

# Letter to stakeholders



**Marco Alverà**  
Chief Executive Officer

## Dear Stakeholders,

In 2019 we were the protagonists in the climate change challenge and in accompanying Italy on its journey to decarbonisation. During the year we once again increased our investments intended for energy transition and innovation, defined new and even more challenging climate goals and we launched our journey for the discovery and introduction of new energy sources.

As part of the new Strategic Plan to 2023 announced in November, we allocated over 20% of investments, equal to €1.4 billion, to the Snamtec project - Tomorrow's Energy Company, in order to increase Snam's presence in the biomethane sector, confirm its commitment to sustainable mobility and energy efficiency and be among the pioneers in the use of hydrogen as the clean energy vector of the future.

2019 has been another year with a strong focus on the issue of climate change, both in terms of public opinion and international institutions and companies. With this in mind we set a target in the Strategic Plan of reducing methane emissions by 40% by 2025 and, for the first time, a target of reducing total CO<sub>2eq</sub> emissions by 40% by 2030 (Scope 1 and 2 emissions).

In order to achieve these challenging targets and promote interventions and initiatives to transform our infrastructure network focused on methane to an "energy" infrastructure for transporting renewable gas and in combination with the electricity grids.

The Business Unit Energy Transition, dedicated to new green activities (biomethane, sustainable mobility and energy efficiency), was established with the goal of building our future by focusing on new businesses supporting energy transition.

As part of this, in November Snam completed the acquisition of a stake of around 83% in Renerwaste, one of the leading companies in Italy operating in biogas and biomethane infrastructure, which took place through the new wholly-owned company Snam4Environment.

Snam also signed a binding letter of intent aimed at negotiating and defining agreements to launch a strategic partnership in infrastructure for biomethane from agriculture through the entry, with a 50% stake, into Iniziativa Biometano, a company operating in Italy with five biogas plants, for which there is a plan for

conversion to biomethane, and with various plants in the process of authorisation or construction. The final goal is to specialise and increase expertise in the management and running of plants both in the agricultural biomethane chain and the FORSU chain (organic fraction of municipal solid waste), perfectly complementary to the expertise of IES Biogas, the Snam subsidiary and leader in the design and construction of biogas and biomethane plants in Italy and abroad.

Alongside this, a Memorandum of Understanding was signed with the Infore Environmental Group, an environmental services company listed on the Shanghai Stock Exchange, for potential joint initiatives for the development of biogas and biomethane infrastructure in China.

Investments in 2019 in the biomethane sector are integrated with those planned for the sustainable mobility sector supporting the increase in the Italian network of compressed natural gas and liquefied natural gas distributors. 50 CNG/L-CNG, biomethane and bio-LNG filling stations were contracted at 31 December 2019 through the subsidiary Snam4Mobility, the leader in solutions for natural gas transport refuelling stations. Agreements were signed with Tamoil, in March 2019, and with IP, in July, for the creation, respectively of 5 and 26 new natural gas refuelling facilities in Italy. As far as energy efficiency is concerned, the sector in which Snam is already one of the leading Italian operators through the subsidiary TEP Energy Solution, we have implemented our role as a leader by gaining control of TEA Servizi, an ESCO (Energy Service Company) active in the design of thermohydraulic and electric plants and in the offering of energy saving solutions for public and private entities. Snam has also promoted awareness-raising initiatives and training to strengthen the culture of energy efficiency and support the commitments undertaken by Italy in this sector.

For Snam, 2019 was "the year of hydrogen": we created the Hydrogen Business Unit, dedicated to the development of this clean energy vector, and, in April, we launched the first trial in Europe of a mixture of 5% hydrogen and natural gas introduced into the Snam transportation network at Contursi Terme (Salerno), doubling the mixture to 10% in December. Convinced of the need to adopt this solution to accelerate decarbonisation, Snam organised The Hydrogen Challenge in Rome last October, an international event during which hydrogen was discussed with the

involvement of institutions, associations and businesses from the entire world.

Snam also takes part in numerous institutional and association discussions dedicated to hydrogen, including the Hydrogen Council, a global initiative launched in 2017 at the World Economic Forum in Davos to create a coalition of leading companies committed to accelerating investments in hydrogen, and Hydrogen Europe, which brings together businesses, research institutes and associations at a European level.

Hydrogen, together with LNG and bio-LNG, could also play a vital role in the decarbonisation of maritime transportation: for this reason too we were the first Italian company at the UN in September to join the Zero Coalition promoted by the Global Maritime Forum non profit organisation.

Our commitment on the climate change front was also demonstrated in the area of sustainable finance. In February 2019, Snam successfully concluded the issue of the first Climate Action Bond in Europe for a sum of €500 million, the proceeds of which will be used to finance our green investments in biomethane and in energy efficiency and those related to the improvement of the environmental impact of our activities. Snam also recently became part of the Corporate Forum for Sustainable Finance, an initiative of European businesses established with the aim of creating a network for the exchange of ideas and proposals for the development of sustainable finance, associated with projects that have a positive impact on the environment. Snam aims, through initiatives related to sustainable finance, to consolidate its role in energy transition in Europe, promote market awareness of the company's ESG initiatives and investments and diversify its investor base.

Snam is continuing with its commitment to integrate ESG factors in its value chain: this year, it was the leading Italian listed company to have an ESG committee within its Board of Directors for the integration of these issues into business strategies. In effect, the committee not only supervises sustainability issues closely related to the energy sector, but also issues of particular relevance and importance for Snam such as policies involving human rights, business ethics, integrity, diversity and inclusion as well as sustainable finance initiatives. As a testament to its commitment, in June 2019 Snam was nominated by the Integrated Governance Index annual survey as the best Italian company for corporate governance and integration of ESG (environmental, social and governance) factors in corporate strategies.

In May, Snam was also mentioned in the document produced by the Japanese Chairman of B20 presented at the Tokyo Summit as a "Tangible Example" of companies that set themselves apart through their practical commitment in combating corruption and in October 2019 it became part of the Leadership Committee permanently representing the Business at the OECD (BIAC) in the Anti-corruption Committee.

As far as the environmental challenge is concerned, our commitment to the reduction of our CO<sub>2</sub> emissions and protecting the climate was renewed and we will continue to operate

paying great attention and taking care over areas through the implementation of environmental renewal and monitoring activities. Snam has also recently launched the "Snam Plastic Less" programme to reduce the amount of plastic used in the packaging of industrial goods.

We have attached the same importance to the growth and development of our people who are at the heart of our corporate strategy by continuing to invest in training, with over 114 thousand hours, in the Smart Working project and in the Welfare Plan. This commitment has also been recognised under the scope of the "Top Employers" ranking by Statista in conjunction with Forbes. Snam's efforts as far as gender equality is concerned have also been recognised: since January 2020 we have been part of the 325 companies globally included in the Bloomberg 2020 Gender-Equality Index (GEI).

Our commitment to strengthening culture and awareness of health and safety, vital for the outcome and success of our activities, and demonstrated by the low accident indices recorded both for employees and contractors (0.59 frequency index and 0.05 severity index) is also ongoing.

As confirmation of our sustainable development model, we have renewed our allegiance to the Global Compact principles and the SDGs defined by the UN. The performances achieved in terms of ESG have allowed our Company to be included in the most prestigious sustainability indices. Snam was included for the eleventh consecutive year in the Dow Jones Sustainability World Index, as well as being confirmed in the top places in both the FTSE4Good and the CDP Climate Change.

At a time of great change, the year that has just ended demonstrated our desire to look at sustainability and the treatment of all our stakeholders as key elements of our business model, aware of the fact that working together on shared goals will contribute towards achieving the targets that we have set as Snam and as a country, working together on the journey towards decarbonisation.

In the first months of 2020 In Italy, as in other countries of the world, a severe health crisis started due to the pandemic spread of the coronavirus. Since the first news in our country, Snam established a cross-functional team for the management of the difficult time and implemented, with the extraordinary contribution of all its people, necessary actions to ensure the service continuation and the country energy security. The employees went on with their duties remotely working from home thanks to the Smartworking instrument, with a minimum physical oversight to ensure operations. All of this made possible thanks to the necessary information and technology tools. In addition to being close to our people, we wanted also to help our Country contributing with a 20 million euro fund through our Snam Foundation for initiatives in aid of the Italian health system and the third sector which, working in a continuous and extraordinary way, face a situation of extreme emergency.