

Governance



Business integrity

Snam operates within the framework of the United Nations' Universal Declaration of Human Rights, the Fundamental Conventions of the ILO - International Labour Organisation - and the OECD Guidelines for Multinational Enterprises and the principles enshrined in the United Nations Global Compact. In this context, Snam carries out its activities fairly and correctly and in compliance with the law, regulations and provisions and recommendations for businesses, committing to maintain and strengthen its Corporate Governance system in line with national and international best practices.

CORPORATE AND ORGANISATIONAL STRUCTURE

The Corporate Governance consists of a set of rules and methods necessary for planning, managing and controlling the operation of the Company, outlined by the Board of Directors, in compliance with the regulations that the Company is subject to as a listed Issuer and in adherence to the Code of Corporate Governance approved by the Corporate Governance Committee.

This Corporate Governance system is based on certain key principles, such as correct and transparent business management implemented through the identification of information flows between corporate bodies and an efficient definition of the internal control and risk management system.

Snam exercises management and coordination activities with regard to its subsidiaries and has adopted specific guidelines on Corporate Governance that define, among other things, the principles, contents, instruments and operating methods of the strategic activities conducted by Snam. In line with the corporate governance system and the features of its organisational structure, the management and coordination activities adequately take into consideration legal autonomy and the principles of correct corporate and business management of subsidiaries.

The organisational structure of Snam features four business units and staff functions, designed with a view to simplifying processes, efficiency and continuous improvement. The business units focus on the activities of (i) international development, (ii) development of the hydrogen business, (iii) development of businesses related to energy transition, (iv) the management of Italian subsidiaries and the development of technical services centred on specialist know-how and expertise for gas sector operators.



BUSINESS ACTIVITIES MANAGEMENT

The main policies that express Snam's commitment are:

- Sustainable development policy
- Health, safety and environmental protection policy
- Diversity & inclusion policy
- Corporate Governance guideline
- Enterprise Risk Management guideline
- Risk Assurance & Integrated Compliance guideline
- Snam Group Tax Strategy and Tax Cooperative Compliance guideline
- Stakeholder involvement policy
- Human Rights policy
- Policy for the management of philanthropic activities and social initiatives
- Anti-corruption guideline
- Supply chain social policy

Business activities are managed in accordance with the organisational and procedural system applied across all Snam Group companies in Italy and abroad, created to ensure that the system of rules governing the business is clear, simple and organic.

In this context, and in line with its business model, Snam adheres to the UN Global Compact, the most important international sustainable development initiative, which aims to promote and disseminate ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

These principles come from the Universal Declaration of Human Rights, the International Labour Organisation Declaration on the fundamental principles and rights to work, the Rio Declaration on Environment and Development and, lastly, the United Nations Convention against Corruption.

Of fundamental importance for the smooth operation of the organisational system is the allocation of specific objectives to each position of responsibility and on the transparent assessment of results, thereby enabling continual improvements in the effectiveness and efficiency of corporate processes.

THE BOARD OF DIRECTORS

The Board of Directors is the central body of the Snam's corporate governance system and is vested with the broadest powers for the ordinary and extraordinary management of the Company. The Board of Directors currently in office, appointed by the Shareholders' Meeting of April 2 2019, is composed of nine directors who will remain in office for a period of three years. The Board of Directors plays a central role in overseeing the company's commitment to sustainable development along the value chain. It is assisted in these tasks by the Environmental, Social & Governance Committee (ESG) which, from May 2019, replaced and supplemented the Sustainability Committee, in the company since 2016, which makes proposals to and advises the board on ESG issues in business strategies. During the year, the Sustainability Committee met twice and then the ESG Committee met six times with a 100% attendance rate.

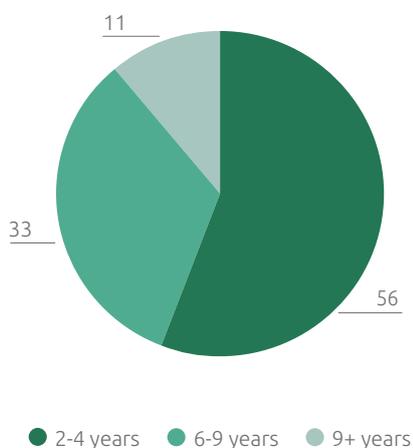
Changes compared with the previous term

	Previous term	Current term	Average FTSE MIB
Number of Directors	9	9	12.6**
Directors elected from minorities	3 (33.3%)	3 (33.3%)	2.5 (17%)**
Gender less represented in the Bod	44.4%	33.3%	36.9% *
Independent Directors	56%	66.6%	54.6%**
Average age of Directors	56	54	57**
President Status	Non executive	Non executive	Non executive 74%**
Lead Independent Director Existence	no	no	24.3% *

* Corporate Governance Committee - 2019 Report on the development of corporate governance of listed companies, 7th report on the application of the Code of Corporate Governance.

** Assonime - *Corporate Governance in Italy*: corporate governance, *remuneration and comply-or-explain* (2019), *Notes and Studies* 2/20. The 2019 survey includes 220 Italian companies, listed as at 31 December 2018, for which Reports were available at 15 July 2019.

Seniority of office of the Directors on the BoD (%)



Snam's Board of Directors is:

- **independent**, with 5 directors out of 9 who are classified as independent pursuant to the TUF and Code of Corporate Governance and a Chairman classified as independent pursuant to the TUF;
- **representative**, with one third of the directors elected from the lists submitted by the minority shareholders;
- **inclusive**: 33% of directors are female.

The detailed information related to the Corporate Governance system is reported in the "Corporate Governance report", published on the website (https://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2019/Report_on_Corporate_Governance_and_Ownership_Structure_2019.pdf).

Board of Directors members by age range

	2017	2018	2019
Members of the Board of Directors < 30 years	0	0	0
Members of the Board of Directors between 30 and 49 years	2	2	2
Members of the Board of Directors > 50 years	7	7	7

GENDER EQUALITY IN CORPORATE BODIES

Gender equality, like other social and governance factors, is a vital element in the creation of value for Snam.

On October 23 2019, the Extraordinary Shareholders' Meeting almost unanimously approved (with a vote in favour of more than 99%) the amendments to Articles 13 and 20 of the by-laws in order to keep the provisions on the issue of gender equality in the Company's boards and governing bodies in force, as well as in consideration of the disappearance of the effects of the Golfo-Mosca Law. In this way, Snam voluntarily incorporates, at a statutory level, the criterion of **gender equality**, so that at least one third of the Board of Directors and the Board of Statutory Auditors are made up of the less represented gender. This decision is in line with national and international best practices on the issue of gender equality and with Snam's commitment to safeguard diversity and ensure equal opportunities for all its employees.

Directors' expertise (%)



Expertise by competence areas (%)



● Business ● Legal and Finance



The fight against corruption and illegality

Ethical principles and business values

In its day by day operations, Snam works with:

- transparency, honesty, fairness, good faith in full compliance with competition protection rules;
- involvement of stakeholders, including dialogue on sustainability and corporate social responsibility;
- creating competitive value for the company, its stakeholders and the territories in which it operates;
- protecting and promoting human rights;
- protecting all forms of individual freedom and repudiating any type of discrimination, violence, corruption (in any form thereof with reference to any public or private persons), and forced or child labour;
- recognising and safeguarding the dignity, freedom and equality of human beings;
- protecting jobs and trade-union freedom, health, safety, the environment and biodiversity.

The main internal regulatory reference for the fight against corruption is the Anti-corruption guideline that applies to Snam and its subsidiaries and is also brought to the attention of the other investee companies in order to promote principles and behaviours consistent with those expressed by the parent company. The guideline takes its inspiration from the principles of ethics, transparency, integrity and expertise already referred to in the Code of Ethics and also strives for the continuous improvement of the awareness of Snam's people to recognise corruption and any other type of fraud, as well as their responsiveness to play an active role in the prevention, suppression or reporting of possible violations of anti-corruption laws. The **Anti-corruption guideline** is consistent with the tenth principle of the Global Compact, which rejects corruption "in all forms, including extortion and bribes" and clearly outlines permitted and prohibited conduct. In particular:

- it is prohibited to offer, promise, give, pay, authorise anyone to give or pay, directly or indirectly, an economic or material benefit to a public or private official (active corruption);
- it is prohibited to accept a request from, or solicitation from, or authorise anyone to accept or solicit, directly or indirectly, an economic or material benefit from anyone (passive corruption);
- it pays particular attention to the selection and qualification of suppliers, the awarding of contracts, the management of contracts, the standard terms of protection, including those of commitment to respect Anti-Corruption Laws and to verify the ethical requirements of suppliers;
- it establishes that all of Snam's relations with, which refer to, or which involve third-parties shall be conducted in full compliance to the provisions of the Anti-corruption guideline and the instrument therein.

The Anti-corruption guideline is part and parcel of a broader business ethics control system adopted by Snam that aims to ensure the company's compliance with national and international laws and best standards. In this regard, Snam provides specific training to make personnel aware and it carries out monitoring in order to check the level of dissemination and knowledge.

To prevent the risk of corruption and fraud in general in the supply chain, all suppliers and subcontractors are required to sign the Ethics and Integrity Agreement that allows to carry out reputational analysis aimed at identifying - based on public information - the possible risks of infiltration by organised crime.

In 2019, Snam worked with different bodies and organisations, including:

- the OECD taking part:
 - in the OECD *Global Anti-Corruption and Integrity Forum*, an event that took place in March on "Tech for Trust: risks and opportunities of new technologies for anti-corruption & integrity", during which Snam was invited to a select session on State Owned Enterprise, organised by some of the representatives of the OECD Directorate of the *Corporate Governance & Corporate Finance Division*, and aimed at gathering together some of the Compliance & Anti-corruption Offices of some of the biggest experts in the field;

- the *Trust in Business Forum* in October, where Snam was invited to two days totally dedicated to taking an in-depth look at the role of trust in business, with a panel dedicated to issues such as: "Strategies to strengthen trust: performance measurement, audit quality, trust beyond compliance", "Levelling the playing field: role of regulators, policy makers and the Board in building trust in business" and "Developing solutions";
 - to the *Working Party on State Ownership and Privatisation Practices*, dedicated to the analysis of the methods for the correct implementation of the guidelines published in May;
 - to the annual consultation of the *OECD Working Group on Bribery* in December 2019, during which several observations were made and implemented on what was circulated several weeks earlier by BIAC (Business at OECD) and the subject of consultation. In addition, in October, BIAC appointed Snam's General Counsel as the Vice-Chair of the Anti-corruption Committee, an extremely important recognition for Snam as it is the only Italian company in the leadership of the permanent members of the business at the OECD.
- Transparency International Italy, taking part:
 - in the *Business Integrity Forum*, which took place in June, at the Scuola Superiore Sant'Anna di Pisa, during which Snam participated to two round table discussions on: "Training and cultural input to create a corporate climate aimed at strengthening the values and culture of lawfulness" and "Transparency of beneficial ownership" and, also, Snam's General Counsel, following the speech by the Minister of Justice, gave a speech on "Ethics and integrity in the private sector";
 - in the session "Synergies between public and private: vices and virtues", as part of the 4th edition of the *Business Integrity Forum National Event of Transparency International Italy and the annual presentation of the Business Index on Transparency*.
 - the Ministry of Foreign Affairs and International Cooperation took part:
 - in the presentation of the 2nd Report on Italy of the United Nations Convention against Corruption that took place in May;
 - in the 9th Italy- Latin America Conference in October, where Snam's General Counsel took part in a panel on "Public tenders in Italy: Transparency and Integrity";
 - in the 8th Conference of the Member States of the United Nations Convention against Corruption in Abu Dhabi in December, during which Snam participated in the *Italian Business Integrity Day* reporting on the best practices implemented to manage the complexity related to the issues of compliance and anti-corruption. In addition, in this context Snam was also invited to take part in a round table discussion organised by the *United Nations Office on Drugs and Crime* called "Private sector as a Partner in Anti-Corruption Education", an opportunity for Snam to internationally demonstrate its experience and commitment to training as well, which it conducts not only for its own personnel, but also externally.
 - In the *World Economic Forum*, as part of the *Partnering Against Corruption Initiative* (PACI) of the *World Economic Forum* in October, and taking part, in the same month, at the half-yearly meeting, where it could make comparisons on specific issues of interest at a round table discussion where leading Compliance & Anti-corruption Officers from some of the most important companies in the world took part.
 - *Business 20* (or B20), under the Japanese Chairmanship of the B20 for 2018/2019, as the only Italian company mentioned in the document presented in May 2019 at the Tokyo Summit in relation to the SDG16 (*Peace, justice and strong institutions*) as a "Tangible Example" of a company that demonstrates a firm commitment to the fight against corruption. In addition, as confirmation of this recognition, in November it was included among the permanent members of the "Integrity & Compliance Taskforce" under the Saudi Chairmanship of B20, whose work will begin in January 2020 with an inception event and continue for the entire year, until the summit in October, where the results of the work will be presented with the proposals to take to the G20.

The Company illustrated its tools to safeguard transparency and in the fight against corruption which also includes **training meetings for new hires** on business ethics, lawfulness and anti-corruption during which, in 2019, around 321 hours of training was delivered. Snam also removed all manual compliance procedures and improved the traceability, transparency and security of all its operations, digitalising the data information flow to the National Anti-corruption Authority through a direct interface between the respective information systems and the allocation of a tender identification code (CIG).

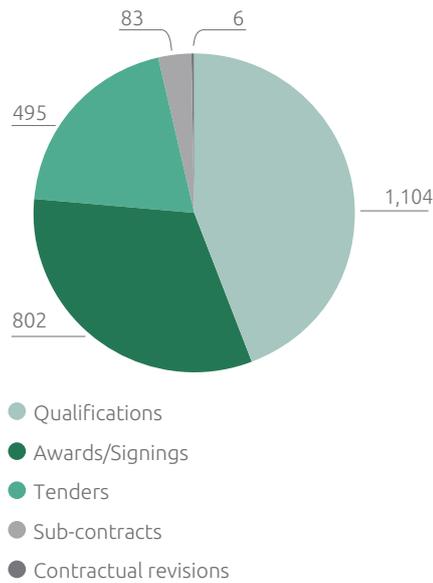
REPUTATIONAL CHECKS

In 2019, 5,348 reputational checks were carried out on counterparties, of which 2,490 involved suppliers, subcontractors and participants in tenders, that break down as illustrated in the graph below.

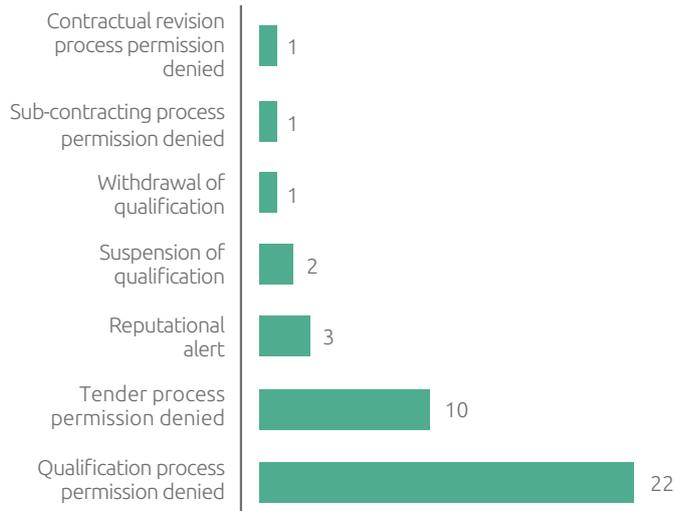
Following the checks conducted and the investigation by the Technical Secretariat, the Evaluation Team, after finding unlawful behaviour, arranged 40 provisions.

Reputational checks on suppliers, subcontractors and participants in tenders:

Breakdown by type (no.)



Measures (no.)



Management systems

The main objective of the management systems is to promote constant improvement in corporate performance relating to environment, health and safety and the quality of services provided and to guarantee regulatory compliance through the introduction and implementation of specific policies, organisational systems and programmes.

In 2019, Snam implemented all the necessary activities to extend the certification of the management systems to the new companies that entered the scope of consolidation and to maintain and update other existing certifications.

To check the effectiveness of the management systems, in 2019 227 audits were carried out at various group companies (92 of them by an external team) and 38 audits at contractors working at sites, on health, safety and environment issues. The latter and the internal audits were partly carried out by the Snam internal team, composed of 47 auditors.

Types of audit (no.)

	2017	2018	2019
Internal	127	142	135
External	36	95	92
Total	163	237	227

Management systems

Company	Certification scope	Type of certification and accreditation	Year of first certification
	Management of the operational continuity for the design, development and centralised management of process and remote control systems for the dispatch of natural gas transportation.	ISO 22301	2018
Snam	Processes for the transportation of natural gas through pipelines, auxiliary systems and compression systems (Administration, Business Development, Marketing of services, Realisation of assets, Asset Management, HSEQ, Planning and control, Supply chain) and for storage in natural gas geological units (Marketing of services).	ISO 9001	2016
	Company	ISO 14001	2015
	Management of the security of information for the design, development and centralised management of process and remote control systems for the dispatch of natural gas transportation.	ISO 27001	2014
	Company	BS OHSAS 18001	2012
Snam Rete gas	Company	ISO 9001	2016
	Natural gas dispatch and transportation activities	ISO 22301	2015
	Company	ISO 14001	2013
	Company	BS OHSAS 18001	2010
	Testing laboratory (LAB 764 Piped gaseous flows)	ISO 17025	2007
	Calibration laboratory (LAT 155 Natural gas mixtures)	ISO 17025	2002
			BS OHSAS 18001
GNL Italia	Company	ISO 14001	2000
			BS OHSAS 18001
Stogit	Design and delivery of natural gas metering and accounting	ISO 9001	2008
	Company	ISO 14001	2002
ITG		ISO 9001	2018
	Company	ISO 14001	2010
		BS OHSAS 18001	2009
Snam 4 Mobility		BS OHSAS 18001	2018
	Company	ISO 9001	2018
		ISO 14001	2018
TEP	Company	UNI 11352:2014	2013
	Company	ISO 9001	2010
Cubogas		BS OHSAS 18001	2018
	Company	ISO 9001	2018
		ISO 14001	2018
IES Biogas		ISO 9001	2018
	Company	SOA OS 22 CL VII	2019
TEA Servizi		UNI 11352:2014	2019
	Company	ISO 9001	2014
		ISO 14001	2014