros. The RAB used to calculate 2022 revenue for the transportation, dispatching and measurement business was 17.1 billion euros, and included the investments estimated for 2021.

Approval of revenues for the year 2023

With Resolution 233/2022/R/gas, published on 01 June 2022, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2023. The revenues recognised for the natural gas transportation service for the year 2023 amount to 2,398 million euros. The RAB used to calculate the 2023 revenue for the transportation, dispatching and metering business was 17.6 billion euros and includes the investments estimated for 2022.

Starting from the 2022 commodity revenue correction factor, the deductible of +/-4% is not applied with reference to the portion of revenue covering the costs relating to self-consumption gas, network losses and CNG.

Tariff adjustment criteria for the natural gas transportation and metering service for the sixth regulatory period (6PRT) - Final guidance

With Consultation Document 502/2022/R/Gas, published on 18 October 2022, the Authority outlined the final guidelines on the revision of the tariff criteria for the new gas transportation regulatory period starting on 1 January 2024. The document deals in particular with how to link the criteria in force in the 5PRT with the new ROSS methodology, with particular reference to the year 2024. Substantial continuity in the breakdown of reference revenues is expected, with some changes in the way the economic items related to energy costs (losses and CNG) are determined. The procedure is expected to be completed by the first quarter of 2023.

Balancing and gas settlement

Amendments to the Integrated Text on Balancing (TIB)

By Resolution 45/2020/R/gas, the AEEG approved several amendments to the Integrated Text for balancing and the Integrated Text for monitoring the wholesale natural gas market, which are functional to the definition of the parameters for the incentive system of the Balancing Manager for the fourth incentive period from 20 February 2020 to 31 December 2021.

The measure confirmed the incentive scheme in place, based on three performance indicators (p1, p2, p3) that measure respectively the goodness of the System's forecasts of requirements (p1) and the efficiency of the Balancing Manager's balancing actions (p2 linked to the intervention prices of the Balancing Manager and p3 on the residual balance sheet), providing for profit sharing with the System of part of the annual bonus. Two new performance indicators have also been introduced (p4 already defined with Res. 208/2019/R/gas and p5), linked to the start of the new Settlement regime, which measure Snam Rete Gas's efficiency in supplying the quantities of gas needed to operate the network.

In addition, the Authority has referred to further evaluations and to the examination of the performance results for 2020, the introduction of a new incentive based on the forecast by the person in charge of Balancing withdrawals during the gas day.

In this regard, with Resolution 577/2021/R/gas, published on 16 December 2021, the Authority initiated a procedure for the definition of the incentive parameters for the balancing manager for 5PI and at the same time extended the deadline for the application of the incentive parameters referred to in point 4, letters a) and b) of Resolution

45/2020/R/gas until 30 April 2022. With Resolution 199/2022/R/Gas, published on 5 May 2022, the Authority defined the incentive parameters of the Balancing Manager for the 5th incentive period, extending the incentives already in force in the 4PI to 2023.

Other measures

Urgent provisions on default transport service and allocation of transport capacity and subsequent measures

With Resolution 440/2022/R/gas, published on 23 September 2022, the Authority ordered some revisions of the default transportation service, specifically providing for: (i) obligation to present a guarantee covering at least one month of service; (ii) advance payment of unloading (for customers directly connected to transportation) and activation of services of last resort (for distribution customers) in all cases of failure to present a guarantee or failure to pay an invoice (iii) the possibility for SRG, on a transitional and exceptional basis, to procure gas for the service also by means of purchases in advance of the gas day, in accordance with the modalities proposed by SRG and approved by the Authority; (iv) integration of the marketing fee for the service with a fee that also recognises to SRG the financial burden for the approximately two months between gas procurement and invoicing.

Furthermore, in the same resolution, the Authority instructed the TSOs to make extraordinary capacity allocations until the beginning of October 2022 and, at the request of the User, also to extend the capacities allocated in the previous thermal year 2021-2022 to 31 October 2022. Modalities that were extended until March 2023 with the subsequent Resolution 493/2022/R/Gas of 13 October 2022.

Subsequently, with Resolution 516/2022/R/gas of 21 October 2022, the Authority mandated SRG to procure gas for the supply of the default service according to general conditions proposed by SRG and approved by the Authority. Following this Resolution SRG started the procurement procedures.

With the subsequent Resolutions of 16 and 29 December 2022, respectively No. 690/2022/R/GAS and No. 745/2022/R/gas, the Authority supplemented further urgent provisions on the subject of transport default with reference to the service provided to end customers directly connected to the transportation network, establishing that the service may be provided until 31 March 2023 for end customers who regularly pay for the service or whose credits are fully covered by suitable guarantees. The Authority also ordered, as an exception to the service regulation, the temporary suspension of redelivery point closure procedures (unloading) for end customers served in the default transport service until 15 December 2022. The Authority reserves the right to change this deadline (to 31 January) if specific provisions are confirmed in the Budget Law 2023[47].

Finally, with Resolution 639/2022/R/gas, published on 1 December 2022, the Authority acknowledged the significant increase in volumes served through the so-called of last resort (default services transportation, distribution, supply of last resort) together with the increase in the level of prices and the consequent increase in the amounts invoiced by the entities that provide the aforementioned services (including the major transportation company), as well as the time lag between the timing of payment of the commodity in the wholesale markets and the realisation of the collections following payment of the invoices issued for the provision of the service paid 400 million euros to SRG for the default service provided in the last thermal year 2021-22 (equal to 85% of the unpaid amounts for this service), in advance of the recovery envisaged by the regulations in force, which will take place no earlier than 15 months later.

Urgent provisions in respect of the gas system balancing manager

With Resolution 688/2022/R/gas, published on 13 December 2022, the Authority mandated Snam Rete Gas to implement a series of measures regarding gas settlement and guarantees for the balancing service, including the economic compensation between estimated and measured consumption for the winter period of the thermal year 2022-2023, the updating of the methods for calculating the value of expected batches and gas in storage lent as a guarantee, and the incorporation of more updated data on injected/withdrawn gas in the calculation of user exposure.

Evaluation of the 10-year development plans for natural gas transportation networks 2021 and 2022

With Resolution 696/2022/R/gas, published on 23 December 2022, the Authority assessed the ten-year development plans for the 2021 and 2022 natural gas transport networks. In particular, it is envisaged to initiate a specific evaluation with an urgent procedure outside the ordinary procedure for the evaluation of the Plans with reference to the request of Snam Rete Gas S.p.A. for the urgent evaluation of the "Strengthening for new imports from South" (so-called Adriatic Line), taking into account the results of the consultation launched by the company on the supplementary report of the 2022 Plan. Furthermore, no critical issues were found with regard to the projects for the 11 Dual fuel power plants, as they possess the same characteristics that led to a positive evaluation of previous similar projects.

47 With the same content as in the approved DDL Budget (Article 1, paragraph 25)

REGASIFICATION OF LIQUEFIED NATURAL GAS (LNG)

Regulation for the fifth regulatory period 2020 - 2023

Criteria for adjusting the tariffs for the liquefied natural gas regasification service for the fifth regulatory period (2020-2023)

Through Resolution 474/2019/R/gas, published on 21 November 2019, the Authority defined the criteria for calculating the revenues recognised and the tariffs for the regasification service for the fifth regulatory period (1 January 2020-31 December 2023).

The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method.

The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.524, with the WACC remaining unchanged at 6.8% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period. The revenue guarantee mechanism is confirmed as 64% of revenues recognised for a duration of 20 years starting from the first year in which the business offers the regasification service or, if prior to that, from the first year of ownership of the guarantee factor pursuant to Resolution ARG/gas 92/08.

In order to give incentive to the range of flexible services offered, there are plans that a share of 40% of revenues from the offering of these services can be retained by the regasification business to cover the revenues not subject to the revenue guarantee factor, up to the recognised revenues.

Recognition of variable electricity costs will be introduced (dependent on the unloading of ships and regasification of LNG) through a fee applied to users. Costs relating to electricity for the basic operation of the terminal continue to be recognised in the reference revenues.

There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and encouraging virtuous behaviour aimed at reducing CO_2 emissions.

Approval of revenues for the year 2021

By means of Resolution 229/2020/R/gas "Approval of tariffs for the LNG regasification service for the year 2021 and provisions relating to the revenue coverage factor for 2019", published on 26 June 2020, the Authority approved the revenues recognised for the regasification service for the year 2021 based on the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 26.6 million euros and energy costs of approximately 4.3 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 129 million euros.

At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2019 for an amount of approximately 11 million euros.

Approval of revenues for the year 2022

With Resolution 268/2021/R/gas "Approval of tariff proposals for the LNG regasification service for 2022 and provisions in relation to the revenue coverage factor for 2020", published on 30 June 2021, the Authority approved the revenue recognised for the regasification service for 2022 on the basis of the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 28.9 million euros and energy costs of approximately 8.1 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 147.3 million euros. At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2020 for an amount of approximately 3.8 million euros.

Approval of revenues for the year 2023

With Resolution 278/2022/R/gas "Approval of tariff proposals for the LNG regasification service for 2023 and provisions in relation to the revenue coverage factor for 2021", published on 30 June 2022, the Authority approved the revenue recognised for the regasification service for 2023 on the basis of the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 31.4 million euros and energy costs of approximately 6.4 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 163.5 million euros. At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2021 for an amount of approximately 10.5 million euros.

Provisions on the definition of reserve prices for the allocation of regasification capacity

With Resolution 240/2022/R/Gas, published on 3 June 2022, the Authority approved provisions on reserve prices for annual and multi-year regasification capacity allocation procedures, providing that the allocation fees for the annual and multi-year allocation procedures at the beginning of the thermal year shall be inclusive of transportation capacity costs and that the differences between the transportation capacity fees that will actually be incurred with respect to those determined on the basis of the tariff updates shall be settled through the "Regasification plant charges account" referred to in the RTRG.

Initiation of the procedure for the formation of provisions on tariffs for the use of LNG regasification terminals, for the sixth regulatory period (6PR LNG)

With Resolution 356/2022/R/gas, published on 29 June, ARERA initiated the procedure for the formation of measures concerning the tariffs for the use of LNG terminals for the sixth regulatory period, starting from 2024. The proceedings, which will be concluded by 15 April 2023, will be carried out in coordination with the proceedings initiated by Resolution 271/2021/R/gas for the definition of ROSS-basis criteria (Totex).

NATURAL GAS STORAGE

Regulation for the fifth regulatory period 2020 – 2025

Criteria for adjusting the tariffs for the natural gas storage service for the fifth regulatory period (2020-2025)

Through Resolution 419/2019/R/gas, published on 23 October 2019, the Authority defined the criteria for calculating the revenues recognised for the storage service for the fifth regulatory period (1 January 2020-31 December 2025).

The duration of the regulatory period will be extended from 4 to 6 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.506, with the WACC remaining unchanged at 6.7% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period.

The mechanism for hedging revenues will be extended to cover 100% of the reference revenues, also predicting the storage businesses can optionally access an updated incentive system following the remodelling of the share of revenue recognised subject to the hedge factor. The methods for recognising renewal costs are confirmed.

There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and encouraging virtuous behaviour aimed at reducing CO_2 emissions.

Lastly the resolution approves the regulatory provisions for the quality of the storage service for the period 2020-2025.

Approval of 2021 Revenues

By means of Resolution 275/2020/R/gas, published on 23 July 2020, the Authority approved the revenue recognised for the natural gas storage service for 2021. The recognised revenues amounted to 486 million euros. The RAB used for the calculation of revenues 2021 is 3.95 billion euros and includes the investments estimated for 2020.

Approval of 2022 Revenues

By means of Resolution 346/2021/R/gas, published on 04 August 2021, the Authority approved the revenue recognised for the natural gas storage service for 2022. The recognised revenues amounted to 493.7 million euros. The RAB used for the calculation of revenues 2022 is 3.97 billion euros and includes the investments estimated for 2021.

Approval of 2023 Revenues

By means of Resolution 384/2022/R/gas, published on 02 August 2022, the Authority approved the revenue recognised for the natural gas storage service for 2023. The recognised revenues amounted to 450.4 million euros. The RAB used for the calculation of revenues 2023 is 4.09 billion euros and includes the investments estimated for 2022.

Definition of the incentive parameters for Stogit S.p.A. for the fourth incentive period (4PI)

With Resolution 54/2022/R/gas, published on 18 February 2022, the Authority approved the parameters of the incentive system provided for in Article 29 of the RAST, for the company Stogit, for the period 1 January 2022 - 31 December 2023. The approved parameters are in line with the structure approved in Resolution 202/2021/R/gas for 3PI.

Intra-period review of the efficiency recovery levels of natural gas storage companies for the fifth regulatory period 2020-2025

With Resolution 75/2022/R/Gas, published on 4 March 2022, the Authority set the criteria for revising the efficiency recovery levels of natural gas storage companies for the second semi-period of the fifth regulatory period (2023-2025). The Resolution envisages maintaining the current X-factor value of 1.0% for the year 2023 and updating it for the years 2024 and 2025 in the event of higher or lower productivity recoveries achieved in the first semi-period (2020-2021).

NFS NATURAL GAS TRANSPORTATION

Snam, through the subsidiary Snam Rete Gas, is the leading Italian natural gas transportation and dispatching operator, and owns almost all the transportation infrastructures in Italy, with over 32,800 kilometres of high- and medium- pressure gas pipelines (approximately 93% of the entire transportation system). Snam manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 13 compression stations, and a new dispatching unit that has recently been renovated in terms of structure and technology. Gas coming from abroad is injected into the network at nine entry points, in correspondence with the 6 methane pipeline interconnection points (including the TAP pipeline which began operating in November 2020) and the three interconnection points for the LNG regasification terminals. Once it has been imported or regasified, the gas is transported to the local distribution networks, the regional network redelivery points or large end users such as thermoelectric power stations or manufacturing plants.

Snam awards transportation capacity to shippers who apply. In this way, users acquire the right to inject or withdraw a quantity of gas not exceeding the daily rate allocated on any day of the thermal year. The conditions for access to the service are contained in the Network Code. Shippers have the possibility of making gas sales and trades at a Virtual Trading Point (PSV) of the National Network, thanks to the dedicated IT platform.

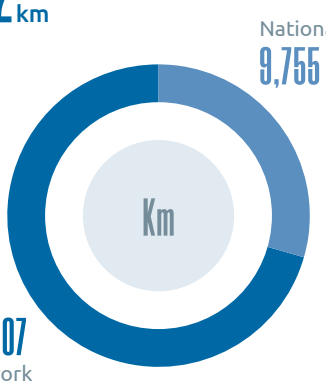
The transport capacity of the network has made it possible, also for the year 2022, to fully satisfy the demand for capacity on the part of users. In addition to the average transportation capacity offered at entry points connected with foreign countries and with LNG terminals equal to 370.8 million cubic metres/day; Snam has made further transport capacities available at entry points interconnected with national producers for a total of 17.0 million cubic metres/day and with the production of biomethane for a total of 1.5 million of cubic metres average/ day.

Over the last few years, transportation operators have been constantly increasing, going from around 30 operators in 2003 to around 330 operators in 2022 (including shippers and traders).

In 2022, 65 connection agreements were entered into for the creation of new delivery/ redelivery points or for upgrading existing ones, 24 contracts for the injection of biomethane and 8 relating to CNG service areas.

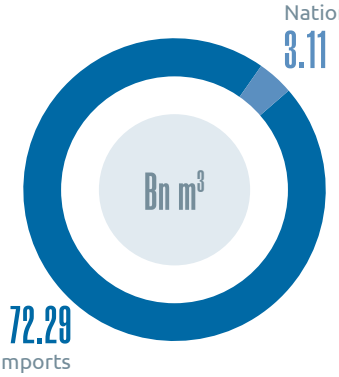
Pipelines under operations

32,862 km



Gas injected into the national network

75.40 Bn m³



KEY PERFORMANCE INDICATORS

The natural gas transportation sector information includes figures for Snam Rete Gas, Infrastrutture Trasporto Gas and Enura.

(million euros)	2020	2021	2022	Abs. change	Change %
Regulated revenues (a) (b)	2,028	2,327	**2,162**	(165)	(7.1)
Other non-regulated revenues	65	52	**108**	56	
Total revenues (a) (b)	2,093	2,379	**2,270**	(109)	(4.6)
EBITDA (*)	1,776	1,804	**1,795**	(9)	(0.5)
EBIT (*)	1,142	1,135	**1,092**	(43)	(3.8)
Technical investments	981	1,004	**1,007**	3	0.3
- of which with a greater return	*265*	*123*	***129***	*6*	*4.9*
- of which with a basic return (c)	*716*	*881*	***878***	*(3)*	*(0.3)*
Net invested capital at 31 December	13,411	14,164	**11,941**	(2,223)	(15.7)
Natural gas injected in the National Gas Transportation Network (billion cubic metres) (d)	69,97	75,77	**75,40**	(0,37)	(0.5)
Gas transportation network (kilometres in use) (e)	32,647	32,767	**32,862**	95	0.3
- of which National Network (e)	*9,649*	*9,655*	***9,755***	*100*	*1.0*
- of which regional network	*22,998*	*23,112*	***23,107***	*(5)*	*(0.0)*
Employees in service at the period end (number)	1,910	1,843	**1,903**	60	3.3

(*) Values related to 2020 and 2021 exclude costs suffered following the state of emergency linked to the COVID-19 pandemic, essentially relative to personal protective equipment for internal use and for deep cleaning of work areas (3 million euros total for both years).
(a) Before consolidation elisions.
(b) Net of revenues which, in accordance with tariff regulations, are offset by costs (pass-through item) relating to the modulation service amounting to 81 million euros in 2022 (54 million euros in 2021).
(c) At a pre-tax real base WACC of 5.1% for 2022 (5.7% in 2021).
(d) The data for 2022 is current as at 23 January 2023. The corresponding value for 2021 has been definitively updated and is aligned with that published by the Ministry of Economic Development. Gas volumes are expressed in standard cubic metres (Scm) with an average higher heating value (HHV) of 38.1 MJ/Scm (10.573 kWh/Scm).
(e) The amount includes 84 km of network relative to Infrastrutture Trasporto Gas.

RESULTS

Total revenues amounted to 2,270 million euros, a decrease of 109 million euros, or 4.6%, compared to the 2021 financial year (2,379 million euros) and included variable fees to cover the costs of purchasing the gas necessary to operate the network (energy costs), which amounted to 167 million euros in 2022 (301 million euros in 2021)[48]. Net of variable fees connected to energy costs, total revenues amounted to 2,102 million euros, up by 24 million euros, equal to 1.2%, compared to 2021.

Adjusted revenue, net of fees to cover energy costs, amounted to 1,995 million euros, a decrease of 31 million euros, or 1.5%, mainly due to the reduction of the WACC from 5.7% in 2021 to 5.1% in 2022 (-102 million euros), which was partly offset: (i) by the increase in the RAB base (+40 million euros, including the effect of lower input-based incentives); (ii) from higher volumes of gas transported (+10 million euros) due to the recovery of domestic consumption and growth in exports; (iii) by higher revenues for output-based services (+17 million euros).

Other non-regulated revenues amounted to 108 million euros, an increase of 56 million euros compared to 2021 due to one-off proceeds related to the sale of owned gas inventories (+42 million euros). Non-regulated revenues also include charge-backs for technical services (particularly engineering and project management activities for large-scale investments) provided to other group companies, which were matched by the costs incurred in providing the related services. The increase (+13 million euros) is mainly attributable to the higher technical services provided to Snam FSRU Italia S.r.l. for the investments underway for the upgrade of the Golar Tundra vessel and the PIR marine terminal in Ravenna.

48 In the course of 2021, the modalities for recognising the value of the gas volumes needed to operate the system were made operational. Consequently, until 2021 energy costs were recorded on the basis of market prices and, as from 2022, they are recorded on the basis of tariff proposal prices. The related revenues to cover costs were recognised in line with the way costs were recognised. The regulatory recognition of energy costs ensures substantial neutrality in both economic and financial terms.

EBITDA amounted to 1,795 million euros, substantially in line with 2021 (-9 million euros, or 0.5%), mainly as a result of the aforementioned reduction in regulated revenues in addition to higher capital losses, partly absorbed by the positive effect of gas sales and the dynamics of the provisions for risks and charges, against releases made in 2021 for disputes that have come to an end.

EBIT amounted to 1,092 million euros, down by 43 million euros, equal to 3.8% compared to 2021, as a result of higher depreciation and amortisation (-38 million euros; equal to 5.8%) mainly due the entry into service of new assets, partly absorbed by the lower write-downs (+4 million euros).

OPERATING PERFORMANCE

TECHNICAL INVESTMENTS

		2020		2021	2022
Type of investment	Higher remuneration (%) (*)	Million euros	Higher remuneration (%) (*)	Million euros	Million euros
Development	1.5%	265	1,5%	123	**129**
Replacement and other		716		881	**878**
TOTAL TECHNICAL INVESTMENTS		981		1,004	**1,007**

(*) With respect to an actual basic pre-tax WACC of 5.7%, applied to investments in new transport capacity and with a cost-benefits analysis of more than 1.5 in accordance with ARERA Resolution 575/2017/R/Gas.
(**) With respect to an actual basic pre-tax WACC of 5.1%, applied to investments in new transport capacity and with a cost-benefits analysis of more than 1.5 in accordance with ARERA Resolution 575/2017/R/Gas. The rate of return on net invested capital (WACC) from 1 January 2022 was set by the Authority in Resolution 614/2021/R/com, published on 23 December 2021.

Technical investments in 2022 amounted to 1,007 million euros, in line with 2021 (+3 million euros, equal to 0.3%). Investments have been classified consistently with resolution 114/2019/R/gas whereby the Authority identified different categories of projects with which a different level of remuneration is associated.

In 2022, the main investments for the **development** of a new transport capacity amounted to 129 million euros, for which a **higher remuneration of 1.5%** is envisaged, mainly concern:

- **construction of a new network and facilities** amounting to 42 million euros, mainly attributable to: (i) engineering activities and support for the authorisation process for the development of the virtual pipeline to Sardinia (23 million euros); (ii) the expansion of the transportation network from the entry points in Southern Italy (9 million euros) for the continuation of construction work on the reconnection of the Massafra- Biccari methane pipeline; (iii) the completion of the new transportation line from Azzano Mella (BS) to Zanica (BG) (Mornico Al Serio-Travagliato methane pipeline) (1 million euros);
- investments in **development for network connections and upgrades** amounting to 87 million euros, including (i) the continuation of construction activities for certain biomethane connections (19 million euros) and for the CNG and CNG S4M service areas (14 million euros); (ii) the design, acquisition of permits and supply of materials for the connection of the new LNG FSRU in Piombino to the National Gas Pipeline Network (11 million euros) (iii) feasibility and engineering activities related to the hybrid power plants (including the main ones in Messina and Poggio Renatico, with amounts of 9 million euros and 6 million euros, respectively); (iv) construction activities related to the upgrading of the Ravenna Fiumi Uniti Network (3 million euros) and the Nocera-Cava Dei Tirreni Branch (1 million euros).

Replacement investments and other investments with basic remuneration in 2022 amounted to 878 million euros and mainly concern: (i) works to maintain plant safety and quality levels (695 million euros), including the 'methane pipeline replacement' initiative (376 million euros), and in particular the continuation of the refurbishment of the San Salvo Biccari (104 million euros), Mestre-Trieste (68 million euros), Rimini-S. Sepolcro (48 million euros), Ravenna-Chieti section Ravenna - Recanati (44 million euros), and the Recanati - Chieti section (28 million euros); (ii) projects for the development of new information systems, as well as the implementation of existing ones (106 million euros) (iii) design activities and other support consultancy (legal and IT) for the new headquarters (2 million euros); (iv) third-party work (32 million euros); (v) the purchase of operating assets (9 million euros).

Net invested capital amounted to 11.9 billion euros as at 31 December 2022, a decrease of 2.2 billion euros compared to the same period of the previous year, mainly due to the dynamics of working capital and, in particular, items related to the gas balancing and settlement service.

Progress of activities related to obtaining permits

To develop new settlements, in addition to the technical-economic feasibility criteria, Snam adopts procedures that respond to stringent environmental and safety compatibility assessments.

The assessments of environmental effects involve all phases of the work life cycle, site selection, planning, construction, operation and decommissioning. These assessments are carried out as part of the Environmental Impact Assessment procedure (VIA), and in the Integrated Environmental Authorisation (AIA) procedures, at the end of which the administrations in charge, both centrally and locally, issue the authorisations required by current law.

VIA DECREES OBTAINED DURING THE YEAR

Name	Length (km)	Regions involved	Accrual	Decree Date
Methane pipelines				
Realisation Sestri Levante - Recco	47.8	Liguria	MASE	08 August 2022
Refurbishment Gagliano-Termini Imerese (Phase 2)	60.45	Sicily	MASE	05 December 2022
Methanisation Sardinia - North Section	237.105	Sardinia	MASE	05 December 2012

PROVISIONS TO VERIFY VIA JURISDICTION OBTAINED DURING THE YEAR

Name	Power (MW)/ Length (km)	Regions involved	Accrual	Provision date
Upgrading of the Poggio Renatico compression plant	//	Emilia-Romagna	MASE	19 May 2022
Upgrading of the Masera compression plant	//	Piedmont	MASE	19 May 2022
LNG loading project on ISO container trucks (GNL ITALIA)	//	Liguria	MASE	20 June 2022
Connection IVI Petrolifera S.p.A. (ENURA)	4	Sardinia	MASE	07 October 2022
San Salvo network refurbishment and related works	18	Abruzzo	MASE	21 November 2022
Upgrading of Messina gas compressor station	//	Sicily	MASE	14 December 2022

REQUESTS TO VERIFY VIA JURISDICTION PRESENTED TO THE MINISTRY OF ENVIRONMENT (MATTM)

Methane pipelines	Power (MW) / Length (km)	Regions involved	Date submission
Ravenna plant area -Bassette New plant HPRS-10 IS 75/12	//	Emilia-Romagna	21 April 2022
Cortemaggiore-Turin variant	7.775 km	Piedmont	28 June 2022
Vessel reloading project - Plant modifications Existing LNG regasification terminal at Panigaglia in the Municipality of Portovenere (SP)	//	Liguria	11 July 2022
Settala Gas Storage Plant. ELCO EC3 unit installation (STOGIT)	15 MW	Lombardy	31 May 2022
Cortemaggiore Gas Storage Plant. Connection wells 158 OR and 159 OR (STOGIT)	//	Emilia-Romagna	12 August 2022
Fiume Treste Gas Storage Plant. ELCO EC5 (STOGIT) unit installation	13 MW	Abruzzo	28 September 2022
Variant with T.O.C. technology to the methane pipeline called "Derivation for Trivento and Agnone- 1st Strand DN 250 at the crossing of the Trigno River-Municipality of Tufillo (CH) and Montemitro (CB) GEST	0.476 km	Abruzzo-Molise	29 November 2022
Minerbio Gas Storage Plant. ELCO EC8 (STOGIT) unit installation	15 MW	Emilia-Romagna	29 December 2022
Cancello-Nola inspection	12,000 km	Campania	29 December 2022

Gas distribution on the national Transportation network

Gas volumes are stated in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.573 Kwh/SCM). The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

GAS DEMAND IN ITALY

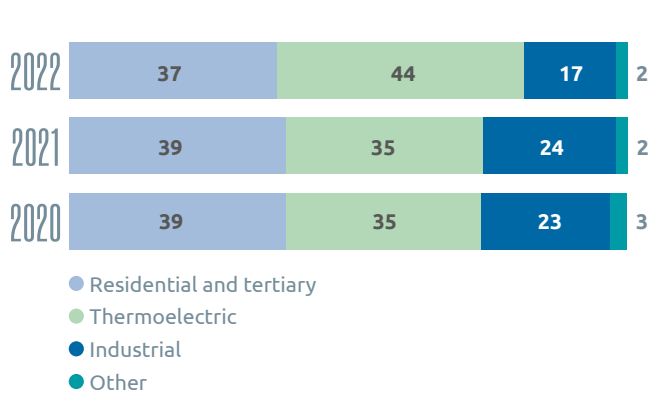
(billions of m³)	2020	2021 (a)	2022	Abs. change	Change % (b)
Residential and tertiary	27.46	29.80	**25.18**	(4.62)	(15.5)
Thermoelectric	25.16	31.09	**30.07**	(1.02)	(3.3)
Industrial (c)	16.40	13.51	**11.66**	(1.85)	(13.6)
Other (d)	2.29	1.97	**1.78**	(0.19)	(9.8)
	71.31	**76.37**	**68.69**	**(7.68)**	**(10.1)**

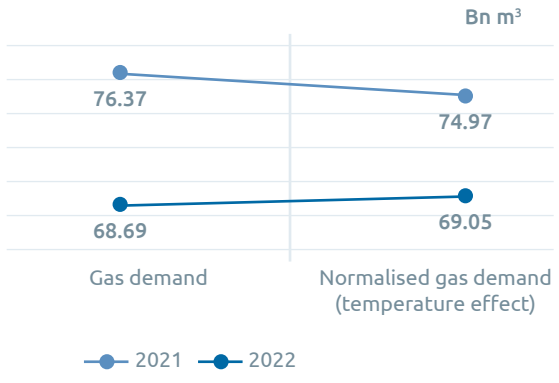
(a) The 2021 values have been definitively updated and are in line with those published by the Ministry of Economic Development.
(b) The percentage variations were calculated with reference to the data expressed in cubic metres.
(c) It includes the consumption of the Industry, Agriculture and Fishing, Chemical Synthesis and Automotive sectors.
(d) Consumption and losses mainly refer to the natural gas transport system, the energy system, the up-stream sector, storage and LNG plants.

Gas demand in Italy in 2022 was **68.69 billion cubic metres**, down by 7.68 billion cubic metres, or 10.1%, compared to 2021, due to the drop in consumption in all business sectors. More specifically, the decline in gas demand is attributable: (i) **to the residential and tertiary sector** (-4.62 billion cubic metres; -15.5%), as a result of significantly warmer weather than in 2021, concentrated in particular in the fourth quarter of the year, as well as the effects of actions to curb gas demand in implementation of Ministerial Decree no. 383 of 6 October 2022 to cope with the reduction in imports from Russia; (ii) **to the industrial sector** (-1.85 billion cubic metres; -13.6%) as a result of the increase in commodity prices and the unstable macroeconomic situation, which led to a drop in industrial production in certain energy-intensive sectors (iii) **to the thermoelectric sector** (-1.02 billion cubic metres; -3.3%) as a result of the drop in hydroelectric production caused by the extreme drought, which was partly absorbed by the lower use of natural gas in electricity generation due to higher prices.

Gas demand in temperature-normalised terms, estimated at 69.05 billion cubic meters, shows a reduction of 5.92 billion cubic meters (-7.9%) compared to the corresponding value in 2021 (74.97 billion cubic metres), against a progressive recovery in consumption which offsets the reduction due to the progressive increase in energy efficiency measures and the modernisation of heating systems with more efficient boilers, together with actions to contain the demand for natural gas required to face the winter risk resulting from the reduction of imports from Russia.

GAS DEMAND BY SECTOR (% OF TOTAL GAS DEMAND)





AVAILABILITY OF NATURAL GAS

(billions of m³)	2020	2021 (*)	2022	Abs. change	Change %
From gas injected into the network by entry point	66.11	72.65	**72.29**	(0.36)	(0.5)
From domestic output	3.86	3.12	**3.11**	(0.01)	(0.3)
Total gas injected into the network	**69.97**	**75.77**	**75.4**	**(0.37)**	**(0.5)**
Net balance storage withdrawals/injections (**)	0.93	1.45	**(2.81)**	(4.26)	
Total availability of natural gas	**70.90**	**77.22**	**72.59**	**(4.63)**	**(6.0)**

(*) The figures for 2021 have been definitively updated and are consistent with those published by the Ministry of Economic Development.
(**) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.

The **availability of natural gas in Italy** (72.59 billion cubic metres), equal to the sum of the gas injected into the National Transportation Network and the net balance of withdrawals/injections from/into storage, shows a decrease of 4.63 billion cubic metres (-6.0%) compared to 2021. The reduction was in line with the drop in domestic consumption, while the volume of gas injected into the grid was in line with the previous year, and favoured the filling of storage facilities (2.81 billion cubic metres of net injections into storage).

GAS INJECTED INTO THE NETWORK (*)

(billions of m³)	2020	2021	2022	Abs. change	Change %
Domestic production	**3.86**	**3.12**	**3.11**	**(0.01)**	**(0.3)**
Entry points (**)	**66.11**	**72.65**	**72.29**	**(0.36)**	**(0.5)**
Tarvisio	28.43	29.06	**13.98**	(15.08)	(51.9)
Mazara del Vallo	12.02	21.17	**23.55**	2.38	11.2
Cavarzere (LNG)	6.81	7.28	**8.28**	1.00	13.7
Melendugno	0.01	7.22	**10.33**	3.11	43.1
Gela	4.46	3.23	**2.62**	(0.61)	(18.9)
Gries Pass	8.60	2.17	**7.59**	5.42	249.8
Livorno (LNG)	3.27	1.42	**3.72**	2.30	162.0
Panigaglia (LNG)	2.51	1.06	**2.20**	1.14	107.5
Gorizia		0.04	**0.02**	(0.02)	(50.0)
	69.97	75.77	**75.40**	(0.37)	(0.5)

(*) The data for 2022 is current as at 23 January 2023. The corresponding value for 2021 has been definitively updated and is aligned with that published by the Ministry of Economic Development.
(**) Entry points connected with other countries or with LNG regasification plants.

Injections and gas withdrawals in the transportation network

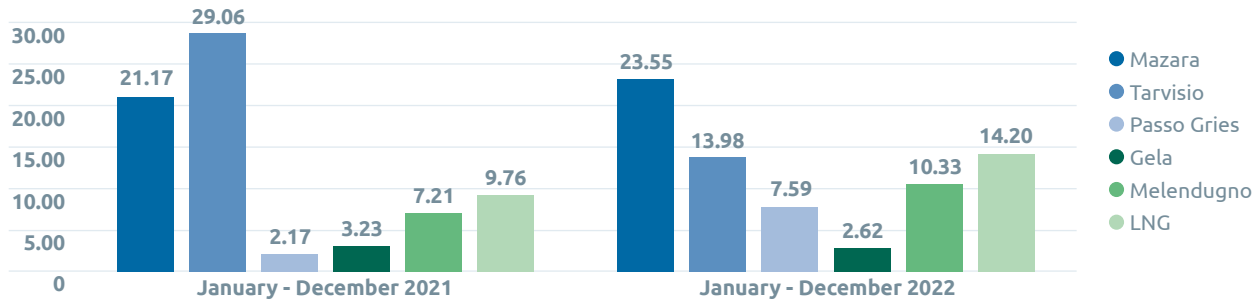
The gas injected into the grid in 2022 totalled 75.40 billion cubic metres, broadly in line with 2021 (-0.37 billion cubic metres; -0.5%).

Injections into the network from domestic production fields or their collection and treatment centres totalled 3.11 billion cubic metres, in line with 2021 (-0.3%).

Volumes injected by entry points interconnected with foreign countries recorded a decrease of 4.80 billion cubic metres (-7.6% compared to 2021), which was absorbed by the increase in volumes transited by entry points interconnected with regasification terminals of 4.44 billion cubic metres (+45.5% compared to 2021).

The impact of the Russia-Ukraine conflict that began in February 2022 has led to a substantial change in the supply mix for Italy during 2022, with imports from Russia decreasing significantly from 29.06 billion cubic metres in 2021 to 13.98 billion cubic metres in 2022 and volumes from the south (Marzara and Melendugno) growing by 4.88 billion cubic metres, LNG volumes growing by around 4.44 billion cubic metres and imports from the north (Gries Pass) growing by around 5.42 billion cubic metres.

IMPORT FOR ENTRY POINT (BCM)



NATURAL GAS WITHDRAWALS

(billions of m³)	2020	2021	2022	Abs. change	Change %
Redelivery to domestic market	70.01	75.07	67.24	(7.83)	(10.4)
Exports and transit (*)	0.36	1.60	4.63	3.03	
Consumption and emissions, Snam rete Gas	0.23	0.33	0.35	0.02	6.1
Unaccounted for gas and other changes (**)	0.30	0.23	0.37	0.14	60.9
Total natural gas withdrawals	**70.90**	**77.22**	**72.59**	**(4.63)**	**(6.0)**

(*) Includes exports to the Republic of San Marino.
(**) Includes variation from network invasion. In the energy budget prepared by Snam Rete Gas, UFG is conventionally defined as the natural difference between the amounts of gas measured at injection and the amounts of gas measured at withdrawal, deriving from the technical tolerances of the measurement tools.

Natural gas withdrawn from the national transportation network in 2022 (72.59 billion cubic metres; -6.0% with respect to 2021) mainly went to: (i) redelivery to users at network exit points (67.24 billion cubic metres; 75.07 billion cubic metres in 2021); (ii) increased exports and transits compared to 2021 against the decline in domestic consumption (4.63 billion cubic metres; 1.6 billion cubic metres in 2021); (iii) consumption by compression plants and gas emissions from the network and Snam Rete Gas plants (0.35 billion cubic metres; 0.33 billion cubic metres in 2021).

RECONCILIATION OF GAS VOLUMES INJECTED INTO THE NETWORK AND GAS DEMAND IN ITALY

(billions of m³)	2020	2021 (a)	2022	Abs. change	Change % (b)
Total gas injected into the network	**69.97**	**75.77**	**75.40**	**(0.37)**	**(0.5)**
Net balance storage withdrawals/injections (c)	0.93	1.45	(2.81)	(4.26)	
Total natural gas withdrawals	**70.90**	**77.22**	**72.59**	**(4.63)**	**(6.0)**
Exports (-) (d)	(0.36)	(1.60)	(4.63)	(3.03)	
Gas injected in other operator regional network	0.03				
Other consumption (e)	0.74	0.74	0.73	(0.01)	(1.6)
Total demand italy	**71.31**	**76.37**	**68.69**	**(7.68)**	**(10.1)**

(a) The figures for 2021 have been definitively updated and are consistent with those published by the Ministry of Economic Development.
(b) The percentage change is calculated with reference to the figures in cubic metres.
(c) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.
(d) Includes transits and exports to the Republic of San Marino.
(e) Includes consumption from LNG regasification terminals, consumption from storage compression stations and from power stations for production treatment.

The booked transport capacity shown in the table below represents the average daily value resulting from the booking processes taking effect in the calendar year:

TRANSPORTATION CAPACITY

(millions m³/day) Entry points	Calendar year 2020			Calendar year 2021			Calendar year 2022		
	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)
Tarvisio (*)	113.0	88.5	78.3	111.5	90.5	81.1	112.4	54.2	48.2
Mazara del Vallo (*) (**)	85.6	36.9	43.1	70.7	60.9	86.1	73.2	64.3	87.8
Gries Pass	64.4	23.9	37.1	64.4	6.2	9.6	64.4	20.9	32.5
Gela (**)	22.4	17.2	76.7	21.5	19.4	90.2	29.9	27.5	92.0
Melendugno (**)				26.4	22.9	86.7	26.4	23.7	89.8
Competitor Capacity (**)	19.1			24.6			16.2		
Cavarzere (LNG)	26.4	22.3	84.5	17.4	13.8	79.0	15.7	13.2	84.1
Livorno (LNG)	15.0	11.7	78.0	15.0	8.3	55.4	15.0	12.4	82.7
Panigaglia (LNG)	13.0	6.7	51.5	13.0	3.8	29.0	13.0	6.8	52.3
Gorizia	4.2			4.2	0.1	2.9	4.6	0.6	13.0
	363.1	207.2	57.1	368.7	225.7	61.2	370.8	223.6	60.3

(*) Capacity values at the Mazara del Vallo and Tarvision Entry Points include capacity quotas pursuant to ARERA Resolution 666/2017/R/GAS.
(**) Capacity values at the Mazara del Vallo, Gela and Melendugno Entry Points do not include Competitor Capacity. This capacity, pursuant to Regulation EU 984/2013, in effect as of 1 November 2015, is the transportation capacity available at a Point for which the transfer entirely or partially reduces the capacity available for transfer at another Point on the Transportation System.

The transport capacity of the network has made it possible, also for the year 2022, to fully satisfy the demand for capacity on the part of users. Average transportation capacity provided in 2022 at the entry points connected with foreign pipes and at regasification facilities was 370.8 million cubic metres on average per day, 16.2 of which were offered as competing capacities between the Mazara del Vallo, Gela and Melendugno entry points. In addition to the aforementioned capacities which concern the entry points interconnected with foreign countries and the LNG terminals, a transportation capacity is available at the domestic production entry points:

- national production at a total of about 17.00 million cubic metres/day.
- the production of biomethane at a total of about 1.5 million cubic metres/day;
- production from virtual entry points (PIV) connected to distribution networks/other transportation networks for a total of about 0.2 million cubic metres/day.

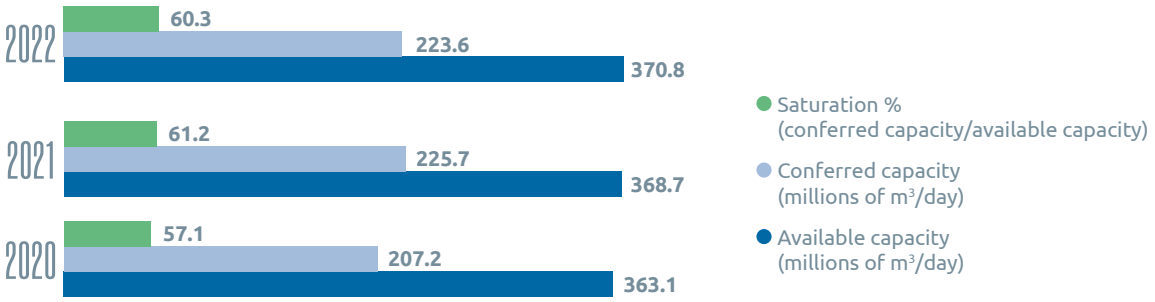
Snam Rete Gas has prepared a long-term plan for available transportation, sent to the Ministry of Economic Development on 30 June 2022 and published on the Snam website http://www.snam.it/it/trasporto at in the online services/capacity section.

The document shows data about capacity at all entry points interconnected with foreign countries and with LNG terminals for the thermal year 2022 - 2023 and subsequent years up to 30 September 2037.

Also shown for the thermal year 2021 - 2022 are the transportation capacities of the interconnected exit points with the foreign countries of Passo Gries, Gorizia, Melendugno, Bizzarone and San Marino at a total of 46 million cubic metres/day. As a result of all the infrastructures of the "Supporting the north-west market and two-way cross-border flows" project coming into service, a total capacity of 40 million cubic metres/day became available simultaneously at the Passo Gries and Tarvisio exit points. The maximum capacity of the Passo Gries exit point is 40 million cubic metres/day, while the maximum capacity of the Tarvisio exit point is 18 million cubic metres/day, therefore there is a "Competing capacity" pursuant to chapter 5, paragraph 3 of the Network Code available at the two points.

In 2022, 65 connection agreements were entered into for the creation of new delivery/ redelivery points or for upgrading existing ones, 24 contracts for the injection of biomethane and 8 relating to CNG service areas.

TRANSPORT CAPACITY AND SATURATION



Organisational changes

During the course of 2022, the recorded number of personnel in service increased by a total of 60 resources, from 1,843 at 31 December 2021 to 1,903 resources at 31 December 2022. During 2022, 31 new resources were added under MEASURE[49], aimed at enhancing operational activities on the ground (PROTER) as well as technical support activities. A study was also carried out to identify the best organisational and operational set-up for the management of measurement activities in the territory, to be implemented in 2023.

In addition, in early 2022, the Engineering and Construction Function was reorganised, introducing an organisational level of increased coordination of all projects in the field. A Project Management Office (PMO) function was also introduced and staffing levels were increased in connection with the growth of the investment plan for both the regulated gas infrastructure business and the energy transition business.

Accidents

In 2022 the number of accidents was 0 for employees (3 in 2021). Among the contractors, there were two recordable injuries, one of which was a death.

WORK-RELATED ACCIDENTS (NO.)

	2020	2021	2022
Total employee accidents (*)	0	3	**0**
Total contractor accidents (**)	1	1	**2**

ACCIDENT INDICES

	2020	2021	2022
Employees			
Frequency index (***)	0.00	0.94	**0**
Severity index (****)	0.00	0.09	**0.003**
Contractors			
Frequency index (***)	0.16	0.14	**0.32**
Severity index (****)	1.18	1.03	**1.2**

(*) In 2022, there were also four commuting accidents.
(**) In 2022, there was also a commuting accident.
(***) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(****) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

49 No. 29 resources came from market recruitment.

Energy consumption and emissions

Energy consumption for transport, equal to 10,727 Terajoules (TJ), increased by approximately 12% compared to 2021, also due to an increase in gas injected into the network (+0.5%): the trend of energy consumption for gas transport is strongly influenced by the use of import backbones and in 2022 more energy-intensive routes were used (North African backbone), compared to the less energy-intensive Northern European and Russian backbones.

In 2022, nitrogen oxide (NOx) emissions totalled around 407 tonnes (-4.9% compared with 2021). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines.

ENERGY CONSUMPTION

	2020	2021	2022
Energy consumption (TJ)	6,321	9,565	**10,727**
Emissions of CO_{2eq} – scope 1 (ton) (*)	880	1.056	**947**
Natural gas emissions (10^6 m^3)	28.5	28.1	**18.4**
Natural gas avoided (10^6 m^3)	10.4	8.94	**10.3**
NOx emissions (ton)	243	428	**407**

(*) In 2022, the methane coefficient for global warming potential (GWP) was updated. This value expresses the contribution to the greenhouse effect of a gas compared to CO_2, whose reference potential is 1. According to the Sixth Assessment Report - IPCC, the new value is 29.8 compared to the previous value of 28. Therefore, GHG Scope 1 emissions from previous years were recalculated.

REGASIFIATION OF LIQUEFIED NATURAL GAS (LNG)

LNG plays a key role in ensuring adequate diversification and flexibility of supplies to the gas system

Snam is active in LNG regasification through its subsidiary GNL Italia, which owns the Panigaglia plant built in 1971. The plant is able to regasify 17,500 m^3 of LNG every day; under conditions of maximum efficiency, it can supply more than 3.5 billion cubic metres of natural gas into the transportation network every year.

3.5 Bn m^3
Maximum annual LNG regasification capacity at Panigaglia

The regasification service can be continuous for the entire thermal year or the spot type and the regasification capacity was awarded through dedicated auctions. Moreover, the regasification service includes the ancillary service, which consists of correcting the heating power of the natural gas to comply with quality requirements for its injection into the transportation network (correction of the Wobbe index).

The total amount of gas regasified at the Panigaglia plant in 2022 was 2.24 billion m^3 (1.05 billion m^3 in 2021).

2.24 Bn m^3 (1.05 Bn m^3 in 2021)
LNG regasified in 2022 at Panigaglia

In 2022, 59 tankers were unloaded, in line with the number of tanker loaded (25 unloaded in 2021).

The increase in business volume is attributable to the strong demand for LNG to cover gas demand at national level, also as a result of the changes in the European energy context caused by the Russia-Ukraine conflict.

In addition, to foster greater security and diversification of Italy's energy supplies, Snam recently purchased a floating unit (FSRU) called Golar Tundra, with a storage capacity of **170 thousand cubic metres** of liquefied natural gas and an annual regasification capacity of 5 billion cubic metres of gas. The terminal will be located in Piombino, close to the areas where gas consumption is greater, in order to ensure the maximisation of its regasification capacity.

5 Bn m^3
Maximum annual LNG regasification capacity of the FSRU Golar Tundra

As part of a new energy plan for Sardinia included in the Decree of the President of the Council of Ministers (DPCM) of 29 March 2022, Snam signed in 2022 agreements for the acquisition of a FSRU (**Golar Arctic**) with a storage capacity of 140 thousand cubic metres of gas, which will be installed near the port area of Portovesme (in the province of Cagliari).

5 Bn m^3
FSRU BW Singapore's maximum annual LNG regasification capacity

Snam also signed with BW signed a contract for the acquisition of 100% of the share capital of FSRU I Limited, which upon closing, expected for 2023, will own the floating storage and regasification (FSRU) unit "BW Singapore" as its sole asset. Built in 2015, it has a maximum storage capacity of about 170 thousand cubic metres of liquefied natural gas and a nominal continuous regasification capacity of about 5 billion cubic metres per year and will be located in the northern Adriatic Sea, near the coast of Ravenna.

FSRUs (Floating Storage and Regasification Units) are terminals capable of storing and regasifying natural gas. They are mounted on ships located in the vicinity of a port area, on the quayside or offshore, and receive liquefied natural gas (LNG) at a temperature of -160°C from other LNG carriers and regasify it (i.e. bring it to a gaseous state) in order to feed it into the national gas transmission network.

The disclosure of the Liquefied Natural Gas - LNG regasification segment includes the values of the companies GNL Italia and Golar LNG, owner of the floating regasification plant (FSRU).

KEY PERFORMANCE INDICATORS

(million euros)	2020	2021	2022	Abs. change	Change %
Regulated revenues (a) (b)	21	19	**42**	23	
Other non-regulated revenues	2	1	**4**	3	
Total revenues (a) (b)	23	20	**46**	26	
EBITDA	7	8	**29**	21	
EBIT	0	0	**18**	18	
Technical investments (c)	20	33	**55**	22	66.7
Net invested capital at 31 December	104	140	**490**	350	
Regasified LNG volumes (billion cubic metres) (d)	2.55	1.05	**2.24**	1.19	
Tanker loads (number)	60	25	**59**	34	
Employees in service at 31 December (number)	67	65	**66**	1	1.5

(a) Before consolidation elisions.
(b) Net of revenues which, in application of tariff regulations, are offset by costs (pass-through item) relating to the recharging of charges for the natural gas transportation service provided by Snam Rete Gas S.p.A. (4 million euros; same in 2021) and gas sales for the extraordinary system balancing carried out in 2022 (30 million euros in total).
(c) Investments remunerated at the pre-tax real base WACC of 6.1% for 2022 (6.8% in 2021).
(d) Regasified volumes are shown gross of the share of self-consumption and losses (Qcp component), equal to 1.40% for the Panigaglia terminal. Gas volumes are expressed in standard cubic metres (Scm) with an average higher heating value (HHV) of 38.1 MJ/Scm (10.573 kWh/Scm).

RESULTS

Total revenue amounted to 46 million euros, an increase of 26 million euros compared to FY2021 and mainly related to regulated revenue related to the regasification service (42 million euros; +19 million euros in FY2021), which benefited from significantly higher volumes of regasified gas compared to FY2021 against the backdrop of the impact of the Russia-Ukraine conflict.

Regulated revenues include variable fees (13 million euros; 2 million euros in 2021) applied to users to cover costs related to energy consumption (electricity and CO_2). Net of these fees, regulated revenues amounted to 29 million euros (+12 million euros compared to 2021), attributable to the increase in the RAB base, which more than absorbed the effects of the reduction in the WACC, and to higher regasified volumes (+10 million euros), which allowed for the achievement of 100% of the revenues defined by the Regulatory Authority (compared to 64% in 2021, reached with the activation of the guarantee factor).

EBITDA amounted to 29 million euros, an increase of 21 million euros compared to 2021, due to the aforementioned increase in revenues (+15 million euros, net of fees to cover energy costs) and lower costs associated with the change in gas inventories delivered by shippers for internal consumption.

Operating profit increased by 18 million euros compared to 2021, due to the significant increase in the level of activity in 2022.

TECHNICAL INVESTMENTS

Technical investments for the financial year 2022 amounted to 55 million euros, up by 22 million euros or +66.7% compared to 2021.

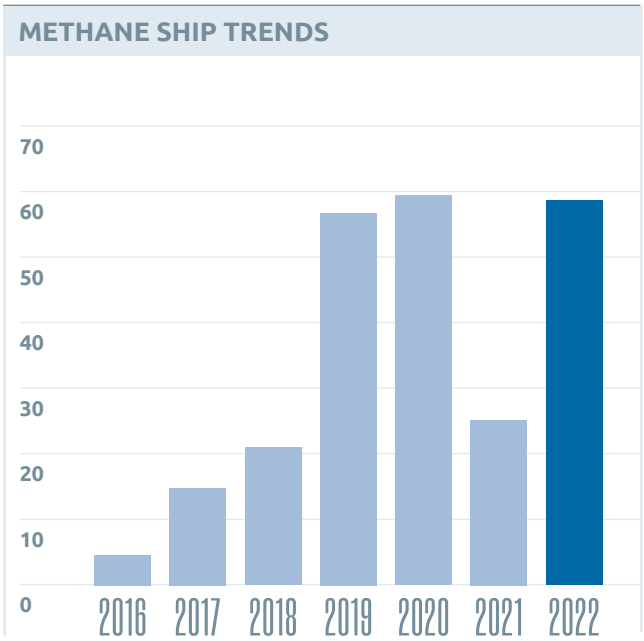
Investments in capacity development and enhancement, amounting to 35 million euros, mainly concern initiatives related to the projects of the FSRUs in Piombino and Ravenna:
- the modification and adaptation of the ship Golar Tundra (20 million euros) and the design, acquisition of permits and supply of materials for the quayside works (7 million euros);
- design activities and permit acquisition for the works to upgrade the PIR marine terminal in Ravenna (5 million euros).

Maintenance and other investments amounted to 20 million euros and mainly related to:
- replacement of plant valves (3 million euros);
- revamping tanks S1 and S2 (2 million euros);
- various plant maintenance works (2 million euros).

Net invested capital amounted to 490 million euros as at 31 December 2022, an increase of 350 million euros compared to the same period of the previous year, mainly due to the purchase of the regasification vessel Golar Tundra.

OPERATING PERFORMANCE

In 2022, 2.24 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (La Spezia) (1.05 billion cubic metres in 2021) with 59 methane tankers unloaded (tanker loads), compared to 25 tankers unloaded in 2021. From April 2022 onwards, there was an increase in the volumes regasified by LNG Italy and a consequent increase in the number of ships unloaded, mainly due to the impact of the Russia-Ukraine conflict on the gas market, which led to an increase in the demand for LNG to meet domestic demand.



With reference to the number of employees, this figure stood at 66 resources, in line with the previous year.

Accidents

In 2022, there were no accidents involving either employees or contract workers.

WORK-RELATED ACCIDENTS (NO.)

	2020	2021	2022
Total employee accidents	0	1	**0**
Total contractor accidents	0	0	**0**

ACCIDENT INDICES

	2020	2021	2022
Employees			
Frequency index (*)	0	9.20	**0**
Severity index (**)	0	0.47	**0**
Contractors			
Frequency index (*)	0	0	**0**
Severity index (**)	0	0	**0**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

In 2022, there was an increase in consumption for the regasification facility (+103% with respect to 2021). Total emissions of natural gas amounted to 3 million m^3 (+60% compared to 2021), and emissions of nitrogen oxides (NOx) increased by 96% compared to the previous year to 59.7 tonnes.

	2020	2021	2022
Energy consumption (TJ)	1,265	546	**1,108**
Emissions of CO_{2eq} – scope1 (ktonnes) (*)	90	65	**118**
Natural gas emissions (10^6 m^3)	1.3	2.1	**3.3**
NOx emissions (ton)	48.6	30.5	**59.7**

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 29.8, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Sixth Assessment Report IPCC". Therefore, GHG Scope 1 and natural gas emissions from previous years were recalculated.

NATURAL GAS STORAGE

The storage system makes it possible to compensate for the different needs between gas supply and consumption: while supply has a largely constant flow throughout the year, gas demand is mainly concentrated in the winter period. Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-EU supply or crises in the gas system.

The storage business makes use of an integrated group of infrastructure comprising deposits, wells, gas treatment plants, compression plants and the operational dispatching system. Snam has nine storage concessions located in Lombardy (five), Emilia-Romagna (three) and Abruzzo (one).

Stogit provides its storage services (peak modulation, uniform modulation, strategic, transporter balancing, mining, short-term allocation services and Fast Cycle service[50]), to 66 operators based on the Storage Code approved by the Regulatory Authority ARERA.

Moreover, in view of the continuing tension in the energy markets, the uncertainties linked to climate variability and the potential risks of gas supply interruptions, in 2022 Snam introduced the intra-day auction service, expanding the flexibility tools available to users. At the beginning of last November, a new counterflow storage service was launched, which provided for the offer to users of an injection capacity of up to 600 million cubic meters in the November-December period, a service particularly appreciated by operators and assigned for all volumes.

In 2022 Snam took action to promote the replenishment of national storage facilities for the purpose of being able to manage seasonal peaks in demand. The fill level at the end of 2022 was 84%, up from 68% in 2021 and in line with the European average.

The market oriented approach adopted allowed the Company to maintain the mix of customers owing a Storage contract (not only shippers serving end users but also traders who maximise revenues from buying and selling gas to the PSV - virtual trading point) and major European players.

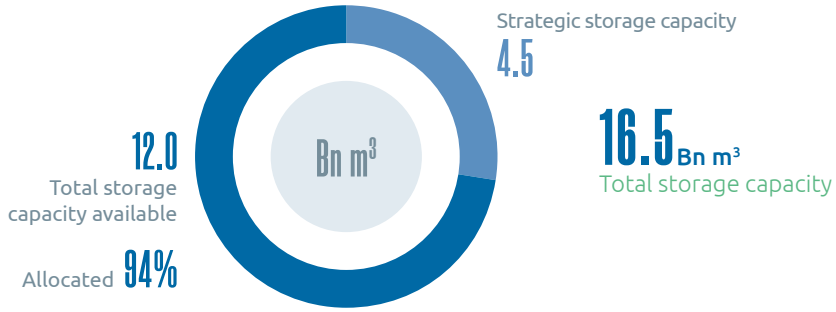
Total storage capacity at the end of 2022, holding strategic storage equal, came to 16.5 billion cubic metres.

A result that attests to Stogit's ability to respond to both the needs of the national market as well as the contingent dynamics linked to international markets and policies, which can significantly modify demand by increasing the value of business with policies to support the security of supplies.

Total storage capacity in 2022 is expected to be 16.5 billion cubic metres, among the highest in Europe during this period of supply difficulties across the continent.

9
operating concessions

18.47 Bn m³
Natural gas moved in storage



50 The storage service involves constant injection services and supply.

KEY PERFORMANCE INDICATORS

(million euros)	2020	2021	2022	Abs. change	Change %
Regulated revenues (a) (b)	499	523	**515**	(8)	(1.5)
Other non-regulated revenues	5	7	**8**	1	14.3
Total revenues (a) (b)	504	530	**523**	(7)	(1.3)
Gross operating margin (*)	426	455	**425**	(30)	(6.6)
Operating profit (*)	314	338	**305**	(33)	(9.8)
Technical investments (c)	134	160	**172**	12	7.5
Net invested capital at 31 December	3,460	3,574	**3,533**	(41)	(1.1)
Concessions (number)	10	10	**10**		
- of which operational (d)	*9*	*9*	***9***		
Natural gas moved in storage (billions of cubic metres) (e)	19.60	18.41	**18.47**	0.06	0.3
- of which injected	*9.30*	*8.48*	***10.46***	*1.98*	*23.3*
- of which withdrawn	*10.30*	*9.93*	***8.01***	*(1.92)*	*(19.3)*
Total storage capacity (billion cubic metres)	17.0	16.5	**16.5**		
- of which available (f)	*12.5*	*12.0*	*12.0*		
- of which strategic	*4.5*	*4.5*	*4.5*		
Employees in service at 31 December (number)	62	66	**70**	4	6.1

(*) The values relating to 2021 are shown net of the costs incurred following the state of emergency connected to the pandemic caused by COVID-19 (1 million euros), relating essentially to personal protective equipment for internal use and sanitization of work environments.
(a) Before consolidation elisions.
(b) Net of revenues which, in application of tariff regulations, are offset by costs (pass-through item) relating to the recharging of charges for the natural gas transportation service provided by Snam Rete Gas S.p.A. equal to 212 million euros in 2022 (166 million euros in 2021).
(c) Investments remunerated at the pre-tax real base WACC of 6.0% for 2022 (6.7% in 2021).
(d) With working gas capacity for modulation services.
(e) The volumes of gas are expressed in Standard cubic meters (Smc) with an average Gross Calorific Value (PCS) equal to about 39.3 MJ/Smc (10.919 kWh/Smc) for natural gas storage for the thermal year 2022-2023. The corresponding 2021 value has been definitively updated.
(f) Working gas capacity for modulation, mining and balancing services. The value indicated represents the maximum available capacity. The available capacity for the thermal year 2022-2023 is approximately 94% as at 31 December 2022 (90% as at 31 December 2021).

RESULTS

Total revenue came to 523 million euros, down on 2021 (-7 million euros; 1.3%).

Regulated revenue amounted to 515 million euros, a decrease of 8 million euros, or 1.5%, compared with 2021, and included variable fees (18 million euros; +10 million euros compared with 2021) applied to users to cover costs related to energy consumption (purchase of CO_2 emission rights). Net of these fees, regulated storage revenue amounted to 497 million euros, down by 18 million euros, or 3.5%, even against the positive one-off effect from which the 2021 financial year had benefited as a result of the release of prior balance sheet items. The higher revenues for output-based services, due to the expansion of flexibility services on short-term auctions, were absorbed by the effects of the WACC reduction.

Other non-settled revenues of 8 million euros are in line with 2021, and mainly relate to insurance reimbursements.

EBITDA amounted to 425 million euros, a decrease of 30 million euros or 6.6% compared to 2021, mainly due to lower regulated revenues, together with higher maintenance and service costs.

EBIT amounted to 306 million euros, a reduction of 33 million euros, equal to 9.8%, compared to 2021, against the aforementioned reduction in the EBITDA and due to the higher amortisation and depreciation and write-downs (-3 million euros).

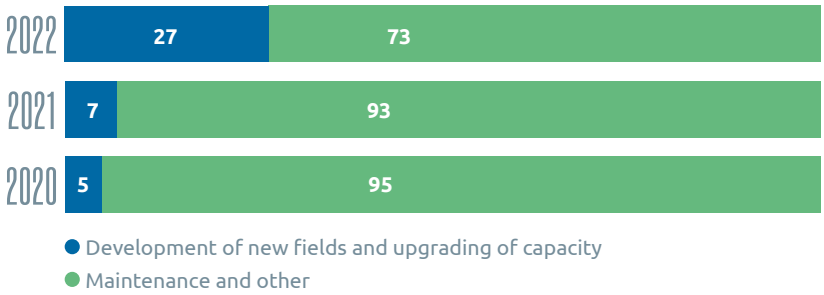
TECHNICAL INVESTMENTS

Technical investments made by the Company in the financial year 2022 amounted to 172 million euros (160 million euros in 2021), up by 12 million euros (+8% approx.).

Investments in new field development and capacity enhancement amounted to 46 million euros (11 million euros in 2021) and mainly concern:
- the drilling of a new well at Sabbioncello and Minerbio (22 million euros);
- the finalisation of the installation of the micro-seismic tool on the Bordolano 1 well and the signing of the agreement with the Lombardy Region for the payment of environmental compensation (9 million euros);
- the ELCO installation in Settala, Fiume Treste and Minerbio to start detailed engineering for the installation of a new electric compressor unit (9 million euros);
- engineering and supply of materials necessary for the connection of the Cortemaggiore - Infilling Wells 158 and 159 to the relevant Cluster i (2 million euros).

Maintenance and other investments amounted to 126 million euros (149 million euros in 2021) and are mainly related to:
- works and supply of materials related to the installation of the new unit in Sergnano (13 million euros);
- finalisation and takeover of the third regenerator at Fiume Treste, two regenerators at the Sabbioncello power plant and a regenerator at the Settala and Ripalta plants (9 million euros);
- Minerbio cluster and treatment plant upgrading, including engineering activities, land purchase and advance payment upon acceptance of DCS supply order (5 million euros);
- acknowledgement of material supply advance following the outcome of the positive FAT test (relating to a unit at Settala, Cortemaggiore, Sabbioncello and Fiume T.) and the start of work to replace the first gas cooler at the Settala, Sabbioncello and Cortemaggiore power stations (5 million euros);
- activities on new information systems, application development and licence purchases (14 million euros);
- real estate assets (5 million euros).

IMPACT OF INVESTMENTS BY TYPE (% OF TOTAL INVESTMENTS



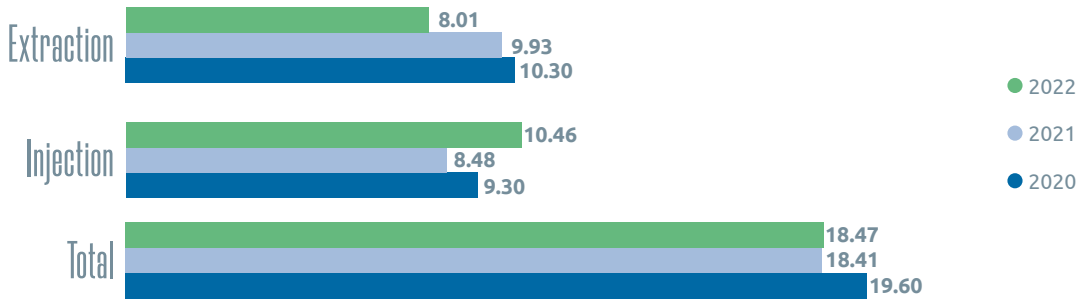
Overall storage capacity managed by the Snam group as at 31 December 2022, including strategic storage, amounted to 16.5 billion cubic meters, the highest in Europe in this period of supply difficulties. The total capacity includes 4.5 billion cubic metres related to **strategic storage** as determined by the Ministry of Economic Development (unchanged from the thermal year 2021-2022) and 12.0 billion cubic metres related to **available capacity**. At 31 December 2022, the allocated capacity for the thermal year 2022-2023 was 94% of the available capacity offered (89.6% at 31 December 2021).

OPERATING PERFORMANCE

Gas moved through the storage system

The volumes of gas moved in the Snam storage system in 2022 amounted to 18.47 billion cubic metres, in line with 2021 (+0.06 billion cubic metres; +0.3%). Injections into storage increased by 1.98 billion cubic metres, or 23.3%, compared to the 2021 financial year, thanks also to the contribution of Snam Rete Gas, which, in its role as purchaser of last resort, purchased and injected approximately 1.3 billion cubic metres of gas, to which was added approximately 0.7 billion cubic metres for the operation of the infrastructure. The higher injections were offset by lower injections of 1.92 billion cubic metres, or 19.3%, due to favourable weather conditions and the National Plan to curb consumption.

GAS MOVED THROUGHT THE STORAGE SYSTEM (BILLION CUBIC METERS)



As at 31 December 2022, natural gas stocks in the storage facilities of its subsidiary Stogit amounted to 9.3 billion cubic metres, plus 4.5 billion cubic metres of strategic stocks. This is about 2.6 billion more than the 6.7 billion cubic metre stocks that were measured at the end of December 2021. In percentage terms, the filling rate is about 84% compared with 68% in 2021.

Organisational changes

At the end of 2022, the number of personnel in service totalled 70, essentially in line compared with 31 December 2021 (66 resources). In the course of 2022, the supervision dedicated to infrastructure planning activities was strengthened, with particular reference to the possible evolution of the storage business.

Accidents

During 2022, 4 accidents occurred for contractors and 0 for employees.

WORK-RELATED ACCIDENTS (NO.)

	2020	2021	2022
Total employee accidents	0	0	**0**
Total contractor accidents	1	0	**4**

ACCIDENT INDICES

	2020	2021	2022
Employees			
Frequency index (*)	**0**	**0**	**0**
Severity index (**)	**0**	**0**	**0**
Contractors			
Frequency index (*)	**0.99**	**0**	**4.18**
Severity index (**)	**0.06**	**0**	**0.28**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

In 2022 energy consumption for gas storage increased by 20% compared with 2021. In 2022, nitrogen oxide (NOx) emissions totalled around 112 tonnes (+16% compared with 2021). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines installed.In particular, all storage sites operated with low emission units.

ENERGY CONSUMPTION

	2020	2021	2022
Energy consumption (TJ)	4,483	3,924	**4,691**
Emissions of CO_{2eq} – scope1 (ktonnes) (*)	342	312	**365**
Natural gas emissions (10^6 m^3)	5.2	5.2	**5.7**
NOx emissions (t)	111	96	**112**

(*) In 2022, the methane coefficient for global warming potential (GWP) was updated. This value expresses the contribution to the greenhouse effect of a gas compared to CO_2, whose reference potential is 1. According to the Sixth Assessment Report - IPCC, the new value is 29.8 compared to the previous value of 28. Therefore, GHG Scope 1 emissions from previous years were recalculated.

ENERGY TRANSITION BUSINESSES

Snam promotes energy transition through the development of integrated projects in green gas - biomethane and hydrogen - and energy efficiency.

Snam, through its wholly-owned subsidiary Bioenerys, is developing a diversified portfolio of assets, both by investing in and acquiring existing biogas and biomethane plants and through new greenfield projects. The aim is to produce biogas and biomethane, making the most of the potential of organic waste and agricultural and agro-food biomass, the latter through collaborations with large Italian agro-industrial groups.

In fact, biomethane, a programmable energy source, totally renewable and chemically indistinguishable from natural gas, can be injected into existing infrastructures bringing significant economic and environmental benefits through an innovative sustainable and circular economic model.

During 2022, 4 new biomethane and biogas plants from waste (FORSU) in operation and 19 agricultural biogas plants to be converted to biomethane (17 of which were in operation at the end of the year) entered the group's portfolio; in addition, during the year, 2 biogas plants (one from waste and one agricultural) already owned by Bioenerys were converted to biomethane and an agricultural greenfield plant came into operation. At the end of 2022, there will therefore be 8 plants in the waste area (i.e. waste management and one only waste treatment) and 26 plants operating in the agricultural sector, many of which will be converted from biogas to biomethane production, benefiting from the incentive scheme provided for by the recent Ministerial Decree (i.e. Biomethane Decree 2022).

Renovit is the Italian platform for energy efficiency for companies, condominiums, the tertiary sector and the public administration born from the initiative of Snam and CDP Equity to enable the growth of the sector and contribute to the sustainable development and energy transition of the country.

Renovit presents integrated solutions for every area of intervention, taking a comprehensive approach to energy efficiency and environmental impact reduction:

(i) energy upgrading of plants and envelopes, management of the Energy Service, implementation of collective self-consumption configurations;

(ii) energy upgrading of plants and facilities, including through infrastructure for self-consumption and the creation of energy communities, energy and environmental procedural actions to reduce and offset the carbon footprint;

(iii) energy rehabilitation of buildings and facilities, energy service management and multi-service technology for public buildings, energy communities, public lighting and water facilities, decarbonisation projects.

MAP OF BIOMETHANE/BIOGAS PLANTS IN OPERATION

BIOMETHANE/BIOGAS OPERATING PLANTS

Agri Biogas · Waste Biomethane · Other

Consistent with the 2022-2026 strategic Plan disclosed to the market on 19 January 2023 and by virtue of exceeding the materiality thresholds set forth in IFRS 8, as of 2022 the Energy Transition segment is an operating segment for the Snam Group.

The Energy Transition segment, consistent with the reporting reviewed by the Executive Board, aggregates the energy efficiency business attributable to the legal entities of the Renovit group, and the biomethane/biogas business attributable to the legal entities of the Bioenerys group, as well as the start-up hydrogen business.

KEY PERFORMANCE INDICATORS

(million euros)	2020	2021	2022	Abs. change	Change %
Total revenue (a)	147	370	**695**	325	87.8
Adjusted operating costs (a) (*)	(143)	(361)	**(671)**	(310)	85.9
Adjusted EBITDA (*)	(5)	9	**24**	15	
Adjusted EBIT(*)	(15)	(6)	**(4)**	2	(33.3)
Technical investments	31	53	**98**	45	84.9
Net invested capital at 31 December		581	**1.290**	709	
Biomethane/Biogas operational data					
Installed and operating megawatts (MW) (b)		12	**40**	28	
No. Plants in operation (c)		10	**32**	22	
Operational data Energy Efficiency					
Installed Megawatts (MW) (d)		19	**46**	27	
Backlog (e)		1.039	**1.860**	821	79.0
Employees in service at 31 December (number)		*370*	***522***	*152*	*41.1*

(*) The values for 2022 are in the adjusted configuration, net of special items represented by provisions for risks and charges (10 million euros).
(a) Before elisions with other business sectors.
(b) Theoretical power of the plants in operation.
(c) The figure for 2021 includes the plants of Iniziative Biometano, a jointly controlled company in 2021, which joined the group in 2022.
(d) Installed power in co-trigeneration plants, photovoltaics for customer energy efficiency.
(e) Indicates the value of revenues accruing after 2022, associated with contracts awarded as at 31 December 2022.

RESULTS

Total revenues amounted to 695 million euros, up 325 million euros year-on-year in 2021 due to the positive contribution of energy efficiency (+268 million euros), in particular due to the strong development of activities in the residential sector against the deep redevelopment of private and public buildings, which contributed about 80% of this growth. The increase in revenues is also attributable to the new biogas and biomethane plants that entered the scope of operations and the increase in the volume of EPC activities carried out by Ies Biogas.

Adjusted EBITDA amounted to 24 million euros, an increase of 15 million euros compared to FY2021, mainly due to the development of energy efficiency projects.

Adjusted EBIT increased by 2 million euros compared to the year 2021, due to the effects described above.

TECHNICAL INVESTMENTS

Technical investments for the financial year 2022 amounted to 98 million euros, up by +45 million euros; +84.9% compared to 2021 and mainly refer to::

- **energy efficiency investments** amounting to 37 million euros, mainly attributable to: (i) engineering activities, support for the authorisation process and construction of plants for industrial and tertiary sector customers (29 million euros); (ii) investments for the development of new IT infrastructures and the purchase of new applications (4 million euros); (iii) works for Public Administration customers;
- **investments in biomethane and biogas** amounting to 40 million euros mainly related to the construction of greenfield plants and the conversion of biogas plants to biomethane;
- **investments in decarbonisation projects** amounting to 21 million euros, mainly related to engineering studies for hydrogen-based projects.

Net invested capital amounted to 1,290 million euros as at 31 December 2022 and increased by 709 million euros compared to the same period of the previous year, mainly due to the acquisition of new companies active in the development or operation of biomethane and biogas plants.

OPERATING PERFORMANCE

At the end of 2022, there were 32 biomethane/biogas plants in operation, an increase of 22 compared to 2021, with an installed capacity of 40 MW compared to 12 MW at the end of 2021. The increase is due to the addition of 21 new waste (FORSU) and agricultural plants to the portfolio with a total installed capacity of 23 MW. In addition, two biomethane plants from agricultural waste came into operation (of which one biogas plant was converted during the year), increasing installed capacity by 4 MW, and one biogas plant from waste was converted to a biomethane plant, increasing capacity by 1 MW.

Installed megawatts (MW) on co-generation and photovoltaic plants for customer energy efficiency measures amounted to 46, up from 2021 (+26 MW) mainly due to the commissioning of plants contracted in 2021 for industrial customers. With regard to the backlog, there was an increase compared to 2021 (+821 million euros), due to the signing of new contracts whose commercial activity was initiated in previous years.

With reference to the number of personnel, there were 522 employees, an increase of 152 compared to the previous year due to the entry of new companies and recruitment from the market to strengthen the business.

Reference regulatory framework

Biomethane

Plants running on biomethane today follow the incentive scheme of the **2018 Ministerial Decree**, valid for newly built or reconverted plants commissioned by 31.12.2023, which grants a 10-year incentive.

Ministerial Decree 2022 grants an incentive for the duration of 15 years, for new or converted (agricultural only) plants commissioned by 30/06/2026. A non-repayable grant of up to 40% of the investment is also granted (under mission 2, component 2 of the PNRR).

Energy efficiency

Renovit operates in compliance with European and Italian legislation aimed at accelerating energy efficiency and the ecological transition process. Among the various measures issued by the Italian Government, the main regulations under which interventions are planned and implemented are listed below.

The contractual model that characterises Renovit activities is the Energy Performance Contract (EPC), which is defined in our legal system by Legislative Decree 115/2008, implementing EU Directive EC/32/06. It is flanked by the Energy Service contract, established by Presidential Decree of 26 August 1993, no. 412.

In the interactions with public bodies, particular mention should be made of the adherence to the requirements of Legislative Decree 50/2016, Public Contracts Code, whose revision is expected in March 2023. This includes compliance with the regulations prescribed therein, especially in relation to the necessary requirements and modalities for participation in public tenders, the discipline of the Public Private Partnership and the requirements dictated by the Minimum Environmental Criteria in the implementation of interventions.

Finally, the self-consumption initiatives spread throughout the territory will be designed and implemented in compliance with ARERA resolution 727/2022/R/eel of 27 December 2022, and in accordance with the Ministerial Decree of reference awaiting issuance.

Renovit also operates in full compliance with the technical standards (UNI / EN standards) laid down in relation to the requirements for materials, products, equipment, works and services offered.

National energy efficiency incentive policies

Renovit supports its customers in obtaining the energy efficiency incentives offered by the national framework, following an orientation path between the different opportunities.

On the residential building efficiency front, Renovit operates within the framework of tax deductions for the redevelopment and renovation of the building heritage, such as the 110% Superbonus, introduced by Art. 119 of Decree-Law 34/2022 (the so-called Decreto Rilancio) as amended, Ecobonus, Sismabonus and Bonus Facciate.

Interventions in the civil/tertiary, industrial and public sectors, on the other hand, mainly benefit from the incentives provided by the Conto Termico, to support the increase of energy efficiency and the production of thermal energy from renewable sources according to the provisions of Ministerial Decree of 16 February 2016, and by the White Certificates mechanism, or Energy Efficiency Certificates, in force since 2005 and most recently amended by Ministerial Decree of 21 May 2021.

Renovit is also alongside public administration bodies in accessing funds under the Central Public Administration Energy Requalification Programme (PREPAC), extended to 2030 by Legislative Decree 73/2020, from the National Recovery and Resilience Plan (PNRR) approved by the ECOFIN Council's implementation decision of 13 July 2021 and its Supplementary Fund, and in obtaining European Regional Development Funds from the European Cohesion Policy.

Key events after year-end 2022

On 16 February 2023, Decree-Law No. 11/2023 was issued, which in Article 2 made important changes to the interventions referred to in Article 121, paragraph 2, of Decree-Law No. 34 of 19 May 2020, converted, with amendments, by Law No. 77 of 17 July 2020 (the so-called "Decreto Rilancio"). In particular, the exercise of the options referred to in Article 121(1)(a) and (b) of the same Decree-Law was denied in relation to the assignment of credit or invoice discount for the measures listed in paragraph 2 of the same Article. The Group is in the process of concluding the evaluation of possible scenarios. However, there is no impact on the closed financial year and ongoing construction sites.

Accidents

During 2022, 3 accidents occurred for employees and 7 for contractors.

WORK-RELATED ACCIDENTS (NO.)

	2020	2021	2022
Total employee accidents	1	3	**3**
Total contractor accidents	0	0	**7**

ACCIDENT INDICES

	2020	2021	2022
Employees			
Frequency index (*)	7.57	8.78	**4.1**
Severity index (**)	0.05	0.27	**0.07**
Contractors			
Frequency index (*)	0	0	**2**
Severity index (**)	0	0	**0.04**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

There was a significant increase in energy consumption in 2022, attributable to the commissioning of the Renovit and Bioenerys plants. Both GHG Scope 1 and nitrogen oxide (NOx) emissions increased to 1,081 ktonnes CO_{2eq} and 23.5 tonnes, respectively.

ENERGY CONSUMPTION

	2020	2021	2022
Energy consumption (TJ)	55	83	**1,081**
Emissions of CO_{2eq} – scope1 (ktonnes) (*)	0.8	1.9	**54.9**
Natural gas emissions (10^6 m^3)	0.0	0.0	**0.0**
NOx emissions (t)	0.3	2.3	**23.5**

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 29.8, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Sixth Assessment Report IPCC". Therefore, GHG Scope 1 and natural gas emissions from previous years were recalculated.

OUTLOOK

PASSO D'UOMO
PRELIEVO
MANDATA QUICKMIX
VALVOLA
VALVOLA
SERVIZI
SALA QUADRI
SALA POMPE

In a scenario of profound uncertainty and volatility, Snam has guaranteed maximum support to cope with the energy emergency, building solid foundations for actions needed to create a more resilient energy system, and in particular:

- investments in gas infrastructure along the entire value chain:
  - operations for the acquisition and commissioning of two FSRUs (near Piombino and Ravenna)
  - measures to gradually upgrade and optimise the storage system
  - activities for the development of small-scale midstream LNG and the expansion of networks of LNG/bio LNG (and in the future hydrogen) stations
- the development of green gases (hydrogen and biomethane) and a contribution to decarbonising consumption by implementing energy efficiency measures and Carbon Capture and Storage (CCS) technology
- the digitisation and optimisation of assets and industrial processes.

With regard to the current financial year, we expect that Snam's economic results will benefit from the increase in revenues related to the growth of the RAB thanks to investments and to the expansion of our infrastructure with the commissioning of the new FSRU, from higher revenues for output-based services also connected with incentives on fully depreciated assets and from the contribution of the energy transition businesses. Conversely, the rise in interest rates will have an impact on financial expenses that will be managed through an increased diversification in the supply and in financial instruments as well as a recourse to more flexible debt instruments. Anyway, in the medium to long term, the Italian tariff system offers a form of natural hedging by means of periodic reviews of the recognised cost of capital.

As regards foreign associates, it is worth mentioning the closing on January 10th, 2023 of the acquisition of a 49.9% stake in the newly established company SeaCorridor in the Southern Corridor connecting the Algerian-Tunisian border to Mazara del Vallo (Sicily), which consists of the TTPC and TMPC gas pipelines. The acquisition of this interest will help rebalance our asset portfolio in line with the change in gas flows from Russia via the TAG pipeline.

With regard to the war between Russia and Ukraine, it should be noted that Snam does not operate in the Russian market, nor does it hold interests, even in joint ventures, in Russian companies. Gas flows from Russia to Europe significantly decreased in 2022; the continuing uncertainty and fear of further supply problems resulted in a significant increase in gas prices. TAG (a jointly controlled company) and GCA (an associate company) are the foreign associate companies with the largest exposure to Russian gas supplies through contracts for transportation. Thanks to long-term contracts, neither company showed significant changes in their 2022 economic results. However, TAG faces higher volatility in its 2023 results owing to the uncertainty of gas flows from the north towards Italy, which are expected to decrease compared to historical levels, although this will be partly offset by higher booked volumes of gas flowing from Italy to Austria.

Due to the above-mentioned changes in the scenario, which are expected to become permanent, a write-down of Snam's stake in TAG was carried out in 2022, resulting in a reduction in its book value.

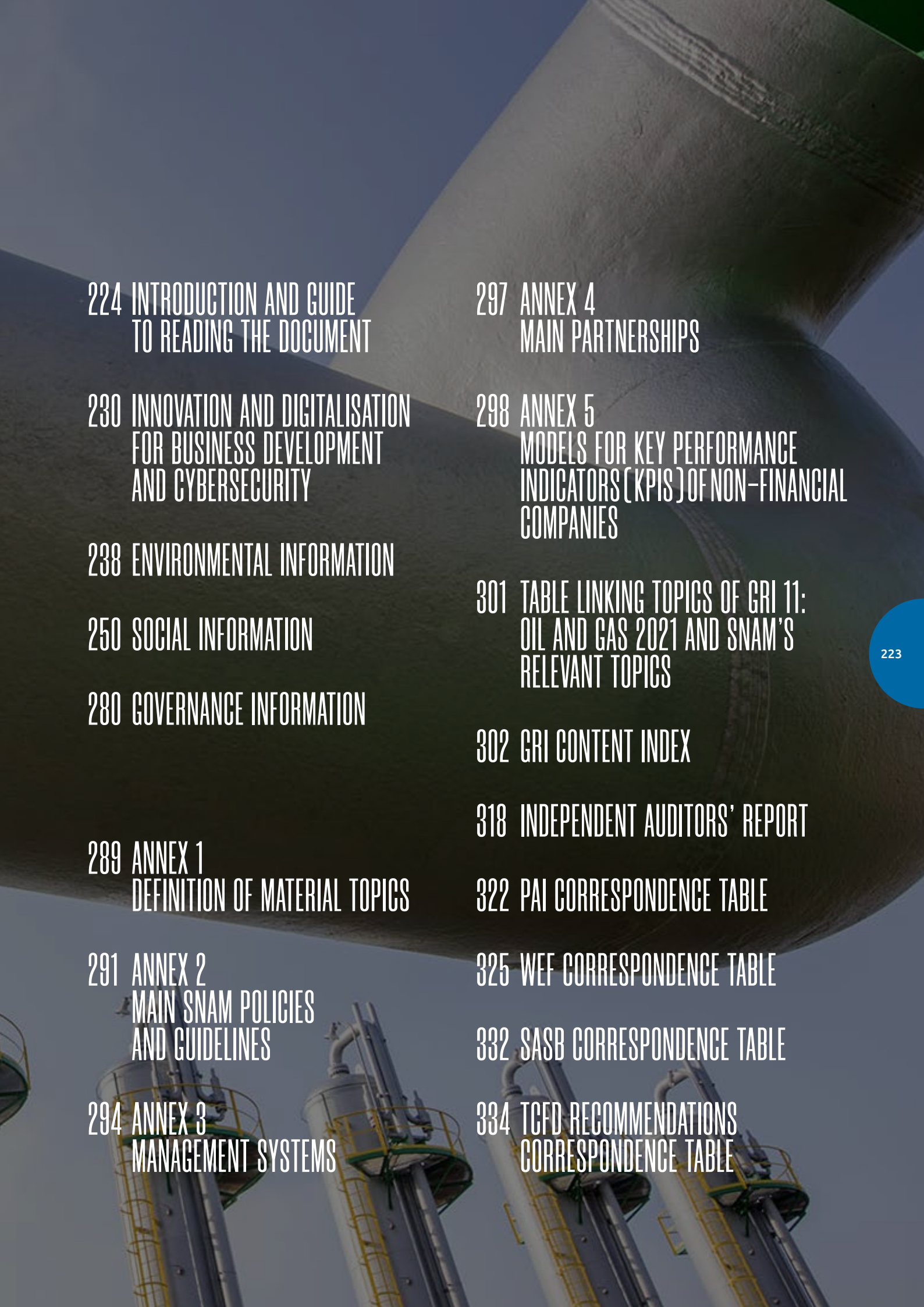
The write-down reflects the expectations of future use of these assets, which will continue to be strategic for Europe to support new gas flows from the south.

Targets for 2023 are confirmed:

- investments of 2.1 billion euros (of which 1.9 billion euros in gas infrastructure and 0.2 billion euros in the energy transition), up by 9% compared to 2021
- a tariff RAB of about 22.4 billion euros, up 5% from 2022
- an adjusted net profit of approximately 1.1 billion euros
- debt is expected to be in the range of between 15.0 and 15.5 billion euros, depending on the development of regulated working capital.

CONSOLIDATED NON-FINANCIAL STATEMENT 2022

(LEGISLATIVE DECREE NO. 254 OF 30 DECEMBER 2016)



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INTRODUCTION AND GUIDE TO READING THE DOCUMENT

The Snam Group's Consolidated Non-Financial Statement (hereinafter the "Non-Financial Statement", "Statement" or "NFS") relative to FY 2022 (from 1 January 2022 to 31 December 2022) is a specific section of the Directors' Report – Integrated Report (hereinafter the Integrated Directors' Report), drawn up in conformity with the provisions of Legislative Decree 254 of 30 December 2016 and subsequent additions also the "Decree")[51].

Where necessary and suitable, the content of the NFS is supplemented, through cross-references, with information available in other sections of the Directors' Report, identifiable by the blue "DNF" symbol next to the title of the chapter/paragraph concerned.

The NFS contains the relevant data and information on environmental, health and safety, social, personnel-related and active and passive corruption prevention aspects related to its topics material results, in consideration of the activities carried out and the characteristics of Snam[52], which emerged as a result of the materiality analysis carried out during the year (see the chapter "Stakeholder engagement and materiality analysis" in the Integrated Directors' Report). The description of the material topics can be found in Annex 1 ("Definition of Material Topics") of the Non-Financial Statement 2022.

The scope of reference of the information in the NFS coincides with the scope of consolidation of the Consolidated financial statements and includes, in addition to the parent company Snam S.p.A.:

- **Natural gas transportation** (Snam Rete Gas S.p.A., Infrastrutture Trasporto Gas S.p.A., Enura S.p.A., Asset Company 2 S.r.l.);
- **LNG regasification** (GNL Italia S.p.A., Golar LNG NB13 Corporation, Snam FSRU Italia S.r.l., Ravenna LNG Terminal S.r.l.);
- **Natural gas storage** (Stogit S.p.A.);
- **Mobility & Liquefaction** (Snam4Mobility S.p.A., Cubogas S.r.l.);
- **Biogas / Biomethane** (Bioenerys S.r.l., Renerwaste S.r.l., Ecoprogetto Milano S.r.l., Ecoprogetto Tortona S.r.l., Renerwaste Lodi S.r.l., IES Biogas S.r.l., Enersi Sicilia S.r.l., Renerwaste Cupello S.r.l, Biowaste CH_4 Anzio S.r.l., Biowaste CH4 Foligno S.r.l., Biowaste CH4 Group S.r.l., Iniziative Biometano S.p.A., Società Agricola Ariano Biometano S.r.l., Motta Energia Società agricola a r.l., Agricola Biometano S.p.A. Biogas Bruso Società agricola a r.l., Ca' Bianca Società agricola a r.l., Maiero Energia Società agricola a r.l., MZ Biogas Società agricola a r.l., EBS Società agricola a r.l., Biowaste CH4 Genova S.r.l., Govone Biometano S.r.l., Società Agricola Biostellato 1 S.r.l., Società Agricola Biostellato 2 S.r.l., Società Agricola Biostellato 3 S.r.l., Società Agricola Biostellato 4 S.r.l., Società Agricola SQ Energy S.r.l., Società Agricola T4 Energy S.r.l., Società Agricola Sangiovanni S.r.l., Società Agricola G.B.E. Gruppo Bio Energie S.r.l., Società Agricola Zoppola Biogas S.r.l., Biowaste CH4 Tuscania S.r.l., Società agricola Asola Energie Biogas S.r.l., Società agricola La Valle Green Energy S.r.l., Società Agricola Agrimezzana Biogas Sr.l, Società Agricola Tessagli Agroenergia S.r.l., Società Agricola San Giuseppe Agroenergia S.r.l.; Società Agricola Carignano Biogas S.r.l.; Società Agricola Agrimetano S.r.l.; Società Agricola Santo Stefano Energia S.r.l.; Emiliana Agroenergia Società Agricola S.r.l.; Piacentina Agroenergia Società Agricola S.r.l.);
- **Energy efficiency** (Renovit S.p.A., TEP Energy Solution S.r.l., Mieci S.p.A., Tlux S.r.l., Evolve S.r.l.);
- **Other activities** (Asset Company 10 S.r.l., Snam International BV, Gasrule Insurance DAC).

With reference to the reported environmental aspects, the companies Snam International BV, Gasrule Insurance DAC and Enura S.p.A., as they do not have significant environmental impacts, are excluded from the consolidation.

The structure of the Snam Group, including equity investments abroad, is shown on page 28 of the Integrated Directors' Report[53].

When deemed necessary or advisable, the content of the NFS is supplemented with other information set out in the Integrated Directors' Report, the Report on Corporate Governance and Ownership Structure and on the Company's website (www.snam.it), which may be found and consulted using the specific references[54].

51 See Article 5, paragraph 1 of Legislative Decree no. 254 of 30 December 2016, Law no. 145 of 30 December 2018, Article 1073.
52 See Article 3, paragraph 1 of the Decree no. 254 of 30 December 2016.
53 See Article 4, paragraph 1 of the Decree no. 254 of 30 December 2016.
54 See Article 5, paragraph 4 of the Decree no. 254 of 30 December 2016.

In order to standardise the reporting of data and information, as well as to facilitate the connection with each issue envisaged by the Decree, each area listed above has been divided into specific paragraphs divided into four sections dedicated respectively to:

- the main results achieved, future objectives and reference SDGs;
- linking material issues, related risks and impacts, both positive and negative, generated or suffered, in accordance with the requirements of GRI Standard 3 2021;
- Company policies and commitments and details of their implementation by the Group, in order to manage the issues and mitigate the relevant risks;
- relevant performance indicators to understand the results obtained in pursuing these commitments.

With reference to the recommendations of the European Securities and Markets Authority (ESMA) on the priorities to be taken into account in non-financial disclosures 2022, here are the references to the sections of the financial report where the relevant content can be found:

- **Priority 1 - Climate Change Aspects:** sections "Strategy and Risk Management, Towards Carbon Neutrality", "2022 Performance, Key Sustainability Performance" of the 2022 Directors' Report and "Environmental Information" of the Consolidated Non-Financial Statement 2022;
- **Priority 2 - Reporting on Article 8 of the Taxonomy Regulations:** section "2022 performance, European Taxonomy for Environmentally Sustainable Activities";
- **Priority 3 - Boundary and Data Quality:** section "Boundary and Data Quality" in this paragraph.

The NFS was prepared in accordance with the "**GRI Sustainability Reporting Standards"[55] of the Global Reporting Initiative (GRI Standards)**, taking into account the latest updates in the GRI Universal standards 2021 and the sector standard **GRI 11: Oil and Gas Sector 2021**. In the tables with the figures for the year ending 31 December 2022, the results of the two previous years are shown for comparison. The GRI Content Index can be consulted as an appendix to the NFS, where the GRI indicators associated with each material topic are listed.

Under Regulation 2020/852 (so-called EU Taxonomy), Snam is subject to the obligation to report specific information on how and to what extent the company's activities are associated with economic activities considered eco-sustainable pursuant to articles 3 and 9 of the Regulation itself. The required disclosure is available in the paragraph "2022 Performance, European Taxonomy for environmentally sustainable activities" of the 2022 Integrated Directors' Report.

To fulfil our aim of constantly improving transparency on the Company's performance, also considered were the guidelines provided by the Sustainability Accounting Standards Board (SASB) for the identification and publication of information considered most relevant to the creation of long-term value for the sector and the TCFD recommendations.

With the aim of further promoting transparency in the reporting of its ESG performance, Snam confirms once again for this year the inclusion in the 2022 Non-Financial Statement of the **"Core" metrics** and "Expanded" metrics relevant to the business, defined by **Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting for Sustainable Value Creation**[56], signed by Snam in 2021. This framework is defined by the International Business Council (IBC) of the World Economic Forum (WEF), of which the Company has been a partner since 2019. In addition, for the first time, Snam is publishing a table linking the information provided in the document with the indicators provided for in the EU Sustainable Finance Disclosure Regulation (SFDR) "Principal Adverse Impact" (PAI), i.e. impact indicators aimed at supporting the decisions of financial market participants. Finally, Snam presents in the Report a table linking with the United Nations Global Compact Principles, with a reference on the corporate site.

In order to ensure the reliability of the information reported, the use of estimates was limited as much as possible. Any estimates are based on the best information available or on sample surveys. Restatements of previously published comparative data are clearly indicated as such.

This Non-Financial Statement was approved by the Board of Directors of Snam S.p.A. on 15 March 2023. The Statement has been subjected to a limited assurance engagement in accordance with the criteria indicated in the "International Standard on Assurance Engagements ISAE 3000 Revised - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) by Deloitte & Touche S.p.A, which expresses its opinion in a special "Independent Auditors' Report" contained in the document. The audit is carried out according to the procedures set out in the "Independent Auditors' Report", included in this document. The auditor's opinion and related audit work did not cover the disclosures relating to the SASB, TCFD, WEF and PAI requirements, respectively, summarised in the tables below the Independent Auditors' Report, as well as the process of

55 See Article 3, paragraph 5 of the Decree no. 254 of 30 December 2016.
56 For more details, please refer to the document in its full version on the website https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation.

determining the "financial materiality" and the related outputs, carried out in anticipation of the requests of the Corporate Sustainability Reporting Directive (CSRD), also reported in the chapter "Material topics for Snam", with the aim of carrying out a first exercise of application of the concept of double materiality. Finally, assurance activity did not include the information required by the Article 8 of the European Regulation 2020/852, which is disclosed in the paragraph “2022 Performance, European Taxonomy for environmentally sustainable activities” of the Integrated Directors’ Report.

The Report, of which the NFS is a specific section, is published in the 2022 Annual Report available on the Company's website at www.snam.it/it/investor-relations/Bilanci_Relazioni/.

An association table is shown below, highlighting the information content required by the Decree and its location within the document.

Scope of Legislative Decree 254/2016	Material Topics	Paragraphs contained in the NFS	Other relevant content of the Integrated Directors’ Report
Management and organisation business model			Snam Profile Strategy and Risk Management Governance and organisation
Policies enacted by the company		Within the specific paragraphs concerning each area of Legislative Decree 254/2016 Internal regulatory system Annex 2 - "Main Snam policies and guidelines" Annex 3 - “Management systems”	Governance and organisation
Main generated and incurred risks, including their management		Within the specific paragraphs concerning each area of Legislative Decree 254/2016	Governance and organisation Strategy and Risk Management
Environmental topics	Climate change and green business Protecting local areas and biodiversity	Environmental information	Governance and organisation Strategy and risk management: Building a secure and sustainable energy system: The 2022-2026 Strategic Plan; The Sustainability Strategy; Towards Carbon Neutrality; The ESG Scorecard
Social topics	Sustainable supply chain Innovation, digitalisation and cyber security Economic performance, value creation and sustainable finance Relations with authorities and quality of services Relations with local communities Health and safety Energy security and accessibility	Innovation and digitalisation for business development and cybersecurity Social information	Strategy and risk management: The ESG Scorecard 2022 Performance: Sustainable finance and SDG investments
Personnel	Diversity and inclusion Employment Development and protection of human capital	Social information	Strategy and risk management: The ESG Scorecard
Human rights topics	Non-material topic	Governance information	Governance and organisation
Topics related to the fight against active and passive corruption	Business integrity and corporate reputation	Governance information	Governance and organisation

Perimeter and data quality

In recent years, Snam has progressively strengthened its non-financial reporting system, computerising the data and information collection process and introducing specific procedures defining roles, responsibilities, activities and information flows.

In an innovative and synergic perspective of integrated risk management and related control measures, as of 2021 Snam's Integrated Risk Assurance & Compliance (RACI) model has been expanded with the NFS control model, aimed at ensuring the reliability, accuracy and traceability of non-financial disclosures, as well as ensuring the adequacy of corporate processes aimed at preparing such disclosures in accordance with the GRI reporting standard.

The RACI-NFS model, used for the collection of both qualitative and quantitative data, is divided into well-defined control steps which, starting with the assessment of the control environment - by the data owner - to safeguard the reliability of the data provided, provide for their validation and attestation by the head of function.

Internal regulatory system

Snam's corporate activities are based on the principles set out in the United Nations Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises and the Global Compact.

Snam's corporate governance system is organised on three levels: **policies, guidelines** and **rules**. This structure allows Snam to monitor all issues related to the business and to ensure proper management of business activities, ensuring compliance with the general principles contained in the **Articles of Association**, the Code of Ethics, the Corporate Governance Code, the **Model 231** and the **Enterprise Risk Management Model (ERM Model)**.

In addition, the **Ethics and Integrity Agreement and the Sustainable Development Policy** define further principles that must be applied at all levels and express Snam's commitment to considering sustainability as a guiding element in defining its strategic and operational choices, as well as a lever for ensuring sustainable growth in the medium and long term.

Documents underpinning the corporate governance system	
Articles of Association	Corporate Governance Code
Model 231	Patto etico d'integrazione
ERM Model	Sustainable Development Policy

Policies	• ensure proper and adequate supervision of the subject matter • are communicated and disseminated within the organisation and among all persons who have relations with Snam, with a view to transparency and collaboration • are approved by the Board of Directors and the CEO
Guidelines	• facilitate the implementation of standards and rules of conduct to be followed in carrying out activities • must be respected by all members of corporate bodies, managers, employees, collaborators of Snam companies • are communicated to other associate companies in order to promote principles and conduct consistent with those of Snam
Rules	• define the way in which activities are carried out, also with a view to fulfilling compliance obligations set out in the legislation • apply to Snam and its subsidiaries within the scope of the management and coordination activities exercised by Snam itself • are disseminated to investee companies in order to promote consistent behaviour and information flows

For further details on Snam's main policies and guidelines, see "Annex 2 - Main Snam policies and guidelines" in the Consolidated Non-Financial Statement.

Development, continuous updating and management models guarantee the implementation of the measures prescribed by internal regulations.

The following are the Policies and Guidelines that Snam has defined, as well as the management models aimed at creating and maintaining adequate oversight of issues related to innovation and cybersecurity, environment, health and safety, personnel management, human rights, supply chain, local community, fiscal transparency and anti-corruption described in detail in the chapters "Innovation, digitalisation and cybersecurity", "Social information" and "Governance information" of the Consolidated Non-Financial Statement.

INNOVATION, DIGITALISATION AND CYBERSECURITY

GUIDELINES AND POLICIES

- Global Security Guidelines
- Privacy Guidelines
- Business Continuity Management policy
- Ethics and Integrity Agreement

MANAGEMENT MODELS

- Business continuity management system compliant with the standard **ISO 22301** and **business continuity model** (updated in 2022)
- **ISO/IEC 270001-compliant** information security management system
- **Cyber Security Incident Management** Model, overseen by the Security Incident Response Team
- **Risk analysis and technical verification** to identify protection needs arising from technological evolution and possible vulnerabilities
- Application of **Security by Design**, which requires compliance with specific requirements and appropriate checks for each application and infrastructure development
- **Information, training and awareness-raising activities** aimed at Snam employees and collaborators to disseminate good cyber security practices

ENVIRONMENT

GUIDELINES AND POLICIES

- HSEQ Policy
- Sustainable Development Policy
- Charter of Principles for Environmental Sustainability

MANAGEMENT MODELS

- **ISO 14001**-compliant environmental management system
- Definition of the **Carbon Neutrality** strategy to reduce Scope 1, 2 and 3 emissions and natural gas and achieve carbon neutrality of its own activities by 2040
- Setting targets for 2022 and 2025 in the **ESG Scorecard and monitoring other environmental KPIs**
- Development and investment in **energy transition businesses** and creation of dedicated business units
- Participation in **round tables, research projects, associations and consortia** for the development and study of green gases
- **Protecting and safeguarding territories** through actions that minimise, mitigate and compensate for the impacts of the Company

PEOPLE

GUIDELINES AND POLICIES

- Sustainable Development Policy
- HSEQ Policy
- Diversity and Inclusion Policy
- Diversity and Inclusion Policy: Harassment Policy
- Diversity and Inclusion Policy: Gender Equality
- Diversity and Inclusion Policy: Recruiting @ Snam
- Remuneration Policy
- Human Rights Policy

MANAGEMENT MODELS

- Health and safety management system compliant with the **ISO 45001 standard** applied to Snam and all Group companies
- **Specialist training** on health and safety
- **Projects, awards** and **improvement and prevention plans** for the protection of workers' health and safety
- Definition of a **performance management** programme
- Implementation of a **Complexity, Experience and Autonomy** Factor Assessment (**C.R.E.A.**) system involving the entire company population, excluding managers
- Implementation of a **welfare system** able to meet and satisfy the needs of employees
- Membership of initiatives and associations for the **promotion of gender diversity**
- Creation of the Inclusion Team representing corporate diversity
- Creation of **Competence Centres** for Snam staff training
- Creation of **Internal Faculty** to transfer technical and business knowledge in a 'from Snam to Snam' logic, i.e. between employees
- Creation of **Snam Institute** to enhance skills both within and outside Snam

SUPPLIERS

GUIDELINES AND POLICIES
- Human Rights Policy
- Social Supply Chain Policy
- Ethics and Integrity Agreement

MANAGEMENT MODELS
- Suppliers are required to have a health and safety management system compliant with **ISO 45001**, an environmental management system compliant with **ISO 14001** and a quality management system compliant with **ISO 9001**
- Involvement in **training and awareness-raising initiatives** aimed at combating climate change (e.g. CDP Supplier Engagement Rating, GHG emission reduction plans, elimination of plastics from packaging, etc.)
- Suppliers sign the **Code of Ethics and the Ethics and Integrity Agreement**
- Inclusion of **ESG criteria in scoring models**
- **Optimisation of local suppliers and Italian SMEs** through the definition of specific targets aimed at increasing the percentage of expenditure towards and the number of local suppliers

COMMUNITY

GUIDELINES AND POLICIES
- Stakeholder Engagement Policy
- Sustainable Development Policy
- Human Rights Policy
- Snam Policy on the Management of Philanthropic Activities and Social Initiatives

MANAGEMENT MODELS
- Implementation of **control and monitoring systems** for service quality and continuity
- Quality management system compliant with **ISO standard 9001**
- **Continuous dialogue with all players in the communities** and territories in favour of license to operate
- Development of **constructive relations with regulatory authorities and institutions**
- Administration of an **annual survey** for customer satisfaction
- Development of a platform and mobile Application, **Jarvis**, with a view to improving the customer experience
- Development of local community involvement initiatives, also thanks to the support of the **Snam Foundation**

HUMAN RIGHTS

GUIDELINES AND POLICIES
- Sustainable Development Policy
- Human Rights Policy
- Diversity and Inclusion Policy
- Diversity and Inclusion Policy: Harassment Policy
- Diversity and Inclusion Policy: Gender Equality
- Diversity and Inclusion Policy: Recruiting @ Snam

MANAGEMENT MODELS
- **Specific training** for the dissemination of guiding principles on respect for human rights
- **Evaluation of suppliers** also in the field of human rights

FISCAL TRANSPARENCY AND PREVENTION OF ACTIVE AND PASSIVE CORRUPTION

GUIDELINES AND POLICIES
- Anti-Corruption Guidelines
- Reporting Guidelines
- Tax Control Framework - Tax Strategy Guideline
- Corporate Governance Guidelines

MANAGEMENT MODELS
- Combating corruption through a structured Internal Audit activity
- Adoption and application of the principles contained in the Model 231
- Quality management system compliant with **ISO standard 9001**
- Quality management system for the prevention of corruption compliant with **ISO standard 37001**
- Implementation of the **Anti-Corruption Compliance Programme**
- Establishment of an **Anti-Corruption Committee** to act as a Compliance Function for the Prevention of Corruption
- Presence of the **Compliance & Business Integrity function** dedicated to anti-corruption monitoring
- Adequate **whistleblowing system**
- **Training and information** activities in the field of anti-corruption
- Implementation of a **sanctioning system**
- Verification of the adequacy of suppliers and counterparties through **Reputational Audits and Compliance Audits**
- **Risk assessment and continuous monitoring** of corruption risks
- Active participation in anti-corruption **roundtables** and **multilateral initiatives**
- Adoption of the **Tax Control Framework** for the assessment, management and control of tax risks

INNOVATION AND DIGITALISATION FOR BUSINESS DEVELOPMENT AND CYBERSECURITY

Risks related to innovation, digitalisation and cybersecurity

MATERIAL TOPICS	RISKS/IMPACTS
Innovation, digitalisation and cyber security	**STRATEGIC RISKS** • Climate change risks leading to a tightening of the regulatory framework and emerging regulatory framework • Risks connected with climate change, which entail the diffusion of new technologies favouring the use of intermittent energy sources and failure to adapt to new technological standards • Climate change risks leading to reduced demand for natural gas • Risks related to climate change with impacts on continuity and quality of service • Climate change risks leading to a reduction in gas demand due to rising temperatures
	OPERATIONAL RISKS • Breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption • Risk of cyber threats
	IMPACTS Inadequate Snam IT security systems could lead to the loss or publication of sensitive data of employees, customers or partners. Snam's awareness-raising actions on the subject aimed at workers contribute to creating awareness and forming digital citizens. In addition, the development of digital technologies to improve infrastructure and resource management contributes to the dissemination of innovation among all players in the Snam value chain. Partnerships and collaborations with universities and research centres foster the development of innovative technologies that improve infrastructure management. However, while cybersecurity is adequately manned, the increasing use of digital technologies could increase the risk for Snam to suffer cyber attacks from outside.

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and Risk Management' in the Integrated Directors' Report.

Policies, commitments and management models

In the 2022-2026 Strategic Plan and in the Vision to 2030, investments in digitalisation and innovation represent necessary activities for Snam to ensure the increasingly effective and efficient management of its business, allowing it, in parallel, to accelerate capacity for innovation, transformation and flexibility, as well as adaptation in the management of its assets and industrial processes, in order to respond to the challenges and opportunities offered, deriving from the evolution of the energy system and support the Group in its energy transition path.

Innovation and digitalisation are crucial enablers to maintain **the balance of the "energy trilemma"**.

At the same time, the Company's rapid evolution process, supported by the continuous development of innovative solutions, has led Snam to allocate increasing resources to cyber security over the years, in the conviction, supported by the projections of world experts and by what has been observed following the crisis caused by the conflict between Russia and Ukraine, that cyber security threats are destined to evolve both in terms of numbers and complexity. This conviction is also supported by the Global Risks Report 2023 compiled by the World Economic Forum, which ranks cybercrime risk among the top 10 risks in the coming years.

The growing use of IT systems, including the digitalisation of the network with the help of new technologies (e.g. Internet of Things) is in fact accompanied by an increased exposure to illicit activities of different types of actors with different purposes and modes of action, in particular cyber criminals, cyber hacktivists and state-sponsored action groups who, thanks to technological developments, have at their disposal increasingly sophisticated tools through which they can make their attack techniques more effective.

For the Company, **Cybersecurity covers an extremely important role, aimed at preventing or tackling very diverse events** that can range from the compromise of individual workstations, to the degradation of entire business processes in the field of transportation, storage and regasification, with potential effects on the expected capacity to provide the essential service.

To adequately respond to these needs, Snam has set up the **Global Security & Cyber Defense** function, which establishes the technical guidelines and methodologies, identifies the reference standards, as well as ensures the planning, implementation and management of activities relating to the following areas of security:

Physical & Personnel Security	Information & Cyber Security	Business Continuity & Crisis Management	Security Intelligence	Investigation & Forensics
Prevention and reduction of potential security risks affecting people and physical assets of the company	Safeguarding and protection of corporate information assets	Definition of the actions and initiatives that the various company stakeholders are required to implement in order to guarantee company operations even in the event of emergencies and crises	Processing of information useful for current and future business decisions, for the defence of rights, people, tangible and intangible corporate assets	Investigations, also carried out with the support of qualified professionals, of internal or external threats, also implemented through IT tools.

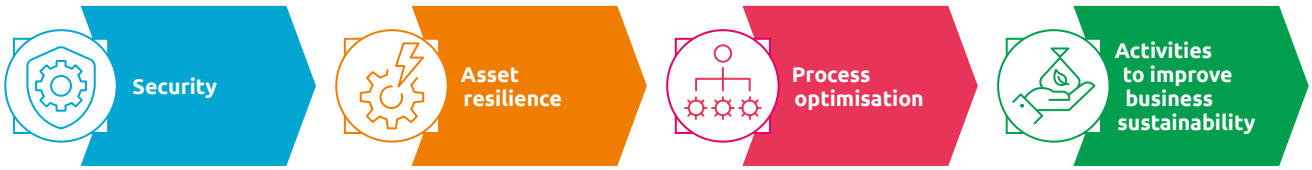
The **Global Security Guidelines**, approved in 2018, define the principles adopted by Snam with a view to preventing security threats and mitigating the impact of potentially harmful events for the Company, through:
- the uniform, prompt application of security directives;
- the allocation of the resources necessary to ensure the deployment of suitable measures in terms of physical, logical and organisational security;
- the commitment to considering security risk prevention as an integral part of managerial and business activities;
- the spread of security culture, also supporting communication, sensitisation, training and update initiatives for staff and third parties collaborating with the Company.

To guarantee the careful and correct management of the personal data, Snam has defined the **Guidelines on privacy**, which define the company roles and the obligations to be implemented regarding the protection of personal data pursuant to Regulation (EU) 2016/679 and directs all Snam employees to ensure that the processing of personal data is carried out in compliance with the fundamental rights and freedoms of natural persons and in particular the right to the protection of personal data

Innovation and digitalisation

With a view to digitalising its industrial assets and its operations, Snam has earmarked around 450 million euros in investments over the plan period for **SnamTEC**, the Group's innovation and digitalisation programme that has a total of 52 projects in four macro-areas: **security, asset resilience, process optimisation and improvement of business sustainability**. Among the various innovations introduced by SnamTEC are: **predictive maintenance**, which minimises costs and downtime, contributing to security and continuity of supply; the application of **artificial intelligence** to the operational management of network assets, which allows reducing consumption and emissions and the use of **big data** to support decisions related to industrial processes, which alllows making the decision-making process more factual, faster and more effective.

The four macro-areas of SnamTEC's innovation strategy



SNAMTEC'S MAIN PROJECTS IN 2022

SAFETY	**Aerial surveillance of pipelines for network monitoring with satellites and drones** The first cycle of using satellite technology to improve the ability to identify and monitor the evolution of territorial areas characterised by slow landslides (such that they cannot be detected with the conventional control methods currently used, such as periodic geological reviews by qualified geologists) has been completed. The necessary activities will be carried out in 2023 for the gradual introduction of the solution in industrial processes. Snam is registered as an ADR Operator with ENAC, and has thus set up an organisation and flight permits to comply with regulatory requirements and use drones to support operators during network monitoring activities in the territory, especially in inaccessible areas that are difficult to reach on foot. During the year, Snam staff performed approximately 600 operational missions and an additional 40 staff were trained to carry out the operations.
	T-LAB - SnamTEC Laboratory Laboratory for testing new innovative technologies to support Snam's core business, in which a **system for detecting leaks and third-party interference** on the gas pipeline laying route (excavations, drilling, etc.) was tested, which envisages the use of the existing fibre optics accompanying the gas pipelines on the primary gas transportation network. For plants that cannot be reached or as an alternative to the mobile network (4G/5G), experimentation with a **remote connection system** which uses a geostationary satellite for data acquisition and transmission has begun.
	Pressure Intelligent Monitoring System (PIMOS A system to detect and locate gas leaks along the transmission network based on the analysis of pressure waves and the detection of possible disturbances and their propagation time. The system was brought into operation on the entire network of the Bari and Rome Districts in 2022, in addition to the Bologna and Catania Districts completed in 2021.
ASSET RESILIENCE	**Asset Control Room** Project aimed at improving and innovating asset management and operations thanks to a single data platform, intuitive user interfaces with integrated data (digital twin) and end-to-end process views that abandon the classical silo logic of traditional information systems and their databases. The first functionalities were released in production in test mode during the year.
	IoT Foundation Technology enabler to support network digitalisation and energy transition initiatives to ensure infrastructure monitoring and reliability through the implementation of solutions for the acquisition, transport, processing and provision of data, to provide operational recommendations that are useful for key industrial processes. The main benefits relate to increased service resilience and business continuity, flexibility, faster deployment of new services, scalability of technology infrastructures and acceleration of innovation.
	Analytics 4 Maintenance and Risk-based maintenance Projects aimed at effectively and efficiently managing the life cycle of assets, through the definition of models for assessing their condition in order to optimise maintenance and upkeep plans, with the support of appropriate information systems, and at the same time guaranteeing the most appropriate levels of security over time. The project includes the calculation and analysis of the operational impact ranking for all network and pipeline installations. To this end, a model and tool have been created to assess possible impacts from the failure of each individual plant and propagation of the impacts to the rest of the network. The model was refined and improved over 2022 to support the allocation of investments, in order to prioritise network elements that are particularly under stress, at risk of failure and with a higher impact in the event of a failure.
	Smart-PE Project aimed at protecting company assets from corrosion and streamlining processes. Completed in the course of 2022, Smart-PE implements the requirements of the new international standard EN ISO 15589-1 and provides an up-to-date, real-time database on the health status of the network.

PROCESS OPTIMISATION

Study of SmartPipeline and SmartPlant solutions

SmartPipeline is a plant solution aiming to make the gas transport network increasingly intelligent, through the identification and installation of new digital diagnostic and operating equipment. SmartPlant, to which the concepts of the SmartPipeline are extended, is aimed at identifying new digital instrumentation for collecting data from the field, in booster or storage plants that is currently unavailable, as well as defining and optimising the supervision and maintenance logics for each device. The first test installations with data transmission and verification were carried out in 2022.

Asset Self-Monitoring (Smartness Matrix)

A project that originally initiated as a means to analyse, in a structured way, the requirements of the acquisition processes and the management of data relating to the control and operation of the transportation, storage, and regasification assets, in order to increase their effectiveness levels and identify the best supporting technologies of the whole remote-controlled process.

Gas Transmission Network Asset Maintenance System (SMART GAS)

Corporate initiative to improve the effectiveness of technical-operational processes related to asset maintenance activities by digitising work orders, allocating them to workers and technicians in the network, and optimising maintenance cycles according to history. In particular, the extension of the project to LNG Italy was completed in 2022.

Central archive dematerialisation

Launch of the study to devise the technological solution for digitising material from the centralised archive and individual offices. After the dematerialisation of the territorial network units' archives with the eDoc document system, the initiative is continuing with the dematerialisation of the LNG archives of the booster and storage plants.

JarvisBySnam

Business process management platform based on two fundamental pillars: **strengthening the core business** through automation, performance improvement and the digitalisation of new processes, and the **development of customer service** by offering new services or the use of new technologies to improve existing services, enhancing and facilitating user interfaces and the user experience.

Platform supporting Group financial and treasury management

Release of the **SAP S4HANA** platform to support the Group's financial and treasury management, replacing old tools with a single platform integrated with SAP, capable of Host to Host channel communication with banking circuits and ensuring centralised management of financial management and related financial instruments used by Snam.

Electronic tendering, catalogue purchases, quality assurance and subcontracting

Extension of the Supplier One Platform features, in order to support transport and subcontracting management processes, integrating the entire supply chain process into a single platform.

ACTIVITIES TO IMPROVE BUSINESS SUSTAINABILITY

Energy optimisation for grid layouts and compression

Project carried out in collaboration with the Polytechnic University of Milan, with the aim of developing an application solution capable of determining the best set-up of turbo-compressors (from the point of view of energy efficiency) and suggesting the set-up changes to be made to individual thrust and storage machines, according to the parameters supplied by the SCADA (Supervisory Control And Data Acquisition) system, with the ultimate objective of reducing CO_2 consumption and emissions.

Turboexpanders

Use of the energy generated by the decompression of natural gas from the network during pressure jumps upon redelivery from the national to the regional or local network, by means of special turbo-compressors (plants that allow the production of green electricity intended to cover internal consumption or to be fed into the grid in the event of excess production compared to the same). In this context, the engineering phase continued for the implementation of a pilot project, which included the evaluation of the amount of energy that can be produced according to the recent evolution of the regulatory environment.

Reducing and accounting for methane emissions

Initiatives aimed at reducing and correctly accounting for methane emissions into the atmosphere. In this regard, in particular, the LDAR (Leak Detection & Repair) programme continued with its own staff for the measurement and repair of fugitive emissions in Snam plants. Tests were also carried out in 2022, using instrumentation at some transport and storage facilities to measure methane emissions at individual sites.

Power to Hydrogen (P2H)

A process through which the electricity produced by renewable sources that is surplus to immediate consumption is transformed into hydrogen to be injected directly into the network. In this context, feasibility studies have been completed covering the entire chain of hydrogen production from green energy produced by solar fields and the upgrading of Snam Rete Gas regulation and reduction plants with the installation of electrolysers.

SnamTEC activities for the infrastructure of the future

In 2022, Snam continued experimentation and studies aimed at supporting the energy transition by evaluating the existing infrastructure and the transportation of natural gas and hydrogen blends with H_2 content up to 100%. In this regard, the main activities carried out during the year concerned:

- the successful execution of field tests on the BH model **NovaLT12** turbine (with a capacity of 12 MW), already used for factory tests in 2020, and the PGT25 turbine (with a capacity of 25 MW) to verify the efficiency of their operation with a **blend of hydrogen and methane** (H_2 up to 10% by volume, variable);
- the completion of the technical **qualification** of some suppliers of electric and electro-hydraulic actuators and of male and ball shut-off valves specific for natural gas transportation and blends with hydrogen up to 100% H_2;
- the issuing of **internal regulations** for the construction of new pipelines, the conversion of existing pipelines to **accommodate the transport of up to 100% H_2**, and the application of coatings for above-ground plants (paint cycles). These regulations were supported by carrying out valve and piping tests according to ASME B.31.12 "Hydrogen Piping & Pipelines";
- the participation in **research groups** for the definition of new European standards for studying the effects of **hydrogen in steel pipes**;
- the participation in **Joint Industry Projects** to study, by running tests, the effects of the presence of hydrogen on gas measurement systems (Quantity and Quality).

Open Innovation Hub and Snaminnova

Following the promising results achieved the first year, by the Group's Open Innovation programme, in 2022, Snam launched the second edition of **Snaminnova**, dedicating it to **Sustainable Innovation** and defining three thematic areas within which to collect propsals of innovative ideas from the internal and external teams of the company:

TERRITORY

to identify and implement innovative solutions to facilitate **inclusive development of the community** in which Snam operates through the use of hydrogen

SNAM PEOPLE

to identify solutions to simplify **processes and employee interactions**, such as how to work and ensure safety of its activities

PARTNERS

to facilitate the **decarbonisation of the supply chain**, by reducing emissions generated by the Group's contractor processes

The **Centrale delle idee** (Ideas Centre) is the internal innovation initiative that involved **132 employees** of Snam and resulted in the collection of more than **90 ideas**. The six ideas selected by the Evaluation Committee went through the structuring and finalisation process, followed by the selection of the three finalist ideas. The latter entered the development phase and have begun feasibility studies for further testing.

The internal and external innovation and paths, as well as initiatives for the promotion of innovation culture were attended by the **Innovation Ambassadors**, a community of **74 Snam employees** from different company areas, recipients of **more than 600 hours of training**, and involved as active part in Open Innovation projects.

The **Call4Startup** is the external innovation initiative and gathered **160 projects** from **143 start-ups**, both national and international, among which **6 projects** were selected that have already worked on the potential use case (Business Case) based on the innovative solution proposed, and that will carry out a trial with Snam in 2023.

The scouting areas for experiments are Gas Leakage Detection, Field Safety, Asset Security&Integrity, Field Data Collection, Hydrothermal Carbonization (HTC), Mixed Reality, Innovative Learning, Hydrogen Solution, Emission Calculation Models, Welfare&Wellbeing, and Hybrid Workplace.

+2,000 start-ups met in the last two years

20 ongoing experiments

of which **5** have already become project scales

of which **12** of a technical-industrial nature developed in SnamTEC's T-Lab

The evolution of technology infrastructures for transition

One of the many challenges Snam is facing in its digital transformation journey is to transfer a significant part of data and information to the public cloud.

The IT infrastructure has a total of about **4,700 virtual servers, 800 physical servers and 1,300 database applications**. In addition, there are more than **9,000 company mobile devices** in the possession of technicians and employees. The services are delivered from three different data centres: two proprietary primary centres and one virtual centre built with Microsoft.

To support the growth of the business, it was also necessary to design an infrastructure capable of doubling data processing workloads and tripling the amount of available storage by 2026 - a major challenge in terms of cost, management and security.

Snam's choice to tackle this path was to move to the cloud, and in particular, the implementation of a **hybrid cloud** which would provide the equivalent of a virtual data centre where applications could be moved according to convenience. Following the completion of the move of the first 800 virtual machines to the cloud in 2022, the configuration of the infrastructure to achieve high reliability will be completed. It will then continue in the following years, gradually migrating the more strategic workloads and finally, those that are currently under business continuity.

Technological infrastructure for employees

The **Digital Workplace 5.0 programme** aims to provide employees with the most appropriate technological infrastructure to support them in their work and collaboration. The main achievements include the following initiatives:

- **Workstation Refresh and PC Replacement Workspace One - Territory**, aimed at providing a smart office where employees work on higher-performance PCs, new workstations with a larger 27-inch, all-in-one monitor that doubles as a docking station for connecting a laptop. In addition, the new workstations are compatible with wireless headsets, mice and keyboards, which are supplied along with the PC exchange to all colleagues, thus facilitating a complete sanitisation of workspaces.
- **Company smartphone multi-factor authentication**, adding a higher level of security for access to collaboration tools (e.g., One Drive, Teams, Outlook, etc.).
- **Network folder migration to Teams**, a tool which makes it quick and easy to create storage space, consult and share files at any time and from any corporate device, also thanks to integration with other corporate tools in use (e.g., One Drive, Mail and Calendar).

Cyber security

In order to adequately monitor the issue of cybersecurity, Snam has developed security risk management models, suitable for identifying threats and vulnerabilities and assessing the relative risk, identifying and implementing the most effective mitigation measures. Snam's approach to cybersecurity is integrated and based on a framework certified in accordance with **ISO/IEC 27001** (Information Security Management Systems) and **ISO 22301** (Business Continuity Management Systems) standards, and is overseen by a dedicated corporate function that directs and manages cyber security activities throughout the Group's technological infrastructure.

The **Cyber Security Incident Management** model overseen by the **Security Incident Response Team** was developed with a view to countering the latest cyber threats. The model makes use of tools for collecting and correlating all the security events recorded on the entire perimeter of the company's IT infrastructure, making it possible to prevent, monitor and, if necessary, direct timely remedial action to deal with situations that could affect the confidentiality, integrity and availability of the information processed and the technologies implemented. Within the framework of **cyber incident management** activities and in compliance with formal agreements signed between the parties, **Info sharing** is also used with **national and European peers** and institutions, in order to improve the capacity and speed of response to possible security incidents. This practice will also become increasingly necessary in the future given the cyber event notification requirements that national security regulations impose and will impose.

During 2022, the Security Incident Response Team continued to operate without interruption, providing support on a daily basis, 24 hours a day, 7 days a week.

Risk analysis and technical verification activities are among the main activities carried out by the function, and allow identifying protection needs arising from technological developments and any previously unknown vulnerabilities in business processes. These analyses are followed by **replacement or supplementary solutions**.

Security by Design, a timely process that requires compliance with specific requirements and adequate checks for each application and infrastructure development, also continued, the application of which was extended to all IoT initiatives and corporate activities. Additionally, more appropriate security technologies have been defined to support the new skills that Snam has acquired and will acquire in the near future. Finally, in order to safeguard the continuity of processes related to the provision of essential services to the country system, a series of initiatives were completed in 2022 to:

- **update the business continuity model** of the Group in order to make it more flexible, also leveraging the know-how gained during the pandemic crisis management;
- **verify** and, where necessary, **strengthen the ability to deliver the most critical operation processes**, even with limited technological support, e.g., in the absence of the SCADA system in use in the dispatching control room.

The human factor is a central element in activities to prevent and identify potential cyber attacks that might occur in the normal course of business. For this reason, Snam promotes several activities to the entire corporate population:

- **information**, e.g., alerting staff with specific e-mails or messaging about ongoing phishing campaigns;
- **training**, including an ad hoc session dedicated to cybersecurity as part of the induction course for new recruits;
- **awareness-raising**, designing, for example, periodic White Phishing campaigns, i.e., simulations of fraudulent e-mail forwarding to identify the company's areas of greatest vulnerability and help users recognise possible suspicious communications.

Cybersecurity is also strengthened outside the Group through awareness-raising activities and the direct involvement of customers and suppliers. In particular, the latter are called upon to sign the **Ethics and Integrity Agreement**, which requires them to be transparent about incidents and how to defend themselves in the event of any critical issues.

ENVIRONMENTAL INFORMATION

TARGETS AND PERFORMANCE

Action		Target	Performance 2022	
EMISSIONS				
Percentage of emission reduction of gas greenhouse gas emissions Scope 1 and Scope 2 (vs 2018)	CARBON NEUTRALITY	-28% by 2025 -40% by 2027 -50% by 2030 Carbon Neutrality at 2040	-3.9% (-8.1% on regulated business)	⚙
Percentage of reduction in natural gas emissions (vs 2015)	CARBON NEUTRALITY ESG SCORECARD	-40% by 2022 -55% by 2025 -58% by 2026 -65% by 2030	-45%	✓
Percentage of natural gas recovered from maintenance activities	ESG SCORECARD	>40% of the average of the last five years until 2026	57%	✓
Percentage of Scope 3 emission reduction (vs 2019)	CARBON NEUTRALITY	-46% by 2030(*)	-37%	⚙
		-55% by 2030(**)	+158%	⚙
ENERGY SAVINGS OF OPERATIONAL MANAGEMENT				
MWh production of electricity by photovoltaic plants	ESG SCORECARD	>860 MWh by 2023 >900 MWh by 2026	1,035 MWh	✓
Increase electricity from renewable sources (***)		55% by 2030	52%	⚙
Trigeneration plants		Production of 17,000 MWh from trigeneration plants by 2026	7,297 MWh	⚙
High-efficiency heat generators		110 MW by 2025	101 MW	⚙
Improvement of the energy efficiency of buildings		Savings of 75,000 m³ per year of gas and 250 MWh per year of electricity by 2025	40,000 m³ 145 MWh	⚙
Installation of LED lighting systems		Replace 534 kW with 1,860 MWh savings by 2022	534 kW 1,860 MWh	✓
Percentage of retrofitted or methane-powered cars out of the total company car fleet	ESG SCORECARD	55% by 2022	59%	✓

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

✓ Target reached

⚙ Target in progress

⊘ Target not reached

TARGETS AND PERFORMANCE

Action	Target	Performance 2022	
NEW BUSINESS - GREEN INNOVATION			
Biomethane production (Mscm)	33.1 Msmc by 2022 220 Msmc by 2026	19.1 Msmc	
Cumulative number of CNG and LNG stations installed	85 by 2022 155 by 2026	85	
Reduction of CO_{2eq} emissions from energy efficiency measures	24 ktonnes by 2022 192 ktonnes by 2026	26 ktonnes (****)	
Available LNG capacity for the SSLNG market	250 ktpa by 2026	-	
ENVIRONMENTAL PROTECTION			
Percentage of vegetation recovery of natural and semi-natural areas impacted by pipeline construction	>99% until 2026	99.91%	

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

Target reached

Target in progress

Target not reached

(*) Emissions of subsidiaries, fuel and energy production and transmission, business travel, commuting.
(**) Supplier emissions in terms of emission intensity (tCO_{2eq}/M€ CapEx).
(***) From 2022 the KPI also includes energy produced by Snam. The values for 2020 and 2021 are unchanged. Considering only the share of purchased green electricity, the percentage for 2022 would be 51%.
(****) The perimeter relates to TEP, Mieci and Evolve.

Environmental risks

MATERIAL TOPICS	RISKS/IMPACTS
Climate change and green business	**STRATEGIC RISKS** • Climate change risks leading to a tightening of the regulatory framework and emerging regulatory framework • Risks connected with climate change, which entail the diffusion of new technologies favouring the use of intermittent energy sources and failure to adapt to new technological standards • Climate change risks leading to reduced demand for natural gas • Climate change risks leading to negative perception of fossil fuel companies
	IMPACTS Emissions of greenhouse gases, generated by Snam in the course of its activities or along the value chain, contribute to climate change. In order to contain them, Snam promotes decarbonisation initiatives, such as the reduction of methane emissions and energy efficiency measures. In addition, Snam contributes to the fight against climate change through the development of low-carbon technologies and green businesses, which help reduce the country's greenhouse gas emissions. The growth in demand for low-carbon technologies and a favourable political and regulatory environment for the development of green businesses create market opportunities for Snam.
Protecting local areas and biodiversity	**OPERATIONAL RISKS** • Risk of breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption • Risks linked to maintaining an adequate reputation profile for suppliers and sub-contractors
	IMPACTS Initiatives to restore and safeguard biodiversity in the areas affected by the pipeline network promote the enhancement of natural heritage. On the contrary, inadequate rehabilitation plans for areas affected by the pipeline network could lead to a reduction in biodiversity. The increasing focus on the issue of biodiversity helps to strengthen the relationship with the territories on which the company operates and to enhance their landscape heritage. At the same time, the possible implementation of new legislative constraints in the environmental sphere to protect biodiversity could lead to lengthening the bureaucratic process for obtaining permits to build infrastructure.

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and Risk Management' in the Integrated Directors' Report.

In the 2022 materiality analysis, the topics "**Pollutant emissions**", "**Waste management**" and "**Water resource management**" were not material, which, however, are adequately covered by the Group. In fact, Snam carefully and constantly monitors polluting emissions into the air, particularly those of nitrogen oxides (NOx), the only ones most relevant to Snam that belong to this type of emission and which are mainly derived from the combustion of natural gas in the turbines of the compression and storage plants. To contain them, Snam has, over the years, replaced conventional turbines with low-emission turbines (DLE)

The supply and discharges of water connected to Snam's activities represent an environmental aspect of little significance, both in terms of the quantities used and the type of discharges. Fresh water is used in limited quantities and mainly for sanitation and landscaping purposes, while the seawater used in the operations of the LNG Italia regasification plant is completely discharged into the sea in the same volume, with a slightly higher temperature value (within the law). Waste management, due to the quantity and type of waste produced, mostly non-hazardous, is also a non-material issue for the Group.

Policies, commitments and management models

With a view to adequately managing environmental aspects, Snam has approved the **Health, Safety, Environment and Quality Policy (HSEQ Policy) and the Sustainable Development Policy**, through which the Group:

- promote respect for the environment in the design, implementation, management and decommissioning of assets and in the provision of services;
- promote the fight against climate change by implementing operational and management measures for the continuous reduction of greenhouse gas emissions and the efficient use of natural resources, in line with the Sustainable Development Goals defined by the UN;
- promote the protection of biodiversity, prevent pollution and ensure proper waste management, including through recovery at the final destination;
- promote energy efficiency and guarantee the responsible use of natural resources;
- ensure that staff and stakeholders are informed, trained and made aware of the principles expressed in the policies.

Snam's **Environmental Policy** covers the entire value chain and applies: :

- to all stages of production of each product and service, including distribution and logistics, as well as related waste management;
- to each site and building;
- to all relations with external stakeholders;
- to all mergers and acquisitions;
- to each key trading partner;
- to any supplier, including service providers and contractors;
- to all due diligence processes.

Snam uses an environmental management system, integrated into the company's broader framework of certifications, based on compliance with legislative obligations and the improvement of the company's environmental aspects and compliant with **ISO 14001** and **ISO 9001**, certifications that are also required in supplier selection and qualification processes. In addition, it started the procedures to obtain the ISO 50001energy certification.
For further information on management systems, see "Annex 3 - Management Systems" of the Consolidated Non-Financial Statement 2022.

In order to verify the effectiveness of the management systems, an internal team of 11 auditors carries out health, safety and environmental audits: 224 audits were carried out in 2021, of which 139 at the various Group companies (of which 87 were conducted by an external team) and 85 at third parties. Furthermore, in the last four years, Snam has not paid any significant fines (>10,000 dollars) in the HSE area (environmental or ecological fines).

Finally, particular attention is paid to **Environmental Impact Assessment** (VIA) or **Integrated Environmental Authorisation** (AIA) procedures, for the issuing of authorisations required by legislation for the construction of plants and infrastructures while respecting and protecting territories and biodiversity. Ensuring the safety and quality levels of the plants is of great importance to Snam, which is why the Group employs numerous technologies to guarantee complete, continuous and efficient control and monitoring of the network.

Climate change and emission reduction

Snam's commitment to preventing climate change is embodied in its Carbon Neutrality strategy, aimed at achieving carbon neutrality by 2040 in its operations, with intermediate reduction targets for Scope 1, 2 and 3 greenhouse gas emissions and natural gas. For more information on the Group's decarbonisation strategy, please refer to the chapter “Strategy and Risk Management, Towards Carbon Neutrality” in the Annual Report 2022.

In addition, Snam actively participates in numerous national and international initiatives on the issue of climate change and, in particular, methane emissions. The Group has been a member of the UN Environmental Programme's **Oil and Gas Methane Partnership** for years, has subscribed to the **Methane Guiding Principles** and prepares the Climate Change Report in line with the recommendations of the **Task Force on Climate-related Financial Disclosures**.

During 2022, Snam coordinated the **UNI/CT 199/GL 03 Technical Commission** to oversee technical activities of a regulatory nature relating to the subject of "methane emissions" and in particular the work of the GERG Joint Group, GIE, ENTSOG, EUROGAS, MARCOGAZ, developments and collaborations with IMEO and OGMP 2.0, regulatory activities underway at EU level (ACER and CEER) with relative exchange of information and sharing of any national positions. For further information, please refer to “National and International Activities: Snam and climate change" in the chapter "Snam's strategy, Building a secure and sustainable energy system: the 2022-2026 strategic plan" of the Climate Change Report 2022.

In addition, the Group has implemented best practices to reduce natural gas and consequently methane emissions. Among these, of particular importance are:

- **Leak Detection and Repair (LDAR)**, which has contributed to the reduction of approximately 2.2 mln m^3 of methane emissions since its implementation in 2020,
- gas recompression systems that allow the gas to be fed back into the network, avoiding its release into the atmosphere. Thanks to these 6 mln m^3 of gas were not emitted, recovering more than 60% of the amount of gas that would have been emitted without mitigation measures, and
- the replacement of existing models with new low- or zero-emission equipment and, in some plants, the adoption of air-fuelled instead of gas-fuelled actuation systems, which led to a reduction in methane pneumatic emissions of around 2 mln m^3.

Snam's focus on reducing natural gas and methane emissions is linked to the share of energy consumption attributable to natural gas (96.4%), which is used for the operation of transport, storage and regasification plants, for heating buildings and for self-propulsion. Consequently, almost all of Snam's GHG Scope 1 direct emissions concern methane (CH_4) and carbon dioxide (CO_2), while a small part is attributable to hydrofluorocarbon (HFC) emissions, i.e. the refrigerant gases used in the refrigeration.

In 2022, direct emissions amounted to 1.5 million tonnes of CO_{2eq}, up 3% compared to 2021, but down 4% compared to 2018, the base year used in the Scope 1 and 2 emissions reduction target included in the Group's decarbonisation strategy; on the perimeter of regulated businesses only (more similar to that of 2020 when the decarbonisation targets were announced), direct emissions are 1.4 million tonnes of CO_{2eq} (0.3% lower than in 2021 and 7.5% lower than in 2018). If compared to the previous year, CO_2 emissions from combustion increased by 24% compared to 2021, reaching 0.98 million tonnes, while CH_4 emissions decreased sharply, going from 658 thousand tonnes of CO_{2eq} to 508 thousand tonnes of CO_{2eq} in 2022. HFC emissions were almost the same, combing in at 1.13 thousand tonnes of CO_{2eq} (+12% compared with 2021).

Thanks to ongoing reduction measures, including the recovery of natural gas emissions, the increasing use of green electricity and energy efficiency measures, Snam has avoided 213 thousand tonnes CO_{2eq}, an increase of 26% compared to 2021. For more information on these initiatives, see the chapter “2022 Performance – Greenhouse Gas Emissions” of the 2022 Annual Report and the chapter “Enabling the country's ecological transition and reducing Snam’s environmental footprint – Combating climate change and reducing emissions” of the 2022 Sustainability Report.

Snam has **23 plants subject to the EU ETS**, one more than the previous year, as a new Renovit plant came on stream. The EU ETS[57] is a European system designed to encourage emission reductions by setting a cap on the total amount of certain greenhouse gas emissions that can be emitted by installations with specific characteristics. If a company emits more than the cap, it is obliged to buy emission allowances from the market. Of these, 13 are in the transport business, 8 in storage and one, the Panigaglia terminal, in regasification. The emissions of these plants amounted to 0.929 million tonnes of carbon dioxide, of which 0.154 million allowances were assigned free of charge, while the remaining 0.775 million tonnes were purchased from the market.

ASSETS	NUMBER OF PLANTS	NAME OF PLANTS
Transportation	13	**Gas compression plants in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini, Minerbio, Sergnano**
Storage	8	**Storage gas compression plants in Cortemaggiore, Fiume Trieste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala, Bordolano**
Regasification	1	**Liquefied natural gas regasification plant in Panigaglia**
Energy efficiency - Renovit	1	**Sappi cogeneration plant**

Energy efficiency and renewables

In 2022, Snam's total energy consumption was 17,641 TJ (+25% vs. 2021), mainly attributable to the use of natural gas. The other energy sources are electricity (3%) and other fuels (diesel fuel, gasoline, LPG and heat), which together amount to 0.6% of the total energy consumption. For more information on the consumption of the individual business segments, please refer to the sections 'Natural Gas Transportation', 'Regasification of Liquefied Natural Gas (LNG)' and 'Natural Gas Storage' in the chapter 'Operating performance by business segment' of the Integrated Directors' Report 2022.

The most significant share of Snam's energy consumption, 83% of total consumption, is attributable to the operation of gas turbines used in the compression and storage plants, which the company will gradually replace with electric compressors.
The energy consumed in order for the turbines to provide the necessary pressure for transporting gas along the national grid and its storage in reservoirs **depends on the amount of gas transported and stored and the distance between the entry point into the grid and the downstream redelivery point**.
The route that the gas has to follow to reach the consumption areas (the barycentre point of which is currently just below the Po Valley) and, consequently, the necessary thrust and the number of compression plants involved, have a significant impact on energy requirements. In particular, the North African and TAP-related backbone (which saw a 15% increase in gas transported in 2022) requires gas to be transported over a greater number of km and using more facilities than the Russian one (gas entering Tarvisio reduced by 52%): **in 2022, the overall reshuffle of gas entry points resulted in more hours of operation of compression plants equal to about 13.5 thousand (+25%) to which are added about 4.5 thousand additional hours (+17%) of operation of storage plants against a lower amount of gas injected into the network of 0.37 bcm (-0.5%)**.

57 2022 was the second year of application of the rules provided for in the Legislative Decree 47/20 for the fourth period 2021-2030 of application of Directive 2003/87/EC.

In the face of this consumption, and in addition to the actions implemented in the path of reducing emissions towards carbon neutrality (e.g. the gradual replacement of gas turbines with electric compressors in gas transport and storage plants) Snam, in order to reduce its energy consumption and, its impact on the environment, has launched **energy management** initiatives, including

- the installation of photovoltaic plants in the regulated sector at the main premises for the production of green electricity;
- the installation of cogenerators fuelled by biogas from anaerobic digestion of agricultural waste or waste for the production of electricity;
- the acquisition of electricity from certified renewable sources through specific supply contracts;
- the installation of high-efficiency heat generators, in particular at gas reduction and regulation plants;
- the installation of trigeneration plants;
- the improvement of the energy efficiency of buildings.

With respect to these initiatives, renewable energy plants, which from 2022 do not include cogeneration plants, increased compared to the previous year due to the installation of photovoltaic plants in the gas transmission network (3,621 units in 2022, +28% compared to 2021). The increase in installed capacity, from 1.3 MW to 4.7 MW (+259%), is mainly due to plants of energy transition businesses and new grid-connected photovoltaic systems. Similarly, there was an increase in the energy produced, from 950 MWh in 2021 to over 2,900 MWh in 2022, or +208%.

The share of green electricity consumed in the total increased from 41% in 2021 to 52% in 2022, which is very close to the target of reaching 55% by 2030.

The other energy KPIs set by Snam were also increased, making them more challenging, with the goal of achieving them by 2026, especially with reference to energy production from the trigeneration plants installed in the Gallese and Istrana power plants. The Group's multi-year energy efficiency targets are in line with expectations, while, with reference to the ESG Scorecard, as far as annual electricity production from photovoltaic plants is concerned, Snam has far exceeded the target of 860 MWh, reaching 1,035 MWh.

In 2022, energy efficiency works in the Group's buildings resulted in gas savings of 40,000 m³ compared to 30,000 m³ in 2021 and electricity savings of 145 MWh, up from 80 MWh in the previous year, which is in line with the 2025 target (saving of 75,000 m³ per year of gas and 250 MWh per year of electricity).

The development of businesses for energy transition

Snam intends to consolidate, year after year, its positioning in the energy transition business thanks to the presence of dedicated business units and subsidiaries, which are committed to identifying new development opportunities, internalising skills through the acquisition of industry leaders and the active participation to research and development projects, both nationally and internationally.

Despite the significant increase over 2021, biomethane production fell short of the target in the ESG scorecard (33.1 Msmc) due to delays in the construction of some of the plants.

The Mobility & Liquefaction business is being repositioned within the gas infrastructure business insofar as it is no longer focused solely on the automotive sector, but is now oriented towards the creation of mid-stream infrastructures dedicated to heavy transport, shipping and railways, Snam continued to expand the network of refuelling stations for natural gas and biomethane powered vehicles. To date, 60 refuelling stations have been delivered, 8 of which are LNG-fuelled, with the goal of building 155 by 2026, in conjunction with the full-scale production and distribution of biomethane for automotive use. Further investments are earmarked for the development of Small-Scale LNG (SSLNG) infrastructure with the aim of promoting the use and distribution of LNG/Bio LNG for the decarbonisation of land, sea and rail transport, as well as off-grid industrial and civil users, with the goal of reaching 250 ktpa of available LNG capacity for the SSLNG market by 2026. In particular, Snam is finalising the process of obtaining permits for the upgrading of the Panigaglia terminal to allow the loading of road tankers for the distribution of Bio-GNL and LNG in Italy. In addition, a number of grid-based micro-liquefaction plants are being developed to stimulate the use of Bio-GNL and LNG as alternative fuels in southern Italy.

With regard to the hydrogen business, the Decarbonisation Projects is in charge of identifying development opportunities arising from studies, research and pilot projects of interest to the Group.

The main projects in the portfolio are currently the subject of feasibility studies and work has begun to assess and materialise funding opportunities. In particular, within the IPCEI (Important Projects of Common European Interest), Snam qualified with a project that aims to establish a network of stations in Italy by 2030 in the Mobility and Transport Wave.

In the course of 2022, Decarbonisation Projects has committed itself to the management of two major projects for the development of the hydrogen value chain: Hydrogen innovation Centre and Hyaccelerator. In addition, new partnerships have been signed for the application of hydrogen in aeronautics, transport and industry.

Of particular relevance is the **Hydrogen Corridor project**, i.e. the **SoutH2 Corridor Project**, which Snam (as infrastructure operator) has nominated for PCI (Project of Common Interest) in December 2022, focused on the use of existing midstream infrastructures to be reconverted to transport green hydrogen, with the inclusion, where necessary, of some new dedicated infrastructures.

In addition, Snam maintained its commitment to the initiatives:
- **Prometheus** to produce green hydrogen from renewable heat and power sources by high-temperature electrolysis
- **MultHyFuel** to contribute to the deployment of hydrogen as an alternative fuel by developing a common strategy for the implementation of hydrogen refuelling stations (HRS) in multi-fuel contexts
- **E2P2** to address the needs of the digital infrastructure of the future in terms of security and reliability of power supply, through the creation of a proof-of-concept (POC) alternative primary power source using fuel cell technologies for on-site power supply
- **HyUsPRe** to assess the technical feasibility and implementation potential of large-scale storage of renewable H2 in porous geological reservoirs
- **OlGA** to develop an initial decarbonisation concept for airport airports, with a specific focus on Malpensa airport. The project is led by Aéroport de Paris and carried out in cooperation with SEA and Rina

Snam has also joined **CCSA**, the Carbon Capture and Storage Association, the leading European association for accelerating the commercial development of carbon capture, utilisation and storage (CCUS). In this regard, Snam, leveraging the know-how it has acquired in CO_2 transport and storage, will collaborate with its two investee companies Storegga and dCarbonX, will participate in various technical work groups, and has already launched a joint venture with Eni for the experimental storage of the first 25,000 tonnes of CO_2 coming from the Casalborsetti (RA) plant and destined for storage in the Porto Corsini Mare Ovest wells.

In the energy efficiency business, Snam offers such services through Renovit, the company created together with CDP Equity, which deals with energy efficiency interventions in the residential, industrial, tertiary and public administration sectors. These activities are part of the Net Zero Solution, an integrated framework encompassing all the services offered by Renovit, developed to support and accompany customers from different sectors in defining and implementing programmes to reduce environmental impact and optimise energy consumption and performance, also as part of paths towards carbon neutrality.

In 2022, Renovit's work with customers in the various sectors resulted in the avoidance of around 26 thousand tonnes of CO_2 emissions, which will rise to around 190 thousand by 2026 and a significant increase over 2021 (14 thousand tonnes).

In January 2022, Renovit achieved **B Corp certification**, becoming the first certified company in terms of turnover and number of employees in the energy and environment sector and one of the top five in Europe. B Corp certification rewards companies that distinguish themselves in the marketplace by operating according to high standards of social and environmental performance by integrating the goal of profit with a positive impact on the environment, people and communities in which they operate.

Among other activities in 2022, Renovit joined **Co2alition**, which promotes the decarbonisation of companies' activities and processes. In this context, the Company has included in its Articles of Association the aim of progressively evolving its business and operating model towards a climate-neutral economy. In addition, Renovit has designed an operational framework to contribute to the fight against energy poverty in Italy by proposing concrete solutions to support people in a situation of fragility and the organisations and associations that take care of them.

The company also implemented three major decarbonisation and energy efficiency projects:
- **Turin Parc**, a residential redevelopment project aimed at reducing energy consumption and improving the quality of life of the inhabitants, which will be completed with the installation of a photovoltaic system to power the common areas and electric recharging stations for vehicles;
- **Smart community** in Cassino, a project for the energy requalification of the Cassino (FR) plant
- **Portofino Carbon Free**, which intends to support Portofino's public administration in its efforts to reduce the impact of services offered to the community, through the definition of decarbonisation strategies and plans and the development of energy transition projects.

For more details, see the chapter “Enabling the country's ecological transition and reducing Snam’s environmental footprint - Energy Transition Businesses” in the Sustainability Report 2022.

Safeguarding and protection of the environment and biodiversity

To systematically address environmental aspects, Snam has developed an approach for infrastructure management, from the design phase to decommissioning, based on four key aspects that express a strict application of the mitigation hierarchy:

Although they are temporary, Snam is aware of the environmental impacts that may occur mainly during the construction and decommissioning phases of the work, and therefore undertakes, where possible, to avoid them through appropriate construction measures aimed at preserving the environment and biodiversity of the territories where the infrastructure is built, while at the same time undertaking to ensure compliance with the principle of preserving ecosystems, public health, the safety of workers and the environmental sustainability of construction sites.

In particular, the Group pays special attention to minimising the passage of pipelines through areas of natural vegetation, especially when operations take place in the vicinity of **Sites of Interest for Community** (SIC), **Zones Special for Conservation** (ZSC) and **Zones of Protection Specia**l (ZPS), which together constitute the **Natura 2000 Network Sites**[58]. In 2022, the extension of the Natura 2000 network sites subject to the laying of infrastructure was significantly less than that of the previous year (1.9 km vs. 9.7 km) and affected the regions of Piedmont, Calabria and Basilicata.

58 Natura 2000 Network Sites are the main instrument used by the European Union for the conservation of biodiversity established under the Habitats Directive 92/43/EEC to preserve natural habitats at EU level.

In addition, Snam adopts procedures that meet stringent environmental compatibility and safety assessments and ensure maximum respect for the natural environment and the protection of biodiversity, such as **Environmental Impact Assessment** (VIA) or Integrated Environmental Authorisation (AIA) procedures.

At the end of the evaluations, the competent Administrations, both at central and local level, issue the authorisations to start the activities. For further information on the Decrees and Measures obtained during the year, please refer to the chapter "Operating performance by business segment - Natural Gas Transportation".

As part of the design of SNAM works, some environmental studies aimed at characterising the natural environment or forecasting the environmental effects of projects, also in support of the works' environmental authorisation procedures, are carried out by public universities or research institutes.
In particular, Snam has commissioned the University of Genoa to implement a mathematical model for the FSRUs of Piombino and Ravenna capable of assessing the possible effects due to the release of seawater with different characteristics in terms of temperature and chlorine content compared to that taken from the port area.

On the basis of the studies conducted during the VIA phase and the results of the ante-operam environmental monitoring activities, Snam implements site-specific and species-specific mitigation measures and, once the laying of the pipeline is completed, operations to **restore** the pre-existing vegetation and morphological conditions of the area are initiated. In addition to environmental restoration activities, there are also **impact compensation** activities, which consist of a five-year plan for **reforestation**, care and maintenance of plants and shrubs. In addition, Snam is committed to implementing **Environmental Monitoring Projects** (PMA) approved by the Ministry of Ecological Transition and the Regional Environmental Protection Agencies (ARPA).

A PMA consists of a series of measurements, surveys and field analyses carried out on the environmental components of project development areas and potentially impacted. These include: **water environment** (surface water and groundwater), **soil, biodiversity** (vegetation, flora, fauna and ecosystems), **noise, atmosphere** and **landscape**.
The PMA have the objective of verifying the renaturalisation process on the basis of the comparison of the pre and post construction conditions of the territory, therefore, they begin a year before the start of construction activities (**ante-operam monitoring**) for the seasonal monitoring of the fauna, to then continue in parallel with the entire construction activity (**monitoring during construction**), then generally continuing for 5 years after the closure of the construction sites (post-operam monitoring).
During 2022, Snam managed the **environmental monitoring of approximately 955 km of the network**.

The licence to operate: relations with local communities

As part of the construction of the relevant infrastructure, Snam, in its capacity as an entity carrying out activities in the public interest, in addition to requesting **specific authorisations from the public administration**, frequently meets with municipalities, farmers' professional organisations and local communities affected by the energy infrastructure.

During the authorisation process, private parties and environmental associations or other stakeholders may submit their observations to the competent public administration.
Snam also organises specific meetings with professional farmers' organisations with the aim of sharing the compensation criteria to be granted to those entitled. In fact, in order to compensate landowners, Snam adopts **fair compensation** processes, which consist of the payment of an **easement indemnity**.

In addition to the compensation for easements, Snam also provides claimants **compensation for damage** to crops interfered with during the temporary period of construction work. This compensation is established following the prior drawing up of a state of the land, which describes the state of the sites.

Only in the event that it is not possible to voluntarily establish a methane pipeline easement, Snam, since it must ensure the construction of the infrastructure of public utility, requests the P.A. to issue the compulsory measure that places the easement right and the authorisation for the temporary occupation of areas in the Company's hands, in any case always compensated through the payment of adequate compensation.

Snam also provides web content with in-depth information on infrastructures and projects of particular importance, including Snam for Lombardy or Snam for Minerbio. (https://www.snam.it/it/snam_per_lombardia/, https://www.snam.it/snamperminerbio.

20 mayors met to illustrate the implemented projects

8 meetings with local farmers' associations

4 meetings with local associations

Key performance indicators

INDICATOR	GRI STANDARD	UNIT OF MEASUREMENT	2020	2021	2022
Emissions (a)					
Emissions of CO_{2eq} – Scope 1 (b)	305-1	10^3 tCO_{2eq}	1,314	1,437	**1,485**
CO_{2eq} emissions - Scope 2 - Market based	305-2	10^3 tCO_{2eq}	31	31	**33**
CO_{2eq} emissions - Scope 2 - Location based	305-2	10^3 tCO_{2eq}	39	31	**39**
Emissions of CO_{2eq} – Scope 3 (c)	305-3	10^3 tCO_{2eq}	1,034	938	**1,338**
Intensity of GHG emissions					
GHG Intensity Index Scope 1 and 2 vs. grid length (d)	305-4	tCO_{2eq} / km	41.2	44.8	**46.2**
GHG Intensity Index Scope 1 and 2 vs. transported gas (d)	305-4	tCO_{2eq} / bn m^3	19.2	19.4	**20.1**
Total methane intensity index vs. grid length (d)	305-4	tCH_4 / km	0.67	0.67	**0.52**
Energy consumption	302-1	TJ	12.154.4	14.156.5	**17.640.7**
of which natural gas	302-1	TJ	11.597.5	13.662.2	**17.010.3**
of which diesel	302-1	TJ	69.5	51.4	**76.1**
of which petrol	302-1	TJ	10.3	29.7	**15.7**
of which LPG	302-1	TJ	0.4	0.2	**0.2**
of which electricity	302-1	TJ	463.5	399.3	**525.9**
of which green electricity consumed	302-1	TJ	226.5	162.4	**272.2**
of which thermal energy	302-1	TJ	13.4	13.8	**12.6**
Energy intensity					
Energy consumption / gas transported	**302-2**	**TJ / bn m^3**	173.7	186.8	**234.0**
Protecting local areas and biodiversity					
Environmental restoration	**304-1**	**km**	**98**	**154**	**195**
New reforestation (e)	**304-1**	**km**	**16**	**6**	**17**
Cultivation care (f)	**304-1**	**km**	**65**	**70**	**72**
Environmental monitoring	**304-1**	**km**	**1.094**	**946**	**955**
Transportation network within Natura 2000 sites (g)	**304-1**	**km**	**34.6**	**9.7**	**1.9**

(a) In 2022, the methane coefficient for global warming potential (GWP) was updated. This value expresses the contribution to the greenhouse effect of a gas compared to CO_2, whose reference potential is 1. According to the Sixth Assessment Report - IPCC, the new value is 29.8 compared to the previous value of 28. Therefore, the GHG Scope 1 and Scope 3 emissions from previous years were recalculated.
(b) For FY 2021 only, the values have been restated following an update of the data collected for FY 2021.
(c) Integrated figure considering all Scope 3 emission categories.
(d) 2020 figures recalculated.
(e) New reforestation area 272,000 m2 (108,800 m2 in 2021).
(f) Cultivation care means agronomic activities of care and maintenance of the plants planted.
(g) Natura 2000 sites are special protection areas/sites of Community interest. The indicator denotes the km of lines laid in these sites in the year. For 2022, the Natura 2000 Network Sites subject to infrastructure laying covered the following regions: Piedmont, Calabria and Basilicata.

SOCIAL INFORMATION

TARGETS AND PERFORMANCE

Action		Target	Performance 2022	
GENDER DIVERSITY				
Percentage of women in executive and management positions (*)	ESG SCORECARD	23% by 2022 27% by 2026	23,1%	✓
Percentage of women in the succession plan (first and second line) (*)	ESG SCORECARD	26% by 2022 27% by 2026	26%	✓
WELFARE				
Participation in welfare initiatives (% of employees participating in at least one welfare initiative)	ESG SCORECARD	52% by 2022 56% by 2026	71.8% the figure presents the one-off impacts of the initiative to convert welfare credit into fuel vouchers	✓
EMPLOYEE ENGAGEMENT				
Percentage employee engagement index (**)	ESG SCORECARD	- > 75% by 2026	-	
Eliminating single-use plastics in offices		-100% by 2021	Achieved on 74% of the company population	⊘
TRAINING				
Hours of training provided		320,000 hours by the end of 2023	278,914 from 2020	⚙
SAFETY				
IpFG (****)	ESG SCORECARD	0.7 by 2022 < minimum of the last 3 years by 2026	0.60	✓
SUSTAINABLE SUPPLIERS				
Percentage spent on local suppliers (SMEs in Italy) on total non-public procurement	ESG SCORECARD	40% by 2022 40% by 2026	44% The figure represents the maximum physiological percentage destined for SMEs in relation to Snam's business	✓
Percentage of the number of local suppliers (SMEs in Italy) assignees of contracts with respect to the total number of suppliers contractualised	ESG SCORECARD	45% by 2022 65% by 2026	67% The figure presents the one-off impacts in relation to the stipulation of small-value contracts (intended for SMEs)	✓
Introduction of ESG criteria in scoring model (percentage of expenditure)	ESG SCORECARD	10% by 2022 60% by 2026	34%	✓
Reducing the amount of plastic in packaging for industrial supplies		-100% by 2023	100% (*****)	✓

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

✓ Target reached

⚙ Target in progress

⊘ Target not reached

TARGETS AND PERFORMANCE

Action		Target	Performance 2022	
ENGAGEMENT OF LOCAL COMMUNITIES				
Number of hours dedicated by employees to Snam Foundation activities supporting local communities	ESG SCORECARD	4,600 hours by 2022 5,500 hours by 2026	6,147 hours The figure presents the one-off impacts of the payroll giving initiative for Ukraine	✓
RELIABILITY OF INFRASTRUCTURES				
Average annual customer satisfaction with quality of service	ESG SCORECARD	7.95 by 2022 8.1 by 2026	8.4 The figure presents the one-off impacts of the implementation of initiatives related to the improvement of customer service	✓
Percentage level of reliability of supply of gas	ESG SCORECARD	99.9% until 2026	99.9%	✓

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

✓ Target reached

⚙ Target in progress

⊘ Target not reached

(*) Snam S.P.A. Snam Rete Gas, Greenture (formerly Snam4Mobility), Snam Gas & Energy Services, Snam International B.V., GNL Italia, Stogit, Cubogas, Enura, Gasrule, Ies Biogas S.r.l., Renerwaste Lodi, Renerwaste, TEP, TEA.
(**) There was no target in 2022.
(***) New methodology under development.
(****) Accident frequency and severity index for employees and contractors (the latter excluding those of non-regulated companies), excluding commuting accidents, takes into account both the frequency of total accidents recorded in relation to the number of hours worked and is calculated by adding and weighing the two indices (IF and IG). The scope of analysis will include, if any, companies acquired after 6 months of their acquisition.
(*****) Value referring to centralised warehouses.

PEOPLE

Risks related to staff management

MATERIAL TOPICS	RISKS/IMPACTS
Diversity and inclusion **Employment** **Development and protection of human capital**	EMPLOYEES AND STAFF IN KEY ROLES Risk of loss of key personnel or inability to attract, train or retain qualified personnel or situations where the ability to implement the long-term business strategy is adversely affected due to significant disputes with employees
Diversity and inclusion	IMPACTS For the sector in which Snam operates, the recruitment of female technical figures in the operating divisions could be discouraged. On the contrary, the initiatives to encourage the study of STEM (Science, Technology, Engineering and Mathematics) subjects promoted by Snam contribute to the creation of career opportunities for girls of future generations. The increasing awareness of equal opportunities in the external environment fosters an inclusive work environment, which enables innovative approaches that can strengthen the company's resilience in the long term, provided that Snam succeeds in proving itself an employer attentive to D&I issues.
Employment	IMPACTS Snam, through its business activities, contributes to ensuring employment in the communities where it operates, also favouring the creation of new jobs related to the development of green businesses. The availability of specialised technical personnel in the territories where the company operates may not be in line with the recruitment and development plans envisaged by the business, thus slowing down the intra-generational transmission of skills. Snam may also be impacted by macro phenomena in the labour market (great resignation, brain drain abroad, insufficient number of graduates in particular disciplines, ...).
Development and protection of human capital	IMPACTS The training plans and welfare initiatives promoted by Snam contribute to the development of workers' skills and well-being. Conversely, inadequate employee involvement in company initiatives or non-effective development plans may lead to an increase in work-related stress and reduce employee motivation. The ecological transition, the need for reskilling and the need for increasing digital skills require specialised and structured training plans with positive effects on productivity.
Health and safety	LEGAL AND COMPLIANCE RISK Risk of violations of rules and regulations in relation to workers' health and safety (Italian Legislative Decree no. 231/2001)
	OPERATIONAL RISKS Risk of breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption or delays in the progress of infrastructure construction programmes
	IMPACTS Any occupational accidents occurring in the course of work activities may affect the health and psycho-physical integrity of workers. On the contrary, training and awareness-raising activities provided to employees and third parties contribute to strengthening the culture and awareness of health and safety issues. Possible future pandemic events could result in the need to take containment measures, causing a slowdown in business activities. In addition, careless safety management by suppliers could also affect Snam.

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and Risk Management' in the Integrated Directors' Report.

Policies, commitments and management models

The main policies adopted by Snam to monitor personnel management and the health and safety of workers are the **Sustainable Development Policy**, the **Human Rights Policy**, the **Health, Safety, Environment and Quality Policy (HSEQ Policy)** and the **Diversity and Inclusion Policy**, with the relevant integrations related to **Gender Equality** and **Recruiting**. In 2021, the Diversity and Inclusion Policy was further enriched by the so-called **Harassment Policy** linked to workplace harassment.

With the help of these tools, Snam intends to:
- develop its system of professional and managerial skills supporting the growth of its resources;
- attract and retain qualified resources;
- ensure the involvement of staff so that they participate actively in the improvement processes;
- adopt work practices based on a culture of diversity and equal opportunities, protecting the dignity, freedom and equality of all employees and partners;
- create a welcoming work environment with no direct or indirect discrimination of any kind;
- safeguard jobs, working conditions and trade-union freedoms;
- guarantee pay rises based strictly on merit and skill;
- safeguard the system of values and principles in matters of transparency and sustainable development;
- ensure the protection of health and safety of workers and the environment, through the prevention of accidents, injuries and occupational illnesses;
- guarantee the implementation and procedures to identify and respond to emergency situations and monitor the consequences of accidents.

Regarding gender diversity[59], Snam is also engaged in numerous initiatives aimed at consolidating awareness of this issue. These include membership of **Valore D**, as a Supporting Member, **InspirinGirls, Parks, Shetech, Rock your Mind and YEP - Young Women Empowerment Program**, associations, campaigns, events and programmes that support inclusion, talent and female leadership for the growth of companies and the country.

As early as 2020, the Group envisaged the **Inclusive Language Manifesto** to promote a culture of language respectful of all identities, conditions, affiliations, orientations and cultures, and implemented, thanks to the contribution of the Inclusion Team, an inter-functional working group of 40 people, the **#Snam4Diversity Talks**, training events aimed at exploring the issues of diversity and inclusion.

In addition, for the fourth consecutive year Snam has been confirmed in the Bloomberg Gender Equality Index (GEI), which measures the performance of companies with respect to issues of gender balance, inclusion and transparency in the disclosure of information. Compared to 2021 results, the ranking improved by about two percentage points to 79.07% (GEI score).

Snam guarantees to all workers the right to freely express their thoughts, join associations and undertake trade union activities. The dialogue with the social partners[60] is framed and regulated by the current **Protocol for Industrial Relations**, signed in 2013. For more information on employment dynamics and industrial relations, see the chapter “Performance in 2022”, while for information on employee engagement activities in 2022, see the chapter “Stakeholder engagement and materiality analysis” contained in the 2022 Annual Report.

Finally, in order to properly monitor the issue of health and safety management, Snam has adopted a management system certified according to the standard **UNI ISO 45001 'Occupational Health and Safety Management Systems', which covers all employees and contractors working at Snam infrastructures**.

59 See Article 3, paragraph 1, letter d of Legislative Decree no. 254 of 30 December 2016.
60 See Article 3, paragraph 1, letter d of Legislative Decree no. 254 of 30 December 2016. At the end of 2021, 21.4% of employees were members to a trade union organisation.

Trends in employment, diversity and inclusion

Snam develops its personnel management by growing with people, in an **inclusive and meritocratic environment**, which enhances human resources and provides them with opportunities for personal and professional development.

The creation of a **cohesive, open and stimulating working environment** is one of Snam's main prerogatives in personnel management. It is in this direction that the Group is committed to promoting the plurality and diversity of its resources, valuing people's backgrounds, opinions and points of view in order to foster new ideas and encourage effective and virtuous behaviour.

As a result of enhancing **diversity**, Snam is more **competitive, innovative** and oriented towards the **growth of people**. With this in mind, for the second year running Snam has organised **Inclusion Week - Stronger Together**, a week of events aimed at raising awareness and sensitising on the issue with a view to concretely enhancing the uniqueness of each individual. The event reached almost 700 participants, through a programme of six appointments where important topics such as generational confrontation, disability, STEM subjects, LGBTQ+ issues and inclusive language were discussed with speakers from inside and outside the company.

Consistent with its the Development Goals, Snam intends to generate and maintain stable and continuous employment relationships involving qualified and specialist activities (54% of employees have a technical diploma and 34% are graduates). In recent years, the corporate population has grown significantly, partly as a result of the development of energy transition businesses, which have made it necessary to expand know-how and expertise in these areas.

As at 31 December 2022, there are 3,610 Snam people, of which 92% of people have signed a permanent contract. In addition, 47 employees have a part-time employment contract (10 more than the previous year), 257 have an apprenticeship or placement contract (+4% compared to 2021) and 103 have a staff contract (+50 compared to 2021).

People under the age of 40 (1,616) represent approximately 45% of the company population, up by 153 units compared to 2021, also thanks to the progressive increase in the number of young people included in the workforce in the last year, while those over 50 make up 38% of the population.

The turnover rate in 2022 (16.9%), compared to the trend in the previous two years, is decreasing (18.2% in 2021).

With regard to the composition of employees, the female workforce consisted of 597 resources at the end of the year, an increase over the previous year (+4.9%). The Group also employs 117 differently-abled people and 81 members of the protected categories, whose development path aims to facilitate their inclusion and integration into company processes.

Snam promotes the study of **STEM** disciplines (Science, Technology, Enegineering and Mathematics) among young female students, who still represent a small percentage of the total enrolment in these areas. In this context, schools and universities represent valuable levers for the dissemination of an equal opportunities culture and for combating the gender gap. In this regard, in 2022 Snam continued to support the six recipients of three-year and master's scholarships at the Politecnico di Bari, organising a webinar with a Snam role model and a digital Escape Room.

Diversity is a value that also favours the effectiveness of the action of the corporate bodies. In fact, in the composition of the administrative, management and control bodies, Snam pursues an objective of integrating different professional profiles, developing a complementarity of experiences and skills, to be combined with the diversity of gender and age. In this perspective, the Articles of Association, as amended in 2021, stipulate that at least two-fifths of the members of the Board of Directors, or any different quota - if greater - envisaged by the pro tempore provisions in force on the subject, must belong to the less represented gender (article 13.3 of the Articles of Association). In this regard, it is noted that:

- the presence of the female gender within the Board of Directors is four out of nine (i.e. almost half of the total number of members);
- the Board of Statutory Auditors is made up of three Standing Auditors (one of which is female) and three Alternate Auditors, of which two are female;
- two Chairpersons of the Committees out of three are female.

The Group ensures the monitoring of the situation in relation to diversity and the complementary nature of professional profiles, while contributing to increase the knowledge of the members of the administrative and control bodies through **board inductions**, through which specific industry expertise is acquired.

With reference to age, Snam's Articles of Association do not provide for specific limits for members of corporate bodies, as an adequate diversity is already guaranteed, as shown by the following data:
- the age of Snam's board members spans between 44 and 72 years, with an average age of 56;
- the age of Snam's statutory auditors spans between 46 and 71 years, with an average age of 58[61].

For further details on the subject of diversity in relation to the composition of the administrative, management and control bodies pursuant to Article 10 of the Decree, please refer to the paragraph "Snam policy on diversity" in the 2021 Report on Corporate Governance and Ownership Structure.

In December 2022, confirming its commitment to gender equality, the Group obtained two important awards that testify to Snam's focus on **gender equity** and reward the result of the efforts of recent years, laying the foundations for future improvements.

The **Euronext Equileap Gender Equality Eurozone 100**, developed in response to **the United Nations Sustainable Development Goal 'Gender Equality' (SDG No. 5)**, aims to offer investors more information about listed companies committed to improving gender diversity and meeting the growing demand for socially sustainable investments.

"**Italy's Best Employers for Women 2023**" is conducted for the third consecutive year by the German Institute for Quality and Finance, in cooperation with Ubermetrics Technologies and the Institute for Economic and Management Research. Snam won **second place** among companies in the plant and energy systems sector.

Euronext Equileap Gender Equality Eurozone 100

which groups together the European listed companies with the highest level of integration in terms of gender balance

Italy's Best Employers for Women 2023

which identifies the best employers for women in Italy, by comparing over two thousand companies using artificial intelligence software

Snam monitors the gender pay gap, which takes into account both fixed remuneration and short-term and long-term variable remuneration and is reported on a cash, accrual and base salary basis. Based on cash data, in 2022 the gender pay gap will remain substantially constant, in line with the trend of recent years, and, as highlighted by a specific study commissioned from an external consultant, not critical of the reference context. In particular, the pay differential improved by one percentage point for middle managers and white-collar workers, while it stood at 89% for executives, in line with the average rates recorded nationally. The accrual data also show an improving trend in the gender pay gap in recent years; data for 2022 will be available after the publication of this document and will therefore be published in the next edition of the document. For further information, please refer to the Remuneration Report 2022.

61 The calculation takes into account the average age of standing auditors only.

Communicating and involving people at Snam

Snam attaches great importance to the participation of its people in company activities and encourages the sharing of values and principles, projects and initiatives. Internal communication plays a strategic role in creating and disseminating value, strengthening the sense of cohesion and belonging to the company and a shared culture on issues such as solidarity, inclusion, diversity and sustainability. In this scenario, with the aim of fostering the sustainability of people's engagement over time, the Internal Communication & People Engagement function leads an internal initiatives committee (involving the Training, D&I, Welfare, Foundation, Open Innovation, External Communication, HRBP teams of the energy transition companies) that proposes functional content for the design and dissemination of initiatives and events to target.

In 2022, there were more than 11,000 participations in internal initiatives and events, including in-person or hybrid formats, with the aim of engaging people on topics of strategic interest. Another priority of the year was accompanying the corporate population through the renewal of corporate bodies and the change of top management, thanks to informative content and opportunities for dialogue with top management. At the same time, internal communication channels were continuously fed and consolidated, increasingly understood as a One Company tool for better integration between the different companies and business units.

During the year, there were more than 40 initiatives that closely involved employees, the main ones are presented below.

ENGAGEMENT ACTIVITIES	
Business	**Energy Saving Campaign** The institutional communication campaign "Small gestures, big impact", promoted by Snam during the winter season with the aim of raising people's awareness of responsible energy use, was accompanied by an internal engagement initiative aimed at encouraging virtuous behaviour on the part of people, in the office as well as at home.
Editorial formats	**Quattro Chiacchiere con...** A series of interviews, conducted in hybrid format, with Snam's top management: 10 dates in 2022 with 2,484 participations and an approval rating, found through the distribution of special forms, of 4.75 out of 5.
Inclusion	**Inclusion Week** A week of online events dedicated to diversity and inclusion, designed by the Snam Inclusion Team in collaboration with external partners, to spread an increasingly inclusive culture. The initiative reached a total of almost 700 participants in the various events of the week, during which a fourth Employee Resource Group dedicated to the topic of disability was launched.
Well-being	**Snam Challenge** In collaboration with the start-up Virtuoso, a new employee engagement initiative aimed at encouraging a healthy and active lifestyle was launched, registering 570 participants who, through their own actions and a social reward mechanism, donated 750 PC monitors to Italian schools.
Snam World	**Top management news** The use of the company's internal communication channels made it possible to acquaint the Snam population with the new members of the Board of Directors appointed in April and the new managerial course. Three news items were produced on the Easy intranet on the subject, which totalled more than 9,000 views, and a double-page spread in Energie magazine, with interviews with the Chair and CEO.
	Auguri in Rete Once again in 2022, the occasion of the Christmas holidays was taken to celebrate the goals achieved during the year and the team spirit of Snam's people, through a live event on Teams, opened by the Chair and CEO, and attended by more than 1,450 people.
	Roadshows in the territories In the months following the installation of the new Board of Directors, a series of meetings was organised at Snam sites and plants, dubbed "Together", which involved the CEO in more than twenty stages, recounted on the Easy intranet in 5 news stories to enhance them and transfer the uniqueness of the experience to Snam people.
Communities	**Social Initiatives** Despite the continuing pandemic emergency, the company has continued to invest in initiatives to promote and enhance the social commitment of its people, through the Snam Foundation. Competence and relational volunteering programmes continued.

As part of the **Plastic Less** project in the break areas, plastic cups and scoops were replaced with biodegradable and compostable products and plastic bottles with compostable bottles and aluminium cans reaching 74% of the population. In addition, a plan to replace and expand water dispensers in all headquarters is envisaged for the coming years.

The on-boarding plan on the energy transition business companies tool continued with the inclusion of the Renovit Group and the Bioenerys Group. Snam's internal communication also continues to rely on the Energie magazine and the Osservatorio Gas and InRete newsletters, to which a third newsletter was added in 2022, dedicated to the world of regulation (a total of 11 publications for a total of 83 pages of in-depth information on Snam's business). These internal communication tools are flanked by the information circulated by e-mail to workers, of which there were 120 in 2022, including invitations to internal events or initiatives, updates to the company's protocol and policies on Covid-19, questionnaires and in-depth reports, including the Easy Weekly newsletter, which relays the news of most interest to people published in Easy.

The Easy corporate intranet, designed as a useful and inclusive digital workplace for the company's people, has proved to be a central information and collaboration hub for Snam's people. In 2022, Easy grew again, registering a 6% increase in the number of news items published (296 news items) and increasingly diversifying its content offering, with 68 videos totalling more than 15,000 views.

Growing with people

Snam offers training initiatives for its people to help them develop skills aligned to a changing work environment, such as the use of advanced technologies and innovative work procedures, starting from the selection phase. An example of this is the training programme for a large group of operational personnel of **Remotely Piloted Aircraft UAS** aka Drones focusing on their use and operation. The programme, piloted in 2021 and repeated in 2022, aims to increase the safety level of its operational personnel during field inspections in inaccessible, landslide or mountainous terrain. The employees involved underwent two theoretical and one practical examination at the ENAC (Italian Civil Aviation Authority), obtaining the pilot's licence required to use drones.

For years, Snam has also been implementing a performance assessment process, **Performance Management**, which will reach its fifth cycle in 2022 with a view to fostering professional development and further career advancement opportunities. During the year, the number of employees assessed rose to 2,925, a 3% increase over 2021, and 81% of the company population.

To make Performance Management an effective tool, Snam has created an ad hoc learning path consisting of two days of training and half a day of follow-up for each competence. In order to activate an assessment as extensive as possible on the company population through a structured and homogeneous framework, all job positions, with the exception of executives, are also subject to the analytical and comprehensive assessment of **Complexity, Responsibility, Experience and Autonomy (C.R.E.A.)** factors. In 2022, 2794 CREA assesment of were approved, of which 694 resulted in a higher CREA level.

To disseminate knowledge acquired internally, Snam makes use of:

COMPETENCE CENTRES	INTERNAL FACULTY	SNAM INSTITUTE
Composed of groups of people transversal to organisational structures, who possess consolidated and recognised knowledge and experience in specific thematic areas relevant to the business, the Competence Centres oversee, develop and disseminate corporate know-how and are an internal point of reference for related knowledge	Made up of around 90 employees, the Internal Faculty is responsible for transferring technical and business knowledge to other colleagues, in a logic from Snam to Snam	As an innovation accelerator, Snam Institute disseminates Snam's technical know-how to make it available to everyone through training courses developed in three thematic areas: Technical, Leadership, Innovation & Transformation. In addition, Snam Institute accompanies new recruits through the on-boarding programme

During 2022, 121,573 hours of training were provided with 16,999 participants recording 34 average hours per employee (37.3 average hours for male staff and 15.5 average hours for female staff), involving 92% of the company population in at least one training course (specifically 88% of women and 93% of men). Compared to the previous year, the manual workers category reached 63,741 hours of training thanks to the resumption of face-to-face training and in line with the business needs of transferring distinctive technical skills and ensuring business continuity.

Snam's training commitment in 2022 saw 29,229 hours dedicated to Health, Safety and Environment issues. Moreover, a great deal of effort has also been devoted to employee training programmes on business ethics and anti-corruption, aimed both at fulfilling legal obligations and at disseminating the culture and ethics of business and legality, reinforcing awareness of non-compliance. Snam has involved all managers and middle managers in a specific training activity on compliance issues, with the aim of creating a moment of confrontation with colleagues who deal with this subject in the company.

As part of the **Snaminnova** project, we highlight the experimentation on the start-up **SkillGym**, a digital roleplay platform that trains people to manage critical business conversations by exploiting artificial intelligence, interactive cinema and augmented reality. The trial involved **150 Snam people** for a total of **1,056 training sessions**.

During 2022, Snam supported the development and adoption of inclusive managerial behaviour in line with the evolution of the **Competence Model**. In this context, the new **Give Value To Others** course was launched, which is included in the **Snam Empowerment Programme** and aims to make employees more aware of biases and create a work environment that values the contribution of each individual. The training offer is completed with other **four e-learning courses on leadership topics**.

Snam pays particular attention to **specialised technical training**, providing that the entire population of technicians is involved in upskilling courses aimed at updating and developing skills related to different roles. To this end, the Centres of Competence work closely with the **Excellence HUBs**, realising customised training courses according to role, experience and area of competence. In this regard, the Network and Plant Management Departments reviewed all the courses for the field operative population (BMS - Basic Multi Skill and AMS - Advanced Multi Skill, POS - Polyvalent Operative Storage and POT - Polyvalent Operative Transport) with the provision of courses aimed at supporting the generational change taking place and at building and developing the skills necessary to operate on gas transportation and storage plants. In this context, Snam made extensive use of in-house teaching, enhancing the technical and specialised skills in the operations area of many employees, who were also supported with dedicated 'train the trainer' courses.

Also with this in mind, a new path was developed for Works Technicians through the Works Competence Centre, which included the creation of the **Works Handbook**, a manual that reviews all the aspects that Snam technicians must monitor during execution in the various phases of works. For each situation, the book refers to the relevant Snam standard or the documentation to be produced during field work and is a fundamental support especially for new recruits.

In addition, Snam has promoted the initiative **Presidio del Territorio, Prevenzione incendi & Opere Soggette a Rivalsa** to spread the awareness that asset integrity is one of the most important objectives for Snam, through which people working on the infrastructure have been trained to obtain ISO 55001 certification for the management of physical assets.

Company welfare

Offering a structured welfare system capable of listening to and satisfying the needs of employees and their families, helping to improve their quality of life is an essential objective for the company.

Launched in 2018, Snam's **Welfare Plan** has continued to evolve, year after year, in order to guarantee employees services that effectively meet their needs. With this in mind, a dedicated assistance service, **a welfare assistant**, was designed and made available, which acts as a single point of contact and mediator between personal needs and corporate welfare initiatives, capable of ensuring a better browsing experience and better directing staff to choose the most appropriate service.

In February 2022, a questionnaire (so-called **welfare survey**) was administered to the entire company population to collect opinions on the services offered and to assess new opportunities for improvement. From the results obtained, four **new services** were activated:

1. Support in completing Form 730 online
2. Nationwide healthcare conventions
3. Guidance and training/information services for caregivers
4. Membership of the Fitprime portal and access to contracted studios to provide nutritional counselling, integrated into the Flexible Benefits platform

Snammy, the platform that encompasses all the initiatives of the Snam Welfare Plan, is organised into five main areas of intervention (Family and Education, Health and Care, Wellbeing and Work-Life Balance, Finance and Savings, Social Commitment) and offers a total of **32 services** (including corporate and contractual). After the renewal of the portal, the Welfare offer was expanded in 2022 through the introduction of new services in the different areas of intervention.

AREAS	ACTIVITIES OFFERED	
FAMILY AND EDUCTION	Nursery school reimbursement	Reimbursement children's enrolment fee for employees who use it (max 2,000 euros/year)
	Summer camps for employees' children	Summer stays for children of employees in certain locations of Italy and abroad. Despite the still emergency period, summer camps were organised in 2022 for 170 minors (children of employees) with activities by the sea and in the mountains and a destination abroad was reactivated for children aged 15 to 17
	S.O.S Famiglia	Counselling centre run by professionals to assist families
	Maternity, adoptions and foster care	Parenting guide.
	Be Parents Master	Programme that transforms the parenting experience into a master of transversal skills essential also for professional growth for new parents with children up to 3 years of age In the course of 2022, the service was relaunched with a webinar specifically dedicated to new parents, which included testimonies by some fellow parents
	Study support	Subsidies for the purchase of schoolbooks, scholarships for employees' children and loans for school expenses
	Scholarships	Snam is making a total of 25 scholarships available to its employees: • 15 scholarships for high school graduates with a mark of 90/100 or higher; • 10 scholarships for Bachelor's or Master's degree graduates with thesis on energy, digital innovation, energy transition.
	FASEN	CCNL (Energy and Oil) social assistance fund (training, economic support, solidarity).
HEALTH AND CARE	Accidents	Insurance coverage for non-occupational accidents
	Supplementary healthcare	Supplementary contractual health fund policy for Snam Technical Leaders, colleagues with particular experience and expertise
	LILT medical prevention	Prevention protocols at affiliated medical centres
	Healthcare arrangements	Agreement with the Monzino Cardiological Centre, with the San Raffaele Hospital and with the Bavaria Clinic in Milan for specialist medical and check-up services for employees and family members
	Al tuo fianco	A support service in the management of difficult situations within the family unit, through a series of activities and services in the form of **training, guidance, support and screening** through access to a network of selected and qualified providers or to the network of public and private services in the area (services for fragile adults/elderly people and their caregivers, support for parents with fragile minors and/or fragile minors themselves)
	Salute su misura	A network of agreements with medical facilities throughout the country, with the possibility of benefiting from services at subsidised rates
	Healthcare CCNL funds	For each CCNL there are the contractually agreed supplementary healthcare funds. Periodically, the company organises information events to remind people of the importance of healthcare support services
WELL-BEING AND WORK-LIFE BALANCE	Fitness Arrangements	Discounts and favourable conditions for sports activities
	Mobility arrangements	Subsidised purchase of public transportation passes; shuttle service to San Donato Milanese Agreement with municipal car parks San Donato Milanese
	Mobility portal	Traffic information, mobility app
	Diet	High-quality company restaurant and takeaway service for private use
	Working hours	Remote working (so-called smartworking), short Fridays, individual hour account, part-time possibility
	Fitprime	Wellness paths for employees and their families divided into three different modules: • **Fitprime Places**: sports subscriptions with access to more than 2,000 sports centres with a single subscription; • **Fitprime Smart**: online training via video lessons or live; • **Fitprime Nutrition**: remote nutritionist and creation of a customised diet plan
	Re-charge Programme	Workshops on healthy eating, psychological support, mindfulness, postural exercise and digital detox

AREAS	ACTIVITIES OFFERED	
FINANCE AND SAVINGS	Flexible benefits	A programme aimed at increasing the purchasing power of employees who participate in the initiative, by transforming a portion of the participation bonus, up to the totality of the same, into Welfare Credit that can be used to purchase other services offered by the Welfare Plan
	Servizio 730	Online 730 counter for assistance in filling in and entering tax returns into the system. The service is via webcall but similar to that of a physical CAF (single or joint declaration), with compliance visa applied by the CAF
	Microcredit	Loans of up to 5,000 euros / 36 low-interest instalments
	Legal and tax consultancy	Service to help solve your legal and tax questions
	Arrangements	Insurance policies, bank credit cards, car rental, purchase of branded products, booking of holidays
	Electronic shopping vouchers	Contractual vouchers of the metalworking national collective bargaining agreement (CCNL) on a basket of goods chosen by the employee directly on the portal
	Supplementary pension	Supplementary pension funds, also integrated through the contribution of the company
SOCIAL COMMITMENT	5 x 1000	Cyclical and constantly updated list of organisations supported by the Snam Foundation, registered in the Revenue Agency lists for the 5x1000 contribution. Among the categories offered are the financing of scientific research and university and health research, the support of voluntary work and other non-profit social organisations, social promotion associations and recognised associations and foundations operating in the sectors referred to in Article 10, paragraph 1, letter a) of Legislative Decree no. 460 of 1997
	Volunteering	Volunteering days and volunteering of competence
	Solidarity shopping	During the festive season (Christmas and Easter) colleagues can choose to give a special value to their gifts, donating support to those in need, choosing from the many proposals offered by the organisations in the dedicated area

Note: some services are not active in consideration of the geographical area or the CCNL to which they belong.

Snam also supports its resources in the area of parenting, offering incentives and benefits that go beyond the legal requirements for reconciling private and working life. Throughout the maternity leave, the employee retains the company benefits and, during the period of compulsory abstention, maternity benefits are paid at 100% of salary instead of 80% as required by law. In addition, in 2021 paternity leave has been extended by an additional five days compared to the legal provisions to provide even more support for families. During 2022, 188 employees took parental leave and 183 returned to work after taking it, with a return-to-work rate[62] of 97%. Confirming Snam's focus on new parents, the employee retention rate[63] is 141%.

62 The rate of return to work is calculated as (total number of employees who returned to work after parental leave/total number of employees who must return to work after parental leave)*100.

63 The retention rate is calculated as (total number of employees still employed 12 months after returning to work after parental leave / total number of employees returning from parental leave in the previous reference period/s)*100.

Preventing injuries and safeguarding health

Promoting the protection of the health and safety of its people is one of Snam's main prerogatives. To this end, Snam has adopted a management system certified in accordance with **UNI ISO 45001 "Occupational health and safety management systems"** and procedures and systems that aim to prevent accidents and illnesses in the workplace and promote the protection and health and safety of workers. **The management system covers all employees and contractors working at Snam's infrastructure**. In fact, Snam also requires its suppliers to be ISO 45001 certified, as part of the approval process for suppliers of goods and services considered critical.

Employees and collaborators have access to various channels through which they can consult the functioning, implementation and evaluation of the management system. These include the bulletin board, letters addressed to staff, forms, meetings, internal memos, information leaflets, posters and/or communications, as well as any other method that can be documented and ensures reception by the recipient. In addition, there are cross-company and cascading communication channels that also cover health and safety issues.

Accident prevention is pursued through targeted actions aimed at eliminating or minimising the risk factors characteristic of work activities. These initiatives are listed in the table below.

MANAGEMENT AREA	ASSETS
Reduction of work-related risk factors, also through risk assessment activities	• Assessment of all risks and consequent drafting of the document required by Legislative Decree no. 81/2008 • In-depth analysis of the causes of accidents in order to identify possible interventions to eliminate, mitigate and correct risk factors • Application of technical and managerial organisational solutions for equipment, facilities, workplaces, but also operational and behavioural methods • Regular safety meetings, where staff are made aware of the causes of possible accidents and of any prevention and protection measures taken
Snam4Safety (improvement and prevention plans)	• Strengthening and creation of the culture and awareness of employee and contractor safety on the subject • Zero Accident Award, defined as part of the Snam4Safety initiative, which encourages site employees to achieve 365 consecutive days without an accident, either at work or en route (zero accident target). A tangible award is given to the winning staff each year, in the form of welfare credits. In 2022, more than 1,330 employees were rewarded.
Specific training	• Technical and professional training in the classroom or online, including on-the-job training, with priority given to internal expert teachers and, where appropriate, cooperation with top-tier external institutes and training bodies. • In 2022, 29,229 hours of HSEQ training were conducted, totalling 6,546 participations.
Supplier engagement	• Evaluation of suppliers during the qualification phase • Control and monitoring through feedback and inspections during the execution of works • Periodic annual workshops both to illustrate the Company's strategic plans and to share operational best practices in the areas of safety, environment and transparency • "Contractor Safety Trophy" awarded to contractors whose performance is assessed through the collection and analysis of specific indicators (e.g. accident indices and negative feedback on issues of interest)

Accident prevention

Some of Snam's operating sites are included in the Seveso Directive and specific process safety management systems are in place, if applicable. Periodically, the Group carries out hazard and risk identification analyses (so-called Hazard Identification and Risk assessment) in particular on:

- Analysis of the safety history of site processes and context information (earthquakes, marine phenomena, geological events, etc.);
- Hazard and Operability Studies (Hazard and Operability - HAZOP) analysis for the identification of risks related to potential process anomalies compared to standard conditions;
- What if analysis;
- Tree diagram to identify the minimum combination of events that can generate a specific top event;
- Event tree analysis to estimate the evolution of consequences after an initial event.

From the results obtained from the above activities, Snam identifies and implements preventive measures and corrective action plans.

Anomaly and emergency management

Snam has established internal procedures to identify and deal with any anomalies with respect to standard operations that might occur during operations. Anomalies are analysed, classified and treated accordingly. A robust emergency management system is in place at all sites and operational offices, and the emergency management organisation uses emergency plans and procedures that are regularly tested and revised according to industry practices and in compliance with guidelines, standards and limits set by national and local agencies and authorities.

In order to guarantee the **protection of the health** of workers, Snam is committed to the continuous monitoring of risk elements, analysed in company processes, and to the implementation of appropriate prevention and protection measures. Furthermore, at periodic intervals, inspections are carried out in the workplace by the Company Doctor and by the Prevention and Protection Service with the aim of assessing the working and environmental conditions and identifying any preventive or improvement measures.

Workers are continually exposed to specific risk factors as part of the tasks they perform; for this reason, Snam regularly monitors their state of health through periodic health surveillance, carried out by the doctors in charge of this activity. In addition, in order to ensure a working environment that complies with occupational hygiene standards, environmental surveys are carried out cyclically to monitor the micro-climatic, biological and physical aspects of the workplace. There are no recognised cases of occupational diseases of employees in the three-year reporting period.

Finally, Snam employees are not subject to a high risk of contracting occupational diseases; those who are exposed to specific risk factors are subjected to periodic health surveillance and are included in specific health protocols, to which are added any supplementary specialist visits. Employees whose work requires them to travel to non-European countries receive specific preventive care.

For further information on management systems, see “Annex 3 - Management Systems” of the Consolidated Non-Financial Statement 2022.

Key performance indicators

The indicators that represent the results of the management of social and personnel-related aspects are provided below, together with the GRI reference standard. The main changes should be noted, between 2022 and 2021, 41 more exits than the previous year, offset by an increase in the number of entries, confirming Snam's willingness to continue on its growth path. In particular, the presence of women in the company has also remained constant, going from 16.6% in 2021 to 16.5% in 2022. Compared to 2021, the number of injuries to employees decreased, from 11 to 3, while 13 injuries were recorded among contractors, one of which was fatal.

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Total number of employees (of which women)			3,249 (507)	3,430 (569)	**3,610** **(597)**
Employees by type of contract					
Permanent contract (a) (of which women)			3,036 (480)	3,161 (541)	**3,339** **(578)**
Apprenticeship or internship contract (of which women)			197 (24)	246 (26)	**257** **(16)**
Fixed-term contract (of which women)			16 (3)	23 (2)	**14** **(3)**
Employees by grade					
Senior Managers			131	141	**132**
Middle Managers			549	600	**653**
Office workers	2-7	no.	1,764	1,880	**1,957**
Manual workers			805	809	**868**
Employees by type of employment					
Full-time (of which women)			3,207 (474)	3,393 (540)	**3,563** **(565)**
Part-time (of which women)			42 (33)	37 (29)	**47** **(32)**
Employees by geographical area					
Northern Italy			2,495	2,647	**2,775**
Central Italy			246	277	**328**
Southern Italy and Sicily			498	502	**503**
Abroad			10	4	**4**
New hires **(of which women)**			376 (84)	413 (100)	**447** **(80)**
30 years (of which women)			105 (28)	185 (31)	**168** **(18)**
Between 30 and 50 years (of which women)			111 (39)	198 (61)	**147** **(40)**
> 50 years (of which women)		no.	10 (2)	17 (2)	**18** **(1)**
of which university graduates			151	242	**178**
of which school graduates	401-1		71	134	**142**
of which possessing other title			4	24	**13**
Other new employees (non-consolidated companies, acquisitions, tenders, etc.)			150	13	**114**
Hire rate (b)			7.3	12.0	**9.5**
< 30 years (c)		%	20.6	33.1	**26.5**
Between 30 and 50 years (c)			8.5	13.3	**9.1**
> 50 years (c)			0.7	1.2	**1.3**

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Male hire rate (d)	401-1	%	5.7	10.7	**9.1**
Female hire rate (d)			13.7	16.5	**9.9**
Exits (of which women)		no.	152 (19)	226 (36)	**267 (48)**
< 30 years (of which women)			13 (4)	24 (7)	**41 (8)**
Between 30 and 50 years (of which women)			31 (11)	70 (14)	**106 (32)**
> 50 years (of which women)			99 (1)	117 (11)	**115 (8)**
Other exits (to other companies, for other reasons) (of which women)			9 (3)	15 (4)	**5 (1)**
Exit rate (e)		%	4.6	6.2	**7.3**
< 30 years (f)			2.5	4.3	**6.5**
Between 30 and 50 years (f)			2.4	4.7	**6.6**
> 50 years (f)			6.9	8.5	**8.5**
Exit rate (g) men			4.6	6.3	**7.1**
Exit rate (g) women			3.2	5.6	**8.0**
Voluntary exit rate (h)			1.5	2.6	**3.8**
Parental leave					
Employees who were entitled to parental leave (i)	401-3	no.	3,249	3,430	**3,610**
Men			2,742	2,861	**3,013**
Women			507	569	**597**
Employees who have taken parental leave (j)			125	133	**188**
Men			73	84	**73**
Women			52	49	**115**
Employees who returned to work during the reporting period after taking parental leave (j)			124	130	**183**
Men			73	81	**72**
Women			51	49	**111**
Employees who returned to work after taking parental leave and who are still employed by the organisation in the 12 months following their return (j)			121	125	**183**
Men			69	78	**72**
Women			52	47	**111**
Rate of return to work (k)		%	99	98	**97**
Men			100	96	**99**
Women			98	100	**97**
Retention rate (l)				101	**141**
Men				92	**89**
Women				107	**227**
Employees evaluated in performance management					
Total employees evaluated in performance management	404-3	no.	1,606	2,853	**2,925**
Senior Managers (of which women)			114 (18)	126 (29)	**117 (24)**
Middle Managers (of which women)			506 (87)	552 (125)	**602 (135)**

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Office workers (of which women)	404-3	no.	986 (259)	1,564 (313)	**1,587** **(304)**
Manual workers (of which women)			6 (-)	611 (1)	**619** **(1)**
Total employees evaluated in performance management		%	49.6 (72.6)	83.2 (82.2)	**81** **(77.7)**
Senior Managers (of which women)			87.0 (77.8)	89.4 (96.7)	**89** **(92.3)**
Middle Managers (of which women)			92.2 (88.1)	92.0 (94.0)	**92** **(90.6)**
Office workers (of which women)			55.9 (68.0)	83.2 (77.5)	**81** **(72.2)**
Manual workers (of which women)			0.7 -	75.5 (50.0)	**71** **(100)**
Assigned sustainability topic goals		no.	936	1,068	**2,418**
Senior Managers			198	134	**138**
Middle Managers			282	388	**714**
Other personnel			456	546	**1,566**
Targets achieved on sustainability issues		%	84	91	**74**
Senior Managers			85	94	**85**
Middle Managers			81	91	**90**
Other personnel			85	90	**66**
Labour disputes					
Total disputes pending at 31.12		no.	16	18	**14**
Opened in the reference year			11	16	**9**
Closed in the reference year			8	14	**13**
Training (m)					
Total hours	404-1	no.	67,966	89,375	**121,573**
Senior Managers			3,390	2,034	**1,968**
Middle Managers			13,766	8,749	**12,498**
Office workers (m)			29,914	27,584	**43,365**
Manual workers			20,896	51,008	**63,741**
Average hours per employee (m)			20.9	26.1	**33.7**
Average hours men			20.8	28.9	**37.3**
Average hours women			18.5	11.8	**15.5**
Average hours senior managers			25.9	14.4	**14.9**
Average hours middle managers			25.1	14.5	**19.1**
Average hours office workers (m)			17.0	14.6	**22.2**
Average hours manual workers			26.0	63.0	**73.4**
Key training initiatives					
Technical training (of which participations)		no.	35,304 (5,706)	53,648 (4,750)	**83,236** **(7,647)**
Health, safety, environment and quality (of which participations) (m)			12,602 (3,016)	22,526 (4,089)	**29,229** **(6,546)**
Management training (of which participations)			11,174 (4,862)	6,715 (3,262)	**2,571** **(993)**

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Diversity of governing bodies					
Board members (of which women)		no.	9 (3)	9 (3)	**9 (4)**
Diversity of employees					
Senior Managers (of which women)			131 (27)	141 (30)	**132 (26)**
Middle Managers (of which women)		no.	549 (109)	600 (133)	**653 (149)**
Office workers (of which women)			1,764 (369)	1,880 (404)	**1,957 (421)**
Manual workers (of which women)	405-1		805 (2)	809 (2)	**868 (1)**
Female Senior Managers			20.6	21.3	**19.7**
Female Middle Managers			19.8	22.2	**22.8**
Female Office Workers			20.9	21.5	**21.5**
Female Manual Workers		%	0.2	0.2	**0.1**
Employees < 30 years			16	17	**18**
Employees between 30 and 50 years			40	43	**45**
Employees > 50 years			44	40	**38**
Total staff turnover (n)		%	11.9	18.27	**16.9**
GENDER PAY GAP (o)					
Gender pay gap (p)					
Senior Managers		%	107	100	**89**
Middle Managers			94	95	**96**
Office workers			92	93	**93**
Gender pay gap by competence (q)					
Senior Managers		%	107	105	
Middle Managers	405-2		96	97	
Office workers			93	93	
Gender pay gap on basic salary					
Senior Managers		%	102	105	**92**
Middle Managers			95	96	**95**
Office workers			91	93	**94**
Accidents					
Employee accident frequency index (r)			0.59	2.11	**0.51**
Employee frequency index of accidents with serious consequences (excluding deaths) (r)			0	0.19	**0**
Employee frequency index of accidents with fatal consequences (r)		Accidents per 10^6 hours worked	0	0	**0**
Contractor accident frequency index (r)			0.25	0.12	**1.17**
Contractor frequency index of accidents with serious consequences (excluding deaths) (r)	403-9 403-10		0	0	**0**
Contractor frequency index of accidents with fatal consequences (r)			0.12	0.12	**0.09**
Employee accidents (of which with serious consequences) (t)			3 (0)	11 (1)	**3 (0)**
of which fatal		no.	0	0	**0**
of which due to a traffic accident			0	0	**0**

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
of which due to a professional accident (maintenance, inspection, checks)	403-9 403-10	no.	2	6	**3**
of which due to a general accident (slipping, collisions, tripping)			1	5	**0**
Contractor accidents (of which with severe consequences) (t)			2 (0)	1 (0)	**13 (0)**
of which fatal			1	1	**1**
Hours worked by employees (u)			5,089,955	5,208,036	**5,849,330**
Hours worked by contractors (u)			8,140,212	8,683,637	**11,087,896**
recognised cases of professional illnesses for employees			0	0	**0**
Employee accident severity index (r)(s)		Work days lost per 10^3 hours worked	0.01	0.12	**0.02**
Contractor accident severity index (r)(s)			0.93	0.86	**0.73**
Health surveillance					
Medical visits	403-3	no.	2,109	2,701	**2,676**
of which regular			1,649	2,058	**2,156**
Diagnostic examinations			3,688	17,604	**24,575**
Workers receiving regular health checks					
Total exposed workers			2,880	3,321	**3,174**
Work exposed to a computer station (VDT)			1,583	2,417	**2,369**
Workers with responsibility in an emergency			596	602	**29**
Workers exposed to chemical agents			41	104	**614**
Workers responsible for moving heavy loads (v)			661	642	**666**
Night workers			121	106	**113**
Workers exposed to noise pollution			60	101	**105**
Workers exposed by synergy of several risks			657	35	**46**
Workers exposed in confined spaces			179	198	**194**
Workers exposed to artificial optical radiation (ROA)			-	-	**10**
Workers exposed for other reasons (IE, abroad, TOX, welding)			193	103	**352**
Environmental surveys			212	158	**3**

(a) The figure also includes Part-time contracts.
(b) Total hire rate = (number of employees hired/average headcount) x 100.
(c) The hire rate by age group = (number of employees hired in the age group/the total number of employees in the corresponding age group as at 31.12) x 100.
(d) Hiring rate by gender = (market entries by gender/total number of employees by gender at 31.12) x 100.
(e) Exit rate = (exits/total number of employees at 31.12) x 100. Exits due to transfers to non-consolidated companies are excluded.
(f) The hire rate by age group = (exits in the age group/the total number of employees in the corresponding age group as at 31.12) x 100. Exits due to transfers to non-consolidated companies.
(g) Exit rate by gender = (market exits by gender/total number of employees by gender at 31.12) x 100. Exits due to transfers to non-consolidated companies are excluded.
(h) Voluntary departure rate = (departures from resigning/average headcount) x 100.
(i) The number of employees entitled to parental leave corresponds to the total number of Snam employees.
(j) The number of employees who returned to work after taking parental leave corresponds to the number of employees who took compulsory and optional paternity and maternity leave and leave on a continuous basis.
(k) Rate of return to work = (total number of employees who returned to work after parental leave / total number of employees to return to work after parental leave) * 100
(l) Retention rate = (total number of employees still employed 12 months after returning to work at the end of parental leave/ total number of employees returning from parental leave in the previous reporting period(s)) * 100 The 2020 figure is not available because the data collection process was started during the year.
(m) The 2020 figure has been recalculated.
(n) Overall turnover = ((market entries + exits)/average staff per service) x 100. Exits due to transfers to non-consolidated companies are excluded.
(o) For the category 'Manual Workers', data have not been reported for privacy reasons given the low numerical representation of the female gender in this category.
(p) The representation of the gender pay gap is calculated on the amount of wages paid in the year.
(q) The representation of the gender pay gap on an accrual basis is calculated by considering, with regard to the variable components, the amounts accrued in the year, even if paid in different years. Data for 2022 will be available after the publication of this document and will therefore be published in the next edition of this document.
(r) With reference to 2020, the accident indices exclude the company Snam Gas & Energy Services Beijing, deconsolidated as of 2021.
(s) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. Data is calculated by including the contribution of fatal accidents, for each of which 7,500 days of absence were considered.
(t) Work-related accident leading to an injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-accident state of health within 6 months (excludes fatal accidents).
(u) With regard to hours worked, the hours for Renovit were estimated as they were not available.
(v) The increase in the number of workers subject to periodic health surveillance for Manual handling of loads is due to the increase in the required frequency of checks (annual from 2020).

SUPPLIERS

Risks linked to the supply chain

MATERIAL TOPICS	RISKS/IMPACTS
Sustainable supply chain **Business integrity and corporate reputation**	OPERATIONAL RISKS Legal Action by the supplier/third-party Authority on the correctness of the tender procedure (public context-Procurement Code)
Sustainable supply chain	IMPACTS The innovation and industrial transformation initiatives promoted by Snam contribute to the creation of value for companies in the supply chain, supporting them in the just transition process. Sustainability performance of suppliers in line with the corporate strategy contributes to strengthening Snam's image and achieving the Group's sustainability goals. Conversely, working with suppliers and partners that do not adopt socially responsible business practices could damage Snam's reputation.
Business integrity and corporate reputation	IMPACTS Any failure to comply with legal regulations and corporate provisions in carrying out activities with consequences for the economic, social and environmental fabric in which the Company operates could result in damage to Snam's reputation and perceived reliability.

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and Risk Management' in the Integrated Directors' Report.

Policies, commitments and management models

Snam adopts a business model based on responsible management of the supply chain, capable of defining and maintaining stable and lasting relationships and capable of creating an advantage for both parties. In particular, Snam focuses on the suppliers and business partners with which it collaborates, making sure that they adopt the main environmental, health and safety and quality standards, in compliance with the ISO 14001, ISO 45001 and ISO 9001 regulations, as well as the principles contained in the **Human Rights Policy** and Snam's **Code of Ethics**.

In the context of supply chain management, Snam has also adopted a **Social Supply Chain Policy in order to facilitate the involvement of social enterprises in the supply chain**, i.e. those private entities that carry out a business activity of general interest, non-profit and for civic, solidarity and social utility purposes. Through this policy, Snam also encourages inclusion as subcontractors, through rewarding mechanisms in the evaluation of offers. At the end of 2022, the number of suppliers belonging to the Third Sector in the Supplier Register was 83, who wereassigned services worth 900 thousand euros, mainly in the fields of engineering support services and consulting in technical and specialised fields. In addition, some 45 thousand euros were disbursed for sponsorships.

Snam's suppliers are also required to sign the **Ethics and Integrity Agreement**, as full sharing of the principles is an essential requirement for:
- obtaining and/or maintaining the qualification;
- inclusion in the Snam Vendor List;
- the award and/or maintenance of contracts;
- the signing and/or maintenance of subcontracts and/or sub-subcontracts by the Snam Group.

Through this Pact, Snam intends to create a relationship of trust between the Company and its suppliers, to make the latter aware of the need to adopt virtuous behaviour, with a view to continuous improvement.

Snam's supply chain proved to be resilient, solid and able to cope adequately with the instabilities, unforeseen events and uncertainties of the new geopolitical context brought about by the Russian-Ukrainian conflict. Consistently, the management models used for procurement were also functional, proving to be appropriately flexible in terms of timing and supplier engagement.

Supply chain relations

Snam considers its suppliers to be key allies in consolidating its gas infrastructure business and energy transition business, as well as strategic partners to achieve decarbonisation targets. Therefore, the Company deepens and consolidates its relationship with its suppliers by sharing knowledge and expertise in order to promote sustainability practices along the value chain and to provide concrete support at all stages of their decarbonisation journey.

Indeed, in the context of achieving an increasingly decarbonised economy, the fight against climate change is one of the main objectives that Snam has committed to share with its suppliers. Among the key elements characterising the interdependent relationship between the Group and its suppliers, the containment and reduction of greenhouse gas emissions, energy efficiency and the search for innovative, low-emission solutions play an essential role. From this point of view, promoting a sustainable economy through the progressive green transformation of companies in its supply chain is considered a factor of success across the entire supply chain, as well as a fundamental element for giving new impetus to growth and competitiveness.

In 2022, Snam further accelerated the optimisation of its **Supply Chain 4.0**, continuing the reorganisation of the supplier base, integrating data and material flows to obtain even safer, faster and more flexible services, consolidating its gas infrastructure business and successfully manage the activities related to the energy transition business.

Snam also continued the **Supplier One Platform** project, the digital innovation path linked to the supply chain, renewing and introducing new technological solutions and working tools for procurement processes. In particular, Snam has digitised and renewed existing systems and processes, through new technological solutions and real-time tracking systems for electronic tenders, catalogue purchases, and subcontracting activities. Furthermore, the activation of the new platform, **Edith**, has contributed to the innovation of the materials management activity, with particular reference to the strategic aspects concerning the assurance of the quality of the service rendered, specifically the inspection and traceability of the materials.

In addition, the integration of the decarbonisation objectives within Snam's Strategic Plan demonstrates the Group's willingness to operate concretely in order to reduce Scope 3 emissions deriving from the supply chain. It is with this in mind that a systematic awareness-raising action was launched regarding sustainability and on the supplier base in order to accelerate their contribution to the energy transition. This commitment translates into strengthening the existing partnership with them, sharing values and objectives, enhancing strengths and developing areas for improvement for each of them.

In 2022, the direct involvement of suppliers on issues related to climate change was characterised by a dialogue on several fronts. Two rounds of meetings were organised with the main suppliers of the DT&T sector, where feedback and suggestions on ESG issues were shared, and an agenda of further meetings was planned, which will include training activities, technical webinars and working groups. The involvement of suppliers is designed to provide each operator in the chain with the most suitable approach, adequately taking into account the heterogeneity of Snam's supplier base and the different sensitivities and specific skills on sustainability issues. For each product group, a matrix has been constructed which determines the **ESG reward criteria** applied during the offer evaluation process, using a scoring model.

Snam Plasticless represents another important initiative implemented by the Group, also with a view to reducing the impact on the environment. Its aim is to eliminate all plastics for packaging by 2023, except for the amount required for safety reasons. By 2022, incoming plastic was reduced by 96 percent and the amount of plastic in and out of the packaging of centralized warehouses.

In addition, Snam has continued to involve a selection of its main suppliers in the CDP program Supplier Engagement Rating (SER), with the aim of collecting their data on greenhouse gas emissions into the atmosphere. In the last year, the Company has further expanded the scope of analysis, involving a greater number of suppliers in the transmission of data (46% more than in 2021), among those most significant in terms of procurement and those most strategic for the business: 190 suppliers were invited to the questionnaire and 112 replied. In 2022, CDP assigned Snam an A score, recognising its commitment to supplier engagement activities on issues related to the reduction of emissions and the development of sustainability strategies.

Through the Supplier Portal, a web platform active since 2013, Snam pursues active communication with suppliers, who can access their private area and documents of various kinds, published with the aim of keeping them always updated on the processes that regulate qualification and procurement activities. Thanks to the Supply Portal, the Company can implement its procurement policy with absolute transparency, ensuring the traceability and completeness of the information published. The Portal is a tool in continuous evolution and in constant growth: in 2022 the online help desk service was introduced, i.e. the new section dedicated to suppliers, to request assistance and application technical support.

THE 2022 AWARDS AN INNOVATIVE SUPPLY MANAGEMENT

Once again, Snam has stood out in the field of procurement, for innovation, progress and circularity. In the 2022 edition of "**The Procurement Awards**", the most coveted contest in the sector, Snam was in fact awarded in the categories Innovation in procurement, Development of skills, Procurement in cross-functional teams and Ethical and sustainable procurement.

Business International, of the Fiera Milano Group, on the other hand, awarded the Snam project aimed at supporting the circular economy linked to the production of biomethane, assigning the "**Circular Procurement Awards 2022**" in the **Protecting the Environment - Carbon & Climate** category.

Key performance indicators

Snam plays a key role in the promotion and protection of human and labour rights among its suppliers: in order to guarantee a consistent approach within the Group, the "Human Rights Policy" has been defined, containing the principles and the criteria according to which Snam acts to oversee the matter. Suppliers are required to share and comply with the commitments defined by the Policy in all phases of their collaboration with Snam, taking into consideration, in particular, the diffusion of safe working conditions, the absence of forced labour and the exploitation of minors, the recognition and protection of freedom of association and the right to collective bargaining, the protection of equal opportunities for development and professional growth, the absence of discrimination of any kind and the repudiation of any form of corruption.

In addition, the requirements relating to the standards of behaviour required of suppliers and the related areas of application are defined in Snam's Code of Ethics, the vision of which is required of all those applying to be included in the Snam supplier register, constituting a key element of the corporate culture of the Group. Moreover, the General Tender Specifications outline further provisions of a general nature aimed at regulating the activities covered by each tender contract stipulated by Snam with the contractors for the works (includes precise references to the health and safety of workers in the places of work, the remuneration, contributions, welfare of contractor personnel, etc.). During the qualification phase and stipulation of the contract, Snam carries out the main verification activities. Among the additional tools used by Snam in order to promote good practices and respect for human rights also along the supply chain, the Group is responsible for periodically carrying out audit activities, as well as providing constant training during periodic meetings intended for suppliers.

Below is the assessment of suppliers on the main sustainability topics, for further information on the main performances regarding the supply chain, see the chapter "Performance 2022, Main sustainability performances".

SUPPLIERS ANALYSED ON SUSTAINABILITY ISSUES[1]

	Number no.			Work practices[2] %			Environmental criteria %			Human rights[3] %		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Goods												
Qualified suppliers	630	821	**940**	48%	37%	**31%**	48%	34%	**24%**	100%	100%	**100%**
of which A and B level	98	96	**99**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	234	257	**248**	45%	29%	**31%**	45%	24%	**17%**	100%	100%	**100%**
of which A and B level	20	6	**21**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Works												
Qualified suppliers	309	375	**417**	69%	88%	**100%**	69%	57%	**46%**	100%	100%	**100%**
of which A and B level	79	80	**81**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	88	111	**102**	66%	94%	**100%**	66%	47%	**39%**	100%	100%	**100%**
of which A and B level	11	22	**21**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Services												
Qualified suppliers	1,328	1,655	**1,863**	41%	27%	**25%**	41%	24%	**19%**	100%	100%	**100%**
of which A and B level	54	49	**44**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	431	496	**469**	46%	24%	**22%**	46%	18%	**13%**	100%	100%	**100%**
of which A and B level	8	8	**6**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Non-EU international projects												
Qualified suppliers	10	13	**12**	90%	85%	**83%**	90%	85%	**83%**	100%	100%	**100%**
of which A and B level	0	0	**0**	0	0	**n.a.**	0	0	**n.a.**	0	0	**n.a.**
Suppliers qualified during the year	3	6	**0**	67%	83%	**n.a.**	67%	83%	**n.a.**	100%	100%	**n.a.**
of which A and B level	0	0	**0**	0	0	**n.a.**	0	0	**n.a.**	0	0	**n.a.**

(1) A supplier may hold several qualifications, even for different product types.
(2) Health and safety aspects.
(3) Ethical aspects (regularity of social security contributions/DURC, law 231, child labour, forced labour, etc.).

COMMUNITIES

Risks linked to social aspects

MATERIAL TOPICS	RISKS/IMPACTS
Relations with authorities and quality of services **Energy security and accessibility**	STRATEGIC RISKS • Risks linked to the national regulatory framework and in the countries of interest which present penalising parameters, in particular in terms of criteria for determining tariffs • Risks associated with significant changes in legislation and/or jurisprudence • Risks associated with political, social and economic instability in natural gas supply countries • Risks related to the change in gas demand in the short-medium term due to the increase in commodity prices • Risks of increasing the severity of extreme atmospheric phenomena and tightening of the regulatory framework in favour of new technologies that favour the use of intermittent energy sources with consequent reduction in demand
Relations with local communities **Energy security and accessibility**	OPERATIONAL RISKS • Risk linked to maintaining an adequate reputation profile for suppliers and subcontractors • Risk associated with the acquisition of equity investments • Risk of breakdown, injury or malfunction, including as a result of exogenous events or cyber threats, which may cause an unforeseen interruption in service ore delays in the progress of infrastructure implementation programmes
Relations with authorities and quality of services	IMPACTS The provision of an efficient and effective service, in line with the required quality standards, helps to create a positive impact on users. On the contrary, any delays in the maintenance of corporate assets can lead to a possible reduction in the quality of the services offered.
Energy security and accessibility	IMPACTS A reliable and resilient infrastructure, developed from a multi-molecule perspective, i.e. capable of transporting alternative and low environmental impact gases to reduce dependence on conventional energy sources, helps to ensure access to energy for all. Conversely, any gas flow interruptions following infrastructure malfunctions reduce the availability of the service, with impacts on users. The geopolitical context could influence gas imports with consequences on the costs and impacts generated by Snam's activities. In this context, in order to guarantee the country's energy security, the institutions could facilitate the construction of new plants or infrastructures.
Relations with local communities	IMPACTS The pipeline construction activities could temporarily limit access to land and the use of resources for the communities in the territories in which Snam operates. In order to minimise the impact, Snam ensures fair compensation processes. Furthermore, the social initiatives, charitable activities and sponsorships promoted by Snam contribute to the support and development of local communities with license to operate. A good relationship with local communities ensures Snam's license to operate, reducing the time required to implement Group projects. The continuous polarisation of public opinion on the most visible issues can further complicate the construction of infrastructures.
Economic performance, value creation and sustainable finance	FINANCIAL RISKS • Risk of changes in the internal and external financial context that can compromise the income and capital structure • Risk associated with maintaining ownership of gas storage concessions • Risk associated with the management of equity investments
Economic performance, value creation and sustainable finance	IMPACTS Snam's ability to have sustainable economic performance over time and to involve stakeholders makes it possible to create shared value along the entire supply chain. The growing interest on the part of the financial market in sustainable businesses could favour Snam in making investments in green business and for decarbonisation.

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and Risk Management' in the Integrated Directors' Report.

Policies, commitments and management models

Snam adopts a business development model based on **sustainable growth** and the **promotion of economic and social development**, as well as **continuous dialogue with all the players in the communities and territories** in which the company operates. Snam maintains regular and frequent relations with local government entities and with local stakeholder associations, in line with what is indicated in its Stakeholder Engagement Policy,

Among the policies related to social aspects, the Group has drafted its own **Sustainable Development Policy and the Policy for the management of philanthropic activities and social initiatives**, with respect to which Snam undertakes to promote initiatives in the territories in which it operates to promote local development through:
- continuous dialogue with institutions and other stakeholders in the context of authorisation procedures and environmental impact assessments and, for some plants, also of a socio-economic nature;
- Snam Foundation[64], in charge of pursuing innovative practices of corporate citizenship to promote civil, cultural and economic development in priority areas of public interest, leveraging partnerships and offering planning skills and capabilities;
- collaboration with local associations, Confindustria Energia and the authorities, with which Snam deals with energy, economic and environmental policy issues;
- collaboration, at local and national level, with regulatory bodies and participation in the work of associations and committees for which it makes its know-how and skills available in the field of social innovation and sustainable development[65].

Snam is committed to the protection and promotion of human rights through its **Code of Ethics** and operating within the reference 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 companies**. Furthermore, through the **Human Rights Policy**, Snam undertakes to prevent and repudiate:
- all forms of discrimination and violence, forced or child labour;
- any form of sexual harassment or that referring to the personal and cultural diversity of individuals;
- harassment or attitudes in any way attributable to bullying.

Relations with local communities

Snam is present throughout Italy with its infrastructures and maintains an active dialogue with the territories and stakeholders by acknowledging their requests and promoting the development of economic and cultural activities of various kinds, the care and protection of the landscape heritage and environment. In this context, the Company seeks the **license to operate** while contributing to the **growth of the country** and, with a view to **just transition**, to the **development of the social system put at risk by the long wave of the pandemic and by the effects of the energy crisis for the weakest groups**.

In line with the objective of a "just transition" and confirming its commitment to social issues, Snam strengthens and develops the relational networks in the area with the support of the **Snam Foundation**. Established in 2017, the Foundation's purpose is in fact the development, promotion and dissemination of innovative, effective and supportive practices capable of promoting civil, cultural and economic development in priority areas of public interest, connecting the world of business and the social sector.

At the end of 2022, the new Board of Directors took office, under the chair of Monica de Virgiliis and the direction of the new General Manager Marta Luca, who leads the Snam Foundation in its mission to promote a Just Transition, with an extended meaning that aims not only to prepare communities to diversify the economy linked to the long-term energy transition, but also to help mitigation of the effects of today's rising cost of living.

The areas of intervention have been reformulated by focusing the Foundation's commitment on the issues of **energy, food and educational poverty** with initiatives aimed at the territories. In particular, the Foundation works to help people reduce energy consumption and, together with them, promote the energy requalification of social buildings, to combat early school leaving and support young people's access to the professions of the future, collaborating directly with schools and in close contact with students, to counter food waste and encourage the most vulnerable groups to adopt sustainable food styles.

64 Further information on the Snam Foundation can be found on the Company's website (www.snam.it/it/sostenibilità/responsabilità_verso_tutti/fondazione.html).
65 Further information on the relationship between Snam and the associations can be found on the Company's website, at the web page https://www.snam.it/it/etica-governance/etica-impresa/Etica-e-rapporti-istituzionali/

One of the main elements of value of the Snam Foundation is represented by the **skills of the Snam people** who are involved in the projects through **corporate volunteering**, helping to broaden the impact of the activities promoted, the development of skills and competencies of the organisations with which the Foundation works and dissemination of the values of sustainable development and just transition within the corporate context.

In 2022, **6,147 hours** were dedicated to the Foundation's initiatives, surpassing the annual target set in the ESG Scorecard of 4,600 hours, an important result also made possible by the widespread adherence to the **payroll giving and match giving campaign in support of the people affected by the conflict in Ukraine**.

Projects are appropriately analysed and evaluated in terms of environmental, economic and social impacts, e.g. through Social Impact Assessment tools and methodologies. Over 100 national and local meetings were held during the year, relating to the territories affected by Snam's activities and infrastructures.

AREA	THE MAIN INITIATIVES IN LOCAL COMMUNITIES
Company volunteering	**Volunteering Skills "E-LAB" (Empowerment Lab)** is a mentorship programme aimed at social enterprises and cooperatives. In 2022, 109 volunteers joined the programme by carrying out **39** strengthening courses in favour of Cooperatives/Social Enterprises from **five regions** in Italy that offer work to vulnerable categories to strengthen their business plan, commercial skills and internal organisation. The initiative was carried out online in the first part of 2022, and has been held in-person since October. The **"Buddy Program" Tutoring STEM** is a programme that involved **88** volunteers who collaborated with as many female secondary school students from fragile socio-economic backgrounds in Milan, Bari, Palermo and Cagliari with after-school activities in the study of science subjects. **Payroll giving and match giving campaign** as part of the Ukraine Emergency, launched by Snam with the support of its Foundation in March 2022, in aid of Ukrainian children and refugees, in favour of the Italian Red Cross and Unicef Italy. In total, the **economic fee of more than 2,400 hours was donated equal to 62,000 euros, the amount of which was doubled by the Snam Foundation**. **Insieme per gli altri** is a half-day initiative to combat food waste, in which **294 volunteers** took part. Colleagues were involved in **50** activities with **16** beneficiary organisations in **7** different cities, helping to serve **8,400** meals, distribute more than **25,600** food parcels and collect and sort more than **7,000** kg of food surpluses.
Countering energy poverty	**Povertà energetica** is a project set up in 2020 to support the community to counter the phenomenon of energy poverty also in the light of the consequences of the Russian-Ukrainian conflict. The 900 people reached were involved in four main initiatives: • **Consuming less to live better, a scale up** that included setting up a counter in the municipality of Sissa Tricasali, supporting 8 local families, testing energy consumption monitoring devices, and launching energy cafés to promote sustainable practices in energy consumption. • **Energia Cooperativa e Solidale per i Borghi Montani**, which, as part of the Community for Renewable Energy (CER) project, provided for the creation of a support desk for citizens and the installation of electric recharging stations for vehicles. In addition, the evaluation of new services that the municipality will be able to offer citizens with the economic resources saved through participation in the ERC is currently underway. • **Energia per tutti. Nodi Territoriali, bisogni, opportunità** which aims to initiate focus groups to educate citizens in the two pilot cities of Modena and Cagliari on how to fight energy poverty and inform them about available support measures. • **Milano Inclusiva to reduce energy poverty** saw the involvement of Third Sector organisations in the area around Cascina Cuccagna to direct them towards the project's help desk in cases of energy poverty. **ForestaMi** is a project also supported by the Municipality of Milan to increase territorial resilience and combat the effects of climate change and rising temperatures with the goal of planting 3 million trees by 2030. The project, which will be continued in 2022, counteracts the phenomenon of energy poverty because by correctly positioning trees around buildings, energy consumption from air conditioning can be reduced by up to 30%. It also contributes to the physical and mental well-being of people living in the metropolitan city and to the cooling of the environment. For further information, please refer to the in-depth study 'Arbolia' in this chapter. **Energy Poverty Zero** aims to create a model for the energy upgrading of buildings in the poorest and most vulnerable neighbourhoods of cities. Fondazione Snam, together with the Municipality of Milan and other important bodies operating in the field of energy efficiency, submitted the project to a Life call for proposals together with six other international partners and won funding of approximately 1.7 million euros for a duration of 36 months. Fondazione Snam will specifically engage citizens, together with institutions, local authorities and businesses, to implement social guidelines aimed at engaging people in energy upgrading processes.

Countering education poverty	**Sprint! La scuola con una marcia in più** promotes an alliance between schools, municipalities, families and third-sector organisations to counter educational poverty among minors and prevent forms of juvenile distress. In 2022, some 700 children were involved in the project and the partner associations received specific training to prepare a questionnaire to be administered to the beneficiaries to monitor the impact of the project. **La scuola che vorrei** is an itinerary involving numerous institutes in the Lombardy region that aims to test methodological and thematic innovations for schools, with a focus on environmental issues, inclusion and women's empowerment, for the realisation of an innovative and digital school. As part of the 'La scuola che vorrei' initiative, the Snam Foundation supported specific projects aimed at students at risk or in educational poverty and involving around 1,400 people including minors, teachers and families. **Ragazze in prima linea** aims to encourage the presence of women in STEM professions by incentivising girls to pursue specific study paths and promote a culture of gender equality. In particular, during 2022, Snam Foundation promoted support and tutoring activities for girls in fragile situations through the "BUDDY PROGRAM" TUTORING STEM and supported access to higher education in music and mathematics disciplines for young students from fragile territories and socially disadvantaged backgrounds. **Povertà educativa Roma** aims to promote the well-being of students in a fragile context in Rome and to prevent 'learning loss', i.e. the loss of skills and knowledge observed in students after periods of long holidays and/or study breaks. The initiative involved around 170 minors and young people through **multidisciplinary workshops and classroom psycho-educational activities** to enhance self-regulation skills (emotional, cognitive and behavioural) and to stimulate the children's free expression, participation, collaboration and learning, and a **summer centre** dedicated to boys and girls between 5 and 11 years of age to offer concrete help to their families and the entire local community.
Countering food, energy and educational poverty	**Corvetto Adottami** is an initiative that involves local communities to contribute to the redevelopment and social development of Milan's Corvetto district. The 1,200 people, including minors, young people and families, living in the neighbourhood were involved in social reintegration and support activities aimed at young people not in education, employment or training (so-called, NEET - Not in Education, Employment or Training) in school drop-out prevention activities and in the urban regeneration initiative, 'Il Tappeto Volante'. **Welfare, che impresa!** is a competition aimed at supporting young entrepreneurs and their projects to generate social and employment impact, particularly on social and environmental issues. In 2022, among the 12 finalists who benefited from the mentorship programme, the Snam Foundation supported the **Hubbuffate** project created to give visibility to the network of agri-food companies that promote circular economy models, redistributing new value to the community through inclusive activities.
School	**Young Energy**, a project now in its fifth year, which aims to support students in their orientation, bringing them closer to the world of work through initiatives focused on corporate business. **Con la Scuola**, a project in collaboration with LUISS Business School and Consorzio Elis, with the aim of strengthening the link between school and business, encouraging the transition from a teaching centred on knowledge to a teaching of skills, where cooperation, involvement and creativity are the essential ingredients of a new way of doing school. The training provided to class councils, headmasters and teachers to provide them with new tools and methodologies to support students in the process of entering the world of work has been crucial in this regard. In 2022, 17 institutions were involved, with a total of 240 teachers and 2,000 students. The **four-year Liceo per la Transizione Ecologica e Digitale (Liceo TRED)** is an experimental initiative, promoted by ELIS and Snam, which aims to integrate traditional humanistic and scientific knowledge with new technological skills in a single educational programme, reinforcing the dissemination of STEM disciplines. Involving **27** high schools, four universities and the companies of the ELIS Consortium, the initiative consists of classroom lessons taught in English, **weekly workshops** with experts on highly specialised topics, in-depth **learning weeks** on topics related to the ecological and digital transition, and **summer camps, internships**, and **stays abroad** organised with the support of the international networks provided by the project member companies.

Other fondazione	**Tesori - Terre Solidali in Reti Inclusive** is an initiative aimed at the dissemination of solidarity practices related to the world of agriculture and the protection and enhancement of the territory, through the involvement of persons with fragility, and the redevelopment of unused Snam land for the start-up of agricultural activities. In 2022, the project involved the city of Messina with the aim of developing an agricultural activity involving fragile subjects and implementing innovative irrigation techniques, Ronco All'Adige, where pet-therapy activities and hydroponic cultivation in greenhouses to support the rehabilitation of people with mental difficulties managed by the association continued, and Recanati for the production of pasta with the involvement and training of people with disabilities. **Cammini** has the objective of enhancing the national territory and promoting paths as tools for connection and development in the areas where Snam operates. During the year, Fondazione Snam supported the construction and modernisation of the Pilgrim's Offices in Santa Maria di Leuca and Brindisi. **Motivo Donna** is a project realised in collaboration with 'Idee Migranti Onlus' and Guri I Zi that promotes the creation of a sustainable and replicable social enterprise model, capable of triggering virtuous processes of resilience and social growth. In 2022, support continued for the women's textile micro-enterprise, which employs four women with a history of fragility, providing them with a professional development path with a good work-life balance.
Economic support for the territory	In 2022, Snam contributed around 3 million euros in sponsorships and donations to local communities and in environmental compensation

fondazione Projects promoted by Snam Foundation Projects promoted by Snam

ARBOLIA

In 2020 Arbolia, a benefit company created by Snam and Fondazione Cassa Depositi e Prestiti to build new green areas in Italy, contributing to the fight against climate change, improving the quality of air and life in cities and the sustainable development of territories, was established. The company deals with afforestation and reforestation initiatives on land made available by the public administration and private individuals, managing not only the planting of trees, but also their care and maintenance for the first few years, with the financial support of environmentally sensitive companies. To date, Arbolia has **implemented 27 urban forestation projects in 20 Italian cities**, with a total of over **60,000 trees planted** in more than ten regions of the country. When fully operational, these forests will absorb more than **7,100 tonnes CO_2** in 20 years and more than **31,000 kg of PM10** per year, returning more than 5,200 tonnes of oxygen to the environment in twenty years.

Quality of service

Snam, with a view to creating long-term value for its customers, has developed **customer engagement** initiatives which include constructive and collaborative **dialogue**, active **involvement** and constant **discussion** to make infrastructure management increasingly effective for the benefit of the whole system, as well as to achieve a high level of customer-centric service, with the customer at the centre of corporate strategies.

In continuity with past years, in order to constantly improve the quality of the services offered and to meet the needs of its customers, Snam carried out stakeholder engagement activities, through workshops, to delve into issues relevant to the company and the market, discuss innovations and balancing operations, and receive feedback on the updating of IT systems.

As evidence of its focus on the customer, Snam has developed **Jarvis**, the single commercial platform into which all portals and applications at the service of the customer are gradually converging, with the aim of fostering a new and complete user experience, defined thanks to the direct involvement of market players in participatory design logic.

During the year, **JarvisBySnam** was launched, the **mobile application** that allows customers to manage key business transactions via smartphones and tablets. In particular, the first version of the app allowed managing gas exchanges at the Virtual Trading Point, while subsequent updates will introduce new features with the aim of meeting customers' needs and offering them increasingly functional and innovative services.

Jarvis by Snam

The creation of the platform and related application envisaged the involvement of customers also in the redesign of business processes, through meetings, interviews and co-design workshops.

Lastly, to improve interaction with customers and provide a fast, effective and efficient system for handling telephone enquiries, Snam provided a single **sales support** number, with a multilingual channel (Italian and English) has been activated as of June 2022, in order to correctly address customer enquiries according to motivation and provide timely information.

Six commercial workshops were held in 2022, including one on the **Ten-Year Plans and one dedicated to assessing sustainability issues**.

To measure the appreciation of the initiatives, questionnaires are administered at the end of each workshop. In 2022, the participation rate in the questionnaires was 36%, with an average satisfaction score of 8.3 out of 10).

THE CUSTOMER SATISFACTION SURVEY

Through appropriate analyses, the Company detects and monitors the degree of customer satisfaction with the service, the innovations introduced during the year and future initiatives. In particular, customers are asked to evaluate the quality of the services offered, the management of processes, the availability of interlocutors, the clarity, timeliness and exhaustiveness of the answers provided, as well as the customer engagement activities undertaken.

The survey involved all shippers and traders with which Snam cooperated during the year, and included 499 questionnaires. The results showed a good degree of satisfaction, with an average score of 8.4 on a scale of 0 to 10 and 8.4 measured as an average over the three-year period.

Added Value

For Snam, sustainability and value creation are strongly connected concepts. Operating, contributing to the growth of the economic, social and environmental context of reference, in fact, allows the creation of wealth both for the Company and for its stakeholders, measured in terms of **Added Value produced and distributed**.

Snam calculates the added value based on the standard prepared by the Gruppo di Studio per il Bilancio Sociale (GBS) and the GRI Standards.

In 2022, the overall gross value added produced by the Company was 3,388 million euros, down 227 million euros, or 6.3%, from 2021 (3,615 million euros), due to the impact of the Russia-Ukraine conflict on the valuation of Snam's investment in TAG, the company that owns the pipeline that transports Russian gas to Italy, through Austria, passing through Ukraine, Slovakia and up to the Tarvisio entry point.

23.6% of the gross global Added Value produced was reinvested within the Group and was entirely employed for the amortisation of Group assets (74.6% in 2021). With regard to the main stakeholders of reference, 2022 shows a value distributed to financing entities in line with 2021 (4.5%; -0.5 percentage points compared to 2021), thanks to the effects of the actions to optimise the Group's financial structure implemented in previous years, despite the increase in market rates. The value distributed to shareholders through the distribution of dividends records an increasing incidence compared to 2021 (27.2%; +3.4% compared to 2021), against a growing unit dividend (+5% compared to 2021), confirming the commitment to guarantee shareholders an attractive and sustainable remuneration, and an increase in outstanding shares following the exercise of the convertible bond, which matured in March 2022.

With reference to employees, there is a growing incidence of the Added Value distributed (7.6% in 2022; 6.4% in 2021) through direct remuneration, consisting of wages, salaries and employee severance indemnities, and indirect remuneration, consisting of social security contributions and costs for services relating to personnel (canteen services, welfare), growth also due to recruitments from the market to strengthen the energy transition business. The value allocated to the Public Administration through direct and indirect taxes pertaining to the period records a reduction (12.8%; 13.7% in 2021) against the lower profits achieved in 2022. Lastly, an amount of 3 million euros was allocated to local communities (0.1% of the value generated), and is represented by donations and environmental compensation made in accordance with the law.

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Generated Added Value (A)	201-1	mil. €	3,027	3,615	**3,388**
Distributed Added Value (B)			1,975	2,516	**2,587**
Employees (*)			213	231	**258**
Suppliers			372	796	**821**
Local community Donations and sponsorships and Statutory environmental offsetting			19	6	**3**
Lenders (Bond-holders and Banks)			166	126	**151**
Shareholders (**)			796	862	**922**
Public administration			409	495	**432**
Direct taxes			396	474	**416**
Indirect taxes			13	21	**16**
Added Value retained by the Company (A) - (B)			1,052	1,099	**801**

Note: The 2020 and 2021 data have been restated.
(*) Includes staff-related service costs.
(**) The 2022 figure refers to the dividend proposed by the Board of Directors subject to the approval of the Shareholders' Meeting of 4 May 2023.

HUMAN RIGHTS

Material topics and risks related to human rights

The protection of human rights is an issue which, due to the nature and geographical scope of Snam's activities, is characterised by presenting a limited risk profile of possible violations and which, consequently, was not material following the recent update of the analysis of materiality. Nonetheless, Snam is aware of the importance of this issue, which has become increasingly important, also in view of its internationalisation strategy and the acquisition of new companies, which require a structured monitoring of the issue. For Snam, the protection of human rights is associated, in particular, with the aspects of diversity and equal opportunities, with a more specific declination of non-discrimination. Due to the additional impacts that could potentially arise along the supply chain, Snam has implemented specific initiatives aimed at guaranteeing respect for human rights in commercial relations (for further details see the paragraph "Suppliers").

Policies, commitments and management models

Through the **Code of Ethics**, Snam confirms its commitment to the protection and promotion of human rights, non-transferable and indispensable prerogatives of human beings and the foundation for building societies based on the principles of equality, solidarity, repudiation of war and protection of civil rights and political, social, economic and cultural rights and so-called third generation rights (right to self-determination, peace, development and environmental protection).

It is with this in mind that Snam operates within the reference framework of the Universal Declaration of Human Rights of the United Nations, the fundamental Conventions of the ILO - International Labour Organisation - and the OECD Guidelines for Multinational Enterprises.

Snam has also adopted a Human Rights Policy, through which it undertakes to prevent and repudiate:
- all forms of discrimination and violence, forced or child labour;
- any form of sexual harassment or that referring to the personal and cultural diversity of individuals;
- harassment or attitudes in any way attributable to bullying.

The Human Rights Policy and the Diversity & Inclusion policy defined in 2019, enriched between 2020 and 2021 by three appendices (Gender Equality, Recruitment and Harassment) further define the commitment, already declined in the specific policies mentioned in the previous chapters, in safeguarding the well-being of the person, both as an individual and as part of social formations, according to the following principles and management guidelines:

- protecting the dignity, freedom and equality of human beings;
- protecting jobs, working conditions and trade-union freedoms;
- the confidentiality of personal data;
- safeguarding health and safety;
- guaranteeing career growth and pay based strictly on merit and skill;
- protecting the system of values and principles in matters of transparency and sustainable development;
- creation of a welcoming work environment with no direct or indirect discrimination of any kind.

Key performance indicators

The following indicators show the results of the management non-discrimination initiatives, with an indication of the reference GRI standard. It should be noted that two reports received in 2022 concerned discriminatory behaviour in violation of the company's Code of Ethics, by employees: in one case for disrespectful language with a sexist background towards a supplier employee, and in the second for offensive language towards members of the LGTBQ+ community. In both cases, disciplinary measures were taken by the company against the employees held responsible.

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Reports received for episodes related to discriminatory practices	406-1	no.	/	/	2
of which reports pending			/	/	0
of which reports with ongoing corrective actions			/	/	/
of which concluded with corrective actions implemented			/	/	2
of which reports dismissed as unfounded			/	/	/

GOVERNANCE INFORMATION

TARGETS AND PERFORMANCE

Action		Target	Performance 2022	
ANTI-CORRUPTION				
Percentage of third parties subject to the procurement process on which reputational checks have been carried out	ESG SCORECARD	100% by 2026	100%	✓
GOVERNANCE				
Percentage time that the Board of Directors dedicates to ESG topics in strategic meetings and induction sessions	ESG SCORECARD	40% by 2022	42%*	

ESG SCORECARD KPI included in the ESG Scorecard

CARBON NEUTRALITY KPI embedded in the Carbon Neutrality strategy

✓ Target reached

⚙ Target in progress

⊘ Target not reached

(*) Data extracted from the minutes of Board meetings from January to December and from the Corporate Governance Report and including Board Induction.

MATERIAL TOPICS	RISKS/IMPACTS
Business integrity and corporate reputation	**LEGAL AND COMPLIANCE RISK** • Risk of possible violation of rules and regulations, with particular reference to Legislative Decree no. 231/2001 • Risk linked to an inadequate reputation profile for suppliers and subcontractors • Risk of failure to align Corporate Governance and/or the internal control and risk system with regulations and/or best practices
	IMPACTS Any failure to comply with legal regulations and corporate provisions in carrying out activities with consequences for the economic, social and environmental fabric in which the Company operates could result in damage to reputation and perceived reliability of Snam's governance.

POLICIES, COMMITMENTS AND MANAGEMENT MODELS

Fighting corruption

Snam has adopted an **Anti-Corruption Guideline**[66], an integral part of the business ethics control system, which was recently updated and approved by the Board of Directors and is based on the principles of ethics, transparency, fairness and professionalism contained in the Code of Ethics. Furthermore, the Guideline incorporates the tenth principle of the Global Compact, which requires participants to avoid corruption in all its forms and to develop strong policies and concrete anti-corruption programmes, as well as to cooperate with governments, UN agencies and civil society to contribute to a more transparent global economy.

However reasonable given the circumstances, Snam exploits its influence so that the companies, entities in which the Group has a non-controlling interest and associated businesses meet the standards set out in the **Anti-Corruption Guidelines**. In this regard, Snam and Subsidiaries apply the Anti-Corruption Guideline, which is a**lso brought to the attention of investee companies** with a view to encouraging and promoting behaviour and information flows in line with those expressed by Snam itself.

In addition, the Anti-Bribery Guideline also acts to protect the Group's reputation with particular attention to the **selection of suppliers and associated businesses**. In fact, in the area of preventing and combating active and passive corruption, the choice of suppliers and business associates, as well as the management of relations with them and the relevant contractual protection clauses, Snam has identified three levels of action to be taken against them:

ANTI-CORRUPTION DUE DILIGENCE	ETHICS AND INTEGRITY AGREEMENT	CONTRACTUAL CLAUSES
Before entering into any type of relationship with a Business Associate, the Function concerned must request a Due Diligence	When Business Associates are suppliers or subcontractors, they are required to share and respect the company's inalienable principles of legality, responsibility and business ethics in the management of their activities	The contractual clauses commit Business Associates to respect the principles of the Code of Ethics, Anti-Corruption Guidelines and Rules, and provide for the Company's right to terminate the relationship in the event of breach of the signed obligations and applicable regulations

By 2022, **90%** of Business Associates[67] have signed the Snam Anti-Corruption Model Declaration, whereby they are aware of and commit to comply with the Anti-Corruption Laws, the Code of Ethics, the Model 231 of the Buyer Party and the Anti-Corruption Guidelines of the Snam group. In particular, **100%** of them were informed about the 'Rep&War Compliance' document, issued during the negotiation phases, through which Business Associates are required to ensure compliance with applicable anti-corruption regulations.

66 Snam's Anti-Corruption Guidelines are available on the Company's website https://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/anticorruzione/linea_guida_anticorruzione.pdf

67 The Business Associates considered in the reporting are part of the Energy Transition and Gas Infrastructure M&As that took place in 2022.

Snam has paid constant attention to relations with counterparties, by means of special reputational audits that guarantee periodic and effective monitoring of the entire supply chain. In this regard, consistent with previous years, the Group also conducted reputational audits on its counterparties in 2022. In particular, 6,166 audits were carried out during the year, including 1,374 on suppliers and subcontractors.

In 2022, Snam also began the process of structuring a **Management System for the Prevention of Corruption** in accordance with the ISO 37001:2016 standard, which led to the definition of an **Anti-Corruption Policy** and the establishment of an **Anti-Corruption Committee** that plays the role of the Compliance Function for the Prevention of Corruption, which, in carrying out its task, relies on the operational support of the Compliance & Business Integrity function.

The **Anti-Corruption Policy**[68], approved by Snam's Board of Directors on 18 January 2023 and drafted in accordance with the principles of ISO 37001:2016, expresses the commitment of senior management and the Board itself to the prevention of corruption.

Lastly, among the tools that Snam uses to monitor transparency and the fight against corruption, the digitalisation of the information flow of data to **the National Anti-Corruption Authority** is of fundamental importance, enabling the elimination of all manual compilation procedures, improving the traceability, transparency and security of all operations.

For more information on the Anti-Bribery Guideline and Anti-Corruption Policy, see "Annex 2 - Main Snam Policies and Guidelines" of this document.

To oversee the issue, Snam has adopted the **Anti-Corruption Compliance Programme**, aimed at identifying and assessing the risks of corruption inherent in the exercise of its business activities. with a view to preventing the violation of the relative rules, both internal and external.

ANTI-CORRUPTION COMPLIANCE PROGRAMME HIGHLIGHTS

Zero Tolerance Policy
of any form of corruption

Annual monitoring
with the involvement of management

Rules and controls
specific in relation to the activities identified as potentially “at risk” and to the activities concerning the effective implementation of anti-corruption compliance

Permitted and prohibited conduct
clearly distinguished

Attention to relations with public officials, suppliers and subcontractors
and, in general, with all business associates

Example of ‘absolute excellence’ awarded by Transparency International
following the ‘Assessment on Transparency in Reporting on Anti-Corruption’

6,166 reputation checks
carried out on business partners in 2022
(1,374 of which on suppliers and subcontractors)

Specific training started in 2016
and extended to all new recruits

Ethics & Antibribery Department

68 Snam's Anti-Corruption Policy can be consulted on the Company's website https://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Procedures/anticorruption/Snam-Anti-Corruption-Policy.pdf

The programme, in addition to including the **Model 231** aimed at preventing the predicate crimes of administrative liability for crimes of the company, including corruption crimes, adopts the following tools in line with the provisions of international guidance and best practices[69]:

TOP LEVEL COMMITMENT
Top management commitment to fight corruption

Principles and rules, operational tools and preventive measures	Ethics and Antibribery (Dedicated anti-corruption department)	Anti-Corruption Committee acting as Compliance Function for the Prevention of Corruption	Reporting guidelines (Adequate reporting system, whistleblowing)	Accounting rules and audits	Training and information and sanctions system (disciplinary and contractual)	Risk assessment periodically and monitoring

ANTI-CORRUPTION POLICY
ANTI-CORRUPTION GUIDELINES

In continuity with the past, a training cycle was again held this year to raise awareness among the corporate population on issues of business ethics, legality and anti-corruption. These activities also contribute to increasing employees' awareness in recognising, preventing, suppressing and reporting possible cases of corruption in the various business contexts.
In 2022, all board members and 333 new hires received communication on anti-corruption policies and procedures.
In the area of anti-corruption training, Snam trained 323 employees in 2022 through e-learning and distant learning[70].
Moreover, during the year, in addition to the training activities organised by the HR function in e-learning mode, Snam carried out ad hoc training on anti-corruption issues organised in **15 training meetings** involving about **700 people**, including managers, middle managers and new recruits. In order to involve and raise awareness among the entire company population, a video recording of one of the training meetings was shared and all supporting material was provided.

Milestones in the fight against corruption

2014
Snam starts its cooperation with Transparency International Italia as a member of the Business Integrity Forum (BIF).

The collaboration aims to develop a partnership within the Global Corporate Supporters Forum.

2017
Snam joins the Business at OECD Committee

2019
Snam is the first Italian company to join the Leadership as Vice-Chair within the Anticorruption Committee.

In addition, it is presented as a 'Tangible example' of a company that, through concrete actions, has distinguished itself in the fight against corruption at the B20 Summit under the Japanese Presidency.

Lastly, the Company was involved in the Partnering Against Corruption Institute (PACI) initiatives set up by the World Economic Forum.

2020
Snam becomes a permanent member of the Corporate Governance Committee of BIAC (Business at OECD).

69 In this regard, the Code of Ethics provides, *inter alia*, that Snam rejects any kind of corruption (in all its forms with reference to any public or private entity) and that practices of corruption, unlawful favours, collusive behaviour, solicitations, direct and/or through third parties, personal and career advantages for themselves or others, are without exception prohibited.
70 Newly trained persons represent 9% of the total number of employees. In calculating the percentage, only employees trained on anti-corruption issues in the reporting year are taken into account in the numerator, excluding employees who have already received anti-corruption training in previous years.

Also in 2022, Snam demonstrated its commitment and attention to anti-corruption issues by participating in various events, including:

OECD	**Global anti-Corruption & integrity forum** • Proposal for the adoption of the 18th SDG (Zero Corruption), together with the Anti-corruption Committee of BIAC (Business at OECD) • Update of the G20/OECD Principles of Corporate Governance document • Revision of the OECD Guidelines for Multinational Enterprises (also referred to as the OECD MNE Guidelines), with particular reference to Chapters IV Human Rights and VII Combating Bribery, Incitement to Bribery and Corruption • Preparation of the BIAC paper on the Anti-corruption and digital project: Championing corporate digital anti-corruption solutions • Participation in the work of the 2022 OECD Global Anti-Corruption & Integrity Forum, held in March 2022 **Other OECD events** • Anti-corruption Committee Annual meeting • 60th Anniversary of Business at OECD
G20 INDONESIA 2022	**B20 Indonesian Presidency** Participation as a full member of the Integrity & Compliance Task Force. The contributions that emerged from this participation were formalised in the Policy Recommendation Paper on Integrity & Compliance. Regular conference calls as part of participation in the Integrity & Compliance Task Force.
TRANSPARENCY INTERNATIONAL ITALIA	**Business Integrity Forum of Transparency International Italy** Participation in the revision and update of the Charter of Ethical Principles of Transparency International Itala, presented in September 2022. Guest speaker at the Business Integrity Forum (BIF) Academy Day 1, 10 June 2022, where the CEO of Snam S.p.A., Stefano Venier, spoke on Integrity Supply Chain. Further participation in panels: • BIF Academy Day 2, 17 June 2022, speech by Snam ESG Officer on Sustainable Supply Chain • BIF Academy, 23 September 2022, speech by the Business Integrity function on Circular Integrity • BIF National Event, 25 November 2022, speech by the Senior Vice President Sustainability & Social Impact at the panel discussion on Transparency, anti-corruption, ESG values and SDGs activities.

Ensuring transparency in taxation matters

The management of tax issues, regulated in the "Snam Group Tax Strategy" Guideline, which was approved by the Board of Directors in 2018 and complies with the regulations, entails a high level of transparency, careful risk management and a long-term vision seen in constant collaboration with the Tax Authorities.

On the basis of the Tax Strategy and in line with the Code of Ethics, Snam and its subsidiaries are required to apply the p**rinciples of fairness, transparency, honesty and integrity**, which, specifically, in the tax area, are implemented in the correct discharge of tax obligations and compliance with applicable regulations. The fulfilment of tax obligations is ensured by Snam's internal provisions, i.e. by the set of procedures and directives that define roles and responsibilities, analysis and planning functions, operating and control functions, information flow management methods and related traceability management methods.

In order to further strengthen its Internal Control and Risk Management System, the Snam Group has adopted the **Tax Control Framework** (TCF), a system for the detection, assessment, management and control of tax risks through periodic assessments and monitoring. The adoption of the TCF for Snam S.p.A. and Snam Rete Gas S.p.A. was instrumental to the admission, on 2 December 2019, to the collaborative compliance regime laid out by Legislative Decree 128/2015 (referred to as **cooperative compliance**), which requires eligible entities to maintain high standards of transparency and cooperation with the tax authorities and to guarantee an increased level of certainty on relevant tax issues.

Adhesion to this regime is dedicated to taxpayers who meet the requirements of the applicable regulations and are equipped with a system for the detection, measurement, management and control of tax risk. Specifically, such adherence presupposes the maintenance of high standards of transparency and collaboration with the Revenue Agency in order to guarantee an adequate level of cooperation and coordination with respect to relevant tax transactions, while representing a sure indicator of the constant application of those principles of correctness, transparency and awareness of the fulfilment of tax obligations set out in the '**Tax Control Framework - Tax Strategy**' Guideline[71], which defines the company's behavioural policy in relation to the tax variable.

In 2020, in line with the approach dictated by the "**Snam Group Tax Strategy**", the tax risk management process has also been extended to Group companies which, although not admitted to the collaborative compliance procedure due to lack of size requirements, have been considered relevant from a risk-based perspective. Currently, tax risk is managed through TCF for nine Group companies[72].

The tax strategy implemented by the Snam Group is consistent with the activities of the business. Specifically, the Snam Group:
- is against the implementation of operations without economic substance and aggressive tax policies;
- ensures the correct application of the prevention rules for abusive erosion of the tax base;
- imposes a ban on profit shifting to other jurisdictions or entities (CFC, black list dividend, hybrid mismatching);
- pays close attention to developments in tax legislation at national and international level;
- pursues the application of the arm's length principle in intra-group relations according to international best practices recognised by the jurisdictions in which it operates in accordance with OECD requirements. Transactions with related parties not resident in Italy are analysed in the national documentation summarising transfer pricing policies.

In addition, the Tax Strategy, adopted by the Snam Group, has the following objectives:
- **Tax Value**, i.e. the effective management of the tax cost inherent in a company's business;
- **control of the level of risks and their impact on reputation**, i.e. the control of fiscal risk with a view to protecting the reputation of the Company and the Group;
- **Tax Compliance**, i.e. integrity in the management of tax compliance and the determination of the tax liability of Group companies;
- **shared values**, i.e. promoting awareness at all levels of the company of the importance that Snam attributes to the values of transparency, honesty, fairness and compliance with regulations;
- **relations with tax authorities**, i.e. establishing relations with tax authorities based on good faith and transparency;
- **resource enhancement**, i.e. developing and strengthening the professional skills of resources involved in any capacity in the tax process.

With regard to suppliers, Snam pays great attention to assessing the suitability of potential suppliers and their selection. The qualification and evaluation process is carried out pursuing the principles of transparency, traceability, impartiality and are aimed at promoting free competition and equal treatment of the parties.

71 An excerpt of the "Tax Control Framework - Tax Strategy" Guideline can be found at www.snam.it/it/sostenibilita/impegni_snam/politica_fiscale.html.
72 Snam S.p.A., Snam Rete Gas S.p.A., STO.G.IT S.p.A., GNL Italia S.p.A., Infrastrutture Trasporto Gas S.p.A., Greenture (formerly Snam4Mobility S.p.A.), Cubogas S.r.l., IES Biogas S.r.l., TEP Energy Solution S.r.l.

Tax Risk Management and Tax Control Framework (TCF)

Snam considers tax compliance to be one of the key aspects in ensuring the ethical and responsible management of the Group. In this sense, in addition to providing for the possibility of reporting any tax-relevant violations through the use of channels dedicated to whistleblowing, the Tax Control Framework carries out periodic assessment and monitoring activities, which are reported to the relevant corporate Functions, the Corporate Administrative and Control Bodies and the Tax Administration.

The TCF was conceived according to an integrated logic, with respect to which the techniques and methodologies provided for by the reference best practices were applied to the specificity of tax risks, ensuring consistency with the Integrated Risk Assurance & Compliance Model. In doing so, the TCF ensures that the tax variable is correctly defined through the adoption of risk/control maps, within which the tax risks, business processes and associated control measures are represented.

The Tax Compliance Model envisages **two annual reporting flows**: the first to the Board of Directors in order to provide information on the results of the monitoring and the tax risk management methods; the second to the Revenue Agency in order to communicate the main activities carried out during the reference year by means of a report.

The Tax Control Framework has been prepared consistently with the three lines of defence model: the first level carries out the activity of identifying, assessing and monitoring risks within the scope of individual Group processes; the second level carries out monitoring activities in order to ensure (i) the effectiveness and efficiency of risk management and treatment, (ii) the adequacy and operability of the controls placed to protect against them. The third level provides independent assurance on the adequacy and operability of the first and second control levels. The latter activity is entrusted to the Group Internal Audit function.

Tax Risk Manager: role and objectives

The **Tax Risk Manager** is responsible for managing the overall tax risk detection, measurement, treatment and control process. Consistent with the roles and responsibilities defined in the Tax Compliance Model, this person is operationally responsible for the design, implementation and updating of the TCF Model. To ensure compliance with the principle of functional segregation, the Tax Risk Manager's activities are carried out in accordance with Snam's "**Tax Control Framework - Tax Strategy**" Guideline and in compliance with the indications and operating practices formalised within this Tax Compliance Model.

The Tax Risk Manager:
- promotes, in liaison with the competent functions, the methodological alignment with the other control and monitoring models already operational in the area of competence;
- performs directly and ensures, in coordination with the other structures in charge of performing second-level controls, by carrying out monitoring and testing activities of the relevant controls to protect against tax risk (Test of Design and Test of Effectiveness);
- prepares at least annually summary reports with the results of the activities carried out in order to allow the Management and Control Bodies of the companies involved in the Tax Risk Management process to perform their supervisory role and to assess the assurance level of the Tax Risk Management process

In particular, the Tax Risk Manager oversees planning activities related to the Tax Control Framework by continuously verifying the need for methodological updates following a continuous improvement approach, in order to:
- ensure the transposition, definition and dissemination of methodologies and tools for the proper functioning of the Tax Risk Management process;
- contribute to ensuring completeness and timeliness in the performance of the activities under the TCF;
- monitor tax regulations and evolving legal requirements in the TCF area;
- carry out in-depth studies to identify best practices;
- promote methodological alignment with other control and monitoring models already in operation;
- oversee the identification and measurement of tax risks;
- handle relations and communications with the Revenue Agency;
- evaluate opportunities to improve the TCF by incorporating any updates;
- prepare all TCF-related reporting.

With a view to complying with the collaborative compliance regime, which provides for cooperation and communication between the Company and the tax authorities, the Tax Risk Manager is in charge of carrying out a shared assessment of situations that may generate tax risks, of notifying the tax authorities of any significant shortcomings that may have been identified, and of any significant organisational changes. In addition, together with the Head of Snam's Tax Function, it participates in the dialogue with the Revenue Agency and in the various initiatives organised by the Agency and by trade associations, in which discussions are held on application issues concerning the collaborative compliance regime.

Country by Country reporting

Tax management is one of the relevant components of Snam's ESG approach. In particular, within the social component, taxation plays a key role in creating an equitable society and a sound economy (Sustainable development goals: 1. 'No Poverty'; 2. 'Reduced Inequalities'; 17. 'Partnerships for the Goals'). For these reasons, Snam discloses its financial, economic and tax information to each jurisdiction in which it operates. This 2021 reporting provides an indication of the magnitude of the Group activities and their tax contributions in these jurisdictions. This is shown in the tables below, in the Country by Country representation provided by GRI Standard 207-4.

Country	Description of the main activities of the organisation	Employees (no.)	Revenues from sales to third parties (€/000)	Revenues from intra-group transactions (€/000)	Pre-tax profit/loss (€/000)	Tangible assets other than cash and cash equivalents (€/000)	Corporate income taxes paid on a cash basis (€/000)	Corporate income taxes accrued on profits/ losses (€/000)
Italy	In Italy, Snam is responsible for natural gas transportation, dispatching and storage as well as regasification of liquefied natural gas (LNG). Parallel to its core business, the company is also increasingly investing in new businesses related to the energy transition, from sustainable mobility to energy efficiency and the development of renewable gases such as biomethane and hydrogen.	3,341	3,485,806,161.74	657,279,847.84	2,365,402,710.08	17,159,511,007.73	405,125,046.67	481,139,757.91
Netherlands	Subholding activities.	1	6,967,332.84	-	6,108,289.59	-	-	-
Ireland	Captive insurance business.	2	2,245,583.00	9,054,574.00	1,570,831.00	-	196,554.00	196,554.00
		3344	3,495,019,077.58	666,334,421.84	2,373,081,830.67	17,159,511,007.73	405,321,600.67	481,336,311.91

Notes:
- Snam does not report any difference between the corporate income tax accrued on profits/losses and the tax due.
- The scope of information and the data reported in this section represent "country-by-country" reporting, pursuant to Art. 1, paragraphs 145 and 146, of Law No. 208 of 28/12/2015. Entities registered in Italy: Snam S.p.a., Snam Rete Gas S.p.a., Stogit S.p.a., GNL Italia S.p.a., Enura S.p.a., Infrastrutture Trasporto Gas S.p.a., Renovit S.p.a., TEP Energy Solution S.r.l., Mieci S.p.a. + TLUX / Evolve S.p.a., Bioenerys S.r.l. (formerly Snam 4 Environment S.r.l.), IES Biogas S.r.l., Renerwaste S.r.l., Renerwaste Lodi S.r.l., Ecoprogetto Milano S.r.l., Ecoprogetto Tortona S.r.l., Enersi Sicilia S.r.l., Greenture S.p.a., Cubogas S.r.l., Gasrule Insurance DAC, Snam International B.V.

Key performance indicators

The case of non-compliance with laws and regulations reported below refers to the VAT questionnaire notified by the Revenue Agency to Snam S.p.A. in 2020, relating to the years from 2012 to 2015, prior to Snam S.p.A.'s admission to the cooperative compliance procedure, a system of prior dialogue with the Revenue Agency based on principles of transparency capable of reducing uncertainty related to tax risk[73]. For further information on this, please refer to Note 28 of the Notes to the Consolidated Financial Statements.

The indicators below show the results of the management of the aspects related to the prevention of corruption, with an indication of the reference GRI standard.

INDICATOR	GRI STANDARD	U. M.	2020	2021	2022
Cases of proven corruption	205-3	no.	0	0	**0**
Reports received on corruption and under examination			1	3	**0**
Reports received in previous years on corruption and under examination			0	0	**0**
Reports received on corruption and archived because unfounded			0	0	**0**
Reports received on corruption and archived with managerial interventions (*)			0	0	**2**
Reports received in previous years on corruption and archived because unfounded			0	1	**1**
Reports received in previous years on corruption and archived with managerial interventions			0	0	**2**
Significant instances of non-compliance with laws and regulations during the reporting period (**)	2-27	no.	1	0	**0**
of which cases with non-monetary sanctions (exclusion from tenders, market or similar)			1	0	**0**
Total number of fines for significant cases of non-compliance with laws and regulations that were paid during the reporting period (**)			0	1	**0**
of which cases occurred during the reporting period			0	0	**0**
of which cases occurred in periods prior to the reporting period			0	1	**0**
Monetary value of fines for significant cases of non-compliance with laws and regulations that were paid during the reporting period (**)		€ million	0	1,9	**0**
of which cases occurred during the reporting period			0	0	**0**
of which cases occurred in periods prior to the reporting period			0	1	**0**

(*) The term 'managerial interventions' also refers to organisational/procedural interventions relative to actions aimed at improving the Internal Control and Risk Management System.
(**) 'Significant cases' means cases with a financial impact exceeding 1 million euros.

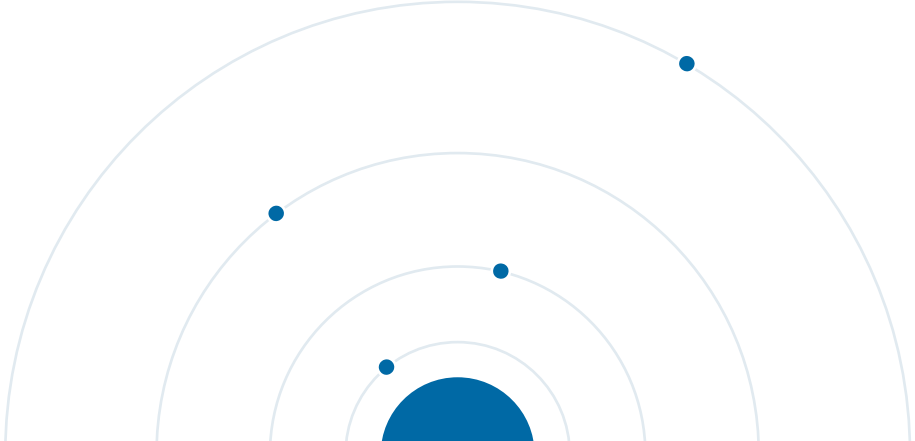
73 In summary, the relevant regulations recognise advantages for companies admitted to the collaborative compliance procedure:
- prior and constant discussion of situations that may generate tax risks (resulting in greater certainty on relevant tax issues);
- the Group's reputational profile;
- a 50% reduction in penalties in the event of any dispute.

ANNEX 1 – DEFINITION OF MATERIAL TOPICS

ISSUES	DEFINITION	SDGs*
Climate change and green business	Promote decarbonisation strategies to combat climate change in order to reduce Snam's and the country's greenhouse gas emissions and contribute to the achievement of carbon neutrality targets, including through the integration of the new businesses of biomethane, hydrogen, sustainable mobility and energy efficiency. Develop energy efficiency initiatives at Group sites and increase the use and production of energy from renewable sources.	
Energy security and accessibility	Ensure service continuity through a reliable and resilient infrastructure, properly monitored and upgraded. Work with the authorities to ensure energy supply and fair access to energy while investing in alternative energy sources.	
Sustainable supply chain	Foster the development of social responsibility practices among suppliers, including through training and awareness-raising activities, in order to improve reliability and safety, encourage the reduction of emissions and stimulate the development of innovative approaches to green business and the circular economy.	
Health and safety	Adopt management practices and systems to safeguard the health and safety of employees and all subjects involved in company activities (e.g. suppliers), also protecting their psycho-physical health.	
Innovation, digitalisation and cyber security	Develop new technologies aimed at making business management more efficient and reducing environmental impacts (e.g. optimised infrastructure management). Manage cybersecurity with particular reference to potential cyber attacks.	
Economic performance, value creation and sustainable finance	Foster the creation of shared medium- to long-term value for all stakeholders, through operational and financial efficiency and economically sustainable management of the business. Ensure the integration of sustainability issues into investment processes to support initiatives that create a positive impact for investors and the community.	
Protecting local areas and biodiversity	Safeguard the landscape heritage of the territories in which the Group's plants or sites are located and to promote the protection of biodiversity while carrying out the activities.	
Business integrity and corporate reputation	Carry out activities with loyalty and fairness in compliance with the law, regulations, prescriptions and corporate provisions, adopting measures aimed at combating corruption, through the promotion of a culture of legality, and preserving the corporate image, also through comprehensive and transparent communication to all stakeholders. Ensure a responsible approach to tax strategy and solid corporate governance, guaranteeing the effective management of matters relating to remuneration and balanced participation in the main corporate governance bodies.	

ISSUES	DEFINITION	SDGs*
Relations with local communities	Involve local communities, developing project activities capable of responding effectively to stakeholder expectations and which make it possible to strengthen the acceptability and integration of Snam in the local area, adequately compensating for land use in the construction of infrastructures.	
Relations with authorities and quality of services	Promote constructive and transparent relations with authorities and institutions in order to develop satisfactory and reliable services for customers.	
Development and protection of human capital	Adopt talent attraction and retention policies, encouraging professional growth paths and transition programs that develop their technical, managerial and organisational skills. Ensure employees' work-life balance through a welfare scheme that meets the needs of employees.	
Employment	Promote stable employment by ensuring a healthy and sustainable working environment, while preserving workers' rights and fostering job continuity, including generational continuity, with a view to just transition.	
Diversity and inclusion	Guarantee an inclusive work environment, in all phases of people's working lives, which encourages respect and the value of everyone's diversity, repudiating any discriminatory behaviour.	

Environmental topics · Social topics · Governance topics (including economics aspects) · Topics related to the circular economy



ANNEX 2 – MAIN SNAM POLICIES AND GUIDELINES

The table below lists the main Snam policies and guidelines approved by the Board of Directors and the CEO.

Subject	Policies and guidelines	Objectives and content
Environment	**Health and Safety, Environment and Quality Policy (HSEQ Policy)**	Define the key and essential principles of protection and continuous improvement of people's health and safety, environmental protection and public safety, in order to pursue sustainable development and value creation, adopting management systems in line with the best international practices and regulations.
People	**Diversity and Inclusion Policy**	Promote diversity and plurality as values contributing to an open and stimulating working environment, ensuring equal dignity and opportunities to all people regardless of their country of origin, culture and religion, gender, sexual orientation, political opinions and any other personal characteristics and styles. The policy is drafted in line with the values of the Code of Ethics, the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO (International Labour Organization), the OECD Guidelines for Multinational Enterprises and the principles enshrined in the United Nations Global Compact.
	Diversity and Inclusion Policy:Harassment Policy	Promote a serene and professional working environment, free from all forms of discrimination and harassment, where people feel respected, valued and free to express their full potential, with a company policy of zero tolerance for any form of harassment in the workplace. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
	Diversity and Inclusion Policy:Gender Equality	Contribute to the creation of a more balanced and diverse leadership pipeline, fairly valuing the contributions of both genders in decision-making processes within the organisation, and create a culture of gender equality to ensure excellent performance based on talent and long-term sustainability. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
	Diversity and Inclusion Policy: Recruiting @ Snam	Create a standardised and inclusive methodology of the selection and recruitment process through clear, shared, consistent, fair and merit-based guidelines. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
Suppliers	**Social Supply Chain Policy**	Outline principles for proper supply chain management, recognizing the social and inclusive role of Third Sector organisations, promoting collaboration between social enterprises, encouraging the inclusion of social enterprises as subcontractors and encouraging suppliers to define policies for the involvement of social cooperatives in their supply chain.
Communities	**Sustainable Development Policy**	Illustrate the principles that characterise Snam's work for the development of an economic-entrepreneurial model that integrates sustainability-related aspects such as respect for people, stakeholders, the environment and society as a whole into its business activities. Snam considers sustainability to be a guiding element for strategic and operational choices and a lever for ensuring sustainable growth over time.
	Stakeholder Engagement Policy	Ensure consistent application at all levels of the Company's stakeholder engagement strategy, which is based on a mutually beneficial approach and involves all categories of the Company's stakeholders, who are identified periodically in order to adequately manage their expectations, needs and specific and local realities.
	Snam Policy on the Management of Philanthropic Activities and Social Initiatives	Illustrate the criteria to be adopted in the selection and promotion of social, cultural and environmental interventions, emphasising its commitment to respond to the needs expressed by the context in which the Company operates and to play an active role in the economic development of the territories and the promotion of community well-being.

Subject	Policies and guidelines	Objectives and content
Human rights	**Human Rights Policy**	Outline the founding principles and actions taken to protect Human Rights in the performance of the Company's activities and, in general, in any context in which the Company operates, including through its business partners. The principles, as indispensable requirements for the conduct of business, concretely implement the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO (International Labour Organization), the OECD Guidelines for Multinational Enterprises and the principles enshrined in the UN Global Compact.
Fiscal transparency and prevention of active and passive corruption	**Anti-Corruption Policy**	Counter all corrupt practices in relations with public and private stakeholders, with a zero-tolerance approach, by defining a strategic framework for setting, reviewing and achieving objectives for the prevention of all kinds and forms of corruption. Ensure compliance with the principles and provisions of the Management System for the Prevention of Corruption pursuant to UNI ISO 370001:2016, as well as with its Code of Ethics and the Anti-Corruption Guideline, paying the utmost attention so that a similar commitment is also ensured by the Company's interlocutors, including through awareness-raising, information and training initiatives for employees and all stakeholders. Prosecute conduct that does not comply with this Policy and in general with the Anti-Bribery Management System, with the application of appropriate sanctions in accordance with the Anti-Bribery Guideline and the Disciplinary System forming part of the Model 231.
	Anti-Corruption Guidelines	Outline the general principles and rules of conduct to be followed in carrying out Snam's activities, the prohibited conduct and the safeguards identified by Snam to protect against corruption risk, drawn up in compliance with the tenth principle of the Global Compact[74]. Sensitise Snam employees with a view to continuous improvement in identifying corrupt phenomena and any other type of fraud, and in taking an active part in preventing, suppressing and reporting possible violations of anti-corruption regulations, drawing inspiration from the principles of ethics, transparency, fairness and professionalism.
	Tax Control Framework - Tax Strategy Guideline	Outline the objectives that Snam, together with its subsidiaries, must pursue on an ongoing basis, while maintaining adequate control over tax risk and supporting the Tax Strategy.
	Enterprise Risk Management Guidelines	Promote and disseminate ethical values oriented towards a culture of correct and transparent risk management, ensuring proactive, effective and efficient risk management in all corporate processes, as well as coherence with strategies, group objectives and the corporate governance system. Risks and opportunities are effectively identified, assessed, managed, monitored and communicated through transparent reporting. All company activities are conducted with a view to risk prevention, in compliance with the law, the Code of Ethics, company regulations and national and international best practices, through the promotion of continuous improvement according to the evolution of strategies, the external and internal context, and the interests of its internal and external stakeholders.
	Antitrust Guidelines	Define the standards and rules of conduct that must be complied with to ensure Snam's compliance with the principles dictated by antitrust regulations. Foster the development of a business culture of competition protection to minimise the risk of antitrust violations.
	Market Abuse Guidelines	Identify, manage and communicate inside information, updating and monitoring the list of persons who have access to relevant information and those who have access to inside information. Protect investors, in order to prevent situations of information asymmetry and to prevent certain parties from using non-public information to carry out speculative transactions on the markets. Protect the Company from any liability that it may incur as a result of conduct by persons associated with it. Promote communication and training activities addressed to employees to ensure the correct application of the Guideline.

74 The Global Compact or 'Global Pact' is an international initiative launched in July 2000 by the United Nations to uphold ten universal principles relating to human rights, labour, the environment and anti-corruption, bringing together governments, businesses, UN agencies, labour and civil society organisations, with the aim of contributing to the achievement of 'a more inclusive and sustainable global economy' by introducing respect and the application of common values. When it joined the Global Compact in 2009, Snam aimed at confirming and strengthening its commitment to corporate social responsibility, and has pledged to support and play an active role in the work of the Global Compact Network Italy.

Subject	Policies and guidelines	Objectives and content
Governance	Corporate Governance Guidelines	Consolidate and rationalise the set of current regulations, guidelines and internal rules on governance, through which the activity of management and coordination of the Snam Group is carried out, clarifying their interpretation and simplifying their implementation. Ensure full compliance with applicable legal, regulatory and self-regulatory provisions. Achieve a more effective monitoring of risks in order to maximise shareholder value and attention to stakeholders in the areas in which Snam operates, in compliance with the regulations in force in the relevant jurisdictions.
	Guideline on Directors' and Auditors' Interests and Related Party Transactions	Ensure the transparency and substantive and procedural correctness of transactions with Related Parties and Persons of Interest of Snam directors and statutory auditors in full compliance with Consob provisions.
	Integrated Risk Assurance & Compliance Guidelines	Integrate, within the ICRMS, the models of 2nd level relative to Enterprise Risk Management Model 231, Corporate Information Control System (SCIS), Tax Control Framework (TCF), Privacy, Antitrust, Anticorruption, Health, Safety, Environment & Quality (HSEQ) and Security. Promote and support compliance with relevant regulations and the prevention of any wrongdoing in the conduct of business activities, through the adoption and effective implementation of a specific integrated compliance programme (Compliance Programme for the Prevention of Offences, hereinafter CPPI). Define the content of the CPPI aligned with the standards of best practice, in full compliance with the Code of Ethics, which defines the values, the standards of conduct and the guiding principles on which the entire ICRMS is based, which Snam recognises, accepts, shares and to which it commits, internally and externally.
Other	Global Security Guidelines	Prevent security risks and reducing the impact of events potentially capable of generating negative effects for the Company.
	Policy for managing dialogue with shareholders and other stakeholders	Regulate the standard procedures for Dialogue, as well as the Dialogue between the Board of Directors and Stakeholders on issues within the Board's competence, in line with the recommendations of the New Corporate Governance Code (which the Company has adopted), with the engagement policies adopted by institutional investors, proxy advisors and active managers, and with international best practices.
	Business Continuity Management policy	Outline the commitments and actions that demonstrate the ability to continue to operate its business in the face of the occurrence of events of such severity as to compromise the normal operation of its critical processes, with the aim of guaranteeing a predefined minimum level of service.

ANNEX 3 – MANAGEMENT SYSTEMS

Snam is also committed to the expanding and the maintaining of management systems that cover certain specific issues, such as health and safety at work, the environment and the quality of services provided. During the year, Snam implemented all the necessary activities to extend the certification of the management systems to the new companies that entered the scope of consolidation and to maintain and update existing certifications.

Certification	Scope of application	Company	Year of first certification
ISO 22301 Business continuity	Natural gas dispatch and transportation activities	Snam Rete Gas	2015
	Management of operational continuity for the design, development and centralised management of processes and remote control systems for the dispatch of natural gas transportation	Snam	2018
ISO 27001 Information security	Management of the security of information for the design, development and centralised management of processes and remote control systems for the dispatch of natural gas transportation	Snam	2014
ISO 9001 Quality	Company	Evolve S.r.l.**	2003
	Natural gas storage and modulation activities in geological units	Stogit	2008
	Company	TEP	2010
	Design, installation and maintenance, also in global service, of thermo-hydraulic and related technological systems, district heating, energy production through cogeneration systems. Energy/ heat management services and third party function with energy efficiency works	Mieci S.p.A. **	2011
	Company	Renerwaste Lodi S.r.l.*	2013
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	2016
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities		
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations	Snam Rete Gas	
	Natural gas pipeline, ancillary plant and metering activities	ITG	2018
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Greenture (formerly Snam4Mobility)	
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	
	Company	Ecoprogetto Milano S.r.l.*	2019
	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	2020
	Company	Renerwaste S.r.l.*	
	Company	Ecoprogetto Tortona S.r.l.*	

Certification	Scope of application	Company	Year of first certification
ISO 9001 Quality	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit	2021
	Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Bioenerys	
	Company	IES Biogas	2022
	Company	Enersi Sicilia	
	Company	Biowaste CH4 Foligno	
	Company	Biowaste CH4 Genova	
ISO 14001 Environment	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	2000
	Natural gas storage and modulation activities in geological units	Stogit	2002
	Natural gas pipeline, ancillary plant and metering activities	ITG	2010
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations.	Snam Rete Gas	2013
	Company	Renerwaste Lodi S.r.l.*	
	Company	Evolve S.r.l.**	
	Energy service, heat management, operation, maintenance and function of third party responsible, of technological plants in general (global service); energy requalification through redesign and interventions on existing plants.	Mieci S.p.A. **	2014
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	2015
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities		
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Greenture (formerly Snam4Mobility)	2018
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	
	Company	Ecoprogetto Milano S.r.l.*	2019
	Company	Ecoprogetto Tortona S.r.l.*	2020
	Company	Renerwaste S.r.l.*	
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit	2021
	Company	TEP	
	Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Bioenerys	
	Company	Enersi Sicilia	2022
	Company	Biowaste CH4 Foligno	
	Company	Biowaste CH4 Genova	

Certification	Scope of application	Company	Year of first certification
ISO 45001 Health and safety at work	Natural gas pipeline, ancillary plant and metering activities	ITG	2009
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations.	Snam Rete Gas	2010
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	2012
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities		
	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	
	Natural gas storage and modulation activities in geological units	Stogit	
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Greenture (ex Snam4Mobility)	2018
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	
	Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Bioenerys	2021
	Company	Evolve S.r.l.**	
	Energy service, heat management, operation, maintenance and function of third party responsible, of technological plants in general ("global service"); energy requalification through design and interventions on existing plants	Mieci S.p.A. **	
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit	
	Company	TEP	2022
ISO 17025 Competence of testing and calibration laboratories	Calibration laboratory (LAT 155 Natural gas mixtures)	Snam Rete Gas	2002
	Testing laboratory (LAB 764 Piped gaseous flows)		2007
UNI 11352 Energy management for companies providing energy services	Company	Evolve S.r.l.**	2012
	Company	TEP	2013
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2018
SA 8000 Social responsibility	Company	Evolve S.r.l.**	2018
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2021
SOA Certificate of qualification for the execution of public works	Company	Evolve S.r.l.**	2007
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2016

(*) Controlled by Bioenerys S.r.l.
(**) Controlled by Renovit.

ANNEX 4 – MAIN PARTNERSHIPS

ANNEX 5 – MODELS FOR KEY PERFORMANCE INDICATORS (KPIS) OF NON-FINANCIAL COMPANIES

TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
		M€	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Perc.	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission and distribution networks for renewable and gases	4.14	6	0%	100%							S	S	n/a	S	S	S	0%		
Electricity generation from bioenergy	4.8	69	2%	100%							S	S	n/a	S	S	S	2%		
Anaerobic digestion of bio-waste and material recovery from waste	5.7	46	1%	100%							S	S	n/a	S	S	S	1%		
Manufacture of equipment for the production and use of hydrogen	3.2	0	0%	100%							S	S	S	S	S	S	0%	A	
Electricity generation using solar photovoltaic technology	4.1	4	0%	100%							S	n/a	S	n/a	S	S	0%		
Renovation of existing buildings	7.2	458	14%	100%							S	S	S	S	n/a	S	14%		
Installation, maintenance and repair of energy efficiency equipment (LED)	7.3	4	0%	100%							S	n/a	n/a	S	n/a	S	0%	A	
Professional services related to energy performance of buildings	9.2	74	2%	100%							S	n/a	n/a	n/a	n/a	S	2%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		661	20%														20%		
A.2 Taxonomy-Eligible but not envirnmentally sustainable activities (not Taxonomy-aligned activities)																			
Installation of electric heat pumps	4.16	0	0%																
Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	4.19	40	1%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		40	1%																
Total (A.1 + A.2)		702	21%														20%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		2,615	79%																
Total (A + B)		3,317	100%																

TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		M€	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Perc.	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Transmission and distribution networks for renewable and gases	4.14	445	23%	100%							S	S	n/a	S	S	S	23%		
Renovation of existing buildings	7.2	6	0%	100%							S	S	S	S	n/a	S	0%		
Construction of new buildings	7.1	2	0%	100%							S	S	S	S	S	S	0%		
IT - Data processing, hosting and related activities/Data-driven solutions for GHG emissions reductions	8.1/8.2	1	0%	100%							S	S	S	n/a	n/a	S	0%	A	T
Electricity generation from bioenergy	4.8	101	5%	100%							S	S	n/a	S	S	S	5%		
Anaerobic digestion of bio-waste and material recovery from waste	5.7	155	8%	100%							S	S	n/a	S	S	S	8%		
Manufacture of equipment for the production and use of hydrogen	3.2	0	0%	100%							S	S	S	S	S	S	0%	A	
Transport of CO_2	5.11	20	1%	100%							S	S	n/a	n/a	S	S	1%	A	
Electricity generation using solar photovoltaic technology	4.1	11	1%	100%							S	n/a	S	n/a	S	S	1%		
Professional services related to energy performance of buildings	9.2	6	0%	100%							S	n/a	n/a	n/a	n/a	S	0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		747	38.8%														39%		
A.2 Taxonomy-Eligible but not envirnmentally sustainable activities (not Taxonomy-aligned activities)																			
Transmission and distribution networks for renewable and gases	4.14	378	20%																
Renovation of existing buildings	7.2	14	1%																
Transport by motorbikes, passenger cars and light commercial vehicles	6.4	10	1%																T
IT - Data processing, hosting and related activities/Data-driven solutions for GHG emissions reductions	8.1/8.2	43	2%															A	T
District heating/cooling distribution	4.15	1	0%																
Cogeneration of heat/cool and power from gaseous and liquid fuels	4.19	19	1%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		465	24%																
Total (A.1 + A.2)		1,212	63%														39%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		713	37%																
Total (A + B)		1,926	100%																

TEMPLATE: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx, year 2022 (18)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		M€	%	%	%	%	%	%	%	S/N	S/N	S/N	S/N	S/N	S/N	S/N	Perc.	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from bioenergy	4.8	2	2%	100%							S	S	n/a	S	S	S	2%		
Anaerobic digestion of bio-waste and material recovery from waste	5.7	9	12%	100%							S	S	n/a	S	S	S	12%		
Manufacture of equipment for the production and use of hydrogen	3.2	0	0%	100%							S	S	S	S	S	S	0%	A	
Electricity generation using solar photovoltaic technology	4.1	4	5%	100%							S	n/a	S	n/a	S	S	5%		
Installation, maintenance and repair of energy efficiency equipment (LED)	7.3	0	0%	100%							S	n/a	n/a	S	n/a	S	0%	A	
Professional services related to energy performance of buildings	9.2	13	17%	100%							S	n/a	n/a	n/a	n/a	S	17%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		28	37%														37%		
A.2 Taxonomy-Eligible but not envirnmentally sustainable activities (not Taxonomy-aligned activities)																			
Transmission and distribution networks for renewable and gases	4.14	25	33%																
District heating/cooling distribution	4.15	0	0%																
Cogeneration of heat/cool and power from gaseous and liquid fuels	4.19	4	5%																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		28	38%																
Total (A.1 + A.2)		56	75%														37%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		19	25%																
Total (A + B)		75	100%																

TABLE LINKING TOPICS OF GRI 11: OIL AND GAS 2021 AND SNAM'S RELEVANT TOPICS

MATERIAL TOPICS GRI 11: OIL AND GAS SECTOR 2021		
11.1	Greenhouse gas (GHG) emissions	Climate change and green business
11.2	Climate adaptation, resilience and transition	Climate change and green business
11.3	Air emissions	Polluting emissions (non-material topic, information reported in Snam's Sustainability Report 2022)
11.4	Biodiversity	Protecting local areas and biodiversity
11.5	Waste	Waste management (non-material topic, information reported in Snam's Sustainability Report 2022)
11.6	Water and discharges	Water resource management (non-material topic, information reported in Snam's Sustainability Report 2022)
11.7	Closure and restoration	Development and protection of human capital
11.8	Asset integrity and critical event management	Energy security and accessibility
11.9	Health and safety at work	Health and safety
11.10	Employment practices	Employment
11.11	Non-discrimination and equal opportunities	Diversity and inclusion
11.12	Forced labour and modern slavery	Respect for human rights Sustainable supply chain
11.13	Freedom of association and collective bargaining	Respect for human rights
11.14	Economic impact	Economic performance, value creation and sustainable finance
11.15	Local communities	Relations with local communities
11.16	Rights over land and resources	Relations with local communities
11.17	Rights of indigenous peoples	-
11.18	Conflict and security	-
11.19	Anti-competitive behaviour	Relations with authorities and quality of services
11.20	Anti-corruption	Business integrity and corporate reputation
11.21	Payments to the government	Business integrity and corporate reputation
11.22	Public policy	-
	-	Innovation, digitalisation and cyber security

GRI CONTENT INDEX

Legend:
AR = Annual Financial Report; **NFS** = Non-Financial Statement;
CGR = Corporate Governance and Ownership Structure Report; **RR** = Remuneration Report; **SR** = Sustainability Report

Declaration of use: Snam has reported in accordance with the GRI Standards for the period 01/01/2022 – 31/12/2022.
GRI 1 used: GRI 1: Foundation 2021
GRI Sector Standards applicable: GRI 11: Oil and Gas Sector 2021

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
General information					
GRI 2: General Disclosures 2021	2-1 Organizational details	AR "Profile of Snam - Snam's presence in Italy and in the international infrastructure system" AR "2022 Performance - Snam shareholders as of 31 December 2022"		Snam S.p.A. Snam's head office is in San Donato Milanese (MI) https://www.snam.it/en/about-us/headquarter/index.html	
	2-2 Entities included in the organization's sustainability reporting	AR "Group Structure as of 31 December 2022" NFS "Introduction and guide to reading the document"		There are no differences in the scope of consolidation between the Sustainability Report and the Annual Financial Report.	
	2-3 Reporting period, frequency and contact point	NFS "Introduction and guide to reading the document"		The NFS is published annually. Reference for questions regarding the report or its contents: Matteo Tanteri, matteo.tanteri@snam.it	
	2-4 Restatements of information			Any changes from the previous NFS have been punctually indicated in the text.	
	2-5 External assurance	NFS "Introduction and guide to reading the document" NFS "Independent auditors' report"			
	2-6 Activities, value chain and other business relationships	AR "Snam Profile" NFS "Introduction and guide to reading the document" NFS "Social information - Suppliers"			
	2-7 Employees	NFS "Social Information - People"		The total number of employees by employment contract broken down by geographic area is not significant, since Snam operates mainly in Italy. All Snam employees have employment contracts with an obligation to comply with a daily work schedule (minimum/maximum) based on the applicable national collective bargaining agreement and applicable laws.	

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 2: General Disclosures 2021	2-8 Workers who are not employees			Snam's non-employee workers are mainly personnel with internship contracts (100 internships activated in 2022, of which 56 were still active at 31 December 2022), temporary workers (103 in 2022) and, for the most part, contract workers (5,500 in 2022, estimated value based on the figure of hours worked collected).	
	2-9 Governance structure and composition	AR "Governance and Organisation" CGR "The Snam Board of Directors"			
	2-10 Nomination and selection of the highest governance body	AR "Governance and organisation" CGR "The Board of Directors of Snam"			
	2-11 Chair of the highest governance body	AR "Governance and Organisation" CGR "The Snam Board of Directors"			
	2-12 Role of the highest governance body in overseeing the management of impacts	AR "Governance and Organisation" AR "Governance and Organisation – Control System" AR "Strategy and Risk Management - Risk and Opportunity Management; Risk and Uncertainty Factors" AR "Stakeholder Engagement and Materiality Analysis - Stakeholder Relations" CGR "Induction programme for directors and auditors"			
	2-13 Delegation of responsibility for managing impacts	AR "Governance and Organisation" CGR "The Snam Board of Directors"			
	2-14 Role of the highest governance body in sustainability reporting	NFS "Introduction and guide to reading the document" AR "Governance and Organisation"			
	2-15 Conflicts of interest	CGR "Shareholder Agreements"			
	2-16 Communication of critical concerns	AR "Governance and Organisation – Control System" CGR "Snam Regulatory System"		https://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html	

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 2: General Disclosures 2021	2-17 Collective knowledge of the highest governance body	AR "Governance and Organisation" CGR "Induction programme for directors and auditors"			
	2-18 Evaluation of the performance of the highest governance body	AR "Governance and Organisation" CGR "The Snam Board of Directors"			
	2-19 Remuneration policies	RR "2023 Remuneration Policy Guidelines"			
	2-20 Process to determine remuneration	CGR "The Shareholders' Meeting and Shareholders' Rights" RR "The Governance of the Remuneration Process" RR "2023 Remuneration Policy Guidelines"			
	2-21 Annual total compensation ratio		Requirement b): the percentage change from the 2021 value is not reported because the data collection process for this indicator was started in 2022 to meet the requirements of the new GRI Universal Standard 2021, so the 2021 data is not available. The Group is committed to reporting the information required by requirement b) from the 2023 NFS. However, a new CEO and General Manager was appointed in 2022 so a reporting of the change in remuneration paid cannot be made.	Requirement a): the 2022 ratio between the annual total remuneration for the CEO and General Manager and the median annual total remuneration for all employees (excluding the highest paid individual) is 14[75].	
	2-22 Statement on sustainable development strategy	AR "Letter to stakeholders"			

75 The calculation considers the fixed remuneration paid from April to December 2022 to the CEO and General Manager appointed on April 27, 2022. The ratio of the annual total remuneration paid in 2022 to the CEO and General Manager in office until April 27, 2022 to the median annual total remuneration of all employees (excluding the highest paid person) is 80. The calculation considers fixed remuneration and variable remuneration recognized from January to April 2022.

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 2: General Disclosures 2021	2-23 Policy commitments	AR "Governance and Organisation" AR "Governance and Organisation - Control System" AR "Strategy and Risk Management" AR "Management Performance in the Sectors of Activity; Progress of Permit Activities" NFS "Internal Regulatory System" NFS "Annex 2 - Main Snam policies and guidelines" NFS "Governance information - Ensuring transparency on taxation"			
	2-24 Embedding policy commitments	NFS "Internal regulatory system" NFS "Annex 2 - Main Snam policies and guidelines"			
	2-25 Processes to remediate negative impacts	NFS "Environmental Information - Safeguarding and Protecting the Environment and Biodiversity"			
	2-26 Mechanisms for seeking advice and raising concerns	AR "Governance and Organisation – Control System"		https://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html	
	2-27 Compliance with laws and regulations	NFS "Environmental Information - Policies, Commitments and Management Models" NFS "Governance information - Key performance indicators"			
	2-28 Membership associations			Section "Snam and the associations" published on the corporate website https://www.snam.it/en/governance-conduct/business-conduct/ethics-and-public-affairs/index.html	
	2-29 Approach to stakeholder engagement	AR "Stakeholder engagement and materiality analysis - Stakeholder relations"			
	2-30 Collective bargaining agreements			100%. The following contracts apply to Snam Group non-managerial personnel: C.C.N.L. for agricultural and floricultural workers, CCNL Terziario commercio - servizi, CCNL Utilitalia servizi ambientali, Contratto Commercio, Contratto Energia e Petrolio - Settore Industria Gas, Contratto Metalmeccanici - Industria, Contratto Metalmeccanici - Piccola e media industria CONFAPI. For managerial staff, the following contracts apply: CCNL Dirigenti aziende del terziario, Contratto Dirigenti di aziende produttrici di beni e servizi.	

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
Material Topics					
GRI 3: Material topics 2021	3-1 Process to determine material topics	AR "Stakeholder engagement and materiality analysis - Material issues for Snam"			
	3-2 List of material topics	AR "Stakeholder engagement and materiality analysis - Material issues for Snam" NFS "Annex 1 – Definition of material topics"			
Climate change and green business					
GRI 3: Material topics 2021	3-3 Management of material topics	AR "Strategy and Risk management - Risk and uncertainty factors" AR "2022 Performance - Key Sustainability Performances" NFS "Environmental information" NFS "Social information"			11.1.1 11.2.1
GRI 302: Energy 2016	302-1 Energy consumption within the organization	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information"		Source of conversion factors: Ispra 2022.	11.1.2
	302-2 Energy consumption outside of the organization		Information not available.		11.1.3
	302-3 Energy intensity	NFS "Environmental Information - Key Performance Indicators"			11.1.4
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information - Climate Change and Emission Reduction"		Emission factors source: Ispra 2022.	11.1.5
	305-2 Energy indirect (Scope 2) GHG emissions	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information - Climate Change and Emission Reduction"		Source of emission factors: European Residual mix 2021 (source AIB - Association of Issuing Bodies 2022) for Scope 2 Market Based emissions; ISPRA 2022 for Scope 2 Location Based emissions. It is specified that the emission factor considered for the calculation of Scope 2 emissions is that for the year 2020.	11.1.6
	305-3 Other indirect (Scope 3) GHG emissions	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information - Climate Change and Emission Reduction"		Source of emission factors: DEFRA, UK Government GHG Conversion Factors for Company Reporting (2022) and Trucost dataset.	11.1.7
	305-4 GHG emissions intensity	AR "2022 Performance - Key sustainability performance"			11.1.8

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	NFS "Environmental Information - Climate Change and Emission Reduction"			11.2.3
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	AR "Strategy and Risk Management - Risk Factors and Uncertainty"	The costs of actions taken to manage risk or opportunity are not reported because they are not applicable.		11.2.2
Polluting emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Combating climate change and reducing emissions; Protecting biodiversity" AR "Operational performance in business segments" AR "2022 Performance - Operational performance" NFS "Environmental information"			11.3.1
GRI 305: Emission 2016	305-6 Emissions of ozone-depleting substances (ODS)			Negligible quantity.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	AR "Operating Performance in Business Segments - Natural Gas Transportation" AR "Operating performance in business segments - Liquefied natural gas (LNG) regasification" AR "Operational performance in business segments - Natural gas storage" SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Combating climate change and reducing emissions" SR "Annex - Performance data and indicators"			11.3.2

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	AR "2022 Performance - Operational Performance" AR "Environmental information - Preserving and protecting the environment and biodiversity" NFS "Social information - Preventing accidents and safeguarding health"			11.3.3
Protecting local areas and biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information - Preservation and protection of the environment and biodiversity"			11.4.1
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	AR "2022 Performance - Key Sustainability Performances" NFS "Environmental Information - Safeguarding and Protecting the Environment and Biodiversity"			11.4.2
	304-2 Significant impacts of activities, products and services on biodiversity	NFS "Environmental Information - Safeguarding and Protecting the Environment and Biodiversity"			11.4.3
	304-3 Habitats protected or restored	NFS "Environmental Information - Safeguarding and Protecting the Environment and Biodiversity"			11.4.4
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	NFS "Environmental Information - Safeguarding and Protecting the Environment and Biodiversity"			11.4.5
Waste management					
GRI 3: Material Topics 2021	3-3 Management of material topics	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR "Annex - Data and Performance Indicators"			11.5.1

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management"			11.5.2
	306-2 Management of significant waste-related impacts	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management"			11.5.3
	306-3 Waste generated	Enabling the country's ecological transition and reducing Snam's environmental footprint – Safeguarding the environment: waste and water management" SR "Annex – Data and Performance Indicators"			11.5.4
	306-4 Waste diverted from disposal			**Waste produced in 2022:** **Hazardous:** Recycling/recovery: 1,644t Storage: 164t Other recovery activities: 8,689t Temporary storage at year end: 18t **Non-hazardous:** Recycling/recovery: 3,610t Storage: 27,517t Other recovery activities: 37,407t Temporary storage at year end: 1,323t	11.5.5
	306-5 Waste directed to disposal			**Waste produced in 2022:** **Hazardous:** Landfill: 2t Incineration with energy recovery: 0t Incineration without energy recovery: 0t Preliminary storage/other preliminary activities: 7,025t Treatment: 11t Other disposal activities: 0t **Non-hazardous:** Landfilling: 2,389t Incineration with energy recovery: 13,346t Incineration without energy recovery: 664t Preliminary storage/other preliminary activities: 15,309t Treatment: 23,994t Other disposal activities: 404t	11.5.6

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
Water resource management					
GRI 3: Material Topics 2021	3-3 Management of material topics	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR "Annex - Data and Performance Indicators"			11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management"			11.6.2
	303-2 Management of water discharge-related impacts	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management"			11.6.3
	303-3 Water withdrawal	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR "Annex - Data and Performance Indicators"		The Group has no plants in water-stressed areas.	11.6.4
	303-4 Water discharge	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR "Annex - Data and Performance Indicators"		The Group has no plants in water-stressed areas.	11.6.5
	303-5 Water consumption	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR "Annex - Data and Performance Indicators"			11.6.6
Energy security and accessibility					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Snam Profile" AR "Strategy and Risk Management - Transition, Security and Competitiveness: The challenges of the "energy trilemma"			11.8.1
GRI 306: Effluent and Waste 2016	306-3 Significant spills			No significant spills occurred during 2022.	11.8.2

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
Health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "2022 Performance - Key Sustainability Performances" AR "Annex 3 - Management systems" NFS "Social Information"			11.9.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	AR "Annex 3 - Management Systems" NFS "Social Information"			11.9.2
	403-2 Hazard identification, risk assessment, and incident investigation	NFS "Social Information"			11.9.3
	403-3 Occupational health services	NFS "Social Information"			11.9.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	NFS "Social Information"		Workers' representation is also ensured by law (ref. TU Legislative Decree 81/2008) and national contracts. During the year 2022, numerous trade union agreements were signed on various issues (the definition of the paths deriving from the Works Project and the Plants Project, initiatives aimed at optimising the activities of the Works with regard to the management of the gas network and the Plants Management, respectively).	11.9.5
	403-5 Worker training on occupational health and safety	NFS "Social Information"			11.9.6
	403-6 Promotion of worker health	NFS "Social Information"			11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFS "Social Information"			11.9.8
	403-8 Workers covered by an occupational health and safety management system	NFS "Social Information"		As of 31/12/2022, the percentage of employees covered by an occupational health and safety management system was 94.4%.	11.9.9

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 403: Occupational Health and Safety 2018	403-9 Occupational accidents	NFS "Social Information" AR "2022 Performance - Key Sustainability Performances"		All the injuries involving employees and contractors in 2022 occurred in Italy (for employees: 3 in the North, while for contractors: 8 in the North, 4 in the Centre and 1 in the South). The injuries involved only male staff. There were no fatalities as result of injuries for employees, compared to 1 for contractors (work-related fatality rate of 0.09 for contractors). There were no high-consequence work-related injuries (a category that does not include fatal accidents) for either employees or contractors. The rate of recordable work-related accidents, which correspond to the total accidents, is 0.51 for employees and 1.17 for contractors. The rates are calculated as the ratio between the number of injuries of the relevant type and the number of hours worked in the relevant category, multiplied by 1,000,000. The hours worked by employees and contractors taken into account for the calculation are approximately 5.8 and 11.1 million hours, respectively. With regard to hours worked, the hours for Renovit were estimated as they are not available.	11.9.10
		NFS "Social Information"		Contractors, like employees, are not exposed to risks that could generate occupational illnesses over time. Furthermore, considering the fact that the health surveillance protocols are implemented for contractor by the employer of the contracting companies, the collection of data on occupational illnesses of contractor personnel is not applicable.	11.9.11
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS "Social Information"			11.10.1
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans			Snam has fulfilled in 2022 the social security obligations required by law and by the employment contracts applied. The active supplementary pension funds are, for non-executive employees, Fondenergia, Cometa, Fon. Te and Fondapi, and for executives, PREVINDAI and FOPDIRE.	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	NFS "Social Information - Employment, Diversity and Inclusion; Key Performance Indicators"		The data by geographic area are not significant, as almost all employees are located in Italy.	11.10.2

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes			The notice period is that provided for by law and/or the applicable CCNL.	11.10.5
Development and safeguarding of human capital					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "2022 Performance - Key Sustainability Performances" NFS "Social Information"			11.7.1 11.10.1 11.11.1
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS "Social Information - Corporate Welfare"		There are no differences in access to company benefits.	11.10.3
	401-3 Parental leave	NFS "Social Information - Corporate Welfare; Key Performance Indicators"			11.10.4 11.11.3
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	AR "2022 Performance - Key Sustainability Performances" NFS "Social Information"			11.10.6 11.11.4
	404-2 Programs for upgrading employee skills and transition assistance programs	AR "2022 Performance - Key Sustainability Performances"			11.7.3 11.10.7
Diversity and inclusion					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Governance and Organisation" NFS "Social Information"			11.11.1
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community			Data on the proportion of senior managers from the local community are not significant, as almost all employees are located in Italy.	11.11.2

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	AR "Governance and Organisation" NFS "Social Information"		In 2022, 2 board members belong to the 30-50 age group and 7 to the >50 age group, while in 2021 there were 3 for the 30-50 age group and 6 for the >50 age group.	11.11.5
	405-2 Ratio of basic salary and remuneration of women to men	NFS "Social Information"		With reference to the gender pay gap for the "blue collar workers" category, data have not been reported for privacy reasons given the low numerical representation of the female gender in this category. The representation of the gender pay gap on a cash basis is calculated on the amount of remuneration paid in the year, while on an accrual basis it is calculated considering, as regards the variable components, the amounts accrued in the year, even if paid in different years.	11.11.6
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken			During 2022, there were 2 reports of discrimination cases that led to corrective measures being taken.	11.11.7
Respect for human rights					
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS "Social Information"			11.12.1 11.13.1
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS "Social Information"			11.12.2
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	NFS "Social Information"			11.13.2
Sustainable supply chain					
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS "Social Information			11.10.1 11.12.1
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	NFS "Social Information"	Information on new suppliers assessed according to social criteria is not available. Snam reports within the ESG Scorecard the KPI relating to the "Introduction of ESG criteria in scoring model" with reference to all suppliers.		11.10.8 11.12.3
	414-2 Negative social impacts in the supply chain and actions taken	NFS "Social Information"			11.10.9

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
Economic performance, value creation and sustainable finance					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Snam Profile AR "Strategy and Risk Management - Risk and Opportunity Management; Risk and Uncertainty Factors" NFS "Social Information"			11.14.1
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	NFS "Social Information"	EVG&D is not reported separately at country, region and market level because it is not applicable.		11.14.2
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	AR "Snam Profile" AR "Strategy and Risk Management - Building a safe and sustainable energy system: the Strategic Plan 2022-2026"			11.14.4
	203-2 Significant indirect economic impacts	NFS "Social Information"			11.14.5
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	NFS "Social Information"			11.14.6
Relations with local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Operating performance in business segments" NFS "Social Information"			11.15.1
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	AR "Operating performance in business segments - Natural gas transportation" NFS "Social Information"			11.15.2
	413-2 Operations with significant actual and potential negative impacts on local communities	AR "Environmental Information"			11.15.3
Business integrity and corporate reputation					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Strategy and Risk Management - Risk and Opportunity Management; Risk and Uncertainty Factors" AR "Governance and Organisation" NFS "Governance Information"			11.20.1 11.21.1

GRI standard/ other source	Disclosure	Reference documents and paragraphs	Omissions	Notes	GRI 11 Ref. no.
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption			All divisions are monitored in relation to corruption risk.	11.20.2
	205-2 Communication and training about anti-corruption policies and procedures	NFS "Governance Information"		All Board members were informed on anti-corruption policies and procedures. 333 new employees were informed on anti-corruption policies and procedures and 323 employees received training on anti-corruption policies and procedures.	11.20.3
	205-3 Confirmed incidents of corruption and actions taken			In 2022, there are no proven cases of corruption.	11.20.4
GRI 201: Economic Performance 2016	201-4 Financial assistance received from government			Not applicable.	11.21.3
GRI 207: Tax 2019	207-1 Approach to tax	NFS "Governance Information"			11.21.4
	207-2 Tax governance, control, and risk management	NFS "Governance Information"			11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	NFS "Governance Information"			11.21.6
	207-4 Country-by-country reporting	NFS "Governance Information"			11.21.7
Relations with authorities and quality of services					
GRI 3: Material Topics 2021	3-3 Management of material topics	AR "Operating performance in business segments"			11.19.1
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			There were no cases of anti-competitive, anti-trust and monopolistic behaviour in 2022.	11.19.2
SNAM'S MATERIAL TOPICS NOT ASSOCIATED WITH GRI TOPIC STANDARD INDICATORS					
Innovation, digitalization, and cyber security					
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS "Innovation and digitalization for business development and cyber security"			

GRI 11 Topics: Oil and Gas Sector 2021 considered not relevant	
Topic	**Reason**
Rights of indigenous peoples	Not applicable. Given the geographical context in which Snam operates, the topic is not material.
Conflicts and security	Not applicable. Given the geographical context in which Snam operates, the topic is not material.
Public policies	Not applicable. Snam does not make contributions to political parties.

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018

To the Board of Directors of
Snam S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Snam S.p.A. and its subsidiaries (hereinafter "Snam Group" or "Group") as of December 31, 2022 prepared on the basis of art. 4 of the Decree, presented in the specific section of the Directors' Report and, integrated, through references, with information presented in other sections of the Directiors' Report, approved by the Board of Directors on March 15, 2023 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "*European taxonomy for environmentally-sustainable activities*".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards") which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (*ISQC Italia 1*) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with Company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;

2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;

3. comparison between the financial data and information included in the NFS with those included in the Consolidated Financial Statements of the Snam Group;

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4. understanding of the following matters:

   - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
   - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
   - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

   Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

   In particular, we carried out interviews and discussions with the management of Snam S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

   In addition, for material information, taking into consideration the Group's activities and characteristics:

   - at the parent company and subsidiaries level:

     a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
     b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

   - for entities Snam S.p.A., Snam Rete Gas S.p.A. and Stogit S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits and remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used of the indicators.

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Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Snam Group as of December 31, 2022 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

Our conclusion on the NFS of the Snam Group does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "*European taxonomy for environmentally-sustainable activities*".

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
Partner

Milan, Italy
April 4, 2023

This report has been translated into the English language solely for the convenience of international readers.

PAI CORRESPONDENCE TABLE

Legend:
AR = Annual Report; **NFS** = Consolidated Non-Financial Statement;
SR = Sustainability Report; **CCR** = Climate Change Report

Indicators applicable to investments in beneficiary enterprises

Indicator of negative effects on sustainability		Metrics	Disclosure
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
Greenhouse gas emissions	1. GHG Emissions	GHG emissions Scope 1	**GHG emissions Scope 1:** 1,485 $ktCO_{2eq}$
		GHG emissions Scope 2	**GHG Scope 2 emissions - Market based:** 33 $ktCO_{2eq}$
		GHG emissions Scope 3	**GHG Scope 2 emissions - Location based:** 39 $ktCO_{2eq}$ **GHG emissions Scope 3:** 1,338 $ktCO_{2eq}$
		Total emissions GHG	*Sources:* • AR "2022 Performance - Key sustainability performance" • NFS "Environmental Information - Key Performance Indicators" • CCR "Acting for tomorrow: Snam's commitment to fight climate change - Greenhouse gas emissions" • CCR "Performance indicators"
	2. Carbon footprint	Carbon footprint	The figure can be calculated from the GHG emissions data reported in the sections of the reporting documents indicated for indicator "1. GHG Emissions".
	3. GHG intensity of companies receiving investments	GHG intensity of companies receiving investments	The figure can be calculated from the GHG emissions data reported in the sections of the reporting documents indicated for indicator "1. GHG Emissions".
	4. Exposure to fossil fuel companies	Share of investments in fossil fuel companies	Indicator not directly applicable for Snam.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of companies receiving investments from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	The figure can be calculated on the basis of the following data: **Energy produced by renewable energy plants.** 2,923 MWh **Total energy consumption:** 17,641 TJ; of which electricity: 523 TJ; of which green electricity consumed: 272 TJ *Sources:* • NFS "Environmental Information - Key Performance Indicators" • CCR "Acting for tomorrow: Snam's commitment to fight climate change - Greenhouse gas emissions". • CCR "Performance indicators"
	6. Energy consumption intensity by high climate impact sector	Energy consumption in GWh per million euros of revenue of invested companies, per high climate impact sector	The figure can be calculated on the basis of the energy consumption data reported in the sections of the reporting documents indicated for indicator '5. Share of non-renewable energy consumption and production'.

Indicator of negative effects on sustainability		Metrics	Disclosure
Biodiversity	7. Activities that adversely affect biodiversity-sensitive areas	Proportion of investments in investee companies with sites or operations in or adjacent to biodiversity-sensitive areas where the activities of such companies adversely affect these areas	The figure can be calculated on the basis of the following data: **Transportation network within Natura 2000 sites**: 1.9 km *Sources:* • NFS "Environmental Information - Key Performance Indicators"
Water	8. Emissions to water	Tonnes of water emissions generated by investee companies per million euros invested (value expressed as weighted average)	The limits on water discharges are consistent with relevant legislation and internal company procedures.
Waste	9. Relationship between hazardous waste and radioactive waste	Tonnes of hazardous waste and radioactive waste generated by investee companies per million euros invested (value expressed as weighted average)	The figure can be calculated on the basis of the following data: **Total waste produced**: 143,516 tonnes; of which 17,153 tonnes of hazardous waste *Sources:* • SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management"
INDICATORS ON SOCIAL AND PERSONNEL ISSUES, RESPECT FOR HUMAN RIGHTS AND ISSUES RELATED TO THE FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION			
Indicators on social and personnel issues	10. Violations of the principles of the UN Global Compact and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in companies receiving investments that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises	Snam adheres to the United Nations Global Compact and acts within the reference framework of the OECD Guidelines for Multinational Enterprises, the United Nations Universal Declaration of Human Rights, the fundamental Conventions of the ILO and on the basis of its own Code of Ethics, which it is also an integrated part of the organisational model pursuant to Legislative Decree no. 231/2001. *Sources:* • AR "Governance and organisation" • NFS "Social information - Key Performance Indicators"
	11. Lack of procedures and compliance mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that do not have policies in place to monitor compliance with the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises, or mechanisms to deal with complaints/ complaints of violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises	For more details, please refer to the information reported for indicator '10. Violations of the principles of the UN Global Compact and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

Indicator of negative effects on sustainability		Metrics	Disclosure
Indicators on social and personnel issues	12. Unadjusted gender pay gap	Averaging of the unadjusted gender pay gap in companies receiving investments	**Gender pay gap**: Executives 89; Middle Managers 96; Office staff: 93 **Gender pay gap by competence**: Executives 105; Middle Managers 97; Office staff: 93 **Gender pay gap on basic salary**: Executives 92; Middle managers 95; Office staff: 94 *Sources:* • NFS "Social information - Key Performance Indicators" *Notes:* • For the category 'Workers', data have not been reported for privacy reasons given the low numerical representation of the female gender in this category. • The representation of the gender pay gap is calculated on the amount of wages paid in the year. • The representation of the gender pay gap on an accrual basis is calculated by considering, with regard to the variable components, the amounts accrued in the year, even if paid in different years. Data for 2022 will be available after the publication of this document and will therefore be published in the next edition of this document.
	13. Gender diversity in the Board	Average female/male ratio among the board members of the investee companies, expressed as a percentage of all board members	**Women on the Board of Directors**: 44% **Men on the Board of Directors**: 56% *Sources:* • AR "Governance and organisation - Snam governance system"
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or sale of controversial weapons	Indicator not applicable for Snam.

WEF CORRESPONDENCE TABLE

Legend:
AR = Annual Reporte; **NFS** = Consolidated Non-Financial Statement;
SR = Sustainability Report; **RR** = Remuneration Report; **CCR** = Climate Change Report

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Principles of Governance	Governing purpose	Setting purpose	The stated purpose of the company, as an expression of the means by which a company proposes solutions to economic, environmental and social problems. Corporate purpose should create value for all stakeholders, including shareholders.	AR "Energy to inspire the world: the purpose of Snam"	
		Purpose-driven management	How corporate purpose is integrated into the company's strategy, policies and objectives.	AR "Energy to inspire the world: the purpose of Snam" AR "Governance and organisation"	
	Quality of governing body	Governance body composition	Composition of the highest governance body and its committees by: expertise in economic, environmental and social issues; executive or non-executive; independence; position on the governance body; number of other significant positions and commitments of each individual and nature of commitments; gender; membership of under-represented social groups; stakeholder representation.	AR "Governance and organisation" CGR "The Board of Directors of Snam"	
		Remuneration	1.How performance criteria in remuneration policies relate to the objectives of the highest governance body and management on economic, environmental and social issues, as they relate to the stated corporate purpose, strategy and long-term value. 2. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: a. Fixed pay and variable pay, including performance-based pay, share-based pay, bonuses and deferred or vested shares b. Registration bonuses or recruitment incentive payments c. Termination payments d. Clawback e. Pension benefits, including the difference between benefit schemes and contribution rates for the highest governing body, managers and all other employees	RR "Remuneration Policy Guidelines"	
	Stakeholder engagement	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	AR "Stakeholder engagement and materiality analysis"	

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Principi di governance	**Ethical behaviour**	Anti-corruption	1. Total percentage of members of the governing body, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, by region. (a) Total number and nature of corruption incidents detected during the current year, but relating to previous years; and (b) Total number and nature of corruption incidents detected during the current year. 2. Discussion of initiatives and stakeholder involvement to improve the wider operating environment and culture in order to combat corruption.	NFS "Governance Information"	All Board members were informed on anti-corruption policies and procedures. 333 new employees were briefed on anti-corruption policies and procedures, and 323 employees received training on anti-corruption policies and procedures. No incidents of corruption were detected in 2022.
		Protected ethical boards and reporting mechanisms	A description of internal and external mechanisms for: 1. Seeking advice on ethical and legal behaviour and organisational integrity; and 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational	AR "Governance and organisation – Control system"	https://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html
		Monetary losses from unethical behaviour	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti trust, anti competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations.	AR "Criminal and tax disputes and proceedings with the regulatory authority, ARERA" (in "Notes to the consolidated financial statements")	
	Risk and opportunity oversight	Integrating risk and opportunity into business process	Information on business risk factors and opportunities that clearly identifies the main material risks and opportunities that the company faces specifically (as opposed to generic industry risks), the company's appetite for these risks, how these risks and opportunities have shifted over time, and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	AR "Strategy and Risk Management - Risk and Opportunity Management; Risk and Uncertainty Factors" NFS "Innovation and digitalization for business development and cyber security" NFS "Environmental information" NFS "Social information" NFS "Governance information" CCR "The ERM model and the risks and the opportunities related to climate change - Risks related to climate change" CCR "The ERM model and the risks and the opportunities related to climate change - Opportunities related to climate change"	

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Planet	Climate change	Greenhouse gas (GHG) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, fluorinated gases, etc.), report in metric tonnes of carbon dioxide equivalent (tCO_{2e}) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	AR “2022 Performance - Key sustainability performance” NFS "Environmental Information"	
		TCFD implementation	Fully implement the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Indicates whether you have set, or are committed to setting, targets for greenhouse gas emissions that are in line with the objectives of the Paris Agreement: limiting global warming to well below 2°C compared to pre-industrial levels and continuing efforts to limit warming to 1.5°C - and achieving net zero emissions before 2050.	CCR	
	Nature loss	Land use and ecological sensitivity	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	NFS "Environmental Information - Key Performance Indicators"	
	Freshwater availability	Water consumption and withdrawal in water stressed areas	Report for activities, where significant: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to the WRI Water Risk Atlas tool. Estimating and reporting the same information for the whole value chain (upstream and downstream), where appropriate.	SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Safeguarding the environment: waste and water management" SR “Annex - Data and performance indicators“	The Group has no plants in water-stressed areas.

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Planet	**Air pollution**	Air pollution	Report where material along the value chain: nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter and other significant emissions to the atmosphere. Where possible, estimate the percentage of specified emissions occurring in or near urban/densely populated areas.	AR “Operating performance by business segment - Natural gas transportation” AR “Operating performance by business segment - Regasification of Liquefied Natural Gas (LNG)” AR “Operating performance by business segment - Natural gas storage” SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Combating climate change and reducing emissions" SR “Annex - Performance data and indicators“	
People	**Dignity and equity**	Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	AR "Governance and organisation - Snam governance system" NFS "Social information - People"	
		Pay equality (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	NFS "Social information - People"	
		Wage level (%)	Ratios of standard entry level wage by gender compared to local minimum wage. Ratio of the CEO's total annual remuneration to the median of the total annual remuneration of all his employees except the CEO.	NFS "GRI Content Index" AR “Section II - Compensation paid in fiscal year 2022”	
		Risk for incidents of child, forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (e.g. production plant) and type of supplier; and b) Countries or geographical areas with activities and suppliers considered to be at risk	AR "2022 Performance, Key sustainability performance" NFS "Social information"	

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
People	Dignity and equity	Pay gap (%; #)	1. Mean pay gap of basic salary and remuneration of full time relevant employees based on gender (women to men) and indicators of diversity (e.g. BAME to non BAME) at a company level or by significant location of operation. 2. Ratio of the total annual compensation for the organisation's highest paid individual in each country of significant operations to the median total annual compensation for all employees (excluding the highest paid individual) in the same country.	NFS "Social information - People"	
		Incidents of discrimination and harassment (#) and the total amount of monetary losses ($)	Number of incidents of discrimination and harassment, status of incidents and actions taken and total amount of monetary losses as a result of legal proceedings associated with: a) violations of the law; and b) discrimination at work.	NFS "GRI Content Index"	
	Health and well being	Health and safety (%)	1. The number and rate of fatalities as a result of work related injury; high consequence work related injuries (excluding fatalities); recordable work related injuries; main types of work related injury; and the number of hours worked. 2. An explanation of how the organisation facilitates workers' access to non-professional medical and health services and the scope of access provided for employees and workers.	AR "2022 Performance - Key sustainability performance" NFS "Social information - People"	Accidents involving employees and contractors were all in Italy (for employees, 3 in northern Italy and for contractors 8 in northern Italy, 4 in central Italy and 1 in southern Italy). There were no fatal accidents for employees, compared to one for contractors (work-related fatality rate of 0.09 for contractors). The injuries involved only male staff. The rate of work-related accidents with serious consequences is 0 for neither employees nor contractors. The rate of recordable work-related accidents, which correspond to the total number of injuries, is 0.51 for employees, while it is 1.17 for contractors. The rates are calculated as the ratio between the number of injuries of the related types and the number of hours worked in the related category, multiplied by 1,000,000. The hours worked of employees and contractors taken into account for the calculation are respectively 5.8 and 11,1 million hours. With regard to hours worked, the hours for Renovit were estimated as they were not available. Contractors, like employees, are not exposed to risks that will generate occupational illnesses over time. Moreover, considering the fact that health surveillance protocols are implemented for contractors by the employer of the contracting companies, the collection of data on the occupational illnesses of contractors is not applicable

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
People	**Health and well being**	Employee well being (#, %)	1. The number of fatalities as a result of work related ill health, recordable work related ill health injuries, and the main types of work related ill health for all employees and workers. a. Percentage of employees participating in 'best practice' health and well-being programmes; and b. Absenteeism rate (AR) of all employees"	AR "2022 Performance, Key sustainability performance" NFS "Social information - People"	
	Skills for the future	Training provided	Average hours of training per person that the organisation's employees undertook during the reporting period, by gender and employee category (total number of training hours provided to employees divided by the number of employees). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	NFS "Social information - People"	In 2022, 92% of the corporate population was involved in training activities. Specifically, 88% of women and 93% of men were involved in at least one training course. During 2022, Snam invested 795 euros per employee in training and development.
Prosperity	**Employment and wealth generation**	Absolute number and rate of employment	1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	AR "2022 Performance - Key sustainability performance" NFS "Social information - People"	The breakdown of the data by country are not reported as it is not applicable (almost all the employees are located in Italy)
		Economic contribution	1. 1Direct economic value generated and distributed (EVG&D), on an accrual basis, covering the basic components of the organisation's global operations, ideally broken down by: a. Revenue b. Operating costs c. Employees' wages and benefits d. Payments to capital providers e. Payments to the government f. Community investment 2. Financial assistance received from government: total monetary value of financial assistance received by the organisation from any government during the reporting period.	AR “2022 Performance - Economic results; Financial results” NFS "Social information - Communities"	
		Financial investment contribution	1. Total capital expenditure (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. 2. Share repurchases plus dividend payments, supported by a narrative to describe the company's strategy for returning capital to shareholders.	AR “Operating performance by business segment”	

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Prosperity	Employment and wealth generation	Infrastructure investments and services supported	Qualitative disclosure to describe the below components: 1. Extent of development of significant infrastructure investments and services supported. 2. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. 3. Whether these investments and services are commercial, in kind or pro bono engagements.	AR "Strategy and Risk Management - Building a safe and sustainable energy system: the 2022-2026 Strategic Plan"	
		Significant indirect economic impacts	1.Examples of identified significant indirect economic impacts of the organisation, including positive and negative impacts. 2. Significance of indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g. national and international standards, protocols, political agendas).	NFS "Social information - Communities"	
	Innovation of better products and services	Total R&D expenses	Total costs related to research and development.	AR “Operating performance by business segment”	
	Community and social vitality	Total tax paid	The total global tax payable by the company, including corporate income taxes, property tax, non-refundable VAT and other sales taxes, payroll taxes paid by the employer and other taxes that are costs to the company, by tax category.	NFS "Social information - Communities" NFS "Governance Information"	
		Additional tax remitted	The total additional global tax collected by the company on behalf of other taxpayers, including VAT and employee-related taxes remitted by the company on behalf of customers or employees, by tax category.		
		Total tax paid by country for significant locations	Total tax paid and, if reported, additional tax remitted, by country for significant locations.		

SASB CORRESPONDENCE TABLE

Legend:
AR = Annual Report; **NFS** = Consolidated Non-Financial Statement

Dimension	Category	Disclosure	Description	Reference documents and paragraphs	Notes/Omissions
Environmental	GHG Emissions	EM-MD-110a.1	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions limiting regulations	AR “2022 Performance - Key sustainability performance” NFS "Environmental Information - Key Performance Indicators"	
		EM-MD-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	AR "Strategy and Risk Management - Towards Carbon Neutrality" AR “2022 Performance - Key sustainability performance” NFS "Environmental Information"	
	Air Quality	EM-MD-120a.1	Emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs) and (4) particulate matter (PM10)	AR “Operating performance by business segment - Natural gas transportation” AR “Operating performance by business segment - Regasification of Liquefied Natural Gas (LNG)” AR “Operating performance by business segment - Natural gas storage”	
	Ecological Impacts	EM-MD-160a.1	Description of environmental management policies and practices for active operations	AR “2022 Performance - Key sustainability performance” NFS "Environmental Information" SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - Protecting biodiversity"	
		EM-MD-160a.2	Percentage of land owned, leased, and/or operated within areas of protected conservation status or endangered species habitat	NFS "Environmental Information - Key Performance Indicators"	
		EM-MD-160a.3	Terrestrial acreage disturbed, percentage of impacted area restored	NFS "Environmental Information"	
		EM-MD-160a.4	Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume in Unusually Sensitive Areas (USAs), and volume recovered		The indicator is not applicable for Snam.

Dimension	Category	Disclosure	Description	Reference documents and paragraphs	Notes/Omissions
Environmental	Competitive Behaviour	EM-MD-520a.1	Total amount of monetary losses as a result of legal proceedings associated with federal pipeline and storage regulations	AR “Criminal and tax disputes and proceedings with the regulatory authority, ARERA” (in “Notes to the consolidated financial statements”)	
	Operational Safety, Emergency Preparedness & Response	EM-MD-540a.1	Number of recordable pipeline accidents, significant percentage	AR “Criminal and tax disputes and proceedings with the regulatory authority, ARERA” (in “Notes to the consolidated financial statements”)	
		EM-MD-540a.2	Percentage of (1) natural gas and (2) hazardous liquid pipelines inspected	AR "2022 Performance - Operating Performance"	5% of the natural gas transportation network inspected with smart pigs; 65% inspected by helicopter flyover; 34% inspected with leak detection technique and 12% with geological monitoring
		EM-MD-540a.3	Number of (1) accident releases and (2) non-accident releases (NARs) from rail transportation		The indicator is not applicable for Snam.
		EM-MD-540a.4	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout project lifecycles.	AR "Annex 3 - Management systems"	

TCFD RECOMMENDATIONS CORRESPONDENCE TABLE

Legend:
AR = Annual Financial Report; **NFS** = Consolidated Non-Financial Statement;
CCR = Climate Change Report

TCFD recommendations	Disclosure
GOVERNANCE **Declaring the governance model of the organisation in relation to the risks and opportunities related to climate change.**	
a) Describe the board's oversight of climate-related risks and opportunities.	AR "Governance and Organisation" CCR "Governance to manage change - The board of directors"
b) Describe the board's oversight of climate-related risks and opportunities.	AR "Governance and Organisation" AR "Strategy and Risk Management - Risk and Opportunity Management; Risk and Uncertainty Factors" CCR "Governance to manage change - The role of management"
STRATEGY **Disclose the actual and potential impacts of climate-related risks and opportunities on the company' s businesses, strategy, and financial planning where such information is material.**	
a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	AR "Strategy and Risk Management - Risk Factors and Uncertainty" CCR "The ERM model and the risks and the opportunities related to climate change -Risks related to climate change" CCR "The ERM model and the risks and the opportunities related to climate change - Opportunities related to climate change"
b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	**AR "Strategy and Risk Management - Risk Factors and Uncertainty"** **CCR "The ERM model and the risks and the opportunities related to climate change -Risks related to climate change"** **CCR "The ERM model and the risks and the opportunities related to climate change - Opportunities related to climate change"**
c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**AR "Strategy and Risk Management - Towards Carbon Neutrality"** **CCR "The context and reference scenarios"** **CCR "Snam's strategy - Towards carbon neutrality"** **CCR "The ERM model and the risks and the opportunities related to climate change"** **CCR "Acting for tomorrow: Snam's commitment to fight climate change"**

TCFD recommendations	Disclosure
RISK MANAGEMENT **Declaring how the organisation identifies, assesses and manages the risks related to climate change**	
a) Disclose how the company identifies, assesses, and manages climate-related risks.	AR "Strategy and Risk Management – Risk and Opportunity Management; Risk and Uncertainty Factors" CCR "The ERM Model and Climate Change Risks and Opportunities – The ERM Model for Centralised Risk Management"
b) Describe the company's processes for managing climate-change risks.	AR "Strategy and Risk Management – Risk and Opportunity Management; Risk and Uncertainty Factors" CCR "The ERM Model and Climate Change Risks and Opportunities – The ERM Model for Centralised Risk Management
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management	**AR "Strategy and Risk Management – Managing Risks and Opportunities".** **CCR "The ERM Model and Climate Change Risks and Opportunities – The ERM Model for Centralised Risk Management".**
METRICS AND TARGETS **Declaring the metrics and targets used by the organisation to assess and manage the significant risks and opportunities related to climate change.**	
a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	AR "Strategy and Risk Management – Towards Carbon Neutrality". NFS "Environmental information CCR "Acting for tomorrow: Snam's commitment to fight climate change" CCR "Performance indicators"
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**AR "2022 Performance - Key Sustainability Performances"** **NFS "Environmental information"** **CCR "Acting for tomorrow: Snam's commitment to fight climate change, Greenhouse gas emissions"** **CCR "Performance indicators"**
c) Describe the targets used by the company to manage climate-change risks and opportunities and performance against targets.	**AR "Strategy and Risk Management - Towards Carbon Neutrality"** **NFS "Environmental Information"** **SR "Enabling the country's ecological transition and reducing Snam's environmental footprint - The energy transition business"** **CCR "Acting for tomorrow: Snam's commitment to fight climate change"** **CCR "Performance indicators"**

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

		31.12.2021		31.12.2022	
(million euros)	Notes	Total	*of which with related parties*	Total	*of which with related parties*
ASSETS					
Property, plant and equipment	(8)	17,204		17,859	
Intangible assets and goodwill	(9)	1,167		1,321	
Equity investments accounted for using the equity method	(10)	2,560		2,313	
Other non-current financial assets	(11)	397	*294*	172	*109*
Non-current inventories – Compulsory inventories	(12)	363		363	
Deferred tax assets	(20)	302		331	
Other non-current assets	(13)	89	*1*	178	*1*
Total non-current assets		***22,082***		***22,537***	
Current inventories	(12)	121		3,202	
Cash and cash equivalents	(14)	1,337		1,757	
Trade receivables and other receivables	(15)	3,331	*556*	4,624	*995*
Current income tax assets	(16)	11		50	
Other current financial assets	(11)	6	*5*	3	
Other current assets	(13)	273		136	*1*
Total current assets		***5,079***		***9,772***	
Assets held for sale	(17)			**84**	
TOTAL ASSETS		**27,161**		**32,393**	

(million euros)	Notes	31.12.2021 Total	31.12.2021 *of which with related parties*	31.12.2022 Total	31.12.2022 *of which with related parties*
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-current financial liabilities	(18)	10,377		11,157	*200*
Provisions for risks and charges	(19)	782		574	
Deferred tax liabilities	(20)	35		51	
Liabilities for employee benefits	(21)	36		27	
Other non-current liabilities	(22)	718	*1*	1,502	*1*
Total non-current liabilities		***11,948***		***13,311***	
Current financial liabilities	(18)	4,981	*1*	2,523	*1*
Trade payables and other payables	(23)	2,889	*441*	8,129	*538*
Current liabilities for income taxes	(16)	50		21	
Other current liabilities	(22)	53		868	*1*
Total current liabilities		***7,973***		***11,541***	
Liabilities directly associated with assets held for sale	(17)			**17**	
TOTAL LIABILITIES		**19,921**		**24,869**	
Share capital	(24.1)	2,736		2,736	
Treasury shares	(24.2)	(354)		(33)	
Share premium reserve	(24.3)	611		611	
Reserves	(24.4)	(60)		30	
Retained earnings	(24.5)	4,270		4,124	
Equity attributable to Snam's shareholders		***7,203***		***7,468***	
Non-controlling interests		***37***		***56***	
TOTAL EQUITY	(24)	**7,240**		**7,524**	
TOTAL LIABILITIES AND EQUITY		**27,161**		**32,393**	

INCOME STATEMENT

(million euros)	Notes	31.12.2021 Total	31.12.2021 *of which with related parties*	31.12.2022 Total	31.12.2022 *of which with related parties*
Revenue	(29.1)	3,285	*1,203*	3,496	*1,721*
Other operating income	(29.2)	12	*1*	19	*2*
Total operating revenues and income		***3,297***		***3,515***	
Costs for purchase of raw materials, consumables and finished goods	(30.1)	(568)	*(2)*	(655)	*(160)*
Costs for services	(30.2)	(179)	*(28)*	(246)	*(56)*
Personnel costs	(30.3)	(216)	*2*	(237)	*3*
Other operating costs and expenses	(30.4)	(91)	*(3)*	(159)	*(3)*
Total operating costs and expenses		***(1,054)***		***(1,297)***	
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(31)	***(820)***		***(890)***	
EBIT		**1,423**		**1,328**	
Financial income		32	*14*	37	*17*
Financial expense		(134)		(177)	*(1)*
Total net financial expenses	(32)	***(102)***		***(140)***	
Share of profit or loss of investments accounted for using the equity method		294		144	
Other income (expense) from equity investments				(282)	
Total income (expenses) from net investments	(33)	***294***		***(138)***	
PROFIT BEFORE TAXES		**1,615**		**1,050**	
Income taxes	(34)	(115)		(378)	
PROFIT FOR THE YEAR		**1,500**		**672**	
- Snam's shareholders		1,496		671	
- Non-controlling interests		4		1	
Earnings per share (amounts in € per share)	(35)				
- base		0.457		0.201	
- diluted		0.447		0.201	

COMPREHENSIVE INCOME STATEMENT

(million euros)	Notes	2021	2022
NET PROFIT FOR THE YEAR		**1,500**	**672**
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT	(34.2)		
Cash flow hedge – effective portion of fair value change		17	19
Equity investments accounted for using the equity method - portion of other components in the comprehensive income statement (*)		58	129
Tax effect		(4)	(4)
Total components which are or could be reclassified in profit for the year, net of tax effect		***71***	***144***
Revaluation of defined benefit liabilities for employees		(3)	8
Equity investments accounted for using the equity method - share of other components in the comprehensive income statement		1	1
Equity investments accounted for at FVTOCI ("fair value through other components in the comprehensive income statement")		(16)	(44)
Tax effect		1	(1)
Total components which will not be reclassified in profit for the year, net of tax effect		**(17)**	**(36)**
TOTAL OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT, NET OF TAX EFFECT		**54**	**108**
TOTAL COMPREHENSIVE INCOME		**1,554**	**780**
- Snam's shareholders		*1,550*	*779*
- Non-controlling interests		*4*	*1*

(*) The value refers to the change in fair value of derivative hedges and the change in investments in related companies.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(million euros)	Notes	Shareholders' equity pertaining to Snam's shareholders														NON CONTROLLING INTERESTS' EQUITY	TOTAL EQUITY
				Reserves								Retained earnings					
		Share capital	Treasury shares	Share premium reserve	Legal reserve	Cash flow hedge reserve	Reserve for defined-benefit plans for employees	Fair value reserve for equity investments	Reserve for business combinations under common control	Other reserves	Profits from previous years	Interim dividend	Profit for the year	TOTAL			
BALANCE AT 31 DECEMBER 2020 (e=a+b+c+d)	(24)	2,736	(361)	611	547	(67)	(9)	48	(674)	39	2,824	(326)	1,101	6,469		3	6,472
- Net profit for fiscal year 2021													1,496	1,496		4	1,500
- Other components in the comprehensive income statement, net of tax effect						13	(2)	(16)		59				54			54
Total comprehensive income statement for the year 2021 (f)						13	(2)	(16)		59			1,496	1,550		4	1,554
- Dividend for fiscal year 2020 (0.2495 € per share), net of interim dividend (0.0998 € per share)												326	(816)	(490)			(490)
- Appropriation of 2020 residual net profit											285		(285)				
- Interim dividend for 2021 (€ 0.1048 per share)												(343)		(343)			(343)
- Share-based payments										8				8			8
- Allocation of treasury shares for share incentive plan			9							(9)							
- Allocation of treasury shares for bond conversion			3											3			3
- Purchase of treasury shares			(5)											(5)			(5)
- Sale of interest in subsidiaries without loss of control											8			8		30	38
Total transactions with shareholders (g)			7							(1)	293	(17)	(1,101)	(819)		30	(789)
Other changes (h)										3				3			3
BALANCE AT 31 December 2021 (i=e+f+g+h)	(24)	2,736	(354)	611	547	(54)	(11)	32	(674)	100	3,117	(343)	1,496	7,203		37	7,240

(million euros)	Notes	Shareholders' equity pertaining to Snam's shareholders														
				Reserves							Retained earnings					
		Share capital	Treasury shares	Share premium reserve	Legal reserve	Cash flow hedge reserve	Reserve for defined-benefit plans for employees	Fair value reserve for equity investments	Reserve for business combinations under common control	Other reserves	Profits from previous years	Interim dividend	Profit for the year	TOTAL	NON CONTROLLING INTERESTS' EQUITY	TOTAL EQUITY
BALANCE AT 31 December 2021 (i=e+f+g+h)	(24)	2,736	(354)	611	547	(54)	(11)	32	(674)	100	3,117	(343)	1,496	7,203	37	7,240
- Net profit for fiscal year 2022													671	671	1	672
- Other components in the comprehensive income statement, net of tax effect						15	7	(44)		130				108		108
Total comprehensive income statement for the year 2021 (f)						15	7	(44)		130			671	779	1	780
- Adjustment of interim dividend 2021												(2)		(2)		(2)
- Dividend for fiscal year 2021 (0.2620 € per share), net of interim dividend (0.1048 € per share)	(24.6)											345	(872)	(527)		(527)
- Appropriation of 2021 residual net profit											624		(624)			
- Interim dividend for 2022 (€ 0.1100 per share)	(24.6)											(369)		(369)		(369)
- Share-based payments										6				6		6
- Allocation of treasury shares for share incentive plan	(24.6)		6							(7)	1					
- Bond conversion	(24.6)		318							(17)	80			381		381
- Purchase of treasury shares	(24.6)		(3)											(3)		(3)
Total transactions with shareholders (g)			321							(18)	705	(26)	(1,496)	(514)		(514)
- Acquisition of equity investments with non-controlling interests															15	15
- Other changes (h)															3	3
BALANCE AT 31 December 2022 (i=e+f+g+h)	(24)	2,736	(33)	611	547	(39)	(4)	(12)	(674)	212	3,822	(369)	671	7,468	56	7,524

CASH FLOW STATEMENT

(million euros)	Notes	2021	2022
PROFIT FOR THE YEAR		**1,500**	**672**
Adjustments reconciling profit for the year to cash flows from operating activities:			
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(31)	820	890
- Net write-downs of long-term equity investments			334
- Share of profit or loss of equity investments accounted for using the equity method	(33)	(294)	(144)
- Gains on disposal equity investments and other income from equity investments			(79)
- Net capital losses/(capital gains) on asset sales		13	24
- Interest income		(32)	(38)
- Interest expense		123	144
- Income taxes	(34)	115	378
- Other changes		8	6
Change in net working capital:			
- Inventories		(11)	(3,064)
- Trade receivables		(1,173)	(1,549)
- Trade payables		709	151
- Provisions for risks and charges		(36)	5
- Other assets and liabilities		(102)	6,865
Cash flow from net working capital		*(613)*	*2,408*
Change in liabilities for employee benefits		(7)	(1)
Dividends collected		199	108
Interest collected		28	12
Interest paid		(115)	(123)
Income taxes paid net of tax receivables reimbursed		(407)	(482)
CASH FLOW FROM OPERATING ACTIVITIES		**1,338**	**4,109**
- of which with related parties	(37.3)	***1,150***	***1,138***

(million euros)	Note	2021	2022
Investments:			
- Property, plant and equipment (*)		(1,096)	(1,142)
- Intangible assets	(9)	(148)	(180)
- Acquisition of subsidiaries and businesses, net of liquidity acquired			(458)
- Long-term financial receivables		(8)	(1)
- Investments (including investments valued at FVTOCI, classified in non-current financial assets)		(524)	(18)
- Change in payables and receivables relating to investments		7	65
Cash flow from investments		*(1,769)*	*(1,734)*
Divestments:			
- Property, plant and equipment			6
- Intangible assets			1
- Investments (including investments valued at FVTOCI, classified in non-current financial assets)		71	161
- Long-term financial receivables		20	198
Cash flow from divestments		*91*	*366*
CASH FLOW FROM INVESTMENT ACTIVITIES		**(1,678)**	**(1,368)**
- of which with related parties	(37.3)	***(16)***	***140***
Assumption of long-term financial payables		1,600	2,269
Repayment of long-term financial payables		(1,295)	(1,821)
Increase (decrease) short-term financial payables		(889)	(1,888)
Repayment of financial liabilities for leased assets		(7)	(8)
Purchase of treasury shares		(5)	(3)
Dividends distributed	(24.6)	(811)	(866)
Capital increase subsidiaries - non-controlling interests			3
Change in minority interests in subsidiaries not involving a change in control		41	
Change in cash and cash equivalents relating to assets held for sale and directly associated liabilities			(7)
Cash and cash equivalents of companies outside the scope of consolidation		(1)	
CASH FLOW FROM FINANCING ACTIVITIES		**(1,367)**	**(2,321)**
- of which with related parties	(37.3)	***1***	***200***
NET CASH FLOW FOR THE YEAR		**(1,707)**	**420**
Cash and cash equivalents at beginning of the year	(14)	3,044	1,337
Cash and cash equivalents at the end of the year	(14)	1,337	1,757
CHANGE IN CASH AND CASH EQUIVALENTS		**(1,707)**	**420**

(*) For cash flow statement purposes only, the flow includes: (i) the change in inventories of piping and related ancillary materials used in plant construction activities, referring to the natural gas transportation segments (3 million euros and 8 million euros, respectively, for 2021 and 2022); (ii) subsidies on works for interference with third parties, so called compensation (29 million euros and 25 million euros, respectively, for 2021 and 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 COMPANY INFORMATION

The Snam Group, consisting of Snam S.p.A., the Italian consolidating company, and its subsidiaries (hereafter referred to as "Snam", the "Snam Group" or the "Group"), is an integrated Group at the forefront of the regulated gas industry (transportation, regasification and storage) and a major player in terms of its regulatory asset base (RAB) in the sector.

In addition to Italy, through its international subsidiaries, Snam also manages infrastructures in Austria, Egypt, United Arab Emirates, France, Greece and the United Kingdom. Snam invests in innovation and in development of new energy transition businesses, from sustainable mobility to biomethane and energy efficiency. It also seeks to enable and promote the development of hydrogen to mode forward the decarbonisation of the energy sector and industry.

Snam S.p.A. is a joint-stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices at San Donato Milanese (MI) - Italy, in Piazza Santa Barbara 7.

With a resolution of 1 August 2019, the Board of Directors of CDP S.p.A., which, through its subsidiary CDP Reti S.p.A., holds a 31.4% stake in Snam S.p.A., reclassified the investment relationship in the company, which already qualifies as de facto control under IFRS 10 - Consolidated financial statements from 2014, as a de facto control pursuant to Article 2359, paragraph 1, no. 2) of the Italian Civil Code and Article 93 of the TUF.

CDP S.p.A. has neither formalised nor exercised management and coordination activities over Snam S.p.A..

2 DRAFTING CRITERIA, MACROECONOMIC BACKGROUND, EFFECTS OF THE RUSSIA-UKRAINE CONFLICT AND CLIMATE CHANGE RELATED MATTERS

2.1 Basis of presentation

These consolidated financial statements:

a) have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005;
b) have been prepared in accordance with the going concern assumption, based on the conventional historical cost criterion, taking into account value adjustments where appropriate, with the exception of items that must be measured at fair value, in accordance with IFRS, as described in the measurement criteria.Considering the characteristics of Snam's core business, which did not require an uninterrupted continuation of operating activities, there are no elements that require in depth analysis regarding the validity of the going concern assumption;
c) have been approved and authorised for publication by the Board of Directors of Snam S.p.A. in its meeting of 15 March 2023, and have been audited by Deloitte & Touche S.p.A.;
d) are denominated in euros,; given their size, the amounts in the financial statements and respective notes are expressed in millions of euros, unless otherwise specified.

2.2 Macroeconomic context of reference

The prolonged upward phase in the prices of energy goods, and especially natural gas, already observed since the second half of 2021, was further influenced by the Russian invasion of Ukrainian territory and the conflict that started on 24 February 2022.

In the following months, energy commodity costs rose further markedly, reaching peaks in the Amsterdam spot market

of over 300 euros per MWh at the end of August. Since September, and more markedly since December 2022, the price of natural gas has fallen significantly to below 80 euros per MWh for the first time in nine months. The downward trend continued in the first weeks of 2023.

At the same time, since the beginning of 2022, global economic activity has shown signs of slowing down and inflation has risen almost everywhere, continuing to reflect the increases recorded in energy prices and the consequent growth in food prices; in Italy in particular, on average, consumer prices rose by more than 8% in 2022 (compared to a growth of +1.9% in 2021). During the same period in the Eurozone and the US, inflation was above 9% and 6%, respectively.

In order to cope with the significant inflationary phenomenon, the main central banks started a significant normalisation process of monetary policy in 2022, starting already in the first quarter, with substantial and repeated increases in the reference interest rate; in the Euro area, the ECB started this process in July 2022, raising the reference rate to 2.5% with four consecutive increases, in July, September, October and December respectively.

The context in which the Group operated during 2022 was influenced by the macroeconomic and geopolitical changes that followed the Russian invasion of Ukraine. In this context, the Group was able to operate without interruption and realise planned investments.

With reference to indirect consequences, the conflict led to repeated significant increases in reference rates by the main central banks; this resulted in a generalised increase in the cost of debt which, in the case of Snam, went from an average value of 0.8% at 31 December 2021 to an average value of 1.1% at 31 December 2022. Secondly, the growth in reference rates led to a significant increase in the rates used for estimating the recoverable value in the Impairment Test under IAS 36 'Impairment of Assets'.

2.3 Effects of the Russia-Ukraine conflict on the presentation and measurement of items in the consolidated financial statements

2.3.1 Gas Infrastructure

- Within the Transportation, Regasification and Storage business, no direct impacts from the Russia-Ukraine conflict are reported at present. With reference to indirect impacts, it should be noted that, pursuant to Decree-Law no. 17 of 1 March 2022, converted with amendments by L. 27 April 2022 , no. 34, setting forth *"Urgent measures for the containment of electricity and natural gas costs, for the development of renewable energies and for the relaunch of industrial policies"*, the group undertook series of actions aimed at contributing to the achievement of the storage filling targets set by the Ministero dell'Ambiente e della Sicurezza Energetica - MASE, as well as allowing for greater diversification of supply sources. For more details, please refer to the section "Applicable regulatory framework and principal developments" in the Director's Report.
- In the context of the Sustainable Mobility business, the production and marketing of compressors were impacted by the effects of the Russia-Ukraine conflict where, mainly during the first half of 2022, there were heightened difficulties in procuring some raw materials used in the production phase (such as, for example, stainless steel and components for integrated boards) due to delays in the supply chain. However, the second half of the year saw an upturn in orders for the supply of compressors. Furthermore, with reference to the refuelling station business, the significant increase in methane prices led to a lower growth in consumption and therefore in the supply by the stations; however, the activity of commissioning the stations continued (no. 60 stations as at 31 December 2022 compared to 46 stations to 31 December 2021).

2.3.2 Energy Transition

- In the business of designing and building biomethane plants, the conflict generated difficulties in the procurement of raw materials (especially construction-related materials for IES Biogas), with concomitant price increases and longer delivery times. Biomethane production plants, on the other hand, did not record substantial impacts. However, the continuation of the conflict in 2023 could have further impacts that cannot be determined at present;
- In the context of the Energy Efficiency business, the generalised increase in the costs of raw materials, due to the Russia-Ukraine conflict, did not have any significant economic effects since, in general, the contracts signed with customers envisage specific indexing that protect companies from price escalation. Nevertheless, there was a slight slowdown in collection times due to the aforementioned cost increase, but with minimal impact. Should this phenomenon continue in the coming months, it could have more significant indirect effects on the working capital and cash flow of the companies.

2.3.3 Foreign and Italian subsidiaries

With regard to the Snam group's foreign subsidiaries, TAG (jointly controlled company) and GCA (associated company) are the companies most exposed to Russian gas supplies.

As of 31 December 2022, the context in which the companies operate has changed significantly compared to the past; despite the presence of a substantially stable regulatory framework, the differences existing with respect to the regulations in force in the main European countries (essentially with reference to the so-called volume risk), generate uncertainties on the expected returns that, based on the current regulatory framework, are largely dependent on the volumes transported.

With reference to TAG, the continuation of the Russia-Ukraine conflict, which began in February 2022, led to a significant reduction in gas flows from Russia in the year detected at the Baumgarten entry point, amounting to approximately 52.6% compared to 2021, with a consequent reduction in the volumes imported from the Tarvisio entry point (from approximately 29 bcm in 2021 to approximately 14 bcm in 2022). In addition, around 85% of the long-term transport capacity contracts expired on 31 December 2022.

In a scenario characterised by significant uncertainties as to the outcome and duration of the conflict, with actions already taken by some states that will lead to the gradual independence of Europe from Russian gas, Snam determined the estimated recoverable amount of the investment based on a multi-scenario approach, attributing a probability of occurrence to each of the scenarios considered.

By multiplying the value in use emerging from each of the scenarios considered by the probability of occurrence attributed to them, the recoverable value was thus determined, resulting in a write-down of the equity investment held in TAG of 340 million euros, with a carrying amount as at 31.12.2022 of 274 million euros.

At the same time, the company is actively cooperating with the competent Austrian authorities on the definition of the regulatory framework applicable from 2025 (regulatory period 2025-2028) in light of the changed context in which the company operates.

With regard to GCA, it should be noted that, during 2022, the company used its interconnection points with Germany to ensure the security of supply in Austria and, at the same time, the attainment of the domestic storage fill target. It should also be noted that the company has long-term transport capacity contracts with gradual expiry dates up to 2031.

With regard to Italian subsidiaries, there are no direct impacts from the Russia-Ukraine conflict. Lastly, there was a significant and generalised increase in the interest rates used to estimate the recoverable amount in the Impairment Test pursuant to IAS 36 'Impairment of Assets'.

2.4 Climate change related matters

Evidence of the impact of climate change on different industrial sectors has increased considerably in recent years. Many economic sectors will be adversely affected by permanent changes in temperature, precipitation, sea level and more generally by the magnitude and frequency of extreme climate events.

In the energy sector, variations in average and extreme temperatures could lead to an increase in energy demand in summer periods and a decrease in demand in winter periods; the final balance will, of course, depend on geographical, socio-economic and technological factors.

On the supply side, climate change could adversely affect the energy production infrastructure in some geographical areas.

In general, climate risks are systemic risks, which cascade throughout society. The World Economic Forum, in its annual 'Global Risks report' of 2021, considered extreme climate events and failure to act to address the climate crisis to be among the greatest dangers to humanity, both in terms of likelihood of occurrence and impact.

The fight against climate change for an increasingly decarbonised economy is the main challenge facing the world today.

2.4.1 Managing climate change risks and opportunities in Snam

The energy and climate scenarios that form the backdrop to Snam's activities involve a series of risks and opportunities that must be identified, assessed and managed effectively and promptly. The assessment of the factors that may affect the business is, in fact, an essential condition to be able to continue to operate in the long term in a sustainable manner, namely directing strategies and monitoring changes in the boundary conditions of the same.

The risks and opportunities identified by Snam are taken into account in the definition of corporate strategy, with particular reference to objectives in the area of energy transition and decarbonisation and the reduction of greenhouse gas and methane emissions.

As part of the integrated management of corporate risks, Snam adopts an Enterprise Risk Management Model (hereinafter ERM) within which the risks associated with climate change are also identified and managed, assessed taking into account the following time horizons:

- **Short-term (0-1 year)**: in the short-term, Snam creates value by pursuing its business in the manner established by the rules and procedures, with particular focus on risk management and operational efficiency. The main point of reference is the annual budget.
- **Medium-term (1-5 years)**: in the medium term, the ability to carry out investment programmes, thereby ensuring a flow of resources and that favourable economic conditions are maintained, is also important. The main point of reference is the **Strategic Plan, which covers a period of up to five years**.
- **Long-term (5-10 years)**: in the long-term, it is vital that the investment decisions and strategic choices made have interpreted trends in the best way possible. The main point of reference is the **Ten-year transportation network development plan** submitted to the Authority, which covers a period of 10 years.

Snam's ERM model envisages assessment cycles, the results of which are shared with the Leadership Team, the Control and Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Board. On an annual basis, the Board of Directors, together with the ESG Committee, is also updated on these topics in order to integrate climate change topics into the planning and definition of strategies for the management of ESG topics relevant to the Group.

The risks are explained in the Director's Report , in the section "Elements of risk and uncertainty", where a detailed analysis was carried out on climate change risks.

2.4.2 Climate change related risks

In accordance with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), climate change subjects companies to two types of risks: physical risks, due directly to weather and climate variations, and transition risk, related to the socio-economic reaction of society to climate change.

Physical risks are divided into:
- acute risks, related to the increase in the severity of extreme weather phenomena, which may cause material damage to the infrastructure, with impacts on the continuity and quality of the service;
- chronic risks, which are more predictable and which Snam associates mainly with the increase in temperature with a consequent lower demand for gas.

Transition risks are divided into:
- compliance risk, in terms of the tightening of the reference and emerging regulatory framework to accelerate the reduction of pollutant and climate-changing emissions;
- market risk, in terms of increased penetration of renewable energies to the detriment of natural gas, alternative uses of gas and the development of new businesses (biomethane, etc.) and/or the CNG market, as well as the behaviour of consumers, financiers and investors, who are increasingly oriented towards sustainable products;
- technological risks, in terms of diffusion of new technologies fostering the use of intermittent energy sources and the need to adapt to new technological standards.

2.4.3 Actions undertaken by Snam: from the development of new businesses, directly associated with the commitment to energy transition, to interventions on regulated infrastructures

With regard to physical risks, Snam continually monitors the integrity of its infrastructure and plants, as well as the state of health and conservation of the areas in which they are located, constantly updating the processes and systems used in order to identify, with increasing notice, any critical issues through the introduction of new technologies that can also reduce the environmental impact of the activities themselves.

These actions allow the company to limit its exposure to risks associated with chronic natural events. In addition, in order to remedy unforeseeable extreme natural events, Snam has adopted innovative intervention strategies and action plans aimed at ensuring immediate safety and the restoration of activities in the shortest possible time.

Snam also has specific insurance contracts in place to cover some of these risks, in line with industry best practices.

With reference to the risks of transition, Snam has, in recent years, begun repurposing its infrastructure, developed its international presence, formed a large number of partnerships and launched numerous energy transition initiatives. Building on its consolidated capabilities in regulated businesses and expertise in green gas and new energy transition trends, the company is evolving towards a multi-commodity infrastructure concept, i.e. capable of transporting and storing different types of gas, leveraging and continuing to develop its hydrogen, CO_2, biomethane, mobility and energy efficiency businesses.

In this context, in January 2023, the new 2022-2026 Strategic Plan and the long- Term Vision to 2030 were presented, with which Snam underlined its contribution to supporting the great transformation underway in the energy sector, leveraging on the enabling role of infrastructure to achieve a fully decarbonised economy through a plan of increasing investments. The Strategic Plan envisages investments totalling 10 billion euros over the next four years (up 23% compared to the previous plan), mainly including maintenance, modernisation and infrastructure development activities. In addition, investments of 1 billion euros are planned to achieve carbon neutrality and energy transition.

The pillars of Snam's Carbon Neutrality strategy are detailed in the chapter "Strategy and Risk Management - Towards carbon neutrality" of the Directors' Report.

Specifically, Snam plans to reduce Scope 1 and Scope 2 greenhouse gas emissions by 28% by 2025, 40% by 2027 and 50% by 2030 (vs. 2018), to achieve carbon neutrality by 2040. The Company also set a target on natural gas emissions of -55% by 2025 and -65% by 2030 (both vs. 2015).

For these reasons, it is believed that, at present, the Group has a limited exposure to the impact that possible climate risks could have on the valuation of non- current assets and other assets, including receivables, recognised in the financial statements, also in consideration of the specific business and segments in which it operates.

Similarly, due to the systematic monitoring of its assets and the areas on which they insist, the Company is able to identify in advance possible situations that could potentially generate potential liabilities related to climate risks.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE FROM 2022

For the financial year ended 31 December 2022, the Group applied accounting standards in line with those of the previous year, with the exception of the accounting standards and interpretations which came into force in the year starting on 1 January 2022, which are described below.

By Regulation no. 2021/1080, issued by the European Commission on 28 June 2021, the regulatory provisions contained in the following documents were approved:

- **Amendments (i) to IFRS 3 Business Combinations; (ii) to IAS 16 Property, Plant and Equipment; (iii) to IAS 37 Provisions, Contingent Liabilities and Contingent Assets".**
  (i) Amendments to IFRS 3: the document "Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework" is intended to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without resulting in any changes to the requirements of IFRS 3. (ii) Amendments to IAS 16: the document "Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use" introduced some clarifications, specifying that it is not allowed to deduct from the cost of the fixed asset the amount received from the sale of goods produced before the asset was ready for use, as intended by management. These sales revenues and related costs shall therefore be recognised in the income statement. (iii) Amendments to IAS 37: the document"Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - Cost of fulfilling a contract" clarified which cost items are to be considered in determining whether or not a contract will be loss-making.
- **Improvements to IFRS (2018-2020 cycle):**
  (i) amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", in relation to the measurement of cumulative translation differences; (ii) amendments to IFRS 9 "Financial Instruments" clarifying which fees (commissions) are to be included when performing the "10 per cent" test required by paragraph B3.3.6 of IFRS 9, specifying that only fees, paid or received, between the entity and the lender; (iii) deletion of Illustrative Example 13 of IFRS 16 "Leases" relating to the repayment of leasehold improvements by the lessor in order to remove any doubt about the treatment of lease incentives; and (iv) amendments to IAS 41; the amendment removes the requirement in paragraph 22 of IAS 41 that entities when measuring a biological asset at fair value using present value techniques must exclude cash flows of a tax nature from the measurement. This will ensure consistency with the requirements of IFRS 13.

The adoption of these amendments did not have effects on the Group's consolidated financial statements.

4 FINANCIAL STATEMENTS

With reference to the financial statements, note that:

- the items in the Statement of financial position are classified by distinguishing assets and liabilities on a current/non-current basis"[1];
- the Income Statement has been presented separately from the Comprehensive Income Statement and classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with the established practice of companies operating in international markets;
- the Cash Flow Statement has been prepared using the indirect method.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in Note 37 – "Related-party transactions", are shown separately in the financial statements.

1 Assets and liabilities are classified as current if: (i) their realisation/settlement is part of the normal operating cycle of the company or in the 12 months after the financial year-end; (ii) they consist of the cash and cash equivalents without restrictions that would limit usage thereof in the 12 months following the closure of the year; or (iii) they are held mainly for trading.

5 SIGNIFICANT ACCOUNTING STANDARDS

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

5.1 Consolidation Criteria

Subsidiaries, joint ventures, associates and other significant equity investments are indicated separately in the appendix "Equity investments of Snam S.p.A. as at 31 December 2022", which is an integral part of these notes. The same annex shows the changes in the scope of consolidation at 31 December 2022 compared to 31 December 2021. For further details on the acquisition of controlling interests, for which the conditions for the application of IFRS 3 exist, please refer to the section "Business combinations".

All the financial statements of the companies included in the scope of consolidation are expressed in euro, adjusted, where necessary, to make them consistent with the accounting principles applied by the Parent Company.

Fully consolidated subsidiaries

The Group defines another entity as a subsidiary when it:

- has the power to make decisions concerning the investee entity;
- is entitled to receive a share of or is exposed to the variable profits and losses of the investee entity;
- is able to exercise power over the investee entity in such a way as to affect the amount of its economic returns.

Figures relating to subsidiaries are included in the consolidated financial statements, based on standardised accounting principles, from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist. The assets, liabilities, income and expenses of consolidated companies are fully incorporated line-by-line in the consolidated financial statements (full consolidation method).

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they are considered to represent the impairment loss on the transferred asset.

Changes in equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded directly in equity as transactions with shareholders. The book value of the equity attributable to Parent company shareholders and non-controlling interests are adjusted to reflect the change in the equity investment ownership. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under equity attributable to Parent company shareholders.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of shareholders' equity transferred; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other components in the comprehensive income statement relating to the former subsidiary that will be reclassified to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Associates and joint ventures accounted for using the equity method

An associate is an investee in which the Group has significant influence, i.e., the power to participate in determining the financial and operating policies of the associate company, without, however, having control or joint control over it[2]. It is assumed that the investor has significant influence (unless there is proof to the contrary) which is presumed to exist when the investment held is at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Equity investments in associates and joint ventures are measured using the equity method, whereby the investments are initially recognised at cost and subsequently adjusted to take account of:
(i) the investor's share in the economic results of the investee after the acquisition date;
(ii) the investor's share of the other components in the comprehensive income statement of the investee.

Dividends distributed by the investee are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the previous point on fully consolidated subsidiaries).

The sale of investment that results in loss of joint control or significant influence over the investee determines the recognition of the following in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding fraction of the book value of the investment sold; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other components in the comprehensive income statement relating to the investee entity that will be reclassified to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the Group performs an impairment assessment by comparing the book value with the related recoverable amount and recognises the difference in the income statement under "Share of profit or loss of investments accounted for using the equity method". If the Group's share of the loss exceeds the book value of the investment, the latter is written off and any excess is recognised in a specific provision, if the investor is obliged to meet the legal or constructive obligations of the investee or otherwise cover its losses. When the reasons for the impairment losses no longer apply, equity investments are revalued up to the amount of the impairment losses entered, with the effect posted to the income statement under the above item.

The parent company's share of any losses of the investee company, greater than the investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the investee, or, in any event, to covering its losses.

Business combinations

Business combinations are transactions with which the group acquires control of a business. To determine whether a particular set of acquired assets and activities meets the definition of a "business", the Group examines whether that set comprises, at least, a production factor and a substantial process and whether it has the ability to generate production.

Business combinations are accounted for by applying the acquisition method, whereby the consideration transferred at the date of acquisition of control is equal to the fair value of the assets transferred, the liabilities incurred or taken on, and any equity instruments issued.

The consideration transferred also includes the current value of any deferred fixed payments and the fair value of any contingent considerations (e.g earn-outs). If the contingent consideration meets the definition of an equity instrument, it is classified as shareholders' equity and is not measured thereafter. Other contingent considerations are recognised as a liabilities and are measured at fair value at each financial year-end; changes in fair value are recognised in the income statement.

Costs directly attributable to the transaction, other than those related to the issue of debt or equity instruments, are recognised in the income statement when they are incurred.

The shareholders' equity of these associate companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the consideration transferred is posted to the asset item "Goodwill"; if negative, it is posted instead to the income statement.

2 Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

Where total control is not acquired, the share of equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, non-controlling interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill (Partial goodwill method or full goodwill method) is based on each individual business combination transaction.

If control is assumed in successive stages, the consideration transferred is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid to acquire the additional equity investment. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recognised under other components in the comprehensive income statement are posted to the income statement or to another item of shareholders' equity, if no provisions are made for classification in the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "Business combinations of entities under common control", whose accounting is not specifically disclosed in IFRSs. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which leads to the application of the criterion of continuity of values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired (or the vendor company) before the transaction or, alternatively, at the values from the consolidated financial statements of the common ultimate parent.

With regard to the sale of business, the treatment of the difference between the contractually defined consideration and the carrying amounts of the transferred business is differentiated depending on the entities involved in the transfer.

With regard to contributions involving businesses under common control, on the other hand, irrespective of the pre-existing investment relationship, the transferee entity recognises the transferred business at its historical carrying value, increasing its own equity by an equal amount; the transferring entity shall recognise the investment in the transferee entity at an amount equal to the increase in the latter's shareholders' equity. This accounting treatment refers to the proposal by Assirevi in the Preliminary Guidelines on IFRS (OPI No. 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued in October 2016.

Accounting treatment of put options written on the shares of subsidiaries

Therefore, if the Group does not have the unconditional right to avoid delivery of cash or other financial instruments when a put option on shares in subsidiaries is exercised, a financial liability equal to the current value of the option exercise price is recognised and subsequent changes in the financial liability are recognised in the income statement. The same accounting treatment is applicable when, in addition to a put option, there is also the simultaneous presence of a symmetrical call option, the so-called "symmetrical put and call options related to non-controlling interest".

Snam considers that shares subject to put options (or symmetrical put and call options) have already been acquired by the Group, in cases where the economic benefits and risks associated with the actual ownership of the shares do not remain with the minority shareholders; therefore, in such circumstances, it does not recognise minority interests in the consolidated financial statements.

5.2 Property, plant and equipment

Recognition and measurement of property assets

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. When a significant period of time is needed before the asset is ready for use, financial expenses incurred during the asset preparation period are also capitalised in the cost of the asset.

If there are current obligations for dismantling and removal the assets and restore the sites, the book value includes the estimated (discounted) costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision. The accounting treatment for revisions in these cost estimates, the passage of time and the discount rate are indicated in the Note 5.9 "Provisions for risks and charges, contingent liabilities and contingent assets".

Subsequent costs of improvements, upgrades and transformations to/ of property, plant and equipment are capitalised when it is likely that they will increase the future economic benefits expected. Costs are also capitalised when related to items purchased for security or environmental reasons which, although not directly improving the future economic benefits of existing assets, are necessary to carry out the company's operations.

Property, plant and equipment includes:
(i) with regard to natural gas transportation, the value relating to the quantities of natural gas injected to bring natural gas pipelines into service. The valuation is carried out using the weighted average purchase price method. Specifically, the component of this quantity that can no longer be extracted (the "initial line pack") is depreciated over the useful life of the plant to which it refers. On the contrary, the commercial component, which is eventually transferable to the market or can be put to alternative uses (the so-called "Operating line pack"), is not subject to depreciation, since by its nature it cannot depreciate;
(ii) in the context of natural gas storage, the part of the gas injected into the storage wells as cushion gas.

Recognition and measurement of leased assets

A contract is or contains a lease if it gives an entity the right to control the use of an identified asset for a certain period of time in exchange for a fee. For all leases that run for more than 12 months, relating to non- low value assets[3], the following elements are recognised in the balance sheet at the effective date, i.e. when the asset is available for use:(i) an asset, under Property, plant and equipment, representing the right to use the asset, and (ii) a financial liability, representing the obligation to make the payments under the contract (also referred to as the "lease liability").

In determining the duration of the lease, the group considers the non-cancellable period of the contract and, when it believes there is reasonable certainty, also the additional periods for the exercise of renewal options or the non-exercise of early termination options provided in the contract.

Liabilities for leases are recognised initially at an amount equal to the current value of the following lease payments not yet made at the lease commencement date:
(i) fixed (or substantially fixed) payments, net of any incentives to be received;
(ii) variable payments that depend on trends in rates or indices;
(iii) estimated future payments for any residual value guarantees, for the exercise of the purchase option and for any penalties related to the early termination of the contract, if the group considers the exercise of such options to be reasonably certain.

The current value of the payments is calculated using a discount rate equal to the group's marginal borrowing rate taking into account the frequency and duration of payments under the lease agreement.

Subsequent to initial recognition, the lease liability is measured at amortised cost and is redetermined, against the book value of the right-of-use asset, when there is a change in the lease payments due as a result of:
(i) contract renegotiations;
(ii) changes in rates or indices;
(iii) changes in measurement made regarding the exercise of contractually-provided options (e.g. purchase of the leased asset or the extension or early termination of the contract).

The right-of-use asset is initially recognised at cost, determined as the sum of the following components:
(i) the initial amount of the finance lease liability;
(ii) the initial direct costs incurred by the lessee;
(iii) any payments made on or before the lease commencement date, net of any incentives received by the lessor;
(iv) the best estimate of the costs that the group expects to incur for the dismantling and removal of the asset and for the possible restoration of the site (i.e. the costs for restoring the asset to the conditions established in the contract).

After the initial recognition, the right-of-use asset is adjusted to take account of:
(i) depreciation and amortisation expense;
(ii) the related effects and any restatements of the financial lease liability;
(ii) the related effects and any restatements of the financial lease liability.

3 The Group considers low-value assets to be all assets worth 25 thousand euros or less.

Depreciation of property, plant and equipment

Starting when the asset is available and ready for use, owned and leased property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application[4]:

	Annual economic-technical depreciation rate (%)
Land	not depreciated
Buildings	2
Plant and machinery – Transportation	
- Methane pipelines	2 or higher depending on the residual useful life
- Compression stations	5 or higher depending on the residual useful life
- Gas reduction and regulation plants	5 or higher depending on the residual useful life
- Radio links	25
-Monitoring and control instruments and systems	5 or higher depending on the residual useful life
Plant and machinery – Storage	
- Pipelines	2
- Treatment plants	4
- Compression stations	5
- Storage wells	1.66
-Monitoring and control instruments and systems	5
Plant and machinery – regasification	
- Regasification plants	4 or higher depending on the residual useful life
- Tanks and oil pipelines	4 or higher depending on the residual useful life
Plant and machinery - Biogas/Biomethane	
- Biogas/biomethane plants	6.7 or depending on the duration of the concession
Other assets	
Centralised IT infrastructures	20
Other plant and equipment	2.5-12.5
Measuring equipment	5
Industrial and Commercial Equipment	10-35
Other assets	10-33
Rights of use for leased assets	< between economic-technical life and contract duration

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

4 The application rate or internal could be higher depending on the residual life following business combination acquisitions and/or transactions.

5.3 Intangible assets and goodwill

Recognition and measurement of intangible assets and goodwill

Intangible assets are those non monetary assets without identifiable physical form, are controlled by the group and are capable of generating future economic benefits. They are recognised at cost net of amortisation and any accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is measured at cost less impairment losses cumulated.

Technical development costs are capitalised as intangible assets when: (i) the cost attributable to the intangible asset can be reliably determined; (ii) there is the intent, availability of financial resources and technical capability to make the asset available for use or sale; and (iii) it can be shown that the asset is capable of producing future economic benefits.

Alternatively, costs for the acquisition of new knowledge or discoveries, investigations into products or alternative processes, new techniques or models, or the design and construction of prototypes, or incurred for other scientific research or technological developments, which do not meet the conditions for capitalisation are considered current costs and charged to the income statement for the period in which they are incurred.

The book value of the storage concessions represents the reserves of natural gas in the fields (so-called cushion gas), which does undergo depreciation, because:
(i) the volume of this gas is not changed by the storage activity;
(ii) the economic value of the gas that can be recovered at the end of the concession, in accordance with the provisions of the Ministerial Decree of 3 November 2005 "Criteria for determining an adequate consideration for the remuneration of assets allocated to a concessionaire for the storage of natural gas" of the Ministry of Productive Activities (MAP), is not less than the value recorded in the financial statements.

Amortisation of intangible assets with finite useful life

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual economic-technical depreciation rate (%)
Storage concessions	non-amortised: residual value greater than book value
Information systems	20-33
Other intangible fixed assets	20 or based on the duration of the contract

5.4 Public and private grants

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase or production cost of their related assets. Similarly, capital grants received from private entities are recognised in accordance with the same regulatory provisions.

Operating grants are recognised in the income statement on an accruals basis, consistent with the relative costs incurred.

5.5 Impairment of non-financial assets

Impairment of tangible and intangible assets with finite useful life

At least once a year, non-financial, tangible and intangible assets with a finite useful life are analysed to uncover any indicators of impairment.

When there are indications that an impairment loss may exist or when events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value, net of disposal costs(see paragraph 5.8 "Measurement at fair value"), or the value in use, whichever is greater.

The recoverable amount, in the value in use configuration, is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs.

With reference to the Transportation (Snam Rete Gas), Regasification (LNG) and Storage (Stogit) CGUs, the recoverable value was defined as corresponding to the estimated value of the Net Invested Capital recognised to these assets for tariff purposes (RAB - Regulatory Asset Base)[5] by the Regulatory Authority for Energy, Networks and the Environment (ARERA), net of the flat-rate components, of the Employee Severance Indemnity (TFR) and of the contributions received.

The measurement is made on a per-asset basis or for the smallest identifiable set of assets that, through its own continuous use, generates cash inflows that are largely independent of those of other assets or groups of assets (Cash Generating Units - CGUs). Expected cash flows are determined on the basis of reasonable and documentable assumptions representative of the best estimate of the future economic conditions of the asset or groups of assets, giving greater importance to indications from the outside. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

If the book value of the asset or CGU is greater than its recoverable amount, an impairment loss is recognised in the income statement; a CGU's impairment losses are first recognised as a reduction in the book value of any goodwill (see next point "Impairment of goodwill and intangible assets not yet available for use") allocated to it and then as a reduction in the book value of the other assets of the CGU, in proportion to their respective carrying amounts. The book value of each Cash Generating Unit (or grouping of CGUs), consistently with the prevailing valuation practice, is equal to the respective Net Invested Capital recorded at the level of Snam's consolidated financial statements at the reference date for carrying out the impairment test.

If the conditions for a previously effected impairment no longer apply, the book value of the asset (except for goodwill) is restored with recognition in the income statement (recovery of value), within the limits of the net book value that the asset in question would have had if the impairment had not been carried out and any related amortisation had been carried out.

If certain specific assets held by the Group are affected by unfavourable operating or economic conditions that may compromise their ability to contribute to the realisation of cash flows, they may be subject to an independent recoverability analysis and impaired, if necessary.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use.

The recoverability of the book value of goodwill, of intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment.

Pursuant to the provisions of IFRS 3, in the context of business combinations, the acquirer, at the acquisition date, recognises all assets, liabilities and identifiable contingent liabilities under the acquisition at their fair values; any remaining positive difference with respect to the acquisition cost is recognized in the asset item Goodwill, and any negative difference is recognised in the income statement.

5 The RAB is the reference basis for the determination of the service tariffs and, therefore, of the cash flows generated by the activities. The value of the RAB is defined through the historical cost method revalued as regards the Fixed capital, and on a flat rate basis for the working capital, the employee severance indemnity and, with reference to the storage segment, the provision for decommissioning and site restoration.

For the purpose of the impairment test, goodwill is allocated, as from the date of acquisition, to each Cash Generating Unit, or group of CGUs, that is expected to benefit from the synergies of the combination.

After its initial recognition, goodwill is not amortised but is instead subject to a recoverability test at least annually by determining the recoverable value of the CGU or group of CGUs to which it is allocated (following the procedures described in the note "Impairment of tangible and intangible assets of finite useful life"); this is then compared to the book value of the CGU itself (or group of CGUs). The book value of each Cash Generating Unit (or grouping of CGUs), consistently with the prevailing valuation practice, is equal to the respective Net Invested Capital recorded at the level of Snam's consolidated financial statements at the reference date for carrying out the impairment test.

When the book value of the CGU (or group of CGUs), including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets constituting the CGU (or group of CGUs). Goodwill write-downs are not reversed, even if the reasons for the write- down no longer apply in subsequent years.

Reduction in value of Equity investments

When there are indications that an impairment loss may exist or when events occur leading to the assumption of impairment of investments, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value, net of disposal costs (see paragraph 5.8 "Measurement at fair value"), and the value in use, determined through the application of the Dividend Discount Model (DDM) or Discounted Cash Flow[6] (DCF) method, (the present value of the expected cash flows is determined in accordance with the provisions of the previous paragraph "Impairment of tangible and intangible assets with a finite useful life"). The application of the Dividend Discount Model (DDM) provides that the recoverable value, in the configuration of the value in use, is determined by discounting the expected dividend flows on the basis of the forecast plans of the investee companies drawn up according to reasonable and documentable assumptions, discounted at the cost of the capital (Ke) which includes any specific risks not reflected in the estimated cash flows.

6 If the Discounted Cash Flow (DCF) method is used, the results are adjusted for the respective net financial positions.

5.6 Inventories

Inventories, including compulsory inventories, are recorded at the lower of purchase or production cost and net realizable value, which is the amount that the entity expects to receive from their sale in the normal course of business, net of the estimated costs for the completion and the realisation of the sale.

The cost of natural gas inventories is determined using the weighted average cost method.

It should be noted that any transactions involving strategic gas, which are subject to prior authorisation by the MED, entail a withdrawal and subsequent replenishment of the quantities of gas from the strategic reserve, not resulting in any movement of the stock[7].

5.7 Financial instruments

Financial instruments are defined as any contract that gives rise to a financial asset, financial liability or equity instrument, which are recognized and measured in accordance with IAS 32 "Financial Instruments: Presentation" and IFRS 9 "Financial Instruments." Financial instruments include, cash and cash equivalents, short-term and long-term financial receivables and payables, trade receivables and payables, bonds held and issued, equity investments that do not constitute control, associates or joint control (so-called minority interests) and derivative instruments.

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial assets with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible. They are recorded at nominal value, corresponding to fair value.

Financial assets - Initial recognition

A financial asset (or financial liability) is recognized in the financial statements when, and only when, the Group becomes a party to the contractual terms of the instrument (i.e., at the trade date).

Initial recognition is at fair value, increased, for financial assets other than those measured at fair value with the effects charged to the income statement, by directly attributable transaction costs. For trade receivables without a significant financial component, the initial recognition value of which is the transaction price (as defined by IFRS 15).

7 Or the risk, the timing or the amount of the future cash flows of the entity are not intended to change following these transactions (IFRS 15.9d)

At initial recognition, financial assets are classified into the following categories: (i) financial assets measured at amortized cost; (ii) financial assets measured at fair value with the effects charged to other comprehensive income (hereinafter also FVTOCI); and (iii) financial assets measured at fair value with the effects charged to the income statement, because of:

- the business model identified for the management of financial assets (so-called "Business Model");
- the characteristics relating to the contractual cash flows of the financial asset, i.e., whether the cash flows generated by the financial asset consist solely of principal payments and accrued interest on the amount of principal to be repaid.

The Business Model for financial asset management determines whether cash flows will come from (i) the collection of cash under the contract, (ii) the sale of financial assets, or (iii) both.

The test, aimed at determining whether the instrument generates cash flows representing solely payments of principal and interest (so-called "Solely Payments of Principal and Interest") and is referred to as the "SPPI test" and is performed at the individual instrument level.

Financial assets – Subsequent measurement

Financial assets measured at amortised cost

Financial assets at amortized cost mainly include trade receivables, other receivables, and financial receivables.

Financial assets at amortized cost are held as part of a business model whose objective is to collect cash flows in accordance with contractual terms, represented exclusively by principal and interest on principal to be repaid at specific dates (so-called Hold To Collect business model).

These assets, as indicated, are initially recognized at fair value[8], adjusted for transaction costs where appropriate, and subsequently measured at amortized cost using the effective interest rate.

According to the amortised cost method the initial book value is then adjusted to account for repayments of principal, any impairments for credit losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial recognition value equal at the time of the initial recording. Financial assets valued at the amortised cost are presented in the statement of financial position net of the related provision for impairment losses.

Transferred financial assets are derecognised from the balance sheet assets when the contractual rights to obtain the cash flows associated with the financial instrument expire, or all risks and rewards associated with the transferred receivable are transferred to a third party in accordance with the guidance on derecognition of financial assets set forth in IFRS 9.

For financial assets measured at amortized cost, interest income determined on the basis of the effective interest rate, foreign exchange differences, and write-downs (including gains and losses from derecognition or modification of the asset) are recognized in the income statement.

With specific reference to trade receivables, in order to measure Expected Credit Losses ("ECLs"), a valuation is made using the so-called "simplified approach" provided by IFRS 9, or - by virtue of the absence of a significant financial component - by estimating expected losses over the life of the receivable ("lifetime ECLs").

The assessment of the recoverability of trade receivables is made on both an individual and collective basis depending on the type of counterparty and whether there is reasonable and demonstrable information available to make an assessment at the individual instrument level.

The group applies a specific definition of default, determined by taking into account the characteristics of the operating segments to which the subsidiaries belong as well as the riskiness of the receivables and customers being assessed. Therefore, beyond the time limit of default, trade receivables are assumed to be impaired (i.e. credit-impaired).

In particular, expected losses are generally determined on the basis of the product between:

(i) the amount of exposure to the counterparty at the time of default (so-called 'Exposure At Default' or 'EAD');
(ii) the probability that the counterparty will default on its payment obligations (so-called Probability of Default or PD);
(iii) the estimate, in percentage terms, of the amount of credit that will not be recovered in the event of default (so-called Loss Given Default or LGD).

With regard to the ECL parameters listed above, the group considers the following assumptions:

(i) PD is determined according to the type of counterparty on the basis of:
  - qualified external providers (e.g. for listed companies);
  - regional ratings (e.g. for public administration) by leading rating agencies;
  - average default rate calculated for groups of customers broken down by common credit risk (so-called 'cluster') considering historical data over a period of at least 24 months;

8 Except for trade receivables where, if they lack a significant financial component, they are initially recognized at transaction price (as defined in IFRS 15).

(ii) the LGD is obtained on the basis of market standards that assess the recovery rate of the exposure depending on the region and sector of the counterparty (e.g. corporate, government and retail);
(iii) the EAD is determined to be equal to the face value of the claim at the valuation date, less any related mitigating factor, including any amounts pledged as collateral.

In the case of credit exposures in litigation and where detailed information is available on the recoverability of the exposure, analytical assessments are performed in order to better reflect the actual riskiness of the position in the determination of expected losses. The exposures for which credit recovery actions have been activated through legal/court proceedings are defined as litigation.

Impairments of trade receivables and other receivables are recognised in the income statement, net of any write-backs, under the item “Other operating expenses”.

Financial assets, measured at fair value with effects recognized in other comprehensive income (FVTOCI)

Credits and Debt Instruments

If present, financial assets representing loans and debt instruments whose business model envisages the possibility of both collecting the contractual cash flows and realizing their value through sale (so-called Hold to Collect and Sell, or Mixed, Business Model) are measured at fair value with the effects charged to OCI (so-called FVTOCI).

Under this measurement criterion, interest income, calculated using the effective interest rate, exchange rate differences and impairment losses are recognized in the income statement; changes in the fair value of the instrument are recognized in equity, among other components of comprehensive income.

When a financial asset is derecognized (e.g., upon sale), the cumulative amount of changes in fair value, up to that point recognized in OCI, are reclassified to the income statement. The rationale behind the determination of fair value is explained in Note No. 5.8 "Significant Accounting Policies" - "Fair Value Measurement," respectively.

Financial assets measured at fair value with effects charged to the income statement

Credits and Debt Instruments

The category of financial assets measured at fair value through profit or loss (so-called FVTPL) includes:
- financial assets with cash flows that are not represented exclusively by principal and interest payments, regardless of the business model (financial assets that do not pass the SPPI test);
- financial assets held for trading because they are purchased or held primarily for the purpose of being sold (financial assets that pass SPPI test but held under a so-called Business Model Trading)
- financial assets for which the entity voluntarily adopts the so-called Conditional Fair Value Option (these are financial assets that pass the SPPI Test and for which despite the Business Model being Hold to Collect or Mixed, the company decides to exercise the option granted by IFRS 9 that allows the financial asset to be valued at FVTPL).

Where present, credits arising from invoice rebates to customers in the energy efficiency business (pertaining to so-called "Ecobonus" and "Superbonus") - and which are converted into tax credits - if held with the objective of realizing cash flows through sale (so-called "Other" Business Model) are measured at fair value with the effects charged to the income statement (so-called FVTPL).

The rationale behind the determination of fair value is explained in Note No. 5.8 "Significant Accounting Policies" - "Fair Value Measurement," respectively.

Minority interest

Financial assets representing minority interests, which are not held for trading purposes, are measured at fair value alternatively with recognition of the effects: (i) in the income statement (so-called fair value measurement recognized in the income statement or FVTPL) or in the equity reserve that holds the other components of comprehensive income, without provision for their reclassification to the income statement in the event of realization (so-called fair value measurement recognized in the statement of comprehensive income or FVTOCI).

This classification can be made on a security-by-security basis, only upon initial recognition, and is irrevocable.

Dividends from such equity investments are recognized in the income statement under "Income (expense) on equity investments," unless the dividend clearly represents a recovery of part of the cost of the investment; in which case the dividend is recognized as a direct reduction of the carrying amount of the equity investment. Valuation at cost of a minority investment is permitted in the limited cases where cost represents an adequate estimate of fair value.

The rationale behind the determination of fair value is explained in Note No. 5.8 "Significant Accounting Policies" - "Fair Value Measurement," respectively.

Financial liabilities

Financial liabilities, unlike derivative instruments, including financial debt, trade payables and other payables, are initially recorded at fair value less any transaction- related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting purposes, as demonstrated in the previous point "Financial assets valued at amortized cost".

Financial liabilities are derecognized upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset in the statement of financial position when there is a currently legally enforceable right to set-off and the intention either to settle the relationship on a net basis (i.e. to realise the asset and settle the liability simultaneously).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value. Under the scope of the strategy and objectives defined for risk management, the qualification of transactions as hedging requires: (i) the verification of the existence of an economic relationship between the object hedged and the hedging instrument for the purpose of offsetting the changes in value and ensuring this offsetting capacity is not invalidated by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives, under the scope of the risk management strategy defined, where necessary activating the appropriate rebalancing actions. The amendments of the risk management objectives, the disappearance of the conditions indicated previously for the qualification of transactions as hedging or the activation of rebalancing operations cause the total or partial prospective discontinuation of the hedge.

In order to qualify a transaction as a hedge, at the start of the hedge a formal document is prepared that illustrates the strategies and objectives of the risk management and identifies the hedging instrument, the instrument hedged, the nature of the risk hedged and the methods through which the evaluation of whether the hedge relationship satisfies the hedge effectiveness requirements takes place.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments ("fair value hedge"; e.g. hedge of the risk of fluctuations in the fair value of fixed-rate assets/liabilities), the derivatives are recognised at fair value with attribution of the effects on the income statement; by the same token, the hedged instruments are adjusted to reflect in the income statement the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the instrument type.

The group subscribes to derivative instruments to cover the risk of changes in cash flows (cash flow hedges) as a result of fluctuations in interest rate or exchange rates. Changes in the fair value of hedging derivatives considered effective are initially recognised in the shareholders' equity reserve relating to other components in the comprehensive income statement and are subsequently reclassified to profit or loss in line with the economic effects produced by the hedged transaction. In the case of hedging future transactions that involve the recording of a non-financial asset or liability, the cumulative variations of the fair value of the hedge derivatives, recognised in shareholders' equity, are recognised in the adjustment of the book value of the non- financial asset/liability subject to hedging (basis adjustment).

The ineffective portion of the hedge and the changes in the fair value of derivatives that do not meet the qualifying conditions for hedging are recognised in the income statement.

Treasury shares

Treasury shares, including those held to service share-based payment plans (share incentive plans), are measured at cost and entered as a reduction of shareholders' equity. The economic effects arising from any subsequent sales are recognised in shareholders' equity.

Distribution of dividends

The distribution of dividends to the Company's shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's shareholders or, in the case of interim dividends, by the Board of Directors.

5.8 Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its maximum and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of financial instruments considers the credit risk of the counterparty for financial assets (through a "Credit Valuation Adjustment" - CVA) and the entity's own risk of default for financial liabilities (through a "Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability.

The fair value hierarchy includes the following levels:
- level 1: listed prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs for assets or liabilities that are not based on observable market data.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

5.9 Provision for risks and charges, contingent liabilities and contingent assets

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

The provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at the value representing the best estimate of the amount that the Company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period.Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits arising from the contract, and the cost of terminating the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. decommissioning and site restoration), the provision is recognised as a counter-entry to the related asset, and posting to the income statement is accomplished through amortisation.

The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Contingent assets, or possible assets that result from past events and whose existence will only be confirmed when one or more uncertain future events, not totally under the control of the business, occur or do not occur, are not recognised unless obtaining the related benefits is virtually certain. If obtaining the benefits is probable, the contingent assets are illustrated in the notes to the financial statements.

5.10 Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale if their book value will be recovered mainly by their sale rather than through continued use. This condition is regarded as fulfilled when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Verification of compliance with the terms and conditions provided for classification of an item as held for sale requires management to make subjective valuations formulating reasonable and realistic assumptions based on the information available to it.

Immediately prior to classification as held for sale, the assets and liabilities included in a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, non- current assets held for sale are not amortised or depreciated and are measured at the lower of book value and related fair value, less any sales costs (see paragraph 5.8 "Fair-value measurements" above).

The classification of investments accounted for using the equity method as held for sale implies the suspension of the application of this valuation criterion. Any negative difference between the book value of the non-current assets and their fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Non-current assets and disposal group- related assets and liabilities held for sale are recognised in the statement of financial position separately from the group's other assets and liabilities.

Non-current assets and disposal groups, classified as held for sale, constitute a discontinued operation if, alternatively:
(i) they represent a significant autonomous business unit or a significant geographical area of operations;
(ii) they are part of a plan to dispose of a significant autonomous business unit or a significant geographical area of operations;
(iii) they relate to a subsidiary acquired exclusively to be sold.

The economic results of discontinued operations, as well as any capital gains/losses realised on the disposal, are recorded separately in the Income Statement under a special item, net of related tax effects, including for the comparative periods.

When events occur that no longer permit non-current assets or disposal groups to be classified as held for sale, they are reclassified to the respective items in the statement of financial position and recognised at the lower of the following: (i) the book value at the date of classification as held for sale; and (ii) the recoverable amount at the reclassification date.

5.11 Revenue

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation, represented by the contractual commitment to transfer goods and/or services to a customer; (iii) calculating of the transaction's price; (iv) allocating of the transaction price to the performance obligations identified based on the stand alone sales price of each of the goods or services; (v) measuring the revenue when the performance obligation is met, i.e. at the time of the transfer to the customer of the goods or services promised; the transfer is considered to be completed when the customer obtains control of the goods or service, which can take place over time or at a point in time.

Revenues are measured for the amount equal to the fair value of the consideration which the business believes it has the right to in exchange for the goods and/or services promised to the customer, with the exception of amounts collected on behalf of third-parties. If there is a variable consideration, the business estimates the amount of the consideration it shall have the right to in exchange for the transfer of goods and/or services promised to the customer; specifically, the amount of the consideration can vary in the presence of discounts, incentives, concessions on the price, performance bonuses, penalties or if the actual price depends on certain future events taking place or not.

Revenues from the Snam Group's ordinary operations mainly consist of services relating to the transportation, dispatching and storage of natural gas and the regasification of liquefied natural gas, which are recognised in the financial statements over the period in which the service is provided, whether the services are "regulated" or "non-regulated".

The recognition of revenues for regulated services is conditioned and influenced by the regulatory framework defined by ARERA (Autorità di Regolazione per Energia Reti e Ambiente – Regulatory Authority for Energy Networks and the Environment). Therefore, the economic conditions of the services provided are defined through regulatory schemes and not on a negotiated basis. The revenue recognised in the income statement coincides with that recognised by the regulator (so-called "revenue cap").

As regards the transportation business segment, the difference between the revenue recognised by the regulator (so- called "revenue cap") and that actually accrued is recorded, if positive, in the item of the statement

of financial position "Trade payables and other payables" and, in the item "Trade and other payables", as it will be subject to cash settlement with the Cassa per i Servizi Energetici e Ambientali (CSEA).

In the Regasification and Storage segments any difference between the revenue recognised by the regulator and the accrued revenue is recognised in the balance sheet item "Trade and other receivables", if positive, and in the item "Trade payables and other payables", if negative, inasmuch as it will be subject to cash settlement with the Energy and Environmental Services Fund (CSEA).

Non-regulated revenues mainly involve: (i) considerations for the construction of biogas and biomethane plants; (ii) technical- specialist services to unconsolidated foreign companies; (iii) the provision of services relating to energy efficiency projects; (iv) income from the rental and maintenance of fibre optic telecommunication cables; (v) the sale of CNG compressors for motor transport. The recognition of these revenues takes place over the service provision period.

By virtue of the principle of neutrality defined by applicable regulations, transactions carried out on the balancing market generate neither costs nor revenue, as they are mere pass-through items. Any (positive or negative) differences from the usage of different prices for the transactions above will be neutralized by recognizing an asset or liability for CSEA, given that these differences are equalized by the latter.

5.12 Employee benefits

Short-term benefits for employees

Short-term benefits for employee are recognised as a cost at the time when the service is rendered. The Group recognises a liability, classified under "Trade payables and other payables" for the amount due to be paid when it has a current legal or constructive obligation to make such payments.

Post-employment benefits

Post-employment benefits are defined according to programmes, including non- formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

- **Defined-benefit plansi**
  The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.
  Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in the comprehensive income statement in the period in which they occurred,and are not subsequently recognised in the income statement. When a plan changed, reduced or extinguished, the relative effects are recognised in the income statement.
  Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying to the liabilities, net of any plan assets, the discount rate used for the discounting used for the liabilities. The net financial expense of defined-benefit plans is recognised in "Finance expense (income)".

- **Defined-contribution plans**
  In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.
  The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term benefits

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Benefits payable on termination of employment

The benefits payable to employees for termination of employment are recognised as an expense when the Company is committed to offering the benefits and has no option to withdraw them, or, if earlier, when the company recorded restructuring costs.

Share-based payments (Share-based incentive plan)

Employee benefits, consistent with the essential nature of the remuneration that they comprise, include the cost of share-based incentive plans. The incentive cost is calculated with reference to the fair value of the instruments allocated and the forecast of the number of share that will effectively be allocated; the share pertaining to the financial year is calculated pro-rata temporis throughout the vesting period, or the period between the grant date and the allocation date. The fair value of the shares underlying the incentive plan is calculated at the grant date taking into account the forecasts with regard to reaching the performance parameters associated with market conditions and is not

adjusted in future financial years; when obtaining the benefit is also connected to conditions other than market conditions, the estimate relating to these conditions is reflected by adjusting the number of shares during the vesting period that are expected to effectively be allocated.

5.13 Accounting for environmental certificates - Emission trading systems

The European Emission Trading System, established to manage and trade emission allowances, sets an upper limit for greenhouse gas emissions produced over the course of a year, for which a certain number of emission allowances are issued free of charge by the competent national authorities. Depending on the actual greenhouse gas emissions produced during the year, each company is entitled to sell or is obliged to buy emission allowances on the market.

Allowances purchased for a consideration to offset emissions released into the atmosphere during the year are recognised in the income statement; any allowances purchased beyond what is necessary are recognised in "Other current assets".Any allowances allocated free of charge and not used in the year of allocation are not recognised in the financial statements as they are used for the following year's requirements.

If there is a deficit for emission allowances that have not been purchased on the market at the balance sheet date, the cost and corresponding liability are recognised at market value at the end of the financial year.

5.14 Foreign currency transactions

The criteria adopted by Snam to convert transactions in currencies other than the functional currency (the Euro) are summarised below:

- revenue and costs relating to transactions in currencies other than the functional currency are recognised at the exchange rate in effect on the day when the transaction was carried out;
- monetary assets and liabilities in currencies other than the functional currency are converted into Euro by applying the exchange rate in effect on the reporting date, allocating the effect to the income statement;
- non-monetary assets and liabilities in currencies other than the functional currency which are valued at cost are recognised at the initially recorded exchange rate; when the measurement is made at fair value or recoverable or realisable value, the exchange rate used is the one in effect on the valuation date.

5.15 Income taxes

Current income taxes are calculated by estimating the taxable income. Tax payables and receivables for current taxes are recognised at the value of the current tax liability that are expected to be paid/recovered to/from the tax authorities by applying the tax rates and regulations in force or substantially approved at the end of the financial year. Regarding corporation tax (IRES), Snam has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up, except for Mieci S.p.A., Evolve S.p.A. and T-lux S.r.l. The projected payable is recognised under "Current tax liabilities".

The regulations governing Snam Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Snam. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Snam in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current tax liabilities"/"Current tax assets".

Deferred taxes are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognized for tax purposes, based on the prevailing tax regulations and rates applicable in financial years in which the temporary difference will be cancelled, approved or essentially approved at the end closing date of the reference year of the financial statements. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax credits and deferred tax assets on tax losses are recognised within the limits of their recoverability; with reference to deferred tax assets, their recoverability is verified at least annually.

If there are uncertainties over the application of tax regulations: (i) in cases where it is deemed probable that the tax authorities will accept the uncertain tax treatment, the income taxes (current and/or deferred) to be recognised in the financial statements according to the tax treatment applied or which it is expected to apply during the tax return are calculated; (ii) in cases where it is not deemed probable that the tax authorities will accept the uncertain tax treatment, this uncertainty is reflected in calculating the (current and/or deferred) income taxes to be recognised in the financial statements.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset and/or at the level of the consolidating company in the presence of the taxation regime set out in the national consolidation scheme. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, current and deferred taxes are also posted to equity.

5.16 Segment reporting (operating segments)

Disclosure on business segments has been prepared pursuant to IFRS 8 – "Operating Segments":consequently, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by the Company's management to allocate resources to the different segments and to analyse the respective performances.

An operating segment is defined by IFRS 8 as the component of an entity that: (i) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity); (ii) for which the operating results are regularly reviewed by the entity's most senior decision-makers for the purpose of making decisions about resources to be allocated to the segment and assessing its performance; and (iii) for which separate financial information is available.

With reference to the financial year 2022, the business segments subject to reporting under IFRS 8 are: (i) the Transportation segment, relating to natural gas transportation activities; (ii) the Regasification segment, relating to Liquefied Natural Gas regasification activities; (iii) the Storage segment, relating to natural gas storage activities; (iv) the Energy transition segment, relating to energy efficiency, biogas/biomethane business and hydrogen start-up projects.

The Mobility segment, together with the activities of Snam Global solution, do not constitute operating segments subject to separate reporting under IFRS 8. The relevant values are shown in the aggregate "Other segments".

6 ASSUMPTIONS AND UNCERTAINTIES IN ESTIMATES

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based. Details are given below about the critical accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on subsequent results.

6.1 Impairment of non-financial assets

Non-financial assets are impaired when events or changes in circumstances give cause to believe that the book value is not recoverable. The events that can lead to an impairment of assets include changes in business plans, changes in market prices or reduced use of plants. The decision on whether to apply an impairment and the quantification of any such impairment depend on the Company's management assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on production costs, production profiles and conditions of supply and demand. The impairment is determined by comparing the book value with the related recoverable value, represented by the greater of the fair value, net of disposal costs, and the usage value, determined by discounting the expected cash flows deriving from the use of the asset, or represented by the RAB in the regulated business segments. The expected cash flows are quantified in the light of the information available at the time of the estimate, on the basis of subjective judgements regarding future trends in variables – such as prices, costs, the rate of growth of demand and production profiles – and are discounted using a rate that takes account of the risk inherent to the asset concerned. The rationale behind the impairment testing used by management in relation to property plant and machinery, intangible assets, goodwill and investments accounted for using the equity method are illustrated respectively in note 8 "'Property, plant and equipment'", note 9 "'Intangible assets and goodwill" and note 10 "Investments accounted for using the equity method".

6.2 Impairment of financial assets

At each reporting date, assessments are made of the recoverability of financial assets in order to determine the value of expected credit losses (ECL).

In particular, the valuation of trade receivables is carried out using the simplified approach established by IFRS 9, which involves estimating the ECL over the life of the receivable.

In these cases, the impairment is generally based on the expected credit loss model and is carried out through the use of both qualified external providers and by means of an analysis of observed historical data with respect to credit recoverability; analysis performed for homogeneous categories of counterparties.

On the other hand, for certain categories of credits characterised by peculiar risk elements (e.g. litigation or credit recovery practices through legal/judicial proceedings), specific assessments are carried out on individual credit positions.

The logic behind the expected credit loss model is explained in Note 5 "Significant accounting standards" - "Non-derivative Financial Assets -Receivables and Debt securities", respectively.

6.3 Provisions for risks and charges

Provision for decommissioning and site restoration

The Snam Group incurs significant liabilities associated with obligations to remove and dismantle plants or parts of plants. Estimating future dismantling and restoration costs is a complex process and requires the assessment and judgement of the Company's management in placing a value on the liabilities that will be incurred many years in the future for compliance with dismantling and restoration obligations, which often cannot be fully defined by laws, administrative regulations or contractual clauses. In addition, these obligations are affected by constant changes in technology and in dismantling and restoration costs, as well as the constant growth of political and public awareness regarding matters of health and protection of the environment.

The criticality of estimates of dismantlement and restoration costs also depends on the accounting method used for these costs, for which the current value is initially capitalised together with the cost of the asset to which they relate, offset against the provision for risks and charges. Thereafter, the value of the provision for risks is updated to reflect the passing of time and any changes in the estimate as a result of changes in expected cash flows, the timing of their realisation and the discount rates applied.

The calculation of the discount rate to be used both in the initial valuation of the cost and in subsequent valuations is the result of a complex process which involves subjective judgements on the part of the Company's management.

Environmental liabilities

The Snam Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. With reference to this legislation, when it is probable that the existence and amount of a large liability can be reliably estimated, provisions are made for the associated costs.

The group does not currently believe that the financial statements will suffer particularly significant adverse effects due to non-compliance with environmental regulations, also considering actions already undertaken, but it cannot be ruled out with certainty that Snam may incur further, possibly significant, costs or liabilities, since current knowledge says it is impossible to predict the effects of future developments, taking into account also the following aspects: (i) the possible emergence of contamination; (ii) the outcome of the refurbishment in progress and to be followed and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental reclamation; (v) the possibility of disputes and the difficulty of determining the possible consequences, also in relation to the liability of other parties and to possible compensation payments.

Provisions for legal and tax disputes

The estimation of the group's provisions for these purposes is the result of a complex process involving subjective judgements by Company management.

6.4 Investments and business combinations

Verification of the existence of control, joint control, considerable influence over another entity as well as, in the case of joint operations, verification of the existence of enforceable rights and obligations requires Corporate Management to exercise professional judgement taking into consideration the characteristics of the corporate structure and agreements between the parties as well as other facts and circumstances that are relevant for the purpose of this check. Similar considerations also apply in cases of a planned change in status following a loss of control, joint control or connection with the possible need to activate the classification as "assets held for sale/ discontinued operation".

The reporting of business combination transactions involves the allocation to the assets and liabilities of the acquired company of the difference between the acquisition cost and the net book value. For the majority of assets and liabilities, the attribution of the difference is carried out by recognising the assets and liabilities at their fair value. The unallocated portion, if positive, is recognised as goodwill; if negative, it is allocated to the income statement. In the allocation process, the Snam Group draws on the available information and, for the most significant business combinations, on external valuations.

6.5 Employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities (assets) in employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the comprehensive income statement. Actuarial assumptions are also used to determine obligations relating to other long-term benefits; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

6.6 Fair value

Calculating the fair value of financial and non-financial instruments is a structured process featuring the use of complex evaluation methodologies and techniques that involve collecting up to date information from the reference markets and/or using internal input data.

Similar to other estimates, calculating the fair value, albeit based on the best information available and on the adoption on adequate evaluation methodologies and techniques, it intrinsically features random elements and the exercising of professional judgement and could create forecasts with different values from those that will effectively be realised.

6.7 Classification and measurement of investments made for development and maintenance of proprietary infrastructures

The Snam Group makes significant investments for development and maintenance of its own infrastructures. Assessing the recoverability of the investments currently underway and the distinction of the costs as improvements, upgrades and transformations that increase the infrastructure and the expenses for ordinary maintenance and repairs which restore but do not increase the performance of the assets, includes valuation elements. These assessments are formulated on the basis of objective criteria that the Group has developed to facilitate an application consistent with its accounting policies.

7 ACCOUNTING STANDARDS PUBLISHED BY THE IASB BUT NOT YET ENTERED INTO FORCE

New accounting standards or amendments to existing accounting standards issued by the IASB with an effective date after 31 December 2022 are set out below. The new accounting standards or amendments to current accounting standards shown below are divided between documents that have been approved and those that have not yet been approved by the European Commission.

7.1 Accounting standards published by the IASB and approved by the European Commission but not yet entered into force

- Regulation no. 2021/2036 issued by the European Commission on 19 November 2021 endorsed the regulatory provisions contained in **IFRS 17 "Insurance Contracts"**, issued by the IASB on 18 May 2017. The document applies to all insurance contracts and defines the principles of recognition, measurement,

presentation and disclosure, replacing IFRS 4. The new standard requires a "Building Block Approach" (BBA) based on expected cash flow and the specification of a "risk adjustment" and of a Contractual Service Margin (CSM) which represents expected profit from insurance contract. This margin is reported in the income statement in the period in which the insurance cover is provided. Moreover, there are two alternative approaches in addition to the BBA which are the "Variable Fee Approach" (VFA) and the Premium Allocation Approach (PAA), applicable in specific cases. The standard also provides for a new method of presentation in the income statement, which presents the following separately: (i) "insurance revenues", (ii) "insurance service expenses" and (iii) "insurance finance income or expenses".
The provisions contained in IFRS 17 are effective from financial years starting on or after 1 January 2023, and the directors are evaluating the possible effects associated with its introduction; however, at the moment, it is reasonable to believe that the first application of these changes will not have a significant impact on the financial statements, also in light of the policy choices and exemptions allowed by the standard with reference to 'Insurance contracts issued to subsidiaries, associates and joint ventures'.

- Regulation No. 2022/357, issued by the European Commission on 2 March 2022, endorsed the regulatory provisions contained in the documents (i) "**Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2**" and (ii) "**Definition of Accounting Estimates-Amendments to IAS 8**", amendments published by the IASB on 12 February 2021. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023. However, earlier application is permitted.

- By Regulation no. 2022/1392, issued by the European Commission on 11 August 2022, the regulatory provisions were approved as contained in the document "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**", amendment published by the IASB on 7 May 2021. The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023.
- By Regulation no. 2022/1491, issued by the European Commission on 08 September 2022, the regulatory provisions were approved as contained in the document (i)"**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information**", amendment published by the IASB on 9 December 2021. The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17.

The Group is analysing the standards and interpretations indicated, where applicable, in order to assess the effects of their application on the financial statements. However, the directors do not expect a significant effect on the Group's consolidated financial statements resulting from their adoption.

7.2 Accounting standards and interpretations published by the IASB and not yet approved by the European Commission

At the date of this document, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the amendments described below.

- On 22 September 2022, the IASB published an amendment called "**Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback**". The document aims to clarify how subsequent valuations by an entity in the context of a sale and leaseback transaction should take place. The amendments shall enter into force as of 1 January 2024, subject to any subsequent postponements determined in the course of approval by the European Commission, earlier application is however permitted.

- On 23 January 2020, the IASB published "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**" and on 31 October 2022 published an amendment entitled "**Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants**". The documents aim to clarify how to classify payables and other short-term or long-term liabilities. The amendments shall enter into force as of 1 January 2024, subject to any subsequent postponements determined in the course of approval by the European Commission, earlier application is however permitted.

The Group is currently evaluating the possible effects deriving from the introduction of the amendments indicated.

8 PROPERTY, PLANT AND EQUIPMENT

(million euros)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and Commercial Equipment	Other assets	Fixed assets in progress and advances	Total
Cost at 31.12.2020	***178***	***518***	***24,717***	***139***	***310***	***1,142***	***27,004***
Investments	1		5	10	1	1,105	1,122
Disposal		(1)	(60)	(6)	(139)	(6)	(212)
Other changes	2	33	767	7	84	(901)	(8)
Changes in rights of use for leased assets		5					5
Cost at 31.12.2021	***181***	***555***	***25,429***	***150***	***256***	***1,340***	***27,911***
- of wich rights of use for leased assets	*7*	*28*			*3*		*38*
Provisions for amortisation and depreciation at 31.12.2020	***(3)***	***(148)***	***(9,644)***	***(73)***	***(213)***		***(10,081)***
Total amortisation and depreciation		(12)	(642)	(14)	(33)		(701)
Disposal		1	50	6	139		196
Other changes	2	3					5
Depreciation rights of use for leased assets	(2)	(6)					(8)
Provisions for amortisation and depreciation at 31.12.2021	***(3)***	***(162)***	***(10,236)***	***(81)***	***(107)***		***(10,589)***
- of wich rights of use for leased assets	*(4)*	*(13)*			*(1)*		*(18)*
Provision for impairment losses at 31.12.2020	***(1)***	***(3)***	***(34)***			***(70)***	***(108)***
Impairment losses			(3)			(10)	(13)
Disposal			3				3
Provision for impairment losses at 31.12.2021	***(1)***	***(3)***	***(34)***			***(80)***	***(118)***
NET BOOK VALUE AT 31.12.2020	**174**	**367**	**15,039**	**66**	**97**	**1,072**	**16,815**
NET BOOK VALUE AT 31.12.2021	**177**	**390**	**15,159**	**69**	**149**	**1,260**	**17,204**

(million euros)	31.12.2022						
	Land	Buildings	Plant and equipment	Industrial and Commercial Equipment	Other assets	Fixed assets in progress and advances	Total
Cost at 31.12.2021	***181***	***555***	***25,429***	***150***	***256***	***1,340***	***27,911***
Investments	5		35	11	1	1,119	1,171
Disposal	(1)	(4)	(60)	(8)	(1)	(7)	(81)
Change in the scope of consolidation	17	7	193	2	5	383	607
Changes in rights of use for leased assets	8	3	2		1		14
Other changes	(1)	9	764	11	67	(1,146)	(296)
Cost at 31.12.2022	***209***	***570***	***26,363***	***166***	***329***	***1,689***	***29,326***
- of which rights of use for leased assets	*20*	*31*	*2*		*4*		*57*
Provisions for amortisation and depreciation at 31.12.2021	***(3)***	***(162)***	***(10,236)***	***(81)***	***(107)***		***(10,589)***
Total amortisation and depreciation		(12)	(665)	(16)	(46)		(739)
Disposal		2	38	6			46
Change in the scope of consolidation		(2)	(55)	(1)	(1)		(59)
Other changes			5		3		8
Depreciation rights of use for leased assets	(2)	(5)			(1)		(8)
Provisions for amortisation and depreciation at 31.12.2022	***(5)***	***(179)***	***(10,913)***	***(92)***	***(152)***		***(11,341)***
- of which rights of use for leased assets	*(6)*	*(15)*			*(2)*		*(23)*
Provision for impairment losses at 31.12.2021	***(1)***	***(3)***	***(34)***			***(80)***	***(118)***
Impairment losses		(4)	(2)	(1)		(5)	(12)
Disposal		2	3				5
Rights of use for leased assets		(1)					(1)
Provision for impairment losses at 31.12.2022	***(1)***	***(6)***	***(33)***	***(1)***		***(85)***	***(126)***
- of which rights of use for leased assets		*(1)*					*(1)*
NET BOOK VALUE AT 31.12.2021	**177**	**390**	**15,159**	**69**	**149**	**1,260**	**17,204**
NET BOOK VALUE AT 31.12.2022	**203**	**385**	**15,417**	**73**	**177**	**1,604**	**17,859**

Property, plant and equipment (17,859 million euros) primarily relates to transportation (14,076 million euros) and storage infrastructure (2,849 million euros).

Investments[9] (1,171 million euros) refer mainly to the transportation (884 million euros net) segment.

The change in the scope of consolidation (548 million euros) refers mainly to the assets recognised in connection with the acquisition: (i) 100% of the share capital of Golar LNG NB 13 Corporation, owner of the FSRU vessel Golar Tundra (327 million euros, net of ancillary acquisition costs); (ii) of 6 and 19 companies engaged in the realisation and management of plants for the promotion of circular economy projects for the energy valorisation of the organic fraction of waste - OFMSW and agricultural waste (158 million euros overall); (iii) of the control of Iniziative Biometano S.p.A. (8 companies consolidated on a line-by-line basis) instead of joint control (37 million euros in total).

During the year, Snam capitalised 25 million euros of financial expenses (20 million euros in 2021).

Depreciation (747 million euros), included rights-of-use on leased assets, refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company, and, with reference to leased assets, on the basis of the contractual duration if the exercise of any purchase options is not probable.

Disposals (30 million euros, net of the related accumulated depreciation and impairment losses) mainly relate to assets in the transportation segment.

Write-downs and reversals (126 million euros) mainly relate to assets in the transportation segment (116 million euros) and mainly concern assets not yet available for use and sections of pipelines that are no longer usable.

The value of plant and equipment includes the estimated (discounted) costs to be incurred for the removal of facilities and the restoration of sites (498 million euros, net of the provision for amortisation/depreciation) mainly relating to the natural gas storage (411 million euros) and transportation (68 million euros) segments.

Other changes (288 million euros) mainly concern: (i) the upward revision of the estimated costs for decommissioning and restoration of sites, basically relating to the storage sector, against the reduction in the expected discount rates (228 million euros in all); (ii) contributions on works for interference with third parties (so-called "recharges", 25 million euros).

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in Note 26 “Guarantees and commitments”.

There are no real guarantees on property, plant and equipment.

9 Investments by business segment are shown in the “BOperating performance by business segment” section of the Directors’ Report.

8.1 Tangible assets by business segment

Property, plant and equipment by business segment break down as follows:

(million euros)	31.12.2021	31.12.2022
Historical cost	*27,910*	*29,325*
Transportation	23,193	23,881
Storage	4,269	4,291
Regasification	223	628
Energy Transition	176	467
Other Segments	27	35
Amount not allocated to segments	22	23
Provisions for depreciation, amortisation and impairment losses	*(10,706)*	*(11,466)*
Transportation	(9,229)	(9,805)
Storage	(1,343)	(1,442)
Regasification	(88)	(96)
Energy Transition	(32)	(99)
Other Segments	(4)	(12)
Amount not allocated to segments	(10)	(12)
NET BOOK VALUE	**17,204**	**17,859**
Transportation	13,964	14,076
Storage	2,926	2,849
Regasification	135	532
Energy Transition	144	368
Other Segments	23	23
Amount not allocated to segments	12	11

9 INTANGIBLE ASSETS AND GOODWILL

	31.12.2021					
	With a finite useful life				With an indefinite useful life	
(million euros)	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets in progress and advances	Goodwill	Total
Cost at 31.12.2020	*954*	*819*	*71*	*93*	*60*	*1,997*
Investments	1		2	145		148
Disposals	(118)					(118)
Other changes	153	5	11	(163)		6
Cost at 31.12.2021	*990*	*824*	*84*	*75*	*60*	*2,033*
Provisions for amortisation and depreciation at 31.12.2020	*(756)*	*(109)*	*(7)*			*(872)*
Total amortisation and depreciation	(87)	(8)	(5)			(100)
Disposals	118					118
Other changes	2	(1)	(13)			(12)
Provisions for amortisation and depreciation at 31.12.2021	*(723)*	*(118)*	*(25)*			*(866)*
Provision for impairment losses at 31.12.2020						
Provision for impairment losses at 31.12.2021						
NET BOOK VALUE AT 31.12.2020	198	710	64	93	60	1,125
NET BOOK VALUE AT 31.12.2021	267	706	59	75	60	1,167

(million euros)	31.12.2022					
	With a finite useful life				With an indefinite useful life	
	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets in progress and advances	Goodwill	Total
Cost at 31.12.2021	*990*	*824*	*84*	*75*	*60*	*2,033*
Investments	4	4	1	171		180
Disposals		(15)	(1)			(16)
Change in the scope of consolidation		58	27		40	125
Losses in value	(2)				(7)	(9)
Other changes	135	4	(25)	(139)	3	(22)
Cost at 31.12.2022	*1,127*	*875*	*86*	*107*	*96*	*2,291*
Provisions for amortisation and depreciation at 31.12.2021	*(723)*	*(118)*	*(25)*			*(866)*
Total amortisation and depreciation	(101)	(9)	(10)			(120)
Disposals		15				15
Other changes	3					3
Provisions for amortisation and depreciation at 31.12.2022	*(821)*	*(112)*	*(35)*			*(968)*
Losses in value	*(2)*					*(2)*
Provision for impairment losses at 31.12.2022	*(2)*					*(2)*
NET BOOK VALUE AT 31.12.2021	**267**	**706**	**59**	**75**	**60**	**1,167**
NET BOOK VALUE AT 31.12.2022	**304**	**763**	**51**	**107**	**96**	**1,321**

Industrial patent and intellectual property rights (304 million euros) mainly concern information systems and applications in support of operating activities.

Concessions, licences, trademarks and similar rights (763 million euros) refer basically to concessions for natural gas storage activities (661 million euros) and to the concessions of Settala (229 million euros), Sergnano (128 million euros) and Fiume Treste (91 million euros). The value of the storage concessions is represented by the reserves of natural gas in the fields ("Cushion Gas"[10]).

Other intangible fixed assets (51 million euros) include the fair value attributed during the Purchase Price Allocation (PPA) of Mieci and Evolve, as regulated by the accounting standard IFRS 3 "Business Combinations", relating to the book order (approximately 46 million euros). Amortisation is based on the average duration of the contracts.

Investments (180 million euros), mainly in the natural gas transportation segment (127 million euros)[11], refer mainly to projects for the development of information systems.

The change in the scope of consolidation (125 million euros) refers mainly to the assets recognised in connection with the acquisition: (i) 6 and 19 companies specialized in the realisation and management of plants for the promotion of circular economy projects for the energy valorisation of the organic fraction of waste - OFMSW and agricultural waste (94 million

10 Cushion gas is not depreciated.
11 Investments by business segment are shown in the "Operating performance by business segment" section of the Directors' Report.

euros in total, including related start-ups); (iii) control of Iniziative Biometano S.p.A. (8 companies consolidated on a line-by-line basis) instead of joint control (30 million euros in total).

Amortisation (120 million euros) refers to economic and technical amortisation determined on the basis of the definite useful life of the intangible assets or their remaining possible use by the Company.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in Note 26 - "Guarantees and commitments".

9.1 Intangible assets by business segment

Intangible assets by business segment break down as follows:

(million euros)	31.12.2021	31.12.2022
Historical cost	***2,033***	***2,291***
Transportation	917	1,030
Storage	861	876
Regasification	11	13
Energy Transition	144	252
Other Segments	16	10
Amount not allocated to segments	84	110
Provisions for depreciation, amortisation and impairment losses	***(866)***	***(970)***
Transportation	(599)	(673)
Storage	(161)	(173)
Regasification	(6)	(7)
Energy Transition	(29)	(37)
Other Segments	(5)	(10)
Amount not allocated to segments	(66)	(70)
NET BOOK VALUE	**1,167**	**1,321**
Transportation	318	357
Storage	700	703
Regasification	5	6
Energy Transition	115	215
Other Segments	11	
Amount not allocated to segments	18	40

9.2 Impairment test

As required by accounting principle (IAS 36), the impairment test is carried out at least once a year for all CGUs (or groups of CGUs) to which goodwill, recorded in the consolidated financial statements, has been allocated and for CGUs (or groups of CGUs) that include intangible fixed assets with an indefinite useful life and intangible fixed assets not yet available for use. For all the remaining CGUs (or groups of CGUs), the impairment test is carried out only when there are impairment indicators.

The macroeconomic context has been marked over the past 12 months by the presence of a significant inflationary phenomenon to which the major central banks, including the ECB, have responded with significant and repeated increases in their respective key interest rates.

The markets in which these phenomena took place (including the Eurozone), show a snapshot of 2022 characterised by the presence of widespread signs suggesting the existence of impairment indicators of an exogenous nature[12]. Therefore, as at 31 December 2022, the test was performed for all major CGUs and CGU groupings, in particular:

- for the sustainable mobility business, consisting of refuelling stations, and micro-liquefaction and bunkering plants, for the Snam4Mobility CGU[13], with reference to which, as at 31 December 2022, no goodwill remains allocated as a result of the impairment losses carried out;
- for the AGRI CGU (formerly the IES Biogas CGU) and the WASTE CGU (formerly the Renerwaste CGU), to which goodwill of 21 million euro and 29 million euros, respectively, is allocated. The companies respectively owned by IES Biogas group and the Renerwaste group each represent a single CGU (CGU AGRI and CGU WASTE)[14] as the method of managing raw material treatment plants (OFMSW in the case of WASTE plants and, agricultural biomass in the case of AGRI plants) is unitary and centralised. Moreover, in view of the characteristics of such plants, management is not bound by the corporate structure when making decisions on the allocation of resources and investments;
- for the energy efficiency business, by the grouping of Energy Efficiency CGUs, made up of the TEP Energy Solutions, Mieci, Evolve CGUs as well as by the Renovit sub-holding, to which a total goodwill of 19 million euros[15] is allocated; this due to the strong vertical integration between the companies in the management of know-how and technologies, which allows the creation of important synergies in the presentation of a unitary offer to the market.

The test was also performed for the Snam Rete Gas, ITG, GNL and Stogit CGUs belonging to the regulated activities of natural gas transportation, regasification and storage; limited to ITG, goodwill of 27 million euros is allocated.

Consistently (i) with the provisions of the agreement[16] signed on 22 December 2022 between Snam Bioenerys group company and Femogas S.p.A. and (ii) in light of the new strategic direction assigned to IES Biogas, which assumes the role of sub-holding company of the Snam group for the AGRI business, increasingly focusing its resources towards the management of proprietary plants aimed at the production of biogas/biomethane from biomass sources of agricultural origin, starting from 2022 the AGRI CGU includes, in addition to IES Biogas itself, 24 additional companies[17]. Specifically, these are the 20 companies that were acquired or established by IES Biogas during the year, in addition to a further four companies that were already indirectly controlled by Snam as at 31 December 2022 and will become investee companies of IES Biogas by 2023.

Overall, except for the amendments mentioned above, the impairment test was carried out on the basis of a similar CGU set-up to last year.

The recoverable amount of the Snam4Mobility CGU was determined, as value in use, based on the cash flows of the corporate plans using the Discounted Cash Flow (DCF) Method. In consideration of the business development and in view of the proposed investment plan, the cash flows were calculated taking into consideration a longer time horizon compared with the forecast 2023-2026 Plan data, in order to be able to consider all the effects that may have a significant impact on these cash flows. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows. The Terminal Value was calculated using the perpetuity method, applying a growth rate substantially in line with market evidence for the expected long-term inflation rate for the reference area, based on the values indicated by the International Monetary Fund ((IMF).

With reference to the biogas/biomethane business, the recoverable value of the two CGUs identified, CGU AGRI and CGU WASTE, was determined, as value in use, on the basis of the Discounted Cash Flow (DCF) Method, using the 2023-2026 Plan approved by the Board. For both CGUs, cash flows were calculated taking into consideration a longer time horizon compared to the forecast 2023-2026 Plan data approved by the Board, so as to consider all the effects that could have a significant impact on cash flows. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows.

12 According to paragraph 12 of IAS 36.
13 As a result of the updated strategic guidelines of the Mobility&Liquefaction Business Unit, as reported in the half-year financial report as of June 30, 2022, in accordance with the provisions of IAS 36 "Impairment Test," instead of the grouping of Mobility CGUs (consisting of Snam 4 Mobility CGU and Cubogas CGU), they were identified as two separate CGUs. As of December 31, 2022, the Cubogas CGU was not included in the scope of CGUs because, as a result of impairments performed during the year, the carrying value of fixed assets pertaining to the CGU was less than 1 million euro.
14 The WASTE CGU in addition to the five companies present as of December 31, 2021, Renerwaste S.r.l., Renerwaste Lodi, Ecoprogetto Milano and Ecoprogetto Tortona and Enersi, it also includes the six companies in the Waste business acquired during 2022: Cupello Renerwaste S.r.l., Biowaste CH4 Anzio S.r.l, Biowaste CH4 Foligno S.r.l., Biowaste CH4 Group S.r.l., Biowaste CH4 Genova S.r.l., Biowaste CH4 Tuscania S.r.l.
15 The difference compared to the 17 million euro present as of December 31, 2021 is due to the goodwill arising from the Esigen business, which was acquired by Mieci during 2022.
16 The agreement, provides that Snam by 2023 will lose control of Iniziative Biometano and certain companies controlled by it, and in the same time frame, provides that IES Biogas will gain direct control of certain companies, now already controlled by the Snam group but directly participated by the same Iniziative Biometano.
17 The 20 companies acquired or incorporated by IES Biogas are 1) Società Agricola Asola Energie Biogas S.r.l., 2) Società Agricola Tessagli Agroenergie S.r.l., 3) Società Agricola Santo Stefano S.r.l. 4) Società Agricola Agrimezzana Biogas S.r.l., 5) Società Agricola Agrimetano S.r.l. 6) Società Agricola Carignano Biogas S.r.l.; 7) Emiliana Agroenergia Società Agricola S.r.l.; 8) Piacentina Agroenergia Società Agricola S.r.l.; 9) Società Agricola San Giuseppe Agroenergia S.r.l.; 10) Società Agricola La Valle Green Energy S.r.l., 11) Società Agricola Sangiovanni S.r.l.; 12) Società Agricola G.B.E. Gruppo Bio Energie S.r.l.; 13) Società Agricola Zoppola Biogas S.r.l.; 14) Società Agricola SQ Energy S.r.l.; 15) Società Agricola T4 Energy S.r.l.; 16) Società Agricola Biostellato 1 S.r.l.; 17) Società Agricola Biostellato 2 S.r.l.; 18) Società Agricola Biostellato 3 S.r.l.; 19) Società Agricola Biostellato 4 S.r.l.; 20) Govone Biometano S.r.l.,while the 4 companies already controlled by the group that will become investees of IES Biogas during 2023 are 1) Biogas Bruso Società Agricola A R.L.; 2) Maiero Energia Società Agricola A R.L.; 3) MZ Biogas Società Agricola A R.L.; 4) Società Agricola Ariano Biometano S.r.l.

The Terminal Value was calculated using the perpetuity method, applying only for the WASTE CGU a growth rate no higher than market evidence for the expected long-term inflation rate, based on the values indicated by the IMF.

With reference to the energy efficiency business, the recoverable value of the Energy Solutions CGU grouping was determined as the usage value, on the basis of the Discounted Cash Flow (DCF) Method. Cash flows were calculated taking into consideration a longer time horizon compared to the forecast 2023-2026 Plan data approved by the Board, so as to consider all the effects that could have a significant impact on cash flows. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows. The Terminal Value was calculated using the perpetuity method, applying a growth rate in line with market evidence for the expected long-term inflation rate, based on the values indicated by the IMF.

With reference to the Transportation (Snam Rete Gas), Regasification (LNG) and Storage (Stogit) CGUs, the recoverable value was defined as corresponding to the estimate of the value of the Net Invested Capital recognised in these assets for tariff purposes (RAB - Regulatory Asset Base) by the Regulatory Authority for Energy, Networks and the Environment (ARERA), including fixed assets valued using the revalued historical cost method, net working capital flat rate, net of adjustments, including severance indemnities, where applicable, the decommissioning fund and the contributions received. The RAB is also the reference basis for the determination of the service tariffs and, therefore, of the cash flows generated by the activities.

With reference to the ITG CGU, the recoverable value of the CGU was calculated as the usage value, based on the Discounted Cash Flow (DCF) Method, using the 2023-2026 Plan approved by the Board. The Terminal Value, consistent with the practice in the energy infrastructure sector, was determined as the disposal value at the end of the plan's time horizon, assuming the recognition of a premium in line with the market evidence examined as at 31 December 2022.

For CGUs where the value in use is determined using the Discounted Cash Flow method, the reference discount rate is the WACC (Weighted Average Cost of Capital - WACC), corresponding to the weighted average cost of capital, determined, consistently with the reference doctrine and prevailing methodological practices, based on the following main assumptions:

- Risk Free Rate: the 10-year sovereign bond, issued by the country of reference, in which the CGU (or group of CGUs) operates is used to determine the risk-free rate;
- Equity Risk Premium: the equity risk premium is determined by Snam on the basis of the main and authoritative external sources in the sector;
- Beta Unlevered: calculated as the average figure recorded by the panel of comparable companies identified and specifically selected for each CGU;
- D/E: the debt-to-equity ratio is determined as an average parameter measured by the panel of comparable companies referring to each CGU;
- Beta Relevered: it is calculated starting from the Beta Unlevered using the Hamada formula, which takes into account the tax effect, and the average D/E of the panel of comparable companies considered;
- Reference Rate for the cost of debt: calculated as the average of the Swap Rate of ten-year instruments denominated in Euro;
- Credit Spread: determined as an average parameter measured by the panel of comparable companies specifically selected for each CGU.

The application of additional risks (Specific Risk Premium) is also envisaged aimed at reflecting, where applicable, within each discount rate, specific considerations referring to the aspects characterising a CGU (or group of CGUs) such as, for example, risks of business or risks associated with the stage of development of the activities performed.

Snam's methodology requires these values to be updated annually and, as at 31 December 2022, the WACCs estimated by the Snam Group and used in the impairment tests were between 5.57% and 8.97%.

For all CGUs and CGU groupings, the recoverable value as represented above, was higher than their net book value, including the relevant goodwill, with the exception of the CGU Snam4Mobility.

In particular, as at 31 December 2022, the filling station business was affected by: (i) the dynamics of gas prices, which negatively impacted the forecasts for the use of CNG as automotive fuel; (ii) the significant increase recorded in the main parameters (in particular, the risk free rate and the reference rate used to determine the cost of debt) underlying the estimate of the weighted average cost of capital.

A comparison between the recoverable amount and the carrying amount of the CGU Snam4Moblity showed a difference in value of 12 million euros, which led to the full write-down of goodwill, amounting to about 7 million euros, as well as of part of the tangible and intangible assets for the remaining amount of about 5 million euros.

As required by accounting standard IAS 36, the CGUs subject to impairment testing, whose recoverable value was determined by discounting the expected cash flows deriving from the use of the asset (as well as from its sale at the end of the useful life in some cases), were subjected to a sensitivity analysis of the recoverable amount, in the worst case scenario, which envisages a 0.5 percentage point increase in the discount rate applied during the impairment test. This stress test did not show significantly different results and led, in only one case limited to the WASTE CGU, to an impairment loss of about 5 million euros.

10 EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(million euros)	31.12.2021	31.12.2022
Teréga Holding S.A.S.	361	398
Trans Austria Gasleitung GmbH (TAG)	556	274
AS Gasinfrastruktur Beteiligung GmbH	122	93
OLT - Offshore LNG Toscana S.p.A.	11	32
Iniziative Biometano S.p.A. (*)	13	
Total equity investments in jointly controlled companies	***1,063***	***797***
Trans Adriatic Pipeline A.G. (TAP)	310	450
Industrie De Nora S.p.A.	463	402
Italgas S.p.A.	255	285
Senfluga Energy Infrastructure Holding S.A.	139	168
Interconnector Limited	61	84
Galaxy Pipeline Assets HoldCo Limited.	216	70
East Mediterranean Gas Company	41	45
dCarbonX Ltd	3	7
Total equity investments in associated companies	***1,488***	***1,511***
Snam Middle East BV Business Services Co.	3	3
Snam Gas & Energy Servicies (Bejing) Co., Ltd.	2	2
Snam North America LLC	2	
Snam International (UK) Ltd	2	
Total equity investments in subsidiaries	***9***	***5***
TOTAL EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**2,560**	**2,313**

(*) The company entered the scope of consolidation on 11 April 2022.

Changes during the year are detailed in the following table.

(million euros)	Equity investments in jointly controlled companies	Equity investments in associated companies	Equity investments in subsidiaries (*)	Total
Balance at 01.01.2021	**1,007**	**916**		**1,923**
Acquisitions and subscriptions		520	8	**528**
Assignments and reimbursements	(1)	(65)		**(66)**
Dividends received	(60)	(122)		**(182)**
Effect of equity-accounting method				
- Portion recognised in income statement	112	182		**294**
- Portion recognised in the comprehensive income statement	1	58		**59**
Other changes	4	(1)	1	**4**
Balance at 31.12.2021	**1,063**	**1,488**	**9**	**2,560**
Acquisitions and subscriptions		5		**5**
Assignments and reimbursements		(86)		**(86)**
Dividends received	(15)	(92)		**(107)**
Effect of equity-accounting method				
- Portion recognised in income statement	107	37		**144**
- Portion recognised in the comprehensive income statement	16	114		**130**
Value Reinstatements/(Value Reductions)	(365)	31	(2)	**(336)**
Other changes	(9)	14	(2)	**3**
Balance at 31.12.2022	**797**	**1,511**	**5**	**2,313**

(*) Equity investments refer to unconsolidated subsidiaries valued using the equity method.

Disposals and redemptions (86 million euros) refer essentially to the sale of shares of Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, a transaction after which Snam holds 25.79% of the share capital (35.63% prior to the IPO), also taking into account capital increases of the same company that were not subscribed.

Dividends received (107 million euros) mainly concern the associated companies Italgas (32 million euros), Interconnector Limited (23 million euros), Galaxy (19 million euros) and Senfluga (11 million euros) and the jointly controlled company Teréga (15 million euros).

The effect of the equity-accounting method recognised in income statement (144 million euros) refers to the share of the net results of companies valued using the equity method, mainly referring to jointly controlled and associated companies (positive results for totally 296 million euros and negative results for totally 152 million euros, of which 148 million euros related to associated company Galaxy Pipeline Assets HoldCo Limited.

The effect of the equity-accounting method recognised in the statement of comprehensive income (130 million euros) is mainly attributable to the change in the fair value of hedging derivative financial instruments of the associate TAP and to exchange rate differences (euros/dollars) of the associate Galaxy Pipeline Assets HoldCo Limited.

The macroeconomic context has been marked over the past 12 months by the presence of a significant inflationary phenomenon to which the major central banks, including the ECB, have responded with significant and repeated increases in their respective key interest rates. Therefore, as at 31 December 2022, Snam subjected all the main CGUs represented by the equity investments held in jointly controlled companies and associated companies to impairment tests, verifying their recoverability by comparing their book value and their recoverable value, represented by the higher of fair value and value in use. In particular, for carrying out the impairment test, the recoverable value of the equity investments was determined in the configuration of value in use on the basis of the Dividend Discount Model

(DDM) or Discounted Cash Flow (DCF) methodology, with the exception of equity in Italgas S.p.A. and Industrie De Nora S.p.A., associated companies, for which the recoverable value was determined on the basis of market quotations at the closing date of the financial year.

As of 31 December 2022, the discount rates estimated by the Snam group and used in preparing the impairment tests ranged between 5.75% and 8.24% for CGUs measured using the DDM, and between 4.97% and 8.44% for CGUs measured using the DCF.

With reference to the stake held by Snam S.p.A. (84.47%) in TAG, the company owning the pipeline that transports Russian gas to Italy through Austria, passing through Ukraine, Slovakia and up to the Tarvisio entry point, the continuation of the Russia-Ukraine conflict, which began in February 2022, led to a significant reduction in gas flows from Russia in the year recorded at the Baumgarten entry point, equal to about 52.6% compared to 2021, with a consequent reduction in the volumes imported from the Tarvisio entry point (from about 29 billion standard cubic metres in 2021 to about 14 billion standard cubic metres in 2022). In addition, around 85% of the long-term transport capacity contracts expired on 31 December 2022.

In a scenario characterised by significant uncertainties about duration and outcome of the conflict, with actions already taken by some states that will lead to the gradual independence of Europe from Russian gas, Snam determined the estimated recoverable amount of the investment based on a multi-scenario approach, attributing a probability of occurrence to each of the scenarios considered.

By multiplying the value in use emerging from each of the scenarios considered by the probability of occurrence attributed to them, the recoverable value was thus determined, resulting in a write-down of the equity investment held in TAG of 340 million euros, with a value as at 31.12.2022 of 274 million euros.

At the same time, the company is actively cooperating with the competent Austrian authorities on the definition of the regulatory framework applicable from 2025 (regulatory period 2025-2028) in light of the changed context in which the company operates.

With reference to the stake held by Snam S.p.A. (40%) in AS Gasinfrastruktur Beteiligung GmbH, the rise in interest rates, which adversely affected the recoverable value, resulted in a write-down of the investment by 25 million euros, with a value as at 31 December 2022 of 93 million euros. It should be noted that the operating company, GCA, used its interconnection points with Germany during 2022 to ensure the security of supply in Austria and, at the same time, the attainment of the domestic storage filling target. In addition, as of 31 December 2022, the company has long-term transport capacity contracts with gradual expiry dates up to 2031.

With reference to Snam's indirect investment, through Snam International B.V. (23.68%), in Interconnector Limited, due to the significant capacity subscriptions that took place in 2022, favoured by the dynamics of gas prices between the UK and the Continent, the company revalued, within the limits of the recoverable value, its investment, written down in previous years for an amount of 31 million euros. The capacity subscriptions made in 2022 also guarantee visibility for the coming years and at least until 2026.

With the exception of the shareholding in TAP[18], no collateral is provided.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Annex to the Notes to the Consolidated financial statements “Equity investments of Snam S.p.A. at 31 December 2022”, which is an integral part of these Notes.

In accordance with the provisions of IFRS 12 - “Disclosure of interests in other entities”, the economic and financial data for joint ventures and associates for the financial years ended 31 December 2021 and 31 December 2022 are provided below.

18 For further information, please refer to Note no. 26.1.1 “Guarantee given on behalf of the associate TAP”.

10.1 Equity investments in jointly controlled companies

The economic and financial data relating to each investment in jointly controlled companies deemed significant, referring to the financial statement values prepared according to IFRS standards of the associate companies[19], are reported below:

	31.12.2021		
(million euros)	Teréga Holding S.A.S.	Trans Austria Gasleitung GmbH	AS Gasinfrastruktur Beteiligung GmbH
Current assets	106	130	2
- of which cash and cash equivalents	*20*	*81*	*2*
Non-current Assets	2,989	1,140	589
Total assets	**3,095**	**1,270**	**591**
Current liabilities	(114)	(218)	(3)
- of which current financial liabilities	*(19)*	*(132)*	*(3)*
Non-current liabilities	(2,090)	(429)	(283)
- of which non-current financial liabilities	*(1,793)*	*(280)*	*(40)*
Total liabilities	**(2,204)**	**(647)**	**(286)**
TOTAL ASSETS	**891**	**623**	**305**
Equity investments held by the Snam Group % (*)	***40.50%***	***89.22%***	***40.00%***
Total net assets attributable to the Snam Group	361	556	122
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**361**	**556**	**122**
Operating revenues and income	440	290	
Operating costs and expenses	(152)	(125)	
Depreciation, amortisation and impairment losses	(109)	(62)	
Operating profit/loss	**179**	**103**	
Financial income			1
Financial expense	(39)	(4)	(6)
Share of profit or losses of investments accounted for using the equity method	(5)		20
Income taxes	(38)	(25)	
PROFIT FOR THE YEAR	**97**	**74**	**15**
Other components in the comprehensive income statement	(1)		2
TOTAL COMPREHENSIVE INCOME	***96***	***74***	***17***
Equity investments held by the Snam Group % (*)	***40.50%***	***89.22%***	***40.00%***
Total comprehensive income statement held by Snam	***39***	***66***	***7***

(*) The equity investment in Trans Austria Gasleitung GmbH is valued on the basis of the percentage of economic rights held.

19 Unless otherwise indicated, the financial statement figures for jointly controlled companies, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method. The aforementioned amounts relate to the preliminary and/or approved reporting packages.

(million euros)	31.12.2022		
	Teréga Holding S.A.S.	Trans Austria Gasleitung GmbH	AS Gasinfrastruktur Beteiligung GmbH
Current assets	72	124	2
- of which cash and cash equivalents	*72*	*53*	*2*
Non-current Assets	3,051	1,095	571
Total assets	**3,123**	**1,219**	**573**
Current liabilities	(135)	(135)	(3)
- of which current financial liabilities	*(121)*	*(32)*	*(3)*
Non-current liabilities	(2,008)	(396)	(276)
- of which non-current financial liabilities	*(1,704)*	*(261)*	*(33)*
Total liabilities	**(2,143)**	**(531)**	**(279)**
TOTAL ASSETS	**980**	**688**	**294**
Equity investments held by the Snam Group % (*)	***40.50%***	***89.22%***	***40.00%***
Total net assets attributable to the Snam Group	397	614	118
Reductions/increases in value	1	(340)	(25)
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**398**	**274**	**93**
Operating revenues and income	468	447	
Operating costs and expenses	(170)	(286)	
Depreciation, amortisation and impairment losses	(109)	(63)	
Operating profit/loss	**189**	**98**	
Financial income			1
Financial expense	(32)	(10)	(7)
Share of profit or losses of investments accounted for using the equity method			(4)
Income taxes	(39)	(23)	
PROFIT FOR THE YEAR	**118**	**65**	**(10)**
Other components in the comprehensive income statement			
TOTAL COMPREHENSIVE INCOME	**118**	**65**	**(10)**
Equity investments held by the Snam Group % (*)	***40.50%***	***89.22%***	***40.00%***
Total comprehensive income statement held by Snam	**48**	**58**	**(4)**

(*) The equity investment in Trans Austria Gasleitung GmbH is valued on the basis of the percentage of economic rights held.

Teréga Holding S.A.S.

Teréga Holding S.A.S. is a company operating under French law which controls Teréga S.A. and Teréga Solutions S.A.S., through Teréga S.A.S., wholly-owned by Teréga Holding S.A.S.

Teréga S.A. operates in the transportation and storage of natural gas in south-west France. Natural gas transportation and storage activities in France are subject to regulation.

Teréga Solutions S.A.S. is a company operating in non-regulated activities, whose objective is to develop solutions oriented towards the energy transition: biomethane, hydrogen, multi-energy and digital.

As of 31 December 2022, Teréga Holding S.A.S. was an investee company of Snam S.p.A. (40.5%), Pacific Mezz Luxembourg Sarl (GIC) (31.5%), Ouestgaz SAS (EDF) (18), Prévoyance Dialogue du Crédit Agricole SA (10%) and Crédit Agricole Assurances Retraite SA (1%).

Teréga Holding S.A.S.'s consolidated financial statements include Teréga Holding S.A.S., Teréga S.A.S, Teréga S.A. and Teréga Solutions S.A.S.

Corporate governance rules provide that decisions on certain matters of particular interest to the company must be taken with the favourable vote of Snam and GIC shareholders.

The interest payment to shareholders on the nominal amount of the 470 million euros convertible bond loan (of which Snam has subscribed 190 million euros) may be deferred at the discretion of the issuer Teréga S.A.S..

Trans Austria Gasleitung Gmbh (TAG)

Trans Austria Gasleitung GmbH (TAG) is a company operating under Austrian law that is active in the natural gas transportation segment. It owns the gas pipeline that links the Slovakian- Austrian border to the Tarvisio entry point in Italy.

Natural gas transportation in Austria is a regulated activity.

As at 31 December 2022, Snam S.p.A. holds 84.47% of the share capital, entitling it to 89.22% of the economic rights. The remainder of the share capital (15.53%) is held by Gas Connect Austria GmbH (GCA).

The contractual agreements drawn up between Snam, TAG and GCA also stipulate that if TAG is not capable of self-financing, in some specific cases, the other companies must finance it according to the equity investment held by each shareholder.

Corporate governance rules provide that decisions on certain relevant activities must be taken with the unanimous consent of all members of the Supervisory Board, composed of Snam and GCA representatives, as well as employee representatives as required by Austrian law.

AS Gasinfrastruktur Beteiligung GmbH

AS Gasinfrastruktur Beteiligung GmbH is an Austrian company jointly controlled by Snam S.p.A. and the Allianz group, with holdings of 40% and 60% respectively.

The company holds 100% of the Austrian company AS Gasinfrastruktur GmbH, which in turn holds 49% of the share capital of Gas Connect Austria GmbH (GCA), which is 51% controlled by Verbund.

Corporate governance rules of AS Gasinfrastruktur Beteiligung GmbH stipulate that decisions at management level must be taken by simple majority with the favourable vote of a Managing Director of Snam and one of Allianz.

10.2 Investments in associates

The economic and financial data relating to investments in associates considered significant, referring to the financial statement values prepared according to IFRS standards of the investee companies[20], are reported below:

	31.12.2021					
(million euros)	Trans Adriatic Pipeline A.G. (TAP)	Italgas S.p.A.	Senfluga Energy Infrastructure Holding S.A.	Interconnector Limited	Galaxy Pipeline Assets HoldCo Limited	Industrie De Nora S.p.A.
Current assets	533	2,177	201	69	196	519
Non-current Assets	4,439	7,951	816	625	8,419	632
Total assets	***4,972***	***10,128***	***1,017***	***694***	***8,615***	***1,151***
Current liabilities	(407)	(1,347)	(130)	(47)	(97)	(469)
Non-current liabilities	(3,472)	(6,638)	(376)	(141)	(6,801)	(110)
Total liabilities	***(3,879)***	***(7,985)***	***(506)***	***(188)***	***(6,898)***	***(579)***
TOTAL ASSETS	**1,093**	**2,143**	**511**	**506**	**1,717**	**572**
- attributable to third parties		*251*	*254*	*1*		*4*
- attributable to the investee shareholders	*1,093*	*1,892*	*257*	*505*	*1,717*	*568*
Equity investments held by the Snam Group %	***20%***	***13.49%***	***54%***	***23.68%***	***12.327%***	***35.63%***
Total net assets attributable to the Snam Group	219	255	139	120	212	202
Goodwill	91				5	261
Reductions/increases in value				(59)		
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**310**	**255**	**139**	**61**	**217**	**463**
Revenue	767	1,371	215	58		655
Operating profit/loss	***456***	***583***	***92***	***35***	***(4)***	***88***
NET RESULT	**289**	**381**	**62**	**28**	**204**	**67**
Other components in the comprehensive income statement	108	13	5		202	16
TOTAL COMPREHENSIVE INCOME	**397**	**394**	**67**	**28**	**406**	**83**
- attributable to third parties		*12*	*21*			
- attributable to the investee shareholders	*397*	*382*	*46*	*28*	*406*	*83*
TOTAL GROUP COMPREHENSIVE INCOME STATEMENT	**397**	**394**	**67**	**28**	**406**	**83**
Equity investments held by the Snam Group %	***20%***	***13.49%***	***54%***	***23.68%***	***12.327%***	***35.63%***
Total comprehensive income statement attributable to the Snam Group	79	52	25	7	50	29

20 The financial statement figures for associates, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method. The aforementioned amounts relate to the preliminary and/or approved reporting packages. With regard to the company Industrie De Nora, the last reporting package subject to a full audit is that of 31 December 2021. During 2022, Snam adjusted the value of the investment to take into account: (i) the effects related to the IPO, completed in June, including the capital increases functional to the transaction itself and the distribution of dividends; (ii) the estimated net profit for the year 2022.

(million euros)	31.12.2022				
	Trans Adriatic Pipeline A.G. (TAP)	Italgas S.p.A.	Senfluga Energy Infrastructure Holding S.A.	Interconnector Limited	Galaxy Pipeline Assets HoldCo Limited
Current assets	892	1,862	358	267	198
Non-current Assets	4,615	9,138	904	587	7,208
Total assets	***5,507***	***11,000***	***1,262***	***854***	***7,406***
Current liabilities	(546)	(1,421)	(256)	(72)	(47)
Non-current liabilities	(3,168)	(7,176)	(435)	(321)	(6,827)
Total liabilities	***(3,714)***	***(8,597)***	***(691)***	***(393)***	***(6,874)***
TOTAL ASSETS	**1,793**	**2,403**	**571**	**461**	**532**
- attributable to third parties		*282*	*259*		
- attributable to the investee shareholders	*1,793*	*2,121*	*312*	*461*	*532*
Equity investments held by the Snam Group %	20%	13.49%	54%	23.68%	12.327%
Total net assets attributable to the Snam Group	359	285	168	109	66
Goodwill	91				5
Reductions/increases in value				(25)	
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**450**	**285**	**168**	**84**	**70**
Revenue	874	2,279	324	197	
Operating profit/loss	***653***	***1,117***	***121***	***115***	***(3)***
NET RESULT	**298**	**436**	**82**	**75**	**(1,203)**
Other components in the comprehensive income statement	399	52	21		174
TOTAL COMPREHENSIVE INCOME	**697**	**488**	**103**	**75**	**(1,029)**
- attributable to third parties		*27*	*33*		
- attributable to the investee shareholders	*697*	*461*	*70*	*75*	*(1,029)*
TOTAL GROUP COMPREHENSIVE INCOME STATEMENT	**697**	**488**	**103**	**75**	**(1,029)**
Equity investments held by the Snam Group %	***20%***	***13.49%***	***54%***	***23.68%***	***12.327%***
Total comprehensive income statement attributable to the Snam Group	139	61	38	18	(127)

Trans Adriatic Pipeline A.G. (TAP)

Trans Adriatic Pipeline A.G. (TAP) is a Swiss company established to design, develop, build and operate the gas pipeline extending from the Greek-Turkish border to Italy (at the entry point in San Foca-Melendugno), crossing Greece and Albania. Construction of the pipeline has been completed and the asset has been commercially operational as of 15 November 2020.

As at 31 December 2022, TAP is an investee company of Snam International B.V. (20%), AzTAP GmbH (20%), BP Pipelines TAP Limited (20%), Fluxys Europe B.V. (19%), Enagas Internacional S.L.U. (16%) and Axpo Trading A.G. (5%)[21].

Under current corporate governance rules, none of TAP's shareholders is able to exercise control over the company, including in a joint capacity.

21 On 27 January 2023 Axpo Trading A.G. signed an agreement for the sale of its entire stake in TAP to Enagas (4%) and Fluxys (1%) for a total amount of approximately 210 million euro; completion of the transaction is expected by the second half of 2023; at the end, each shareholder will hold 20% of the capital of TAP.

Italgas S.p.A.

Italgas S.p.A. is an Italian company that controls 100% of Italgas Reti S.p.A., Geoside S.r.l., Bludigit S.p.A., Italgas Newco S.r.l. and Italgas Acqua S.p.A., companies operating in the natural gas distribution sector in Italy, energy efficiency, IT services and the management of the water service in five municipalities in Campania.

At 31 December 2022, Italgas S.p.A. is an investee company of Snam (13.5%) and C.D.P. Reti S.r.l. (26.05%), with the remainder held by third-party shareholders.

On 7 November 2016, the unbundling of the natural gas distribution business from Snam S.p.A., the shareholders' agreement signed on 20 October 2016 between the Company, CDP Reti S.p.A. and CDP Gas S.r.l. concerning all shares held by each of them in Italgas S.p.A. became effective. The Shareholders' Agreement, as at the date hereof, constitutes a voting and block syndicate, with the right for Snam to withdraw early in the event that, in the event of Snam's dissenting vote on the syndicated shares on certain reserved matters of an extraordinary nature, Snam does not sell its shareholding in Italgas within the following 12 months ("Accelerated Exit"). Transfers of Snam's equity investment in Italgas S.p.A. (including in the event of an Accelerated Exit) are subject not only to advance approval by CDP Reti, but also to the subrogation of a third party. In addition, Snam may not increase its equity investment. The agreement has a three-year term that is renewable barring notice of termination; in the event that Snam does not renew, CDP Reti shall have an option to purchase at fair market value Snam's equity investment in Italgas.

Senfluga Energy Infrastructure Holding

Senfluga Energy Infrastructure Holdings S.A. is a company under Greek law owned by Snam S.p.A. (54%), Enagás Internacional S.L.U. (18%), Fluxys Europe B.V. (18%) and DAMCO Energy S.A. (10%), which owns a 66% stake in Hellenic Gas Transmission System Operator S.A. (DESFA), Greece's national natural gas infrastructure operator.

DESFA owns and manages a regulated system for a high pressure transportation network covering around 1,500 km, as well as a regasification terminal at Revithoussa. Greece, an important crossroads for the diversification of procurement and the opening of new natural gas routes in Europe, has further development potential as a south-east European hub.

Under current corporate governance rules, Snam has negative sole control over Senfluga (and, through it, over DESFA), while Senfluga has sole control over DESFA.

Galaxy Pipeline Assets Holdco Limited

Galaxy Pipeline Assets Holdco Limited ("HoldCo") holds 100% of Galaxy Pipeline Assets Bidco Limited ("BidCo"), which in turn holds a 47.7% stake in ADNOC Gas Pipeline Assets LLC ("AssetCo"). Snam holds a 12.327% interest in the international consortium, consisting of GIP III Galaxy HoldCo II Limited (GIP), Infracore Investment Holdings Limited, Raffles Infra Holdings Limited, NH Galaxy Pipeline Holdco Limited, Galaxy Pipeline Assets Topco Limited.

AssetCo, a subsidiary of ADNOC (Abu Dhabi National Oil Company), holds a twenty-year lease on ADNOC's strategic assets relating to gas and LNG transportation in the United Arab Emirates; the management and use of these assets are held by ADNOC for the same twenty-year term.

Snam is the only industrial operator in the consortium, representing an important investment opportunity in a strategic infrastructure in the Gulf area.

The rules of governance provide that decisions on certain matters of particular interest to the company must be taken by a reinforced majority vote or unanimously.

Interconnector Limited

Interconnector Limited is a company under British law that owns the two-way pipeline that joins the United Kingdom to Belgium and the rest of Europe.

As at 31 December 2022, Interconnector Limited is an investee company of Snam International B.V. (23.68%) and Fluxys UK Ltd (76.32%).

Interconnector Limited directly holds 48% of the Dutch company Interconnector Zeebrugge Terminal BV (in turn 25% owned by Snam International BV) and 1% indirectly through Interconnector Leasing company Ltd.

The governance of Interconnector Limited is structured in such a way as to ensure in some case veto rights in favour of Snam International B.V., aimed at protecting the investment and supervising certain decisions of particular importance to Snam International B.V.

Industrie De Nora S.p.A.

Industrie De Nora, an Italian company founded in 1923, is a global supplier of innovative technologies and solutions for water treatment. The Company has significant growth prospects due to its exposure to two mega-trends in the energy transition, namely green hydrogen production and water treatment.

As of 30 June 2022, the Company is listed on Euronext Milan, a regulated market organised and managed by Borsa Italiana S.p.A.

At 31 December 2022, Snam S.p.A. held 25.79% of the share capital of Industrie De Nora through Asset Company 10 S.r.l.

Individually non-significant minor equity investments in joint ventures and associates

In addition to the investments in companies discussed above, the following are the carrying amounts of the individually non-significant equity investments in a jointly controlled company and in two associated companies, accounted for using the equity method:

(million euros)	2022
Aggregate value of individually minor equity investments in joint ventures	**84**
Snam Group's share of profit/(loss) for the year	6
Share of other components in the comprehensive income statement attributable to the Snam Group	16
TOTAL SHARE OF COMPRHENSIVE INCOME ATTRIBUTABLE TO THE SNAM GROUP	**22**

11 OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS

(million euros)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Long-term financial receivables	1	301	**302**	2	116	**118**
Minority investment accounted at FVTOCI		94	**94**		52	**52**
Short-term financial receivables						
- short-term over 90 days	5		**5**	1		**1**
Other		2	**2**		4	**4**
TOTAL OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS	**6**	**397**	**403**	**3**	**172**	**175**

Long-term financial receivables amounted to 118 million euros and decreased by 184 million euros compared to 31 December 2021, mainly due to the repayment by OLT of a principal portion of the outstanding shareholder loan, against the simultaneous refinancing of the company on the banking market.

Minority interests valued at FVTOCI (52 million euros) essentially relate to the valuation of the shares held by Snam in the capital of ITM Power PLC (2.082% stake), in the capital of Terminale GNL Adriatico S.r.l. (7.3% stake) and in the capital of Storegga Limited (5% stake), respectively amounting to 13 million euros (59 million euros at 31 December 2021), 27 million euros (34 million euros at 31 December 2021) and 10 million euros.

Movements during the year in respect of investments valued at FVTOCI are analysed as follows:

(million euros)	
Value as at 31.12.2021	**94**
Acquisitions and subscriptions	11
Change in fair value through other components in the comprehensive income statement	(44)
Assignments and reimbursements	(9)
Value as at 31.12.2022	**52**

12 INVENTORIES CURRENT AND NON-CURRENT AND THIRD-PARTY NATURAL GAS IN STORAGE

(million euros)	31.12.2021			31.12.2022		
	Gross value	for Impairment losses	Net value	Gross value	for Impairment losses	Net value
Raw materials and consumables	102	(13)	**89**	848	(15)	**833**
Finished products and goods	64	(32)	**32**	2,403	(34)	**2,369**
Total current inventories	***166***	***(45)***	***121***	***3,251***	***(49)***	***3,202***
Total non-current inventories - Compulsory inventories	***363***		***363***	***363***		***363***
TOTAL INVENTORIES CURRENT AND NON-CURRENT	**529**	**(45)**	**484**	**3,614**	**(49)**	**3,565**

Current inventories (3,202 million euros, net of the provision for impairment losses) increased by 3,081 million euros, mainly due to purchases made to ensure the security of gas supplies in Italy for the coming winter. In particular, purchases were made in implementation of the following Authority Resolutions: (i) Resolution 165/2022/R/Gas, which provided for the procurement by Snam Rete Gas of volumes to cover system gas (about 0.6 billion cubic metres for a total countervalue of 706 million euros as at 31 December 2022); (ii) Resolution 274/2022/R/Gas, which defined the provisions for the filling service of last resort (about 1.4 billion cubic metres for a total countervalue of 2,348 million euros)[22].

The value of the inventories of gas purchased against these resolutions is offset by the recognition, for the same amount, of balance sheet liabilities.

The provision for impairment losses essentially relates to the write-down (30 million euros), made in 2014, of 0.4 billion cubic metres of natural gas used in storage activities against strategic gas unduly withdrawn by some service users during 2010 and 2011[23].

Non-current inventories include minimum quantities of natural gas that the storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001 (so-called Compulsory inventories).

The quantities of gas in storage, corresponding to approximately 4.5 billion standard cubic metres of natural gas, are determined annually by the Ministry of Economic Development[24].

Inventories are not pledged to guarantee. Inventories do not secure liabilities, nor inventories recognised at net realisation value.

22 Against the increase in gas inventories, liabilities of equal amounts were recognised, representing the company's obligation to the regulator on the use of gas (Resolution 165/2022/R/gas, 706 million euros) and on the relegation of the amounts obtained from the sale of the relevant quantities of gas (Resolution 274/2022/R/Gas, 2,348 million euros).

23 For more information regarding the progress of the lawsuits under way, see Note 27.3.2 "Recovering receivables from users of the storage system".

24 On 10 January 2022, the Ministry confirmed the total volume of strategic storage for the contractual year 2022-2023 (01 April 2022 - 31 March 2023) at 4.62 billion cubic metres or approximately 48,846 gigawatt hours GWh, unchanged compared with the thermal year 2021-2022 (01 April 2021-31 March 2022). The Stogit share was unchanged at 4.5 billion cubic metres.

12.1 Third-party natural gas in storage

Risks for third-party assets in storage, amounting to 9,574 million euros(3,653 million euros at 31 December 2021), relate to approximately 7 billion cubic metres of natural gas deposited in storage facilities by customers benefiting from the service. The amount was determined by valuing the quantities of gas stored at the assumed unit repurchase cost, which is approximately 1.32 euros per standard cubic metre (0.54 euros per standard cubic metre at 31 December 2021).

13 OTHER CURRENT AND NON-CURRENT ASSETS

(million euros)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
VAT credits	201		201	23		23
Market value of derivative cash flow hedges						
- Fair value interest rate hedging derivatives				2	2	4
Prepaid expenses	9	14	23	13	9	22
Assets arising from contracts with customers	34		34	22		22
Regulatory activities	17	40	57	42	74	116
Security deposits		13	13		14	14
Ecobonus/Sismabonus credits	12	21	33	13	72	85
Other tax credits				4		4
Other		1	1	17	7	24
TOTAL OTHER CURRENT AND NON-CURRENT ASSETS	273	89	362	136	178	314

VAT receivables (23 million euros) decreased by 178 million euros mainly as a result of a non-recourse assignment transaction entered into by Snam S.p.A. relating to receivables from the 2021 and 2022 tax years, with a total nominal value of 170 million euros.

It should also be noted that on 5 August 2022, Evolve S.p.A. executed a non-recourse assignment transaction of Ecobonus and Superbonus credits for a nominal value of 43 million euros, against the invoice discount applied by the same to its customers on the amount due in relation to the interventions carried out pursuant to the Relaunch Decree.

Assets arising from the valuation at market value of cash flow hedge derivatives (4 million euros in total) refer to two Interest Rate Swap (IRS) derivative contracts. IRS contracts are used to hedge the risk of interest rate fluctuations on a bond loan, with a nominal amount of 106 million euros. Through derivatives, floating rate liabilities are converted into fixed rate liabilities.

The main characteristics of the derivatives in question are summarised in the tables below:

INTEREST RATE SWAP

(million euros)									
Type of derivative contract	Contract effective date	Contract expiry date	Remaining duration (years)	Snam pays	Snam receives	Nominal Value 31.12.2021	Nominal Value 31.12.2022	Market Value 31.12.2021	Market Value 31.12.2022
Interest Rate Swap	2 August 2017	2 August 2024	1,6	0.4360%	Euribor 3 mesi	106	106	(2)	4
Interest Rate Swap	31 July 2018	31 July 2022		0.1250%	Euribor 3 mesi	150		(1)	
TOTAL INTEREST RATE SWAP						256	106	(3)	4

The fair value hedging derivatives and their classification as a current or non-current asset/liability have been determined using generally accepted financial measurement models and market parameters at the end of the period.

Information on the risks hedged by the derivatives and on policies adopted by the Company to hedge against these risks is provided in Note 27 - Financial risk management".

Prepaid expenses (22 million euros) mainly refer to upfront fees and the substitute tax on revolving credit lines (18 million euros).

Security deposits (14 million euros) provided to support operating activities, mainly in connection with the natural gas transportation segment.

Assets from contracts with customers (22 million euros) refer to contract work in progress on biogas plants.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of 1,757 million euros (1,337 million euros at 31 December 2021) consist mainly of current accounts and bank deposits in euros (1,659 million euros), which represent the use of cash held for the Group's financial needs, and cash and cash equivalents from subsidiaries (in total 97 million euros).

The average yield on cash investments is approximately 0.18% and there are no restrictions on their use.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Cash Flow Statement.

15 TRADE RECEIVABLES AND OTHER RECEIVABLES

(million euros)	31.12.2021	31.12.2022
Trade receivables, gross of provision for impairment losses	2,814	4,344
Provision for bad debt	(85)	(100)
Total trade receivables	***2,729***	***4,244***
Other receivables		
- Other receivables from the Energy and Environmental Services Fund (CSEA)	552	260
- Advances to suppliers	24	50
- Investment credits	11	50
- IRES receivables for domestic tax consolidation to former parent company	10	10
- Other	5	10
Total other receivables	***602***	***380***
TOTAL TRADE RECEIVABLES AND OTHER RECEIVABLES	**3,331**	**4,624**

Trade receivables (4,244 million euros, net of the bad debt provision), mainly relate to the transportation (3,151 million euros), energy transition (807 million euros) and natural gas storage (251 million euros) sectors.

Trade receivables relating to the storage sector include VAT receivable invoiced to users in previous years for the use of strategic gas collected and not replenished (77 million euros, unchanged from 31 December 2021)[25].

Trade receivables include receivables and invoices to issue from customers related to energy efficiency projects (648 million euros) pending conversion into tax credits for ecobonus.

The fair value measurement of trade and other receivables does not have a significant effect given the short period of time between the origination of the receivable and its maturity and the contractual terms.

25 For more details, please refer to note no. 27.3.2 "Recovery of claims against storage system users".

The provision for bad debt (100 million euros) mainly concerns the write-downs made in previous years on receivables arising from the balancing service, against Resolution 608/2015/R/gas by which the Authority ordered the partial recognition, to the balancing manager (Snam Rete Gas), of uncollected receivables relating to the period from 1 December 2011 to 23 October 2012 (70 million euros, including related interest)[26].

Other receivables from CSEA mainly refer to settlement receivables (202 million euros) of Snam Rete Gas.

Investment receivables (50 million euros) refer to the advance payments made on the basis of contractual agreements signed with the counterparty for the purchase of the FSRU vessel 'BW Singapore'(42 million euros), the closing of which is expected by the end of 2023, and receivables for works for interferences with third parties related to the transportation segment (so-called recharges).

IRES receivables for the national tax consolidation regime (10 million euros) mainly related to receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2007 to 2011 (pursuant to Decree-Law 201/2011).

All receivables are in euros.

Receivables from related parties are described in Note 37 “Transactions with related parties”.

Specific information on credit risk can be found in Note 25.3 “Financial risk management - Credit risk”.

16 CURRENT AND NON-CURRENT INCOME TAX ASSETS/LIABILITIES

(million euros)	31.12.2021	31.12.2022
- Receivables from tax authorities for IRES	11	47
- Receivables from tax authorities for IRAP		3
TOTAL CURRENT INCOME TAX ASSETS	**11**	**50**
- Payables to tax authorities for IRES	(36)	(5)
- Payables to tax authorities for IRAP	(1)	(2)
- Other tax liabilities	(13)	(14)
TOTAL CURRENT LIABILITIES FOR INCOME TAXES	**(50)**	**(21)**

Other tax liabilities (14 million euros) refer to substitute tax liabilities relating to the tax realignment pursuant to the Decree-Law of 14 August 2020.

In relation to activities of a fiscal nature, it should be noted that, since the company constantly invests in Research and Development and Technological Innovation activities, subsequent to the end of the current financial year, the calculations relating to the tax credit accrued on an accrual basis pursuant to Law no. 160/2019, paragraphs 198-207, as amended by Law no. 178/2020 and Law no. 234/2021, will be finalised, and the preparation of the documentation supporting this credit (so-called documentary expenses) will be completed. An estimate of the amount of this tax credit is not available at the time of preparation of this document.

Taxes for the year under review are shown in Note 34 “Income taxes”.

26 Pursuant to the provisions of Resolution 608/2015/R/gas, the Company made a provision for impairment losses for a value of approximately 125 million euros, which, following the Council of State's ruling of 5 March 2020, was released at a value of approximately 35 million euros. During the financial year 2021, an amount of 20 million euros was written off for the conclusion of a bankruptcy procedure concerning a user. As at 31 December 2022, the value of the provision for bad debt amounted to 70 million euros (70 million at 31 December 2021) and related to the balancing receivables due to the Company from certain customers with whom bankruptcy proceedings are in progress.

17 ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

Assets held for sale (84 million euros) and *directly associated liabilities* (17 million euros) refer to the set of assets and liabilities arising from the consolidation of controlling interests held by Iniziative Biometano S.p.A., a company 51% owned by Snam through its wholly-owned subsidiary Bioenerys S.r.l., as well as jointly controlled companies and associates held directly and indirectly by Iniziative Biometano S.p.A. itself.

Assets mainly concern tangible assets (36 million euros) and intangible assets (26 million euros, including goodwill), while liabilities mainly refer to short-term financial liabilities (3 million euros) and trade payables (3 million euros).

The classification of these assets and liabilities as a disposal group held for sale, in accordance with IFRS 5 *'Non-current Assets Held for Sale and Discontinued Operations'*, follows the signing in December 2022 of a binding agreement between the shareholders of Iniziative Biometano S.p.A. aimed at separating the shareholding structure.

18 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

	31.12.2021						31.12.2022					
	Current financial liabilities		Non-current financial liabilities				Current financial liabilities		Non-current financial liabilities			
(million euros)	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion Total debt	Total debt	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion Total debt	Total debt
Bonds		1,172	4,638	3,328	7,966	**9,138**		757	4,527	4,173	8,700	**9,457**
Bank loans	610	688	1,417	980	2,397	**3,695**	150	479	1,335	896	2,231	**2,860**
Euro Commercial Paper - ECP	2,503					**2,503**	1,128					**1,128**
Other lenders	2					**2**	2		200		200	**202**
Financial payables for leased assets		6	12	2	14	**20**		7	18	8	26	**33**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**3,115**	**1,866**	**6,067**	**4,310**	**10,377**	**15,358**	**1,280**	**1,243**	**6,080**	**5,077**	**11,157**	**13,680**

18.1 Short-term financial liabilities

Short-term financial liabilities, amounting to 1,280 million euros, mainly include to the use of floating rate uncommitted bank credit lines (100 million euros) and the issuing of unsecured short-term bonds (Euro Commercial Papers) issued by the money market and placed with institutional investors (1,128 million euros).

The weighted average interest rate on short-term financial liabilities was 0.06% (-0.36% for 2021).

There are no short-term financial liabilities denominated in currencies other than the euro.

18.2 Long-term financial liabilities and short-term portion of long-term financial liabilities

Long-term financial liabilities, including the short-term portion of long-term liabilities, amounted to a total of 12,400 million euros and mainly relate to bond loans (9,457 million euros), bank loans (2,860 million euros) and financial payables for leased assets (33 million euros).

The following table provides a breakdown of bond loans, indicating the issuing company, the year of issue, the currency, the average interest rate and the maturity.

(million euros)	Nominal Value 31.12.2021	Nominal Value 31.12.2022	Rate (%)	Issued (year)	Maturity (year)	Balance at 31.12.2021	Balance at 31.12.2022
Euro Medium Term Notes (EMTN)							
Bond 5.25%	582		5.25	2012	2022	590	
Bond 3.25% (a)	385	365	3.25	2014	2024	395	375
Bond 1.50% (a) (b)	190	155	1.50	2014	2023	193	157
Bond 1.375% (a)	167	140	1.375	2015	2023	160	137
Bond 0.875%	1,250	1,250	0.875	2016	2026	1,247	1,248
Bond 1.250% (a)	339	267	1.250	2017	2025	342	269
Floating Bond	151		0,6+eur3m	2017	2022	151	
Floating Bond	106	106	0.836	2017	2024	106	106
Bond 1.375% (a)	650	553	1.375	2017	2027	649	552
Bond 1.000% (a) (c)	522	423	1.000	2018	2023	520	425
Bond 1.250% (Climate Action bond)	500	500	1.250	2019	2025	500	500
Bond 1.625%	250	250	1.625	2019	2030	252	252
Bond 0%	700	700	0	2019	2024	697	699
Bond 1%	600	600	1	2019	2034	591	592
Bond 0.75% (Transition bond)	500	500	0.75	2020	2030	500	499
Bond 0% (Transition bond)	600	600	0	2020	2028	597	597
Bond 0% (Transition bond)	500	500	0	2021	2025	500	500
Bond 0.75% (Transition bond) - TAP	250	250	0.75	2021	2030	258	258
Bond 0.625% (Transition bond)	500	500	0.625	2021	2031	494	495
Bond 0.75% (Sustainability-Linked Bond)		850	0.75	2022	2029		846
Bond 1.25% (Sustainability-Linked Bond)		650	1.25	2022	2034		651
Bond 3.375% (Taxonomy-Aligned Transition Bond)		300	3.38	2022	2026		299
Total Euro Medium Term Notes (EMTN)	***8,742***	***9,459***				***8,742***	***9,457***
Convertible bonds							
Convertible Bond	397			2017	2022	396	
TOTAL BOND LOANS	**9,139**	**9,459**				**9,138**	**9,457**

(a) Bond loans subject to the 2022 Liability Management operation.
(b) Bond re-opened in January 2015 for an incremental amount of 250 million euros with an interest rate and maturity similar to the original placement.
(c) Bond re-opened in November 2018 for an incremental amount of 300 million euros with an interest rate and maturity similar to the original placement.

Bonds (9,457 million euros) increased by 319 million euros compared to 31 December 2021 mainly as a result of: (i) the dual tranche issue of a fixed-rate Sustainability-Linked Bond, for a total nominal value of 1,500 million euros; (ii) the issue of the first EU Taxonomy-Aligned Transition Bond at a fixed rate, for a total nominal amount of 300 million euros. These changes were partly offset by the redemption of three bonds, with a total nominal value of 1,130 million euros, and the repurchase of bonds on the market, with a total nominal value of 350 million euros.

Payables for bank loans (2,860 million euros) mainly relate to maturing loans (term loans), of which 1,572 million euros concern European Investment Bank (EIB) funding.

There are no other long-term bank loans denominated in currencies other than the euro.

The weighted average interest rate on bank loans used (excluding loan contracts with the EIB) was 0.36%[27] (0.2% for FY 2021).

Amounts due to other lenders amounting to 202 million euros (2 million euros as of 31 December 2021) essentially refer to a Term Loan with a nominal value of 200 million euros to the parent company Cassa Depositi e Prestiti.

There were no breaches of loan agreements as at the reporting date.

Snam also has unused committed credit lines totalling 5.9 billion.

Financial covenants and negative pledge commitments

At 31 December 2022, Snam has bilateral and syndicated loan agreements in place with banks and other lenders that are not secured by collateral.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross- default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/ Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam Group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues.

At 31 December 2022, the financial debt subject to these restrictive clauses amounted to approximately 3 billion.

Bonds issued by Snam as at 31 December 2022, with a nominal value of approximately 9.5 billion, referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

27 It excludes the depreciation of the upfront fees.

18.3 Breakdown of net financial debt

The following table provides a breakdown of net financial debt, showing transactions with related parties:

(million euros)	31.12.2021	31.12.2022
A. + B. Cash and cash equivalents	1,337	1,757
C. Other current financial assets		
D. liquidity (a + b + C)	**1,337**	**1,757**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	3,115	1,280
F. Current portion of non-current financial debt (*)	1,866	1,243
G. Current financial debt (E + F)	**4,981**	**2,523**
of which with related parties	1	1
H. Net current financial debt (G - D)	**3,644**	**766**
I. Non-current financial debt (excluding current portion and debt instruments) (*)	2,411	2,457
J. Debt instruments	7,966	8,700
K. Trade payables and other non-current payables		
L. Non-current financial debt (I + J + K)	**10,377**	**11,157**
of which with related parties		200
M. Total financial debt (H + L)	**14,021**	**11,923**

(*) They include financial liabilities for leased assets recognised in accordance with IFRS 16 "Leases", of which 26 million euros are long-term and 7 million euros are short-term portions of long-term financial liabilities.

18.4 Reconciliation of net financial debt

In compliance with the provisions of IAS 7 “Statement of Cash Flows”, we provide below the cash and non-cash changes to liabilities arising from financing activities and to assets included in net financial debt.

(million euros)	31.12.2021	Changes in cash flow	Changes without impact on cash flow				31.12.2022
			Impact of IFRS 16	Change in scope of consolidation	Conversion into shares convertible bond	Other changes	
Cash and cash equivalents	1,337	427				(7)	1,757
Liquidity and financial receivables	**1,337**	**427**				**(7)**	**1,757**
Short-term financial liabilities (*)	3,115	(1,888)		53			1,280
Long- term financial payables (*)	12,223	448		59	(381)	18	12,367
Financial payables for leased assets	20	(8)	16	4		1	33
Gross financial debt	**15,358**	**(1,448)**	**16**	**116**	**(381)**	**19**	**13,680**
Net financial debt	**14,021**	**(1,875)**	**16**	**116**	**(381)**	**26**	**11,923**

(*) They include the short-term portions of long-term financial debt.

19 PROVISIONS FOR RISKS AND CHARGES

(million euros)	31.12.2021						
				Utilisations			
	Opening balance	Provisions	Increases due to passing of time	for expenses	for excess	Other changes	Final balance
Provision for decommissioning and site restoration	710		4	(21)		20	**713**
Provision for litigation	15	4			(3)		**16**
Provision for tax litigation	4	1			(1)		**4**
Other provisions	69	15		(28)	(7)		**49**
TOTAL PRO VISIONS FOR RISKS AND CHARGES	**798**	**20**	**4**	**(49)**	**(11)**	**20**	**782**

(million euros)	31.12.2022							
				Utilisations				
	Opening balance	Provisions	Increases due to passing of time	for expenses	for excess	Change in scope of consolidation	Other changes	Final balance
Provision for decommissioning and site restoration	713		12	(7)		8	(228)	**498**
Provision for litigation	16	14			(9)			**21**
Provision for tax litigation	4	8			(1)			**11**
Other provisions	49	13		(18)				**44**
TOTAL PRO VISIONS FOR RISKS AND CHARGES	**782**	**35**	**12**	**(25)**	**(10)**	**8**	**(228)**	**574**

The provision for decommissioning and site restoration (Euro 498 million) includes the discounted estimate of costs expected to be incurred for the removal of facilities and the restoration of sites essentially in the natural gas storage (411 million euros) and transportation[28] (68 million euros) segments. The discounting for the provision for decommissioning and site restoration was carried out using the corresponding to the euro area Corporate Bond returns with an "AA" rating. The rate thus determined is approximately 3.7%.

The last deadline in chronological order for disbursements related to the dismantling and restoration storage sites refers to the Bordolano concession, in 2041.

The change in the scope of consolidation (8 million euros) refers to the acquisition of the companies operating in the biomethane business.

The other changes (228 million euros) mainly refer to the effects deriving from the increase in the discount rates, mainly referring to the natural gas storage and transportation segment and partially off-set by inflation rates.

Other provisions for risks and charges (44 million euros) mainly concern: (i) charges that the Group's insurance company Gasrule Insurance DAC expects to incur for insured claims (22 million euros); (ii) the provision for voluntary redundancies (7 million euros); (iii) the provision relating to the estimate of probable charges of a fiscal and financial nature (7 million euros).

28 The costs refer to the estimated expenses for the removal of the connection works to the Livorno LNG regasification terminal - OLT Offshore LNG Toscana.

The sensitivity[29] of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate, without any change in the other assumptions.

(million euros)	Change in discount rate	
	10% reduction	10% increase
Change in the provision for decommissioning and site restoration at 31.12.2022	30	(28)

20 DEFERRED TAX LIABILITIES/ASSETS

(million euros)	31.12.2021	31.12.2022
Deferred tax liabilities, before offsetting	230	128
Offsetting with deferred tax assets	(195)	(77)
DEFERRED TAX LIABILITIES	**35**	**51**
Deferred tax assets, before offsetting	(497)	(408)
Offsettable deferred tax liabilities	195	77
DEFERRED TAX ASSETS	**(302)**	**(331)**

Deferred tax liabilities and assets, before offsetting, are analysed below, based on the nature of the most significant temporary differences:

(million euros)	31.12.2021						
	Opening balance	Changes recognized in income statement	Impact recognised in shareholders' equity	Other changes	Final balance	*Of which: IRES*	*Of which: IRAP*
Depreciation, amortisation and impairment carried out for tax purposes only	394	(336)			58	58	
Decommissioning and site restoration	114			5	119	102	17
Revaluations of tangible assets	31	3			34	32	2
Capitalisation financial expense	6				6	5	1
Write-down of excess receivables	3				3	3	
Other temporary differences	20	(9)		(1)	10	8	2
Deferred tax liabilities, before offsetting	**568**	**(342)**		**4**	**230**	**208**	**22**
Decommissioning and site restoration	(199)	4		(5)	(200)	(171)	(29)
Non-deductible depreciation and amortisation	(172)	(31)			(203)	(201)	(2)
Provisions for risks and charges and other non-deductible provisions	(52)	7	4		(41)	(37)	(4)
Grants and contractual contributions	(19)	1			(18)	(15)	(3)
Employee benefits	(6)	1	(1)		(6)	(6)	
Other temporary differences	(30)	1			(29)	(26)	(3)
Deferred tax assets, before offsetting	**(478)**	**(17)**	**3**	**(5)**	**(497)**	**(456)**	**(41)**

29 For the purposes of sensitivity, only provisions for risks and charges showing a significant accretion discount were taken into account.

(million euros)	31.12.2022							
	Opening balance	Changes recognized in income statement	Impact recognised in shareholders' equity	Other changes	Change in scope of consolidation	Final balance	*Of which: IRES*	*Of which: IRAP*
Depreciation, amortisation and impairment carried out for tax purposes only	58					58	58	
Decommissioning and site restoration	119			(119)				
Revaluations of tangible assets	34	(3)		(5)	20	46	44	2
Capitalisation financial expense	6					6	5	1
Write-down of excess receivables	3					3	3	
Other temporary differences	10	2		(1)	4	15	13	2
Deferred tax liabilities, before offsetting	**230**	**(1)**		**(125)**	**24**	**128**	**123**	**5**
Decommissioning and site restoration	(200)	(1)		119		(82)	(70)	(12)
Non-deductible depreciation and amortisation	(203)	(32)				(235)	(233)	(2)
Provisions for risks and charges and other non-deductible provisions	(41)	1				(40)	(39)	(1)
Grants and contractual contributions	(18)	1				(17)	(15)	(2)
Employee benefits	(6)		2			(4)	(4)	
Other temporary differences	(29)	(6)	5	3	(3)	(30)	(24)	(6)
Deferred tax assets, before offsetting	**(497)**	**(37)**	**7**	**122**	**(3)**	**(408)**	**(385)**	**(23)**

21 LIABILITIES FOR EMPLOYEE BENEFITS

(million euros)	31.12.2021	31.12.2022
Employee severance indemnity (TFR)	26	20
Supplementary Health Insurance for Managers of Eni companies (FISDE)	7	4
Other liabilities - employee benefits related to seniority bonuses	3	3
TOTAL LIABILITIES FOR EMPLOYEE BENEFITS	**36**	**27**

Liabilities for employee benefits, in the amount of 27 million euros, decreased by 9 million euros, mainly due to the increase in expected discount and inflation rates.

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS. Liabilities related to severance pay pre-dating 1 January 2007 remain a defined-benefit plan to be valued using actuarial methods.

FISDE includes the estimated actuarially determined charges for the contributions to be paid to serving[30] and retired managers.

30 For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

FISDE provides financial supplementary healthcare benefits to Eni Group[31] executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions by member companies; (ii) contributions paid by Shareholders for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The early retirement fund refers to expenses incumbent upon the employer from application of the implementation agreement, relating to the early retirement instrument for employees regulated pursuant to Article 4 paragraphs 1 - 7 of Law 92/2012 (the "Fornero Law").

Deferred monetary incentive plans are allocated to executives who have met the goals set out in the year preceding the allocation year, and allocate a basic incentive that is disbursed after three years and varies according to the performance achieved by the Company during the course of the three-year period following the time of the allocation. The benefit is provisioned when Snam's commitment to the employee arises. The estimate is subject to revision in future periods, based on the final accounting and updates to profit forecasts (above or below target).

The long-term monetary incentive plans, involve the granting and payment, of a variable monetary bonus tied to a measure of company performance. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting period"). This benefit is allocated pro rata over the three-year period depending on the final performance parameters. From 2017, the new share-based variable long-term incentive plan (equity ILT) was introduced instead of the long-term monetary incentive plans (IMD and ILT)[32].

Seniority bonuses are benefits paid upon reaching a minimum service period at the company and are paid in kind in the form of goods and/or services.

The composition and changes in liabilities for employee benefits, determined by applying actuarial methods, are as follows:

(million euros)	31.12.2021					31.12.2022			
	TFR	FISDE	Iso-pension Fund	Other liabilities	Total	TFR	FISDE	Other liabilities	Total
OPENING LIABILITIES FOR EMPLOYEE BENEFITS	**25**	**6**	**6**	**3**	**40**	**26**	**7**	**3**	**36**
Costs related to current services (recognized in "personnel costs")	1		(4)		**(3)**	1			**1**
Actuarial (gains)/losses resulting from experience adjustments (recognised in other components in the comprehensive income statement)	1				**1**				
Actuarial (gains) / losses resulting from changes in financial assumptions (recognised in other components in the comprehensive income statement)	1	1			**2**	(5)	(3)		**(8)**
Benefits paid	(2)		(2)		**(4)**	(2)			**(2)**
CLOSING LIABILITIES FOR EMPLOYEE BENEFITS	**26**	**7**		**3**	**36**	**20**	**4**	**3**	**27**

31 The fund provides the same benefits for Snam Group executives.
32 For more information on the characteristics of this plan, refer to the "Other information" paragraph of the Directors' Report.

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below.

(million euros)	31.12.2021			31.12.2022		
	TFR	FISDE	Other liabilities	TFR	FISDE	Other liabilities
Discount rate (%)	0.9	0.9	0.9	4.0	4.0	4.0
Inflation rate (%) (*)	1.9	1.9	1.9	2.5	2.5	2.5

(*) With reference to other liabilities, the rate refers only to seniority premiums.

The discount rate adopted was determined by considering the yields on bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Snam are subject, in particular, to interest rate risk, as a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change in the discount rate at the end of the year. It should also be noted that any changes relating to mortality do not have a significant effect on liability. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

(million euros)	Change in discount rate	
Effect on net obligation at 31.12.2022	**reduction of 0.5%**	**increase of 0.5%**
Change in TFR liabilities at 31.12.2022	0	(1)
Change in FISDE liabilities at 31.12.2022	1	0

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(million euros)	31.12.2021				31.12.2022			
	TFR	FISDE	Other liabilities	Total	TFR	FISDE	Other liabilities	Total
Within the next financial year	2			2	1			1
Within five years	4			4	5			5
Over five and up to ten years	9	1	1	11	11	1	1	13
More than ten years	11	6	2	19	3	3	2	8
TOTAL LIABILITIES FOR EMPLOYEE BENEFITS	**26**	**7**	**3**	**36**	**20**	**4**	**3**	**27**

The weighted average maturity of obligations for employee benefit plans is shown below:

(million euros)	31.12.2021			31.12.2022		
	TFR	FISDE	Other liabilities	TFR	FISDE	Other liabilities
Weighted average duration (years)	9	24	11	8	19	10

22 OTHER CURRENT AND NON-CURRENT LIABILITIES

(million euros)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Regulatory liabilities	19	42	**61**	104	112	**216**
Fair value interest rate hedging derivatives	2	1	**3**			
IRPEF withholdings for employees	7		**7**	8		**8**
Other taxes	5	14	**19**	29		**29**
Security deposits		641	**641**		1,382	**1,382**
Liabilities for connection contributions		3	**3**		6	**6**
Other	20	17	**37**	727	2	**729**
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES	**53**	**718**	**771**	**868**	**1,502**	**2,370**

Regulatory liabilities (216 million euros) mainly refer to the transportation segment (169 million euros) mainly made up of penalties charged to users that exceeded the capacity committed, to be repaid to the system through tariff adjustments. The current and non-current portions amount to 104 and 112 million euros respectively (19 and 42 million euros respectively at 31 December 2021).

Security deposits (1,382 million euros) are payments received as a guarantee mainly by the users of the balancing service, pursuant to Resolution ARG/gas 45/11.

The item "Other", equal to 729 million euros, mainly attributable to the transportation segment (706 million euros), refers to liability for the volumes of gas to use for the coming winter, in compliance with Resolution 165/2022/R/Gas "Urgent provisions for the allocation of storage capacity pursuant to the decree of the Minister of Ecological Transition 1 April 2022, n.138".

23 TRADE PAYABLES AND OTHER PAYABLES

(million euros)	31.12.2021	31.12.2022
Trade payables for the purchase of goods and services	1,348	1,546
Total trade payables	***1,348***	***1,546***
Other payables		
- Payables to the Energy and Environmental Services Fund (CSEA)	677	5,571
- Payables for investment activities	412	519
- Interim dividend	343	369
- Payables to employees	42	45
- Payables to pension and social security institutions	22	25
- Other	45	54
Total other payables	***1,541***	***6,583***
TOTAL TRADE PAYABLES AND OTHER PAYABLES	**2,889**	**8,129**

Trade payables for the purchase of goods and services (1,546 million euros) mainly relate to the transportation segment (1,163 million euros, of which 306 million euros from balancing activities).

Trade payables for investments (519 million euros) mainly relate to the natural gas transportation (353 million euros) and storage (65 million euros) segments.

Payables to the CSEA (5,571 million euros) mainly refer to: (i) payables related to the rebate of amounts obtained from the sale of gas volumes purchased for the last resort filling service in compliance with Resolution 274/2022/R/Gas (2,348 million euros); (ii) balancing liabilities (1,206 million euros); (iii) additional components (1,964 million euros).

The interim dividend (369 million euros) refers to payable to shareholders following the 2022 interim dividend of 0.11 euros per share, approved on 09 November 2022. The advance payment was made as of 25 January 2023.

Note 37 "Transactions with related parties" contains information about payables due to related parties.

24 EQUITY

(million euros)	31.12.2021	31.12.2022
Share capital	**2,736**	**2,736**
Treasury shares	**(354)**	**(33)**
Share premium reserve	**611**	**611**
Legal reserve	547	547
Cash flow hedge reserve	(54)	(39)
Reserve for defined-benefit plans for employees	(11)	(4)
Fair value reserve for equity investments	32	(12)
Reserve for business combinations under common control	(674)	(674)
Other reserves	100	212
Total reserves	**(60)**	**30**
Retained earnings	3,117	3,822
Interim dividend	(343)	(369)
Profit for the year	1,496	671
Total retained earnings	**4,270**	**4,124**
Equity attributable to Snam's shareholders	***7,203***	***7,468***
Minorities' equity	***37***	***56***
TOTAL EQUITY	**7,240**	**7,524**

24.1 Share capital

At 31 December 2022, the share capital consisted of 3,360,857,809 shares without nominal value (at 31 December 2021), against a total value of 2,735,670,475.56 euros (at 31 December 2021).

24.2 Treasury shares

The negative reserve for treasury shares includes the purchase cost of 8,101,437 treasury shares in portfolio as at 31 December 2022 (88,556,228 treasury shares, equal to 2.63% of the share capital, as at 31 December 2021), equal to 0.24% of the share capital, for a value of book equal to 33 million euros (354 million euros as at 31 December 2021). The reduction in the number of treasury shares compared with 31 December 2021 is attributable to: (i) the assignment of 79,444,888 shares to service the Snam Convertible Bond, against requests for conversion of bonds with a nominal value of 381 million euros; (ii) the free assignment of 1,760.307 shares to Snam executives under the 2019 Share-based Incentive Plan, the vesting period of which expired in July 2022, and the simultaneous repurchase, from the assignee executives themselves, of 750,404 shares to cover the amount of taxes owed by the assignees to the Authority.

Detailed information on treasury shares and long-term share-based incentive plans are shown in the "Other information" section of Directors' Report, to which reference should be made.

24.3 Share premium reserve

The share premium reserve at 31 December 2022 amounted to 611 million euros (the same at 31 December 2021).

24.4 Reserves

Legal reserve

The legal reserve amounted to 547 million euros at 31 December 2022 (unchanged at 31 December 2021) and has already reached one-fifth of the share capital as required by Article 2430 of the Italian Civil Code.

Cash flow hedge reserve

The cash flow hedge reserve (-39 million euros, -54 million euros at 31 December 2021, net of related tax effects) relates to the fair value measurement of hedging derivatives.

The changes in the reserve during the course of the year are shown below:

(million euros)	Gross reserve	Tax effect	Net reserve
BALANCE AT 01.01.2021	**(87)**	**20**	**(67)**
Changes in 2021	17	(4)	13
BALANCE AT 31.12.2021	**(70)**	**16**	**(54)**
Changes in 2022	19	(4)	15
BALANCE AT 31.12.2022	**(51)**	**12**	**(39)**

Reserve for defined-benefit plans for employees

At 31 December 2022, Reserve for defined-benefit plans for employees -4 million euros (-11 million euros at 31 December 2021) included actuarial losses, net of the relative tax effect, recognised under other components in the comprehensive income statement pursuant to IAS 19.

Fair value reserve for equity investments

The fair value reserve as at 31 December 2022 (-12 million euros; 32 million euros as at 31 December 2021) includes the change in fair value, net of tax effects of minority interests that were designated as accounted for FVTOCI upon initial recognition ("fair value recognized through other components in the comprehensive income statement"). See Note 11 "Other current and non-current financial assets" for further details.

Reserve for business combinations under common control

Reserve for business combinations under common control (-674 million euros; unchanged from 31 December 2021) recognised in 2009, relates to the value arising from the difference between the purchase cost of the Stogit investment and the related shareholders' equity attributable to the group at the date of completion of the transaction, as part of a business combination under common control (BCUCC) transaction carried out in 2009 with the former parent company Eni.

Other reserves

Other reserves of 212 million euros (100 million euros as at 31 December 2021) mainly refer to the portion of the other components in the comprehensive income statement of equity investments accounted for using the equity method related, in particular, to the change in the fair value of derivative hedging instruments.

24.5 Retained earnings

Retained earnings (4,124 million euros) include:
- prior-year profits of 3,822 million euros at 31 December 2021 (3,117 million euros as at 31 December 2021); the increase of 705 million euros was mainly due to the 2021 profit remaining after the distribution of the dividend (624 million euros) and the effects of the conversion into shares of the convertible bond that matured in March 2022;
- the interim dividend of 369 million euros, equal to 0.1100 euros per share, was approved on 09 November 2022 by the Board of Directors pursuant to Article 2433-bis, paragraph 5 of the Italian Civil Code. The interim dividend was paid out as of 25 January 2023, with an ex-coupon date of 23 January 2023 and a record date of 24 January 2023;
- profit for the year 2022 of 672 million euros (671 million euros excluding non-controlling interests).

24.6 Dividends declared and distributed and dividends to be distributed

The Ordinary Shareholders' Meeting of Snam S.p.A. resolved on 27 April 2022 to distribute a dividend of €0.1572 per share, to be paid starting from 22 June 2022 with ex-dividend date on 20 June 2022 and record date on 21 June 2022 (€527 million). The dividend for 2021 is therefore determined between an interim dividend of €0.1048 per share (€345 million), already distributed in January 2022, and the balance of €0.2620 per share.

At the meeting of 15 March 2023, the Board of Directors proposed to the Shareholders' Meeting convened for 4 May 2023, the distribution of a dividend of €0.1651 per share which will be paid starting from 21 June 2023 with ex-dividend date 19 June 2023 and record date 20 June 2023. The dividend for 2022 is therefore determined between an interim dividend, equal to 0.1100 euro per share (369 million euro), already distributed in January 2023, and balance at 0.2751 euro per share.

25 BUSINESS COMBINATIONS

Information on business combination transactions carried out during 2022, recognised in accordance with the provisions of IFRS 3 'Business Combinations' for which, as the definition of a Business Combination (BC) is applicable, Purchase Price Allocation (PPA) activities were performed, is presented below.

Acquisitions completed during 2022 that fall within the definition of 'Business Combinations' under IFRS 3

In addition to the transaction that led to the acquisition of control of Iniziative Biometano, for which reference is made to the section below entitled "Business Combination of Iniziative Biometano and evaluations performed as at as at 31 December 2022", control of 16 companies operating in the Biogas/Biomethane business was acquired in 2022. Consistent with the definition of the Group's CGUs, 10 companies were included within the Agri CGU[33], and 6 companies within the Waste CGU[34].

33 List of acquired companies: 1) Società Agricola Asola Energie Biogas S.r.l., 2) Società Agricola Tessagli Agroenergie S.r.l., 3) Società Agricola Santo Stefano S.r.l. 4) Società Agricola Agrimezzana Biogas S.r.l., 5) Società Agricola Agrimetano S.r.l. 6) Società Agricola Carignano Biogas S.r.l.; 7) Emiliana Agroenergia Società Agricola S.r.l.; 8) Piacentina Agroenergia Società Agricola S.r.l.; 9) Società Agricola San Giuseppe Agroenergia S.r.l.; 10) Società Agricola La Valle Green Energy S.r.l.

34 List of acquired companies: 1) Cupello Renerwaste S.r.l.; 2) Biowaste CH4 Anzio S.r.l., 3) Biowaste CH4 Foligno S.r.l., 4) Biowaste CH4 Group S.r.l., 5) Biowaste CH4 Genova S.r.l. 6) Biowaste CH4 Tuscania S.r.l.

For the purposes of these consolidated financial statements as at 31 December 2022, the company has carried out a preliminary purchase price allocation; the process of identifying the fair value of the assets and liabilities acquired will be completed in the following period and, in any case, within 12 months from each respective acquisition date.

The acquisitions pertaining to the Agri CGU were finalised for a total disbursement of 43 million euros, settled in full at closing. The preliminary allocation of the acquisition price resulted in the emergence of goodwill of 17 million euros and the recognition of 33 million euros allocated to intangible assets (attributable to the fair value of the plant authorizations held by the companies being acquired) in addition to the related deferred taxes of 9 million euros.

With regard to the acquisitions pertaining to the Waste CGU, against a total disbursement of 47 million euros[35], the preliminary allocation of the acquisition price resulted in the emergence of goodwill of 23 million euros and the recognition of 22 million euros allocated to intangible assets (attributable to the fair value of the plant authorizations held by the companies being acquired) in addition to the related deferred taxes of 6 million euros.

Business combination of Iniziative Biometano and evaluations performed as at 31 December 2022

On 30 September 2020, through Bioenerys (formerly Snam4Environment), Femogas S.p.A. acquired a 50% investiment in the share capital of Iniziative Biometano S.p.A., a company that operates in the management of biogas and biomethane plants fuelled by biomasses of agricultural origin in Italy; the investment acquired, granted the right to jointly control Iniziative Biometano S.p.A.

On 11 April 2022, following the exercise of a call option provided for within the contractual agreements between the shareholders, Bioenerys increased its shareholding in Iniziative Biometano S.p.A. from 50% to 51% of the share capital, resulting in the consequent acquisition of control instead of joint control; the transaction, within Snam's condensed interim consolidated financial statements at 30 June 2022, was recognised in accordance with the provisions of IFRS 3 'Business Combinations'.

On 22 December 2022, Bioenerys and Femogas S.p.A. signed a binding term sheet, aimed at outlining the execution of a series of transactions that will lead Snam, in 2023, to lose control of Iniziative Biometano and certain companies controlled by it.

For more details, see Note 17 'Assets Held for Sale and Directly Associated Liabilities'.

26 GUARANTEES AND COMMITMENTS

The Group's guarantees and commitments are highlighted below:

(million euros)	31.12.2021	31.12.2022
GUARANTEES GIVEN ON BEHALF OF COMPANIES UNDER JOINT CONTROL AND ASSOCIATES	1,129	1,230
Of which:		
- associate TAP	1,129	1,129
- company under joint control TAG		89
- other associates		12
GUARANTEES GIVEN IN THE INTEREST OF SUBSIDIARIES	*221*	*632*
TOTAL GUARANTEES	1,350	1,862
GROUP COMMITMENTS FOR THE PURCHASE OF GOODS AND SERVICES (*)	*988*	*2,058*
COMMITMENTS TO SUBSCRIBE UNITS IN INVESTMENT FUNDS	*33*	*41*
COMMITMENTS FOR THE SUBSCRIPTION OF SHARES		*6*
TOTAL COMMITMENTS	1,021	2,105

(*) The value includes legally binding orders at the reference date.

35 The purchase price of 47 million euros was settled at the closing in the amount of 44 million euros, while the remaining 3 million euros refers to contractually agreed earn-outs.

26.1 Guarantee given on behalf of the associate TAP

26.1.1 Guarantee given on behalf of the associate TAP

At present, and until repayment of the loan, a mechanism is foreseen to support the repayment of the TAP outstanding financial debt (the so-called "Debt Payment Undertaking") which would be activated, unlike the guarantee on first demand, released upon reaching the "Financial Completion Date" on 31 March 2021, upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature. The maximum pro-rata Snam amount of the guarantee is 1,129 million euros.

The financial documentation signed under the scope of the Project Financing concluded for TAP foresees, moreover, some limitations for the shareholders typical for operations of this type, including: (i) a restriction on the possibility of TAP shares being freely available according to certain time frames; (ii) the pledging of the shares owned by Snam in TOP in favour of the lenders for the entire duration of the loan.

26.1.2 Guarantee given on behalf of the company under joint control TAG

The contractual agreements (Shareholders' Agreements) stipulated between Snam and GCA provide, inter alia, that in the case of new investment projects, if TAG is not capable of self-financing, the other companies must finance it according to the equity investment held by each shareholder.

In addition, following the worsening of the economic scenario dominated by tensions and uncertainties generated by the recent Russia-Ukraine conflict, the shareholders Snam and GCA have guaranteed TAG on the coverage of any liquidity shortfalls should the company not be able to use the credit lines already at its disposal and/or in the process of being finalised, for a period equal to 12 months from the date of issuance of the audit report on the 2021 financial statements of TAG (i.e. starting from 30 June 2022) and for a maximum amount equal to 100 million euros in proportion to their respective stakes in the company's share capital (for Snam, a potential maximum outlay of approximately 89 million euros).

26.2 Guarantees given on behalf of subsidiaries

Guarantees given in the interest of subsidiaries (632 million euros; 221 million euros as at 31 December 2021) mainly relate to:

(i) guarantee provided in the interest of Snam FSRU Italia S.r.l. in connection with the acquisition of FSRU BW Singapore;
(ii) guarantees provided in favour of the Italian Revenue Agency mainly on behalf of the subsidiaries Stogit, GNL, Snam4Mobility, Cubogas and Enura (147 million euros);
(iii) indemnities issued in favour of third parties as a guarantee of proper performance of the work (79 million euros);
(iv) surety guarantees issued by Iniziative Biometano S.p.A. on behalf of companies controlled by the latter (17 million euros).

26.2.1 Guarantee given in the interest of Snam FSRU Italia S.r.l. in connection with the acquisition of FSRU BW Singapore

With the signing, on 6 July 2022, of the Share Sale and Purchase Agreement (SPA) for the acquisition of 100% of the share capital of FSRU I Limited (NewCo which at the closing, scheduled for the end of 2023, will hold the FSRU "BW Singapore"), Snam S.p.A. has issued a Parent Company Guarantee in favor of the seller BW Gas Cyprus Limited in the interest of Snam FSRU Italia S.r.l.

The guarantee concerns all payments due on the closing date by Snam FSRU Italia S.r.l. to the seller under the SPA, corresponding to:

- USD 355 million, equal to a total of 333 million euros (at the spot exchange rate at December 31, 2022), equal to the residual amount of the acquisition price to be paid to the seller;
- the value of the fuel and LNG on board the FSRU on the closing date which will be determined and ascertained in accordance with the procedures set out in the SPA.

26.3 Group commitments for the purchase of goods and services

The commitments for the purchase of goods and services (2,058 million euros; 988 million as at 31 December 2021) mainly regard the commitments made with suppliers for the purchase of tangible fixed assets and the supply of services relative to the investments being made.

26.4 Commitments to subscribe units in investment funds

Commitments to subscribe units in investment funds (41 million euros) relate to: (i) Snam S.p.A.'s residual commitment to the Clean H2 Infra Fund (HY24) (33 million euros), as part of the investment programme that the fund proposes to carry out over a total of six years; (ii) Snam S.p.A.'s residual commitment to the CDP Corporate Partners I - Energy Tech Fund (8 million euros), as part of the investment programme that the fund proposes to carry out over a total of five years. These funds may be called, even partially and in several tranches, upon identification by the Fund of potential eligible investments pursuant to the fund rules.

26.5 Other unevaluated commitments and risks

Other unevaluated commitments and risks refer mainly to commitments undertaken at the time of the closing of equity purchase transactions, which will continue to apply after the date of execution of those transactions.

As of 31 December 2022, commitments related to the following agreements remain in place:
- the contract through which Eni acquired Stogit, for commitments related to the occurrence of future events, such as (i) the possible different valuation of the gas owned by Stogit, compared to the valuation recognised by ARERA (Autorità di Regolazione per Energia Reti e Ambiente- Energy, Networks and Environment Regulatory Authority) which may emerge in certain contractually defined circumstances; (ii) the possible transfer of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held by Stogit at the time of the share transfer that may become dedicated to mainly storage activities which are no longer regulated;
- contract to purchase an equity interest in dCarbonX Ltd, for commitments related to the occurrence of future events, including obtaining certain licences and authorisations from dCarbonX Ltd.

27 FINANCIAL RISK MANAGEMENT

27.1 Introduction

The main corporate financial risks identified, monitored and, where specified below, managed by Snam are as follows:
- the risk arising from exposure to fluctuations in interest rates;
- the credit risk arising from the possibility of default by a counterparty;
- the liquidity risk arising from the lack of financial resources to meet short-term commitments.

With regard to the exposure to exchange rate risk, due to the situations currently in place, Snam group's exposure is currently limited with regard to transaction risk, while there is still exposure to translation risk with regard to certain foreign investees that prepare their financial statements in currencies other than the euro. At present, it has been decided not to adopt specific hedging policies for these exposures. For instance, it should be noted that the effects of exchange rate differences deriving from the difference in translation into currency presentation (euro) of the functional currencies of these companies are recognised in the Comprehensive Income Statement.

Snam policies and principles for the management and control of financial risks are described below, in accordance with the approach set out in IFRS 7 - Financial Instruments: Disclosures.

27.2 Risk of changes in interest rates

The risk of changes in interest rates is associated with fluctuations in interest rates affecting the market value of the Company's financial assets and liabilities and its net financial expense.

Snam's objective is to optimize the interest rate risk while pursuing its financial objectives.

Snam Group has adopted a centralised organisational model. In accordance with this model, Snam's various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile stays within defined limits.

At 31 December 2022, the Snam Group used external financial resources in the form of bond loans and bilateral and syndicated loans with banks and other financial institutions, in the form of medium- to long-term loans and bank credit lines at interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), and at fixed rates. The exposure to the risk of changes in interest rates at 31 December 2022, taking into account the hedging transactions put in place, was approximately 20% of the total exposure of the Group (28% at 31 December 2021). At 31 December 2022, Snam had interest rate swap (IRS) derivative contracts in place for a notional total of 106 million euros, relating to hedges on a 106 million euros floating-rate bond maturing in 2024.

Though the Snam Group has an active risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk could have negative effects on Snam Group's operations, equity situation and financial position. Even considering the limited exposure to changes in interest rates, limited to 20% of the Group's total exposure and fully attributable to the Euribor rate, a possible change in the method of calculating the latter and the related fall-back clauses that may be formulated could result in the Snam Group having to adjust the financial contracts that may be affected by the aforementioned change and/or the management of prospective cash flows.

The effects on shareholders' equity and net profit at 31 December 2022 are shown below, assuming a hypothetical change in the interest rate basis points of +/-10% actually applied during the course of the year:

(million euros)	31.12.2022			
	Income statement result		Other components in the comprehensive income statement	
	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Interest rate change effect	(3)	3		
Impacts gross of tax effect	*(3)*	*3*		
Tax effect	1	(1)		
IMPACTS NET OF TAX EFFECT	**(2)**	**2**		

(*) The change in the interest rate impacts on the change of fair value of derivative hedging instruments recognised amongst other components in the comprehensive income statement and, therefore, does not impact on the income statement result.

27.3 Credit risk

Credit risk is the Company's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default on or delayed payment of fees may have a negative impact on Snam's economic results and financial balance. For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any disputes are handled by the business units and the centralised Snam departments.

For trade receivables, provisions for bad debts reflect the value of expected losses over the life of the receivable and are made on the basis of the expected credit loss model or specifically on credit positions that present special risk elements. For further details, please refer to Note 5 "Significant Accounting Policies - Financial assets measured at amortized cost".

Snam, as far as regulated activities are concerned, which currently represent almost all activities, provides its business services to 230 operators in the gas sector, with 10 operators representing approximately 67% of the entire market (Eni, Edison and Enel Global Trading hold the top three spots). The rules for Costumer access to the services offered are established by the Authorities and set out in the Network Codes.For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in selling and providing said services and contain contractual conditions, which significantly reduce the risk of customer default. The Codes contain guarantees to be provided to cover the obligations undertaken. In certain cases, if the customer has a credit rating issued by leading international organisation, the issuing of these guarantees can be mitigated. The regulations also contain specific clauses which guarantee the neutrality of the entity in charge of balancing, an activity carried out from 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, the current balancing rules require that Snam, on the basis of financial merit criteria, mainly, operates in buying and selling on the GME balancing platform to guarantee the necessary resources for the safe and efficient movement of gas from the injection points to the withdrawal points in order to guarantee the constant equilibrium of the network.

As regards non-regulated activities, which will become increasingly important over the Plan time horizon, the Company, through its centralised functions, performs a prior analysis of the financial soundness of counterparties in order to minimise this risk.

Snam's maximum exposure to credit risk as at 31 December 2022 is represented by the book value of the financial assets recorded in the financial statements, detailed in Note 15 "Trade and other receivables".

The following table shows a breakdown of trade and other receivables by maturity, indicating the gross value and the value net of the provision for impairment losses:

(million euros)	31.12.2021			31.12.2022		
	Trade receivables (*)	Other receivables	Total	Trade receivables (*)	Other receivables	Total
Non-overdue receivables	**2,412**	**602**	**3,014**	**3,686**	**380**	**4,066**
Overdue receivables:	**317**		**317**	**558**		**558**
- from 0 to 3 months	*116*		*116*	*345*		*345*
- from 3 to 6 months	*54*		*54*	*60*		*60*
- from 6 to 12 months	*8*		*8*	*23*		*23*
- beyond 12 months	*139*		*139*	*130*		*130*
Total trade receivables and other receivables	**2,729**	**602**	**3,331**	**4,244**	**380**	**4,624**

(*) The values are shown net of provision for bad debt of an amount equal to 100 million euros (85 million at 31 December 2021).

The net book value of trade receivables past due at 31 December 2022 and not written down, amounting to 558 million euros, mainly refers to trade receivables of companies operating in regulated businesses; in particular they refer to: (i) the transportation segment (442 million euros), mainly for receivables from users related to balancing and settlement service items. These receivables fall within the neutrality mechanisms envisaged by the current regulatory framework; (ii) to the storage segment (77 million euros), in particular VAT invoiced to users for the use of strategic gas unduly withdrawn and not replenished by them within the terms established by the Storage Code during 2010 and 2011. As provided for under the applicable legislation, notices of VAT changes may be issued at the end of bankruptcy proceedings and unsuccessful enforcement proceedings.

The following is a description of the credit recovery activities carried out against certain users of the transportation and balancing system and the storage system.

27.3.1 Recovering receivables from certain users of the transportation and balancing system

The balancing service ensures that the network is safe and that costs are correctly allocated between the market operators. Balancing has both a physical and a commercial purpose. The physical balancing of the system consists of the set of operations through which the Dispatching department of Snam Rete Gas controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times. Commercial balancing consists of the activities required to correctly schedule, account for and allocate the transported gas, as well as the fee system that encourages users to maintain a balance between the volumes they inject into and withdraw from the network.

Pursuant to the balancing regime, which was introduced by Resolution ARG/gas 45/11 and came into effect on 1 December 2011, in its role as Balancing Supervisor, Snam Rete Gas must ensure that it procures the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Gestore dei Mercati Energetici (GME), and, accordingly, it must financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the "principle of economic merit"). The Company must also ensure that it recovers sums owed for the settlement of imbalances from any defaulting users.

Unpaid receivables relating to the period from 1 December 2011 to 23 October 2012

The initial regulation laid down by the Authority with Resolution ARG/gas 155/11 stated that Users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the Authority.

With a subsequent resolution 351/2012/R/ gas[36], the Authority provided for the application of the CVBL variable unit fee to cover uncollected receivables, arranging for the charges to be recovered to be spread over a minimum of 36 months with a maximum monthly amount of 6 million euros.

The Authority subsequently launched a fact-finding investigation into the way in which the balancing service was provided for the period between 1 December 2011 and 23 October 2012[37]. The investigation was closed by Resolution 144/2013/E/gas of 5 April 2013. On the same date, the Authority: (i) opened proceedings to determine the share of costs arising from uncollected receivables owing to the gas balancing supervisor for the period 1 December 2011 - 23 October 2012; and (ii) opened six proceedings aimed at establishing whether there have been violations regarding the natural gas balancing service.

With regard to the preliminary investigation discussed in point (i) above, the proceedings were closed by means of Resolution 608/2015/R/gas, with which the Authority decided not to pay a share of the uncollected receivables in relation to specific cases analysed in the preliminary investigation, in any case subject to Snam Rete Gas's right to withhold the receivables relating to the income statement entries on balancing, possibly already recuperated. The Company appealed Resolution 608/2015/R/gas, before the Regional Administrative Court of Milan, which partially admitted the appeal submitted by the Company with ruling 942/2017; this was in turn partially appealed by the Company and the Authority. The judgement was then confirmed by Council of State judgement no. 1630/2020.

During the above-mentioned investigation period, Snam Rete Gas, having terminated the transportation contracts of the six users involved in the aforementioned proceedings since they either defaulted on payments or failed to comply with the balancing obligations set forth in the industry regulations and the Network Code, initiated steps to recover the receivables relating to balancing and transport items.

The competent legal authorities have issued eleven provisionally enforceable injunction orders, six of which relate to receivables related to the balancing service and five to receivables for the transportation service[38], for which Snam Rete Gas has initiated enforcement procedures that have led to the recovery of negligible amounts with respect to the overall debt position of the Users, also in consideration of the bankruptcy procedures initiated in the meantime by all the users in question.

36 The aforementioned resolution was annulled pursuant to the ruling 1587/2014 of the Regional Administrative Court of Milan insofar as the obligation of Users to pay the CVBL consideration of 0.001 €/Scm with effect from 1 October 2012. Moreover, with the subsequent Resolution 372/2014/R/gas the coefficient was redefined at the same amount of 0.001 €/Scm.

37 The time period set for the preliminary investigation which was initially limited to 1 December 2011 - 31 May 2012, was subsequently extended to 23 October 2012.

38 The users in question have appealed against some of these injunctions. Specifically, as well as requesting the suspension of the provisional enforceability and the revocation and/or declaration as null and void of the injunctions themselves, three users have submitted counterclaims requesting that Snam Rete Gas be ordered to compensate them for alleged damage suffered. The oppositions were declared null and void, with the resulting lapse of the demand and the passage into judgement of the injunction decrees.

In particular, at present:
- five Users were declared bankrupt. With regard to all five Users, Snam Rete Gas obtained measures for admission to the list of creditors for the receivable owed, plus interest. As part of these proceedings, a proposal for arrangement with creditors was submitted and approved by the majority of the creditors; the bankruptcy proceedings, following the final distribution, were closed. A second procedure was also closed after approval and execution of the final distribution;
- a User applied for admission to the arrangement procedure and the Judicial Authority issued the approval of the arrangement[39].

Unpaid receivables after 23 October 2012

In 2013, two further transportation contracts were terminated and Snam Rete Gas initiated injunction proceedings.It obtained three payment orders, of which two for receivables relating to the balancing service and one for the transportation service. Both Users appealed, with the relative rulings rejecting the claims and consolidating the securities acquired by Snam Rete Gas. The executive procedures that were initiated resulted in a negligible recovery of amounts when compared to the overall amounts due from the Users which were then declared bankrupt. Snam Rete Gas regularly submitted its claims in the respective arrangements with creditors. The insolvency proceedings both ended with the recovery of minimal amounts with respect to the bankrupt company's overall debt.

In 2014, a further transport contract was terminated and Snam Rete Gas initiated provisional executive procedures for recovery of the receivables, one relating to balancing services and the other to transportation services. The User was declared bankrupt and Snam Rete Gas was admitted to the current list of creditors for the entire debt due, plus interest.

Finally, in 2015 a further transportation contract was terminated and Snam Rete Gas initiated debt recovery measures, securing two provisional executive injunctions against the User, one for the balancing service and the other for the transport service. The User was subsequently declared bankrupt and Snam Rete Gas has regularly submitted its claims for the arrangements with creditors. Given the insolvency of the bankrupt, the bankruptcy proceedings ended without recovery of any sums.

Snam Rete Gas, as stated in the provisional executive injunctions issued by the Court, has engaged in proper conduct and complied with the provisions of the transportation contract, the Network Code and, more generally, the applicable legislation.

Lastly, we note that on 12 February 2016 the Public Prosecutor at the Court of Milan ordered the urgent preventive seizure of the moveable and fixed assets belonging to companies and attributable in various guises to the above-mentioned five Users. In May 2017, the investigation was concluded and the investigated parties were charged with the being involved in a criminal association and committing aggravated fraud against Snam Rete Gas. At the preliminary hearing set for 19 December 2018, the Judge accepted Snam Rete Gas joining the proceedings as a civil party. The Court granted the pre-trial requests and declared the trial open.

Following the conclusion of the preliminary hearing, the Court on 15 February 2023 recognized the criminal liability of the defendants, condemning them, inter alia, to pay compensation for damages in favor of Snam Rete Gas. We are awaiting the filing of the reasons for the sentence, which is set within 90 days.

These criminal proceedings resulted in the formal complaint report (and subsequent supplementary reports) filed by Snam Rete Gas, as offended party, in October 2012 for the crimes of falsehood and aggravated fraud.

27.3.2 Recovering receivables from users of the storage system

Withdrawals made from strategic storage by three users, invoiced by Stogit and not replenished by the user under the terms specified by the Storage Code

Following withdrawals from strategic storage made by a User in November and December 2010, Stogit asked for and obtained an injunction with regard to the sums due that the user failed to pay.The provisional enforceability was confirmed during the opposition launched by the opposing party. The appropriate executive actions were launched as a result.

Following the withdrawals and the failure to replenish the strategic gas in the initial months of 2011 as well, Stogit requested and obtained a second provisional executive injunction for the further sums accrued.

Urgent proceedings were also launched for the replenishment of all the gas unlawfully withdrawn, concluding with the conviction of the debtor, with the subsequent application for injunctive relief also being rejected.

In 2012 the above user together with another two users (who also defaulted with regard to Stogit) were added to the proceedings for an arrangement with creditors, in which Stogit formally transmitted and documented the amounts of its receivables with these users.

39 In respect of the approval provision, a claim was brought before the Court of Appeal of Turin, and – in respect to the confirmation procedure adopted by the same Court – the appeal was brought before the Court of Cassation, which subsequently rejected the appeal.

Moreover, following the sub-proceedings to dismiss the arrangement, the Court of Asti declared two of the above-mentioned users bankrupt. In both cases, Stogit promptly filed a proof of claim and its receivables were admitted in full.

However, the procedure for an arrangement with creditors is continuing with regard to the third user, which was appealed by one of the creditors. The Court of Appeal of Turin issued a ruling, confirming the approval of the arrangement with creditors.

Withdrawals made from strategic storage by a user, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, ascribable to the 2010-2011 and 2011-2012 thermal years

Stogit filed with the Civil Court of Milan for a payment injunction provisionally enforceable against one User pursuant to Article 186- ter.

At present, following the partial restitution of gas in the wake of legal action brought, Stogit is still owed approximately 23.6 million euros SCM.

Stogit has therefore taken the appropriate actions. The Court of Rome then declared the User bankrupt and Stogit submitted its claim, which was accepted.

Withdrawals made from strategic storage by a User, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, relating to October and November 2011

Stogit filed with the Civil Court of Milan for a provisionally enforceable payment injunction, brought because of improper withdrawals, in respect of which Stogit still was owed approximately 56.0 million euros SCM.

While the proceedings were ongoing, the Court of Rome declared the User bankrupt. Consequently, the Civil Court of Milan declared the case interrupted and Stogit submitted its claim, which was accepted, during which the final distribution of assets was made and, consequently, in 2020, the proceedings were closed, during which no amounts were paid to the Company.

27.4 Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments.This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern.

Under the financial plan, Snam's risk management system aims to establish a financial structure that, in line with the business objectives, ensures sufficient liquidity for the Group, minimising the relative opportunity cost and maintaining a balance in terms of the duration and composition of the debt.

The financial market is characterised by a continuous growth of sources of financing for companies able to improve the environmental impact of their investments. The interest of the investors is linked and subordinated to the ability of the companies themselves to achieve certain objectives in terms of environmental sustainability.

With a view to the correct management of liquidity risk, the diversification of funding sources also through the use of sustainable finance instruments is therefore crucial to guarantee companies wide access to financial markets at competitive costs, with consequent positive effects on the economic situation, equity and financial position of the companies themselves.

Similarly, for Snam, the failure to achieve certain KPIs in the ESG area, within the general objective of the Group to make its business more sustainable in the medium-long term, could lead to higher financing costs or to the lack of access to some sources of funding.

Mitigation of this risk is based on Snam's extreme attention to ESG issues, traditionally a significant and structured part of the company's strategy.

Consistent with this approach, during 2018 Snam finalised the transformation of its 3.2 billion euros syndicated credit lines into sustainable loans, constituting at the time the third largest sustainable loan signed in the world and the first by a gas utility. This loan provides for bonus/malus mechanisms based on the achievement of certain KPIs in the ESG (Environment, Social, Governance) area. In addition, Snam issued (i) in February 2019, its first 500 million euros Climate Action Bond, (ii) between 2020 and 2021 Transition Bonds for 2,350 million euros (iii) in January 2022, the inaugural dual-tranches Sustainability-linked Bond (SLB) for 1.5 billion euros, whose economic performance is linked to the achievement of certain sustainability targets, and (iv) in November 2022 the inaugural EU Taxonomy-Aligned Transition Bond for 300 million euros. These are aimed at financing investments in environmental sustainability and energy transition, while

for SLB instruments the return is linked to the achievement of methane and CO_2 emission reduction targets. It should be noted that the January 2022 issue was associated with a Liability Management exercise that led to the repurchase of 350 million euros of bonds to proactively manage future debt maturities and accelerate the transition from plain vanilla bonds to sustainable finance instruments. In 2022, Snam finalised with major relationship banks (i) Revolving Credit Facilities (RCF) for a total of 1.2 billion euros, of which 1.1 billion euros in KPI-linked format (ii) bank loans for 375 million euros, of which 275 million euros in Green loan and KPI-linked format and (iii) a bank loan agreement for 1.5 billion euros with a maximum term of 24 months. During 2020, Snam also renewed its Euro Commercial Paper programme, increased from 2 to 2.5 billion euros, linking it to environmental and social sustainability objectives in line with the sustainable loan and obtaining an ESG rating for the instrument equal to EE assigned by the ESG rating company Standard Ethics, confirmed in 2021 and increased to EE+ in 2022. Finally, in June 2021, Snam signed a loan agreement with the European Investment Bank (EIB) for a total of 150 million euros to support the group's energy efficiency projects in the residential and industrial sectors. Specifically, the agreement concerns initiatives totalling 200 million euros planned by the subsidiary TEP Energy Solutions, which consist mainly in the energy upgrading of residential buildings and the implementation of energy efficiency and decarbonisation measures for industrial activities, including the installation of photovoltaic panels. The loan is characterised by a framework loan structure, which can be used in several tranches within a period of three years; each tranche will have a maximum total duration of 15 years. As at 31 December 2022, this line was utilised for approximately 110 million euros. As shown in section 27.2 “Risk of changes in interest rates”, the Company had access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the European Investment Bank (EIB), bond loans and Commercial Papers).

Snam’s objective is to maintain a debt structure that is balanced in composition between bond loans and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

At 31 December 2022, Snam had unused committed long-term credit lines for an amount of around 5.9 billion euros, of which (i) syndicated credit lines of 4.65 billion euros (ii) Revolving Credit Facilities (RCF) for a total of 1.2 billion euros (iii) approximately 40 million euros relating to the framework loan signed with the EIB in June 2021. At 31 December 2022, Snam has a Euro Medium Term Notes (EMTN) programme in place for a maximum total nominal value of 13 billion, used for approximately 9.5 billion euros and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of 2.5 billion euros, used at 31 December for 1,130 million euros.

Snam’s cash and cash equivalents mainly refer to current accounts and bank deposits readily collectable.

The Group’s main long-term financial payables include covenants that are typical of international practice, such as negative pledge and pari passu clauses. Failure to meet these clauses, and the occurrence of other events, for example cross-default events, may result in Snam’s failure to comply and could trigger the early repayment of the relative loan, resulting in additional costs and/or liquidity issues. There are no covenants among commitments that involve compliance with ratios of an economic and/or financial nature.

Among the factors that define the risk perceived by the market, creditworthiness, assigned to Snam by rating agencies, plays a decisive role because it influences their ability to access sources of financing and the related economic conditions. A worsening of this creditworthiness could therefore constitute a limitation on access to the capital market and/or an increase in the cost of sources of financing, with consequent negative effects on the Group’s economic situation, equity and financial position.

Snam’s long term rating is: (i) Baa2 with negative outlook, confirmed on 06 September 2022 by Moody's Investor Services; (ii) BBB+ with stable outlook, confirmed on 06 February 2023 by Standard & Poor's Global Rating (“S&P”); (iii) BBB+ with stable outlook, confirmed on 16 February 2023 by Fitch Ratings (“Fitch”). Snam’s long-term rating by Moody’s, Fitch and Standard & Poor’s is a notch higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam’s current rating. In this regard, it should be noted that on 30 September 2022, Moody's confirmed the rating of the Italian Republic, maintaining the negative outlook, which had already been lowered on 5 August 2022; this action had caused Snam's Outlook to be revised to negative on 9 August 2022. On 26 July 2022, S&P revised the Italian Republic's Outlook from positive to stable, with corresponding action on Snam's Outlook on 29 July 2022. The next reviews of the Rating Agencies for the Italian Republic are scheduled for 21 April 2023 for S&P, 12 May 2023 for Fitch, 19 May 2023 for Moody's.

The company’s short-term rating, used as part of Snam’s Commercial Paper programme, is P-2 for Moody’s, A-2 for S&P and F2 for Fitch.

Although the Snam Group has relations with diverse counterparties with a high credit standing, based on the management policy and ongoing monitoring of their credit risk, the default of a counterparty or the difficulty to liquidate assets on the market could have negative effects on Snam Group’s operations, equity situation and financial position.

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments and other liabilities connected to derivative instruments:

		Contractual cash flows						
(million euros)	Book value as at 31.12.2021	Total flows	2022	2023	2024	2025	2026	Beyond
Bank loans	3,695	3,695	1,297	457	719	121	120	981
Bond loans (*)	9,138	9,139	1,130	879	1,191	1,339	1,250	3,350
Euro Commercial Paper - ECP	2,503	2,500	2,500					
Financial interests	356	356	93	65	56	39	29	74
Financial payables for leased assets	20	20	6	4	3	3	2	2
Other lenders	2	2	2					
Trade payables and other payables	2,889	2,531	2,521	10				
TOTAL CONTRACTURAL FLOWS OF FINANCIAL LIABILITIES	**18,603**	**18,243**	**7,549**	**1,415**	**1,969**	**1,502**	**1,401**	**4,407**

(*) Future payments include the cash flow generated by hedging derivative contracts.

		Contractual cash flows						
(million euros)	Book value as at 31.12.2022	Total flows	2023	2024	2025	2026	2027	Beyond
Bank loans	2,860	2,851	618	721	237	152	227	896
Bond loans (*)	9,457	9,459	718	1,171	1,267	1,550	553	4,200
Euro Commercial Paper - ECP	1,128	1,130	1,130					
Financial interests	803	803	147	132	111	96	70	247
Financial payables for leased assets	33	33	7	6	5	5	2	8
Other lenders	202	202	2				200	
Trade payables and other payables	8,129	8,129	8,129					
TOTAL CONTRACTURAL FLOWS OF FINANCIAL LIABILITIES	**22,612**	**22,607**	**10,751**	**2,030**	**1,620**	**1,803**	**1,052**	**5,351**

(*) Future payments include the cash flow generated by hedging derivative contracts.

With reference to the payment terms for trade and other payables, please see Note 23 “Trade payables and other payables”.

27.5 Fair value of financial instruments

It should be noted that, with the exception of the valuation of derivative agreements and minority investments, financial assets and liabilities, depending on the characteristics of the instrument and the business management adopted for their management, entirely come under the financial instruments valued through the amortised cost method.

The following table shows the book value and fair value for each financial asset and liability, including the relative level of the fair value hierarchy. Information on the fair value of financial assets and liabilities not valued at fair value is excluded, when their book value represents a reasonable approximation of the fair value, such as for example cash and cash equivalents, trade receivables and other receivables as well as trade payables and other payables.

The book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(million euros)	Book value	Fair Value			Book value	Fair Value		
	Balance at 31.12.2021	Level 1	Level 2	Level 3	Balance at 31.12.2022	Level 1	Level 2	Level 3
Cash and cash equivalents	1,337				1,757			
Trade receivables and other receivables	3,331				4,624			
Long- and short-term financial receivables (a)	307		324		119		114	
Total financial assets measured at amortised cost	**4,975**		**324**		**6,500**		**114**	
Minority investment accounted at FVTOCI (b)	94	59		35	52	13		39
Total financial assets measured at fair value	**94**	**59**		**35**	**52**	**13**		**39**
Trade payables and other payables	(2,889)				(8,129)			
Current and non-current financial liabilities	(15,358)	(9,394)	(6,233)		(13,680)	(8,089)	(4,241)	
Total financial liabilities measured at amortised cost	**(18,247)**	**(9,394)**	**(6,233)**		**(21,809)**	**(8,089)**	**(4,241)**	
Assets (liabilies) for Derivative hedging instruments (c)	(3)		(3)		4		4	

(a) The item is classified as "other current financial assets" and "other non-current financial assets". See Note 11 "Other current and non-current financial assets" for further details.
(b) This item includes the minority investment accounted at FVTOCI. See Note 11 "Other current and non-current financial assets" for further details.
(c) The item is classified as other assets/liabilities. See Note 13 "Other current and non-current financial assets" and Note 22 "Other current and non-current liabilities" for further details.

Below is the classification of financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

a) level 1: prices listed (and not amended) on active markets for the same financial assets or liabilities;
b) level 2: measurements made on the basis of inputs differing from the listed prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
c) level 3: inputs not based on observable market data.

28 CRIMINAL AND TAX DISPUTES AND PROCEEDINGS WITH THE REGULATORY AUTHORITY ARERA

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Snam believes that these proceedings and actions will not have material adverse effects.

The following is a summary of the most significant proceedings; unless indicated otherwise, no allocation has been made for the litigation described below because the Company believes it improbable that these proceedings will have an unfavourable outcome or because the amount of the allocation cannot be reliably estimated.

At 31 December 2022, risks concerning compensation and disputes related to litigation that is ongoing but where the risk of losing the case is not considered probable amounted to 42 million euros (43 million euros at 31 December 2021).

28.1 Criminal litigation

Snam Rete Gas S.p.A. - Event Pineto

On 6 March 2015 in Mutignano landslide affected 10 metres of the San Benedetto Del Tronto-Chieti section of the Ravenna-Chieti pipeline, causing it to break with the consequent escape of gas, with a subsequent fire due an electricity pylon collapsing at the same time.

With regard to this event, the Public Prosecutor at the Court of Teramo immediately opened an investigation into negligence associated with the forest fire. Upon completion, the Prosecutor requested the Snam Rete Gas technicians and technical managers be brought to court. The committal to trial was ordered by the preliminary hearing judge for 3 October 2018. At the first main hearing on 10 January 2019, the presiding member of the bench asked the defence and the Public Prosecutor to comment on moving the proceedings to a single judge proficient in this issue. The parties referred to the decision of the Court, which after a short period in council chambers, passed the proceedings onto a competent single judge. The first main hearing was held on 17 September 2020, at which all parties presented their requests for evidence. In the past hearings, the examination and cross-examination of the witnesses of the Public Prosecutor's Office took place, and for the continuation of the activities, the Judge adjourned the hearing to March 2023 for the conclusion of the hearing of the technical consultants of the Public Prosecutor's Office and for the start of the witness examination of the technical consultants of the defence.

28.2 Proceedings with the Autorità di Regolazione per Energia Reti e Ambiente - ARERA

Snam Rete Gas S.p.A. - Investigation into violations on the subject of natural gas metering with regard to Snam Rete Gas S.p.A and request for information

Through Resolution VIS 97/11, notified on 15 November 2011, the ARERA started proceedings to look into whether there were any violations with regard to natural gas metering, relating to alleged irregularities in gas metering with reference to 45 systems owned by the distributor; through Resolution 431/2012/S/Gas the proceedings were brought together with other proceedings involving said events contested by the company launched with regard to the distributor involved.

Snam Rete Gas S.p.A. has submitted proposals in relation to the alleged conduct. By means of Resolution 332/2015/S/gas, the ARERA declared the proposals to be inadmissible, on the grounds that they would not be adequate to restore the alignment of interests existing before the alleged violations or to eliminate any immediate and direct consequences of these violations.

Upon completion of the investigation on 20 October 2017, the ARERA notified the results to Snam Rete Gas, which confirmed the charges made when the proceedings were initiated. The company has requested time for it to formulate its own defence and, to this end, a hearing was called before the board of the Authority on 1 March 2018 during which the defence brief was submitted. After the proceedings, the Authority, although accepting some of the Company's arguments deemed relevant from the perspective of the quantification of the fine, imposed an administrative monetary fine on Snam Rete Gas, through resolution 206/2018/S/gas of 5 April 2018, of 880 thousand. Though it paid the fine, the Company has appealed Resolution 206/2018/S/gas before the Regional Administrative Court of Milan. As a result of the hearing in June 2022, with ruling 2142/2022 published on 29 September 2022, the Regional Administrative Court upheld Snam Rete Gas's appeal insofar as it complained of the excessive duration of the punitive proceedings. ARERA promptly appealed the ruling before the Council of State.

Snam Rete Gas S.p.A. - Resolution 9/2014/S/gas – "Launch of punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas"

With Resolution 9/2014/S/gas the ARERA launched punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas.The proceedings aim to ascertain whether or not delays exist in provisions relating to the enactment of amendments to the Network Code established by Resolution 292/2013/R/gas, with regard to settlement. Upon conclusion of the proceedings, with its resolution 853/2017/S/gas, the Authority sentenced Snam Rete Gas to pay a pecuniary fine of 95 thousand since, although it accepted a part of the Company's arguments which were significant insofar as determining the amount of the fine, it considered that the Company was late in complying with Resolution 292/2013/R/Gas.

Though it paid the fine, the Company has appealed Resolution 853/2017/S/gas before the Regional Administrative Court of Milan. The Regional Administrative Court (TAR), with ruling No. 1914/2022, upheld Snam Rete Gas' appeal. The judgment was not appealed within the time limit and therefore became res judicata.

Snam Rete Gas S.p.A. - Resolution 250/2015/R/ gas, published on 01 June 2015, concerning: "Adoption of measures on the odorising of gas for domestic use and similar for end users connected directly to the natural gas transportation networks"

Through Resolution 250/2015/R/gas, following the ruling of the Milan regional administrative court, the ARERA amended Article 5 of Resolution 602/2013/R/ gas dealing with the obligation of transportation companies to odorise gas for end users connected directly to the transportation network, which, taking into account the categories of use indicated in the Testo Integrato Settlement Gas (TISG), do not use the gas delivered for merely technological purposes. In this regard, the ARERA ordered that the transportation companies should completed the implementation of the adaptation plans by 31 January 2017, after carrying out a survey of the redelivery points involved and sending the ARERA the adaptation plan, to be updated every six months, with the description of the technical solution identified. Snam Rete Gas has appealed against the above resolution believing that the deadline for implementing the plan can only be decided after the survey.

Having carried out the survey, when sending the plan and the subsequent updates Snam Rete Gas once again found that the deadline set by the ARERA with its Resolution 484/2016/E/gas was unreasonable. Consequently, in the appeal with which Snam Rete Gas challenged Resolution 250/2015/R/gas, it also included an appeal for further grounds against Resolution 484/2016/E/gas asking for the resolutions challenged to be suspended.

The request was accepted by the Council of State. Following the hearing that was held on 16 January 2019, through ruling no. 869 of 17 April 2019, the Milan Regional Administrative Court accepted the appeal submitted by Snam Rete Gas declaring the unlawfulness of the deadline set by the Authority because it was clearly unreasonable as it does not take into account the complexity of the activities to be carried out by the transportation company and the need to collaborate with end users on whom the burden of guaranteeing the use of gas in safe conditions for the workers involved weighs.

Note that through the Ministerial Decree of 18 May 2018 the Minister for Economic Development placed the responsibility of guaranteeing the use of gas in safe conditions on the end users directly connected to the natural gas transportation network, where there is domestic or similar use of gas, even only in part, if combined with technological uses. Following the functional activities to the implementation of the Decree, the end users demonstrated that they guaranteed the safe use of the gas in accordance with the methods laid down by said Decree.

As part of the Consultation Document (DCO 203/2019/R/ Gas) as preparation for the revision of the regulation on the transportation service quality, ARERA demonstrated it's intention to: (i) confirm the regulatory framework pursuant to the above Resolution 250/2015/R/ Gas without setting a deadline by which the Plan has to be implemented; and (ii) promote a regulatory amendment aimed at coordinating the regulation with the aforementioned Ministerial Decree. Following on from what the DCO anticipates, through Resolution 554/2019/R/gas, the Authority confirmed the previous regulatory regime (the obligation of the transportation company to take responsibility for the odorising) thereby putting forward the issue of coordination with the obligations imposed by the Decree. Therefore, pending a possible regulatory change, Snam Rete Gas challenged Resolution 554/2019/R/gas The hearing date remains to be set.

28.3 Tax disputes

Snam Rete Gas S.p.A. - IMU/TASI - Municipalities in Northern Italy

Some municipalities of northern Italy sent Snam Rete Gas 17 assessment notices for IMU/TASI for the years 2016, 2017 and 2018, which follow on from requests for information for land registry purposes pursuant to Article 1, paragraph 693 of Law 147/2013. The company has made a provision for risks and charges.

Stogit S.p.A. - IMU

The Municipality of Bordolano ascertained the IMU position in relation to the building areas owned by the Company in the territory of the same Municipality for the years 2012 to 2015. The amounts assessed by the Municipality with the notices of assessment relating to the tax years 2012, 2013 and 2014 - as redetermined by the Lombardy Regional Tax Commission - were paid by the Company during 2020, pending the related legal proceedings.

The assessment notice issued by the Municipality in 2015 is still sub iudice in first instance.

With reference to the subsequent years 2016 - 2017 - 2018, the Company has already adjusted its payments to the higher value assessed by the Municipality.

Snam S.p.A. - Questionnaire Q00017/2020 on VAT

On 13 February 2020, the Inland Revenue served Snam a VAT questionnaire requesting the reasons for the tax amnesty made in 2016 with reference to the years 2012, 2013, 2014 and 2015. In particular, in 2016, the Company submitted supplementary declarations for the years 2012 to 2014 to acknowledge that, starting in 2012, it was carrying out a new activity of granting loans and that, in relation to this activity, the Company intended to avail itself of the optional separation of activities for VAT purposes pursuant to art. 36, paragraph 3 of Italian Presidential Decree no. 633/1972. As regards 2015, the relevant annual declaration was submitted within the ordinary time limits and an amicable settlement was made to remedy certain irregularities (also related to the keeping of separate accounts) that had affected the correct monthly settlements.

Following a preliminary investigation, on 21 December 2020, the Revenue Agency served an order to appear for the establishment of the cross-examination of the years 2012-2013-2014-2015, in order to better verify whether the Company actually behaved " ex ante" in this sense.

The Company, in order to avoid a long and complex dispute, on 25 March 2021 and 30 November 2022, following the acceptance of the assessment, paid the agreed amounts.

28.4 Other proceedings

Snam Rete Gas S.p.A. - Regulation criteria for natural gas transmission and dispatching tariffs for the period 2010-2013

By ruling No. 2888/2015, the Council of State rejected the appeal filed by ARERA asking it to overturn ruling No. 995/2013 by the Regional Administrative Court of Milan, which voided the provisions of resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 concerning natural gas transportation and dispatching rates for the 2010-2013 period, specifically with regard to the commodity/capacity allocation, the reform of the entry/exit model and gas for consumption by compression stations (self- consumption).

By way of Resolution 428/2015/C/gas, ARERA resolved to appeal for revocation on the grounds of an error of fact against the aforementioned ruling, an appeal which was subsequently withdrawn on 29 March 2018 due to the lack of interest in continuing the proceedings. At the same time, the Authority complied with the aforementioned rulings by way of Resolution 550/2016/R/gas whereby, having reformed the rules on self-consumption, it justified its confirmation of the remaining tariff criteria also in light of the consultations carried out.

Given the confirmatory nature of the aforementioned resolution, the original appellant contested for compliance with the aforementioned rulings and a declaration of the nullity of Resolution 550/2016/R/gas. By ruling no. 494/2017, the Milan Regional Administrative Court partially upheld the appeal with specific reference to the issue of the commodity/capacity allocation, finding that the contested Resolution complied inaccurately and partially with ruling No. 995/2013 and that, therefore, the Authority should carry out an additional assessment of the effects of the choices made.

Ruling No. 494/2017 was challenged by the appellant, as well as incidentally by ARERA. In judgement no. 1840/2018 of 23 March 2018, the Council of State, in partial acceptance of the Authority's cross-appeal, dismissed the action of nullity for breach of judgement filed by the appellant at first instance and ordered the conversion of the proceedings into an ordinary judgement of annulment. The appellant consequently resumed the proceedings before the Milan Regional Administrative Court.

It should also be noted that in its recent ruling no. 301/2021, the Milan Regional Administrative Court partially annulled, on partly similar grounds, ARERA Resolution no. 575/2017/R/gas relating to the 2018- 2019 transitional regulatory period. In particular, the caesuras at the 90:10 ratio between the capacity/commodity components were confirmed. In addition, the Regional Administrative Court held that the aforementioned resolution should be annulled in so far as it provides for the determination of unit transport costs on the basis of calculations of gas flows (so-called flows and counter-flows). The judgement was appealed by the Authority. The Regional Administrative Court, in ruling no. 219/2022, upheld a similar appeal in relation to the tariff regime for the 2014-2017 thermal years set forth in ARERA Resolution no. 514/2013/R/gas, in relation to which the terms for any appeal are pending. The ruling, which was appealed by ARERA, was confirmed by ruling No. 8523/2022 of the Council of State.

Lastly, it should be noted that the judgements of the Milan Regional Administrative Court (TAR) no. 440/2020 and no. 33/2021 partially annulled the aforementioned Resolution no. 575/2017/R/gas, as well as Resolution no. 114/2019/R/gas (2020-2023 tariff criteria) insofar as they do not provide for a degressive tariff in favour of large gas consumers in implementation of specific primary legislation. Both judgements were appealed by the Authority; the discussion of the appeals before the Council of State was held in April 2022, which was followed by Judgements Nos. 6096/2022 and 6098/2022 rejecting the Authority's respective appeals. In compliance with the aforementioned rulings, ARERA adopted DCO 41/2023/R/gas containing the Authority's guidelines in relation to cost-efficiency measures in the transportation tariff system for subjects with higher natural gas consumption.

In all the above cases, the disputed profiles do not affect the revenues recognised to the transport companies.

Stogit S.p.A. - Appeals Coordination Environmental Committee (Ricorsi Coordinamento Comitato Ambientalisti)

With the Presidential Decree of 16 September 2019, the binding opinion published by the Council of State on 27 June 2019, by which the appeals filed by the Appeals Coordination Environmental Committee plus others were accepted, was implemented. In that Presidential Decree it is stated that: (i) on account of the failure to file the documents relating to the environmental impact assessment in the municipalities of Azzanello and Verolavecchia, the VIA decree issued in 2009 for the construction of the new storage facility at Bordolano is annulled, without prejudice to the provisions contained therein, only in so far as it expresses a favourable opinion on environmental compatibility; (ii) the decree of the Ministry of Economic Development of 28 December 2011 (approval of the change in the work programme of the "Bordolano Storage" concession) is annulled, as well as (iii) the measures of the Ministry of the Environment (prot. no. 18804 of 8 August 2013 and prot. no.14583 of 16 May 2014), again on the subject of VIA, without prejudice to the continuing validity of the prescriptions contained therein, to protect public safety and security, which are in no way overturned by the annulment ruling. The Council of State also established the reopening of the VIA procedure and the Ministry of Environment promptly reopened the terms of the VIA (with note DVA U28389 of 29 October 2019) limited to the municipalities of Azzanello and Verolavecchia only; of these, only the municipality of Verolavecchia submitted comments, to which were added those of other parties. The proceedings are currently pending before the Technical Commission for Environmental Impact Assessment (Commissione Tecnica per la Valutazione di Impatto Ambientale) and Stogit has provided all the technical clarifications in response to the comments submitted. It should be added that the MED y note U.0025890 of 22 November 2019, issued a measure pursuant to Article 29, paragraph 3 of Legislative Decree no. 152/2006, which allows the continuation of storage activities at the Bordolano plant pending the completion of the VIA. There are grounds to believe that there is a remote risk that the positive environmental impact assessment will not be confirmed; however, also in light of the time that has elapsed, the possibility that the VIA will be confirmed by the Ministry of the Environment with the addition of prescriptive conditions with which Stogit will have to comply can be assessed as probable.

Action brought by the Forum Ambientalista and Action brought by WWF Italia - Associazione Salviamo l'Orso marsicano OdV against the integrated environmental authorisation for the new Sulmona power station

On 2 June 2021, the Environmental Forum - which claims to be an environmental protection association - lodged an appeal with the Regional Administrative Court of Lazio for the annulment of Decree no. 000086 of 11.03.2021 of the Ministry for Ecological Transition concerning the issue of the integrated environmental authorisation (AIA) for the operation of the gas compression station of the company Snam Rete Gas S.p.A. located in Sulmona (AQ) - (ID 7015/9997) as well as all the prior, consequential or in any case related deeds.

The applicant claims that its reasons are based on: i) the seismic risk to which the works of Snam Rete Gas are allegedly subject; ii) failure to conduct a preliminary investigation into emissions and failure to take account of their effects on animals and plants in the area concerned; iii) failure to carry out a strategic environmental assessment (SEA) as a precondition for the issue of the AIA; iv) shortcomings in the preliminary investigation procedure leading to the issue of the AIA. No interlocutory application was filed; at the hearing at the end of January 2023, the case was retained for decision.

In an appeal to the President of the Republic dated 6 August 2021, the Italian Association for the Word Wife Found of Nature (WWF Italia Onlus) and the association Salviamo l'orso Bruno Marsicano_ODV also applied for the annulment of Decree No 0000086 of 11.03.2021 of the Ministry of Ecological Transition, which constitutes the IEA for the new Sulmona power station. The reasons given are: i) the ineffectiveness of the EIA which allegedly failed in 2016; ii) the excess of power in having ignored the observations of the Municipality of Sulmona and of the Maiella National Park, the Abruzzo National Park and the Monte Genzana Alto Gizio Regional Nature Reserve (iii) failure to take adequate account of the seismic risk; (iv) failure to take account of the public's comments; (v) infringement of the law and misuse of powers on account of failure to carry out preliminary investigations into atmospheric emissions and the impact on the climate; (vi) infringement of Directive 42/2001 EC by failing to carry out a strategic environmental assessment. Following an objection by Snam Rete Gas, the appeal was resumed before the Lazio Regional Administrative Court by the appellants on 3 November 2021.

A hearing on the merits has been set for the end of May 2023.

29 OPERATING REVENUES AND INCOME

(million euros)	2021	2022
Revenue	3,285	3,496
Other operating income	12	19
TOTAL OPERATING REVENUES AND INCOME	**3,297**	**3,515**

The group's other operating revenues and income are mainly generated in Italy. An analysis of revenue by business segment can be found in Note 36 - "Information by business segment".

Revenue from related parties is illustrated in Note 37 "Transactions with related parties".

(million euros)	2021	2022
Natural gas transportation segment	2,329	2,208
Natural gas storage segment	523	516
Regasification of Liquefied Natural Gas (LNG) segment	19	42
Energy Transition Sector	370	693
Other segments	30	23
Other revenues not allocated to segments	14	14
TOTAL REVENUES	**3,285**	**3,496**

29.1.1 Revenues of the Natural Gas Transportation segment

Revenues are mainly related to fees for the service of natural gas transportation and mainly concern Eni S.p.A. (1,087 million euros; 815 million euros in 2021) and Enel Trade S.p.A. (528 million euros; 313 million euros in 2021).

Group revenues are reported net of tariff components, mainly referring to the transportation segment, additional to the tariff and intended to cover gas system general expenses (2,651 million euros, 1,159 million euros in 2021), the amounts of which are paid by Snam to the Energy and Environmental Services Fund (Cassa per i Servizi Energetici e Ambientali (CSEA)). The main components relate to:

- to the CRVST fee (for a total amount of 1,006 million euros in 2022; 145 million euros in 2021), introduced by Resolution No. 782/2017/R/GAS, to cover the charges arising from the new 'gas settlement' rules, to be applied to the quantities of gas redelivered to the transport service user at the redelivery points feeding the distribution networks;
- the CRV^{OS} variable fee, introduced in 2011 by Resolution ARG/gas 29/11 of the Authority, to cover the charges arising from the application of the revenue guarantee factor for the storage service and the charges incurred by the Gestore Servizi Energetici (GSE) for the provision of the measures referred to in Articles 9 and 10 of Legislative Decree no. 130/10 (totalling 962 million euros in 2022; 376 million euros in 2021).

Snam provided its transportation service to 330 users in 2022.

29.1.2 Revenues of the Natural Gas Storage segment

Revenues relate essentially to fees for modulation storage (385 million euros; 409 million euros in 2021) and strategic storage (80 million euros; 79 million euros in 2021).

Snam provided its natural gas storage service to 66 companies in 2022.

29.1.3 Regasification of Liquefied Natural Gas (LNG)

Revenues mainly refer to fees for the regasification service (42 million euros). These revenues, as at 31 December 2022, were higher than the reference revenues, which were definitively approved by the Authority in Resolution 278/2022/R/gas and, therefore, it was not necessary to make additions through the guarantee factor.

Revenues relating to the transportation, storage and regasification segments include fees to cover energy costs which amount to 198 million euros (311 million euros in 2021), down mainly due to the reduction in the WACC. On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, the charges for the purchase of CO_2 emission rights and the consumption of electricity, are covered in revenues through the variable fee applied to users.

29.1.4 Energy Transition revenues

Revenues related to the Energy Transition segment concern: (i) revenues relating to energy efficiency projects (578 million euros); (ii) prices for the development and management of biogas and biomethane plants (115 million euros).

29.1.5 Other segments

Revenues mainly relate to the sale of automotive compressors - CNG (19 million euros).

29.1.6 Other revenues not allocated to segments

Revenues essentially relate to income from the rental and maintenance of fibre optic telecommunications cables.

29.2 Other operating income

Other operating income, equal to 19 million euros, mainly refers to the transportation sector (10 million euros).

30 OPERATING COSTS AND EXPENSES

(million euros)	2021	2022
Costs for purchase of raw materials, consumables and finished goods	568	655
Costs for services	179	246
Staff costs	216	237
Other operating costs and expenses	91	159
TOTAL OPERATING COSTS AND EXPENSES	**1,054**	**1,297**

The reasons for the most significant changes are explained in the Report on Operations under "Financial review ".

The group's operating costs and expenses are mainly generated in Italy.

The operating costs and expenses incurred with related parties are described in Note 37 "Transactions with related parties".

30.1 Costs for purchase of raw materials, consumables and finished goods

(million euros)	2021	2022
Costs for purchase of raw materials, consumables and finished goods	634	3,909
Changes in inventories of raw materials, consumables and finished goods	(14)	(3,198)
Total costs incurred during the year	*620*	*711*
Share of costs capitalised for internal work	(52)	(56)
TOTAL COSTS FOR PURCHASE OF RAW MATERIALS, CONSUMABLES AND FINISHED GOODS	**568**	**655**

The item Cost for purchase of raw materials, consumables and finished goods includes gas purchases made in implementation of Resolution No. 165/2022/R/Gas (about 0.6 billion cubic metres for a total countervalue of 706 million euros) and Resolution No. 274/2022/R/Gas (about 1.4 billion cubic metres for a total countervalue of 2,348 million euros).

30.2 Costs for services

(million euros)	2021	2022
Technical, legal, administrative and professional services	96	81
IT Services (Information Technology)	91	94
Ordinary maintenance services	33	37
Environmental services	25	22
Construction, design and works supervision	23	81
Supply of electricity, heat, water, etc.	23	57
Personnel-related services	19	22
Telecommunication services	15	11
Material processing at third parties	11	3
Insurance	10	11
Advertising	6	7
Use of the provision for decommissioning and site restoration	(21)	(8)
Other services	20	27
Total costs incurred during the year	*351*	*445*
Share of costs capitalised for internal work	**(172)**	**(199)**
TOTAL COSTS FOR SERVICES	**179**	**246**

30.3 Staff costs

(million euros)	2021	2022
Wages and salaries	197	208
Social security contributions (pensions and healthcare assistance)	52	57
Employee benefits	(3)	1
Other expenses	32	36
Total personnel costs incurred during the year	*278*	*302*
Quota of capitalised costs	(62)	(65)
TOTAL PERSONNEL COSTS	**216**	**237**

The item other expenses (36 million euros) mainly includes charges for defined-contribution plans (14 million euros), essentially relating to accrued severance indemnities, to be paid to pension funds, or to INPS, and the indemnity termination granted to the outgoing Chief Executive Officer, following the termination of the relationship as Chief Executive Officer and General Manager of Snam S.p.A. (6 million euros).

A description of employee benefits can be found in Note 21 "Liabilities for employee benefits".

30.3.1 Average number of employees

The average number of payroll employees included in the scope of consolidation, broken down by status, is as follows:

Professional status	2021	2022
Senior Managers	146	145
Middle Managers	585	639
Office workers	1,842	1,925
Manual workers	806	841
AVERAGE NUMBER OF EMPLOYEES	**3,379**	**3,550**

The average number of employees is calculated on the basis of the monthly number of employees for each category.

The number of employees in service at 31 December 2022 was 3,610 (3,430 resources at 31 December 2021), an increase of 180 (+5.25%) over 31 December 2021. The increase was mainly due to resources from the year's acquisitions in the fields of biomethane and energy efficiency, and to new entrants from the labour market, which more than offset the outgoings of the period.

30.3.2 Incentive plans for executives with Snam shares

On 11 April 2017, the Shareholders' Meeting approved the 2017-2019 long-term share-based incentive plan and, subsequently, on 18 June 2020, the same Shareholders' Meeting approved the 2020-2022 long-term share-based incentive plan, conferring to the Board of Directors, every necessary power for the implementation of the Plans.

The Plans, intended for the Snam CEO and other beneficiaries, identified as those who hold positions with a greater impact on company results or with strategic importance for achieving Snam's multi-year targets, includes three cycles of the annual assignment of three-year targets (the so-called rolling plan) for the years 2017, 2018, 2019 and for the years 2020, 2021 and 2022. At the end of the three-year performance period, if the underlying conditions of the plan are met, the beneficiary shall have the right to receive Company shares free of charge.

A maximum number of 3,500,000 shares will service the Plans for each three-year cycle of the Plan. The 2017-2019 Plan ended in 2022, at the expiry of the Vesting Period relating to the last allocation of 2019, while the 2020-2022 Plan will end in 2025, at the expiry of the Vesting Period relating to the last allocation of 2022.

Under the 2017-2019 Plan, a total of 5,385,372 shares were granted, of which 1,368,397 shares valid for the 2017 allocation (allocated for 1,511,461 shares in July 2020, at the end of the vesting period), 2,324,413 shares valid for the 2018 allocation (allocated for 2,441,742 in July 2021, at the end of the vesting period) and 1,692,562 shares valid for the 2019 allocation. The unit fair value of the share, determined by the stock market price of the Snam share on the grant dates, is equal to 3.8548 and 3.5463 and 4.3522 euros per share for the 2017, 2018 and 2019 grants, respectively.

Against the 2020-2022 Plan, valid for the years 2020 and 2021, a total of 2,523,850 shares were allocated, of which 1,277,996 shares valid for the 2020 allocation, 1,245,854 shares valid for the 2021 allocation and 1,032,626 shares valid for the year 2022. The unit fair value of the share, determined by the stock market price of the Snam share on the grant dates (so-called grant date), is equal to 4.441 and 4.559 euros per share for the year 2020, 5.104, 4.778 and 5.014 euros per share for 2021 and 4.900 and 4.146 per share for 2022.

The cost for the Long-Term Share-Based Incentive Plan, measured as the staff costs component, amounts to 6 million euros (8 million euros in 2021) with an opposing entry in shareholder equity reserves. Taking into consideration the non-market conditions to which receiving the benefit is connected, the cost reflects the adjustment, throughout the vesting period, of the number of shares that will effectively be granted.

For more information on the features of the Plan, see “Financial review and Other Information” in the Directors’ Report.

30.3.3 Remuneration due to Key Managers

Remuneration paid to persons with the power and responsibility for planning, management and control of the Company, i.e. executive and non-executive directors, general managers and Key Managersa[40] (so-called "key management personnel") in office during the year amounted (including contributions and accessory charges) to 13 million euros (9 million euros in 2021) and is composed as follows:

(million euros)	2021	2022
Wages and salaries	5	4
Indemnities for termination of employment		7
Share-based payments	4	2
TOTAL REMUNERATION DUE TO KEY MANAGERS	**9**	**13**

30.3.4 Remuneration of Directors and Statutory Auditors

Directors’ remuneration amounts to 10 million euros and 5.3 million euros in FY 2022 and 2021 respectively. Statutory auditors’ fees amount to 0.2 million euros (0.2 million euros also in 2021). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor in Snam S.p.A. and in other companies included in the scope of consolidation, giving rise to a cost for Snam, even if not subject to personal income taxes.

40 This includes managers who have the power and the responsibility, both directly and indirectly, for the planning, direction and supervision of Snam activities. Snam’s Key Managers, other than directors and statutory auditors, were identified with reference to the following positions: Chief Industrial Assets Officer, Chief Financial Officer and Executive Vice President Human Resources, Organization & PFM.

30.4 Other operating costs and expenses

(million euros)	2021	2022
CO_2 emission rights	34	58
Indirect taxes and duties	21	16
Software licences, short-term leasing costs and leasing of moderate amount assets	16	26
Capital losses from the disposal of property, plant and equipment and intangible assets	14	28
Allocations (uses) to the provision for bad debt	3	9
Net accrual to (utilisation of) provisions for risks and charges	2	11
Other expenses	1	11
TOTAL OTHER OPERATING COSTS AND EXPENSES	**91**	**159**

For more details about the change in provisions for risks and charges, please see Notes 19 “Provisions for risks and charges” and 15 “Trade receivables and other receivables”.

30.4.1 Greenhouse gas emission allowance system - Emission Trading System

1 January 2021 was the start of the fourth regulatory period (2021-2030) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Legislative Decree 47 of 09 June 2020, which abrogated Legislative Decree no. 30 of 13 March 2013 and transposed Directive 2018/410/EC.

There are 23 Snam Group plants subject to Emission Trading regulations, of which 13 Snam Rete Gas compression power plants, 8 Stogit storage plants, the LNG Italia regasification terminal and from 2022 also 1 Renovit cogeneration plant (TEP).

In 2022, the free allocation for the Snam Group was 154,657 allowances, an increase of 9.8 % compared to 2021, due to the new rules introduced by the aforementioned legislation for the fourth ETS period.

In FY 2022, dioxide carbon emissions of Snam Group facilities covered by the ETS were overall greater than the emission allowances allocated. Compared to approximately 0.93 million tonnes of carbon dioxide emitted into the atmosphere, a deficit has therefore been recorded of approximately 0.77 million tonnes. The deficit was offset by the quotas purchased by the various companies, with an approximately cost of 57.4 million euros recognised in “Other operating costs and expenses”. There are no costs for Renovit (TEP), because the purchase of CO_2 quotas is borne by the company to which the plant supplies energy net of the quotas in the hands of Renovit (TEP) for feeding electricity into the grid. These amounted to about 4,300 units, with a countervalue of about 0.3 million euros.

The increase in purchased CO_2 allowances is due to the increase in emissions resulting from the increase in gas consumption due to the increase in regasified, stored gas and to transport more natural gas from the South to the North of Italy.

The increase in the number of CO_2 allowances purchased and the increase in purchase prices led to higher costs than in the previous year.

31 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES ON PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(million euros)	2021	2022
Depreciation of property, plant and equipment	709	747
Amortisation of intangible assets	100	120
Total amortisation/depreciation	*809*	*867*
Impairment losses on property, plant and equipment and intangible assets	11	23
Total impairment losses	*11*	*23*
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	820	890

For more details about amortisation, depreciation and impairment losses, please see Note 8 "Property, plant and equipment", and Note 9 "Intangible assets and goodwill".

An analysis of amortisation, depreciation and impairment losses by business segment can be found in Note 35 "Information by business segment".

32 NET FINANCIAL EXPENSE

(million euros)	2021	2022
- Interest income and other financial income on short-term financial assets	(15)	(3)
- Interest income on long-term financial receivables	(14)	(9)
- Other financial income	(3)	(25)
TOTAL FINANCIAL INCOME	(32)	(37)
- Interest expense and other financial expenses on bond loans	**127**	**148**
- Fees on loans and bank credit lines	12	10
- Interest expense on credit facilities and loans due to banks and other lenders	7	17
Charges related to gross financial debt	*146*	*175*
- Accretion discount (*)	5	12
- Other financial expense	3	15
Total financial expenses incurred during the year	*154*	*202*
- Share of capitalised financial expenses	(20)	(25)
TOTAL FINANCIAL EXPENSES	134	177
TOTAL NET FINANCIAL EXPENSES	102	140

(*) The item reflects the increase in the provisions for risks and charges and the liabilities for employee benefits, which are shown at their present value in Note 19 "Provisions for risks and charges" and Note 21 "Liabilities for employee benefits".

Interest income on long-term financial receivables is mainly related to the pro-rata contribution from the OLT Shareholder Loan (9 million euros).

Other financial income (25 million euros) mainly refers to interest on late payments invoiced to end customers and distribution users in relation to unpaid invoices for the default service provided by Snam Rete Gas (13 million euros) and to the effects of the restatement of future cash flows related to the partial repayment of the Shareholders Loan by OLT (8 million euros).

Expense related to gross financial debt (175 million euros) include the following: (i) interest expense and other charges on bonds (Euro 148 million), related to interest on 20 bond issues; (ii) interest paid to banks on revolving credit lines and maturing loans for a total of 17 million euros; (iii) the portion attributable to the year of Up-Front Fee commissions on revolving credit facilities (5 million euros) and commissions on non-utilisation of credit facilities (5 million euros).

Other expenses mainly refer to the provision for bad debt for default interest related to the default service of Snam Rete Gas (8 million euros) and exchange rate differences (3 million euros).

Financial expenses related to the passage of time mainly relate to the provisions for decommissioning and site restoration of the storage and transportation segments.

Financial expense capitalised related to the portion of financial expense capitalised pursuant to investment activities.

33 GAINS (LOSSES) ON EQUITY INVESTMENTS

(million euros)	2021	2022
Gains from investments accounted for using the equity method	296	296
Losses from investments accounted for using the equity method	(2)	(152)
Portion of gains or losses of investments accounted for using the equity method	**294**	**144**
Other gains on investments		79
Other losses on investments		(361)
Other gains (losses) from equity investments		**(282)**
TOTAL NET GAINS (LOSSES) ON EQUITY INVESTMENTS	**294**	**(138)**

An analysis of the share of gain or loss of investments accounted for using the equity method is given in Note 10 "Investments accounted for using the equity method".

Other income from equity investments mainly relates to the gain from the sale of shares in Industrie De Nora S.p.A. for the purpose of listing the company on the stock exchange, and other income related to capital increases of the same company not subscribed by Snam (73 million euros in total, net of ancillary charges), transactions after which Snam holds 25.79% of the company's share capital (35.63% prior to the IPO).

Other losses on equity investments mainly relate to the write-down of the equity investment held by Snam S.p.A. (84.47%) in TAG (340 million euros).

34 INCOME TAXES

34.1 Income taxes in the income statement

(million euros)	2021			2022		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes for the year	416	63	479	344	63	407
Adjustments for current taxes relating to previous years	(4)		(4)	1		1
Tax credits	(1)		(1)	8		8
Total current taxes	*411*	*63*	*474*	*353*	*63*	*416*
Total deferred taxes	*(360)*	*1*	*(359)*	*(37)*	*(1)*	*(38)*
TOTAL INCOME TAXES	51	64	115	316	62	378

Income taxes (378 million euros) increased by 263 million euros compared to 31 December 2021, mainly due to the effects of the tax realignment pursuant to Decree-Law 104 of 14 August 2020, which had a significant impact on the total deferred taxes at 31 December 2021.

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) and regional production tax (IRAP) rates in force in Italy) with the actual tax charge for the year can be broken down as follows:

(million euros)	2021		2022	
	Tax rate	Balance	Tax rate	Balance
Profit before taxes		1,615		1,050
IRES taxes for the period calculated on the basis of the theoretical tax rate	**24.0%**	**388**	**24.0%**	**252**
Variations from the theoretical rate:				
- Net Income from equity investments	(3.8%)	(61)	(1.4%)	(15)
- Dividend tax	1.0%	16	1.5%	16
- Accrual (use) deferred tax provision			0.8%	8
- Other permanent differences)	(18.1%)	(292)	5.2%	55
IRES TAXES FOR THE YEAR	3.1%	51	29.3%	316

(million euros)	2021		2022	
	Tax rate	Balance	Tax rate	Balance
Difference between value and cost of production		1,449		1,351
Irap taxes for the period calculated on the basis of the theoretical tax rate	**3.9%**	**57**	**3.9%**	**53**
Variations from the theoretical rate:				
Delta regional IRAP rates	0.2%	3	0.2%	3
Other permanent differences	0.3%	4	0.4%	6
IRAP TAXES FOR THE YEAR	4.4%	64	4.5%	62

An analysis of deferred and prepaid taxes based on the nature of the significant temporary differences that generated them can be found in Note 20 “Deferred tax liabilities/assets”.

34.2 Taxes related to components of the comprehensive income statement

(million euros)	2021			2022		
	Pre-tax value	Fiscal impact	Net tax value	Pre-tax value	Fiscal impact	Net tax value
Reassessment of liabilities for defined benefits plans for employees	(3)	1	(2)	8	(1)	7
Equity investments accounted for using the equity method - share of other components in the comprehensive income statement	59		59	130		130
Equity investments accounted for at FVTOCI ("fair value through other components in the comprehensive income statement")	(16)		(16)	(44)		(44)
Cash flow hedge – effective portion of fair value change	17	(4)	13	19	(4)	15
Other components in the comprehensive income statement	*57*	*(3)*	*54*	*113*	*(5)*	*108*
CURRENT AND DEFERRED INCOME TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME		(3)	(3)		(5)	(5)

35 EARNINGS PER SHARE

Basic earnings per share, at 0.201 euros per share (0.457 euros per share in 2021), are calculated by dividing the profit for the year pertaining to the shareholders of the parent company Snam (671 million euros; 1,499 million euros in 2021) by the weighted average number of Snam shares outstanding during the year, excluding treasury shares (3,336,596,674 shares; 3,270,833,636 shares in 2021).

Diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the parent company Snam, net of the tax effect, by the weighted average number of shares outstanding in the period, excluding treasury shares, and those potentially deriving from the long-term share incentive plans (2019, 2020 and 2021 grants).

The weighted average number of outstanding shares used to calculate diluted earnings per share is 3,339,548,370 and 3,357,002,275 shares for 2022 and 2021, respectively.

35.1 Reconciliation of basic and diluted earnings per share

The reconciliation of the weighted average number of outstanding shares used to determine basic and diluted earnings per share is set out below:

	2021	2022
Weighted average number of outstanding shares used to calculate basic earnings per share	*3,270,833,636*	*3,336,596,674*
Number of potential shares for long-term incentive plans	3,363,965	2,951,696
Number of potential shares for the convertible bond loans issue	*82,804,674*	
Weighted average number of outstanding shares used to calculate diluted earnings per share	*3,357,002,275*	*3,339,548,370*
Group profit for the year (million euros)	1,496	671
Dilution effect of the convertible bond loan	3	
Diluted profit for the year due to Snam's shareholders (million euros) (a)	*1,499*	*671*
BASIC EARNINGS PER SHARE (AMOUNTS IN EUROS PER SHARE)	0.457	0.201
DILUTED EARNINGS PER SHARE (AMOUNTS IN EUROS PER SHARE)	0.447	0.201

36 INFORMATION BY BUSINESS SEGMENT

Consistent with the 2022-2026 Strategic Plan, announced to the market last January, and in accordance with IFRS 8 'Operating Segments', the segments identified by the Group as at 31 December 2022 are as follows:

- **Transportation segment**, attributable to the legal entities that carry out, at Group level, the transportation and dispatching of natural gas in Italy (Snam Rete Gas, ITG and Enura);
- **Storage segment**, attributable to the legal entity that provides natural gas storage services in Italy (Stogit);
- **Regasification segment**[41], attributable to the legal entity providing the liquefied natural gas regasification service (LNG Italia) and the legal entities owning floating regasification plants - FSRUs (Snam FSRU Italia, Golar LNG NB13 Corporation; Ravenna LNG Terminal);
- **Energy Transition segment** including companies active in the energy efficiency business attributable to the legal entities of the Renovit Group, and in the biogas/biomethane business attributable to the legal entities of the Bioenerys Group, as well as the start-up activities in the hydrogen field. This last segment, due to exceeding the materiality thresholds of IFRS 8, also confirmed in the Plan period, from 2022 constitutes an operating segment subject to separate reporting.

The 'Other segments', not subject to separate reporting, mainly include the sustainable mobility business, an activity that is being repositioned within the Gas Infrastructures business insofar as it is no longer focused solely on the automotive sector, but is oriented towards the construction of mid-stream infrastructures dedicated to heavy transport, shipping and railways.

Other unallocated amounts essentially relate to head office activities of Snam corporate and insurance captives.

In order to assess the performance of the operating segments, Snam management mainly analyses adjusted EBITDA (net of any non-recurring costs or revenues, or costs or revenues resulting from events or transactions that are not representative of normal business activity) and adjusted EBIT, for which a reconciliation with the related reported values is provided.

In addition to the above measures, the Executive Board regularly analyses revenues and investments for each business.

In order to allow for a better reconciliation with what is represented for management purposes, the representation of revenues has been modified, distinguishing “Regulated revenues”, relating to services subject to regulation by the ARERA authority, from “Other revenues” and “Other income” not subject to such regulation, instead of the distinction between “Revenues from ordinary operations” and “Other revenues and income”.

41 Segment reported separately as a business subject to specific regulation, even if the materiality thresholds of IFRS 8 are not exceeded.

(million euros)	Reporting segments							
	Transportation segment	Storage segment	Regasification segment	Energy Transition segment	Other segments	Amounts not allocated to segments	Reconciliation of adjusted values with reported values	Total
FY 2021								
Regulated revenues	2,327	523	19					2,869
Other non-regulated revenues	38	1		370	34	14		457
to deduct: inter-sector revenues	*(36)*	*(1)*			*(4)*			*(41)*
Total revenues from third parties	**2,329**	**523**	**19**	**370**	**30**	**14**		**3,285**
Other operating income	14	6	1			2		23
to be deducted: other inter-segment operating income	*(6)*	*(4)*	*(1)*					*(11)*
Total revenues and other operating income from third parties	**2,337**	**525**	**19**	**370**	**30**	**16**		**3,297**
EBITDA	**1,804**	**455**	**8**	**9**	**(8)**	**(18)**	**(7)**	**2,243**
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(669)	(117)	(8)	(15)	(2)	(9)		(820)
EBIT	**1,135**	**338**		**(6)**	**(10)**	**(27)**	**(7)**	**1,423**
Investments in Property, plant and equipment and intangible assets	1,004	160	33	53	16	10		1,276
to deduct: Investments in Property, plant and equipment and intangible assets infra-sector				*(6)*				*(6)*
Investments in Property, plant and equipment and intangible assets	**1,004**	**160**	**33**	**47**	**16**	**10**		**1,270**
FY 2022								
Regulated revenues	2,162	515	42					2,719
Other non-regulated revenues	94	3		693	27	14		831
to deduct: inter-sector revenues	*(48)*	*(2)*			*(4)*			*(54)*
Total revenues from third parties	**2,208**	**516**	**42**	**693**	**23**	**14**		**3,496**
Other operating income	14	5	4	2		3		28
to be deducted: other inter-segment operating income	*(4)*	*(5)*						*(9)*
Total revenues and other operating income from third parties	**2,218**	**516**	**46**	**695**	**23**	**17**		**3,515**
EBITDA	**1,795**	**425**	**29**	**24**	**(19)**	**(17)**	**(19)**	**2,218**
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(703)	(120)	(11)	(28)	(2)	(9)	(17)	(890)
EBIT	**1,092**	**305**	**18**	**(4)**	**(21)**	**(26)**	**(36)**	**1,328**
Investments in Property, plant and equipment and intangible assets	1,007	172	55	98	15	8		1,355
to deduct: Investments in Property, plant and equipment and intangible assets infra-sector				*(4)*				*(4)*
Investments in Property, plant and equipment and intangible assets	**1,007**	**172**	**55**	**94**	**15**	**8**		**1,351**

37 TRANSACTIONS WITH RELATED PARTIES

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

Given the existence of de facto control by CDP S.p.A. over Snam S.p.A., Snam related parties, based on the current group ownership structure, are represented not only by Snam subsidiaries, associates and joint ventures, but also by the parent company CDP S.p.A. and its subsidiaries, including joint ventures, and associates, as well as by the subsidiaries, including joint ventures, and associates of the Ministry for the Economy and Finance (MEF) and in any case any other related parties in accordance with IAS 24, as in force over time. Members of the Board of Directors, Statutory Auditors and Key Managers, and their relatives and entities they control, including jointly with Snam, CDP and CDP Reti, are also regarded as related parties.

As explained in detail below, related-party transactions mainly concern the exchange of goods and the provision of regulated services in the gas sector. Transactions between Snam and related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group.

Pursuant to the provisions of the relevant legislation, the Company has adopted internal guidelines to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and statutory auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chair, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

Snam is not subject to any direction or coordination activities. Snam performs management and coordination activities, pursuant to Article 2497 et seq. of the Italian Civil Code, with respect to the directly and indirectly controlled companies falling within the scope of consolidation, with the exception of Golar LNG NB 13 Corporation.

In the context of transactions with related parties, pursuant to the disclosure obligations established by Consob Regulation no. 17221 of 12 March 2010, relating related parties which fall under the "Exclusion cases" pursuant to art. 13, paragraph 3, letter c) of the RPT Regulation and paragraph 3.2, point 8), of the RPT Guidelines, we report the following transactions:

- the stipulation between Snam Rete Gas and Eni of the natural gas transport contract for the Thermal Year 2021-2022, which on 6 July 2022 exceeded the materiality threshold of 2.5%, to be applied in relation to the indices indicated in the Snam OPC Guideline;
- on 28 December, Consob was notified of the transaction between related parties concerning a loan to Snam of a Revolving Credit Facility (RCF) of up to 1.8 billion euros (the "Loan") to be granted by a pool of banks ("the Banks") and to be utilised by Snam directly and/or through Snam Rete Gas S.p.A. and Stogit S.p.A. through the granting to the latter of one or more intercompany loans, backed by the SupportItalia guarantee (the "Guarantee") issued by SACE S.p.A. in favour of the Banks pursuant to Decree-Law No. 50/2022 ("Decree"), converted into law on 15 July 2022 by Law No. 91, as amended and supplemented. The Guarantee covers 80% of the amount of the Financing. The effectiveness of the Guarantee - pursuant to Article 15(9) of the Decree - is subject to the issuance of an ad hoc decree of the Ministry of Economy and Finance, in agreement with the Minister of Economic Development, adopted on the basis of the preliminary investigation submitted by SACE. Upon the issuance of the above-mentioned ministerial decree, Snam will be able to enter into long form financial documentation with the Banks, and Snam will subsequently be able to make the funding deriving from the Loan available to the Subsidiaries through intercompany loans, as provided for in the Decree, the Operating Manual and the General Conditions.

The above transactions were processed pursuant to the "Guideline on transactions involving the interests of the directors and statutory auditors and transactions with related parties" adopted pursuant to Consob Regulation of 2010, Art. 4, which incorporates the amendments made by Consob with Resolution No. 21624/2020, and most recently amended effective September 14 2022. In accordance with the provisions of the 2010 Consob Regulation, transactions of greater importance are identified as those in which at least one of the relevance indexes required by Consob, applicable depending on the specific transaction of greater importance, is greater than the 5% threshold for related-party transactions in general and 2.5% for transactions carried out with any listed parent company - if any - or with parties related to it that are themselves related to the Company.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the current year and the previous one for comparison purposes. The nature of the most significant transactions is also stated.

37.1 Commercial and other transactions

Commercial and other transactions can be broken down as follows:

(million euros)	31.12.2021				2021					
					Revenues (b)			Costs (a)		
	Receivables	Other assets	Payables	Other liabilities	Goods	Services	Other	Goods	Services	Other
- Snam Middle East BV			4							
- Snam International (UK) Ltd			2							
- Snam North America LLC			1							
- Snam Gas & Energy Servicies	1								2	
Total subsidiaries valued at equity	*1*		*7*						*2*	
- Senfluga	1					1				
- TAG GmbH	1		1			2				
- Teréga S.A.S.	1									
- Trans Adriatic Pipeline AG (TAP)	2					5				
Total companies under joint control and associates	*5*		*1*			*8*				
Snam Foundation	*1*					*1*				*1*
- Cassa Depositi e Prestiti			111							
Total parent company			*111*							
- Italgas Group	1			1			1		1	2
- Sace Group			3							
Total companies controlled by the parent company Cassa Depositi e Prestiti	*1*		*3*	*1*			*1*		*1*	*2*
- Saipem Group			23						34	
- Valvitalia Finanziaria S.p.A.			1					4	2	
Total companies jointly controlled by the parent company Cassa Depositi e Prestiti			*24*					*4*	*36*	
- Gestore dei mercati energetici S.p.A.	101		205		1					
- Anas group	1	1	2							
- Enel Group (c)	179		19			343			1	
- Eni Group (c)	262		68		1	849			23	
- Ferrovie dello Stato group	5		1							
Total companies owned or controlled by the State	*548*	*1*	*295*		*2*	*1,192*			*24*	
TRADE BALANCES WITH RELATED PARTIES	**556**	**1**	**441**	**1**	**2**	**1,201**	**1**	**4**	**63**	**3**

(a) These include costs for goods and services used for investment purposes.
(b) Before tariff components that are offset in costs.
(c) Including balance sheet figures relating to balancing activities.

(million euros)	31.12.2022				2022					
	Receivables	Other assets	Payables	Other liabilities	Revenues (b)			Costs (a)		
					Goods	Services	Other	Goods	Services	Other
- Snam Middle East BV			4							
- Snam Gas & Energy Services (Beijing)	1					1			2	
Total subsidiaries valued at equity	*1*		*4*			*1*			*2*	
- Desfa S.A.	1			1		1				(1)
- Industrie De Nora S.p.A.			1							
- Interconnector UK	1					1				
- Albanian Gas Services										(1)
- TAG GmbH	8		7			3				
- Teréga S.A.						1				
- Teréga S.A.S.	1									
- Trans Adriatic Pipeline AG (TAP)	3		2	1		1				
Total companies under joint control and associates	*14*		*10*	*2*		*7*				*(2)*
Snam Foundation	**1**									**2**
- Cassa Depositi e Prestiti			116							
Total parent company			*116*							
- Italgas Group	1						1			
- Sace Group			2							
Total companies controlled by the parent company Cassa Depositi e Prestiti	*1*		*2*				*1*			
- Saipem Group			30						42	
- Valvitalia Finanziaria S.p.A.			1					2		
Total companies jointly controlled by the parent company Cassa Depositi e Prestiti			*31*					*2*	*42*	
- HRA Group - Autostrade per l'Italia S.p.A.						2				
- Gestore dei servizi energetici S.p.A.	313		24		2	9				
- Anas group	3	1								
- Enel Group (c)	241		62			536	1		2	
- Eni Group (c)	420	1	278		11	1,153		158	71	1
- Ferrovie dello Stato group	1									
- Invitalia Group			10						23	
Total companies owned or controlled by the State	*978*	*2*	*375*		*13*	*1,700*	*1*	*158*	*96*	*1*
TRADE BALANCES WITH RELATED PARTIES	**995**	**2**	**538**	**2**	**13**	**1,708**	**2**	**160**	**140**	**1**

37.1.1 Companies under joint control and associates

The most significant transactions with companies under joint control and associates mainly concern the companies TAG and TAP in relation to the sale and purchase of gas in the context of balancing activities.

37.1.2 Companies under joint control of the parent company Cassa Depositi e Prestiti (Italian investment bank)

The most significant transactions with companies under the joint control of Cassa Depositi e Prestiti include the purchase by Saipem of design and works supervision services for the realisation of natural gas transportation and storage infrastructures, regulated by agreements signed at normal market conditions.

37.1.3 Companies owned or controlled by the Italian State

The most significant transactions with companies controlled or owned by the State involve:
- the provision to the Eni Group and the Enel Group of natural gas transportation, regasification and storage services, regulated by tariffs established by the Authority;
- the purchase by the Eni Group of electricity used for carrying out activities.

37.1.4 Parent company

The most significant transactions with the parent company Cassa Depositi e Prestiti include the payable for an interim dividend of 116 million euros, approved on 9 November 2022 by the Board of Directors and payable from 25 January 2023, with ex-coupon date on 23 January 2023 and record date on 24 January 2023.

37.2 Financial transactions

(million euros)	31.12.2021			2021
	Receivables	Payables	Guarantees and commitments	Income
- Trans Adriatic Pipeline AG (TAP)			1,129	
- East Mediterranean Gas Company	8			
- EBS Società agricola a R.L.	5			
- OLT Offshore Toscana	286			14
Total companies under joint control and associates	*299*		*1,129*	*14*
- Arbolia S.p.A. Benefit Company		1		
Total non-consolidated subsidiaries		*1*		
BALANCES OF FINANCIAL TRANSACTIONS WITH RELATED PARTIES	**299**	**1**	**1,129**	**14**

(million euros)	31.12.2022			2022	
	Receivables	Payables	Guarantees and commitments	Costs	Income
- Trans Adriatic Pipeline AG (TAP)			1,129		
- Trans Austria Gasleitung GmbH			89		
- East Mediterranean Gas Company	6				
- OLT Offshore Toscana	102				17
- Società Agricola ASSORO BIOMETANO S.r.l.			12		
Total companies under joint control and associates	*108*		*1,230*		*17*
- Arbolia S.p.A. Benefit Company		1			
Total non-consolidated subsidiaries		*1*			
CDP Corporate Partners			8		
Total companies controlled by parent company Cassa Depositi e Prestiti			*8*		
- Cassa Depositi E Prestiti Group	**1**	**200**		**1**	
Total parent company	1	200		1	
BALANCES OF FINANCIAL TRANSACTIONS WITH RELATED PARTIES	**109**	**201**	**1,238**	**1**	**17**

37.2.1 Companies under joint control and associates

Financial transactions with companies under joint control and associates include:
- the so-called "Debt Payment Undertaking" guarantee in favour of TAP, i.e. a mechanism to support the repayment of TAP outstanding financial debt to be activated, unlike the guarantee on first demand, upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature[42];
- the guarantee provided in the interest of TAG[43] through which Snam guarantees to cover any liquidity shortfalls should the company be unable to use the credit lines already at its disposal and/or in the process of being finalised;
- the long-term financial receivable in favour of OLT and the related interest income.

37.2.2 Parent company

Financial transactions with Cassa Depositi e Prestiti relate to a loan granted by the parent company to Snam S.p.A.

37.3 Impact of related-party transactions or positions on the balance sheet, income statement and statement of cash flows

The incidence of transactions or positions with related parties on the balance sheet and income statement is shown in the following summary table:

(million euros)	31.12.2021			31.12.2022		
	Total	Related entities	% Share	Total	Related entities	% Share
Statement of financial position						
Other current and non-current financial assets	403	299	74.2	175	109	62.3
Trade receivables and other current receivables	3,331	556	16.7	4,624	995	21.5
Other current and non-current assets	362	1	0.3	314	2	0.6
Other current and non-current liabilities	791	1	0.1	2,370	2	0.1
Current and non-current financial liabilities	15,358	1		14,030	201	1.4
Trade payables and other payables	2,889	441	15.3	8,129	538	6.6

42 For further information, please refer to Note 26.1.1 "Guarantee provided on behalf of the associate TAP".
43 For further information, please refer to Note 26.1.2 "Guarantee provided on behalf of the company under joint control TAG".

The impact of related-party transactions on the income statement is summarised in the following table:

(million euros)	2021			2022		
	Total	Related entities	% Share	Total	Related entities	% Share
Income Statement						
Revenue	3,285	1,203	36.6	3,496	1,721	49.2
Other operating income	12	1	8.3	19	2	10.5
Costs for purchase of raw materials, consumables and finished goods	568	2	0.4	655	160	24.4
Costs for services	179	28	15.6	246	56	22.8
Staff costs	216	(2)		237	(3)	
Other operating costs and expenses	91	3	3.3	159	3	1.9
Financial income	32	14	43.8	37	17	45.9
Financial costs	134			177	1	0.6

Related-party transactions are generally governed on the basis of market conditions, i.e. the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table.

(million euros)	2021	2022
Operating revenues and income	1,204	1,723
Operating costs and expenses	(31)	(216)
Change in trade receivables and other current receivables	(254)	(439)
Change in trade payables and other current payables	221	65
Change in other current and non-current liabilities		1
Interest collected (paid)	10	4
Cash inflow from operating activities	***1,150***	***1,138***
Investments:		
- Tangible and intangible assets	(38)	(85)
- Long-term financial receivables	(8)	
- Change in payables and receivables relating to investments	10	31
Divestments:		
- Financial receivables (repayments)	20	194
Cash flows from investment activities	***(16)***	***140***
Increase (decrease) in short- term financial debt	1	
Increase (decrease) in long-term financial debt		200
Cash flows from financing activities	***1***	***200***
TOTAL CASH FLOWS TO RELATED ENTITIES	**1,135**	**1,478**

The incidence of cash flows with related parties is shown in the table below:

(million euros)	2021			2022		
	Total	Related entities	% Share	Total	Related entities	% Share
Cash inflow from operating activities	1,338	1,150	85.9	4,109	1,138	27.7
Cash flows from investment activities	(1,678)	(16)	1.0	(1,368)	140	
Cash flows from financing activities	(1,367)	1		(2,321)	200	

38 PUBLIC GRANTS - DISCLOSURE PURSUANT TO ARTICLE 1, PARAGRAPHS 125-129, LAW NO. 124/2017

Pursuant to Article 1, paragraph 125 of Law no. 124/2017, as amended, the following information is provided on disbursements received from Italian public entities and entities, in favour of Snam S.p.A. and its fully consolidated subsidiaries. The consolidated disclosures take into account disbursements received from Italian public entities/state bodies. In particular, the following are not subject to presentation: (i) the forms of incentive/subsidy received in application of a general aid scheme to all those entitled; (ii) payments relating to the provision of works/services, including sponsorships; (iii) reimbursements and allowances paid to persons engaged in training and guidance courses; (iv) contributions received for continuous training from interprofessional funds established in the legal form of associations; (v) membership fees for membership in trade and territorial associations, as well as in favour of foundations or equivalent organisations, functional to activities connected with the company's business. Disbursements are identified on a cash basis.

The disclosure obligations regarding the transparency of public disbursements granted, provided for in Article 1, paragraph 126 of Law no. 124 of 2017, are not applicable to the Snam Group.

During 2022, there are no disbursements of more than 10 thousand euros made by the same person, even through several acts. Pursuant to the provisions of Article 3-quater of DL 135/2018, converted with amendments by Law no. 12 of 11 February 2019, for any disbursements received, please refer to the indications contained in the National Register of State Aid referred to in Article 52 of Law no. 234 of 24 December 2012.

39 SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

In addition to what is reported in the chapter "Operating performance by business segment of the Directors' Report", it should be noted that on 10 January 2023, the purchase transaction was completed by Snam S.p.A. of 49.9% of the shareholdings held (directly and indirectly) by Eni in the companies that manage the two groups of international pipelines that connect Algeria to Italy, in particular, the onshore pipelines that extend from the border between Algeria and Tunisia to the Tunisian coast (the so-called TTPC pipeline) and the offshore pipelines which connect the Tunisian coast to Italy (the so-called TMPC pipeline).

These investments were contributed by Eni to a newly established Italian company (SeaCorridor S.r.l.), of which Snam acquired 49.9% of the share capital while the remaining 50.1% continues to be held by Eni. Eni and Snam exercise joint control over SeaCorridor, based on the principles of equal governance.

The consideration paid at the closing, by Snam to Eni in relation to the transaction amounted to approximately 405 million euros; the sale and purchase agreement related to the transaction, signed between Eni and Snam on 27 November 2021, also provides for an earn-in and earn-out mechanism to be calculated on the basis of the revenues that will be generated by the investee companies.

The transaction makes it possible to leverage the respective skills of Eni and Snam in a synergistic way on a strategic route for the security of natural gas supplies in Italy, favouring potential development initiatives in the hydrogen value chain also thanks to the natural resources of the North Africa.

40 PUBLICATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised for publication, to be carried out within the terms of the law, by the Snam Board of Directors in its meeting of 15 March 2023.

MANAGEMENT'S CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Pursuant provision of article 154-bis, paragraph 5 of the Legislative Decree No. 58/1998 – Testo Unico della Finanza)

1. The undersigned Stefano Venier and Luca Oglialoro, in their respective capacities as Chief Executive Officer and Manager responsible for preparing the Company's financial reports of Snam S.p.A., hereby certify, also taking into account the provisions of article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during FY 2022.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2022 have been defined and the assessment of their adequacy has been carried out on the basis of the standards and methods defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at international level.

3. It is also certified that
   3.1 The consolidated financial statements as at 31 December 2022:
   a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) correspond to the information contained in the accounting ledgers and records;
   c) provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation;
   3.2 The Directors' Report includes a fair review of the development and performance of operations and of the position of the issuer and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties to which it is exposed.

15 March 2023

/Firma/Stefano Venier
Stefano Venier
Chief Executive Officer

/Firma/Luca Oglialoro
Luca Oglialoro
Manager responsible for preparing
the Company's financial reports

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Snam S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Snam S.p.A. and its subsidiaries ("Snam Group" or "Group"), which comprise the statement of financial position as at December 31, 2022, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Snam S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Investments in regulated business segments of the natural gas transportation, storage and regasification and related impairment test	
Description of the key audit matter	As at December 31, 2022, the Group accounts for the item "Property, plant and equipment" for a total amount of euro 17,859 million and for the item "Intangible assets and goodwill", for a total amount of euro 1,321 million, mainly related to the regulated business segments and, in particular, for a total amount of euro 14,433 million referred to natural gas transportation business segment, for a total amount of euro 3,552 million referred to natural gas storage business segment and for a total amount of euro 538 million referred to natural gas regasification business segment. Investments made in the financial year relating to these sectors totaled euro 1,234 million. The natural gas transportation, storage and regasification business segments are regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA"), which defines, among the others, the rules for the remuneration of the related services. In particular, the regulated revenues for the natural gas transportation, storage and regasification services provided by the Group are determined by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized for tariff purposes (RAB – Regulatory Asset Base), of the relative depreciation and of some operating expenses – the so-called "revenue cap". The RAB value is determined by ARERA mainly through the "revalued historical cost" method. At the end of the financial year, the Group's management assessed the recoverability of non-financial fixed assets referring to the aforementioned business segments, by comparing the carrying amount, represented by the net invested capital related to each of the cash-generating units, with the corresponding recoverable amount. In performing the impairment test, the recoverable amount of the assets was estimated primarily based on the RAB method. No impairment loss resulted from the test. We believe that investments in the natural gas transportation, storage and regasification business segments and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at December 31, 2022 due to: (i) the relevance of the tangible and intangible assets related to natural gas transportation, storage and regasification services, compared to the Group's total assets, (ii) the relevance of the investments made during the year and (iii) their impact in determining the revenue cap for the remuneration of services related to these sectors.

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Notes 5) Significant accounting standards – paragraphs 5.2, 5.3 and 5.5, 6) Assumptions and uncertainties in estimates – paragraph 6.1, 8) Property, plant and equipment and 9) Intangible assets and goodwill to the consolidated financial statements include the disclosure on the investments in regulated businesses of the natural gas transportation, storage and regasification and the related impairment test.

Audit procedures performed

With reference to the investments in regulated businesses related to the natural gas transportation, storage and regasification and the related impairment test, our audit procedures included, among the others, the following:

- Understand the processes and the relevant controls referred to the recognition of such investments in the financial statements and assessment of operating effectiveness of these controls.
- Understand the process and the relevant controls referred to the impairment test.
- Critical analysis of the tangible and intangible assets captions, included the analysis of any unusual item.
- Test the accurate start of depreciation when the asset is available for use, for a sample of projects included in tangible and intangible assets with depreciation starting date in the year, and analysis of the aging of projects included in the assets in progress.
- With reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards.
- Assessment of the consistency between the useful life used for the depreciation of the assets and their regulatory useful life and reperforming procedures of the period depreciation.
- Discussion meetings with the Management in order to understand the impairment test methodology.
- Assessment of compliance of impairment test methodology, adopted by the Management, with the related applicable accounting standards.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

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Impairment test of equity investments accounted for using the equity method	
Description of the key audit matter	As at December 31, 2022, the Group accounts for the item "Equity investments accounted for using the equity method" for a total amount of euro 2,313 million, related to the Italian and foreign equity investments in jointly controlled companies for an amount of euro 797 million and in associated companies for an amount of euro 1,511 million. At the end of the financial year, the Management identified external impairment indicators related to the macroeconomic context marked by the presence of a significant inflationary phenomenon to which the major central banks, including the ECB, have responded with significant and repeated increases in their key interest rates. In this context, the Management performed the impairment test of such equity investments comparing the carrying amount with the recoverable amount represented by the higher between fair value and value in use. In particular, for the purpose of the impairment test, the recoverable amount of the equity investments was determined as the value in use on the basis of the Dividend Discount Model (DDM) method or of the Discounted Cash Flows (DCF) method, with the exemption of the equity investments in Italgas S.p.A. and Industrie De Nora S.p.A., associated companies, for which the fair value was determined on the basis of market prices at the end of the year. With reference to the investment in Trans Austria Gasleitung GmbH (TAG), given the scenario characterised by significant uncertainties about the duration and the outcome of the Russian-Ukrainian conflict, with actions already taken by some states that will lead to the gradual independence of Europe from Russian gas, the value in use was determined based on a multi-scenario approach, attributing a probability of occurrence to each of the scenarios considered and determining the value in use on the basis of the DDM method. The test resulted in the impairment losses of the investments in TAG and in AS Gasinfrastruktur Beteiligung GmbH, for which a write-down was recorded for an amount equal respectively to euro 340 million and euro 25 million, and in the revaluation of the investment in Interconnector Limited for euro 31 million. In consideration of the relevance of such equity investments' amount, and the estimation component referred to the impairment models' key variables used in determining the recoverable amount, we believe that the impairment test of equity investments accounted for using the equity method represents a key audit matter for the Group's consolidated financial statements as at December 31, 2022.

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	Notes 5) Significant accounting standards – paragraphs 5.1 and 5.5, 6) Assumptions and uncertainties in estimates – paragraph 6.1 and 10) Equity investments accounted for using the equity method to the consolidated financial statements include the disclosure on the equity investments accounted for using the equity method and the relative impairment test.
Audit procedures performed	With reference to our activities, we performed, among the others, the following audit procedures, also with the support of Deloitte network's experts: • Understand the process and the relevant controls related to the impairment test. • Discussion meetings with the Management in order to understand the impairment test methodology. • Assessment of compliance of impairment test methodology, adopted by the Management, with the related applicable accounting standards. • Reasonableness analysis of the main assumptions underlying the determination of the recoverable amount. • Analysis of actual figures with respect to the original plans in order to assess the nature of the variations and the plans preparation process' reliability. • Reasonableness' assessment of the discount rate (Ke in the DDM method and WACC in the DCF method) and of the long-term growth rate (g-rate) used. • Mathematical accuracy's test of the recoverable amount estimated by the Management and of the comparison between the recoverable amount and the carrying amount of the investment. • Test of the sensitivity analysis prepared by the Management. • Accuracy's test of the market prices used to determine the fair value of Italgas S.p.A. and Industrie De Nora S.p.A. Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Snam S.p.A. has appointed us on October 23, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Snam S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Snam S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Snam Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Snam Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Snam Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Snam S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

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Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
April 4, 2023

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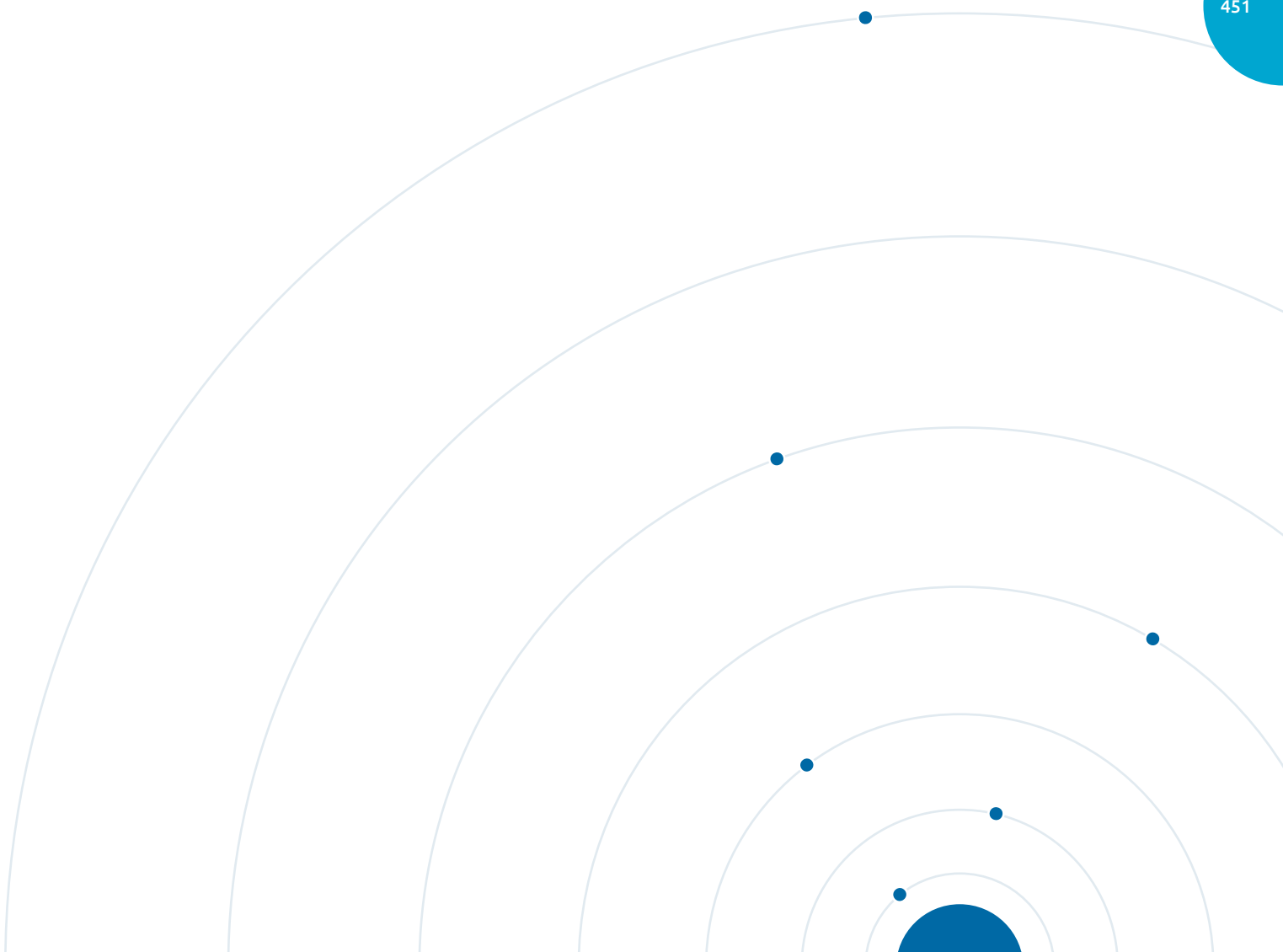

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SNAM S.P.A. EQUITY INVESTMENTS AT 31 DECEMBER 2022

In accordance with the provisions of Consob Communication DEM/6064293 of 28 July 2006 and articles 38 and 39 of Legislative Decree 127/1991, a list of Snam S.p.A. subsidiaries, joint ventures and associates at 31 December 2022, as well as other significant investments, is provided below.

The companies are divided by sector of activity and are listed in alphabetical order. For each company, the following information is provided: the name, registered office, share capital, shareholders and respective ownership percentages; for consolidated companies, the consolidated percentage pertaining to Snam is indicated; for unconsolidated companies in which Snam has an interest, the valuation criterion is indicated.

At 31 December 2022, the companies of Snam S.p.A, divided between Italy and abroad, conventionally divided between Italy, are broken down as follows:

	Subsidiaries		Joint ventures and associates		Other significant investments (*)	Total
	Italy	Abroad	Italy	Abroad	Abroad	
Companies consolidated on a line-by-line basis	*56*	*3*				*59*
Investments of consolidated companies (**)	*9*	*7*	*7*	*11*	*2*	*36*
Valued with the equity method	4	4	5	10		23
Valued with the cost criterion	5	3	2	1	1	12
Valued with the fair value method					1	1
Investments of non-consolidated companies				*4*		*4*
Owned by joint ventures				4		4
TOTAL COMPANIES	**65**	**10**	**7**	**15**	**2**	**99**

(*) It covers investments in companies other than subsidiaries, joint ventures and associates exceeding 2% or 10% of the capital, respectively, whether listed or unlisted.
(**) The following investments are not significant: (i) investments in subsidiaries accounted for using the equity method and the cost method; (ii) investments in associates accounted for using the cost method.

CONSOLIDATING COMPANY

COMPANY NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	San Donato Milanese (MI)	EURO	2,735,670,475.56	C.D.P. Reti S.p.A.	31.35%
				Romano Minozzi	7.46%
				Snam S.p.A.	2.63%
				Minorities	58.56%

SUBSIDIARIES

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	% CONSOLIDATED PERTAINING TO SNAM	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
BIOGAS/BIOMETHANE							
Bioenerys S.r.l.	San Donato Milanese (MI)	EURO	5,000,000	Snam S.p.A.	100%	100%	C.I.
Biogas Bruso Società Agricola a r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	99.9%	50.9%	C.I.
				Minorities	0.1%		
Biowaste CH4 Anzio S.r.l.	San Donato Milanese (MI)	EURO	700,000	Renerwaste S.r.l.	100%	100%	C.I.
Biowaste CH4 Foligno S.r.l.	San Donato Milanese (MI)	EURO	4,347,618	Renerwaste S.r.l.	100%	100%	C.I.
Biowaste CH4 Genova S.r.l.	San Donato Milanese (MI)	EURO	4,127,000	Renerwaste S.r.l.	100%	100%	C.I.
Biowaste CH4 Group S.r.l.	San Donato Milanese (MI)	EURO	22,000	Renerwaste S.r.l.	100%	100%	C.I.
Biowaste CH4 Tuscania S.r.l.	San Donato Milanese (MI)	EURO	5,950,000	Renerwaste S.r.l.	100%	100%	C.I.
Ca' Bianca Società Agricola a r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	70%	36%	C.I.
				Minorities	30%		
COGENEST S.r.l.	Padua	EURO	20,000	Iniziative Biometano S.p.A.	98%		PN
				Minorities	2%		
EBS Società Agricola a r.l.	Cittadella (PD)	EURO	104,725	Iniziative Biometano S.p.A.	94.53%	48.21%	C.I.
				Minorities	5.47%		
Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	EURO	1,000,000	Renerwaste Lodi S.r.l.	55%	100%	C.I.
				Renerwaste S.r.l.	45%		
Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	EURO	1,000,000	Renerwaste S.r.l.	100%	100%	C.I.
Emiliana Agroenergia Società Agricola S.r.l.	Piacenza	EURO	30,000	IES Biogas S.r.l.	100%	100%	C.I.
Enersi Sicilia S.r.l.	San Donato Milanese (MI)	EURO	400,000	Renerwaste S.r.l.	100%	100%	C.I.
Govone Biometano S.r.l.	Pordenone	EURO	70,000	IES Biogas S.r.l.	100%		Co.
IES Biogas S.r.l.	Pordenone	EURO	100,000	Bioenerys S.r.l.	100%	100%	C.I.
IES Biogas S.R.L.	Buenos Aires	ARS	100,000 (a)	IES Biogas S.r.l.	95%		Co.
	(Argentina)			Bioenerys S.r.l.	5%		
Iniziative Biometano S.p.A.	San Donato Milanese (MI)	EURO	18,000,002	Bioenerys S.r.l.	51%	51%	C.I.
				Minorities	49%		
Maiero Energia Società Agricola a r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	100%	51%	C.I.
Motta Energia Società Agricola a r.l.	Cittadella (PD)	EURO	50,000	Iniziative Biometano S.p.A.	94.80%	48.35%	C.I.
				Minorities	5.20%		
MZ Biogas Società Agricola a r.l.	Cittadella (PD)	EURO	119,000	Iniziative Biometano S.p.A.	99.9%	50.9%	C.I.
				Minorities	0.1%		
Piacentina Agroenergia Società Agricola S.r.l.	Piacenza	EURO	28,000	IES Biogas S.r.l.	100%	100%	C.I.
Piazzola Nuove Energie Società Agricola a r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	100%		PN
Renerwaste S.r.l.	San Donato Milanese (MI)	EURO	1,710,764	Bioenerys S.r.l.	100%	100%	C.I.
Renerwaste Cupello S.r.l.	San Donato Milanese (MI)	EURO	1,000,000	Renerwaste S.r.l.	85%	100%	C.I.
				Minorities	15%		
Renerwaste Lodi S.r.l.	San Donato Milanese (MI)	EURO	10,000	Renerwaste S.r.l.	100%	100%	C.I.
Società Agricola Agrimetano S.r.l.	Faenza (RA)	EURO	60,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Agrimezzana Biogas S.r.l.	San Rocco al Porto (LO)	EURO	30,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Ariano Biometano S.r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	98%	50%	C.I.
				Minorities	2%		
Società Agricola Asola Energie Biogas S.r.l.	Asola (MN)	EURO	60,000	IES Biogas S.r.l.	100%	100%	C.I.

SUBSIDIARIES

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	% CONSOLIDATED PERTAINING TO SNAM	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
Società Agricola Astico Biometano S.r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	100%		PN
Società Agricola Biostellato 1 S.r.l.	Pordenone	EURO	10,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Biostellato 2 S.r.l.	Pordenone	EURO	10,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Biostellato 3 S.r.l.	Pordenone	EURO	10,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Biostellato 4 S.r.l.	Pordenone	EURO	10,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Carignano Biogas S.r.l.	Bologna	EURO	100,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola G.B.E. Gruppo Bioenergie S.r.l.	Pordenone	EURO	20,000	Società Agricola Sangiovanni S.r.l.	100%	100%	C.I.
Società Agricola Isola Biometano a r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A. Minorities	70% 30%		PN
Società Agricola La Valle Green Energy S.r.l.	Cerea (VR)	EURO	10,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Sangiovanni S.r.l.	Pordenone	EURO	20,000	IES Biogas S.r.l. Società Agricola SQ Energy S.r.l.	50% 50%	100%	C.I.
Società Agricola San Giuseppe Agroenergia S.r.l.	Bologna	EURO	450,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Santo Stefano Energia S.r.l.	Casalmoro (MN)	EURO	60,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola SQ Energy S.r.l.	Pordenone	EURO	100,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Tessagli Agroenergia S.r.l.	Commessaggio (MN)	EURO	29,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola T4 Energy S.r.l.	Pordenone	EURO	200,000	IES Biogas S.r.l.	100%	100%	C.I.
Società Agricola Zoppola Biogas S.r.l.	Pordenone	EURO	10,000	Società Agricola Sangiovanni S.r.l.	100%	100%	C.I.
ENERGY EFFICIENCY							
Evolve S.p.A.	Milan	EURO	1,450,000	Renovit S.p.A. Minorities	70% 30%	60.05%	C.I.
Mieci S.p.A.	Milan	EURO	200,000	Renovit S.p.A. Minorities	70% 30%	60.05%	C.I.
Renovit S.p.A.	San Donato Milanese (MI)	EURO	4,375,000	Snam S.p.A. CDP Equity S.p.A. Minorities	60.05% 30% 9.95%	60.05%	C.I.
TEA Innovazione Due S.r.l.	Brescia	EURO	20,000	Tep Energy Solution S.r.l.	100%		Co.
TEP Energy Solution S.r.l.	Rome	EURO	1,000,000	Renovit S.p.A.	100%	60.05%	C.I.
Tlux S.r.l.	Piancogno (BS)	EURO	50,000	Mieci S.p.A. Minorities	85% 15%	60.05%	C.I.
SUSTAINABLE MOBILITY							
Cubogas S.r.l.	San Donato Milanese (MI)	EURO	1,000,000	Greenture S.p.A.	100%	100%	C.I.
Greenture S.p.A. (formerly Snam 4 Mobility S.p.A.)	San Donato Milanese (MI)	EURO	2,320,000	Snam S.p.A.	100%	100%	C.I.

SUBSIDIARIES

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	% CONSOLIDATED PERTAINING TO SNAM	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
REGASIFICATION							
GNL Italia S.p.A.	San Donato Milanese (MI)	EURO	17,300,000	Snam S.p.A.	100%	100%	C.I.
Golar LNG NB13 Corporation	Marshall Islands	USD	234,714,733,52 (b)	Snam FSRU Italia S.r.l. (formerly Asset Company 11 S.r.l.)	100%	100%	C.I.
Ravenna LNG Terminal S.r.l.	San Donato Milanese (MI)	EURO	10,000	Snam FSRU Italia S.r.l. (formerly Asset Company 11 S.r.l.)	100%	100%	C.I.
Snam FSRU Italia S.r.l. (formerly Asset Company 11 S.r.l.)	San Donato Milanese (MI)	EURO	10,000	Snam S.p.A.	100%	100%	C.I.
NATURAL GAS STORAGE							
Stogit S.p.A.	San Donato Milanese (MI)	EURO	152,205,500	Snam S.p.A.	100%	100%	C.I.
NATURAL GAS TRANSPORTATION							
Asset Company 2 S.r.l.	San Donato Milanese (MI)	EURO	10,000,000	Snam S.p.A.	100%	100%	C.I.
Enura S.p.A.	San Donato Milanese (MI)	EURO	3,700,000	Snam S.p.A. Minorities	55% 45%	55%	C.I.
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	EURO	10,000,000	Asset Company 2 S.r.l.	100%	100%	C.I.
Snam Rete Gas S.p.A.	San Donato Milanese (MI)	EURO	1,200,000,000	Snam S.p.A.	100%	100%	C.I.
CORPORATE AND OTHER ACTIVITIES							
Arbolia S.p.A. Benefit Company	San Donato Milanese (MI)	EURO	100,000	Snam S.p.A. Fondazione CDP	51% 49%		Co.
Asset Company 4 S.r.l.	San Donato Milanese (MI)	EURO	100,000	Snam S.p.A.	100%		Co.
Asset Company 7 B.V.	Amsterdam (Paesi Bassi)	EURO	1	Snam S.p.A.	100%		Co.
Asset Company 9 S.r.l.	San Donato Milanese (MI)	EURO	10,000	Snam S.p.A.	100%		Co.
Asset Company 10 S.r.l.	San Donato Milanese (MI)	EURO	10,000	Snam S.p.A.	100%	100%	C.I.
Gasrule Insurance D.A.C.	Dublin (Ireland)	EURO	20,000,000	Snam S.p.A.	100%	100%	C.I.
Snam Energy Services Private Limited	New Delhi (India)	INR	1,000,000	Snam International B.V. Minorities	99.999% 0.001%		Co.
Snam Gas & Energy Services (Bejing) Co., Ltd	Beijing (China)	RMB	15,493,800 (c)	Snam Intenational B.V.	100%		PN
Snam International B.V.	Amsterdam (Netherlands)	EURO	6,626,800	Snam S.p.A.	100%	100%	C.I.
Snam International (UK) Ltd	Maidenhead (United Kingdom)	GBP	1,800,000 (e)	Snam Intenational B.V.	100%		PN
Snam Middle East BV Business Services Co. (in liquidation)	Riyadh (Saudi Arabia)	SAR	15,000,000 (d)	Snam Intenational B.V.	100%		PN
Snam North America LLC (in liquidation)	Wilmington (Delaware)	USD	1,500,000	Snam Intenational B.V.	100%		PN

(*) C.I. = Line-by-line consolidation; Co. = Valuation at cost; PN = Valuation at equity
(a) The value is expressed in Argentinian Pesos (ARS)
(b) The value is expressed in USD
(c) The value is expressed in Chinese Renminbi (RMB)
(d) The value is expressed in Saudi Riyals (SAR)
(e) The value is expressed in GBP

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
Albanian Gas Service Company SH.A.	Tirana (Albania)	ALL	875,000 (a)	Snam S.p.A.	25%	Co.
				Minorities	75%	
AS Gasinfrastruktur Beteiligung GmbH (b)	Vienna (Austria)	EURO	35,000	Snam S.p.A.	40%	PN
				Minorities	60%	
AS Gasinfrastruktur GmbH	Vienna (Austria)	EURO	35,000	AS Gasinfrastruktur Beteiligung GmbH	100%	
dCarbonX Ltd	London (United Kingdom)	GBP	4 (c)	Snam International B.V.	28.89%	PN
				Minorities	71.11%	
East Mediterranean Gas Company S.A.E. (EMG)	Cairo (Egypt)	USD	147,000,000 (d)	Snam International B.V.	25%	PN
				Minorities	75%	
EIS S.r.l.	Milan	EURO	100,000	TEP Energy Solution S.r.l.	40%	Co.
				Minorities	60%	
Galaxy Pipeline Assets HoldCo Limited	Jersey	USD	1,979,221,357 (d)	Snam S.p.A.	12.33%	PN
				Minorities	87.67%	
Industrie De Nora S.p.A.	Milan	EURO	18,268,204	Asset Company 10 S.r.l.	25.79%	PN
				Minorities	74.21%	
Interconnector Limited	London (United Kingdom)	GBP	12,754,680 (c)	Snam International B.V.	23.68%	PN
				Minorities	76.32%	
Interconnector Zeebrugge Terminal B.V.	Brussels (Belgium)	EURO	123,946	Interconnector Limited	48%	PN
				Snam International B.V.	25%	
				Minorities	27%	
Italgas S.p.A.	Milan	EURO	1,002,016,255	Snam S.p.A.	13.49%	PN
				C.D.P. Reti S.p.A.	26.02%	
				Minorities	60.49%	
Latina Biometano S.r.l.	Rome	EURO	10,000	IES Biogas S.rl.	32.50%	Co.
				Minorities	67.50%	
OLT Offshore LNG Toscana S.p.A. (b)	Milan	EURO	40,489,544	Snam S.p.A.	49.07%	PN
				Minorities	50.93%	
Senfluga Energy Infrastructure Holdings S.A.	Athens (Greece)	EURO	20,125,050	Snam S.p.A.	54%	PN
				Minorities	46%	
Sicilian Biogas Refinery - SBR S.r.l.	Catania	EURO	12,000	Iniziative Biometano S.p.A.	32%	PN
				Minorities	68%	
Sviluppo Biometano Sicilia - SBS S.r.l.	Cittadella (PD)	EURO	10,000	Iniziative Biometano S.p.A.	50%	PN
				Minorities	50%	
Teréga Holding S.A.S. (b)	Pau (France)	EURO	505,869,374	Snam S.p.A.	40.50%	PN
				Minorities	59.50%	

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
Teréga S.A.S.	Pau (France)	EURO	489,473,550	Teréga Holding S.A.S.	100%	
Teréga S.A.	Pau (France)	EURO	17,579,088	Teréga S.A.S.	100%	
Teréga Solutions S.A.S.	Pau (France)	EURO	13,300,000	Teréga S.A.S.	100%	
Trans Austria Gaisletung GMBH (b)	Vienna (Austria)	EURO	76,566	Snam S.p.A.	84.47%	PN
	(Austria)			Minorities	15.53%	
Trans Adriatic Pipeline AG	Baar	EURO	1,049,293,650	Snam International B.V.	20%	PN
	(Switzerland)			Minorities	80%	

(*) SE = Valuation at equity; Co. = Valuation at cost
(a) The value is expressed in Albanian Lek (ALL).
(b) The Company is a joint venture.
(c) The value is expressed in GBP.
(d) The value is expressed in USD.
(a) The value is expressed in CHF.

OTHER SIGNIFICANT INVESTMENTS

COMPANY NAME	REGISTERED OFFICE	FINANCIAL STATEMENTS CURRENCY	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP	METHOD OF CONSOLIDATION OR VALUATION CRITERION (*)
ITM POWER PLC	Sheffield (United Kingdom)	GBP	30,657,908 (a)	Snam S.p.A.	2.082%	FVTOCI
				Minorities	97.92%	
PRISMA - European Capacity Platform GmbH	Leipzing (Germany)	EURO	261,888	Snam Rete Gas S.p.A.	14.66%	Co.
				Minorities	85.34%	

(*) Co. = Valuation at cost; FVTOCI = Valuation at Fair Value Through OCI.
(a) The value is expressed in GBP.

CHANGES IN THE SCOPE OF CONSOLIDATION IN FY 2022

Company Name	Sector	Direct shareholder	% ownership	Change
Biogas Bruso Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	99.9%	entry
Biowaste CH4 Anzio S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	100%	entry
Biowaste CH4 Foligno S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	100%	entry
Biowaste CH4 Genova S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	100%	entry
Biowaste CH4 Group S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	100%	entry
Biowaste CH4 Tuscania S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	100%	entry
Ca' Bianca Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	70%	entry
EBS Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	94.53%	entry
Emiliana Agroenergia Società Agricola S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Golar LNG NB13 Corporation	Regasification	Snam FSRU Italia S.r.l. (formerly Asset Company 11 S.r.l.)	100%	entry
Iniziative Biometano S.p.A.	Biogas/Biomethane	Bioenerys S.r.l.	51%	entry
Maiero Energia Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	100%	entry
Motta Energia Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	94.80%	entry
MZ Biogas Società agricola a r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	99.9%	entry
Piacentina Agroenergia Società Agricola S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Ravenna LNG Terminal S.r.l.	Regasification	Snam FSRU Italia S.r.l.	100%	entry
Renerwaste Cupello S.r.l.	Biogas/Biomethane	Renerwaste S.r.l.	85%	entry
Snam FSRU Italia S.r.l. (formerly Asset Company 11 S.r.l.)	Regasification	Snam S.p.A.	100%	entry
Società Agricola Agrimetano S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Agrimezzana Biogas S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Ariano Biometano S.r.l.	Biogas/Biomethane	Iniziative Biometano S.p.A.	98%	entry
Società Agricola Asola Energie Biogas S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Biostellato 1 S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Biostellato 2 S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Biostellato 3 S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Biostellato 4 S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Carignano Biogas S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola G.B.E. Gruppo Bio Energie S.r.l.	Biogas/Biomethane	Società Agricola Sangiovanni S.r.l.	100%	entry
Società Agricola La Valle Green Energy S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Sangiovanni S.r.l.	Biogas/Biomethane	IES Biogas S.r.l. - SQ Energy S.r.l.	50% - 50%	entry
Società Agricola San Giuseppe Agroeneria S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Santo Stefano Energia S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola SQ Energy S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Tessagli Agroenergia S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola T4 Energy S.r.l.	Biogas/Biomethane	IES Biogas S.r.l.	100%	entry
Società Agricola Zoppola Biogas S.r.l.	Biogas/Biomethane	Società Agricola Sangiovanni S.r.l.	100%	entry

PRICES OF THE AUDIT OF THE ACCOUNTS AND OTHER NON-AUDIT SERVICES

In accordance with art. 149 - duodecies, second subsection of Consob resolution 11971 of 14 May 1999, as subsequently amended, below are the fees due to the independent auditing firm Deloitte & Touche S.p.A. in exchange for the services supplied to the parent company Snam S.p.A. and its subsidiaries for FY 2022:

(thousands of €)

Type of services	Subject that provided the service	Recipient	Fees
Auditing of the accounts[1]	Parent company auditor	Parent company	161
	Parent company auditor	Subsidiaries	750
	Parent company auditor network	Subsidiaries	114
Certification services[2]	Parent company auditor	Parent company	164
	Parent company auditor	Subsidiaries	-
	Parent company auditor network	Subsidiaries	-
			1,189

(1) The accounts auditing services essentially comprise: (i) auditing the consolidated and separate financial statemetns of Snam S.p.A., the subsidiaries and companies under joint control; (ii) conformity checks of the consolidated financial statements with the provisions of Delegated Regulation (EU) 219/815 - ESEF; (iii) limited audit of the half-year financial report; (iv) accounting checks during the financial year in accordance with Art. 14, letter b of Italian Legislative Decree no. 39/2010; (v) checks performed in compliance with auditing standard ISA 600; (v) limited audit of the Non-Financial Statement pursuant to Italian Legislative Decree no. 254/2016.
(2) The certification services mainly regard: (i) auditing the financial reporting control system; (ii) comfort letters connected with the issue of debenture loans; (iii) limited audit of the directors' report in accordance with Art. 2433-bis, subsection 5 of the Italian Civil Code; (iv) conformity check of the Sustainability Report.

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