



# Remuneration Report 2013

*Snam ensures the greatest possible transparency in the quality of its remuneration systems and in the results of their application.*

*The remuneration system recognises the responsibilities assigned, the results achieved and the quality of the professional contribution, and complies with the principles of personal development and equal opportunity set out in the Code of Ethics, which have always been present in Snam's organisational culture.*

*The remuneration system supports the growth of Snam and its financial results, helping to align management action with the interests of the stakeholders and shareholders, and promoting the creation of value in the medium- to long-term.*



# Remuneration Report 2013

Approved by the Board of Directors on February 27, 2013

The Report is published in the "Governance" section of the Company's website ([www.snam.it](http://www.snam.it))

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## Foreword

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This Report, approved by the Board of Directors on 27 February 2013 on the recommendation of the Compensation Committee, in accordance with current legislative and regulatory requirements<sup>1</sup>, defines and illustrates:

- in the first section: the Policy adopted for 2013 by Snam S.p.A. (hereinafter "Snam" or the "Company") for the remuneration of Directors and Managers with strategic responsibilities<sup>2</sup>, while setting out the general objectives of the Company, the bodies involved and the procedures used for adopting and implementing the Policy. The general principles and the guidelines set out in the Snam Policy also apply for the purposes of determining the pay policies of the companies directly or indirectly controlled by Snam;
- in the second section: the compensation paid in 2012 to Snam's Directors, Statutory Auditors and Managers with strategic responsibilities.

The remuneration policy illustrated in this Report has also been adopted by the Company, as provided for by Consob Regulation no. 17221/2010 on the subject of related-party transactions, pursuant to Art. 10.6 of the 'Procedure for Related-Party Transactions' approved by the Board of Directors on 30 November 2010.

The Policy described in the first section of the Report was prepared in line with the remuneration recommendations contained in the Corporate Governance Code introduced by Borsa Italiana S.p.A. (hereinafter the "Corporate Governance Code"), as amended in the new edition of the Code in December 2011, these recommendations having been adopted by the Board of Directors on 19 December 2011<sup>3</sup>. The text of this Report is sent to Borsa Italiana and is made available to the public at the Company's registered headquarters and on its website<sup>4</sup> by the twenty-first day previous to the date of the Shareholders' Meeting scheduled to approve the 2012 financial statements and to resolve, with a non-binding resolution, on the first section of said Report, in accordance with current regulations<sup>5</sup>.

Information documents relating to existing compensation plans based on financial instruments can be viewed in the "Governance" section of the Company's website.

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1 Article 123-ter of Legislative Decree no. 58/98 and Article 84-*quater* of the Consob Issuers' Regulation (Resolution no. 11971/99 as amended).

2 Included within the definition of 'Managers with strategic responsibilities' pursuant to Article 65, paragraph 1-*quater* of the Issuers' Regulation are those persons having direct or indirect authority and responsibility for the planning, management and control of Snam. Snam's Managers with strategic responsibilities who are not Directors or Statutory Auditors are the members of the Steering Committee (Head of the Legal and Corporate Affairs and Compliance Department, Head of Personnel, Organisation and Security and Head of Planning, Administration, Finance and Control).

3 See the press release of the same date, available in the "Media" section of the Company's website ([www.snam.it](http://www.snam.it)).

4 The text is published in the "Governance" section of the Company's website.

5 Article 123-ter, paragraph 6 of Legislative Decree no. 58/98.



Section I  
2013 Remuneration Policy

# Governance of the remuneration process

## Involved bodies and parties

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The Policy regarding remuneration of members of the Snam Board of Directors is defined in accordance with statutory and regulatory provisions, according to which:

- the Shareholder's meeting determines the compensation of Board Members at the time of their nomination and for the entire duration of their mandate;
- the Board of Directors determines the remuneration of the Directors with powers or for participation in Board Committees, having heard the opinion of the Board of Statutory Auditors.

In line with Snam's corporate governance rules<sup>6</sup>, the Board is also responsible for:

- definition of the objectives and approval of the Company results for the performance plans to which the determination of the variable remuneration of the Directors is connected;
- approval of the general criteria for the remuneration of Managers with strategic responsibilities;
- definition of the remuneration structure for the Internal Audit Manager, in line with the remuneration policies of the Company and having consulted the Control and Risk Committee.

In complying with the recommendations contained in the Corporate Governance Code, the Board of Directors is assisted, with regard to issues of remuneration, by a Committee of non-executive Directors, the majority of whom are independent (Compensation Committee), having both an advisory and a proposing role in this regard.

## Snam Compensation Committee

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### Composition, appointments and tasks

The Compensation Committee, first established by the Board of Directors in 2002, consists of, in line with the most recent recommendations of the Corporate Governance Code, three non-executive Directors, the majority of whom are independent, with the Chairman selected from among the independent Directors. At least one of the members of the Committee possesses adequate knowledge and experience in financial matters or remuneration policies, as assessed by the Board at the time of the nomination. The Board of Directors carried out such an assessment on 12 March 2012.

The Compensation Committee comprises the following Directors: Davide Croff (independent non-executive Director), acting as Chairman, Elisabetta Oliveri (independent non-executive Director) and Andrea Novelli (non-executive Director – member of the Compensation Committee since 15 October 2012, having been appointed by the Board of Directors to replace Alessandro Bernini, who has resigned).

Snam's Director of Personnel, Organisation and Security Department is Secretary of the Committee. The composition, appointments, tasks and operating methods of the Committee are governed by special regulation<sup>7</sup>, approved by the Board of Directors and later replaced on 19 December 2011 to include the recommendations of the Corporate Governance Code of March 2010, as amended in December 2011.

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<sup>6</sup> For further information on the Snam governance structure, see the "Report on Corporate Governance and Ownership Structures" published in the "Governance" section of the Company's website.

<sup>7</sup> The regulations governing the Compensation Committee are available in the 'Governance' section of the Company's website.

The Committee has the following consulting and advisory functions with regard to the Board of Directors:

- submit the Remuneration Report, and, in particular, the Remuneration Policy for Directors and Managers with strategic responsibilities, to the Board of Directors for approval and its presentation to the Shareholders' Meeting convened for the approval of the financial statements for the year, under the terms envisaged under law;
- periodically evaluates the adequacy, overall consistency and practical application of the Policy adopted, by formulating proposals on this subject to the Board;
- formulate proposals regarding remuneration of the Chairman and the Chief Executive Officer, with regards to the various forms of compensation and economic treatment;
- formulate proposals relative to remuneration of the members of the Committees of Directors established by the Board;
- propose, having examined the indication from the Chief Executive Officer, general criteria for remuneration of Managers with strategic responsibilities, annual and long-term incentive plans, including equity-based plans, as well as define performance objectives and the assessment of performance plans relating to the determination of the variable remuneration of Directors with delegated powers and the implementation of the incentive plans;
- monitor the application of decisions made by the Board;
- report to the Board once every six months regarding activities carried out.

In performing these functions, the Committee expresses the opinions that may be requested under the company corporate procedures on related-party transactions, under the terms envisaged by the said procedure.

In accordance with the decisions made by the Board of Directors, the Compensation Committee reviews the remuneration system for the Internal Audit Manager on an annual basis, while ensuring compliance with the general criteria approved by the Board for all executives and informing the Chairman of the Control and Risk Committee thereof, on the basis of the opinion which the Board must give at the Board Meeting. For the proper execution of its analysis and reporting functions, the Compensation Committee makes use of the relevant departments of the Company and, through the said structures, makes use of the assistance of external consultants who are not in a position that could compromise their independence of judgement.

The Chairman of the Board of Statutory Auditors (or another statutory auditor appointed by the former) is invited to attend Committee Meetings.

### **Activity cycle for the Compensation Committee**

The activities of the Committee are carried out through implementation of an annual schedule which envisages the following stages:

- verify of the adequacy, overall consistency and practical application of the Policy adopted in the previous year, according to the results achieved and the remuneration references provided by highly-specialised consultants;
- define the proposals for the Policy for following year and the proposals relating to performance objectives connected to the short- and long-term incentive plans;
- make proposals for the implementation of existing short- and long-term variable incentive plans, by checking the results achieved in relation to the performance objectives envisaged in the said plans;
- prepare the Remuneration Report to be submitted to the Shareholders' Meeting on an annual basis, after approval by the Board of Directors.

## Activities carried out and scheduled

In 2012, the Compensation Committee met a total of four times, with an average attendance of 83% of its members.

In the first part of the year, the Committee's actions were focused on: preparing guidelines for the pay Policy and the 2012 Remuneration Report, evaluating the 2011 corporate results, and defining the 2012 performance objectives for the purposes of the monetary incentive plans.

In the second part of the year, the Committee analysed the results of the vote of the Shareholders' Meeting on the 2012 Remuneration Report and began an in-depth examination of the issues raised by shareholders and proxy advisors. In addition, following a rotation of the role of Chairman as decided by the Board of Directors on 15 October 2012, the proposal for remuneration of the Chairman was submitted for the Board's decision on 26 October 2012.

## MAIN ISSUES DEALT WITH IN 2012

### February

1. Evaluation of the application and adequacy of the 2011 Remuneration Policy;
2. Definition of guidelines for the 2012 Remuneration Policy.

### March

1. Evaluation of 2011 results and definition of 2012 performance objectives for the purposes of the existing variable incentive plans;
2. Proposal of the Annual Monetary Incentive for the Chief Executive Officer;
3. Approval of the 2012 Remuneration Report.

### July

1. Deferred Monetary Incentive Plan – 2012 award, to the CEO;
2. Analysis of the results of the vote of the Shareholders' Meeting of 26 April 2012 on the 2012 Remuneration Report.

### October

1. Long-term Monetary Incentive Plan – 2012 award, to the CEO and application criteria for managerial roles with the greatest impact on corporate results;
2. Remuneration of the Chairman.

The Committee has scheduled four meetings in 2013. At the date of approval of this Report, the first two meetings have already been held, dedicated to the periodic assessment of the remuneration policies implemented in 2012, for the purposes of defining policy proposals for 2013, as well as the analysis of this Report for subsequent approval of the Board of Directors.

As provided for in its Rules, The Committee reports on the exercising of its functions to the Shareholders' Meetings convened to approve the Financial Statements, through the Chairman of the Committee, as envisaged in its rules, while adhering to the guidelines as set out in the Corporate Governance Code and with a view to establishing a suitable channel for dialogue with shareholders and investors.

Information on the remuneration of Directors and managers is further ensured by the updating of pages specifically dedicated to these matters in the "Governance" section of the Company's website.

## Approval procedure for the 2013 Remuneration Policy

The Compensation Committee, in exercising its powers, has defined the structure and contents of the Remuneration Policy for the purposes of preparing this Report, in particular at the meetings on 12 February and 27 February 2013, in accordance with the recommendations of the Corporate Governance Code, including the requirement concerning the safeguarding of the rights acquired from contracts entered into or regulations approved before 31 March 2010.

In making their decisions, the Committee took into consideration the resolutions adopted by the Shareholders' Meeting of 27 April 2010 and by the Board of Directors during the two years 2011 and 2012. These activities were carried out following an assessment of the legislative framework relating to remuneration and of the practices observed nationally and internationally for the preparation of remuneration reports.

The Snam Remuneration Policy for 2013 for Directors and Managers with strategic responsibilities was thus approved by the Board of Directors, on the proposal of the Compensation Committee, at the meeting on 27 February 2013, at the same time that this Report was approved.

The remuneration policies defined in line with the instructions of the Board of Directors are implemented by the delegated bodies, with the assistance of the relevant company departments.

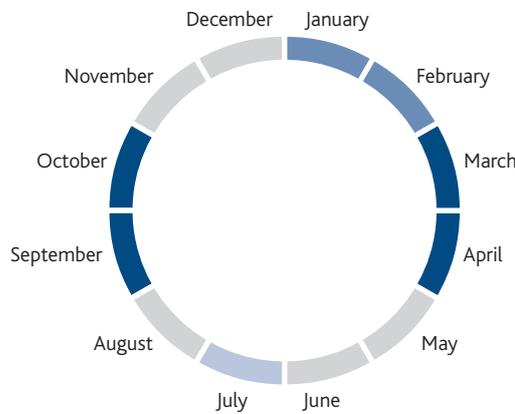
## ACTIVITY CYCLE OF THE COMPENSATION COMMITTEE

### September-October

Implementation of the Long-Term Monetary Incentive Plan (IMLT)

### July

Implementation of the Deferred Monetary Incentive Plan (IMD)  
 Analysis of the results of the vote of the Shareholders' Meeting on the Remuneration Report



### January-February

Periodic assessment of the Policies adopted in the previous year  
 Definition of the Remuneration Policy  
 Summarising the results and definition of objectives relating to variable incentive plans  
 Implementation of Annual Monetary Incentive Plans (IMA)  
 Preparation of the Remuneration Report

### March-April

Presentation of the Remuneration Report to the Shareholders' Meeting

# Purpose and general principles of the Remuneration Policy

## Purpose

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The Snam Remuneration Policy is defined in accordance with the governance model adopted by the Company and with the recommendations of the Corporate Governance Code, with a view to attracting and retaining staff with high professional and managerial skills and aligning the interests of management with the primary objective of creating shareholder value over the medium- to long-term.

Within the adopted Policy, the variable, results-linked component is particularly important. This component is implemented through incentive systems linked to the achievement of economic/financial, business development and operational objectives, defined with a view to sustainability of results, in line with the Company's Strategic Plan.

In particular, the Snam Remuneration Policy contributes to the achievement of its corporate mission, values and business strategies, by: i) encouraging actions and conduct in line with the Company's culture, while complying with the principles of diversity, equal opportunity and the development of knowledge, professionalism, equality and non-discrimination as envisaged in the 'Our People' Policy approved by the Board of Directors on 20 December 2010; ii) recognising the assigned responsibilities, the results achieved and the quality of the professional contribution made, while taking account of the reference context and the remuneration markets.

## General principles

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In order to achieve these objectives, the remuneration of Directors and Managers with strategic responsibilities is calculated in accordance with the following principles and criteria:

- remuneration structure able to attract, retain and motivate individuals with high level professional qualities;
- compensation of non-executive directors commensurate with the commitment required in relation to participation on Board Committees, with compensation for the Chairman that is different from that of the members of each Committee, taking account of the role attributed to the former in respect of the coordination of the work and communication with the Company Boards and Departments;
- remuneration structure, for the Chairman, that includes a fixed compensation consistent with the position held;
- remuneration structure, for the Chief Executive Officer and Managers with strategic responsibilities, with a suitable balance between a fixed component in line with the powers and/or responsibilities assigned and a variable component calculated, within maximum limits, and aimed at connecting remuneration to defined performance;
- overall remuneration that is in line with applicable market for similar positions or for roles and responsibilities of a comparable level of complexity, in the context of a pool of companies comparable with Snam, through specific salary benchmarking carried out with the assistance of leading consulting firms;
- variable remuneration for executive positions that consists of a short-term component and a medium- to long-term component, characterised by an appropriate deferral of incentives through the provision of a minimum vesting period of three years;
- significant impact, for Managers with strategic responsibilities, on the long-term variable components, with a view to sustainability of results and the creation of shareholder value over the medium- to long-term;
- predetermined targets relating to the variable remuneration that are measurable and defined to ensure the remuneration of performance over both the short- and the medium-term by:
  - i. setting targets for short-term incentive plans on the basis of a balanced scorecard that enhances the performance of the business and of the individual, in relation to specific objectives in their areas of responsibility, and, for those in charge of internal control activities, consistent with the duties assigned to them;

- ii. setting targets for deferred or long-term incentive plans in a manner that enables an assessment of business performance, both in absolute terms, with reference to the ability to generate increasing and sustainable levels of profitability, and in relative terms, compared with a peer group, with reference to the ability to generate higher levels of performance than those of major European listed companies in the utilities sector;
- assessment of the assigned performance objectives, net of the effects of the variable components arising from changes in the reference scenario, in order to evaluate the actual individual contribution to the achievement of the assigned performance objectives;
- benefits in line with pay practices in the reference market and consistent with current regulations, in order to complete and enhance the overall remuneration package, taking into account the roles and/or responsibilities assigned, focusing on the pension and welfare components;
- any additional contractual and/or obligatory severance indemnities for executive positions characterised by the 'fixed term' nature of the employment or by a higher risk of being attracted by the competition, in line with the remuneration received;
- possible use of non-compete agreements pursuant to Art. 2125 of the Italian Civil Code in order to protect the Company's interests in the event of termination of the contract of employment with the Company, with provision for appropriate penalties in the event of any breach.

# 2013 Remuneration Policy guidelines

In line with previous years, the guidelines for 2013 reflect the decisions made by the Board of Directors with regard to the remuneration of Directors with responsibilities delegated by the Board of Directors during 2010, 2011 and 2012 and presented to the Ordinary Shareholders' Meeting of 26 April 2012 which approved the 2012 Remuneration Report.

For Managers with strategic responsibilities, the 2013 Remuneration Policy provides for the same remuneration instruments to be implemented as in 2012, identifying in particular short and long term incentive plans strictly in line with those of the top management, in order to better direct and align managerial actions over the short- and long-term with the objectives defined in the Company's annual performance plans and Strategic Plan.

The 2013 Remuneration Policy guidelines were defined in line with the declared objectives and general principles, and were evaluated by the Compensation Committee to be in line with applicable market references.

## Chairman of the Board of Directors

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### Remuneration for the role, the powers granted and other treatments

On the basis of the decisions of the Meeting of the Board of Directors of 26 October 2012 and depending on the delegated responsibilities assigned with regard to international relations, the remuneration of the Chairman of the Board of Directors envisages a fixed gross annual salary of €400,000, which includes the fixed annual compensation for Directors as determined by the Shareholders' Meeting of 27 April 2010 plus the reimbursement of expenses incurred in connection with the job.

In relation to the nature of the role, the following items are not envisaged: i) short- or long-term variable incentive components; ii) agreements on severance indemnities; iii) benefits.

## Non-executive Directors

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### Shareholders' Meeting established remuneration

In light of the recommendations of Art. 6.C.4 of the Corporate Governance Code, the remuneration of non-executive Directors is not linked to the economic results achieved by the Company nor do these Directors benefit from share-based incentive plans.

Currently, the annual remuneration of non-executive Directors, as determined by the Shareholders' Meeting of 27 April 2010, is €40,000 gross, plus reimbursement of expenses incurred in connection with the position.

### Compensation for participation in Board Committees

It is envisaged that non-executive Directors receive an additional annual compensation for participation in Board Committees:

- for the Control and Risk Committee, in relation to the increasingly important role that it plays in managing business risks, compensation of €30,000 is envisaged for the Chairman and of €20,000 for the other members;
- for the Compensation Committee, compensation of €15,000 for the Chairman and €10,000 for the other members is respectively envisaged;
- for the Appointments Committee, compensation of €10,000 for the Chairman and €7,000 for the other members is respectively envisaged.

### Treatments established in the event of termination of office

No specific treatments are envisaged upon the termination of office for non-executive Directors or which provide for indemnity in the event of their resignation or dismissal without just cause, or if their working relationship is terminated due to a takeover bid.

## Chief Executive Officer

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### Fixed remuneration

The Chief Executive Officer receives the fixed annual compensation established for Directors by the Shareholders' Meeting in relation to the delegated responsibilities assigned, considering the average levels of remuneration observed in the market among major European and Italian listed companies for positions with a comparable level of responsibility and complexity. The Compensation Committee, having analysed at its meeting of 12 February 2013 the remuneration position of the Chief Executive Officer by means of specific benchmarks with a peer group of companies comparable with Snam in terms of size and complexity, and having noted its lack of competitiveness, submitted the proposal to the Board of Directors on 27 February 2013 for a partial adjustment, as of 1 April 2013, up to €860,000 including of the annual compensation decided for Directors by the Shareholders' Meeting.

In his capacity as an executive of Snam, the Chief Executive Officer receives indemnities for work-related travel, both in Italy and abroad, in line with the provisions of the CCNL [National Collective Labour Agreement] and supplementary company agreements.

### Short-term variable incentives

The annual variable compensation (Annual Monetary Incentive Plan – IMA) is determined with reference to a target incentive level (performance = 100) and a maximum incentive level (performance = 130) of 50% and 65% respectively of total fixed remuneration, connected with the results achieved by Snam in the previous year with respect to the defined objectives. A threshold level is set (performance = 85). These objectives are particularly focused on the economic and financial performance of the Company, the profitability of the business, operational efficiency and issues of sustainability. For 2013, the meeting of the Board of Directors held on 27 February 2013 defined the following objectives:

Free Cash Flow	(weight 40%);
EBIT	(weight 30%);
Operational efficiency	(weight 20%);
Employee and contractor accident frequency index	(weight 10%).

The Compensation Committee also has the right to propose to the Board possible one-time extraordinary measures for the Chief Executive Officer connected to the conclusion of strategic development transactions on the European market through the acquisition of controlling interests and/or equity interests in European gas transportation and/or storage companies.

## Long-term variable incentives

The variable long-term component is characterised by deferral of the incentive with a view to ensuring sustainability in the creation of value for shareholders in the medium- to long-term. The long-term variable component is divided into two distinct plans:

- The 2013 Deferred Monetary Incentive Plan (IMD), linked to the Company's performance as measured in terms of EBITDA<sup>8</sup>, a parameter widely used in large industrial companies as a summary indicator of the results achieved and consistent with the strategy of growing/strengthening of the current positioning of Snam in its business areas.

The basic incentive to be awarded is determined according to the results achieved by the Company in the year preceding the award, for a target value and a maximum value of 35% and 45.5% respectively of fixed remuneration<sup>9</sup>. The incentive to be paid at the end of the reference three-year period (vesting period) is determined according to the results achieved in each of the three years subsequent to that of the award, as a percentage of between 0% and 170% of the value attributed<sup>10</sup>. The 2012 EBITDA results for the 2013 award and the 2013 EBITDA targets were approved by the Board of Directors on 27 February 2013, on the proposal of the Compensation Committee, in line with the Strategic Plan.

- The 2013 Long-Term Monetary Incentive Plan (IMLT) put in place for Managers with a major impact on corporate results, which provides for the annual awarding of an amount equivalent to 50% of fixed remuneration and payment of the incentive after three years (vesting period), in percentages ranging from 0% to 130% in a measure linked to the variation of the adjusted net income parameter (as an indicator of the ability to generate cash and reward shareholders) measured during the three years in relative terms compared with a peer group consisting of the following major European listed companies in the utilities sector: Terna, Enagas, Red Electrica, National Grid, Severn Trent and United Utilities<sup>11</sup>.

## Treatments established in the event of termination of office or employment

For the Chief Executive Officer, in line with practices on the reference markets, an indemnity is provided for termination of his post as Director and, where applicable, his executive position.

In the event of termination of the contract of employment due to non-renewal of the term of office upon its expiry, or due to early termination of the term of office, provision is made for the payment of two years' annual fixed remuneration plus the average of the Annual Monetary Incentive paid in the last three years, in line with Commission Recommendation 2009/385/EC of 30 April 2009 and without prejudice to the result of applying the provisions of the National Collective Labour Agreement for executives of companies producing goods and services.

<sup>8</sup> Earnings before Interest, Tax, Depreciation and Amortisation.

<sup>9</sup> The target value is paid for a result achieved between the budgeted result and budget +5%, while the maximum value is paid for a result achieved that exceeds budget +5%.

<sup>10</sup> The percentage is determined from the average of the results achieved in three successive years from the year of the award, according to the following scheme: 170% if the result achieved exceeds budget +5%; 130% if it is between budget and budget +5%; 70% if it is between budget and budget -5%; 0% if it is lower than budget -5%.

<sup>11</sup> The percentage is determined from the average of the positions, compared with the peer group, in three successive years from the year of the award, according to the following scheme: 1st place = 130%; 2nd place = 115%; 3rd place = 100%; 4th place = 85%; 5th place = 70%; 6th or 7th place = 0%.

The indemnity is not payable if the contract of employment is terminated for just cause or due to dismissal with notice on subjective grounds involving the notion of justifiability as defined by the collective agreement or in the event of a resignation not caused by a material change in duties and/or powers.

The effects of possible termination of the CEO's contract of employment on the rights allocated under existing long-term incentive plans are described in the relevant allocation rules.

Provision is also made for the introduction of non-compete agreements to protect the Company's interests, with the aim of preventing any person, immediately upon termination of the contract, from providing any services to the Company's main competitors for a period commensurate with and proportional to such interests. The duration of any such agreement will be negotiated on the basis of the standards used by companies of equivalent standing in the same sector; provision will be made for the payment of an adequate remuneration proportional to the sacrifice imposed and the reduced ability to find a new post at the same level. All of the above in conformity with the provisions of Art. 2125 of the Italian Civil Code. For the Company's protection, penalties will be provided for cases of infringement, without prejudice to the right to claim further damages.

## Benefits

In accordance with what is provided by national bargaining and supplementary agreements for Snam executives, the CEO will be registered in the supplementary pension fund (FOPDIRE) and the supplementary healthcare fund (FISDE), which provide forms of life and disability insurance cover, as well as a car for both business and private use.

## Managers with strategic responsibilities

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### Fixed remuneration

Fixed remuneration is determined on the basis of the assigned roles and responsibilities, by considering the average market salary levels of large Italian companies for positions of a similar level of responsibility and managerial complexity. This remuneration may be adjusted periodically as part of the annual salary review process that applies to all managerial staff. Given the reference context and current market trends, and in continuity with 2012, the guidelines for 2013 provide selective criteria while nonetheless maintaining high levels of competitiveness and motivation. In particular, the proposed actions will concern adjustments aimed at those who hold positions for which the scope of responsibility has increased or which are positioned beneath the median market references.

Furthermore, in their capacity as Snam executives, Managers with strategic responsibilities receive travel indemnities for work-related travel undertaken both in Italy and abroad, in line with the provisions of the National Collective Labour Agreement and supplementary company agreements.

### **Short-term variable incentives**

The Annual Variable Incentive Plan (IMA) provides for a compensation determined in reference to the results of Snam's performance and individual performance results, with a target incentive level (performance = 100) and a maximum incentive level (performance = 130), which vary according to the level of the post held, up to a maximum of 40% and 52% respectively of fixed remuneration. A threshold level is set (performance = 85).

For Managers with strategic responsibilities, the annual variable incentive is determined partly (30%) by the corporate results with respect to the targets assigned to the Chief Executive Officer by the Board of Directors on 27 February 2013, and partly (70%) by a series of individual targets (focused on economic and financial performance, the profitability of the business, operational efficiency and issues of sustainability) assigned according to the scope of responsibility of the position held, in line with the provisions of the Company's Performance Plan.

### **Long-term variable incentives**

Managers with strategic responsibilities, in line with the provisions for the CEO, take part in the Long-Term Incentive Plan with the following characteristics:

- 2013 Deferred Monetary Incentive Plan (IMD), linked to the Company's performance as measured in terms of EBITDA, which maintains the same performance conditions and characteristics described in the paragraph devoted to the remuneration of the Chief Executive Officer. For Managers with strategic responsibilities, the incentive base to be attributed to a target depends on the level of the position held, up to a maximum of 32.5% of fixed remuneration. The incentive to be paid at the end of the three-year reference period (vesting period) is determined as a percentage of between 0% and 170% of the given value, according to the results achieved.
- 2013 Long-Term Monetary Incentive Plan (IMLT) provided for Managers with strategic responsibilities. This plan maintains the same performance conditions and characteristics of the Plan envisaged the CEO. For Managers with strategic responsibilities, the base incentive to be awarded depends on the level of the position held, up to a maximum of 35% of fixed remuneration. The incentive to be paid at the end of the three-year reference period (vesting period) is determined as a percentage of between 0% and 130% of the given value, according to the results achieved.

### **Treatments established in the event of termination of office or employment**

Managers with strategic responsibilities are provided with the employment termination treatments established by the relevant National Collective Labour Agreement and any supplementary payments individually agreed at the time of termination in accordance with the criteria established by Snam for cases of assisted redundancy.

The effects of any termination of contract of Managers with strategic responsibilities on the rights allocated under the existing long-term incentive plans are described in the relevant allocation rules. In particular, the Deferred Monetary Incentive Plan (IMD) and the Long-Term Monetary Incentive Plan (IMLT), which contain provisions aimed at encouraging the retention of personnel, provide, in cases of consensual termination of employment during the course of the vesting period, for the beneficiary to retain the right to the incentive at a reduced level for the period between the awarding of the base incentive and the occurrence of the termination. No payment is due in cases of unilateral termination by the Company, or of voluntary resignation or termination for just cause.

## Benefits

In accordance with the policy applied in 2012 and in compliance with the provisions of national bargaining and supplementary agreements for Snam executives, Managers with strategic responsibilities will be registered in the supplementary pension fund (FOPDIRE) and the supplementary healthcare fund (FISDE), which provide forms of life and disability insurance cover, as well as a car for both business and private use.

## Market references and pay-mix

The remuneration references used for the different types of position are indicated below: i) for the Chairman and the non-executive Directors, the references related to similar roles in Italian listed large-cap Companies; ii) for the CEO, the references related to similar roles in Italian listed companies (selected on the basis of size criteria relating to capitalisation and/or turnover) and listed European companies in the infrastructural networks sector; iii) for Managers with strategic responsibilities, the references related to roles of the same level of responsibility and managerial complexity in large Italian industrial companies.

The 2013 remuneration policy guidelines determine a pay-mix in line with the managerial position held, with greater weighting for the variable component, for posts typically having a greater impact on business results, as shown in the pay-mix chart set out below, calculated by considering the enhancement of short- and long-term incentives in the event of on-target results.

### PAY-MIX

#### Chief Executive Officer

Fixed Remuneration	43%	
Variable Short-Term	21%	
Variable Long-Term	36%	

#### Managers with strategic responsibilities

Fixed Remuneration	53%	
Variable Short-Term	19%	
Variable Long-Term	28%	

#### Other managerial staff

Fixed Remuneration	71%	
Variable Short-Term	13%	
Variable Long-Term	16%	





Section II  
Compensation and other  
information

# Implementation of the 2012 Remuneration Policy

A description of the remuneration measures implemented in 2012 for the Chairman of the Board of Directors, the non-executive Directors, the Chief Executive Officer and Managers with strategic responsibilities is set out below.

Implementation of the 2012 Remuneration Policy, as verified by the Compensation Committee during the periodic assessment as required by the Corporate Governance Code, remained in line with the general principles referred to in the resolutions passed by the Board of Directors. On the basis of the Committee's assessment, the 2012 policy was also essentially in line with the known market benchmarks, in terms of both overall positioning and pay-mix. However, the remuneration position of the Chief Executive Officer fell below average market practices for the fixed component, and to a lesser extent for the variable component.

### **Fixed remuneration**

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During the course of 2012, to the non-executive Directors was disbursed fixed compensation as approved by the Shareholders' Meeting of 27 April 2010 and to the Chairman was disbursed the compensation approved by the Board of Directors on 10 June 2010 and, after the rotation of the position on 15 October 2012, the compensation decided by the Board of Directors on 26 October 2012 in relation to the powers granted with regard to international relations.

To the CEO fixed compensation approved by the Board of Directors on 21 April 2011 for the responsibilities and duties entrusted was disbursed, including compensation as a Director approved by the Shareholders' Meeting of 27 April 2010.

As part of the annual remuneration review process envisaged for all Managers, selective adjustments were made in 2012 to the fixed remuneration of Managers with strategic responsibilities in cases of promotion to more superior levels or where it was necessary to adjust remuneration levels in line with reported market references.

The amounts relating to fixed compensation are specified under the relevant items in Table 1 on page 32. Any indemnities with regard to salaries provided for by the relevant national collective labour agreement and supplementary company agreements are set out in the notes to this table.

### **Compensation for membership of Board Committees**

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For membership of Board Committees, the non-executive Directors received in 2012 the additional compensation decided by the Board of Directors on 27 July 2011. The amounts relating to this compensation is set out under the relevant headings of Table 1 on page 32.

### **Variable incentives**

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#### **Short-term variable incentives**

The CEO incentive for the 2012 Annual Plan was paid following assessment of company performance in relation to the achievement in 2011 of the targets defined in line with the Strategic Plan and the annual budget, in terms of the economic and financial performance of the Company, business profitability, operational efficiency and sustainability, particularly with regard to accident reduction.

For Managers with strategic responsibilities, the variable incentive paid in 2012 was calculated as a sum weighted with a 30% score for Snam's performance and a 70% score resulting from a comparison with their individual targets on the basis of the positions they held, fixed in advance in Snam's Performance Plan for 2011.

Snam's results for 2011, measured on a constant basis and approved by the Board on the proposal of the Compensation Committee at its meeting of 12 March 2012, resulted in the calculation of a performance score of 130 points in the used measurement scale, which provides minimum, target and maximum levels of 70, 100 and 130 points respectively, with a threshold level of 85. For the purposes of the variable remuneration to be paid, the final performance score resulted in:

- for the CEO, the payment of a bonus of €462,000 equivalent to 65% of fixed remuneration, taking into account the incentive target level (50%) and maximum level (65%) assigned;
- for Managers with strategic responsibilities, the provision of bonuses calculated in relation to specific performance achieved and dependent on the different incentive levels, varying according to their job.

The incentives paid to Managers with strategic responsibilities are listed under the heading "Variable non-Equity Incentives/Bonuses and Other Incentives" in Table 1 on page 32, with more detailed information given in Table 3 on page 37.

### **Deferred Monetary Incentive Plan**

At its meeting on 30 July 2012 following the verification and proposal by the Compensation Committee, the Board of Directors decided that an EBITDA result was achieved in 2011 in excess of the maximum level of budget +5%.

The Board set the basis of the 2012 incentive award for the CEO in the amount of €323,000 (45.5% of total fixed remuneration).

To Managers with strategic responsibilities, incentive amounts which differ according to the levels of their positions, up to a maximum of 32.5% of fixed remuneration, were disbursed.

The base incentives awarded to Managers with strategic responsibilities are specified under the heading "Yearly Bonus - Deferred" in Table 3 on page 37.

The Deferred Monetary Incentive awarded in 2009 to the CEO and Managers with strategic responsibilities matured in 2012. On the basis of Snam's EBITDA in 2009-2011 and on the proposal of the Compensation Committee, the Board of Directors, at its meeting of 12 March 2012, set a multiplier of 170% (on an incentive scale from 0% to 170%) to be applied to the base incentive for the purposes of calculating the amount to be paid.

In particular, to the CEO an incentive of €438,600 (equivalent to 170% of the base incentive of €258,000 awarded in 2009) was disbursed.

The amounts paid to Managers with strategic responsibilities are set out under the heading "Bonuses for Previous Years – Payable/Paid" in Table 3 on page 37.

### **Long-Term Monetary Incentive Plan**

For the CEO, on the proposal of the Compensation Committee and implementing what was intended by the 2012 Remuneration Report, the Board of Directors decided to award a base incentive for 2012 of €355,000 (50% of fixed remuneration).

To Managers with strategic responsibilities, amounts determined according to their target incentive level, which differed depending on their job levels, up to a maximum of 35% of fixed remuneration, were disbursed.

The base incentives awarded to Managers with strategic responsibilities are shown in the "Yearly Bonus - Deferred" item in Table 3 on page 37.

### **Stock option plans**

Snam has not approved any stock option plans since 2009, so no plan matured in 2012. For more details on the characteristics of the Plans approved up to 2008, please refer to the relevant information documents published in the "Governance" section of the Snam website.

### **Severance indemnities for end of office or termination of employment**

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No indemnities by way of severance charge or for termination of employment were paid in 2012, as shown under the "Severance indemnities for end of office or termination of employment" item in Table 1 on page 32.

### **Benefits**

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Table 1 on page 32, provides the value of the benefits recognised in 2012, in terms of a tax liability criterion; in particular, these values relate to the following benefits: i) annual contributions to the FOPDIRE supplementary pension fund, ii) annual contribution to the FISDE supplementary healthcare fund, iii) allocation of a car for both business and personal use for a three-year period (net of contribution by the beneficiary).

Compensation  
paid during the year 2012

### Table 1 - Remuneration earned by Directors, Statutory Auditors and Managers with strategic responsibilities

The table below indicates the remuneration paid to Directors, Statutory Auditors and, at an aggregate level, to Managers with strategic responsibilities<sup>12</sup>.

Information about compensation repaid by Snam to other companies is provided; no indication is given of further compensation received by subsidiaries and/or affiliates, since this has been repaid in full to the Company. All individuals who filled these roles during the period are included, even if for only a part of the year.

In particular:

- the "Fixed remuneration" column shows, according to the positions concerned, the fixed salaries payable in 2012, before social security contributions and taxes. Reimbursements of lump-sum expenses and attendance fees are excluded, since these are not envisaged. Details of the compensation, with a separate disclosure of any indemnities or payments relating to the employment relationship, are provided in a note;
- the "Committees Membership Remuneration" column shows, according to the positions concerned, the compensation payable to Directors for membership of the Committees set up by the Board. Information about compensation for each committee of which the Director is a member is provided in the note;
- under the heading "Bonuses and Other Incentives", the "Variable Non-equity Remuneration" column shows the incentives for the year according to the maturing of the relative rights following assessment and approval of the performance results by the competent company bodies, are listed in greater detail in the table "Monetary Incentive Plans for the Directors and Managers with strategic responsibilities";
- the value of the fringe benefits awarded is reported in the "Non-monetary Benefits" column, in accordance with competence and taxability criteria;
- the "Variable Non-equity Remuneration/Profit-sharing", "Other Remuneration", "Fair Value of equity remuneration" and "Severance indemnity for end of office or termination of employment" columns do not contain any data, since they do not apply for 2012;
- the "Total" column gives the total for the above headings.

<sup>12</sup> There are no grounds for disclosure on an individual basis pursuant to current legislation.

**TABLE 1: REMUNERATION EARNED BY DIRECTORS, STATUTORY AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES**

Name and Surname	Notes	Office	Term of office	Office expiry*	Fixed remuneration	Variable Non-equity remuneration				Total	Fair Value of equity remuneration	Severance indemnities for end of office or termination of employment
						Committee membership remuneration	Bonuses and other incentives	Profit sharing	Non-monetary benefits			
<b>Board of Directors:</b>												
Salvatore Sardo	(1)	Chairman	01.01-15.10	10.12	190 (a)							
Lorenzo Bini Smaghi	(2)	Chairman	15.10-31.12	04.13	85 (a)							
Carlo Malacarne	(3)	Chief Executive Officer	01.01-31.12	04.13	710 (a)		901 (b)	13		1,624		
Alessandro Bernini	(4)	Director	01.01-15.10	10.12	32 (a)	8 (b)						
Davide Croff	(5)	Director	01.01-31.12	04.13	40 (a)	25 (b)						
Elisabetta Oliveri	(6)	Director	01.01-31.12	04.13	40 (a)	10 (b)						
Mario Stella Richter	(7)	Director	01.01-31.12	04.13	40 (a)	20 (b)						
Massimo Mantovani	(8)	Director	01.01-15.10	10.12	32 (a)							
Renato Santini	(9)	Director	01.01-31.12	04.13	40 (a)	27 (b)						
Roberto Lonzar	(10)	Director	01.01-31.12	04.13	40 (a)	37 (b)						
Roberta Melfa	(11)	Director	15.10-31.12	04.13	9 (a)							
Andrea Novelli	(12)	Director	15.10-31.12	04.13	9 (a)	2 (b)						
<b>Board of Statutory Auditors:</b>												
Massimo Gatto	(13)	Chairman	01.01-31.12	04.13	60 (a)							
Francesco Schiavone Panni	(14)	Statutory Auditor	01.01-31.12	04.13	40 (a)							
Roberto Mazzei	(15)	Statutory Auditor	01.01-31.12	04.13	40 (a)							
Managers with strategic responsibilities**					702 (a)		506 (b)	36		1,244		
	(16)	<b>Grand total</b>			<b>2,109</b>	<b>129</b>	<b>1,407</b>	<b>49</b>		<b>2,868</b>		

\* For the Directors appointed by the Meeting of 27 April 2010 and for the Directors co-opted by the Board of Directors on 15 October 2012, the office will expire at the Meeting for approval of the Financial Statements as at 31 December 2012.

\*\* Executives who, during the course of the year and together with the Chief Executive Officer, were permanent members of the Company's Executive Committee (three executives).

**1 Salvatore Sardo - Chairman of the Board of Directors**

(a) The amount includes the fixed remuneration approved by the Board of Directors on 10 June 2010 [€240,000], including the fixed annual compensation of €40,000 determined by the Meeting of 27 April 2010. This remuneration, pro-rata temporis up to 15 October 2012, is paid to the company he belongs to (Eni S.p.A.).

**2 Lorenzo Bini Smaghi - Chairman of the Board of Directors**

(a) The amount includes, pro-rata temporis from 15 October 2012, the fixed annual remuneration determined by the Meeting of 27 April 2010 [€40,000] and the fixed annual compensation for delegated responsibilities approved by the Board on 26 October 2012 [€360,000].

**3 Carlo Malacarne - Chief Executive Officer**

(a) the amount of €710,000 is the Gross Annual Salary (approved by the Board of Directors in the meeting held on 21 April 2011) and includes the compensation of €40,000 approved by the Meeting of 27 April 2010 for the office of Director. Added to this amount are the allowances payable in respect of travel expenses, both in Italy and abroad, in line with the National Collective Labour Agreement Executives reference and the company's supplementary agreements, totalling €4,600.

(b) This amount includes the payment of €439,000 for the deferred monetary incentive awarded in 2009.

**4 Alessandro Bernini - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010. The amount of remuneration, pro-rata temporis up to 15 October, is paid to the company he belongs to (Eni S.p.A.).

(b) This compensation relates to the Compensation Committee and is paid to the company he belongs to (Eni S.p.A.).

**5 Davide Croff - Director**

(a) This amount is to the fixed annual remuneration approved by the Meeting of 27 April 2010.

(b) This amount includes €15,000 membership of the Compensation Committee and €10,000 membership of the Appointments Committee.

**6 Elisabetta Oliveri - Director**

(a) This amount is to the fixed annual remuneration approved by the Meeting of 27 April 2010.

(b) This amount relates to Compensation Committee membership.

**7 Mario Stella Richter - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

(b) This amount relates to Control and Risk Committee membership.

**8 Massimo Mantovani - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010. This amount of compensation shall be paid to the company he belongs to (Eni S.p.A.).

**9 Renato Santini - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

(b) This amount includes €20,000 membership of the Control and Risk Committee and €7,000 membership of the Appointments Committee.

**10 Roberto Lonzar - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

(b) This amount includes €30,000 for membership of the the Control and Risk Committee and €7,000 for membership of the Appointments Committee.

**11 Roberta Melfa - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010 (pro-rata temporis from 15 October 2012). The compensation is paid to the company she belongs to (Cassa Depositi e Prestiti S.p.A.)

**12 Andrea Novelli - Director**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010 (pro-rata temporis from 15 October 2012). This amount of compensation is paid to the company he belongs to (Cassa Depositi e Prestiti S.p.A.)

(b) This remuneration, pro-rata temporis from 15 October 2012, relates to membership of the Compensation Committee and is paid to the company he belongs to (Eni S.p.A.).

**13 Massimo Gatto - Chairman of the Board of Statutory Auditors**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

**14 Francesco Schiavone Panni - Statutory Auditor**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

**15 Roberto Mazzei - Statutory Auditor**

(a) This amount is the fixed annual remuneration approved by the Meeting of 27 April 2010.

**16 Managers with strategic responsibilities**

(a) The amount of €702,000, relating to the Gross Annual Salary, includes pro-rata temporis the remuneration of the Director of Business Systems, Personnel and Services, in office until 14 February 2012 and the Director of Personnel, Organisation and Security in office from 14 February 2012. Added to this amount are the allowances payable in respect of travel expenses, both in Italy and abroad, in line with the National Collective Labour Agreement Executives reference and the company's supplementary agreements, totalling €6,000.

(b) This amount includes the disbursement of €198,000 relating to the deferred monetary incentive awarded in 2009.

**Table 2 - Stock options granted to Directors and Managers with strategic responsibilities**

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For the CEO and, in aggregate form, for the Managers with strategic responsibilities, the table indicates the stock options on Snam shares that are still exercisable in relation to existing share plans, the last of which was awarded in 2008; the data is reported on an aggregated basis, since these incentive plans are residual.

No call options on Snam shares were granted during the year, and consequently the "Options relevant to the year/Fair Value" column contains no data, in line with the "Fair Value of equity remuneration" column in Table 1.

TABLE 2: STOCK OPTIONS GRANTED TO DIRECTORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Name and Surname Office	Plan	Options held at the beginning of year			Options granted in the year				Options exercised in the year			Number of options expired in the year - Number of options	Number of options held at the end of the year - Number of options	Options relevant to the year - Fair value (€ thousands)	
		Number of options	Average exercise price (€)	Average expiry (months)	Number of options	Exercise price (€)	Possible exercise period (from - to)	Fair Value on grant date (€)	Grant date	Market price of the underlying shares upon granting of options (€)	Number of options				Exercise price (€)
Carlo Malacarne Chief Executive Officer	Snam Stock Option plans	605,500	3.580	29	0					0			0	605,500	
Managers with strategic responsibilities (1)	Snam Stock Option plans	161,150	3.493	26	0					0			0	161,150	

1 Executives who, during the course of the year and together with the Chief Executive Officer, were permanent members of the Company's Executive Committee (three executives).

### Table 3 - Monetary incentive plans for Directors and Managers with strategic responsibilities

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The table below indicates the short- and long-term variable monetary incentives envisaged for the CEO and, at an aggregate level, for Managers with strategic responsibilities.

In particular:

- the "Yearly Bonus – payable/paid" column shows the Annual Monetary Incentives granted in the year on the basis of a performance evaluation made by the relevant company bodies compared with the targets set for 2011;
- the "Yearly Bonus – deferred" column shows the amount of the base incentive awarded in the year in implementation of the Deferred Monetary Incentive Plan (IMD) and the Long-Term Monetary Incentive Plan (IMLT);
- the "Deferral Period" column shows the length of the vesting period for the long-term incentives granted during the year;
- the "Bonuses for Previous Years – no longer payable" column contains no data, since the conditions were not satisfied for non-payment or partial payment of the bonus in accordance with the provisions of the Plan Regulations;
- the "Bonuses for Previous Years – payable/paid" column shows the long-term variable incentives paid during the year, which have vested on the basis of evaluating the performance conditions defined for the vesting period;
- the "Bonuses for Previous Years – still deferred" column shows incentives allocated in relation to the existing deferred and long-term plans that have not yet vested;
- the "Other Bonuses" column contains no values, since no other bonuses were paid.

"Other Bonuses" columns is the same as the amount indicated in the "Bonuses and Other Incentives" column in Table 1.

TABLE 3: MONETARY INCENTIVE PLAN FOR DIRECTORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

(amounts in € thousands)

Name and surname Office	Plan	Yearly bonus			Bonuses for previous years			
		payable/paid	deferred	deferral period	no longer payable	payable/paid <sup>1</sup>	Still deferred	Other bonuses
Carlo Malacarne Chief Executive Officer	2012 Annual Monetary Incentive Plan - BoD Meeting 12 March 2012	462						
	2012 Deferred Monetary Incentive Plan - BoD Meeting 30 July 2012		323	three-yearly				
	2012 Long-Term Monetary Incentive Plan - BoD Meeting 26 October 2012		355	three-yearly				
	2011 Deferred Monetary Incentive Plan - BoD Meeting 2 March 2011						323	
	2011 Long-Term Monetary Incentive Plan - BoD Meeting 26 October 2011						341	
	2010 Deferred Monetary Incentive Plan - BoD Meeting 27 July 2010						307	
	2010 Long-Term Monetary Incentive Plan - BoD Meeting 27 October 2010						293	
	2009 Deferred Monetary Incentive Plan Award: BoD Meeting 29 July 2009 - Disbursement: BoD Meeting 12 March 2012						439	
<b>Total</b>		<b>462</b>	<b>678</b>		<b>0</b>	<b>439</b>	<b>1,264</b>	<b>0</b>
Managers with strategic responsibilities (2)	2012 Annual Monetary Incentive Plan - BoD Meeting 12 March 2012	308						
	2012 Deferred Monetary Incentive Plan - BoD Meeting 30 July 2012		201	three-yearly				
	2012 Long-Term Monetary Incentive Plan - BoD Meeting 26 October 2012		226	three-yearly				
	2011 Deferred Monetary Incentive Plan - BoD Meeting 2 March 2011						184	
	2011 Long-Term Monetary Incentive Plan - BoD 26 October 2011						287	
	2010 Deferred Monetary Incentive Plan - BoD Meeting 27 July 2010						159	
	2010 Long-Term Monetary Incentive Plan - BoD Meeting 27 October 2010						153	
	2009 Deferred Monetary Incentive Plan Award: BoD Meeting 29 July 2009 - Disbursement: BoD Meeting 12 March 2012						198	
<b>Total</b>		<b>308</b>	<b>427</b>		<b>0</b>	<b>198</b>	<b>783</b>	
<b>TOTAL</b>		<b>770</b>	<b>1,105</b>		<b>0</b>	<b>637</b>	<b>2,047</b>	<b>0</b>

1 Disbursement of the deferred monetary incentive awarded in 2009 in relation to EBITDA performance in the 2009-2011 three-year period.

2 Executives who, during the course of the year and together with the Chief Executive Officer, were permanent members of the Company's Executive Committee (three executives).

## Shareholdings held

In the following table and pursuant to Article 84-*quater*, paragraph 4 of the Consob Issuers' Regulation are set out the shareholdings in Snam S.p.A. held, directly or through subsidiaries, trust companies or nominees, by the Directors, the Statutory Auditors and Managers with strategic responsibilities as well as their spouses (not legally separated) and minor children. This information is taken from the register of shareholders, notifications received and other information obtained from these same persons. All persons holding these positions in the course of the year, even for only a part of the year, are included in the list. The number of shares (all "ordinary") is set out individually for the Directors and the Statutory Auditors, and on an aggregate level for Managers with strategic responsibilities. The indicated persons have ownership of the shares concerned.

**TABLE 4 - SHAREHOLDINGS HELD BY DIRECTORS, STATUTORY AUDITORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES IN SNAM S.P.A.**

Name and Surname	Office	Entity	Number of shares held at 31 December 2011	Number of shares acquired in 2012	Number of shares sold in 2012	Number of shares held at 31 December 2012
<b>Board of Directors:</b>						
Salvatore Sardo (1)	Chairman	Snam	14,000		14,000	0 (2)
Carlo Malacarne	Chief Executive Officer	Snam	187,738			187,738
Alessandro Bernini (1)(3)	Director	Snam	23,000			23,000 (2)
Mario Stella Richter	Director	Snam	5,364			5,364
Roberto Mazzei	Statutory Auditor	Snam	20,000	10,000		30,000 (4)
<b>Managers with strategic responsibilities (5)</b>		Snam	117,550 (6)		30,000	37,550

1 In office until 15 October 2012

2 Number of shares held at 15 October 2012

3 Shares held by the spouse

4 Of which 20,000 held by the spouse and 10,000 through a subsidiary

5 Snam executives who, during the course of 2012, were members of the Executive Committee (3 executives)

6 Of which 50,000 held by the spouse of a Director who left office during the course of 2012

# Glossary and analytical index of topics

**Accident frequency index**

Based on the UNI 7249 standard, this is one of the indicators used to measure safety in the workplace. According to the above standard, this index is calculated as the number of accidents occurring per million hours worked over a given period and/or within a given scope at company level.

**Adjusted net profit**

The net profit obtained, excluding special items, stock profit/loss and – for determining the net profit of sectors of activity – financial income and expense relating to net financial debt or to unhedged derivative financial instruments other than those based on commodities and exchange-rate differences.

**Appointments Committee**

Consists exclusively of non-executive and independent directors, and provides recommendations and advice to the Board of Directors. Its main tasks include: proposing candidates to the Board of Directors for appointment as directors if one or more directors' posts become vacant during the course of the year; on the proposal of the Chief Executive Officer, proposing candidates to the Board of Directors for posts in the company bodies of direct subsidiaries.

**Balanced Scorecard**

The instrument used as the basis for the short-term variable incentive system to support the achievement of the corporate objectives by translating the business strategy into a set of measurable performance metrics for each eligible person.

**Benefit**

Benefit elements included in the non-monetary component of remuneration, aimed at increasing the well-being of employees and their families in economic and social terms. This category covers all provisions aimed at satisfying pension and welfare needs (supplementary pension, supplementary healthcare, insurance cover), but also 'perquisites', which consist of goods and services made available by SNAM S.p.A. to its employees.

**Compensation Committee**

Provides recommendations and advice to the Board of Directors in relation to the remuneration of directors and Managers with strategic responsibilities. In particular, the Committee submits the annual Remuneration Report to the Board of Directors and makes proposals concerning the remuneration of directors with delegated responsibilities and members of Board Committees.

**Consolidated Finance Act (CFA)**

The "Consolidated Act on Financial Intermediation", Legislative Decree no. 58 of 24 February 1998 (as amended). This introduced a series of principles ("guidelines"), leaving the Regulatory Body (CONSOB) to define the rules in detail.

**Control and Risk Committee**

This Committee provides recommendations and advice to the Board of Directors, and supports it by carrying out suitable investigations to support its decisions concerning the internal control and risk management system, as well as those relating to the approval of financial relationships.

**Corporate Governance Code**

As defined by Borsa Italiana, the 'Corporate Governance Code for Listed Companies' approved by the Corporate Governance Committee. This document contains a set of guidelines concerning best practices for the organisation and functioning of Italian listed companies. These recommendations are not binding, but listed companies that have not adopted one or more recommendations in full or in part must provide adequate information regarding the reasons for non-application or partial application.

**Directors' termination indemnity**

Sum of money payable to a director when he/she leaves office.

**EBIT (Earnings Before Interest and Taxes)**

Also referred to as Operating Profit. An indicator of profitability, obtained by subtracting amortisations and provisions from gross operating profit (see EBITDA).

**EBITDA (Earnings before interest, tax, depreciation and amortisation)**

Also referred to as 'gross operating profit' or 'GOP', this is an indicator of profitability that shows the company's profit deriving solely from its operations, i.e. before interest (financial management), taxes (fiscal management), depreciation of assets and amortisation.

**Employees' termination indemnity**

Sum of money payable to an employee when he/she leaves a management post.

**Executive Directors**

Directors invested with specific duties by the Board of Directors.

**Fair Value of equity remuneration**

Also referred to as fair value. International Financial Reporting Standard 2 (IFRS 2) defines fair value as "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties".

**Fixed remuneration**

The fixed annual remuneration received, before taxes and social security contributions payable by the employee, and therefore not including annual bonuses, other bonuses, indemnities, fringe benefits, reimbursement of expenses, or any other form of variable or occasional remuneration.

**Free Cash Flow**

The (monetary) cash flow produced by operating and non-operating activities.

**Independent Directors**

Snam directors meeting the independence requirements set out in the Corporate Governance Code, to which Snam subscribes.

**Issuers' Regulations**

CONSOB Regulation no. 11971 of 14 May 1999, containing the rules applicable to entities issuing financial instruments.

**Managers with strategic responsibilities**

According to IAS 24, this means: "those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity." SNAM S.p.A. has identified three such persons, who are listed in this document.

**Non-compete agreements**

According to Art. 2125 of the Italian Civil Code, means an "agreement that places limits on an employee's activities for a period following the termination of the contract".

**Non-executive Directors**

Directors not invested with specific duties by the Board of Directors and not holding individual delegations of management powers.

**Pay Mix**

The percentage of fixed remuneration, variable short-term incentives and medium/long-term incentives paid at the target level.

**Peer Group**

Benchmark group used for defining some of the remuneration policies of SNAM S.p.A.

**Performance Plan**

The instrument that defines the targets used as the basis for the variable short-term incentives system.

**Proxy Advisors**

Companies, used by institutional investors, that issue specific recommendations based on Shareholders' Meeting documents and their own voting policies, which can have a significant influence on the voting on the Remuneration Report.

**Related-party transactions**

The procedure "Transactions with Interests of Directors and Statutory Auditors and Transactions with Related Parties", adopted pursuant to Article 2391-bis of the Italian Civil Code and Consob Resolution no. 17221 of 12 March, the "Regulation on Transactions with Related Parties", which sets out the principles and rules that must be followed by Snam and the companies that it directly or indirectly controls in order to ensure the material and procedural transparency and correctness of transactions carried out by Snam and its subsidiaries with Related Parties and with Interests of Snam's directors and statutory auditors, taking account also of the objective of avoiding any risk of depleting the company's assets.

**Remuneration policy**

The body of remuneration programmes for fixed and variable remuneration implemented at company level in order to support the achievement of the strategic objectives.

**Salary review**

The process of reviewing the fixed annual remuneration for all eligible management personnel.

**Stock Option**

Financial instrument whereby a company grants the beneficiaries the right to purchase shares in that company or another company belonging to the same group at a predetermined price (strike price).

**Target level**

The standard level of target achievement that gives entitlement to 100% of the incentive.

**Threshold level**

The minimum level to be achieved, below which the plan does not provide for the payment of any incentive.

**Variable medium- to long-term incentives**

Based around two separate plans ("2013 Deferred Monetary Incentive Plan – IMD" and "2013 Long-Term Monetary Incentive Plan – IMLT"), which entitle participants to a monetary bonus payable according to the results achieved at the end of the vesting period (see vesting).

**Variable remuneration**

Consists of the variable short-term incentive and the medium/long-term incentive (see the related descriptions in this glossary).

**Variable short-term incentives**

Refers to the Annual Monetary Incentive Plan – IMA, which entitles participants to an annual bonus according to the results achieved, in the previous year, with respect to the defined targets.

**Vesting period**

Period between the awarding of a bonus and the acquisition of entitlement to its payment.

## ANALYTICAL INDEX OF TOPICS (CONSOB RESOLUTION NO. 18049, SECTION I)

CONSOB Resolution	Information required	Reference
A	Bodies or persons involved in the preparation and approval of the remuneration policy, specifying the respective roles, as well as the bodies or persons responsible for the correct implementation of that policy	Section I pag. 9
B	Any intervention by a Compensation committee or other committee competent in this regard, describing its composition (distinguishing between non-executive and independent directors), powers and working procedures	Section I pag. 9
C	The names of any independent experts involved in the preparation of the remuneration policy	
D	The aims pursued with the remuneration policy, the principles that underlie it, and any changes in the remuneration policy compared with the previous financial year	Section I pag. 14
E	Description of policies on the fixed and variable components of remuneration, with particular regard to an indication of the relative weight in the overall pay mix and distinguishing between variable short-term and medium/long-term components	Section I pag. 17
F	The policy applied with regard to non-monetary benefits	Section I pag. 20 pag. 22
G	With reference to the variable components, a description of the performance targets used as the basis for their awarding, distinguishing between variable short-term and medium/long-term components, and information on the link between changes in results and changes in remuneration	Section I pag. 18-19 pag. 21
H	The criteria used for evaluating the performance targets used for the awarding of shares, options, other financial instruments or other variable components of remuneration	Section I pag. 18-19 pag. 21
I	Information to show that the remuneration policy is consistent with the pursuit of the company's long-term interests and with the risk management policy, if one has been formally adopted	Section I pag. 14 pag. 17
J	The vesting periods of any deferred payment systems, indicating the deferral periods and the criteria used for determining those periods, and, if envisaged, the ex-post correction mechanisms	Section I pag. 14 pag. 19 pag. 21
K	Information on any provisions for the retention of financial instruments in the portfolio after their acquisition, indicating the retention periods and the criteria used for determining those periods	
L	The policy in relation to indemnities for termination of office or termination of the employment relationship, specifying the circumstances that give entitlement to their payment and any link between these indemnities and the company's performance	Section I pag. 18 pag. 19 pag. 21
M	Information on the presence of any insurance, pension or welfare cover other than statutory cover	Section I pag. 20 pag. 22
N (i)	Any remuneration policy applied in relation to independent directors	
N (ii)	Any remuneration policy applied in relation to membership of committees	Section I pag. 17
N (iii)	Any remuneration policy applied in relation to the performance of particular offices (president, vice-president, etc.)	Section I pag. 17 pag. 18
O	Information on the use of the remuneration policies of other companies as benchmarks, and, where such use is made, the criteria used for selecting these companies	Section I pag. 22

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