



# LETTER TO THE SHAREHOLDERS AND STAKEHOLDERS

**Dear Shareholders and Stakeholders,**

**2020 was a year that shocked the world and redefined our idea of normalcy because of the pandemic that we still haven't left behind. Many of us have experienced difficult times and in some cases the loss of loved ones. We have completely changed the way we live, work, travel and relate to others. Some of these changes will remain forever. The economic consequences of the pandemic have been very heavy and will take several years to overcome.**

In this unprecedented context, Snam has distinguished itself both by its essential role in the energy system and by its commitment to ESG. On the one hand, we have continued to work tirelessly, remotely and in the field, to ensure the continuity of energy supplies during the most acute phases of the emergency, including by introducing extraordinary measures. For the thirteenth consecutive year, despite the difficulties, we managed to complete our investment projects in line with the forecasts. A challenge that once again showed the value of our people and the fundamental importance of our network for the energy security of Italy and Europe.

On the other hand, we immediately took steps to support the health system by procuring protective masks and lung ventilators, and to help, through donations and our know-how, third sector associations supporting the most fragile segments of the population, including through the Fondazione Snam and the contributions of our people.

Looking inwards, the emergency also forced us to rethink working methods and processes so that they functioned remotely and increasingly digitally. We have also activated new forms of engagement and welfare services focused on the health and well-being of our people and their families.

The events of 2020 have shown the world how inescapable it is now to address and overcome one of the major challenges of our generation: the fight against climate change. Despite the impact of the pandemic, the reduction in global CO<sub>2</sub> emissions over the past year has been less than expected, with a rebound in the second half of the year coinciding with the recovery of some economic activities. Precisely in 2020, Snam strengthened its position as an enabler of the energy transition and announced, as one of the first companies in its sector, its goal of carbon neutrality by 2040. We plan to achieve this target for Scope 1 and Scope 2 emissions (direct and energy indirect emissions) through an interim step at 2030, by which time we will have reduced our CO<sub>2</sub> equivalent emissions by 50%, capitalising on our efforts over the years to make our activities increasingly sustainable.

Snam's objective is also to make a contribution to reducing emissions for the entire economic system, upgrading its assets to transport increasing quantities of green gases. Furthermore, thanks to our business initiatives in energy efficiency, sustainable mobility, biomethane and hydrogen, by 2024 we will allow Italy to avoid emissions of 600,000 tons of CO<sub>2</sub>.

The plan we launched in 2020, with Euro 7.4 billion in total investments by 2024, has its environmental commitment and emphasises the centrality of ESG factors in our strategies as one of its pillars. Sustainable success is inherent in our purpose, "Energy to inspire the world", which from February 2021 has become part of Snam's Bylaws, following approval by the Shareholders' Meeting. In addition to the economic objectives, for the first time we have set for ourselves multi-year targets on environmental, social and governance dimensions, to the benefit of all our stakeholders. To confirm our commitment, we have once again renewed our adherence to the principles of the Global Compact and the Sustainable Development Goals (SDGs) defined by the UN. In order to report on our contribution to the 2030 Plan, we have prepared an ESG Scorecard through which we measure the company's performance in 13 areas, with material and quantitative targets to be achieved by 2023. Alignment with the SDGs also characterises our financial policies: by the end of the plan, sustainable finance will account for more than 60% of available funding compared with 40% as of today. In the ESG area, it was also an important year from the point of view of promoting diversity and inclusion, with new objectives and initiatives on gender equality, including the integration in the Diversity & Inclusion Policy of two new appendices, the first on gender equality and the second on the personnel selection phase, and the creation of the Inclusive Language Manifesto. Snam's effort has been rewarded with confirmation for the second year in a row in Bloomberg's Gender-Equality Index (GEI).

We continued to work together with our suppliers, purchasing goods, works and services worth Euro 1,832 million (+18% compared to 2019), confirming us as one of the companies that invest the most in Italy (96% of the total procurement).


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At the same time, we continued our international expansion by entering the networks of the United Arab Emirates, through the acquisition, the first outside Europe, of an investment in ADNOC Gas Pipelines together with other investors, and by winning, together with our Greek subsidiary DESFA, the tender for the management of the Kuwaiti regasifier, one of the largest plants of its kind in the world. In parallel, we entered India and continued to bring our expertise to China.

We have made significant progress on energy transition initiatives. As regards hydrogen, after the first experiments, we are continuing to work to make our network increasingly ready to accommodate growing quantities. Thanks to our infrastructure, we can be one of the enablers of the development of this energy vector, which is destined to play a decisive role in making Europe the first zero-emission continent by 2050, as shown by the strategies adopted by the

European Union and by several of its member states during 2020. In this sector we have entered into a technological partnership with De Nora, an Italian company of excellence and leader in technologies for water treatment and alkaline electrolysis. The objective is to position ourselves at the forefront of innovation, as demonstrated by the agreement with the British company ITM Power, which produces membrane electrolyzers.

As for energy efficiency, we integrated Snam's expertise with new acquisitions (Mieci and Evolve) and laid the foundations for the start-up of the Renovit platform, in which CDP Equity has a stake since January 2021 and is a candidate to become the leading Italian company in the sector. The commitment to sustainable mobility continued, with 29 new refuelling stations under contract in 2020, for a cumulative total of 132 stations, and Cubogas' growth in the compressor sector.



We also entered the agricultural biomethane infrastructure through the acquisition of 50% of "Iniziative Biometano". Overall, investment in the energy transition business by 2024 will exceed Euro 700 million, almost double the previous plan. Urban forestry has also been added to these activities, with the creation of the benefit company Arbolia, the result of a joint effort with the CDP Foundation to make Italian cities and towns greener.

In line with our commitment to carbon neutrality by 2040, and thanks to the actions we have put in place to reduce different types of emissions, we have reduced total GHG emissions by 13% compared to 2019. The environmental performance achieved has also enabled our company to be included in the CDP Climate Change A list and in the CDP Supply Chain A- list, the programme through which Snam has involved its strategic suppliers.

Last, but not least, 2020 was the year of the completion of the Southern Corridor, a key route for European energy supplies,

now and in the future. Snam has rapidly completed the connection of TAP to the national grid and, as a shareholder, has contributed its know-how to the success of the entire project. This is in addition to the efforts made in recent years to make Italy a functional energy hub for exports, a result achieved thanks to our investments in reverse flow.

Despite the uncertainty of the pandemic, we look to the future with optimism, thanks to the skills of our people and the strategic value of our assets. We believe that infrastructure will play a crucial role in restarting economic systems and in the energy transition towards a zero-emissions future, and that Snam is ideally positioned to take on these challenges as a key player.

**Marco Alverà**  
CEO