

## Report on corporate governance and ownership structure



### Governance Structure

Since its inception, Snam Rete Gas S.p.A. has had a corporate governance system which is in line with international best practice; in other words, a set of rules which govern and inform the company's management and control. It defines how roles and rights are allocated to company personnel by assigning duties, responsibilities and decision-making powers. It also ensures compliance with the relevant legislation, codes of conduct, internal procedures and regulations.

The aim of the corporate governance system is to create value for shareholders, bearing in mind the company's social importance, particularly with regard to protecting the environment, staff health and safety, workers' rights,

equal opportunities, working with the local and national community in which the company is present, and the interests of all stakeholders.

The corporate governance 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, following the recommendations made by Consob (the National Commission for Listed Companies and the Stock Exchange), as well as international best practice. The company's board of directors had already complied with the aforesaid guidelines with its resolution of 27 July 2001 and subsequently adopted the amendments and additions made to the Code in July 2002. It adopted the

new Code published on 14 March 2006 with its resolution of 11 December 2006.

In 2007, Snam Rete Gas beat other major listed and unlisted Italian companies to win the “Oscar for Best Corporate Governance” in the awards sponsored by Italian PR body FERPI. The prize was awarded for its ongoing commitment over the years to align its corporate governance system with international best practice.

In accordance with current legislation, information on the corporate governance system of Snam Rete Gas S.p.A. can be found below.

## Company Organisation

The company has a traditional organisational structure, consisting of:

- a board of directors which runs the company;
- a board of statutory auditors, which: (i) monitors compliance with the laws and deed of incorporation, in addition

to the principles of good business administration; and (ii) verifies the adequacy of the organisational structure, internal audit procedures and administrative/accounting system;

- shareholders which meet in ordinary or extraordinary meetings to discuss, *inter alia*: (i) the appointment or dismissal of members of the board of directors and the board of statutory auditors and their responsibilities and compensation; (ii) the approval of the financial statements and allocation of earnings; (iii) the repurchase and sale of treasury shares; (iv) changes to the articles of association; and (v) the issue of convertible bonds.

Independent auditors are engaged to audit the company's financial statements. They must be registered with Consob and are specifically appointed by the shareholders on the basis of a reasoned proposal from the board of statutory auditors.

## Information about the ownership structure<sup>33</sup>

### STRUCTURE OF THE SHARE CAPITAL

At 31 December 2009, the company's share capital was as follows:

Share class	Number of shares	Percentage of the share capital (%)	Listing market	Rights and obligations
Ordinary shares	3,570,768,494	100	Italian regulated market	Shares are indivisible and each share carries the right to one vote. Shareholders may exercise the rights attendant on share ownership within the bounds of current legislation.

The company has not issued other financial instruments which entitle the holder to subscribe for newly issued shares.

Information about share-based incentive plans (stock option plans, stock grant plans, etc.), which involve (bonus) increases in the share capital can be found in the report on operations of Snam Rete Gas S.p.A. and in doc-

uments prepared in accordance with article 84-bis of the Issuer Regulations published by Consob and available on the company's website ([www.snamretegas.it](http://www.snamretegas.it)).

### RESTRICTIONS ON THE TRANSFER OF SHARES AND VOTING RIGHTS

The articles of association make no stipulation in this respect.

<sup>(33)</sup> Information about the ownership structure is given in accordance with Art. 123 bis, paragraphs 1 and 2, of the Testo Unico della Finanza, or Italian Financial Services Act (Legislative Decree no. 58/98). For information on:

- the appointment and substitution of directors, see the section in this report on the appointment, composition and term of office of the Board of directors;
- amendments to the articles of association, see the section in this report on the role and functions of the Board of directors and shareholders' meeting and the rights of shareholders;
- the key characteristics of risk management and audit systems in relation to the financial reporting process (consolidated and non-consolidated), see the section on the risk management and audit system in relation to the financial reporting process;
- the mechanism for exercising voting rights in any employee share ownership scheme and the rules of procedure of the shareholders' meeting, its powers, the rights of shareholders and how these are exercised, see the section in this report on shareholders' meetings and the rights of shareholders;
- the composition and functioning of the various boards and their committees, see the section in this report on the Board of directors, its committees and other supervisory bodies.

## MAJOR SHAREHOLDINGS

According to the information available and the notification received in accordance with Consob resolution no. 11971/99, the following shareholders held more than 2% of the company's share capital at 31 December 2009:

Shareholders	Percentage of share capital (%)	
	31.12.2008	31.12.2009
Eni S.p.A.	50.03	52.54
Snam Rete Gas S.p.A. (*)	9.99	5.46
Pictet Funds (Europe) SA	4.98	2.90

(\*) The company held 194,886,225 treasury shares at 31 December 2009 (195,429,850 shares at 31 December 2008).

## GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS

Based on the notification required by law and the information available to the company, the distribution of the shareholding structure by geographical region is as follows:

Region	Percentage of share capital (%)
Italy	73.30
Continental Europe	12.78
UK and Ireland	5.12
USA and Canada	6.96
Rest of the world	1.84
	<b>100</b>

## SHARES WITH SPECIAL RIGHTS

The company has not issued any shares with special rights.

## SHAREHOLDER AGREEMENTS

The company is not aware of any shareholder agreement, nor has any such agreement been made public pursuant to the law.

## CHANGE OF CONTROL CLAUSES

Snam Rete Gas S.p.A. and its subsidiaries are party to significant agreements which may be disclosed without causing harm to the company and which take effect, are amended or lapse in the event of a change in control of Snam Rete Gas S.p.A by Eni S.p.A.

Specifically, these concern:

- a) agreements requiring the automatic termination of the contract, particularly short-term loans from Eni S.p.A (which at 31 December 2009 totalled around €1,585 million, including loans from subsidiaries) and guarantees issued in the interests of Snam Rete Gas S.p.A and the subsidiaries of Eni S.p.A or banks against Eni S.p.A: at 31 December 2009, guarantees outstanding totalled approximately €88 million.
- b) agreements whereby the counterparty can terminate the contract early:
  - medium to long-term credit facilities with Eni S.p.A

(these amounted to €8,035 million at 31 December 2009);

- interest rate swaps (IRS) of €4,050 million.

By terminating loan agreements, guarantees and derivatives early, there is the risk that Snam Rete Gas S.p.A and its subsidiaries could be unable to secure financing from other sources under the same conditions.

Moreover, the early termination of fixed-rate loans and interest rate swaps takes place at fair value, which may differ from their carrying amount at the termination date.

Snam Rete Gas S.p.A and its subsidiaries also have agreements with other Eni S.p.A. companies for the provision of services and trade union agreements for healthcare and other employee benefits. Should there be a change in control of Snam Rete Gas S.p.A by Eni S.p.A., other counterparties may need to be found to provide these services and benefits.

## AUTHORISATION TO INCREASE THE SHARE CAPITAL AND REPURCHASE TREASURY SHARES

The board of directors does not currently have authority to increase the share capital pursuant to article 2443 of the Italian Civil Code. According to the Articles of Association, the company can issue bonus shares (including special shares) in accordance with article 2349 of the Italian Civil Code.

The company does not have any plans to repurchase treasury shares pursuant to article 2357 et seq. of the Italian Civil Code.

## COMPENSATION FOR DIRECTORS IN THE EVENT OF THEIR RESIGNATION, REDUNDANCY OR DISMISSAL FOLLOWING A TAKEOVER BID

The company does not have any specific procedure for this.

## MANAGEMENT AND COORDINATION

Snam Rete Gas S.p.A. is managed and coordinated by Eni S.p.A.

## Statement by the concerning the existence of the conditions referred to in article 37 of Consob resolution no. 16191/07

Article 37.1 of Consob resolution no. 16191/07 (Regulation on markets) states that, with respect to the conditions which prevent the listing of shares of subsidiaries managed and coordinated by another company: "The shares of subsidiaries managed and coordinated by another company cannot be traded on a regulated market in Italy when such companies: a) have not complied with the disclosure requirements of article 2497-bis of the Italian Civil Code; b) cannot independently negotiate terms with customers and suppliers; c) have a centralised treasury arrangement with the company which

manages them or with another group company and such arrangement is not in their interests. The board of directors issues a reasoned statement to the effect that any such arrangement is in its interests and this is verified by the supervisory body; d) do not have enough independent directors to ensure that they have a significant influence over board decisions. In order to confirm that there are enough independent directors, the general criteria published by stock exchange management companies are considered, taking into account the best practice established by the code of conduct drawn up by such management companies or by industry associations".

Item no. 13 of article 2.6.2 of the rules for markets organised and managed by Borsa Italiana S.p.A. expressly states that: "Companies shall provide the market with a statement by the board of directors concerning the existence (or otherwise) of the conditions referred to in article 37 of Consob resolution no. 16191/07 in the report on operations when their annual financial statements are approved".

On 10 February 2010, as in previous years, the board of directors confirmed that Snam Rete Gas S.p.A met the requirements set out in article 37.1 of Consob resolution no. 16191/07 for the listing of shares of subsidiaries managed and coordinated by another company on an Italian regulated market as it: a) has complied with the disclosure requirements of article 2497-bis of the Italian Civil Code; b) negotiates terms with its customers and suppliers independently; c) has a centralised treasury arrangement with its ultimate parent Eni S.p.A. which is in its interests; d) the board of directors has nine members, five of whom meet the independence requirements laid down for statutory auditors by article 148 paragraph 3 of Legislative Decree no. 58 of 24 February 1998 and article 3 of the Code of Conduct.

The board of directors also certified that the centralised treasury arrangement with the parent Eni S.p.A. are in the company's interests, as all treasury and finance transactions are agreed independently by Snam Rete Gas and take place at arm's length.

This representation was confirmed by the board of statutory auditors.

## Code of Ethics

At its meeting of 1 December 2001, the board of directors of Snam Rete Gas S.p.A adopted the Code of Conduct of Eni S.p.A., considering it important to adopt the set of values that the company recognises, accepts and endorses and the obligations it assumes towards its stakeholders. A Code of Conduct watchdog and committee were also set up to oversee the implementation of the Code.

On 27 June 2008, the board of directors approved the new Code of Ethics which incorporates the latest guidelines on corporate ethics and sustainability. It also appointed the supervisory body as watchdog.

The Code requires all activities to be performed in accordance 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 operates.

All Snam Rete Gas S.p.A. employees, regardless of position and without exception, are required to comply with and see to it that others comply 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.

In 2009, the supervisory body met 12 times with all members present.

As well as examining reports of alleged violations of the Code, it assessed and implemented new measures to ensure maximum circulation and awareness of the new Code of Ethics, both within and outside the company.

The committee reports every six months to the board of directors on the status of its Code of Ethics.

## The board of directors

### ROLE AND FUNCTIONS

The board of directors is the central player in the company's corporate governance system. In addition to those responsibilities that cannot be delegated by law, it:

- a) sets strategies and objectives, including sustainability policies, after consulting the CEO, and reviews and approves the company's strategic, business and financial plans as well as its strategic agreements;
- b) reviews and approves the company and group budget;
- c) examines the annual financial statements of subsidiaries;
- d) reviews and approves the quarterly and half-yearly interim reports of the company and the consolidated interim reports required under current legislation, and reviews and approves the sustainability report;
- e) defines the corporate governance system and rules. In particular, after consulting the internal audit committee, it adopts rules to ensure the transparency and substantial and procedural correctness of transactions with related parties and transactions involving a director, either directly or through a nominee, as well as a procedure to manage and disclose company information, especially privileged information;
- f) sets up internal committees which advise and assist the board of directors, appointing members, establishing their duties and ratifying the rules of procedure;
- g) receives information every six months from these internal committees;
- h) monitors the company's performance, particularly by taking into consideration information received from the chairman, CEO and audit committee, paying particular



attention to any conflicts of interest and periodically comparing actual and forecast figures (from the financial statements and interim reports);

- i) grants and revokes proxies to the chairman and CEO, setting a limit on such proxies and deciding how they may be exercised. It establishes their remuneration for the proxies after consulting the relevant committee and board of statutory auditors. It may issue instructions to the relevant bodies and suggest transactions covered by the proxies. The chairman and CEO report to the board of directors and to the board of statutory auditors at least once a quarter on their activities and the key transactions performed by the company and its subsidiaries which affect the company's financial position, cash flow and results of operations. 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, when third parties are involved or when the transaction could be affected by the company which manages and coordinates Snam Rete Gas;
- j) on the recommendation of the CEO, it adopts decisions concerning:
- 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 for a term of more than 15 years;
  - contracts for the purchase and sale and exchange of chattels, including those listed in public registers, contracts for the purchase of advertising space and time, rental agreements and leases, contracts for intellectual property services, service agreements, charter agreements, transport and delivery contracts, tenders, insurance contracts as the insured party, brokerage and representation agreements, mandates, commission agreements, agency agreements, sales concessions, storage agreements, sub-contracts, agreements relating to use on a free-loan basis, publishing and printing contracts, usufruct, user and residential agreements, purchase and sale contracts, hire, leases and rental agreements for hardware and software and computer systems for amounts greater than €50 million and/or for a term of more than 15 years;
  - as the lessee in property finance leases for amounts greater than €2.5 million and/or for a term of more than 15 years and chattels, including those listed in public registers in Italy and elsewhere, for amounts

greater than €50 million and/or for a term of more than 15 years;

- granting of loans to non-Eni group companies;
  - sureties and other forms of personal guarantee, in addition to letters of patronage, in relation to commitments assumed or to be assumed by companies in which the company directly or indirectly holds an investment of more than €30 million and in any event if the amount is not proportional to the investment held therein;
  - sureties given to guarantee commitments assumed or to be assumed by the company with third parties, for more than €30 million;
- k) appoints and dismisses the general managers after consulting the CEO and chairman, granting them the related powers;
- l) appoints and dismisses the chief financial officer after consulting the CEO and chairman and obtaining approval from the board of statutory auditors, granting him the necessary powers and resources;
- m) appoints and dismisses the internal auditor after consulting the CEO and audit committee, setting his compensation in line with the company's compensation policy;
- n) ensures that an investor relations manager has been appointed;
- o) defines the criteria for compensation of senior executives after reviewing the proposals made by the relevant committee, implements compensation plans based on shares or securities approved by shareholders;
- p) defines the basic guidelines of the organisational, administrative and accounting structure of the company and its subsidiaries, and assesses the adequacy of the organisational, administrative and accounting structure as drawn up by the CEO, particularly with regard to how conflicts of interest are handled;
- q) after examining proposals made by the audit committee, it sets the guidelines for the audit system so as to ensure the identification, measurement, management and monitoring of the key risks of the company and its subsidiaries, and performs an annual review of the adequacy, efficiency and effectiveness of the audit system under the supervision of the CEO;
- r) adopts decisions concerning the exercise of voting rights at meetings of shareholders of its subsidiaries and the appointment of members of subsidiaries' internal bodies, based on the CEO's proposals;
- s) draws up draft resolutions to be submitted to shareholders at meetings;
- t) reviews and deliberates on other issues that executive directors wish to draw to the attention of the board to, when such issues are of particular importance and sensitivity.

The articles of association also give the board of directors the authority to adopt decisions on proposals concerning:

- mergers in the cases referred to in articles 2505 and 2505-bis of the Italian Civil Code, in addition to demergers in the cases envisaged by the same articles;
- the opening, modification and closure of branch offices;
- the reduction in share capital when a shareholder retires;
- compliance between the articles of association and statutory provisions;
- the transfer of the registered office within Italy.

The board of directors, at the meeting of 23 March 2009, also resolved to grant the Independent Operator<sup>34</sup> the following powers:

- to represent the functionally separate business in dealings with third parties;
- to draw up a proposal for an annual and long-term development plan for the key transmission, dispatching and regasification infrastructure;
- to manage staff assigned to the functionally separate business;
- to authorise spending commitments for decisions relating to unscheduled work in connection with the functionally separate business in view of the objective requirements and degree of urgency;
- to decide how commercially sensitive information is handled and accessed;
- to appoint proxies to exercise the aforementioned powers.

The board of directors has since resolved to integrate its own powers in order to approve the following, subject to the mandatory opinion of the CEO, as the organisational structure of the Independent Operator:

- the annual and long-term development plan for transmission, dispatching and regasification infrastructure;
- the definition of the organisational structure for the functionally separate business;
- the purchasing procedures for goods and services by Eni S.p.A. companies to ensure that there are no restrictions on such purchases;
- arrangements for the handling of commercially sensitive information and access to this;
- related party transactions in accordance with the legislative provisions applicable to the company.

At its meeting of 10 March 2010, the board of directors verified the adequacy of the organisational, administra-

tive and accounting structure of Snam Rete Gas S.p.A., as well as of Italgas S.p.A and Stogit S.p.A, two strategically important subsidiaries.

During 2009, the board of directors reviewed the size, composition and functioning of the board itself and its committees in accordance with the provisions of the Code of Conduct. It also engaged the services of Egon Zehnder International, an independent consultant specialising in this area.

The review process essentially consisted of:

- individual discussion with each director based on a questionnaire;
- analysis of the points raised and comments made and the drafting of a report for the board;
- board discussion of the key results and subsequent follow-up.

The results of the Egon Zehnder International survey led to the following assessment.

"In our opinion, based on the assessment carried out, the board of Snam Rete Gas has proven standards of excellence.

It is ideally placed to exemplify best practice in terms of corporate governance:

- as a company with solid results;
- with a regulated business suited to corporate governance of the highest standard;
- as part of a 'rich' and coherent group of independents under solid management."

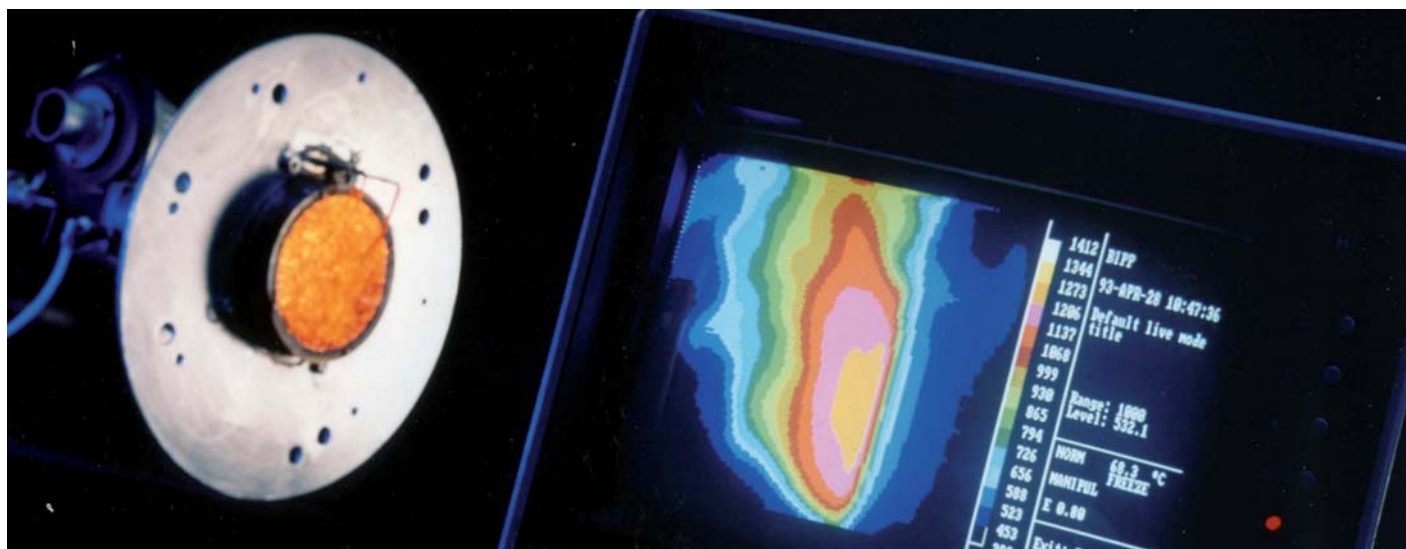
The board of directors, at its meeting of 23 March 2009, confirmed the results published by Egon Zehnder International, expressing praise for the size, composition and operation of the board and its committees.

#### APPOINTMENT, COMPOSITION AND TERM OF OFFICE

The number of members of the board of directors varies from five to nine, as decided by shareholders at the meeting which appoints them. Members of the board of directors remain in office for a maximum of three financial years and may be re-appointed. Article 16 of the articles of association establishes a voting list mechanism for the appointment of directors in order to ensure that minority shareholders are represented on the board.

According to the articles of association, lists may be presented by shareholders who, either individually or together with other shareholders, represent at least 2% of the shares with voting rights at ordinary meetings (or

<sup>(34)</sup> Appointed in accordance with guidelines issued by the Italian energy regulator (AEEG) on functional separation as per the Unbundling Act referred to in resolution no. 11/2007, as subsequently amended.



such other percentage as may be defined or required by the relevant statutory provisions and regulations). On 27 January 2010, Consob issued resolution no. 17148 which established this percentage as 1%. By law and under Consob regulations, shareholders may only present and vote on one list, whether individually or in a group. Candidates may only appear on one list; failure to comply will result in the candidate being disqualified. Lists are presented by shareholders and filed at the company's registered office at least fifteen days before the date of the first call of the meeting. They are also published in accordance with the law and Consob regulations on the election of members of boards of directors and statutory auditors. The lists specify the candidates who meet the independence requirements for statutory auditors of listed companies. The lists for the appointment of directors, together with the relevant information about their background and an indication of those who meet the independence requirements defined in the articles of association, in addition to the names of the shareholders who presented the lists and their percentage holding in the company, are made public in a timely fashion and in any case within the statutory time limit at the company's registered office and Borsa Italiana S.p.A., and are published on the company's website ([www.snamretegas.it](http://www.snamretegas.it)). The list procedure is only necessary when the entire board of directors is being replaced. The articles of association state that when there is no longer a majority in office, the entire board is considered to have retired, and a meeting of the shareholders is called as soon as possible in order to appoint a new board.

When the number of board members is less than seven, at least one director – or at least three directors if there are more than seven board members – must meet the independence requirements for statutory auditors of list-

ed companies. The voting list mechanism is structured in such a way that the number of independent directors required by the articles of association is appointed.

Directors are elected as follows:

- a) seven tenths of the directors are taken from the list with the majority of shareholders' votes in the order in which they appear in the list; this is rounded down to the nearest whole number if necessary;
- b) the remaining directors are taken from other lists, which may not be linked in any way, even indirectly, to the shareholders who presented or voted for the list that won the most votes. Therefore, the votes obtained by these lists are divided by one, two or three depending on the number of directors to be elected. The ratios thus obtained are assigned to the candidates on each list, based on the order shown in the list. The scores awarded to candidates on the various lists are entered in a single list, ranking these scores in decreasing order. Candidates with the highest scores are elected. If more than one candidate obtains the same score, the candidate from the list that has not elected any director or that has elected the smallest number of directors is elected. If none of these lists has elected a director or they have all elected the same number of directors, the candidate whose list has obtained the greatest number of votes is elected. If lists have the same number of votes and scores, the entire meeting will vote again and the candidate who receives the simple majority of the votes will be elected;
- c) if, following the application of the aforesaid procedure, the minimum number of independent directors required by the articles of association is not appointed, a vote score is calculated for each candidate on the various lists using the system described in subpara-



graph b); candidates with the highest score not yet taken from the lists as per subparagraphs a) and b) and who meet the independent requirements will be elected to ensure that there are a sufficient number of independent directors as required by the articles of association. These will replace non-independent directors who have a lower score. If there are not enough candidates to ensure that there are a sufficient number of independent directors, the shareholders will vote, by statutory majority, to replace those candidates who do not meet the independence criteria;

d) the shareholders will vote by statutory majority to appoint directors who for any reason have not been appointed in accordance with the aforementioned procedure to ensure that the composition of the board of directors is legal and consistent with the articles of association.

All candidates must also meet the reputation requirements set by the current legislation.

The board regularly assesses the independence and reputation of directors and checks that there are no grounds for ineligibility or incompatibility. Should one of these requirements no longer be met or if there are grounds for ineligibility or incompatibility, the board will declare that the director is no longer fit for office and arrange to replace him. It may also ask the director in question to take steps to eliminate the cause of the incompatibility within a set time and if this is not complied with, the director must retire from office.

The board of directors appointed by the ordinary meeting on 26 April 2007 currently has nine members: Alberto Meomartini (chairman, re-elected by shareholders), Carlo Malacarne (CEO), and Giuseppe Airoidi,

Davide Croff, Roberto Lonzar, Roberto Lugano, Massimo Mantovani, Massimo Mondazzi and Renato Santini (directors). Alberto Meomartini, Carlo Malacarne, Davide Croff, Massimo Mantovani, Massimo Mondazzi and Renato Santini were appointed from the list presented by the shareholder Eni S.p.A. The list specifically stated that Davide Croff and Renato Santini should meet the independence requirements set by the articles of association. Giuseppe Airoidi, Roberto Lonzar and Roberto Lugano were appointed from the list presented by the shareholder ARCA SGR S.p.A.

The board of directors will stand down at the shareholders' meeting which approves the financial statements at 31 December 2009. At its meeting of 8 May 2007, the board conferred the necessary powers on the chairman who, in addition to the activities envisaged in the applicable laws and articles of association, shall oversee the internal audit. They also re-elected Carlo Malacarne as CEO, granting him the powers to manage the company, except for those that by law cannot be delegated and those reserved for the board. On 8 May 2006, the board named Francesco Iovane as chief operating officer, giving him the necessary operational authority. Pursuant to article 23 of the articles of association, the chairman and CEO are the legal representatives of the company.

The directors and statutory auditors must disclose to the other directors and to the board of statutory auditors any interests they may have in a specific company transaction either directly or on behalf of third parties. The profile of each director can be found on the company's website. Except for the chairman and CEO, all board members are non-executive directors, and some are independent as well, in order to ensure that they can influence board decisions in terms of their number and authority. The presence of independent directors both



on the board of directors and on related internal committees also ensures adequate protection of shareholders' interests.

The independence and reputation of directors and the absence of any grounds for their ineligibility and incompatibility are assessed after they have been appointed and at least once a year by the board of directors, based on information provided both by themselves and available to the company by other means. At its meeting of 10 February 2010, the board of directors noted that there were no grounds for incompatibility or ineligibility of directors and found that members of the board of directors, the chief operating officer and the chief financial officer satisfied the integrity criteria for members of supervisory bodies laid down by the Ministry of Justice in its Decree no. 162 of 30 March 2000. (see the forthcoming "Chief financial officer" section).

The same meeting also noted that the non-executive directors Giuseppe Airoidi, Davide Croff, Roberto Lonzar, Roberto Lugano and Renato Santini satisfied the independence requirements set by current legislation and the Code of Conduct. The board of statutory auditors has confirmed that the criteria and procedures adopted by the board of directors to evaluate the independence of its own members have been applied correctly. These directors are considered to be independent since, pursuant to article 3 of the Code of Conduct:

- i) they do not control the company, either directly or indirectly, even via subsidiaries, trustees or nominees, and are not able to exercise significant influence over the company, nor have they entered into a shareholder agreement whereby one or more parties has control or significant influence over the company;
- ii) they do not hold, nor did they hold in the previous three years, key positions with the company or in one of its strategically important subsidiaries or in joint ventures with the company or a company or body that, together with others via a shareholder agreement, controls the company or is able to exercise significant influence over same;
- iii) directly or indirectly (e.g. via a subsidiary or company in which they hold a key position or as partners in a professional firm or consultancy), they do not have, and did not have in the previous year, a significant commercial, financial or professional relationship:
  - with the company, one of its subsidiaries or any of their officers;
  - with a party that, even together with others as a party to a shareholder agreement, controls the company, or in the case of companies and bodies, with their officers; and are not, and were not in the previous three years, employees of one of said companies;

- iv) do not receive and have not received in the previous three years, from the company or from one of its subsidiaries or parents, significant additional remuneration other than the "fixed" fees for non-executive directors of the company, including participation in performance-related incentives and share-based schemes;
- v) have not been directors of the company for more than nine of the last 12 years;
- vi) do not hold executive directorships in another company in which an executive director of this company also holds a directorship;
- vii) are not shareholders or directors of a company or body belonging to the independent audit group engaged to audit the company's financial statements;
- viii) 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 meet the independence requirements established for statutory auditors by article 148.3 of the same decree. The independent directors will assess the expediency of calling meetings only of independent directors.

The board of directors has issued the following guidelines on multiple appointments: a) an executive director may not hold: i) the position of executive director in another listed company, whether Italian or foreign, or in a financial, banking or insurance company or a company with equity of more than €1 billion, or ii) the position of non-executive director or statutory auditor (or member of another supervisory body) in more than three of such companies; b) a non-executive director, even if independent, other than the post held with the company, should not hold: i) the position of executive director in more than two listed companies, whether Italian or foreign, or in a financial, banking or insurance company or a company with equity of more than €1 billion, or the position of non-executive director or statutory auditor (or member of another supervisory body) in more than five of such companies, or ii) a non-executive director or statutory auditor (or member of another supervisory body) in more than eight of such companies. If these limits are exceeded, directors shall immediately inform the board, which shall assess the situation from the company's point of view and require the director in question to abide by its decision.

For directorships or auditorships held by directors in other companies listed on Italian or foreign regulated markets, or in financial companies, banks, insurance companies or companies with equity of more than €1 billion, the following was noted:

Director	Appointments held	Company
Davide Croff	Chairman of the board of directors	Permasteelisa S.p.A.
Roberto Lonzar	Regular auditor Regular auditor Chairman of the board of statutory auditors Chairman of the board of statutory auditors Director Member of the supervisory board	La Venezia Assicurazioni S.p.A. TBS Group S.p.A. Genertel S.p.A. Simgenia SIM S.p.A. Finanziara Internazionale Alternative Investment SGR S.p.A. Generali Investment S.p.A.
Roberto Lugano	Director	Aeffe S.p.A.
Renato Santini	Director Regular auditor Regular auditor	PBF S.r.l. Marazzi Group S.p.A. Perennius Capital Partners SGR

At its meeting of 10 February 2010, the board of directors verified that the number of directorships or auditorships held by the directors in the above companies was compatible with the effective performance of their duties as directors of Snam Rete Gas S.p.A. It also established the procedures for calling meetings. Board meetings are called by the chairman, who discloses the business on the agenda in a notice sent at least five days before the date on which the meeting is scheduled to take place, or at least 48 hours before urgent meetings and at least 24 hours before extremely urgent meetings. The directors and statutory auditors must be sent the documents and information necessary for them to be able to make informed decisions about the matters presented for their approval at meetings with adequate notice.

The board of directors met 11 times during 2009. On average 82.83% of directors attended, with around 90.91% on average of independent directors present.

#### COMPENSATION SYSTEM

The Snam Rete Gas S.p.A compensation system aims to reinforce company values, skills and behaviour so as to be coherent with its culture and strategy. This takes place through the recognition of an individual's responsibilities, results, professional contribution and development potential with reference to benchmark pay markets.

In the context of the general Snam Rete Gas S.p.A remuneration policy, particular importance is attached to systems of variable incentives connected with reaching financial targets, developing business and operations in terms of sustained results and creating value for shareholders in the medium to long term, in keeping with Snam Rete Gas S.p.A's strategic plan. These systems are in place for the chairman, CEO, general manager, managers with strategic responsibilities<sup>35</sup> and more junior

managers, so as to better sustain long-term company performance.

The compensation system also features benefits by way of goods and services, relating mainly to pensions and healthcare, aimed at meeting the requirements of individual beneficiaries and their families.

Directors' salaries are deliberated by the shareholders in their meetings; remuneration for the chairman and the CEO is determined by the board of directors on the suggestion of the *compensation committee*, after hearing the opinion of the board of statutory auditors.

On 26 April 2007, the shareholders' meeting approved a gross annual salary of €30,000 for each director and approved €500 gross for attending each committee meeting.

Remuneration of the chairman, who no longer has an employment relationship with the company, consists of a fixed portion and a variable component tied to attainment of company objectives. The remuneration of the CEO, the general manager and other key managers consists of a fixed part, a variable part and a long-term incentive.

The fixed pay of the chairman and the CEO is based on their mandated duties, while that of the general manager and other key managers is calculated considering their positions and responsibilities, with reference to market remuneration rates for similar positions in major national and international companies. The remuneration is adjusted annually to reflect merit (consistent individual performance) or promotion (more senior role/greater responsibilities). 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 unit or function) objectives set for the previous year. The variable component for the chairman and the CEO is linked to company objectives. The variable part paid in 2009 was calculated with reference to

<sup>(35)</sup> Managers who, together with the managing director and CEO, make up the company's management board.

the Snam Rete Gas S.p.A's 2008 objectives, approved by the board of directors on the suggestion of the compensation committee and defined on the basis of the strategic plan and annual budget considering investments (50% weighting), operating efficiency (20% weighting), cash flows from operating activities (20% weighting) and sustainability (10% weighting), a parameter calculated giving equal weighting to monitoring and reducing gas emissions and to reducing the number of accidents. The company results, measured on a like-for-like basis, have been verified by the compensation committee and approved by the board of directors. They gave rise to a variable remuneration of 125% of the base level, within a range of the minimum (85%) and the maximum (130%) of the allowed amount.

In order to further support management motivation and loyalty and to establish a closer connection between objectives, performance and incentives, a system of long-term incentives has been used. On 23 March 2009, the board of directors approved the use of a deferred cash incentive plan as the sole incentive instrument for 2009, on the suggestion of the compensation committee and taking into account the economic climate. The deferred cash incentive allocated in 2009 will be paid after three

years depending on attainment of annual EBITDA (actual vs. budget on a like-for-like basis) objectives defined for the three-year period 2009-2011. Upon completion of the three years in question, the result of the long-term incentive plan will be verified by the *compensation committee and approved by the board of directors*.

Share-based, long-term incentive plans have also been introduced to the managers' pay structure. These are carried out by allocating either new shares or treasury shares bought on the market. The vesting period of the long-term incentive plan begun in 2006 ended in 2009. On the basis of performance for 2006-2008, the Snam Rete Gas S.p.A board of directors' meeting of 11 March 2009 determined that: i) with reference to the deferred cash incentive plan and Snam Rete Gas S.p.A EBITDA performance, a multiplier of 143% be applied to the amount promised in 2006; ii) with reference to the stock option plan and Snam Rete Gas S.p.A TSR performance, a percentage of 65% be applied for determining exercisable options under the stock option plan assigned in 2006. In 2009, considering received fixed and variable remuneration and the allocated long-term incentive, the compensation structure was as follows:

	Chairman (*)	CEO	General manager	Other key managers
Fixed part	53%	47%	55%	58%
Variable part (tied to results)	47%	29%	25%	23%
Long-term incentives (tied to results) (**)		24%	20%	19%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(\*) The chairman has had a consultancy contract with the company since 1 January 2008 under which he receives a fixed fee and a variable component, tied to attainment of company objectives.

(\*\*) Measurement of the deferred cash incentive obtainable upon reaching target results.

Following the paid share capital increase, approved by the extraordinary shareholders' meeting of 17 March 2009 and completed on 8 June 2009, on 29 July 2009 the board of directors, upon a proposal from the compensation committee, voted for a technical adjustment of the strike price and number of options allocated to subscribers of the 2006-2008 stock option plan, relative to the 2006 – 2007 – 2008 allocations. Information concerning the technical adjustment operation can be found in the directors' report of Snam Rete Gas S.p.A's separate financial statements, under the section *Remuneration and other information*.

In accordance with Consob provisions, the report indicates: (i) salaries paid to members of the boards of directors and statutory auditors, to the general manager and to managers with strategic responsibilities; (ii) participation in stock option plans by members of the board of direc-

tors, the general manager and managers with strategic responsibilities; (iii) equity investments held in Snam Rete Gas S.p.A by members of the boards of directors and statutory auditors, by the general manager and by managers with strategic responsibilities.

The information in points (i) and (ii) is also disclosed in the notes to the separate financial statements of Snam Rete Gas S.p.A.

### Corporate, operational and organisational separation of gas transporters and dispatchers that are part of groups of vertically integrated undertakings

Directive 2003/55/EC of 26 June 2003 revised the rules for separation and transparency of accounts and

imposed the corporate, operational and organisational separation of transportation, storage, LNG and gas distribution operators that are part of groups of vertically integrated undertakings.

The Electricity and Gas Authority introduced specific operational unbundling obligations in Italy with its consolidated text attached to resolution no. 11/07 of 18 January 2007 and subsequent amendments, in order to enact the European directive's guidelines.

The operational unbundling set out in the consolidated text entailed the allocation of independent decision-making and organisational powers to each of the natural gas transportation, dispatch, regasification, storage and distribution businesses, separating them in an administrative sense from the other gas businesses. Accordingly, the unbundled activities are managed by an "independent operator", a function set up within the company that performs these activities (the "unbundled company").

The members of the independent operator function (i.e. all the unbundled company's directors) were to be independent from the interests of the vertically integrated undertaking (i.e. employees of the unbundled company or independent third parties).

Resolution no. 253/07 of 4 October 2007 introduced article 11.5 of the consolidated text whereby it was possible that not all the directors of the unbundled company were part of the independent operator, as long as:

- the unbundled company's bylaws include the purpose of encouraging competition, efficiency and sufficient quality when providing a service;
- the directors of the unbundled company who do not meet the independence requirements set out by the Authority in its resolutions do not have operational or decision-making powers for sales transactions;
- a specific organisational structure (CEO or executive committee) exists as part of the unbundled company's independent operator, which expresses binding opinions for all the board of directors' decisions about management and organisational aspects of the unbundled operating business and about approving the business plan.

On 27 June 2008, after receiving a formal communication from the ultimate parent Eni S.p.A, the board of directors at Snam Rete Gas S.p.A resolved to create an independent operator function as per article 11 of the consolidated text attached to the Electricity and Gas Authority's resolution no. 11/07 with the favourable opinion of the board of statutory auditors and pursuant to article 2497-ter of the Italian Civil Code. This is a monocratic position held by the CEO with an organisa-

tional structure as set out in article 11.5.c) of the consolidated text.

This resolution was based on the evaluation that it would not substantially change the company's corporate governance structure, considering also its position as a listed company, the many interests that such status entails and the legislation with which it has to comply.

In their extraordinary meeting held on 31 July 2008, the shareholders approved the following changes to the company's bylaws in order to comply with resolution nos. 11/07 and 253/07 of the Electricity and Gas Authority and set up an independent operator within the company:

- Article 2 - inclusion in its company purpose of encouraging competition, efficiency and sufficient quality when providing a service, as required by article 2.2.1 of resolution no. 11/07 of the Electricity and Gas Authority;
- Article 19 - the board of directors may set up committees, pursuant to article 2381 of the Italian Civil Code, determining the number of the members and powers thereof; also in order to propose bylaw clauses that allow for different future assessments of the independent operator's activities and structure.

The Authority published resolution no. ARG/COM/132/08 on 26 September 2008. This contained "Guidelines for the preparation of a compliance programme as per Appendix A of resolution no. 11/07 on unbundling" (the "Guidelines"). On the basis of said Guidelines, the independent operator has to plan and update its operational unbundling programme in accordance with the established preparation and implementation timeframe, varying from six months to a year from the date of publication, depending on the adjustments required to ensure compliance. According to the resolutions of the Authority, among the essential duties of the independent operator is preparing annual and long-term business plans for the infrastructures it manages.

On 27 March 2009, the Snam Rete Gas S.p.A board of directors agreed to include the operations general manager in the independent operator function, giving the latter the powers necessary to implement the Guidelines published by the Authority with resolution no. 132/08. This measure was, however, cancelled following appeals from many operators in the sector.

The independent operator is also a monocratic body at the company's subsidiaries and associates.

In GNL Italia S.p.A, this position has been given to the chairman and CEO, whilst in Italgas S.p.A and Stogit S.p.A the position is held by the CEO.



There were developments in EU regulations on electricity and gas in 2009, involving the European Council adopting the so-called “Third Energy Package”. This is a set of rules comprising two directives and three regulations which are currently being translated into national legislation in Italy.

## Treatment of company information

### REPORT BY THE CHAIRMAN AND THE CEO AS PER ARTICLE 19 OF THE BYLAWS

As per article 19 of the bylaws, the chairman and the CEO report to the boards of directors and statutory auditors at least quarterly on the general performance, outlook and key financial and capital operations performed by the company and its subsidiaries/associates. They focus on transactions in which they have a direct or a third-party interest or which are influenced by any party performing management and coordination activities. Special attention is paid to related-party transactions, which are disclosed in the notes to the financial statements.

### PROCEDURE FOR THE COMMUNICATION TO MARKET OF PRIVILEGED INFORMATION AND DOCUMENTS ABOUT, AND FINANCIAL INSTRUMENTS ISSUED BY, SNAM RETE GAS S.P.A

The board of directors approved the “Procedure for the communication to market of privileged information and documents about, and financial instruments issued by, Snam Rete Gas S.p.A” in its meeting of 17 March 2006 in accordance with Legislative Decree no. 58 of 24 February 1998 and Consob resolution no. 11971/99 on publishing privileged information.

The procedure also takes into account the “Guidelines for market disclosure” prepared by the REF forum on company reporting, which sets out the standards for proper market disclosure, and the Code of Conduct for Listed Companies.

This procedure has been in place since 1 April 2006 and is tied to the “Procedure for identifying important persons and communicating transactions performed by them, even through a third party, involving shares issued by Snam Rete Gas S.p.A. or other related financial instruments” (“Internal Dealing Procedure”) and the procedure for “Keeping and updating the list of persons with access to privileged information in Snam Rete Gas S.p.A” It defines the terms and conditions related to:

- communication of privileged information by Snam Rete Gas S.p.A to the market;
- communication of information that non-issuing subsidiaries and associates provide to Snam Rete Gas S.p.A in order to comply with regulations on the issues covered by the procedure.

Specifically, the procedure regulates:

- information to be disclosed to the market, highlighting and analysing the requirements of materiality, clarity, similarity, consistency and timeliness;
- relationships between Snam Rete Gas S.p.A, the ultimate parent and subsidiaries;
- meetings with market operators, interviews and statements given to mass media;
- procedures for distributing press releases;
- procedures for distributing information using multimedia information tools (Internet, e-mail, CD ROM, broadcasting) and advertising;
- delays or opposition to circulating news.

The procedure is available on the company’s website ([www.snamretegas.it](http://www.snamretegas.it)).

## Board of directors’ committees

To carry out its duties effectively, the board of directors has created two internal committees - the compensation committee and the audit committee - and it has approved the relative regulations. No nominations committee was set up, as provided for by the Code of Conduct for Listed Companies, because the appointment of directors is carried out during shareholders’ meetings on the basis of lists presented by the shareholders, who pre-emptively select candidates and verify that they meet the regulatory and statutory requirements.

### COMPENSATION COMMITTEE

The compensation committee is composed of three non-executive directors: Giuseppe Airoldi, Davide Croff and Massimo Mondazzi, of whom the first two are independent. Mr Airoldi chairs the committee.

The compensation committee is charged with submitting to the board of directors a proposal for the annual compensation of the chairman and the CEO, and with examining the compensation criteria for senior management. Directors’ salaries are decided by shareholders, while the remuneration of the chairman and the CEO is determined by the board of directors. Committee meetings are valid if at least two members are present, and decisions require an absolute majority of those present. The head of corporate systems, human resources and services performs the role of secretary and takes minutes of the meetings.

At least twice a year, on the occasions of the half-year and annual financial statements, the committee provides the board of directors with a progress report. The committee met five times in 2009 (on 12 February, 11 March, 23 March, 7 July and 29 July 29) with an average

participation of about 90%. It discussed: (i) achievement of 2008 company objectives; (ii) achievement of 2008 EBITDA and determination of the multiplier to apply to the deferred cash incentive announced in 2006; (iii) recognition of TSR positioning for 2008 relevant to allocations for the 2006-2008 stock option plan, the average positioning for 2006-2008 and subsequent determination of the exercise percentage relative to the 2006 allocation; (iv) annual cash incentive proposal, connected to the results obtained in 2008, for the chairman and the CEO; (v) analysis of long-term incentive systems and identification of guidelines for 2009; (vi) definition of 2009 company objectives: *performance* plan and EBITDA indicator; (vii) definition of guidelines and criteria for remuneration policy for junior management regarding merit changes relative to roles and responsibilities; (viii) allocation criteria and guidelines for long-term managerial incentives for 2009; (ix) proposal for technical adjustment of the 2006-2008 stock option plan following the share capital increase; (x) long-term managerial incentives – 2009 implementation: deferred cash incen-

tive plan; (xi) proposal for revision of the fixed compensation for the CEO considering the role and responsibility of this function, and for implementation of long-term incentives.

#### AUDIT COMMITTEE

The audit committee is composed exclusively of independent non-executive directors: Roberto Lugano (chairman), Roberto Lonzar and Renato Santini. In accordance with the Code of Conduct for Listed Companies, the board of directors has ascertained that all members of the audit committee have adequate experience in accounting and financial matters.

In accordance with the regulations, the committee:

- assists the board of directors in defining guidelines for the internal control system so that the main risks may be correctly identified and adequately measured, managed and monitored for purposes of fit and proper business management;
- examines the work plan and regular progress reports prepared by the head of the *Internal Audit* unit;



- verifies the correct application of accounting principles and their consistency when preparing the consolidated financial statements, with the assistance of the manager in charge of financial reporting and the independent auditors;
- assesses the recommendations made by the independent auditors, their audit plan and related findings set out in their audit reports and any recommendations made in their management letter;
- examines the transparency and substantial and procedural correctness of related-party transactions;
- reports at least twice a year to the board of directors on its activities and the fitness of the internal control system.

Committee meetings are valid when the majority of standing members is present, and decisions require an absolute majority of those present. The chairman of the board of statutory auditors or a designated standing auditor participates in these meetings; upon invitation by the committee, non-members may also participate as well as the company chairman and the CEO.

In its meeting of 20 March 2007, after consulting the audit committee, the board of directors appointed the internal audit unit manager as head of internal control and set remuneration for the post in line with company policy. The internal audit manager acts as committee secretary, takes minutes of the meetings and assists it in carrying out its functions.

During 2009, the internal audit committee met nine times (on 12 February, 5 March, 22 April, 7 July, 29 July, 29 September, 27 October, 3 December and 21 December). Attendance by its members was 100%; at least one member of the board of statutory auditors was present each time. During said meetings, the committee: (i) analysed the organisational structure of the Internal Audit unit and the work programme for 2009; (ii) examined the audit reports and the effects of the quarterly *follow-up* of audit issues; (iii) examined periodical progress reports on the Internal Audit unit in 2009 and quarterly reports on notifications received by Snam Rete Gas S.p.A and its subsidiaries/associates; (iv) analysed issues relating to the separate and consolidated financial statements at 31 December 2008 with the head of planning, administration, finance and control and with the independent auditors; (v) analysed related-party transactions; (vi) analysed the half-year reports of the manager appointed pursuant to Law no. 262/2005 on the fitness of internal controls over company reporting and compliance with accounting procedures; (vii) met with the supervisory body constituted pursuant to Legislative Decree 231/2001; (viii) examined the planning process for investing in the development of the pipeline network

with the business development and commercial director; (ix) monitored adjudication for the task of auditing the Eni group for the period 2010-2018. In its meeting of 10 February 2010, the committee examined the annual report of the head of internal control for 2009.

During the meetings of 29 July 2009 and 10 March 2010, the committee reported to the board of directors on its activities in the first and second half of 2009 respectively. The board of directors, in the meeting of 10 March 2010 and as specified by the Code of Conduct, evaluated the fitness of the internal control system on the basis of reports from the audit committee.

## Board of statutory auditors and the independent auditors

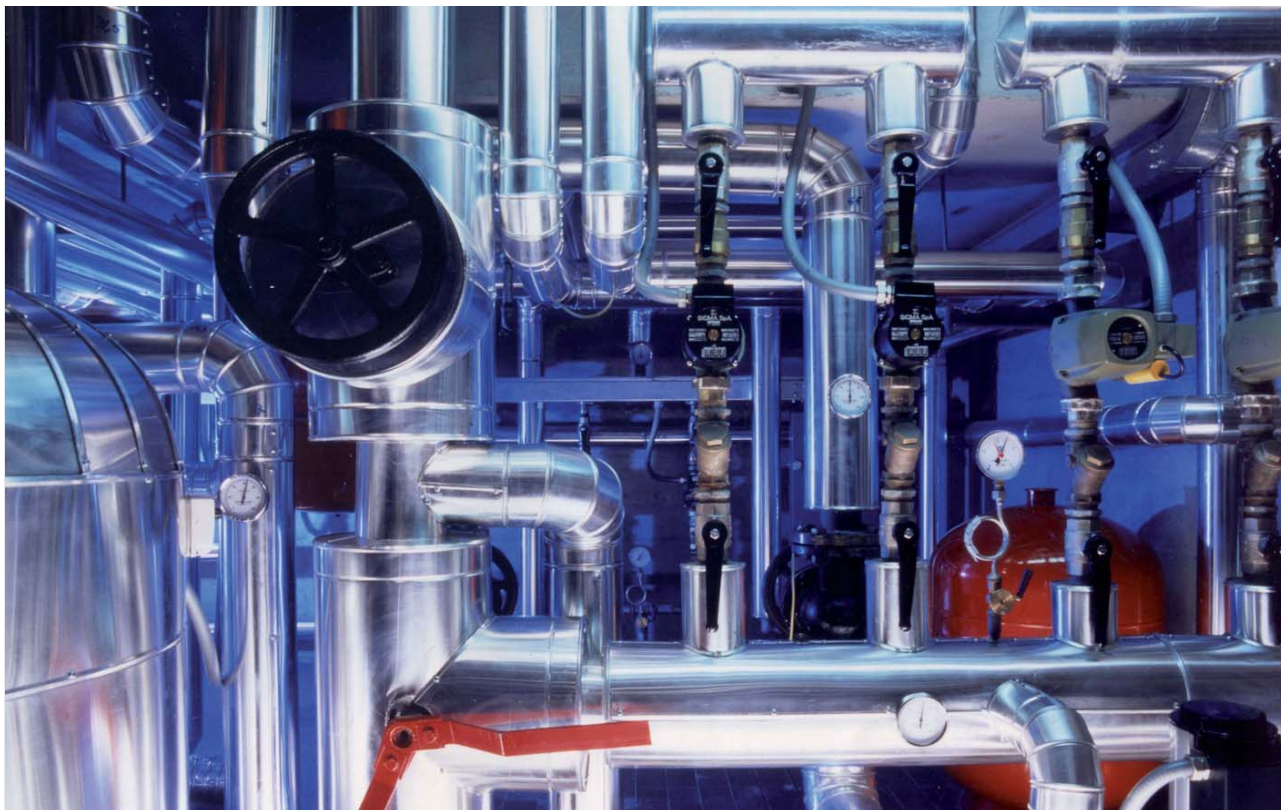
### BOARD OF STATUTORY AUDITORS

Pursuant to article 149 of Legislative Decree no. 58/1998, the board of statutory auditors monitors compliance with the law and deed of incorporation, compliance with the principles of correct administration, the fitness of the company's organisational structure to carry out its duties and the fitness of the internal control and accounting systems, as well as the correct implementation of the corporate governance rules set out in the codes of conduct drawn up by stock market operators or trade associations and to which the company declares adherence via market disclosure. It also monitors the reliability of operational representation and the adequacy of the instructions given by the company to its subsidiaries and associates in accordance with article 114.2 of the aforesaid Decree. In order to align its duties with those of the audit committee, the following roles 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 the head of planning, administration, finance and control;
- examination of notifications about accounting, internal control or audit problems.

Each statutory auditor may call meetings of the board of directors while two statutory auditors are needed to call a meeting of the shareholders. 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 the chairman and an alternate member. The same article establishes that the legal requirements and the regulations issued by Consob about the election of members of administration and control bodies are to be





complied with for the lodging, presentation and publication of these lists.

Each shareholder may present, individually or in a grouping, and vote for just one list, in accordance with the methods set out in the aforesaid laws and regulations. Shareholders with voting rights at the time the lists are presented may present lists if they, individually or in a grouping with other shareholders, represent at least 2% of the shares with voting rights at ordinary meetings (or another percentage set or allowed by the relevant laws and regulations). In relation to this, Consob's resolution no. 17148 of 27 January 2010 set this figure at 1%. Each candidate may feature only on one list, otherwise they are ineligible. 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 can be reappointed. The lists, together with information about the candidates and the identity of the shareholders presenting them and the percentage of their equity investment, are made available to the public at the company's registered offices and Borsa Italiana S.p.A, and are posted on the company's website ([www.snamretegas.it](http://www.snamretegas.it)), within

the timeframe set by current legislation. The list procedure is necessary only if the entire board of statutory auditors is being replaced. The board of statutory auditors, appointed by the shareholders on 26 April 2007, comprises the chairman, Pierumberto Spanò, standing statutory auditors Riccardo Perotta and Roberto Mazzei, and alternate statutory auditors Giulio Gamba and Luigi Rinaldi. They have a three-year term of office (until approval of the 2009 financial statements). The standing statutory auditors Roberto Mazzei and Riccardo Perotta and the alternate statutory auditor Giulio Gamba were appointed from the list presented by Eni S.p.A.. The chairman Pierumberto Spanò and the alternate statutory auditor Luigi Rinaldi were appointed on the suggestion of ARCA SGR S.p.A.. The statutory auditors have the professional and reputational requirements set by the Ministry of 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.

In their ordinary meeting of 26 April 2007, the shareholders established the respective annual remuneration for their terms of office as €45,000 for the chairman and €30,000 for the standing statutory auditors. They also set the attendance fee for each meeting of the board of



directors' committees at €500. The statutory auditors may also act as directors or statutory auditors in other companies within the limits of Consob regulations. Based on the statements provided to it, the board of statutory auditors has checked that all its members meet the necessary independence requirements as per article 3 of the Code of Conduct and the law. The statutory auditors' curricula vitae are available on the company's web-

site. The board of statutory auditors met 13 times during 2009; on average, attendance was 82%. One member usually participated in the meetings of the audit committee. Based on the communications received, details of the positions held by the statutory auditors as director or statutory auditor in other companies listed on Italian regulated markets, and the total number of such positions held in any other companies, are given below.

Statutory auditor	Position held in listed companies	Company	Total no. of positions held
Pierumberto Spanò	Chairman of the board of statutory auditors	Astaldi S.p.A	16
Riccardo Perotta	Regular auditor	Fiat S.p.A	10
	Regular auditor	Mediolanum S.p.A	
Roberto Mazzei	Director	Viaggi del Ventaglio S.p.A	16

### INDEPENDENT AUDITORS

As required by law, the company's financial statements are audited by independent auditors included in the register held by Consob. They are appointed by the shareholders on the basis of a documented proposal by the board of statutory auditors. In their meeting of 26 April 2007, the shareholders extended the audit mandate of PricewaterhouseCoopers S.p.A, which expired on that date, until 2012.

### Shareholders' meetings and their rights

Shareholder meetings are privileged corporate meetings between the company's management and its shareholders. Article 11 of the bylaws, as established by article 126-bis of the Consolidated Finance Act, states that shareholders who, either individually or as a grouping, represent at least one fortieth of the share capital, can, within five days of publication of the meeting convocation notice, request additional matters to be placed on the agenda. This is not allowed for those matters about which the shareholders pass resolutions, as established by law, on proposals made by directors or based on a project or report prepared by them. Additions allowed by the board of directors are made public at least ten days before the date set for the shareholders' meeting in a notice published as established by the bylaws. The shareholders may request information about both matters on the agenda and the company's general performance during their meetings. 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 exercise the powers 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 sale, transfer, rent, usufruct and all other acts of disposal, also as part of joint ventures, or subject to company limits or strategic business units relevant to the gas transportation and dispatch businesses, without prejudice, as per article 2364.5 of the Italian Civil Code, to the liability of the directors for actions taken. Resolutions on these matters are adopted, also at second convocation, with the favourable vote of at least three quarters of the share capital represented at the meeting. For other matters, ordinary meetings pass resolutions by majority vote in accordance with the relevant legislation. Extraordinary meetings resolve, at first, second and third convocation, 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, shareholders' meetings are governed by a regulation which requires their ordered and proper running and guarantees the right of each shareholder to express their opinion on the matters on the agenda. The regulation is available on the company's website at [www.snamretegas.it](http://www.snamretegas.it).

Those wishing to speak in the meetings are required to notify this at least two working days before the first convocation of such meeting through an authorised financial intermediary. The said shareholder may withdraw this notification through the intermediary, thus forfeiting their right to speak.

To facilitate shareholders' participation, company bylaws oblige it to provide to associations of shareholders that meet the relevant legal requirements adequate spaces for communication and gathering of proxies for shareholders that are employed by the company and its subsidiaries/associates, according to the terms and means agreed with their legal representatives.

In 2009, shareholders' meetings were held twice, on 17

March 2009 and on 24 April 2009, in extraordinary and ordinary meetings respectively.

In their ordinary meeting, the shareholders resolved to approve the 2008 financial statements, the allocation of the profit for the year and the distribution of a dividend. In their extraordinary meeting, following the board of directors' ruling of 12 February 2009 and in compliance with article 2443 of the Italian Civil Code, the shareholders resolved to give the board of directors the power to increase, by 31 December 2010 at the latest, the company's share capital against payment and consideration, by splitting shares, in one or more instalments, by a maximum of €3,500,000,000.00 including any share premium. This will take place through the issue of ordinary shares with a nominal value of €1 each and regular rights to dividends, to be offered, pursuant to article 2441.1 of the Italian Civil Code, to entitled shareholders. The board of directors will have the widest powers to set, in line with the limits already mentioned, the methods, terms and conditions of the operation, including the share subscription price, the share premium, the number of newly issued shares and the related option ratio. It was also given the power to make adjustments according to relevant regulations. This operation was completed on 8 June 2009.

## Other control bodies

### INTERNAL CONTROL SYSTEM

Snam Rete Gas S.p.A adopted an internal control system several years ago which conforms to guidelines in the Code of Conduct for Listed Companies and to benchmark best practices. 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) ensure compliance of the operating procedures with internal and external regulations and company guidelines in order to guarantee a healthy and proper 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 operation 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 controls. As required by the Code of Conduct for Listed Companies, the board of directors appointed the CEO as the executive director in charge of supervising the working of the internal control system in its meeting of 11 December 2008. The audit manager reports to the chairman in order to ensure

independence from the operating activities subject to audit. He reports regularly to the chairman and CEO as well as to the audit committee and board of statutory auditors once every six months (unless circumstances require additional meetings). Management has primary responsibility for applying the internal controls as the control procedures form an integral part of its management duties. Therefore, management must ensure that the environment favours such controls and must perform the "line controls", i.e. the controls performed by an individual operating unit or group company over its processes. The internal audit unit is in charge of checking the adequacy of the internal control system and that it can reasonably ensure that the company can attain its objectives cost-effectively and efficiently. Accordingly, the unit monitors the effectiveness of the controls in place, making recommendations and suggestions about remedial action to be taken to resolve weaknesses.

### ORGANISATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01 - ADMINISTRATIVE LIABILITY

This Legislative Decree of 8 June 2001 introduced the concept of administrative liability for companies whereby they can be held liable, and therefore penalised, for certain crimes committed or attempted in the interests of or to the advantage of the company by senior management and those subject to their direction or supervision. The company's liability is excluded if it has adopted and properly implemented organisation, management and control models, before the crimes were committed, that are suitable to prevent such crimes and has set up a supervisory body to oversee the model's operation and compliance with the requirements of the Decree.

In this regard, all Snam Rete Gas S.p.A group companies have conformed with law by adopting their own tailor-made organisation, management and control model and setting up a supervisory body charged with monitoring the implementation and effective application of the model.

The following is a summary of the measures implemented by each company.

The board of directors of Snam Rete Gas S.p.A approved the organisation, management and control model pursuant to Legislative Decree no. 231/2001 in its meeting of 23 April 2004 and appointed a supervisory body.

The model was revised on 22 February 2008 to reflect changes in the related legislation. On 29 July 2008, the board of directors modified the composition of the supervisory body to include an independent component as its chairman.

On 12 February 2009, the model was again updated to reflect regulatory changes.

During 2009, the supervisory body made sure that the model continued to function, particularly with regard to improving corporate procedures and carrying out specific control programmes. There was also a training event for all senior managers, executives and business unit heads, dealing with all types of offence pursuant to Legislative Decree 231/2001 and with a particular focus on those introduced recently.

With reference to subsidiaries and associates, the model is implemented regularly, with particular focus on control activities and staff training.

The board of directors of Italgas S.p.A approved the organisation, management and control model pursuant to Legislative Decree no. 231/2001 in its meeting of 15 September 2004 and appointed a supervisory body.

On 13 February 2008, the model was updated to reflect regulatory changes. On 12 March 2009, it was updated structurally and to reflect regulatory changes. As a result of this change, and in accordance with new measures laid down by the model for appointing the supervisory body, the composition of said body has been altered by the addition of a new internal member.

The subsidiary Napoletanagas S.p.A approved its organisation, management and control model on 17 January 2005 and set up a supervisory body. The model was updated in 2009 to reflect a new structure and legislative changes.

The board of directors of Stocaggi Gas Italia S.p.A approved its organisation, management and control model on 24 February 2005 and appointed a supervisory body. The model was updated on 10 March 2009 both in terms of document structure and regulatory changes. The composition of the supervisory body was also modified in 2009, switching from a monocratic to a collegial structure. With reference to Stogit S.p.A, the model is implemented regularly, with particular focus on control activities and staff training.

GNL Italia S.p.A approved its organisation, management and control model on 22 June 2004 and appointed a supervisory body. An updated model was approved on 9 April 2009. The subsidiary regularly implements the model, with particular focus on control activities and staff training.

#### INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM AS REGARDS THE FINANCIAL REPORTING PROCESS

The system of internal controls over financial reporting is the process meant to provide reasonable certainty as to

the reliability<sup>36</sup> of the financial reporting itself and as to the capacity of the process of preparing the financial statements to produce financial reporting in accordance with generally accepted accounting standards.

Snam Rete Gas S.p.A. has a regulations body, "Internal Controls Over Financial Reporting", which defines the rules, methods, roles and responsibilities for designing, implementing and maintaining, over time, the system of internal controls over the corporate reporting of the Snam Rete Gas S.p.A. group as well as for evaluating its effectiveness.

The body of procedural rules for the corporate reporting control system was defined in compliance with the provisions of article 154-bis of the "Testo Unico della Finanza" and takes into account the requirements provided for in the Sarbanes-Oxley Act of 2002 (SOA), to which the ultimate parent Eni Sp.A. is subject as an issuer listed on the New York Stock Exchange (NYSE) and which reflect upon Snam Rete Gas S.p.A. as relevant subsidiary. The model for corporate reporting internal control adopted by Snam Rete Gas S.p.A is based on the COSO Report ("Internal Control – Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission).

In addition to Snam Rete Gas S.p.A., the defined control model has been applied, since obtaining control, at the companies directly and indirectly controlled by it according to international accounting standards in view of their significance for the purposes of preparing financial reporting. The companies controlled by Snam Rete Gas S.p.A. are adopting the defined control model as reference for designing and implementing their own control systems so as to adapt it to their dimensions and to the complexity of the activities carried out.

#### Main features of the internal controls and risk management system as regards the financial reporting process

The control system was defined by following two essential principles, that is, the dissemination of controls to all levels of the organisational structure consistent with the operational responsibilities conferred and the sustainability of the controls over time so that their execution would prove to be integrated and compatible with operational demands.

The design, implementation and maintenance of the control system are provided using: a process of risk

<sup>(36)</sup> Reliability (of information): Information which has the characteristics of accuracy and conformity with the generally accepted accounting standards, and meets the requirements of the applicable laws and regulations.

assessment, identification of controls, evaluation of controls and information flows (reporting)

The risk assessment process, conducted using the top-down approach, has the aim of identifying the organisational entities, the processes and the specific activities capable of generating risks of unintentional errors or of fraud which could have significant effects on the financial statements.

In particular, identification of the organisational entities which are involved within the scope of the control system (relevant companies) is done on the basis of the contribution by the various entities to given values in the consolidated financial statements (total assets, total financial debt, net revenues, pre-tax income) both in relation to considerations concerning significance per specific risk and process. Within the scope of relevant companies for the control system, identification is then made of the significant processes based on an analysis of quantitative factors (processes which contribute to making up the items in the financial statements by amounts greater than a given percentage of the pre-tax profits) as well as qualitative factors (for example: complexity of the accounting treatment of the account; novelty or significant changes in business conditions).

In view of the relevant activities and processes, risks are identified, that is, potential events that, if occurring, could compromise achievement of the control objectives inherent to financial reporting (for example, financial statement assertions). The risks thus identified are assessed in terms of potential impact and probability of occurrence based on quantitative and qualitative parameters and assuming an absence of controls (so-called inherent assessment). Particularly with reference to risks of fraud<sup>37</sup>, Snam Rete Gas S.p.A conducts a dedicated risk assessment based on a specific method in relation to "Antifraud Programmes and Controls."

The appropriate control activities are defined in view of the companies, processes and relative risks deemed relevant. The structure of the control system provides controls at the entity level, operating interdepartmentally in relation to the entity in reference (group/single company) as well as controls at the process level.

Controls at the entity level are organised into a defined checklist based on the model adopted in the COSO Report according to five components: control environment, risk assessment, control activities, information systems and communication flows and monitoring activi-

ties. In particular, among the controls of the "control environment" component, there are activities involving definition of the timing for preparing and disseminating economic and financial results; among the controls of the "control activities" component there is the presence of organisational structures and a body of rules adapted to achieve the objectives involved in financial reporting (for example, such controls provide for review activities and updating, performed by specialised company department posts, on the rules relating to financial statements and accounting); among the controls of the "information systems and communication flows" component are activities relating to the information system for handling the consolidation process.

Controls at the process level are subdivided as follows: specific controls, signifying the entirety of the manual or automated activities aimed at preventing, identifying and correcting errors or irregularities occurring in the course of operational activities; pervasive controls, signifying structural elements of the control system meant to define a general context to promote proper execution and control of operational activities (for example, the segregation of incompatible duties and general controls over their information systems).

The specific controls are identified in appropriate procedures that define both the execution of business processes as well as the so-called "key controls" that, if absent or lacking operability, generate a risk of error or fraud of significance to the financial statements that cannot be intercepted by other controls.

The controls both at the entity and process levels are subject to evaluation (monitoring) to check, over time, the soundness of the design and actual operability; for this purpose, ongoing monitoring activities have been provided for, conferred to the management in charge of the relevant processes or activities, along with independent monitoring activities (separate evaluations) conferred to Internal Audit, which operates according to a pre-established plan announced by the manager in charge of the preparation of the corporate accounting documents (Manager in Charge of Financial Reporting) for the purpose of defining the scope and objectives of his involvement by using agreed audit procedures.

The monitoring activities enable identification of eventual deficiencies in the control system, which are subject to evaluation in terms of probability and impact on the financial reporting and, based on their significance, are characterised

<sup>(37)</sup> Fraud: Within the scope of the Control System, any intentional act or omission which results in a misleading statement in the reporting.



in ascending order of importance as “deficiencies”, “significant points of weakness” and “material deficiencies”.

The results of the activities of monitoring are subjected to periodic flows of information (reporting) as to the status of the control system, provided in part by the use of information technology tools aimed at ensuring that the information on the adequacy of the design and the operability of the controls can be tracked. Based on this reporting, the Manager in Charge of Financial Reporting drafts a half-yearly report on the effectiveness of the control system, which, shared with the CEO, is submitted to the board of directors, upon prior report to the Internal Control Committee and to the Board of Statutory Auditors, on the occasion of approval of the draft annual report and half-yearly financial report so as to enable the mentioned supervisory functions to be carried out, along with evaluations of the internal control system performed within its own scope of responsibility.

The activities of the Manager in Charge of Financial Reporting are supported within the Snam Rete Gas group by various individuals whose duties and responsibilities are defined in the framework rules referred to earlier. In particular, the control activities involve all levels of the organisational structure of Snam Rete Gas and the relevant subsidiaries, such as those in charge of business operations and department managers, up to administrative managers and CEOs. In this organisational context, for the purposes of the internal control system, the figure of the risk owner, who performs the ongoing monitoring which assesses the design and operability of the specific and pervasive controls while feeding the information flow of reporting on the monitoring activity, assumes particular significance.

#### MANAGER OF FINANCIAL REPORTING

The Bylaws establish that the board of directors, upon proposal of the eldest CEO, in agreement with the chairman, and upon the prior favourable opinion of the Board of Statutory Auditors, appoints the Manager of Financial Reporting, to prepare the corporate accounting documents, from among individuals with the required professional characteristics.

The Manager of Financial Reporting must be selected from among individuals who have performed the following for at least three years:

- a) administration or control duties or management with a company listed on Italian or other EU member regulated stock exchanges or stock exchanges of other OECD countries which have share capital of no less than €2 million, or
- b) activities of legal control of accounts at the companies

- indicated in paragraph a), or
- c) professional duties or university lecturing on financial or accountancy subjects; or
- d) management duties with state-owned or private bodies active in the financial, accounting or supervisory sectors.

The board of directors checks that the Manager of Financial Reporting has adequate powers and means to perform his duties and to ensure that the administrative and accounting procedures are effectively complied with.

In its meeting of 29 October 2007 and in compliance with the professional requirements set by the bylaws, the board of directors appointed Dr. Antonio Paccioretti, Manager of Planning, Administration, Finance and Control of Snam Rete Gas S.p.A., as Manager of Financial Reporting, as proposed by the CEO, in agreement with the chairman and upon the prior favourable opinion of the Board of Statutory Auditors. The board of directors also checked the adequacy of the powers and means given to the Manager of Financial Reporting so that his/her duties can be carried out.

#### 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 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 article 114 paragraph 7 of Legislative Decree no. 58 of 24 February 1998 and Consob Regulation no. 11971/99 of 14 May 1999 (the Issuer Regulation). This procedure has been in force since 1 April 2006 and is tied to the “Procedure for the communication of privileged information and documents about Snam Rete Gas 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, i.e., the chairman, CEO, directors, Chairman of the Board of Statutory Auditors and stand-

ing statutory auditors of Snam Rete Gas S.p.A., the Operations General Manager and managers having the duty to participate in Management Board meetings.

According to current regulatory requirements, the definition of relevant persons also 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 also 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); legal entities controlled directly or indirectly by a relevant person or one of the persons closely related to the relevant person; partnerships, the economic interests of which are substantially the same as those of a relevant person or of a person closely related to such person; trusts set up for the benefit of a relevant person or of a person closely related to such person.

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), is equal to or exceeds €5,000. Lastly, The Code forbids relevant persons from performing transactions on financial instruments issued by Snam Rete Gas S.p.A. during the fifteen 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 made to the Shareholders' Meeting. Among the transactions considered for the purpose of determining whether the limits indicated above are exceeded are transfers of shares acquired as part of stock option and stock grant plans. The Procedure is available on the company's website ([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"**

In its meeting of 17 March 2006, the board of directors, as required by article 115-bis of Legislative Decree no. 58 of 24 February 1998 and Consob Regulation no. 11971 (Issuer Regulation), drew up a list of the persons who have access to privileged information in Snam Rete Gas S.p.A. and 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 has been 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, has 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, 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, has access to information occasionally (Section B) identified as follows: Snam Rete Gas S.p.A. employees who, depending on their specific 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 subsections in each section depending on whether they are employees or consultants.

There is just one list and it is kept by the Business Systems, Human Resources and Services Unit of Snam Rete Gas S.p.A. 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 Business Systems, Human Resources and Services identifies the person to be in charge of keeping and updating the list. This person keeps the list updated without delay, making amendments on the day the related communication is received as per the rules issued by Snam Rete Gas S.p.A. on the protection of personal data. The list includes the following information about each person: a registration number, registration date, personal data, company to which he belongs, reason for inclusion in the list, date of sending communication to the person about his inclusion, date of amendment of information already included in the list, date of sending communication of amendment of information included in the list, 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 are no longer present. The procedure is available on the company's website ([www.snamretegas.it](http://www.snamretegas.it)).

## Relationships with Shareholders and Investors

Snam Rete Gas S.p.A. has adopted a communication policy aimed at ensuring ongoing interaction with its institutional investors, socially responsible 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 and regularly updated on the website of Snam Rete Gas S.p.A. ([www.snamretegas.it](http://www.snamretegas.it)).

Information relating to the reports, key events/transactions and procedures issued by the Snam Rete Gas S.p.A. on corporate governance is made available to the public on a timely basis on the website as well. 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 website. Documentation is also sent free of charge to those who request it using the form available on the website. Relations with news agencies are maintained by the "Institutional Relations and Communications" department. Information of interest to them is available on the website of Snam Rete Gas S.p.A.

Relationships with the institutional investors and financial analysts are maintained by the Investor Relations Unit. Information of interest to them is available on the Snam Rete Gas S.p.A. website and can also be requested by emailing [investor.relations@snamretegas.it](mailto:investor.relations@snamretegas.it).

The company Secretary maintains relationships with the shareholders. Information of interest to them is available on the Snam Rete Gas S.p.A. website and can also be requested by emailing [segreteria.societaria@snamretegas.it](mailto:segreteria.societaria@snamretegas.it).

During 2009 the pages on investor relations in the Snam Rete Gas S.p.A. website were enhanced by the online publication of the Financial Market's Review, which offers monthly analysis of financial markets and the performance of the utility industry of Snam Rete Gas S.p.A. shares, and of the shares of its competitors on the stock

market. Starting in December this is augmented by "News&Facts", a quarterly publication meant especially for individual investors.

## Transactions with Related Parties

Transactions undertaken by Snam Rete Gas S.p.A. 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 ultimate parent) and other subsidiaries and associates of Eni S.p.A. as well as with Enel, a state-controlled company, and its subsidiaries. All these transactions are part of its ordinary business activities, generally take place at market conditions, i.e., those conditions which would be applied between two independent parties, and are performed in the interests of Snam Rete Gas S.p.A., Italgas S.p.A, Stogit S.p.A and GNL Italia S.p.A. 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 financial statements. The board of directors approved the "Code of Conduct for transactions with related parties" in its meeting of 24 February 2003 (posted on the Snam Rete Gas S.p.A. website). 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. The board of directors reviews transactions between Snam Rete Gas S.p.A. 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 subsidiaries' transactions with parties related to Snam Rete Gas S.p.A. that could potentially be particularly significant and for which information is to be disclosed to the market in line with Consob requirements. The standards also identify the transactions performed by Snam Rete Gas S.p.A. and its subsidiaries with Eni S.p.A., and also its subsidiaries that are subject to quarterly reporting to the board of directors and Board of Statutory Auditors and fix the quantitative threshold depending on the nature of the transaction and of the related party as well as the information to be communicated. The directors, statutory auditors, general managers and managers holding key positions communicate the event-

al execution of transactions carried out with Snam Rete Gas S.p.A. and/or its subsidiary every quarter, also via nominees or by parties attributable to them according to the provisions of IAS 24. These standards are available on the Company's website ([www.snamretegas.it](http://www.snamretegas.it)). Modification of this procedure is provided for to meet the general guidelines of Consob pursuant to article 2391-bis of the Italian Civil Code as they are issued.

## Possible Changes to the Corporate Governance Structure After Year End

No significant changes have taken place since the end of financial year 2009.

The following shows the tables mentioned in the document "Guide to writing the corporate governance report" issued in March 2004 by Assonime and Emittenti Titoli S.p.A.



**Annex 1 – Structure of the board of directors and of the Committees of Snam Rete Gas S.p.A.**

Board of Directors	Internal Control Committee	Compensation Committee	Possible Nominating Committee	Possible Executive Committee
Members	***	****	****	****
Executive				
Non-executive				
Independent				
Number of other posts (*)				
<b>Chairman</b>				
Alberto Meomartini				
<b>Managing Director</b>				
Carlo Malacarne				
<b>Directors</b>				
Giuseppe Airoidi (*)		x	100	
Roberto Lonzar (*)		x	95	6
Roberto Lugano (*)		x	68	1
Massimo Mantovani		x	41	
Davide Croff		x	91	1
Massimo Mondazzi		x	50	
Renato Santini		x	100	3
<b>Number of meetings during financial year 2009</b>			<b>11</b>	
<b>9</b>				<b>5</b>

Quorum required for submittal of lists for appointment to the Board of Directors: 1% (See Consob Decision No. 17148 of 27 January 2010)

The Nominating Committee provided for by the Code of Conduct was not created because the appointment of the Directors is made in a Shareholders' Meeting on the basis of lists submitted by the shareholders, who carry out the preliminary selection of candidates.

(\*) An asterisk indicates whether the director has been appointed upon proposal by the minority shareholders.

(\*\*) This column shows the number of positions held by the person involved as director or statutory auditor in other companies listed on Italian or foreign regulated markets or in financial companies, banks, insurance companies or companies with shareholders' equity of more than €1 billion. With respect to the directors currently in office, the duties indicated were assigned by the board of directors meeting held on 10 February 2010.

(\*\*\*) An "x" in these columns shows the committees to which each director belongs.

(\*\*\*\*) These columns indicate the attendance percentage of directors at meetings of the board of directors and of the committees created within it.

**Annex 2 - Board of Statutory Auditors of Snam Rete Gas S.p.A.**

Members	Attendance percentage at meetings of the Board of Directors	Attendance percentage of the Board of Statutory Auditors	Number of other posts (*)
<b>Chairman</b>			
Pierumberto Spanò (*)	86	92	1
<b>Standing statutory auditors</b>			
Roberto Mazzei	91	69	
Riccardo Perotta	86	85	2
<b>Number of meetings held during financial year 2009: 13</b>			

Quorum required for submittal of lists for appointment to the Board of Statutory Auditors: 1% of the share capital (See Consob Decision No. 17148 of 27 January 2010)

(\*) An asterisk indicates whether the statutory auditor has been appointed upon proposal by the minority shareholders.

(\*\*) This column shows the number of positions held by the person involved as director 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 possible deviations from recommendations in the code
<b>System of delegations and transactions with related parties</b>			
Has the Board of Directors effected delegations, defining their:			
a) limits	X		
b) methods of exercise and	X		
c) reporting frequency?	X		
Has the Board of Directors reserved examinations and approval of transactions of particular economic, capital and financial signifiace (include transactions with related parties)?	X		
Has the Board of Directors defined guidelines and criteria for identifying significant transactions?	X		
Have the guidelines and criteria referred to above been described in the report?	X		
Has the Board of Directors defined appropriate procedures for examining and approving transactions with related parties?	X		
Procedures for approval of transactions with related parties	X		
<b>Procedures of the most recent appointment of directors and statutory auditors</b>			
Was the filing for candidacy for office as a director done at least ten days in advance?	X		
Were the candidacies for office as director accompanied by exhaustive information?	X		
Were the candidacies for office as director accompanied by indication of suitability for qualification as independent?	X		
Was the filing for candidacy for office as statutory auditor done at least ten days in advance?	X		
Were the candidacies for office as statutory auditor accompanied by exhaustive information?	X		
<b>Shareholders' Meetings</b>			
Has the Company approved rules for Shareholders' Meetings?	X		
Are the rules attached to the report (or is it indicated where they can be found or downloaded)?	X		
<b>Internal control</b>			
Has the company appointed the manager for internal control?	X		
Is the manager independent from those in charge of operational areas in terms of the hierarchy?	X		
Organisational unit of the internal control manager	"Internal Audit" department		
<b>Investor Relations</b>			
Has the company appointed someone in charge of investors?	X		
Organisational unit and reference data for the person in charge of Investor Relations	<p><b>Institutional Investor Relations: Investor Relations</b>  Piazza Santa Barbara, 7 - 20097 San Donato Mil.se (MI)  tel. 02/52067272 - e-mail: investor.relations@snamretegas.it</p> <p><b>Individual shareholder relations: Corporate Secretary</b>  Piazza Santa Barbara, 7 - 20097 San Donato Mil.se (MI)  tel. 02/52069235 - e-mail: segreteria.societaria@snamretegas.it</p>		