



GLOBAL
COMPACT

Since 2009, Snam has been a member of the Global Compact, the largest worldwide voluntary initiative on sustainability issues. Started in 1999, its members include governments, companies, and civil society organisations.

Those who join the Global Compact commit themselves in an ongoing manner to disseminating, both internally and externally, the Global Compact's ten principles, which concern human rights, labour, the environment and the fight against corruption and, in general, supporting the Millennium Development Goals.

Snam's activities have always emphasised respect for and protection of human and labour rights, environmental protection and the search for a sustainable development model. In particular:

- it adopts a code of ethics, containing the most modern guidelines on ethics and corporate sustainability;
- it implements the best international standards in the fight against corruption;
- it adheres to the International Gas Union's "guidelines for sustainable development";
- it communicates with stakeholders through sustainability reporting

In 2011, Snam's commitment to the Global Compact continued with many activities for engagement and disclosure of the ten principles, including:

- actively participating in meetings of the working group on the environment and human rights, as a member of the Global Compact Network Italy.
- participating in the production of the compendium of corporate best practices with an article on cooperation for the environment between for profit and non profit organisations, "Working together for the environment: a new perspective". This compendium was presented by the Global Compact Network Italy at the Annual Meeting of the European Local Networks on 26-27 October 2011 and, in a broader capacity, will also be presented to the Corporate Sustainability Forum in Rio de Janeiro.
- getting the Global Compact Network Italy involved in participating in the Suppliers' Day for Sustainability organised by Snam in November 2011.
- dissemination of the Global Compact's ten principles in the documentation for commercial negotiations (contracts) with the hope that increasing numbers of supplier companies will join this initiative.

Millennium Development Goals

The Millennium Development Goals are the eight United Nations objectives that all 191 member states of the UN are committed to achieving by 2015:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and women's independence;
4. Reduce infant mortality;
5. Improve mothers' health;

6. Fight HIV/AIDS, malaria and other diseases;

7. Guarantee environmental sustainability;

8. Develop a world development partnership.

Snam, due to the nature of its business, is particularly committed to the seventh goal, guaranteeing environmental sustainability, with a specific focus on safeguarding environmental resources and biodiversity.



DEVELOPMENT
AND
SUSTAINABILITY

Blending corporate ethics and sustainability principles into strategic thinking, governance systems and daily actions by continually seeking new ways to create value is a key factor for Snam to be recognised as a driver of sustainable development



SUSTAINABILITY IN BUSINESS

Environmental sustainability and social responsibility are among the fundamental aspects of the manner in which Snam creates value for itself and for its stakeholders, and they therefore represent an integral part of defining strategic and operational corporate choices. Sustainability helps to manage business risks, improve performance and enhance the Company's reputation and intangible assets.

Integrating sustainability and business takes place through planning and control procedures and tools that feed into the cycle of continuous improvement. At the basis of this management system, which has been extended to the entire corporation and is currently undergoing a consolidation phase, there is the periodic updating of "Areas for Improvement of Sustainability", approved by corporate management in September 2011 and valid for the 2012-2015 period, with the subsequent identification, by different corporate functions, of the initiatives and projects relative to areas to be included in the Corporate Plan. Areas for improvement are grouped into four macro areas: Governance, People, Stakeholder engagement and Environment.

The state of progress of the projects and the achievement of planned goals with their respective targets are monitored by the Snam sustainability function, which is also responsible for preparing reports for stakeholders through the annual publication of the Report and the updating of the content in the sustainability section on the website.

COMMITMENTS AND ACTIONS

GOVERNANCE	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Sustainability model	Ensuring adequate oversight of sustainability issues at all Snam companies, in line with Snam's governance and guidelines	<ul style="list-style-type: none"> • "Sustainability Activities" procedure issued • Operating instructions for gathering data and for reporting updated • Key sustainability indicators (KPIs) reviewed 		24-31
Business ethics	Updating the Code of Ethics and disseminating the principles set out in the Code (and in Model 231) within the group, developing training courses for staff	<ul style="list-style-type: none"> • Created "Team 231", which will handle the updating of the respective model • "Anti-Corruption Guidelines" adopted by the Board of Directors • Created Anti-Corruption Legal Support Unit • Active participation by Snam in the working group on human rights sponsored by the Global Compact Network Italy 		15-17
Risk & Crisis management	Implementing integrated group risk management, including ethical, social and environmental risks	<ul style="list-style-type: none"> • Development and implementation of Business Continuity project 		36-37

PEOPLE	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Training	Increasing the wealth of abilities and skills and maintain a high degree of staff involvement	<ul style="list-style-type: none"> • More than 187,100 hours of training provided in 2011 to more than 16,400 participants • Involved 90% of the corporate workforce 	✓	72-73
Health and safety	Reducing accident rates through an integrated programme and implementing H&S management systems	<ul style="list-style-type: none"> • More than 30,000 hours of HSE training provided in 2011 • Continued the activities in the three-year "Objective Safety" programme • Continued the implementation of H&S management systems at Stogit and GNL Italia with the goal of certifying them in 2012 • Instituted "District HSE Teams" • Performed 359 HSEQ audits at operating units • Activities are under way to make a computer application to support H&S processes 	✓	78-82
Valuing people	Implementing growth tracks and identify specific assessment methodologies based on role and seniority, also taking into account geographic mobility	<ul style="list-style-type: none"> • A specific two-year trainee programme was begun for university graduates just entering the workforce • The "Peak Performance" project for operation heads was begun • Prepared the "360° Outlook" initiative for the development of managers under 40 		72-77
Internal communications / Listening to people	Implementing communication and interaction tools and carrying out a group-wide climate survey	<ul style="list-style-type: none"> • Group intranet platform created • Continued publishing the "Energia" newsletter distributed to all employees • Held meetings planned under the "Sapernedi+" initiative to disclose values and strategies to the corporate workforce 		82-83
Corporate welfare	Studying and carrying out initiatives to benefit employees	<ul style="list-style-type: none"> • Increased agreements for employees in different sectors (entertainment, culture, sports, travel and hotel stay deals) 		76-77

✓ KPIs pre-established with quantitative target

STAKEHOLDER ENGAGEMENT	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Engagement model	Actions for involvement by type of stakeholder and enhancing communication with the media	<ul style="list-style-type: none"> • Specific initiatives for suppliers and for communities and territory were implemented • Completed the restyling of the websites of all group companies 		18-20, 26-28
Philanthropy	Defining an overall strategy consistent with business activities and launching initiatives on the subject	<ul style="list-style-type: none"> • Developed a structured internal sharing process that made it possible to carry out an engagement plan with non-profits (scouting, workshops and selection). • Held "Volunteering Week", which involved staff at San Donato Milanese and Turin sites • The specific procedure for non-profit initiatives is in the process of being approved 		49-50, 84-85
Communities and Territory	Implementing actions for dialogue and involvement	<ul style="list-style-type: none"> • Carried out a pilot study for evaluating the socioeconomic impact of works • Carried out a pilot survey on satisfaction with infrastructure execution • Instituted an information booth in the Bordolano Town Hall for the new storage project • Continued educational meetings at schools • Organised open days at some plants 	✓	48-52
Institutions	Defining guidelines on relations with the government	<ul style="list-style-type: none"> • The specific procedure is in the process of being approved 		
Shareholders	Increasing information for institutional and retail investors	<ul style="list-style-type: none"> • Continued activity for communicating with the financial market (roadshows, sector conferences, group and one-to-one meetings) 	✓	43-44
Customers	Implementing sales process quality, traceability and transparency	<ul style="list-style-type: none"> • Obtained ISO 9001 certification for the transportation capacity process • Upgraded websites for managing transportation capacity and storage capacity • Held a meeting with representatives of transportation and storage service users to share new operating developments introduced to the websites • Conducted a customer satisfaction survey for the storage business 		41-43
Suppliers	Extending sustainability best practices along the supply chain	<ul style="list-style-type: none"> • Requested certification of HSEQ systems from new strategic suppliers • Provided for certification of HSEQ systems by 2012 for existing strategic suppliers • Organised the Suppliers' Day for Sustainability, with the participation of about 75 companies • Dissemination of the principles of the Global Compact by updating contractual documentation for all group companies 	✓	45-47

✓ KPIs pre-established with quantitative target

ENVIRONMENT	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Climate change and energy efficiency	Limiting greenhouse gas emissions	<ul style="list-style-type: none"> Continued activities for reducing gas leaks Continued activities for reducing energy consumption Increased the share of electricity produced from renewable sources 	✓	60-64
Atmospheric emissions	Restricting nitrogen oxide emissions	<ul style="list-style-type: none"> Continued programmes for installing low-emission turbines and equipment 	✓	60-65, 69
Biodiversity	Integrating biodiversity into the sustainability policy	<ul style="list-style-type: none"> Approved a new sustainability policy including guidelines for safeguarding the biodiversity of ecosystems 		56-58
Land recovery	Reclamation of sites contaminated by previous	<ul style="list-style-type: none"> Continued projects relative to plants undergoing reclamation activity 		67
Water	Reducing draws and optimising water discharges	<ul style="list-style-type: none"> Installed phyto-purification equipment for waste water discharges 		68
Waste	Increasing waste sorting and recycling	<ul style="list-style-type: none"> Increased waste sorting at the San Donato Milanese, Turin and Crema sites 		66-67
Noise emissions	Mitigating emissions from the most exposed facilities	<ul style="list-style-type: none"> Continued monitoring and soundproofing of some reduction cabins 		69
Landscape	Reducing the visual impact of infrastructure	<ul style="list-style-type: none"> Completed the study for defining the planting standard for well areas Pilot carried out in Minerbio 85 well area 		

✓ KPIs pre-established with quantitative target



Management systems

Snam adopts specific certified management systems with the objective of ensuring that corporate processes and activities meet the required standards on worker health and safety, environmental protection and the quality of the services offered.

The table shows the various management system certifications and laboratory accreditations obtained.

In 2011, Snam Rete Gas obtained the certification of compliance with UNI-EN-ISO 9001 quality management system standards for the process of defining network transportation capacity. The inspections, conducted by DNV, were completed with a favourable outcome in May, confirming the Company's attentiveness to process quality, transparency and traceability. In order to verify the application and effectiveness of the management systems adopted, identify opportunities for improvement and verify legal compliance, periodic audits are systematically planned and performed. During the year, 359 audits were performed (including 313 internal audits by specialised staff and 46 by external companies). In addition, all of the activities necessary for maintaining and renewing existing certifications were implemented. Specifically, we note that at the end of the year the environmental management systems certified according to the ISO 14001 standard for the gas compression stations and gas pipeline networks of Snam Rete Gas, verified by the certifying entity, were integrated into a single management system. Therefore, starting in 2012, a single certification will be implemented.

For 2012 the main objectives are:

- extend certification of worker health and safety management systems in accordance with the OHSAS 18001 standard to the entire Snam group;
- plan activities at Snam Rete Gas to extend the environmental management system in accordance with the ISO 14001 standard to the whole company.

Company	Field of application	Type of certification and accreditation	Year of initial certification
Snam Rete Gas	Compression stations (11 facilities)	ISO 14001	2001
Snam Rete Gas	Gas pipeline network (8 districts, 54 maintenance centres, and 32,010 km of gas pipelines)	ISO 14001	2008
Snam Rete Gas	Dispatching of natural gas	ISO 9001	2003
Snam Rete Gas	Natural gas metering service, transportation network, and management of the design and construction of metering apparatus	ISO 9001	2009
Snam Rete Gas	Company	OHSAS 18001	2010
Snam Rete Gas	Defining network transportation capacity	ISO 9001	2011
Snam Rete Gas	Calibration of natural gas mixtures	ISO 17025 (ACCREDIA)	2002
Snam Rete Gas	Piped gas flow emissions analysis tests	ISO 17025 (ACCREDIA)	2007
STOGIT	Company	ISO 14001	2002
STOGIT	Natural gas metering and accounting service	ISO 9001	2008
GNL Italia	Regasification plant	ISO 14001	2000
ITALGAS	Company	ISO 14001-ISO 9001-OHSAS 18001	2001
Napoletana Gas	Company	ISO 14001-ISO 9001-OHSAS 18001	2003

TOWARD THE CREATION OF SHARED VALUE

The previous edition of the Sustainability Report included some points for reflection in connection with dialoguing with stakeholders on evaluating the shared value that the Company already produces through its practices and know-how, and how it may be articulated. This means starting an approach within a process of continual improvement to combine interpreting sustainability from a "value protection" standpoint, i.e. mitigating operational and reputational risks, with an approach geared more toward "value creation," as a driver of innovation, with express reference to the concept of "shared value creation" theorised by Michael Porter and Mark Kramer.

With this reflection as a starting point, a project was begun in late 2011 aimed at a more in-depth methodological understanding of the concept of shared value and at evaluating its applicability at Snam. In the early months of 2012, specific internal meetings were organised to share the project, which led to identifying different possible current projects and potential new initiatives.

This project is on a path of natural continuity with the sustainability initiatives implemented in the last two-year period, starting with the mapping of stakeholders and the engagement projects deriving from it, including the Social Impact Assessment, the Supplier's Day Sustainability, the same engagement strategy with non-profit organisations and still others that are described in this Report.

The shared value project and its main conclusions are stated in the document "Toward shared value" that accompanies the 2011 Sustainability Report.

"Creating Shared Value", by Michael E. Porter and Mark R. Kramer

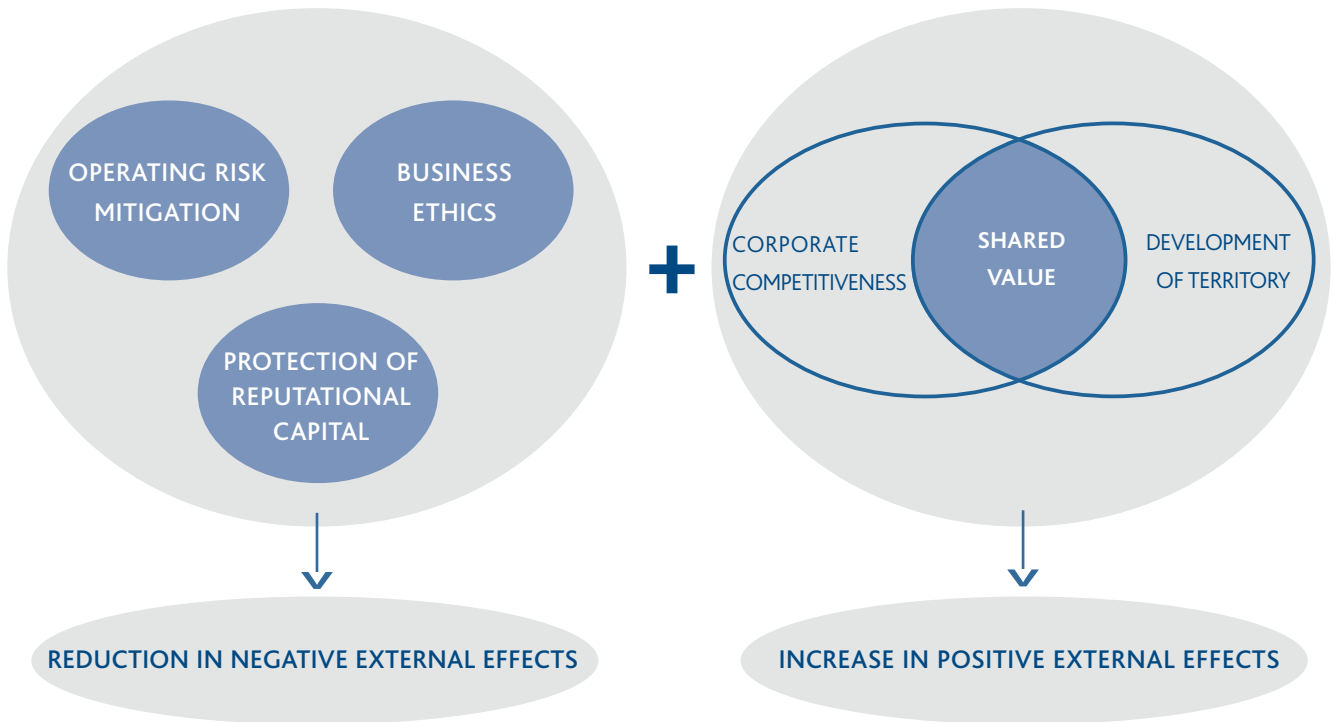
The shared value approach, conceived by Michael Porter, a professor at Harvard Business School where he heads up the Institute for Strategy and Competitiveness, in collaboration with Mark Kramer, senior fellow of the CSR Initiative at Harvard's John F. Kennedy School of Government in Cambridge, Massachusetts, explores the link between the economic system and society. The concept, published for the first time by the Harvard Business Review in January 2011, is based on the assumption that, in light of the recent financial and economic crises, capitalism is under attack and therefore it is necessary to identify a new model capable of reinventing it.

The starting point is that no company is an isolated entity. The success of all companies is influenced by the support services and infrastructure surrounding them; productivity and innovation are strongly influenced by the logistical infrastructure of a given local area. Players operating in a local area can create conditions for a context favourable to business development. On the other hand, a healthy social and local context depends on the presence of companies that are capable of providing jobs, offering adequate salaries and wages, acquiring quality goods and services, paying taxes, protect-

ing the environment, using resources efficiently, etc.

Companies, says Porter, must act to reconcile business and society, and the path to go down is that of "creating shared value", i.e. creating economic value in such a manner as to generate value at the same time not only for the Company, but also for society, simultaneously meeting the Company's needs and needs of a social nature. It is a new point of view that involves making the most of company know-how and reconfiguring relations throughout the value chain. The concept of shared value in a certain sense includes the idea of social responsibility applied until now: it serves as an innovative approach to sustainability that sees social growth as a central and not an ancillary objective, write the authors. "CSR programmes focus mainly on reputation and have only a limited connection to business, which makes them difficult to justify and maintain over the long term. On the other hand, the Creation of Shared Value (CSV) is functional to profitability and to a company's competitive position. It makes use of a company's specific resources and specific expertise to create economic value through the creation of social value".

SUSTAINABILITY 2.0



Toward shared value

The subject of shared value is not intended to replace the sustainability measures in existence at the Company, but to support and enhance that aspect, from a standpoint of continuity and consistency with what is already in place. In an attempt to follow this approach in its operations, Snam has made a summary interpretative model, which has allowed the group to review its core and support processes from the standpoint of shared value.



A NETWORK
SERVING ITALY
WITH EYES ON
EUROPE

Snam intends to contribute actively to the creation of a gas hub system in Southern Europe, turning Italy into not just a gas consumer, but also a gas transit country



During the last 40 years, European consumption of natural gas has increased 19-fold and now accounts for about one third of the primary consumption of fossil energy in OECD Europe (understood as the original 15 countries, plus the Czech Republic, Hungary, Iceland, Norway, Poland, Slovakia, Switzerland and Turkey).

Historically, satisfying this demand has been possible due to rapid growth in gas production in areas neighbouring Europe – the North Sea, Russia and North Africa – connected to consumer markets mainly through a tight network of high-pressure gas pipelines that have now attained overall development of approximately 190,000 kilometres, of which more than 100,000 are concentrated between France, Germany and Italy. Italy is also a gas producer, having produced 8.03 billion cubic metres in 2011. The fact that domestic demand totalled 77.84 billion cubic metres last year means that Italy, like all the other OECD Europe states, except Norway and the Netherlands, is dependent on gas imports.

Between 2001 and 2008, various geopolitical and economic factors, including competition for energy resources due to the growth of emerging countries, resulted in a need for Western countries, and in particular European countries, to stabilise the supply scenario on world markets, which, just a few years previously, had seen them in a privileged position in terms of the possibility of purchasing and stockpiling their own supplies. The main driver for pursuing this objective was identified by the European Union as the development of a more flexible and competitive European market, in which transportation and distribution infrastructure networks can be developed independently of the contractual sales dynamics of the major integrated operators. The Third Energy Package was issued in 2009 in response to this.

Thanks to its geographical location and due to the development of transportation infrastructure and reverse flow technology, Italy can seize this opportunity, undergoing a transformation from consumer country to transit country, thus creating the conditions for playing a strategic role as Mediterranean Europe's gas hub.

An agreement for the European maxi-network

In January 2012 Snam S.p.A. and Fluxys G S.A. signed an agreement for the evaluation of future joint strategies aimed at seizing potential opportunities for development in the European gas sector. The agreement involves natural gas transportation, storage and regasification activities, through projects designed to strengthen supply flexibility and security in relation to current European infrastructure. The initiatives also involve two-way transport flows, in line with the recommendations and provisions of the European Third Directive adopted by the EU Council and Parliament

for an integrated gas market in order to promote cross-border flows and connect the major gas exchange infrastructure in North-Western and Southern Europe.

Fluxys G is the top Belgian operator and the gas hub for Northern Europe. Through its subsidiary, Fluxys S.A., it builds and manages natural gas transportation and storage infrastructure and liquefied natural gas terminals in Belgium.

For detailed information on the content of the agreement, please see the 2011 financial report.



INVESTMENTS AND NETWORK DEVELOPMENT

For Snam, opportunities for pursuing strategic goals are strongly tied to the possibility of investing economic resources in network expansion and improvement projects. Snam's investments are focused on the procurement of goods, services and technologies and are currently spread evenly throughout almost all the different Italian regions, resulting in important economic growth factors.

The Snam plan for the 2012-2015 four-year period provides for investments in all sectors in the amount of €6.7 billion at consolidated level:

- the investment in the transportation sector is intended to increase transportation capacity both by extending the network and by increasing installed capacity at the gas compression stations;
- the investment in storage is geared primarily toward increasing capacity by expanding existing fields and creating new storage fields;
- the investment in distribution is aimed partly at network maintenance and development, increasing kilometres of new piping and replacing iron networks, and partly at the development of new distributed gas metering systems.

During 2011, almost €1.6 billion in investments were made, of which approximately 73% were with incentive-based remuneration consistent with ARG/gas Resolution 119/10 issued by the Authority for Electricity and Gas.

MAIN DEVELOPMENT PROJECTS IN PROGRESS

<p>NORTH</p>	<ul style="list-style-type: none"> • Strengthening transportation infrastructure in the Padana Valley: <ul style="list-style-type: none"> - continuation of the construction work on the Poggio Renatico-Cremona methane pipeline in Emilia-Romagna and Lombardy; - continuation of the construction work on the Cremona-Sergnano methane pipeline in Lombardy; - delivery of materials and continuation of the acquisition of licences for the Zimella-Cervignano methane pipeline in Veneto and Lombardy. • Development of the storage field in Bordolano (CR) primarily by the injection of cushion gas (minimum indispensable quantity of gas present or inserted in deposits in the storage phase, which has the function of making it possible to provide the remaining gas volumes without harming the mineral characteristics of the said deposits over time) and projects to increase pressure in the Minerbio, Sabbioncello (FE) and Settala storage fields.
<p>CENTRE</p>	<ul style="list-style-type: none"> • Connection of the Offshore LNG Toscana (OLT) regasification terminal in Livorno. • Development of the Fiume Treste (CH) storage field, primarily by the injection of cushion gas.
<p>SOUTH AND ISLANDS</p>	<ul style="list-style-type: none"> • New transportation infrastructure on the Adriatic axis - continuation of the construction work for the main line of the Massafra-Biccari methane pipeline in Puglia and Basilicata. • Strengthening the import infrastructure in Sicily and Calabria: <ul style="list-style-type: none"> - revamping the Enna plant in Sicily; - strengthening of the Montesano plant in Campania; - construction of the Montalbano-Messina methane pipeline in Sicily. • Methanisation of the Calabria Region – construction work for methane pipelines and related connections.

