

## Corporate Governance



### Governance structure

Since its inception, Snam Rete Gas has had a corporate governance system in line with international best practices, that is, a set of rules that governs and guides the company's management and control. It establishes the allocation of roles and rights among the persons involved in the company by assigning duties, responsibilities and decision-making powers. It also ensures compliance with the law, codes of conduct, internal procedures and regulations.

The corporate governance system's aim is to create value for the shareholders, aware of the social role played by the company, especially with respect to protecting the environment, the health and safety of people, labour protection, guaranteeing equal opportunities, working with the local and national communities in which it is based and, generally, in the interests of all the stakeholders.

Snam Rete Gas' system is based on the guidelines set out in the Code of Conduct for Listed Companies proposed by the Committee for Corporate Governance of Listed Companies, considering the relevant recommendations

made by CONSOB (National Commission for Listed Companies and the Stock Exchange) as well as international best practices. The company's board of directors had already complied with the aforesaid guidelines with its resolution of 27 July 2001 and, subsequently, the amendments and integrations made to the Code in July 2002. It complied with the new Code issued on 14 March 2006 with its resolution of 11 December 2006. As required by the guidelines and recommendations of Borsa Italiana S.p.A., the disclosures about the company's corporate governance system are given below. Reference was made to the "Guide to writing the corporate governance report" issued by Assonime and Emittenti Titoli S.p.A. in February 2004.

### Organisation

The company's organisational structure is traditional and consists of:

- a board of directors which administers the company;
- a board of statutory auditors required to (i) monitor compliance with the laws and deed of incorporation along with correct administration standards for running the company; and (ii) checking the adequacy of

the organisational structure, internal control system and administrative-accounting system;

- shareholders that meet in ordinary or extraordinary meetings to discuss (i) the appointment or dismissal of members of the boards of directors and statutory auditors and their related remuneration and responsibilities; (ii) the approval of the financial statements and allocation of profit; (iii) the repurchase and sale of treasury shares; (iv) changes to the bylaws; and (v) the issue of convertible bonds.

Independent auditors are engaged to audit the company's financial statements. They are included in the Consob register and are specifically engaged by the shareholders after being advised by the board of statutory auditors.

### Ownership structure and shareholding structure

At 31 December 2006, the company's fully paid-up share capital amounted to € 1,955,957,600.00, consisting of 1,955,957,600 ordinary shares with a nominal value of € 1.00 (31 December 2005: 1,955,766,700). The shares are indivisible and each share gives the right to one vote. Shareholders may exercise the share and equity rights given to them by current legislation within the relevant limits.

Snam Rete Gas is managed and coordinated by Eni S.p.A., which holds a stake of 50.04% therein.

Snam Rete Gas holds 122,531,297 treasury shares, including 800,000 repurchased in 2005 (€ 3.5 million) and 121,731,297 repurchased in 2006 (€ 455 million), equal to 6.26% of the share capital.

The 2006 repurchases was made on the basis of the shareholders' resolution taken in the meeting of 10 November 2005. The meeting authorised the board of directors, pursuant to article 2357 of the Italian Civil Code, to repurchase a maximum of 194,737,950 ordinary Snam Rete Gas shares with a nominal value of € 1.00 each at not less than their nominal value and not more than 5% higher than the trade price on the stock exchange day before each repurchase for a total amount of € 800 million. The transaction was to take place on the stock exchange managed by Borsa Italiana S.p.A. within 18 months from the date of the resolution.

According to the information available and communications received in accordance with Consob resolution no. 11971/99, the other shareholders holding more than 2% of the company's share capital at 11 December 2006 were:

Shareholder	% of share capital
Eni S.p.A.	50.04
Pictet Asset Management	4.05
Banca d'Italia	2.25

Based on the communications from the banks entrusted with paying the 2005 dividend, other legally-required communications and information available to the company, a breakdown of the shareholding structure by geographical area is as follows:

Shareholders	% of share capital
Italy (*)	72,0%
UK and Ireland	9,0%
USA and Canada	5,8%
Germany and Austria	4,5%
France	0,6%
Spain and Portugal	0,1%
Switzerland	4,9%
Benelux	2,6%
Scandinavia	0,5%
Others	0,1%
	<b>100%</b>

(\*) "Italy" includes the 6.26% of treasury shares held by the company.

Pursuant to article 7 of the bylaws, until expiry of the regulation period for natural gas transportation tariffs, immediately after that which concludes on 30 September 2005, ie, up until 30 September 2009, the exercise of voting rights on shares making up more than 15% of the share capital, consisting of shares with voting rights at ordinary shareholders' meetings purchased after the official listing of the company by a state, a public entity or parties directly or indirectly controlled by them, or by parties that directly or indirectly perform import and/or export activities in Italy of natural gas via subsidiaries or associates or their parents, is subject to written approval from the board of directors.

Rights related to shares held by individual parties and their groups as well as associates and the related subsidiaries are considered when calculating the above percentage.

Rights related to shares held through a trustee and/or nominee are also included.

Purchases of shares in quantities that exceed the 15% limit must be communicated to the company in writing to obtain the board of directors' approval.

The company shall give the shareholders its approval in writing within 60 days from receipt of the above communication. The approval is irrevocable and can only be denied in the interests of the company. Should it not be given during the 60 day period and should the shareholder not present a written request, the voting rights related to the shares exceeding the 15% limit cannot be exercised.

## Corporate Governance - Implementation of the requirements of the Code of Conduct for Listed Companies and additional information

### Code of Ethics

The board of directors has adopted the Eni group's Code of Conduct believing it important to clearly establish the values recognised, accepted and shared by the group, including the conduct standards and concepts of legality, transparency and correctness to be adhered to both within and outside the group. This ensures that activities performed comply with the law in a context of fair competition, honesty, integrity, correctness and good faith, respecting the legitimate interests of customers, employees, shareholders, commercial and financial partners and the communities in which the company operate. All Snam Rete Gas employees, regardless of position, are required to comply and ensure compliance with these standards as part of their duties and responsibilities. Acting in the interests of the company in no way justifies conduct which deviates from such standards.

The company set up a code of conduct committee to ensure implementation of the Code of Conduct. Its members include the head of general affairs, head of human resources and organisation and the head of internal audit. The CFO was appointed as the Code of Conduct watchbody on the same date. The committee reports regularly to the board of directors on the status of its work.

### The board of directors

#### ROLES AND DUTIES

The board of directors is the central player in the company's corporate governance system. Its responsibilities include defining the corporate governance rules, strategies for the company and group and checking the company's performance. Specifically, it:

- a) sets strategies, after reviewing programmes and budgets;
- b) examines the subsidiaries' annual financial statements;
- c) defines, applies and updates the corporate governance rules;
- d) monitors the company's performance considering information received from the chairman, CEO and audit committee in particular and, also, periodically compares actual and forecast figures;
- e) assigns and revokes powers to/from the chairman and CEO who report to the board and the board of

statutory auditors at least quarterly about their activities and the key transactions performed by it and its subsidiaries that affect the company's financial position and results. They also report on atypical and/or unusual transactions and related party transactions. Information is made available promptly when the directors have a direct interest in the transaction, third parties are involved or the transaction could be affected by the company which manages and coordinates Snam Rete Gas;

- f) advised by the CEO, takes decisions about acquisitions, disposals, sales and contributions of:
  - companies or business units (including rent and usufruct), investments and properties worth more than € 2.5 million;
  - contracts for the sale of goods and/or services used for commercial and administration purposes by the company for amounts greater than € 1 billion and/or a term of longer than 15 years;
  - contracts for the purchase and sale and exchange of chattels, also including those included in public registers, contracts for advertising space and time, rental and lease, intellectual property services, services, hire, transport and courier, tender, insurance as the insured party, brokerage and representation, mandate, commission, agency, sales concession, deposit, subcontracting, use on a free-loan basis, publishing and printing, usufruct, use and residential, purchase and sale, hire, lease and rental of hardware and software or computerised systems for more than € 30 million and/or a term of longer than 15 years;
  - as lessor for finance leases of buildings for more than € 2,500,000 and/or a term of longer than 15 years and chattels also included in public registers in Italy and abroad for more than € 30 million and/or a term of longer than 15 years;
  - granting of loans to non-Eni group companies;
  - sureties and other forms of personal guarantee, letters of patronage, in relation to commitments taken on or to be taken on with third parties or with banks and financial brokers by the company in which the company directly or indirectly holds an investment, of more than € 30 million and, in all cases, if the amount is not proportional to the investment held therein;
  - sureties given to banks and financial brokers to guarantee commitments taken on or to be taken on by the company with third parties, essential for its specific operations, for more than € 30 million;
- g) checks the adequacy of the organisational and administration structure;

- h) fixes the chairman's and CEO's remuneration after consulting the compensation committee;
- i) examines the proposals of the audit committee;
- j) examines the CEO's recommendations about the appointment of the members of the subsidiaries' boards of directors and statutory auditors;
- k) issues orders about the exercise of voting rights at meetings of shareholders of its subsidiaries, usually based on the CEO's proposals;
- l) draws up proposals to be submitted to the shareholders in their meetings.

As at the next ordinary meeting of the shareholders held on either 26 or 27 April 2007, the boards of directors and statutory auditors will be reappointed, the duties assigned thereto will be reviewed and it will evaluate new appointments, also considering the new regulations of the Code of Conduct for Listed Companies.

The bylaws also give the board of directors the authority to resolve on proposals related to:

- mergers as per articles 2505 and 2505/bis of the Italian Civil Code, also in the case of demergers, again in the cases provided for by the aforesaid articles;
- the opening, changing and closing of secondary offices;
- the reduction in the share capital when a shareholder withdraws therefrom.

In its meeting of 21 February 2007, the board of directors checked the adequacy of the organisational, administrative and accounting structure of Snam Rete Gas.

The company does not have any strategically important subsidiaries.

With the assistance of an external specialist, the directors evaluated the size, composition and working of the board itself and related committees in their meeting of 20 March 2007.

#### APPOINTMENT, COMPOSITION AND LENGTH OF TERM OF OFFICE

The board of directors has a variable number of members ranging from five to nine. This number is decided by the shareholders in the meeting which appoints them. The directors have a maximum term of office of three years and may be re-elected.

Article 16 of the bylaws establishes a voting list mechanism for the appointment of directors in order to ensure the presence of directors representing the minority shareholders.

Shareholders may individually or in a grouping with other shareholders, making up at least 2% of the shares with voting rights at ordinary meetings, present lists. Each shareholder may present individually or in a group-

ing just one list and each candidate may be present once. Non-compliance can lead to ineligibility. The parent and joint ventures may not present or take part in presenting other lists (subsidiaries are those companies as per paragraph 1, article 2359 of the Italian Civil Code). The lists are lodged at the company's registered office at least ten days before the date of the first call of the meeting. They are also published in at least two national daily newspapers, one of which should be financial, together with the professional curriculum vitae of each candidate. The lists, to be presented at the ordinary meeting of the shareholders on either 26 or 27 April 2007, together with the information about the candidates, will be posted on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)) on a timely basis.

The board of directors currently consists of eight members: Alberto Meomartini (chairman), Carlo Malacarne (CEO), and directors Giuseppe Airoidi, Roberto Lonzar, Roberto Lugano (candidate directors in the list presented by the institutional investors led by ARCA SGR S.p.A.), Marco Mangiagalli, Massimo Mantovani and Salvatore Sardo.

The shareholders appointed Alberto Meomartini chairman in their meeting of 27 April 2006. He replaced Domenico Dispenza, who resigned, on 23 December 2005. Massimo Mantovani and Salvatore Sardo became directors on 6 December 2005 replacing the outgoing directors Carlo Grande and Renato Roffi. The shareholders also appointed Carlo Malacarne to replace Roberto Jaquinto who resigned as of the date of their meeting.

The other directors were appointed by the shareholders in their ordinary meeting of 27 April 2004.

The term of office of the entire board expires with the meeting called to approve the financial statements as at and for the year ended 31 December 2006.

On 8 May 2006, the board of directors gave the chairman powers to carry out External and institutional relations, internal audit and Relations with authorities and associations activities as well as his duties established by current legislation and the bylaws. During the same meeting, it appointed Carlo Malacarne as CEO giving him the related powers for the administration of the company except for those that by law cannot be delegated and those reserved to the board. It also appointed Francesco Iovane as Operations General Manager giving him the related operating powers.

Pursuant to article 23 of the bylaws, the chairman and CEO may represent the company.

The directors and general manager meet the reputation requirements established for members of supervisory bodies set by the Ministry for Justice in its Decree no. 162 of 30 March 2002 in accordance with article 147-quinquies of Legislative decree no. 1998/58.



The directors and statutory auditors report to the other directors and board of statutory auditors on all interests they may have in a specific company transaction either directly or on behalf of third parties.

The directors' curricula vitae are available on the company's internet site.

Except for the chairman and CEO, all the directors are non-executive in order to ensure that they can influence board decisions in terms of their number and authority.

Their independence is assessed when they are appointed and at least once a year by the board of directors considering information provided both by themselves and available to the company. In its meeting of 21 February 2007, the board of directors noted that the non-executive directors Giuseppe Airoldi, Roberto Lonzar and Roberto Lugano meet the independence requirements set by current legislation. The board of statutory auditors also checked the correct application of the criteria and procedures adopted by the board of directors when verifying the independence requirements.

These directors are considered to be independent, pursuant to article 3 of the Code of Conduct, given that:

- a) they do not control the issuer either directly or indirectly, also via subsidiaries, trustees or nominees, they are not able to exercise significant influence thereon and they have not entered into a shareholder agreement whereby one or more parties has control or significant influence over the issuer,
- b) they do not hold nor did they hold in the previous three years, key positions with the issuer or one of its strategically important subsidiaries or joint ventures with the issuer or a company or body that, together with others via a shareholder agreement controls the issuer, or is able to exercise significant influence thereon;

- c) directly or indirectly (eg, via a subsidiary in which they hold a key position or as partners of a professional firm or consultancy firm) do not have and have not had in the previous year a significant commercial, financial or professional relationship:

- with the issuer, one of its subsidiaries or with any of the related key officers;
  - with a party that, either together with others as part of a shareholder agreement, controls the issuer, or in the case of companies and bodies, with the related key officer;
- and are not and have not been in the previous three years, employees of one of the above companies;

- d) do not receive and have not received in the previous three years from the issuer or one of its subsidiaries or parents a significant additional remuneration further to the "fixed" non-executive director fees for the issuer, including participation in incentive plans tied to company performance, also in the form of share based payment plans;
- e) have not been directors of the issuer for more than nine years in the last 12 years;
- f) do not hold executive directorships in another company in which an executive director of the issuer has a position as director;
- g) are not shareholders or directors of a company or body belonging to the group of the independent auditors engaged to audit the issuer's financial statements;
- h) are not close family members of a person in one of the situations described above.

Moreover, in accordance with article 147-ter of Legislative decree no. 58 of 24 February 1998, the directors have the independence requirements established



for statutory auditors by paragraph 3, article 148 of the same decree.

The presence of independent directors on both the board of directors and related internal committees ensures the adequate monitoring of the interests of all the shareholders.

The next ordinary meeting of the shareholders will take place on 26 or 27 April 2007 and will reappoint the board of directors, accordingly the new board will be required to consider the Code of Conduct requirement for specific meetings of just the independent directors. In its meeting of 21 February 2007, the board of directors resolved the following about the accumulation of duties: a) an executive director should not hold i) an executive directorship in another Italian or foreign listed company, or in a financial company, bank or insurance company or a company with equity of more than € 1 billion, or ii) a non-executive directorship or position as statutory auditor (or member of another supervisory body) in more than three of such companies; b) a non-executive, also independent, director should not hold the following positions in addition to his/her position in the company: i) an executive directorship in more than two Italian or foreign listed companies, or financial companies, banks or insurance companies or companies with equity of more than € 1 billion and the position as non-executive director or statutory auditor (or member of another control body) in more than five of the above companies, or ii) a non-executive directorship or position as statutory auditor in more than eight of the above companies. If these limits are exceeded, the director shall inform the board on a timely basis. The board then assesses the situation, also considering the company's interests, and requests the director in question to take the related decisions.

With respect to positions as directors or statutory auditors held by directors in other companies listed on Italian and foreign regulated markets, in financial companies, banks, insurance companies or companies with equity of more than € 1 billion, the following was noted:

Director	Positions	Company
Roberto Lonzar	Chairman of BoD	Quarzo CL1 S.r.l.
	Statutory auditor	La Venezia Assicurazione S.p.A.
	Statutory auditor	Genertel S.p.A.
	Statutory auditor	Simgenia SIM S.p.A.
	Statutory auditor	Finanziaria Internazionale Alternative Investment SGR S.p.A.
	Supervisory director	Generali investments S.p.A.
Marco Mangiagalli	Director	Polimeri Europa S.p.A
	Director	Saipem S.p.A.

The directors verified that the number of positions as director or statutory auditor held by themselves in the above companies is compatible with the effective performance of their duties as directors of Snam Rete Gas in their meeting of 21 February 2007.

They also defined the methods for calling meetings. Board meetings are called by the chairman who establishes the agenda in a communication sent at least five days before that fixed for the meeting, at least 48 hours before urgent meetings and at least 24 hours before extremely urgent meetings. The directors and statutory auditors receive the documentation and information necessary for them to be able to make informed decisions at the meetings in good time beforehand. At 31 December 2006, the board of directors had met eight times with the participation of roughly 84.6% of

the directors and approximately 95.5% of the independent directors.

The directors' fees are fixed by the shareholders in their meetings while the board of directors sets the chairman's and CEO's remuneration after consulting the compensation committee and the board of statutory auditors.

On 27 April 2004, the shareholders resolved that the directors should receive an annual fee of € 25,000 each. They do not receive any additional fees for their committee work.

The chairman's and CEO's remuneration, like that of the general manager and other managers with strategic responsibilities<sup>1</sup>, consists of a fixed part, a variable part and a long-term incentive.

The fixed part of the chairman's and CEO's remuneration is based on their powers while that of the general manager and other managers with strategic responsibilities is calculated considering their positions and responsibilities. Reference is made to market remuneration rates for similar positions in major national and international companies. The remuneration is adjusted annually to reflect merit bonuses (continuity of individual performance) or promotions.

The variable part is paid annually in cash and is tied to attainment of specific company (financial, operating and strategic) and individual (for each business area or function) objectives set the previous year. The chairman's and CEO's variable part is linked to company objectives. The variable part paid in 2006 was calculated using the company's 2005 objectives approved by the board of directors upon the compensation committee's proposals, defined on the basis of the strategic plan and annual budget considering investments (50%), operating efficiency (30%) and cash flows from operating activities (20%). The compensation committee checked the com-

pany results, measured on a constant basis, approved by the board of directors. It calculated a variable remuneration of 129% of the base level within a range of the minimum (85%) and the maximum (130%) of the allowed amount.

On 17 March 2006, the board of directors approved the compensation committee's proposed new long-term incentive plan for company managers. Its aim is to increase motivation and loyalty and to tie objectives, actual performances and rewards more closely. The new system, to be applied in the three years from 2006 to 2008, consists of a deferred monetary plan, based on business growth and operating efficiency, and a stock option plan tied to the return for shareholders. It was approved by the shareholders in their meeting of 27 April 2007. The plan's objective is to balance the monetary and share parts of remuneration and to integrate the company's financial/operating performance with the stock market performance in the long term. The deferred monetary incentive assigned in 2006 may be granted three years later depending on attainment of the annual EBITDA (actual vs. budget on a constant basis) objectives defined for the three years (2006 to 2008). The stock options assigned in 2006 may be exercised three years later depending on the Total Shareholders' Return (TSR) positioning<sup>2</sup> of the Snam Rete Gas share compared to that of the other six key European utilities companies listed on regulated markets, calculated on an annual basis in the three years. At the end of each three-year period, the compensation committee will check the results of the long-term incentive plans and they will be approved by the board of directors.

2006 remuneration is shown in the following table considering the fixed and variable parts received and long-term incentive assigned.

	Chairman	CEO	General manager	Other managers with strategic responsibilities
Fixed part	49%	52%	56%	58%
Variable part (tied to results)	28%	20%	20%	22%
Long-term incentive (tied to results)*	23%	28%	24%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(\*) Measurement of the present value of the deferred monetary incentive and fair value of stock options assuming the target results are achieved.

(1) Managers who make up the company's management board with the CEO and general manager.

(2) The TSR measures the total return on a share in a certain period, considering changes in share prices (comparison of the price at the beginning and end of a period) and any dividends distributed at the coupon detachment date.

As required by Consob, the directors' report on the consolidated financial statements discloses: (i) the amount of fees paid to the directors and statutory auditors, the general manager and managers with strategic responsibilities; (ii) the involvement of the directors, general manager and managers with strategic responsibilities in the stock grant and stock option plans; and (iii) investments held in Snam Rete Gas and its subsidiaries by the directors and statutory auditors, general manager and managers with strategic responsibilities. The disclosures in points (i) and (ii) are also given in the notes to Snam Rete Gas S.p.A. financial statements.

#### INFORMATION ON THE CHAIRMAN AND CEO AS PER ARTICLE 19 OF THE BYLAWS

As per article 19 of the bylaws, the chairman and CEO report at least once a quarter to the boards of directors and statutory auditors on the general performance, outlook, key transactions affecting the balance sheet and income statement of the company and its subsidiaries, especially commenting on transactions in which they or third parties have an interest or that are influenced by the company that manages and coordinates Snam Rete Gas. The following quantitative parameters have been defined for key transactions performed by the company and its subsidiary, not examined separately by the board of directors:

- amounts exceeding € 30 million for contracts agreed by the company; the limit is 3% or more of total revenue for the subsidiary as per the most recently approved annual or half year financial statements;
  - amounts exceeding € 50 million for the company and € 3 million for the subsidiary for loans and guarantees.
- Special attention is paid to transactions with related parties which are disclosed in the notes to the financial statements.

#### Board of directors committees

In order to efficiently perform its duties, the board has set up two internal committees: the compensation committee and the audit committee. The directors do not receive additional remuneration for their work on these committees.

Snam Rete Gas has not set up an appointment committee as required by the Code of Conduct for Listed Companies as the directors are appointed by the shareholders during their meetings using lists presented by themselves. They perform a preliminary selection of candidates and check that they meet the reputation and professional requirements set by the law and bylaws.

#### COMPENSATION COMMITTEE

This committee has three non-executive directors as members, namely, Giuseppe Airoidi, Roberto Lugano and Salvatore Sardo. The first two are also independent. The compensation committee prepares proposals about the annual remuneration of the chairman and CEO for the board of directors. It also reviews the remuneration criteria for senior management. The shareholders decide the remuneration of the directors while the board of directors decides that of the chairman and of the CEO.

The committee met four times in 2006 (on 16 March, 8 May, 22 June and 26 July) with an average attendance of roughly 80%. It discussed issues related to: (i) the actual results compared to the 2005 performance plan; (ii) definition of the 2006 performance plan by identifying the performance indicators that company management shall meet; (iii) the TSR for 2005 and average TSR positioning for the stock grant plan for the second three year plan (2003-2005); (iv) measures to be taken for the stock option plan following distribution of the extraordinary dividend; (v) definition of an internal Regulation, (vi) definition of guidelines and criteria for the remuneration of all the managers both for variable remuneration and bonuses based on rewarding roles and responsibilities; (vii) reviewing the long-term management incentive plan for the three years from 2006 to 2008 which includes a deferred monetary element and a stock option plan tied to performance indicators (a new comparison basket was defined for the stock option plan); and (viii) proposals to the board of directors to review the chairman's and CEO's remuneration.

#### AUDIT COMMITTEE

This committee was set up on 26 February 2002 to advise the board of directors. Its members are exclusively non-executive independent directors: Roberto Lugano (appointed chairman by the board of directors on 8 May 2006), Giuseppe Airoidi and Roberto Lonzar. On 6 December 2005, the board of directors approved the new internal regulation setting out the members' duties. Specifically, the committee:

- assists the board of directors with managing and checking the adequacy and working of internal controls and risk management system;
- assesses the internal control staff;
- monitors the adequacy of the accounting policies used and their consistency when preparing the consolidated financial statements with the assistance of the director of administration, finance and control;
- assesses the recommendations made by the independent auditors, their audit plan and related findings;
- reports to the board of directors at least once every

six months on its activities and the adequacy of the internal control system.

The committee can discuss the matters on its agenda when at least the majority of its members are present. Resolutions are passed by majority vote of those present. The chairman of the board of statutory auditors or a statutory auditor appointed by him takes part in the committee meetings. The company chairman may also attend. The internal audit manager assists the committee, writes up the minutes of its meetings and carries out the duties assigned to him/her by the committee.

The audit committee met seven times in 2006 (23 February, 8 March, 8 May, 26 July, 8 September, 8 November and 30 November) with an average attendance of 81%. At least one member of the board of statutory auditors usually took part. During these meetings, the committee: (i) analysed the organisational structure of the internal audit unit and its 2006 work programme; (ii) examined the periodic report on its activities and findings in the audit reports; (iii) analysed issues related to the separate and consolidated financial statements as at 31 December 2005 with the director of administration, finance and control and the independent auditors; (iv) reviewed the procedures put in place to implement the Organisation, management and control model as per Legislative decree no. 231/2001; (v) examined the content and status of the Sarbanes-Oxley Act project for the analysis and modification of the internal control system used for financial statements disclosures; (vi) analysed relationships with related parties and (vii) assessed the proposals made by the independent auditors for the renewal of their engagement.

During its meetings of 18 September 2006 and 20 March 2007, the committee reported to the board of directors on its work carried out in the first and second half of 2006, respectively. The board of directors assessed the adequacy of the internal control system during its meeting of 20 March 2007 using the information provided by the audit committee.

With respect to the additional requirements related to compliance with the Code of Conduct, the directors have requested the audit committee update its regulation given the imminent renewal of the company bodies. The new regulation for this committee will consider the provisions of the Code of Conduct about the professional requirements to be met by at least one of its members. This decision also reflects the need to appoint a manager who will have responsibility for preparing company accounting documents. The methods to be used for this appointment and definition of the necessary professional requirements will be included in the company's bylaws with the other



changes to be made by the shareholders at the next extraordinary meeting, planned for April 2007, to align them with the provisions of Law no. 262/2005 (the "Savings" law) and subsequent amendments. This position is formally referred to by the Code of Conduct for Listed Companies in respect of the specific duties of the audit committee.

### **Board of statutory auditors and independent auditors**

#### **BOARD OF STATUTORY AUDITORS**

Pursuant to article 149 of Legislative decree no. 58/1998, the board of statutory auditors monitors compliance with the law and deed of incorporation and with principles of correct administration, the adequacy of the company's organisational structure to carry out its duties, the internal control system and administrative-accounting system. It also verifies the correct implementation of the corporate governance rules set out in the codes of conduct drawn up by the stock market management company or trade associations with which the company states its compliance through communications to the market, the reliability of the system in representing operations and the adequacy of the instructions given by the company to its subsidiaries in accordance with paragraph 2, article 114 of the aforesaid Decree.

In order to align its duties with those of the audit committee, the following were transferred to the board of statutory auditors in 2005:

- examination of all instances of fraud involving management or employees with key roles in the internal control system upon notification by the chairman or director of administration, finance and control;
- examination of (anonymous) communications about

accounting, internal control system or audit issues. The board of statutory auditors consists of three standing members and two alternate members. Article 22 of the bylaws requires that they be appointed by the shareholders using voting lists in order to ensure that the minority shareholders can appoint a standing and an alternate member. The terms and conditions for presentation of the lists and professional curricula vitae of the candidates are the same as those described earlier for the board of directors.

The lists consist of two sections: the first sets out the candidates for standing statutory auditor positions while the second gives the names of candidates for the alternate statutory auditors. At least the first name on each section should be a certified auditor and have worked as an auditor for clients that are legally required to have their financial statements audited for not less than three years. Statutory auditors that are not appointed using the above procedure for any reason are appointed by the shareholders on a majority basis. They can be re-elected.

The lists, to be presented at the ordinary meeting of the shareholders on either 26 or 27 April 2007, together with the information about the candidates, will be posted on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)) on a timely basis.

The board of statutory auditors, appointed by the shareholders in the ordinary meeting of 27 April 2004, comprises the chairman, Riccardo Perotta, (first in the list presented by Eni S.p.A), standing statutory auditors, Sergio Galimberti and Pierumberto Spanò and the alternate statutory auditors Giulio Gamba and Luigi Rinaldi. They have a three year term of office (until approval of the 2006 financial statements). The

standing statutory auditor Pierumberto Spanò and the alternate statutory auditor Luigi Rinaldi were appointed from the list presented by the institutional investors led by ARCA SGR S.p.A.. The statutory auditors have the necessary professional and reputation requirements set by the Ministry for Justice in its Decree no. 162 of 30 March 2000. For the purposes of this decree, the subjects strictly related to the company's business are: commercial law, business management and corporate finance. Similarly, the sector pertaining to its business is the engineering sector. The shareholders established the annual remuneration for the statutory auditors in the ordinary meeting of 27 April 2004 for their term of office as € 37,500 and € 25,000 for the chairman and standing statutory auditors, respectively.

Persons who are already standing statutory auditors, members of supervisory or audit committees in five companies listed on regulated markets may not stand for office and, if appointed, fall from office. This limitation does not include the parent or its subsidiaries. Based on the statements provided to it, the board of statutory auditors checked that all the members met the necessary independence requirement as per article 3 of the Code of Conduct.

The statutory auditors' curricula vitae are available on the company's internet site.

The board of statutory auditors met nine times during 2006. On average, attendance was 93%. One member usually participated at the meetings of the audit committee. Based on the communications received, details of the positions as director or statutory auditor held by the statutory auditors in other companies listed on Italian regulated markets are given below.



Statutory auditor	Positions	Company
Riccardo Perotta	Statutory auditor	Gewiss S.p.A.
	Statutory auditor	Eni S.p.A.
	Statutory auditor	Mediaset S.p.A.
Pierumberto Spanò	Statutory auditor	Astaldi S.p.A.

#### INDEPENDENT AUDITORS

As required by law, the company's financial statements are audited by independent auditors included in the CONSOB register. They are appointed by the shareholders upon the advice of the board of statutory auditors. The current auditors are PricewaterhouseCoopers S.p.A., engaged for the three years by the shareholders at their meeting of 27 April 2004 until approval of the 2006 financial statements.

#### Shareholders' meetings

Company management and its shareholders meet at the shareholders' meetings when the shareholders can request information about both matters on the agenda and the company's general performance. This information is provided in compliance with the regulations governing price sensitive information. At ordinary meetings, shareholders exercise the powers assigned by article 2364 of the Italian Civil Code while at extraordinary meetings they decide on the issues provided for by article 2365 of the Italian Civil Code as well as those provided for by other laws. Under article 15 of the bylaws, at ordinary meetings, shareholders pass resolutions about the sale, contribution, rent, usufruct and all other arrangements, also as part of joint ventures, or subject to company limits or strategic business units relevant to the gas transportation and dispatching business without prejudice, as per point 5, article 2364 of the Italian Civil Code, to the liability of the directors for actions taken. Resolutions on these matters are adopted, also on second call, with the favourable vote of at least three quarters of the share capital represented at the meeting. Ordinary meetings pass resolutions by majority vote in accordance with the relevant legislation for the other matters of its competence. Extraordinary meetings resolve, on first, second and third call, matters with the favourable vote of at least three quarters of the share capital represented at the meeting. As provided for in the Code of Conduct, meetings are governed by a regulation which requires their ordered and proper running and guarantees the right of each shareholder to express its opinion on the matters on the agenda. The regulation is available on the company's internet site [www.snamretegas.it](http://www.snamretegas.it).

The shareholders met in an ordinary meeting in April 2006 to approve the 2005 financial statements, allocate the profit for the year and distribute the dividend, to

appoint four directors and chairman of the board of directors, authorise the making available of treasury shares for the management stock option plan and to approve the 2006-2008 stock option plans.

#### Internal control system

Snam Rete Gas adopted an internal control system in line with the guidelines in the Code of Conduct for Listed Companies and with the reference best practices several years ago. The system's scope is to (i) check the adequacy of the different internal processes for efficiency, effectiveness and cost effectiveness; (ii) ensure the reliability and correctness of the accounting entries and protect the company's assets; and (iii) to ensure compliance of the operating procedures with internal and external regulations and company guidelines in order to guarantee a healthy and efficient management system.

The board of directors is responsible for the internal control system with the assistance of the audit committee. It sets the guidelines and periodically checks its adequacy and proper working to ensure that the key business risks are identified and properly managed. The CEO checks that the guidelines drawn up by the board of directors are implemented by designing, managing and monitoring the internal control system. The person in charge of internal controls (the internal audit manager) reports to the chairman in order to ensure his/her independence from the operating activities s/he monitors. S/he reports regularly to the chairman and CEO as well as to the audit committee and board of statutory auditors at least once every six months (unless circumstances require additional meetings).

Management has primary responsibility for applying the control system as the control procedures form an integral part of their management duties. Therefore, the operating managers must ensure that the environment favours such a control based system and must perform the "line controls", ie the controls performed by an individual operating unit or group company over its processes.

The Internal Audit Manager is also in charge of checking the adequacy of the internal control system and that it can reasonably guarantee that the company can attain its objectives economically and efficiently. Accordingly, he monitors the controls in place and makes recommendations and suggestions about remedial action to be taken to resolve weaknesses.

#### Organisation and control model in accordance with Legislative decree no. 231/01 - Administrative liability

The board of directors approved the Organisation, management and control model pursuant to Legislative decree no. 231 of 8 June 2001 in its meeting of 23 April 2004 and appointed a supervisory body.

This decree introduced the concept of administrative liability for companies whereby they can be held liable, and therefore penalised, for certain offences committed or attempted in the interests of or to the advantage of the company by its directors or employees.

The company's liability is excluded if it has adopted and properly implemented organisation, management and control models before the offences were committed that are suitable to prevent such offences and has set up a supervisory body to oversee the models' working and compliance with the requirements of the Decree.

The model was designed considering the following:

- Legislative decree no. 231/2001 where article 6 sets out the qualifying elements of the model necessary to exclude liability;
- guidelines issued by Confindustria specifying the elements required by law and giving assistance about methods and content;
- recommendations of the parent Eni which performs a management and coordination role as suggested by Assonime and Confindustria.

The company opted to give the supervisory body an advisory role and structure.

This body monitored the procedures envisaged by the model during 2006, especially finalising the company procedures, providing training to employees and carrying out specific control programmes.

It reported and reports every six months to the supervisory bodies, the chairman and CEO about the status of the model and compliance therewith. The chairman in turn reported and reports to the board of directors periodically. The subsidiary GNL Italia approved its organisation, management and control model on 22 June 2004 and set up a supervisory body. It regularly performs the procedures for implementation of the model, concentrating on the control activities, like Snam Rete Gas.

#### **Compliance with the Sarbanes-Oxley Act (SOA)**

Business law and corporate governance models have undergone considerably change in the last few years due to the recent financial scandals. The reasons underlying such events were nearly always related to serious weaknesses in the companies' internal control systems.

The United States commenced a large scale reform of its financial markets with introduction of the Sarbanes-Oxley Act (SOA) in 2002. Italy took similar steps, as did other European countries, and has recently approved Law no. 262 of 28 December 2005 (the "Savings" law) published in the Official Journal of 28 December 2005 and applicable from 12 January 2006 (described in the next paragraph).

During 2005 and early 2006, Snam Rete Gas introduced the procedures to align its internal control system with the requirements of the Sarbanes-Oxley Act. This was

necessary as it is controlled by Eni S.p.A. which is subject, with its subsidiaries, to SOA, given that it is listed on the New York stock exchange (NYSE). The company rolled out the controls and related activities in 2006.

#### **Market abuse procedure**

##### **Procedure for the identification of relevant persons and communication of transactions performed by them, also via nominees, involving shares issued by Snam Rete Gas S.p.A. or other related financial instruments ("Internal Dealing Procedure")**

On 17 March 2006, the board of directors approved the "Procedure for the identification of relevant persons and communication of transactions performed by them, also via nominees, involving shares issued by Snam Rete Gas or other related financial instruments" ("Internal Dealing Procedure") in accordance with paragraph 7, article 114 of Legislative decree no. 58 of 24 February 1998 and Consob regulation no. 11971 (the Issuer Regulation).

This procedure is in place since 1 April 2006 and is tied to the "Procedure for the communication of privileged information and documents about Snam Rete Gas S.p.A. and financial instruments issued by it to the market" and the Procedure for the "Keeping and updating of the list of persons who have access to privileged information in Snam Rete Gas S.p.A."

It sets out the regulations governing the information obligation and limitations about transactions involving shares issued by Snam Rete Gas S.p.A. and other related financial instruments, performed on their own behalf, by relevant persons, ie, the chairman, CEO, directors, chairman of the board of statutory auditors and standing statutory auditors of Snam Rete Gas S.p.A., the operations general manager and units reporting directly to the chairman, CEO and operations general manager. According to current legislative requirements, the definition of Relevant Persons includes persons who hold shares equal to at least 10% of the share capital and all other parties that control the listed issuer. These persons are obliged to communicate transactions performed by: spouses, unless legally separated, children, also those of the spouse for whom they provide, and, if living with them for more than a year, parents, relatives and relatives-in-law of the relevant persons (people with close family ties to the relevant person); companies controlled directly or indirectly by the relevant person or one of the persons closely related to him/her; partnerships, the economic interests of which are substantially the same as those of the relevant person or a person closely related to him/her; and trusts set up for the benefit of a relevant person or a person closely related to him/her.

The Procedure requires that communication be made to

the market and Consob within five trading days from that on which in each calendar year, the total amount of the transactions that, in absolute terms (sum of amounts paid and collected), are equal to or exceed € 5,000. The Code also forbids relevant persons from performing transactions on financial instruments issued by Snam Rete Gas S.p.A. during the 15 days before board meetings held to examine the mandatory financial reports, to resolve on interim dividends, the preliminary figures and to resolve on the dividend proposal to be made to the shareholders.

The transactions include the sale of treasury shares acquired as part of stock option and stock grant plans when calculating the total amount.

The Procedure is available on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)).

#### **Procedure for the "Keeping and updating of the list of persons who have access to privileged information in Snam Rete Gas"**

The board of directors drew up a list of the persons who have access to privileged information in Snam Rete Gas in its meeting of 17 March 2006 as required by article 115-bis of Legislative decree no. 58 of 24 February 1998 and Consob regulation no. 11971 (Issuer Regulation). It also approved the procedure for the "Keeping and updating of the list of persons who have access to privileged information in Snam Rete Gas S.p.A."

This procedure is in place since 1 April 2006 and is tied to that related to the "Procedure for the communication of privileged information and documents about Snam Rete Gas S.p.A. and financial instruments issued by it to the market" and the "Procedure for the identification of relevant persons and communication of transactions performed by them, also via nominees, involving the shares issued by Snam Rete Gas S.p.A. or other related financial instruments" (Internal Dealing Procedure).

The list is split into two sections:

- the first gives the name of the person or company that, based on their work, professional activities or duties, have access to privileged information on a regular basis (Section A) identified as follows: chairman, CEO, directors, chairman of the board of statutory auditors and standing statutory auditors of Snam Rete Gas S.p.A., Operations General Manager and units reporting directly to the chairman, CEO and Operations General Manager, the independent auditors of Snam Rete Gas S.p.A. and consultants that provide their professional services on a consultancy or contract basis with a contract of more than one year and have access to privileged information;
- the second gives the name of the person or company that, based on their work, professional activities or



duties, have access to information occasionally (Section B) identified as follows: Snam Rete Gas S.p.A. employees that, depending on their duties, have occasional access to information and consultants that provide their services on a consultancy or contract basis with a contract of less than one year and have access to information.

The persons are grouped into two sub sections in each section depending on whether they are employees or consultants.

There is just one list and it is kept by the Personnel and Organisation Unit which sets the criteria and methods to be applied to keep, manage and look for information in the list in order to facilitate access to, management, consulting, extrapolation and printing of the list.

The head of personnel and organisation appoints a person to be in charge of keeping and updating the list.

This person keeps the list updated, making amendments on the day the related communication is received as per the internal regulations about the protection of personal data.

The list includes the following information about each person: a registration number, registration date, personal data, company to which they belong, reason for inclusion in the list, date of sending communication to the persons about their inclusion, date of amendment of information already included, date of sending communication of amendment, date on which the person is removed from the list, reason for the removal and date of communication of such removal.

This information is kept for five years unless the circumstances which lead to its inclusion/amendment in the list are no longer valid/applicable.

The Procedure is available on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)).

### **Procedure for the communication of privileged information and documents about Snam Rete Gas S.p.A. and financial instruments issued by it to the market**

The board of directors approved the "Procedure for the communication of privileged information and documents about Snam Rete Gas S.p.A. and financial instruments issued by it to the market" in its meeting of 17 March 2006 in line with Legislative decree no. 58 of 24 February 1998 and Consob resolution no. 11971 of 14 May 1998 about communications of privileged information to the market. The procedure considers the guidelines included in the "Guidelines for information to be disclosed to the market" prepared by Forum Ref on corporate disclosures, which sets out the standards for correctly informing the market, and the Code of Conduct for listed companies.

This procedure is in place since 1 April 2006 and is tied to the "Procedure for the identification of relevant persons and communication of transactions performed by them, also via nominees, involving the shares issued by Snam Rete Gas S.p.A. or other related financial instruments" ("Internal Dealing Procedure") and the Procedure for the "Keeping and updating of the list of persons with access to privileged information in Snam Rete Gas S.p.A.". It defines the terms and conditions related to:

- communications of privileged information by Snam Rete Gas to the market;
- communication of information that the non-issuer subsidiaries provide to Snam Rete Gas so that it can comply with the regulations about the issues covered by the Procedure.

Specifically, the procedure regulates:

- information to be disclosed to the market, specifying and analysing the requirements of materiality, clarity, similarity, consistency and timeliness;
- relationships between Snam Rete Gas S.p.A., the parent and subsidiary;
- meetings with market operators, interviews and statements made to mass media;
- means of distributing press releases;
- means of distributing information using multi media information instruments (internet, e-mail, cd rom, broadcasting), advertising;
- delays or opposition to circulating news.

The Procedure is available on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)).

### **Law no. 262 of 28 December 2005 (the "Savings" law) and subsequent amendments**

The Savings law sets out changes to laws governing public limited companies (S.p.A.s), conflicts of interest and financial activities, auditing, Bank of Italy and other supervisory authorities and changes to the penal and

administrative penalty system.

The legislative decree coordinating and adjusting the Consolidated Banking Act (TUB), the Consolidated Financial Broker Act (TUF) and other special laws related to Law no. 262 of 28 December 2005 (law regulating savings that introduced amendments to Law no. 262 of 28 December 2005) became valid on 25 January 2007. Snam Rete Gas will request its shareholders to approve the changes to its bylaws necessary to make them compliant with the provisions of Law no. 262/2005 and subsequent amendments about protecting savings and regulating financial markets in their ordinary and extraordinary meetings of April 2007.

### **Relationships with shareholders and investors and the treatment of information**

Snam Rete Gas has adopted a communication policy aimed at ensuring ongoing interaction with its institutional investors, shareholders and the market and the widespread circulation of exhaustive, timely information about its business. The only limit is that of the confidentiality of certain information. Accordingly, information disclosed to the investors, the market and media is made available in press releases, periodic meetings with the institutional investors, the financial community and the press as well as a wealth of documentation available on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)).

Such information includes the reports, key events/transactions and procedures issued by the company about corporate governance and is made available to the public on a timely basis, also on the internet site. The company's press releases, documentation used during meetings with financial analysts, notices to the shareholders and information and documentation about the matters on the agenda of shareholders' meetings, including the related minutes, are available on the internet site. Documentation is also sent free of charge to those who request it.

The External Relations and Communications Unit interacts with the media and information of interest to it is available on the internet site or can be requested using the form available on the site. Relationships with the institutional investors and financial analysts are kept by the Investor relations Unit. Information of interest to them is again available on the internet site and can be requested by emailing [investor.relations@snamretegas.it](mailto:investor.relations@snamretegas.it).

The company secretary maintains relationships with the shareholders. They can consult the internet site or request information by emailing [segreteria.societaria@snamretegas.it](mailto:segreteria.societaria@snamretegas.it).

### **Relationships with related parties**

Transactions undertaken by Snam Rete Gas with related parties, as defined by IAS 24, mainly involve the

exchange of assets, provision of services and provision and utilisation of financial resources with Eni S.p.A. (the parent) and other subsidiaries and associates of Eni S.p.A. as well as with Enel, a state-owned company, and its subsidiaries.

All these transactions are part of its ordinary business activities, usually take place at market conditions, ie, those conditions that would be applied between two independent parties, and are performed in the interests of Snam Rete Gas and GNL Italia.

The directors, general managers and managers with strategic responsibilities communicate any transactions performed by them with Eni S.p.A. and its subsidiaries, also via third parties or parties related to them as per IAS 24 every six months.

The amounts involved in commercial, financial and other transactions with related parties and a description of the nature of the key transactions are given in the notes to the consolidated financial statements (note 29).

The board of directors approved the "Code of Conduct for transactions with related parties" in its meeting of 24 February 2003 (posted on the company's internet site). This sets out the criteria to be adhered to when undertaking transactions with related parties as well as the terms and conditions to be used to communicate information about them to the board of directors.

Consob resolution no. 14990 of 14 April 2005, which modified the Issuer Regulation introduced with resolution no. 11971 of 14 May 1999 and subsequent amendments, eliminated Consob communication no. 2064231 of 30 September 2002 which identified "related parties" and established what the term meant: parties defined as such by the international financial reporting standard dealing with related party disclosures, adopted as per article 6 of EU regulation no. 1606/2002 (IAS 24 Related party disclosures).

Paragraph 9 of IAS 24 (letter d) states that related parties (managers with strategic responsibilities, identified from those that have the power and responsibility,

directly or indirectly, for the planning, management and control of the entity's activities including the directors) are the directors, operations general manager and units that report directly to the chairman, CEO and operations general manager.

The board of directors reviews transactions between the company and related parties if:

- they are atypical and/or unusual and the amount involved exceeds € 5 million;
- they relate to acquisitions, disposals, sales or contributions of investments, companies or business units;
- they relate to property worth more than € 2.5 million;
- the related party is one of those listed in letters d), e) and f) of paragraph 9 of IAS 24 and the amount in question exceeds € 0.5 million (€ 0.25 million if the transaction is atypical or unusual). The board of directors also reviews its subsidiary's transactions with parties related to Snam Rete Gas that could potentially be particularly significant and for which information is to be disclosed to the market in line with Consob requirements.

IFRS also require that transactions performed by the company and its subsidiaries with Eni and its subsidiaries are communicated to the boards of directors and statutory auditors each quarter. They also fix the quantitative threshold depending on the nature of the transaction and related party and the information to be communicated.

IFRS are available on the company's internet site ([www.snamretegas.it](http://www.snamretegas.it)).

New company bodies will be appointed during the next ordinary meeting of the shareholders to be held on either 26 or 27 April 2007. The newly appointed board of directors will be asked to adopt a new procedure for transactions with related parties and interests of directors in order to align the content of the company's internal code with the new provisions of the Code of Conduct for Listed Companies.

The tables mentioned in the Guide to writing the corporate governance report issued in March 2004 by Assonime and Emittenti Titoli S.p.A. are given on the following pages.

**Annex 1: Board of directors and committees of Snam Rete Gas**

Board of directors		Internal control committee	Remuneration committee	Possible Appointment committee	Possible Steering committee					
Position	Member	Executive	Non-executive	Independent	****	no. of other positions **	***	****	****	****
Chairman	Alberto Meomartini	x			100	0	***	****	****	****
Managing director	Carlo Malacarne (1)	x			100	0				
Director	Giuseppe Airoldi*	x	x		100	0	x	86	x	100
Director	Roberto Jaquinto(2)	x			50	N.A.				
Director	Roberto Lonzar*	x	x		100	6	x	86		
Director	Roberto Lugano*	x	x		75	0	x	71	x	50
Director	Marco Mangiagalli	x			75	2				
Director	Massimo Mantovani	x			75	0				
Director	Salvatore Sardo	x			62	0			x	75

Quorum required to present lists for the appointment of a board of directors: 2% of share capital.

An appointment committee, provided for by the Code of Conduct, was not set up as the shareholders appoint the directors during their meetings using lists presented by them which provided for the preliminary selection of candidates.

Number of meetings held in 2006: BoD: 8 Internal control committee: 7 Remuneration committee: 4 Appointment committee: N.A. Steering committee: N.A.

\* An asterisk indicates whether the director has been appointed by way of a list presented by minority shareholders.

\*\* This column shows the number of positions held as directors or statutory auditor in other companies listed on Italian or foreign regulated markets or in foreign companies, banks, insurance companies or companies with equity of more than € 1 billion. With respect to the directors currently in office, their duties were assigned by the board meeting of 20 February 2007.

\*\*\* An "x" in these columns shows the directors' involvement in committees.

\*\*\*\* These columns show the attendance % of each director at the board and committee meetings.

(1) In office as director since 27 April 2006 and as managing director since 8 May 2006, accordingly, calculation of his attendance was only based on six board meetings.

(2) In office until 27 April 2006, accordingly, calculation of his attendance was only based on two board meetings.

**Annex 2: Board of statutory auditors of Snam Rete Gas**

Position	Member	% of attendance at board of directors meetings	% of attendance at board of statutory auditors meetings	No. of other positions **
Chairman	Riccardo Perotta	87%	100%	3
Standing auditor	Sergio Galimberti	100%	100%	0
Standing auditor	Pierumberto Spanò*	75%	78%	1
Alternate auditor	Giulio Gamba	N.A.	N.A.	0
Alternate auditor	Luigi Rinaldi*	N.A.	N.A.	0

Number of meetings held in 2006: 9

Quorum required to present lists for the appointment of statutory auditors: 2% of share capital.

\* An asterisk indicates whether the auditor was appointed by way of a list presented by minority shareholders.

\*\* This column shows the number of positions held as directors or statutory auditor in other companies listed on Italian regulated markets.

## Annex 3: Other guidelines of the Code of Conduct

	Yes	No	Summary of reasons for non-compliance with Code guidelines
<b>Proxy system and related party transactions</b>			
Has the board of directors assigned proxies defining the:			
a) limits	X		
b) operating method	X		
c) and frequency of the information?	X		
Does the board of directors have the power to review and approve transactions of key economic and financial importance (including transactions with related parties)?	X		
Has the board of directors defined guidelines and criteria to identify "significant" transactions?	X		
Are the above guidelines and criteria described in the report?	X		
Has the board of directors created specific procedures for the review and approval of related party transactions?	X		
Is the procedure for approval of related party transactions described in the report?	X		
<b>Procedures for the most recent appointments of directors and statutory auditors</b>			
Were the lists for the appointment of directors presented at least ten days in advance?	X		
Was complete information given with the candidate lists?	X		
Were the candidate lists provided with statements of independence of the candidates?	X		
Were the lists for the appointment of statutory auditors presented at least ten days in advance?	X		
Was complete information given with the candidate lists?	X		
<b>Shareholders' meetings</b>			
Has the company approved a regulation?			
Is the regulation attached to the report (or are there indications about where it can be obtained/downloaded)?	X		
<b>Internal controls</b>			
Has the company appointed an internal control manager?	X		
Is the manager independent in hierarchical terms from the operating managers?	X		
Business unit in charge of internal control	Internal Audit Unit		
<b>Investor relations</b>			
Does the company have an Investor Relations Head?	X		
Business unit and references	<p><b>Institutional investors: Investor Relations</b> Piazza Santa Barbara, 7 - 20097 San Donato Mil.se (MI) tel. 02/52038272 e-mail: investor.relations@snamretegas.it</p> <p><b>Individual investors: Segreteria Societaria</b> Piazza Santa Barbara, 7 - 20097 San Donato Mil.se (MI) tel. 02/52038235 e-mail: segreteria.societaria@snamretegas.it</p>		