

Structure of the corporate governance system adopted by the company

SECTION III

1. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

Shareholders' Meetings are privileged corporate meetings between the Company's management and its shareholders. In order to get shareholders actively involved in the Company, Snam has introduced various measures aimed at encouraging shareholders' participation in decisions to be made at Shareholders' Meetings and facilitating the exercise of their rights.

In particular, in 2010 Snam made revisions to its Bylaws resulting from the transposition in Italy, via Legislative Decree No. 27 of 27 January 2010, of Directive 2007/36/EC concerning the exercise of certain rights of shareholders of listed companies (the "Shareholders' Rights Directive").

By introducing measures which the legislation leaves to companies' choice, Snam aimed to provide its shareholders with additional tools to encourage them to take part in Shareholders' Meetings and exercise their voting rights (e.g. appointment of the listed company's representative). The Bylaws provide for a combined notice of meeting for both the Ordinary and Extraordinary Shareholders' Meetings.

Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting passes resolutions on matters assigned to it by law, with the majorities stipulated by law, without prejudice to the following.



Based on the provisions of Article 12 of the Bylaws, the Ordinary Shareholders' Meeting also authorises resolutions concerning the sale, transfer, leasing, usufruct and any other act of disposal, including within the scope of joint ventures, or subjection to restrictions, of the Company or of business units of strategic importance in relation to gas transportation and dispatching activities, without prejudice to the directors' responsibility for the acts carried out, pursuant to Article 2364, paragraph 1.5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three quarters of the capital present at the meeting.

Extraordinary Shareholders' Meeting

The Extraordinary Shareholders' Meeting passes resolutions on matters assigned to it by law, without prejudice to the following, by a favourable vote of shareholders representing at least three quarters of the capital present at the meeting.

Pursuant to the Bylaws stipulate the Board of Directors has the power to adopt decisions regarding :

- mergers and demergers pursuant to Articles 2505 and 2505-bis of the Italian Civil Code;
- the opening, modification and closure of additional offices;

- the reduction in the share capital upon withdrawal of one or more shareholders;
- compliance of the Bylaws with regulatory provisions;
- the transfer of the registered office within Italy.

Shareholders' Meeting regulations

As provided for by the Code of Corporate Governance, the Shareholders' Meeting is governed by meeting regulations which require that Company Shareholders' Meetings be held in an orderly and functional manner and guarantee the right of each attending shareholder to state his opinion on the items under discussion.

The Company adopted a set of Shareholders' Meeting regulations by resolution of the Ordinary Shareholders' Meeting of 27 July 2001 (subsequently amended on 27 April 2004 and 13 April 2011), which can be consulted on the Company's website (http://www.snam.it/en/Governance/Social_bodies/shareholders_meeting/Regulation_meetings.html).

Right to contribute to Shareholders' Meetings

The right to contribute to Shareholders' Meetings is governed by law, the Bylaws, the Shareholders' Meeting regulations and the provisions contained in the notice of meeting. Authorisation to contribute to Shareholders' Meetings is granted pursuant to the relevant provisions of law.

Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company.

The Shareholders' Meeting regulations govern, inter alia, the procedures that entitle each shareholder to speak on the issues discussed. Specifically, at the beginning of the meeting, the Chairman of the Shareholders' Meeting lists the agenda items and sets a maximum duration for each speech. The request to contribute to individual agenda items may be presented to the Chairman from the beginning of the Meeting and until the Chairman opens the discussion on the relevant item.

To facilitate shareholder participation, the Bylaws indicate that the Company must provide shareholder associations which satisfy the pertinent regulatory requirements with space to communicate and gather proxies from employee shareholders of the Company and

its Controlled Companies. The terms and procedures for gathering proxies are agreed from time to time with the legal representatives of said associations.

Shareholders may ask questions about agenda items both prior to and during the Meeting. Questions arriving before the Shareholders' Meeting will be answered no later than during the Meeting. The information is provided in compliance with the rules for price-sensitive information.

Shareholders' Meetings held in 2013

There was one Shareholders' Meeting during the 2013 financial year, on 26 March 2013, in an ordinary and an extraordinary session. The Ordinary Shareholders' Meeting voted on the following items:

- approval of the 2012 financial statements;
- allocation of net profit for the period and distribution of dividends;
- approval of the remuneration policy pursuant to Article 123-ter of Legislative Decree No. 58 of 24 February 1998;
- re-election of the corporate bodies (Board of Directors and Board of Statutory Auditors).

The Extraordinary Shareholders' Meeting resolved to amend Articles 2, 5, 6, 9, 12, 13, 16, 17 and 20 of the Bylaws (see Section I, Chapter 6 of the Report).

All the directors spoke at the Shareholders' Meeting. The Chairman of the Remuneration Committee also spoke, describing the remuneration policy guidelines followed by the Company.

The Board of Directors endeavoured to make sure to provide shareholders with adequate information for the Shareholders' Meeting of 26 March 2013, making reports on the draft resolutions available at the Company's registered office, at Borsa Italiana S.p.A. and on the Company website, in accordance with the law. These reports were also sent to those who had requested a copy and were available before entering in the room in which the Shareholders' Meeting was held, along with other useful documentation.



2. BOARD OF DIRECTORS

2.1 ROLE AND FUNCTIONS

The Company is managed by a Board of Directors made up of no fewer than five members and no more than nine. The number of members and their term of office are decided by the Shareholders' Meeting at the time of appointment.

The Board of Directors is the central body within the Snam corporate governance system and is invested with the broadest powers for the ordinary and extraordinary administration of the Company. It is entitled to carry out any measures it deems necessary in order to implement and achieve the corporate purpose, with the sole exception of measures that are reserved, by the law or by the Bylaws, for the Shareholders' Meeting¹.

Pursuant to Article 2381 of the Italian Civil Code, the Snam Board of Directors has assigned itself a series of powers, in addition to those which by law cannot be delegated and, more generally, those set out in the Code of Corporate Governance. A description of these powers can be found on the Company website (http://www.snam.it/en/Governance/Corporate_governance_system/).

¹ Pursuant to the Bylaws the Board of Directors has the powers to adopt decisions regarding: (i) mergers and demergers pursuant to Articles 2505 and 2505-bis of the Italian Civil Code; (ii) the opening, modification and closure of additional offices; (iii) the reduction of the share capital upon the withdrawal of one or more shareholders; (iv) compliance of the Bylaws with regulatory provisions; (v) the transfer of the registered office within Italy.

Meetings of the Board of Directors

The Board of Directors most recently approved, on 26 March 2013, a set of Regulations aimed at governing (i) the call of Board meetings, (ii) the performance of the Board's duties, and (iii) the minuting of Board meetings.

Pursuant to the Bylaws and the Regulations, the Board of Directors is convened by the Chairman or, if he is absent or unable to do so, by the Chief Executive Officer, or, finally, if he is absent or unable to do so, by the eldest Board member.

The notice is usually sent at least five days before the meeting², except in exceptional cases.

At the beginning of each Board meeting, directors and statutory auditors are required to inform the Board of Directors and the Board of Statutory Auditors of any interest that they have, either on their own behalf or on behalf of third parties, in a given Company transaction.

At Board meetings, heads of the appropriate Company departments may, at the request of the Chairman and with the consent of those present, participate in order to provide appropriate background information on agenda

² The previous version of the Regulations provided that the documentation was made available at least two days prior to the date of the meeting.

items (some department heads participated in this way in 2013).

In 2013:

- the Board of Directors met 11 times;
- the meetings were attended on average by 98% of the directors;
- the attendance of independent directors was approximately 96.4 % on average;
- the average duration of Board meetings was 172 minutes.

The Board of Directors meets regularly, at least once every quarter, in accordance with the time limits set out by law. On 12 December 2013, the Board of Directors approved the "Calendar of Corporate Events for 2014"³ (which was subsequently disclosed to the market), which includes the dates of (i) the main Board meetings concerning financial reporting, (ii) the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2013, (iii) presentations to analysts and conference calls, and (iv) payment of dividends and interim dividends, to be disclosed to the market (the "Financial Calendar") pursuant to the regulations in force for markets organised and managed by Borsa Italiana S.p.A. This calendar can be consulted on the Company website (http://www.snam.it/en/Investor_Relations/Financial-Calendar/2014/).

Examination and approval of strategic, business and financial plans

In accordance with the regulations on matters that cannot be delegated and powers that it has assigned itself, the Board of Directors defines, on the recommendation of the Chief Executive Officer, the strategies and objectives of the Company and of the Group, including the sustainability policies. In compliance with the Unbundling Regulation, the Board examines and approves the strategic, business and financial plans of the Company and of the Group, monitoring their implementation each year, as well as the Company's strategic agreements and, subject to the binding opinion of the Chief Executive Officer (as a member of the Combined Independent Management Committee), the annual and multi-year infrastructure plan.

The Board examines and approves the budget of the Company and of the Group, the half-year report and interim reports on operations of the Company and of the Group, as provided for by the regulations in force, the sustainability report and the report on corporate governance and ownership structure, which must be brought to the attention of the Shareholders' Meeting.

On 12 March 2013, the Board of Directors approved the Snam Group's 2013-2016 Plan and the Controlled Companies' 2013-2016 Annual and Multi-Year Infrastructure Development Plan. The Board of Directors is responsible for monitoring the 2013 plans, and in 2014 will examine the first, second and third forecasts.

Definition of Group corporate governance system and structure

The Board of Directors defines the system and rules of corporate governance of the Company and of the Group. In particular, following consultation with the Control and Risk Committee, it adopts rules which ensure transparency and substantial and procedural correctness of related-party transactions and of transactions in which a director or a statutory auditor has a personal interest or an interest on behalf of others; it also adopts a procedure for the management and communication of corporate information, with particular reference to privileged information.

Assessment of the adequacy of the organisational, administrative and accounting structure, particularly with regard to the internal control and risk management system

The Board assesses the organisational, administrative and accounting structure of the Company and of its Controlled Companies, as put in place by the Chief Executive Officer. Specifically, the Board:

- defines the basic guidelines for the organisational, administrative and accounting structure of the Company and its subsidiaries. The Board also evaluates the adequacy of the organisational, administrative and accounting structure of the Company and its Controlled Companies on an annual basis, with particular reference to the internal control and risk management system;
- after consulting the Control and Risk Committee, defines the guidelines for the internal control and risk management system, so as to ensure the identification, measurement, management and monitoring of principal risks of the Company and its Controlled

³ The "Calendar of Corporate Events for 2014" states that the Board will meet five times in 2014. The Board of Directors may schedule the dates of any additional meetings. As at the date of this Report, one meeting of the Board of Directors has already been held.

- Companies, determining in addition the degree of compatibility of these risks with a management of the Company and the Group which is consistent with its defined strategic objectives. The Board evaluates, on an annual basis, the adequacy and effectiveness of the internal control and risk management system with regard to the characteristics of the Company and the Group and the risk profile it has adopted;
- having received an opinion from the Control and Risk Committee and consulted the Board of Statutory Auditors, evaluates the conclusions presented by the External Auditors in any letter of suggestions and in the report on key matters arising from the external audit;
 - approves, at least once a year, the Audit Schedule prepared by the Internal Auditor, after hearing the opinion of the Control and Risk Committee and having consulted the Chairman of the Board of Directors, the internal control and risk management system director, and the Board of Statutory Auditors;
 - on the recommendation of the Chief Executive Officer, with the agreement of the Chairman and having received a favourable opinion from the Control and Risk Committee and having consulted the Board of Statutory Auditors, appoints and dismisses the Internal Auditor and, subject to prior verification with the Remuneration Committee, sets his/her remuneration in line with the Company's pay policy; ensures that he/she is given the appropriate resources to fulfil his/her responsibilities.

At its meeting on 27 February 2014, the Board of Directors, implementing the provisions of the Italian Civil Code and the Code of Corporate Governance, assessed the organisational, administrative and accounting structure as commensurate with the size and type of activity engaged in by Snam and its Controlled Companies.

Assessment of general operational performance and relations with the delegated bodies

The Board continually assesses the general operational performance of the Company, including by analysing the information it receives from the delegated bodies and by periodically comparing the results achieved with forecasts. More specifically, the Board:

- assesses the general operational performance, taking into consideration, in particular, the information received from the delegated bodies, paying particular attention to conflicts of interest and periodically comparing the results achieved, as stated in the

financial statements and the interim accounts, with the budget targets;

- assigns and revokes powers to/from the Chairman and the Chief Executive Officer (the latter being the internal control and risk management system director), setting their limits and methods of operation and determining their remuneration once the proposals of the appropriate Committee have been examined and following consultation with the Board of Statutory Auditors;
- may issue directives to the delegated bodies and take it upon itself to perform operations which are covered by the powers.

The Chairman and the Chief Executive Officer report at least once a quarter to the Board itself and to the Board of Statutory Auditors on how they have exercised their powers, on the transactions with the greatest impact on the financial statements carried out by the Company and its Controlled Companies, and on transactions with related parties. Information must be made available promptly when the directors have an interest in the transaction, either on their own behalf or on behalf of third parties, or when the transaction could be affected by any entity that carries out management and coordination activities.

Approval of significant transactions carried out by Snam and its Controlled Companies and criteria for identifying such transactions

As part of its management and coordination activities and on the recommendation of the Chief Executive Officer, the Board resolves on the transactions of the Company and of its Controlled Companies that have a significant strategic effect on, and a significant impact on the financial statements of, the Company and the Group. This is without prejudice, in any case, to compliance with the confidentiality obligations relating to the commercial relations between the Company and the Controlled Companies and/or third parties.

The following transactions are considered to be of strategic importance or to have a significant impact on the financial statements:

- acquisitions, disposals, sales, closures, contributions of companies or business units (including rent and usufruct), real estate and/or investments worth more than € 100 million;
- supply contracts and contracts for the sale of goods and/or services relating to the commercial activities of

- the Company and its Controlled Companies, worth over € 1 billion and/or with a duration of over 15 years;
- contracts relating directly to the activities indicated in the corporate purpose and/or relating to the day-to-day management of corporate activities worth over € 100 million and/or with a duration of over 15 years;
- the stipulation, modification and termination of credit contracts for sums exceeding € 2 billion and/or with a duration of over 15 years;
- sureties and other forms of personal guarantee, as well as letters of patronage, in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for amounts greater than € 100 million and, in any event, if the amount is not proportional to the investment held;
- sureties guaranteeing obligations assumed or to be assumed by the Company with third parties, worth over € 100 million;
- the Company's brokerage contracts.

The activities and processes carried out by Italgas (Controlled Company) in relation to identifying natural gas distribution tenders in which to participate, and in relation to formulating the technical and financial bids for these tenders, are not discussed or subject to prior approval by the Snam Board of Directors⁴.

Assessment of the size, composition and functioning of the Board and its Committees

For 2013, the Snam Board of Directors has performed the first assessment of the Board and its Committees during its current term of office. The assessment was performed in compliance with the recommendations of Criterion 1.C.1 g) of the Code of Corporate Governance and with reference to the latest international best practice.

As in previous years, the Board decided to use the services of an external advisor, with the help of the preparatory work carried out by the Appointments Committee and following a competitive process, it chose an independent consultancy (Crisci & Partners – Shareholders and Board Consulting) firm that specialises

in corporate governance and, with the exception of relations with the Board itself, has had no financial relations with Snam in the last two years. This decision was taken in the belief that a professional company focusing solely on the Shareholders and the Board can enable more in-depth and impartial discussions with all Board members, as well as better comparisons with best practice.

Snam's Board and Board Committees were assessed by two senior consultants by way of unscripted interviews which took place in January and February 2014. Before conducting the interviews, the consultants carefully read Board and Board Committee documents and minutes, and met with the members of the Appointments Committee, the Chairman and the Chief Executive Officer of the Company, and, in an observational capacity, the Chairman of the Board of Statutory Auditors and the Secretary of the Board of Directors.

The main objectives of the interviews, which were prepared specifically for each Director, were as follows:

- to help the Directors to assess their involvement, responsibilities, preparatory work, leadership qualities and conduct with regard to their role as a Board member;
- to help identify the strengths of the Board, but more particularly the areas in which the Board and its Committees can improve and the best ways to make them more effective and efficient;
- to help develop the workings of the Board by encouraging the Directors to study the results of the assessment with a view to seeing where and how teamwork, consultancy and monitoring can be improved within Snam's senior management.

The interviews conducted during the assessment of the new Board thus concentrated on the various aspects of the composition and functioning of the Board and its Committees, with a particular focus on:

- the size and composition of the Board, taking into account Directors' experience and expertise;
- the term of office and compatibility of the Directors;
- the organisation and quality of Board inductions, reports, meetings, decision-making processes and general operational aspects;
- the Board's relations with the Chief Executive Officer and managers;
- the Board's strategic and monitoring roles, as well as its role as a resource for the Company;

⁴ This provision has been implemented in compliance with the Italian Competition Authority's Order C11695 of 8 August 2012. Pursuant to Article 38 of the Order, CDP had to ensure that the Snam Board of Directors introduces into the internal corporate documentation of Snam and Italgas, the rule providing that Italgas' activities and processes relating to the identification of natural gas distribution tenders in which to participate, and to the formulation of the technical and financial bids for these tenders, does not have to be discussed or approved in advance by the Snam's Board of Directors. More information on the measures adopted by Italgas in order to comply with the Order can be found in Chapter 9 of the Report

- the role and functioning of the Committees and their interaction with the Board.

The 2013 assessment shows that Snam's Directors believe the Board and its Committees to be of adequate size and particularly suitable composition in terms of the expertise and experience of their members.

In light of the recent appointment of the new Board of Directors, which saw new members elected in nearly all cases, the Directors gave a positive assessment of the overall functioning of the Board. The induction programme was deemed to be well executed and very useful, including with regard to the closer examination of specific themes that will take place over the course of the term of office.

The flow of information provided in support of Board operations was considered to be good, if somewhat broad; the Chief Executive Officer's reports on operations and presentation of topics for debate were considered to be areas of particular strength.

The Board were considered to have worked well in relation to certain updates made to the governance system. The Directors identified room for improvement in terms of the Board's cohesiveness (which is still a work in progress), the opportunity to use executive summaries for particularly large documents, and the opportunity to hold annual off-site meetings around the time the strategic plan is examined and approved. All Directors are aware of these opportunities and committed to pursuing them in the very near future.

In its capacity as a facilitator of the Snam Board's self-assessment process, Crisci & Partners shares the Directors' assessments and observations on the functioning of the Board and its Committees, and confirms a good level of compliance with the Code of Corporate Governance.

At its meeting of 27 February 2014, the Snam Board of Directors examined and discussed the outcome of the assessment presented by Crisci & Partners, and confirmed its positive overall assessment.

Exemptions from the prohibition on competition

The Shareholders' Meeting did not authorise, in general or as a preventive measure, any exemptions from the

prohibition on competition pursuant to Article 2390 of the Italian Civil Code.

Other duties of the Board of Directors

The Board is also responsible for:

- setting up the Internal Committees of the Board, with proposal and consultative functions, appointing their members, establishing their duties and approving their regulations;
- receiving half-yearly reports from the Internal Committees of the Board;
- appointing and dismissing the General Managers upon recommendation from the Chief Executive Officer and approval from the Chairman, granting them the related powers;
- appointing and dismissing the Executive Responsible for preparing corporate accounting documents, upon recommendation from the Chief Executive Officer, ratification from the Chairman and approval from the Board of Statutory Auditors, ensuring that he/she has the necessary powers and resources;
- ensuring that an Investor Relations Manager has been appointed;
- having examined the proposals of the Remuneration Committee, defining the policy for the remuneration of directors, general managers and executives with strategic responsibilities of the Company and the subsidiaries and the compensation systems; the Board also implements the compensation plans based on shares or other financial instruments that are resolved upon by the Shareholders' Meeting and approves the Remuneration Report to be presented to the Shareholders' Meeting; having received an opinion from the Remuneration Committee, the Board also assesses the vote on the Remuneration Report taken by the Shareholders' Meeting and the proposals of the Committee on the adequacy, overall coherence and application of the adopted policy for the remuneration of directors and managers with strategic responsibilities;
- with regard to the Controlled Companies:
 - on the recommendation of the Chief Executive Officer, deciding on the exercising of voting rights at the Shareholders' Meetings of Direct Controlled Companies; and
 - on the proposal of the Appointments Committee, resolving on the appointments of the members of the corporate bodies of Controlled Companies included in the scope of consolidation and foreign strategic subsidiaries;

- drawing up resolutions to be submitted to the Shareholders' Meetings
- when the Board of Directors is being appointed, it recommends candidates to the shareholders, taking into account the results of the annual assessment of the functioning, size and composition of the Board and its Committees;
- examining and resolving on other particularly important and sensitive issues which the directors who hold powers wish to draw to the attention of the Board.

2.2 CHAIRMAN OF THE BOARD OF DIRECTORS

The Shareholders' Meeting of 26 March 2013 confirmed Lorenzo Bini Smaghi in the role of Chairman of the Board⁵.

The Chairman's main duties are:

- chairing Shareholders' Meetings, exercising the functions envisaged in law and in the Shareholders' Meeting regulation;
- acting as the Company's legal representative;
- entering into relations of strategic importance with institutional bodies and international authorities, together with the Chief Executive Officer;
- calling and chairing Board meetings and setting their agendas together with the Chief Executive Officer. He guides, oversees and coordinates Board activities, ensuring proper functioning and adequate disclosure by directors. He also ensures that Board decisions are implemented;
- having consulted the Control and Risk Committee, he assesses and contributes to the Chief Executive Officer's suggestions to the Board regarding the appointment, dismissal and remuneration of the Internal Auditor;
- he assesses and contributes to the Chief Executive Officer's suggestions to the Board regarding the appointment of general managers, the Executive Responsible for preparing corporate accounting documents and the members of the Supervisory Body.

The Chairman does not hold the office of Chief Executive Officer and does not hold a controlling stake in the Company.

2.3 DELEGATED BODIES

At its meeting on 26 March 2013, the Board of Directors confirmed Carlo Malacarne in the role of Chief Executive Officer⁶, assigning him the relevant duties and granting him all powers that are not reserved for the Board of Directors or the Chairman.

The Chief Executive Officer represents the Company.

There is no interlocking directorate in place, as defined in Criterion 2.C.5 of the Code of Corporate Governance⁷, in relation to the Chief Executive Officer.

2.4 APPOINTMENT, COMPOSITION AND TERM OF OFFICE

Appointment

Article 13 of the Bylaws provides for a list voting mechanism for the appointment of the Board of Directors, which should be structured in such a way as to permit the presence on the Board of directors appointed by minority shareholders, as well as compliance with the criteria of gender representation, in accordance with the provisions of Article 147-ter of the TUF. Specifically, the Bylaws state, with greater strictness than is required by Article 147-ter, paragraph 4 of the TUF, that at least one director, if the Board is made up of no more than seven members, or at least three directors, if the Board is made up of more than seven members, must meet the independence criteria set forth in the TUF⁸.

The list voting mechanism applies only for the replacement of the entire Board of Directors. Even during its term of office, the Shareholders' Meeting may change the number of members on the Board of Directors, provided it is within the limit of a minimum of five and a maximum of nine, as set forth in the Bylaws, and shall make the relevant appointments. The term of office of directors thus elected shall expire with those in office.

Candidates meeting the independence requirements must be specifically identified on the lists. All candidates must also meet the integrity requirements provided for by applicable legislation.

⁵ The Board of Directors appointed Lorenzo Bini Smaghi as Chairman for the first time on 15 October 2012.

⁶ The Board of Directors appointed Carlo Malacarne as CEO for the first time on 8 May 2006.

⁷ Criterion 2.C.5 of the Code of Corporate Governance provides that "the chief executive officer of an issuer (A) shall not assume the role of director of another issuer (B), not belonging to the same group, of which a director of the issuer (A) is chief executive officer".

⁸ Or, pursuant to Article 147-ter, paragraph 4 of the TUF, the independence criteria required for statutory auditors pursuant to Article 148, paragraph 3 of the TUF.

Lists may be presented by shareholders who, either alone or together with other shareholders, represent the minimum percentage calculated pursuant to the regulations in force (equivalent to 1% of the share capital, as provided for by Consob Resolution No. 18775 of 29 January 2014). Each shareholder may present or be involved in the presentation of only one list, and may vote for one list only.

Seven tenths of the directors to be elected shall be taken from the list receiving the majority of the shareholders' votes in the consecutive order in which the candidates appear on the list, rounding down to the nearest whole number if the number is a decimal. The remaining directors shall be taken from the other lists, which may not be associated in any way, even indirectly, with shareholders who have submitted or voted for the list which came in first in number of votes.

Lists are filed at the registered office by the twenty-fifth (25th) day prior to the date of the Shareholders' Meeting called to resolve on the appointment of the members of the Board of Directors and made available to the public by the methods provided for by law and by the Issuer Regulations at least twenty-one (21) days prior to the date of the Shareholders' Meeting. In addition to the lists, the following documents must also be submitted:

- a CV for each candidate;
- statements from the candidates in which they accept their candidacy and declare, assuming full responsibility, that there are no grounds for ineligibility or incompatibility, and that they satisfy all applicable integrity and independence requirements. Appointed directors must inform the Company if they cease to meet the independence and integrity requirements or if any grounds for ineligibility or incompatibility occur.

List voting mechanism for the election of directors

Below is a description of the procedures for appointing members of the Board of Directors through the list voting mechanism pursuant to Article 13 of the Bylaws:

- a. seven tenths of the directors to be elected are taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number, if the number is a fraction;
- b. the remaining directors shall be taken from the other lists, which may not be associated in any way, even

- indirectly, with shareholders who have submitted or voted for the list which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one, two or three, depending on the consecutive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown in them. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list which has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected;
- c. if, after following the procedure described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate taken from the lists is calculated by dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the very lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by people who meet the independence criteria and are appointed in accordance with the procedure mentioned in letter e). Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if this is not applicable, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated vote by the Shareholders' Meeting shall be replaced;
 - d. if the procedure described in letters a) and b) above does not make it possible to comply with the law on gender representation, the quotient of votes to

be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, in compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned in letter e). Where candidates from different lists have obtained the same minimum quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or, if this is not applicable, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated vote by the Shareholders' Meeting shall be replaced;

e. for the appointment of directors not appointed for any reason by the above procedures, the Shareholders' Meeting shall decide by statutory majority so as to ensure that the composition of the Board of Directors is consistent both with the law and with the Bylaws.

Additional binding legal and regulatory provisions remain unchanged.

Composition

The Shareholders' Meeting held on 26 March 2013 set the number of directors at nine and their term of office at three financial years, terminating on the date of the Shareholders' Meeting called to approve the separate financial statements as at 31 December 2015.

The table below lists the current members of the Board of Directors, showing the lists from which they were elected and the directors who were expressly indicated on the list as meeting the independence requirements pursuant to the TUF and the Code of Corporate Governance.

Director	Position	List from which he/she was appointed
Lorenzo Bini Smaghi	Non-executive director and Chairman	CDP Reti S.r.l. list
Carlo Malacarne	Chief Executive Officer	CDP Reti S.r.l. list
Sabrina Bruno	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Alberto Clò	Non-executive director ⁽¹⁾	CDP Reti S.r.l. list
Francesco Gori	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Roberta Melfa	Non-executive director	CDP Reti S.r.l. list
Andrea Novelli	Non-executive director	CDP Reti S.r.l. list
Elisabetta Oliveri	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Pia Saraceno	Non-executive director ⁽¹⁾	CDP Reti S.r.l. list

(1) Independent director pursuant to the TUF and the Code of Corporate Governance

During 2013, the number of female directors increased. The number of females currently on the Board is four (out of nine members), higher than the minimum number required by the regulations currently in force on gender representation.

Further information on the lists of candidates submitted and the results of voting at the Shareholders' Meeting of 26 March 2013 can be found on the Company's website (http://www.snam.it/en/Governance/Social_bodies/shareholders_meeting/Minutes_documents.html). For details on the

appointment and term-end dates of the directors, see Annex 1 to the Report.

At its meeting on 26 March 2013, the Board of Directors confirmed Marco Reggiani, General Counsel - Legal and Corporate and Compliance Affairs, in the role of Secretary of the Board.

Term of office, termination and forfeiture

Directors may be appointed for a period not exceeding three financial years, and their term expires on the date of the Shareholders' Meeting called to approve

the financial statements for the last year of their term of office; they may be re-elected.

If, during the financial year, the office of one or more directors should be vacated, the provisions of law shall apply⁹. If the majority of the directors should vacate their offices, the entire Board shall be understood to have resigned, and a Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.

The Board periodically assesses the independence and integrity of the directors, as well as whether there are grounds for ineligibility or incompatibility. If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for him to be replaced, or will ask that the grounds of incompatibility be removed within an established period of time, otherwise he must forfeit the post.

At its meeting on 27 February 2014, the Board of Directors confirmed (i) that there are no grounds for ineligibility, forfeiture or incompatibility in relation to the directors, and that they meet the integrity requirements pursuant to the applicable regulations; and (ii) that, based on the declaration made by the Executive Responsible for preparing corporate accounting documents, there are no grounds for the latter's incompatibility pursuant to the Bylaws, and that the Executive Responsible for preparing corporate accounting documents meets the integrity requirements set forth by the applicable regulations¹⁰.

⁹ Pursuant to Article 2386 of the Italian Civil Code, if, during the financial year, the office of one or more directors should be vacated, the other directors will replace the director(s) in question by means of a resolution to be approved by the Board of Statutory Auditors, on condition that the majority of the directors have been appointed by the Shareholders' Meeting.

¹⁰ Article 147-quinquies of the TUF stipulates that "parties that perform management functions must meet the integrity requirements set forth for members of control bodies by the regulations issued by the Ministry of Justice pursuant to Article 148, paragraph 4 of the TUF". These requirements were set forth by Article 2 of Decree No. 162 of the Ministry of Justice of 2000 ("Regulations containing rules for setting the professionalism and integrity requirements for members of the board of statutory auditors of listed companies to be issued based on Article 148 of Legislative Decree No. 58 of 24 February 1998").

Curricula

The biography of each director can be consulted on the Company's website (http://www.snam.it/en/Governance/Social_bodies/board_directors/).

Below is a brief overview.

Lorenzo Bini Smaghi



Born in Florence in 1956, Lorenzo Bini Smaghi graduated from the Catholic University of Leuven with a degree in Economics in 1978, and two years later earned a Master of Arts in Economics from

the University of Southern California and a degree in Political Sciences from the University of Bologna. In 1988 he was awarded a PhD from the University of Chicago. He has been Chairman of SACE S.p.A. and a member of the Board of Directors of the European Investment Bank, Finmeccanica and MTS S.p.A. Between June 2005 and November 2011 he was a member of the Executive Committee of the European Central Bank. Since 1 October 2013 he has been a non-executive director of Morgan Stanley International. He is currently a Visiting Scholar at the Harvard Weatherhead Center for International Affairs. Lorenzo Bini Smaghi is also a member of the "A-List" (a group of commentators for the Financial Times) and is Chairman of the Palazzo Strozzi Foundation in Florence. He is President of the University of Chicago Alumni Italian Chapter. He was Chairman of the Board of Directors of Snam Rete Gas S.p.A. between 1 January 2012 and 26 November 2012. Since 15 October 2012 he has been Chairman of Snam.

Carlo Malacarne



Born in Pavia in 1953, Carlo Malacarne earned a Bachelor's Degree in Electronic Engineering and, after a brief period at Selecontrol, began his career at Snam S.p.A. in the gas transportation department. Subsequently,

as Telecommunications and Process Systems Director, he assisted the Eni Group in meeting its objective to

reorganise its telecommunications systems. In March 1998, he was appointed Constructions Manager, tasked with ensuring that investments both in Italy and abroad were executed properly. In July 1999 he was appointed Network Management Director for Italy. After the incorporation of Snam Rete Gas S.p.A., in July 2001 he was appointed General Manager of Company Operating Activities and Chairman of the Board of Directors of GNL Italia S.p.A. Since 26 November 2012 he has been Chairman of the Board of Directors of Snam Rete Gas S.p.A. In November 2013 he was appointed Chairman of Confindustria Energia. He has served as Chief Executive Officer of Snam since May 2006.

Sabrina Bruno



Born in Cosenza in 1965, Sabrina Bruno has been an Associate Professor of Commercial Law at the Faculty of Economics of the University of Calabria since 2002. She obtained the national enabling as full

Professor of Comparative Law in 2013. She has been a contract lecturer in Business and Company Law at LUISS G. Carli in Rome since 2006. She was a researcher in commercial law at the University of Calabria from 1993 to 2001. She has been a lawyer registered in the special Register of the Rome Law Society since 1991. She was a Fulbright Visiting Scholar at Harvard Law School in 2010. She completed a research doctorate in comparative private law and European Community law at the University of Florence in 1995. Completed a three-year Master of Letters (M.Litt.) degree course at Oxford University in 1994. Graduated with honours in Law at LUISS G. Carli in 1987. Independent non-executive director and Chairman of the Control and Risk Committee of Banca Profilo S.p.A. since 2012. Standing auditor of Telecom Italia S.p.A. in 2012. Academic Member of the European Corporate Governance Institute since 2014. Member of the Scientific Committee of the Bruno Visentini Foundation since 2010. Member of the Italian Linacre Society since 1995. Author of two monographs and various articles and essays on corporate law and corporate governance.

Alberto Clò



Born in Bologna in 1947. Clò is full professor of Applied Economics at the University of Bologna. Director in charge of Energia magazine and a member of the scientific committee for

national and international inspections. He was Minister for Industry and Foreign Trade in the Dini government and Chairman of the EU Council of Ministers of Industry and Energy in the first half of 1996. He is currently an independent director of Atlantia and De Longhi.

Francesco Gori



Born in Florence on 15 May 1952, Francesco Gori after earning a high-school diploma from a Classical Lyceum in Italy graduated in Economics and Commerce with the highest grade and honours from the

University of Florence. He joined Pirelli in 1978, where, after gaining a range of experience in Italy and abroad, he was appointed Managing Director of the Pneumatics division in 2001, CEO of Pirelli Tyre in 2006 and, in 2009, Managing Director of Pirelli & C. From 2006 to 2011, for two consecutive terms, he was elected Chairman of ETRMA, the European Tyre & Rubber Manufacturers' Association. In 2012, he decided to leave the Pirelli group.

Roberta Melfa



Born in Rome in 1962, Roberta Melfa graduated cum laude from the Sapienza University of Rome with a degree in Law in the 1986/1987 academic year. She qualified as a lawyer in 1990 and is currently

Head of Legal & Corporate Affairs and Compliance at Cassa Depositi e Prestiti.

Andrea Novelli

Born in San Benedetto del Tronto (AP) in 1978, Andrea Novelli graduated cum laude from the Bocconi University in Milan with a degree in Business Economics in 2002. He has been an executive at Cassa

Depositi e Prestiti S.p.A. since 2004 and since 2009 has held the positions of Head of the Administration, Planning and Control Department and Executive Responsible for preparing corporate accounting documents. He is the Financial Controller of the Supervisory Board of STMMicroelectronics N.V.

Elisabetta Oliveri

Born in Varazze (SV) in 1963, Elisabetta Oliveri graduated cum laude from the University of Genoa with a degree in Electronic Engineering. She has held senior positions at a number of multinational companies.

She was initially General Manager and then CEO of Sirti S.p.A. She is currently CEO and General Manager of Gruppo Fabbri Vignola S.p.A. and a member of the Board of Directors of ATM S.p.A, Gruppo L'Espresso S.p.A. and Eutelsat S.A. She is also the Chairman and founder of the Furio Solinas Onlus Foundation. She is a Knight of the Italian Republic.

Pia Saraceno

Born in Morbegno (SO) in 1945, Pia Saraceno earned a degree in Economics from Bocconi, before undertaking a Master's in Development Economics at Cambridge University (UK). After a period spent working at Montedison,

she joined IRS in 1976 and became director in 1980, taking over as chairman from 1998 to 2000. She was CEO of REF from 2000 to 2011 and now serves as the Chairman of REF-E, following its establishment in 2012. She has

also carried out research on macroeconomic analysis and sponsored and advised on research into federalism and industry. In 1999, she set up Osservatorio Energia and began to promote further research into the liberalisation of the energy sector and environmental issues, which in recent years have become her major areas of interest. She also has an academic career: since 2011 she has taught Energy Economics and the Management of Environmental Assets on the Master's course in Economics & Management run by the Catholic University of Milan.

Independent directors

Except for the Chief Executive Officer, the Board of Directors is made up of non-executive members, a number of whom are independent, to ensure by both number and authority that their opinion can have a bearing on board decisions. Of the nine directors, five are independent. The presence of independent directors on both the Board of Directors and its Committees ensures that the interests of all shareholders are adequately protected.

The Board meetings of 26 March 2013 and 27 February 2014 also confirmed that non-executive directors Sabrina Bruno, Alberto Clô, Francesco Gori, Elisabetta Oliveri and Pia Saraceno meet the independence requirements set forth by the TUF and the Code of Corporate Governance¹¹. On 23 April 2013, when the new Board of Directors was appointed, the Board of Statutory Auditors

11 In relation to independence requirements for directors, criterion 3.C.1 of the Code of Corporate Governance states that: "[...]a director does not appear independent, as a rule, in the following cases, which are not to be considered exhaustive:

- if he, directly or indirectly, including through subsidiaries, trust companies or an intermediary, controls the issuer or is capable of exercising significant influence over it, or is a party to a shareholder agreement whereby one or more parties may exercise control or significant influence over the issuer;
- if he is, or has been in the previous three financial years, an important agent of the issuer, of one of its strategically important subsidiaries or of a company subject to common control with the issuer, or of a company or entity which, including with others through a shareholder agreement, controls the issuer or is capable of exercising significant influence over it;
- if he has, or has had in the previous financial year, either directly or indirectly (for example through subsidiaries or companies of which he is an important agent, or in the capacity of partner of a professional law firm or consultancy company), a significant commercial, financial or professional relationship:
 - with the issuer, one of its subsidiaries, or any of their respective important agents;
 - with a party that, including together with others through a shareholder agreement, controls the issuer, or - in the case of companies or entities - with their respective important agents, or he is, or in the previous three financial years has been, an employee of one of the aforesaid parties;
- if he receives, or in the previous three financial years has received, significant remuneration from the issuer or a subsidiary or parent in addition to the "fixed" salary as a non-executive director of the issuer, and in addition to the compensation for participation on committees recommended by this Code, including in the form of participation in share-based plans or other incentive plans associated with company performance;
- if he has been a director of the issuer for more than nine of the last 12 years;
- if he holds the office of executive director at another company in which an executive director of the issuer holds the office of director;
- if he is a shareholder or director of a company or entity belonging to the network of the company engaged to audit the issuer;
- if he is a close family relation of a person who is in any situation described in one of the previous items.

The subsequent article, criterion 3.C.2, states that "For the purposes of the foregoing, "important agents" of a company or entity refer to: the entity's chairman the chairman of the board of directors, executive directors and managers with strategic responsibilities at the company or entity in question".

verified that the criteria and the procedures adopted by the Board of Directors in order to determine whether the directors met the independence requirements were correctly applied. During the first half of 2014, the Board of Statutory Auditors will carry out its annual check on the correct application of the criteria and the procedures adopted by the Board of Directors in order to determine whether the directors meet the independence requirements. The independent directors met in December 2013, without the other directors.

Maximum accumulation of offices held at other companies

At its meeting of 27 February 2014, the Board of Directors, based on proposals of the Appointments Committee, issued the following directives and expressed the following position on the accumulation of offices held by directors¹²:

- an executive director should not hold: (i) the office of executive director at another listed Italian or foreign company, or in a financial, banking, or insurance company or any other company with shareholders' equity in excess of € 1 billion; (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than three of the companies listed below (i). Furthermore, in the case of the Chief Executive Officer may not assume the office of director of another issuer not belonging to the same group whose Chief Executive Officer is a director of the Company;

- a non-executive director (including independent non-executive directors) should not, in addition to the position held at the Company, hold: (i) the office of executive director at more than two listed Italian or foreign companies, or financial, banking or insurance companies or any other companies with shareholders' equity in excess of € 1 billion and the office of non-executive director or statutory auditor (or member of another control body) at more than five of the companies mentioned; or (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than eight of the companies listed below (i).

For the purposes of calculating the maximum number of offices, positions held within the Snam Group and on Snam Committees are not relevant.

If the maximum limit on important positions held is exceeded, the directors must promptly inform the Board of Directors, which shall evaluate the situation in light of the Company's interest and ask the director to comply with its decisions on the matter. Based on the declarations made by the directors, the following table lists the other important positions held by directors of the Company pursuant to the Code of Corporate Governance and the relevant recommendations issued by the Board of Directors.

Director

Lorenzo Bini Smaghi

Sabrina Bruno

Alberto Clò

Elisabetta Oliveri

Andrea Novelli

Other important positions held

Director of Morgan Stanley International

Director of Banca Profilo S.p.A.

Director of De Longhi S.p.A.
Director of Atlantia S.p.A.

Director of Gruppo L'Espresso S.p.A.
Director of Eutelsat S.A.

Financial Controller of the Supervisory Board of STMicroelectronics N.V.

¹² Criterion 1.C.2 of the Code of Corporate Governance states that "Directors shall accept the office when they believe that they can devote the time necessary to the diligent performance of their duties, taking into account the commitment involved in their work and professional activities and the number of offices as director or statutory auditor held by them in other companies listed on regulated markets (including foreign markets), or in financial, banking, insurance or other large-sized companies. Based on the information received from the directors, the board must gather and publish each year in the report on corporate governance the offices as director or statutory auditor held by the directors in the aforesaid companies". Criterion 1.C.3 of the Code of Corporate Governance states that "The board shall issue a recommendation with regard to the maximum number of offices as director or statutory auditor of the companies referred to in the previous paragraph that may be considered compatible with the effective performance of the role of director of the issuer, taking into account the directors' membership of the board's internal committees. For that purpose, it shall identify different general criteria depending on the commitment to each role (for executive, non-executive and independent directors), and the nature and size of the companies in which the offices are held, as well as whether they belong to the issuer's group".

¹³ According to criterion 1:C.2 of the Code of Corporate Governance.

to the Code of Corporate Governance and the relevant recommendations issued by the Board is compatible with the effective performance of the role of director at Snam.

Lead Independent Director

Snam has not appointed a lead independent director due to the absence of the prerequisites set forth in criterion 2.C.3 of the Code of Corporate Governance and considering that the Chairman of the Board of Directors does not hold the office of Chief Executive Officer and does not hold a controlling stake in the Company. Furthermore, the appointment of a lead independent director was not requested by the independent directors.

2.5 SUCCESSION PLANS

Snam does not provide for succession plans for executive directors due to the nature of the Company's shareholder structure, and the fact that, by law and pursuant to the Bylaws, directors are appointed by the Shareholders' Meeting on the basis of lists submitted by shareholders.

2.6 REMUNERATION SYSTEM FOR DIRECTORS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

The Board of Directors examines the Remuneration Report required pursuant to Article 123-ter of the TUF, which is to be submitted to the Shareholders' Meeting pursuant to the aforementioned legislation. The Remuneration Report includes the compensation policy for the Chairman, the Chief Executive Officer and other managers with strategic responsibilities. The Remuneration Report required pursuant to Article 123-ter of the TUF can be consulted on the Company's website (http://www.snam.it/en/Governance/remuneration_report/).

3. COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board has established the following internal Committees with consultative and advisory duties, pursuant to the Code of Corporate Governance and to Article 16 of the Bylaws:

- Remuneration Committee;
- Appointments Committee
- Control and Risk Committee.

The composition, duties and functioning of the Committees are governed by the Board in special regulations, which can be consulted under the "Governance" section of the Company's website (http://www.snam.it/en/Governance/Social_bodies/Committees/), in accordance with the criteria set out by the Code.

On 23 April 2013 and on 12 December 2013, the Board of Directors appointed the members of the Committees. All the Committees are all made up of three members, with the exception of the Control and Risk Committee, which has four members.

In the performance of their functions, the Committees may access information and company departments. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors.

Individuals who are not members may participate in Committee meetings if asked to do so in relation to individual agenda items. The respective secretaries take minutes for the Committee meetings.

Furthermore, pursuant to Article 16 of the Bylaws, the Board of Directors has created the Combined Independent Management Committee.

3.1 REMUNERATION COMMITTEE

Duties

The Remuneration Committee provides consultative and advisory functions to the Board of Directors with regard to the remuneration of directors, and in particular:

- a. it submits the Remuneration Report and, in particular, the remuneration policy for directors and managers with strategic responsibilities (managers of Snam who, during the course of the financial year and together with the Chief Executive Officer, are permanent members of the Company's Executive Committee), to the Board of Directors, for its presentation to the Shareholders' Meeting convened for the approval of the separate financial statements for the year, under the terms envisaged by law;
- b. it examines the contents of the vote on Remuneration Report expressed by the Shareholders' Meeting and issues an opinion to be submitted to the Board of Directors;
- c. it makes proposals concerning the remuneration of the Chairman and the Chief Executive Officer in

- terms of the various forms of compensation and pay arrangements;
- d. it makes proposals concerning the remuneration of members of the Board Committees;
- e. it examines information reported by the Chief Executive Officer and proposes:
 - a. the general criteria for the remuneration of managers with strategic responsibilities;
 - b. annual and long-term incentive plans, including share-based plans;
 - c. general guidelines for the remuneration of other managers of Snam and its Controlled Companies;
- f. it proposes the determination of performance objectives and final calculations of company results connected with the implementation of incentive plans and the determination of the variable remuneration of executive directors;
- g. it monitors the application of decisions adopted by the Board;
- h. it periodically evaluates the adequacy, overall consistency and practical application of the policy adopted, as described in letter a) above, by formulating proposals on this subject to the Board;
- i. it performs any duties that may be required by the procedure concerning related-party transactions

- carried out by the Company;
- j. it reports to the Board on the activities it carries out at least every six months, and within the deadline for approving the financial statements and the half-year report, at the Board meeting indicated by the Chairman of the Board;
- k. it reports on the exercising of its functions to the Shareholders' Meeting convened to approve the separate financial statements for the year, through the Chairman of the Committee or another member appointed by the latter.

In accordance with the Board's decision, the Remuneration Committee annually reviews the remuneration structure of the Internal Auditor and ensures that it is consistent with the general criteria approved by the Board for all managers, and must indicate the above to the Chairman of the Control and Risk Committee for the purposes of the opinion which he must express on this matter at the Board meeting.

Composition

The composition of the Remuneration Committee is as follows:

Member	Position
Elisabetta Oliveri	Independent non-executive director ⁽¹⁾ - Chairman
Andrea Novelli	Non-executive director
Pia Saraceno	Independent non-executive director ⁽¹⁾

(1) Independent pursuant to the independence requirements set forth by the TUF and the Code of Corporate Governance

The Board of Directors has verified that at least one member has sufficient knowledge and experience of financial matters or remuneration policies.

Activities

In 2013 the Remuneration Committee met six times, with an average attendance of 94% of its members. The average duration of Committee meetings was 87 minutes.

Below is a brief description of the main issues dealt with by the Remuneration Committee during the 2013 financial year:

- it examined the implementation of the policies

defined in 2012 for the remuneration of the Chief Executive Officer and other managers with strategic responsibilities, deeming them to be coherent with the Company's governance model and adequate in terms of overall positioning and pay mix. It also examined the logic and criteria used to define the draft policy guidelines for 2013 for non-executive directors, the Chief Executive Officer and other managers with strategic responsibilities, taking into account the outcomes of the assessment of the policies implemented in 2012;

- it checked the results achieved in relation to the corporate objectives set out in the 2012 performance plans approved by the Board of Directors on 12 March

2012 and examined the information relating to the corporate objectives set out in the 2013 performance plans, for the purposes of annual monetary incentive plans. It also checked the 2012 EBITDA results and 2013 EBITDA target for the purposes of implementing the deferred monetary incentive plan;

- it checked and proposed to the Board of Directors the variable remuneration to be paid to the Chief Executive Officer in 2013, determined based on Snam's 2012 results;
- it examined the Chief Executive Officer's remuneration in light of national market references for similar positions at an equivalent level, and consequently proposed to the Board of Directors that his fixed remuneration be adjusted;
- it analysed the positioning of the non-executive directors' remuneration and the results of the Shareholders' Meeting vote on the 2013 Remuneration Report, beginning an in-depth examination of the matters of interest to shareholders and proxy advisors, as well as the performance indicators to be used for variable incentive plans;
- it examined the content of the exit agreements in place for the Chief Executive Officer;
- it reviewed the text of the Committee Regulations, comparing them with the remuneration committee regulations adopted by Italy's biggest listed companies,

with the support of the competent company departments. Having completed this analysis, although the Committee confirmed that the Regulations were in line with the best practices adopted by other Italian listed companies, it deemed it necessary to make a number of improvements, which it submitted for the approval of the Board of Directors.

The Committee reported to the Board of Directors, at the Board meetings of 30 July 2013 and 27 February 2014, on the activities it carried out in the first and second halves of 2013 respectively.

The Committee has scheduled four meetings for 2014. As at the Report approval date, the first meeting has already taken place.

Pursuant to the Regulations governing the Board of Directors, the directors refrain from attending Committee meetings during which proposals are formulated concerning the directors' remuneration.

In 2013, the Chairman of the Board of Statutory Auditors regularly attended Committee meetings, and on invitation of the Committee also external parties (no members of the Committee) attended the meeting in order to provide information and explanations.



The Committee has made use of external consultants, some of whom are also conducting activities (which do not compromise their independent judgement) for the structures of the Human Resources and Security department.

Pursuant to the Regulations governing the Remuneration Committee, the Board of Directors gives the Committee the necessary resources to fulfil its duties within the budget limits approved by the Board, and the Committee may, within the same limits, make use of external consultants, through Company structures, provided said consultants are not in a situation that could compromise their independence of judgement.

The Regulations governing the Remuneration Committee were approved most recently by the Board of Directors on 27 February 2014. The Regulations are available on the Company's website (http://www.snam.it/en/Governance/Social_bodies/Committees/compensation-committee.html).

The table Annex 1 of the Section IV lists information about the attendance of each participant in Remuneration Committee meetings.

3.2 APPOINTMENTS COMMITTEE

Duties

The committee provides the following consultative and advisory functions to the Board of Directors:

- a. it proposes to the Board candidates for the position of director, should the office of one or more directors be vacated during the year (Article 2386, first paragraph, Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the least represented gender;
- b. on the proposal of the Chief Executive Officer, in agreement with the Chairman, it proposes to the Board of Directors the candidates for the corporate bodies of Controlled Companies included in the scope of consolidation and foreign strategic subsidiaries. Such proposal made by the Committee is required;
- c. it develops and proposes: (i) procedures for the annual self-evaluation of the Board and its Committees, (ii) directives in relation to the limits and prohibitions regarding to the holding of multiple offices by the members of the Board of Directors of Snam and its Controlled Companies, (iii) criteria for evaluation of the requirements of professionalism and independence of the directors of Snam and its Controlled Companies, as well as, the activities carried out in competition;



d. it reports to the Board, at least every six months and, in any event, not later than the deadline for approval of the annual report and the half-yearly report, on the activities carried out.

Composition

The composition of the Appointments Committee is as follows:

Member	Position
Alberto Clò	Independent non-executive director ⁽¹⁾ - Chairman
Roberta Melfa	Non-executive director
Elisabetta Oliveri	Independent non-executive director ⁽¹⁾

(1) Independent pursuant to the independence requirements set forth by the TUF and the Code of Corporate Governance

Activities

In 2013 the Appointments Committee met eight times, with 95.8% of members present. The average duration of Committee meetings was 58 minutes.

In 2013 the Appointments Committee focused its activities on the following issues:

- making proposals to the Board of Directors concerning the composition of the corporate bodies of the Controlled Companies. Specifically, these proposals concerned:
 - the appointment of members of the Board of Directors of GNL Italia S.p.A. and of Stogit S.p.A.;
 - the addition to the Board of Italgas S.p.A. of two independent directors (pursuant to the Code of Corporate Governance), in order to comply with the provisions of the Competition Authority, as set out in Order C11695 No. 23824 of 8 August 2012;
 - the appointment of the Board of Statutory Auditors of GNL Italia S.p.A., Italgas S.p.A. and Stogit S.p.A.;
 - the addition to the Board of Statutory Auditors of Snam Rete Gas S.p.A. of one standing auditor and two alternate auditors;
- making proposals to the Board of Directors concerning the limits and prohibitions regarding to the holding of multiple offices by the members of the Board of Directors of Snam;
- preliminary planning with a view to carrying out the tender procedure aimed at identifying an external advisor to perform the Board Evaluations, before formulating the relevant proposal to the Board of Directors;
- planning the Board Evaluations and carrying out the tender procedure aimed at identifying the advisor;

identifying the advisor to be proposed to the Board of Directors with a view to being commissioned to perform the Board Evaluations following the tender procedure.

In addition, upon the replacement of the corporate bodies, the Board of Directors, on proposal of the Appointments Committee, expressed to the Shareholders' Meeting guidelines on suitable candidates, in accordance with the provisions of the Code of Corporate Governance and taking into account the powers reserved for the Board pursuant to Article 2381 of the Italian Civil Code.

The Regulations governing the Appointments Committee were approved most recently by the Board of Directors on 27 February 2014. The Regulations are available on the Company's website (http://www.snam.it/en/Governance/Social_bodies/Committees/appointments-committee.html).

The Committee reported to the Board of Directors, at the Board meetings of 30 July 2013 and 27 February 2014, on the activities it carried out in the first and second halves of 2013 respectively.

The Appointments Committee is scheduled to meet at least twice a year, in accordance with the duties assigned to it pursuant to the Committee Regulations¹⁴. As at the date of approval of the Report, one meeting has taken place.

Pursuant to the Regulations governing the Appointments Committee, the Board of Directors gives the Committee

¹⁴ The Appointments Committee must report to the Board of Directors at least once every six months on the activities it carries out

the necessary resources to fulfil its duties, and the Committee may make use of external consultants, through Company structures, in accordance with the terms set forth by the Board.

Company executives may attend Committee meetings, depending on the matters being discussed.

The table Annex 1 of the Section IV lists information about the attendance of each participant in Appointments Committee meetings.

3.3 CONTROL AND RISK COMMITTEE

Duties

The Committee provides recommendations and advice to the Board of Directors by making suitable enquiries to support the Board's assessments and decisions concerning the internal control and risk management system, as well as those relating to the approval of financial reports.

Specifically, the Control and Risk Committee performs the following functions:

- a. it evaluates, together with the Executive Responsible for preparing corporate accounting documents and having consulted the External Auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- b. it issues opinions on specific aspects relating to the identification of the main risks faced by the Company;
- c. it carries out the further duties which are attributed to it by the Board of Directors concerning Transactions involving directors' or statutory auditors' interests and related-party transactions, according to the times and methods set out in the Procedure enclosed to the Regulations of the Committee¹⁵;
- d. it examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Auditor;

- e. it monitors the independence, suitability, effectiveness and efficiency of the Internal Audit department;
- f. it may ask the Internal Auditor to carry out inspections of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the internal control and risk management system director;
- g. it reports to the Board, at least every six months, upon approval of the annual and half-year financial reports, on the activity it carries out and on the adequacy of the internal control and risk management system;
- h. it expresses its opinion on proposals to the Board of Directors submitted by the internal control and risk management system director, in agreement with the Chairman: (i) concerning the appointment, dismissal and remuneration of the Internal Auditor, in line with the Company's pay policy; and (ii) designed to ensure that he/she is given the appropriate resources to fulfil his/her responsibilities.

The Committee expresses its opinion to the Board of Directors in order to:

- a. define the guidelines for the internal control and risk management system, so that the main risks facing the Company and its subsidiaries can be correctly identified and adequately measured, managed and monitored, as well as determine to what extent these risks can be managed using a policy that is consistent with the strategic objectives identified;
- b. periodically evaluate, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Company and the risk profile it has adopted;
- c. periodically approve, at least once a year, the Audit Schedule prepared by the Internal Auditor;
- d. describe, in the Report on Corporate Governance and Ownership Structure, the main features of the internal control and risk management system, and evaluate the adequacy of the system;
- e. evaluate the conclusions presented by the External Auditors in any letter of suggestions and in the report on key matters arising from the external audit.

¹⁵ Procedure entitled "Transactions involving directors' or statutory auditors' interests and related-party transactions", approved by the Board of Directors of Snam S.p.A. pursuant to and in accordance with Article 2391-bis of the Civil Code and the Consob Decision "Regulation on Related-Party Transactions" no. 17389 of 23 June 2010, with the unanimous consent of the Internal Control Committee (now the Control and Risk Committee) on 30 November 2010, as subsequently amended.

The Control and Risk Committee, in its composition of only independent directors, also performs the duties assigned to it as part of the Procedure entitled "Transactions in which directors or statutory auditors have an interest, and related-party transactions". For further information about the above mentioned Procedure see Chapter 7.4 of the Report.

Composition

On 23 April 2013, the Board of Directors appointed

the members of the Audit and Risk Committee.

On 12 December 2013 the Board of Directors resolved, following approval of the new Regulation of the Control and Risk Committee, the integration of the composition in order to ensure the maximization of the different competencies of the Board within the Committee¹⁶. Also as a result of this integration, the members of the Committee are the following:

Member	Position
Francesco Gori	Independent non-executive director ⁽¹⁾ - Chairman
Sabrina Bruno	Independent non-executive director ⁽¹⁾
Andrea Novelli ⁽²⁾	Non-executive director
Pia Saraceno	Independent non-executive director ⁽¹⁾

(1) Independent pursuant to the independence requirements set forth by the TUF and the Code of Corporate Governance

(2) Appointed on 12 December 2013 following approval of the new Committee Regulations

The Snam Board of Directors decided that more than one member of the Committee has adequate accounting, financial and risk management experience. The Chairman of the Company, the internal control and risk management system director and the Statutory Auditors are usually invited to attend Committee meetings. Other non-Committee members may also attend, upon invitation by the Committee Chairman, in order to provide information and express related competent evaluation on individual agenda items.

The Committee meetings are deemed valid with the presence of the majority of the members in office; the Committee resolves by an absolute majority of the attendees. In the event of a tied vote, the Committee Chairman shall represent the position adopted by the majority of the independent directors to the Board of Directors, whilst also informing the Board of the position of the other Committee members.

Activities

In 2013 the Committee met 10 times, with 93.3% of members present on average. The average duration of Committee meetings was 208 minutes.

Below is a brief description of the main issues discussed during the 2013 financial year:

- various aspects of the corporate governance system, particularly:
 - revising the Committee Regulations, which were subsequently approved by the Board of Directors;
 - analysing the draft Regulations on the performance of management and coordination activities by Snam and its Controlled Companies;
 - examining the independence of the Internal Audit department and of certain key functions of the corporate governance system (the Executive Responsible for preparing corporate accounting documents, the Compliance and the enterprise risk management system);
- the enterprise risk management system, particularly:
 - examining the initiatives put in place by the Company to implement the enterprise risk management system intended to organically support senior management in identifying, measuring, managing and monitoring the main risks that could affect the achievement of strategic objectives, paying special attention to critical and strategic risks and, in particular, the financial risks analysed in depth with the support of management;
- oversight of the Internal Audit department, particularly:

¹⁶ In order to maximize the different competences it was introduced the alternative provided by principle 7.P.4 of the Code of Corporate Governance with a composition of the Committee of non-executive directors, a majority of independent directors.

- proposing adjustments to the Guidelines of the Board of Directors with regard to the activities of the Internal Audit department (approved by the Board of Directors most recently on 29 October 2013);
- examining all the activities carried out to implement the audit schedule, the main results of the audits carried out during the period and the follow-up on corrective actions agreed with management based on the observations emerging from the controls carried out and the quarterly reports on notifications received;
- proposing the 2014 audit schedule based on the chart of the main corporate risks drawn up by the Enterprise Risk Management unit and presented to the supervisory and control bodies of the Direct Controlled Companies, in order to acquire any instructions or assessments from them;
- issues relating to regulatory provisions pursuant to Law 262/2005, particularly:
 - examining, with the Executive Responsible for preparing corporate accounting documents, the report on the adequacy of the Corporate Reporting Control System and compliance with administrative and accounting procedures, including with regard to the modification of the Corporate Reporting Control System following Eni's loss of control over Snam on 15 October 2012 and the resulting transition of the Snam Group from an SOA-compliant system to a system based exclusively on the requirements of Law 262/2005;
- the activities of the firm appointed to audit the accounts, particularly:
 - analysing issues relating to the half-year and annual financial reports with the External Auditors, together with the Head of Planning, Administration and Control, with regard both to auditing and to the checks carried out in relation to the effectiveness of the Corporate Reporting Control System pursuant to Law 262/2005;
- issues relating to regulatory provisions pursuant to Legislative Decree 231/2001, the Code of Ethics and the Anti-Corruption Procedure, particularly:
 - holding meetings with the Supervisory Body and examining the activities it carries out to fulfil the role assigned to it by Model 231;
 - examining the results of the project to update Model 231, used by Snam and its Controlled Companies, which was launched in early 2013 in view of the regulatory changes that extended the scope of application of administrative responsibility pursuant to Legislative Decree 231/2001;
 - examining the proposals to update Model 231, the Code of Ethics and the Anti-Corruption Procedure (approved by the Board of Directors on 30 July 2013);
- activities carried out concerning related-party transactions, particularly:
 - examining the procedure for "Transactions in which directors or statutory auditors have an interest, and related-party transactions" (approved by the Board of Directors most recently on 12 December 2013);



- assessing the choices made by the Company, based on the relevant criteria set out by Consob, for defining the threshold to be used to distinguish between small and large transactions, and confirming the adequacy of these choices;
- analysing the report drawn up by the Administration department on the related-party transactions carried out in the first half of 2013.

The Regulations governing the Control and Risk Committee were approved most recently by the Board of Directors on 12 December 2013. The Regulations are available on the Company's website (http://www.snam.it/en/Governance/Social_bodies/Committees/control-risk-committee.html).

The Committee reported to the Board of Directors, at the Board meetings of 30 July 2013 and 27 February 2014, on the activities it carried out in the first and second halves of 2013 respectively.

The Committee has scheduled seven meetings for 2014. As at the approval date of the Report, two meetings had been held.

During 2013, several non-Committee members attended meetings of the Control and Risk Committee upon invitation by the Committee, in order to provide information and explanations. The Chairman of the Board of Statutory Auditors and/or other statutory auditors also usually attended.

The Committee Regulations state that the Committee may access any information necessary for the purposes of performing its duties and may make use of the relevant company departments and external consultants, within the terms set by the Board of Directors. The Committee has the financial resources necessary to pay independent consultants or other experts, and to fulfil its duties.

The table Annex 1 Section IV lists information about the attendance of each participant in Control and Risk Committee meetings.

Relations with other bodies and departments

The Board of Statutory Auditors and the Control and Risk Committee promptly exchange information that may be useful in carrying out their respective functions, receive and collate significant information, at least once every six months, from the control functions (the Internal Audit, Risk Management and Compliance departments) on the controls performed and on any weaknesses, problems or anomalies identified, and meet at least once every six months to assess the results.

The Committee also meets with the Supervisory Body / Code of Ethics Supervisor and the Board of Statutory Auditors when the Supervisory Body performs its examination of the half-year report.

3.4 COMBINED INDEPENDENT MANAGEMENT COMMITTEE

On 27 July 2010, with the approval of the Electricity and Gas Authority and pursuant to Article 16 of the Bylaws, the Board of Directors set up the Combined Independent Management Committee, a collegiate body for the joint management - by Snam and its Controlled Companies - of regulated activities pertaining to the transportation and dispatching, distribution and storage of natural gas and to the regasification of liquefied natural gas.

The Committee was set up in accordance with the provisions of the Consolidated Unbundling Act (TIU). The TIU states that regulated activities pertaining to the transportation and dispatching, storage and distribution of natural gas, and to the regasification of liquefied natural gas, can be managed jointly - without being subject to functional-unbundling obligations¹⁷ - through the creation of a Combined Independent Management Committee¹⁸.

The Combined Independent Management Committee is made up of the individuals who hold the following positions at any given time:

- the CEO of Snam;
- the CEO of GNL Italia;

¹⁷ EU laws on natural gas (transposed into Italian law by Legislative Decree No. 164 of 23 May 2000, Decree Law No. 239 of 29 August 2003 and Legislative Decree No. 93 of 1 June 2011) introduced laws on the corporate, functional and organisational unbundling of system operators for the transportation, dispatching, distribution, storage and regasification of natural gas, belonging to groups of vertically integrated undertakings. The functional-unbundling obligations were incumbent on Eni as a vertically integrated undertaking in the natural gas sector, operating not only in the field of mining and sales but also in transportation and dispatching infrastructure activities, the regasification of liquefied natural gas, and storage and distribution, through subsidiaries - (i.e. Snam and its Controlled Companies).

¹⁸ See Article 8.1 of the TIU.

- the CEO of Italgas;
- the CEO of Snam Rete Gas;
- the CEO of Stogit.

The Combined Independent Management Committee is chaired by the Chief Executive Officer of Snam.

In accordance with Article 15.1 of the TIU, the Combined Independent Management Committee has appointed a Supervisor for the proper management of commercially sensitive information processed as part of ordinary business activities. At present, this role of Supervisor is performed by Snam's Head of Coordination of Legal and Corporate and Compliance Affairs.

4. BOARD OF STATUTORY AUDITORS AND EXTERNAL AUDITORS

4.1 BOARD OF STATUTORY AUDITORS

Role and functions

Pursuant to Article 149, paragraph 1 of the TUF, the Board of Statutory Auditors oversees:

- compliance with the law and with the deed of incorporation;
- respect for the principles of proper administration;
- the adequacy of the Company's organisational structure in relation to its remit, the internal control system and the administrative and accounting systems, as well as the reliability of the latter in properly representing operational events;
- procedures for the implementation of the rules established by the Code of Corporate Governance;
- the adequacy of the Company's instructions to its Controlled Companies pursuant to Article 114, paragraph 2.

Pursuant to Article 19 of Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors also performs supervisory functions in its capacity as the "Internal Control and Audit Committee", overseeing in particular:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and, if applicable, risk management systems;
- the independent audit of the annual financial statements and consolidated financial statements;
- the independence of the External Auditors, particularly with regard to the provision of non-audit services to the entity being audited.

Upon prior notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member of the Board of Statutory Auditors; the power to call Shareholders' Meetings must be exercised by at least two members of the Board.

The Board of Statutory Auditors is invited to attend meetings of the Control and Risk Committee.

In 2013, the Board of Statutory Auditors met 15 times; the meetings were attended on average by 70.91% of the statutory auditors, see Annex 2 of the Section IV. The average duration of the Board of Statutory Auditors' meetings was 240 minutes. As at the date of this Report, the Board of Statutory Auditors has scheduled five meetings for the first quarter of 2014. To date, three of these meetings have taken place.

Pursuant to the Procedure "Transactions in which directors or statutory auditors have an interest and related-party transactions" the members of the Board of Statutory Auditors must declare their own interests or the interests of third parties in specific operations put before the Board of Directors. No such declarations were required from the members of the Board of Statutory Auditors in 2013. Pursuant to applicable legislation, the Board of Statutory Auditors receives the information flows it needs to perform its duties.

A description of the ways in which the Board of Statutory Auditors interacts with the Control and Risk Committee and with the Internal Audit department can be found respectively in Chapters 3.3 and 6.4 of Section III of the Report.

Appointment and term of office

Pursuant to Article 20 of the Bylaws, Snam's Board of Statutory Auditors is made up of three standing auditors and two alternate auditors appointed by the Shareholders' Meeting for three financial years. They may be re-elected at the end of their term of office.

Statutory auditors are chosen from among those who meet the professionalism and integrity requirements indicated in Justice Ministry Decree No. 162 of 30 March 2000. Issues set forth in this decree which relate strictly to the Company's activity include: commercial

law, business economics and business finance. Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector.

Statutory auditors may not hold more than the maximum number of positions permitted by applicable legislation. In any event, pursuant to Article 2, paragraph 2, letter c) of the Prime Ministerial Decree of 25 May 2012, the statutory auditors may not be a member of the administrative or control bodies, or hold senior management positions, at Eni and its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

As per the provisions set forth for the Board of Directors and in accordance with the applicable provisions, the Bylaws provide that the statutory auditors be appointed by list voting, unless they are replaced during their term of office, in compliance with the applicable law on gender representation.

In the lists submitted by shareholders, the candidates must be listed by consecutive number and their number must not be greater than the number of members of the body to be elected. The rules for filing, presenting and publishing the lists are the same as for the election of directors (see Section III, Chapter 2). Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms set forth in the applicable legislative and regulatory provisions.

Only shareholders who, alone or together with other shareholders, represent at least 1% of the share capital (the percentage set by Consob Resolution No. 18775 of 29 January 2014) are entitled to submit lists. Each candidate may feature on only one list; otherwise their candidacy is declared void.

Lists are broken down into two sections: the first for candidates to the office of standing auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the register of auditors and must have a minimum of three years' experience as an external auditor.

In order to comply with the applicable law on gender representation, and considering both sections, lists

which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of standing auditors, in accordance with the notice of convocation of the Shareholders' Meeting. Where the list contains only two candidates, one must be male and the other female.

Lists for appointing statutory auditors, together with details on the candidates as well as a mention of the identity of the shareholders submitting said lists and the percentage equity interest owned, must be made available to the public at the Company's headquarters and Borsa Italiana S.p.A., and posted on the Company's website, in a timely manner, and in any case within the time periods provided for by applicable legislation. Additional binding legal provisions, including regulatory rules, remain unchanged.

List-voting mechanism for the election of the board of statutory auditors

Below is a description of the ways in which the Board of Statutory Auditors is appointed using a list-voting mechanism, as provided for by Article 20 of the Bylaws.

Two standing auditors and one alternate auditor are taken from the list that wins the majority of the votes. The other standing auditor, who becomes Chairman of the Board of Statutory Auditors, and the other alternate auditor are appointed according to the methods set forth in Article 13.5, b) of the Bylaws for the election of directors, which are to be applied separately to each of the sections into which the other lists are broken down.

Where following the above procedure fails to ensure compliance with the law on gender representation for the standing auditors, the quotient of votes to be attributed to each candidate taken from the standing auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same standing auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who,

in this case, takes the place of the alternate auditor he/she has just been replaced by). If this fails to ensure compliance with the law on gender representation, the candidate is replaced by the person appointed by statutory majority at the Shareholders' Meeting, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and with the Bylaws.

Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of statutory auditors has been taken shall be replaced, or, if this is not applicable, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the

fewest votes in a dedicated vote by the Shareholders' Meeting shall be replaced.

In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, he/she is replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, he/she is succeeded by the alternate auditor from the those lists.

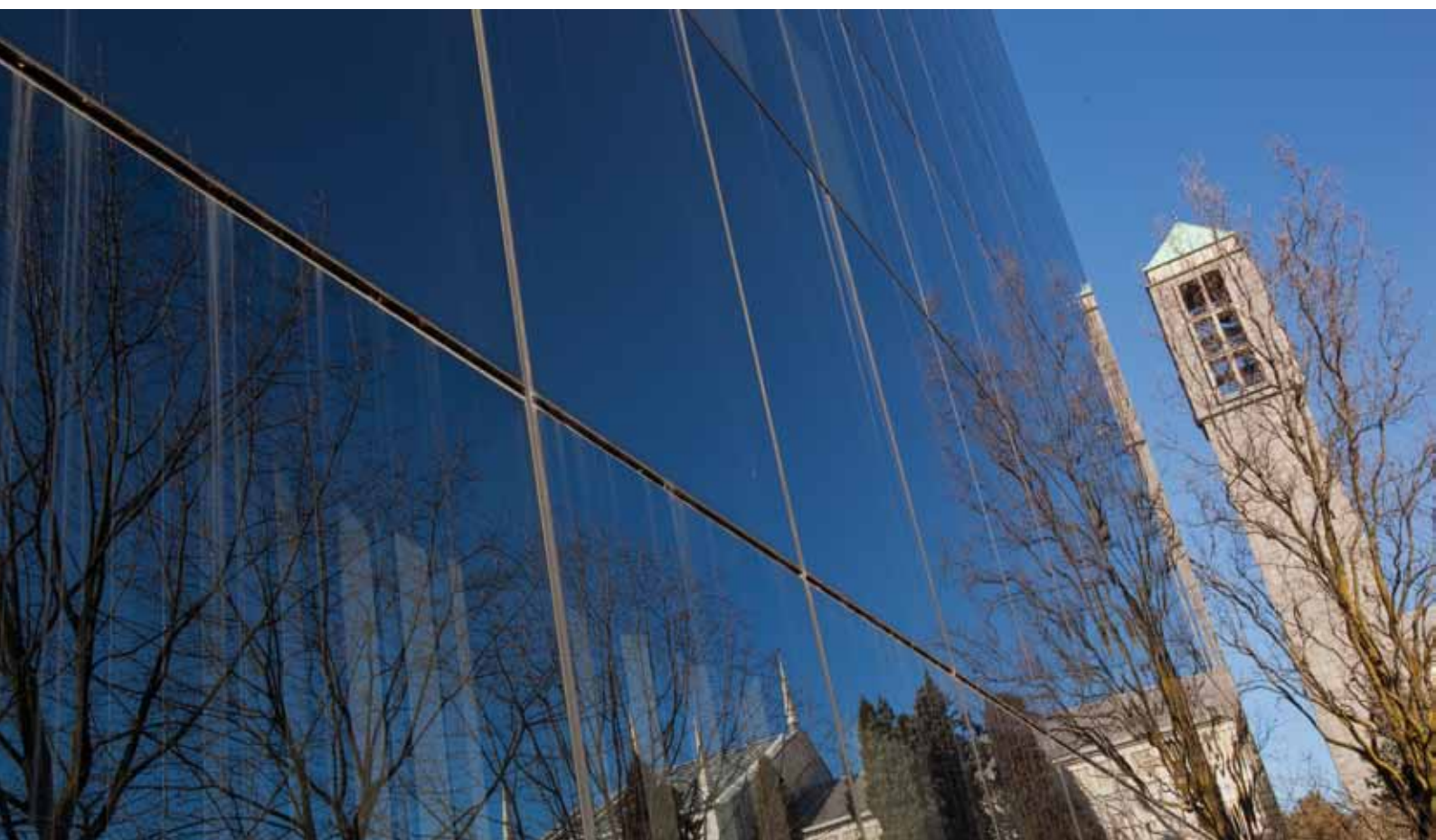
Composition

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 26 March 2013 for three financial years and in any event up to the date of the Shareholders' Meeting called to approve the financial statements for 2015:

Member	Position
Massimo Gatto ⁽¹⁾	Standing auditor and Chairman
Leo Amato ⁽²⁾	Standing auditor
Stefania Chiaruttini ⁽²⁾	Standing auditor
Maria Gimigliano ⁽²⁾	Alternate auditor
Luigi Rinaldi ⁽¹⁾	Alternate auditor

(1) elected from the list submitted by minority shareholders

(2) elected from the list submitted by CDP Reti S.r.l.



On the basis of declarations provided by its members, and on the occasion of its renewal, the Board of Statutory Auditors verified that all its members met the independence requirements set forth in Article 148, paragraph 3 of the TUF, as well as those set forth in Article 3 of the Code of Corporate Governance pertaining to directors. During the first half of 2014, the Board of Statutory Auditors shall perform its annual check that all its members meet the independence requirements set forth in Article 148, paragraph 3 of the TUF, as well as those set forth in Article 3 of the Code of Corporate Governance pertaining to directors.

Curricula

The biographies of each statutory auditor can be found on the Company's website (http://www.snam.it/en/Governance/Social_bodies/Statutory_auditors/). A summary of the biographies of the standing auditors is shown below.

STANDING AUDITORS

Massimo Gatto



Born in Rome in 1963, Massimo Gatto gained a degree in Economics and Business from the Sapienza University of Rome. He works as a chartered accountant, auditor and official receiver. Currently, in

addition to serving as Chairman of the Board of Statutory Auditors of Snam, he is a standing auditor of Associazione Nazionale per l'Enciclopedia della Banca e della Borsa, and an alternate auditor of UniCredit Factoring S.p.A., and Mediaset S.p.A.

Leo Amato



Born in Turin in 1961, Leo Amato graduated in Business Economics from Turin University. He is registered on the Italian Register of Auditors and the Register of Court-Appointed Experts; he is

a member of the Arbitration Chamber of Piedmont. He holds administration and audit positions in a number of Italian companies. He was a short-term Lecturer of Business contract law, Non-profit organisation law and Trust and fiduciary transaction law at the Faculty of Economics of the University of Eastern Piedmont. He is the Chairman of Iusefor, the Training Centre of the University Institute of European Studies of Turin.

Stefania Chiaruttini



Born in Este on 11 August 1962, Stefania Chiaruttini graduated with a degree in Economics and Business from Milan's Bocconi University. She is registered on the Italian Register of Auditors.

She has held and holds the post of statutory auditor, director and liquidator of various companies, including companies listed on the Milan Stock Exchange.

ALTERNATE AUDITORS

Maria Gimigliano

Born in Naples in 1976. She graduated in Business Economics from Milan's Bocconi University. She is a standing auditor of Nonino Distillatori S.p.A., Ennefin S.p.A. and Nonino S.p.A. She is registered on the Italian Register of Auditors.

Luigi Rinaldi

Born in Pavia in 1959. He graduated in Economics and Business from the University of Pavia and earned a research doctorate from Milan's Bocconi University. He is Professor at the University of Pavia's Economics Faculty. He is chartered accountant and auditor. He is a corporate and business consultant and a technical consultant to the magistrature.

He is Chairman of the Board of Statutory Auditors of Napoletanagas S.p.A. and GNL Italia S.p.A.

4.2 EXTERNAL AUDITORS

As required by law, auditing activities are assigned to an external auditing firm included in the relevant register and appointed by the Shareholders' Meeting based on a reasoned proposal from the Board of Statutory Auditors.

On 27 April 2010, the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to audit the Company for the 2010-2018 period.

5. INDUCTION SESSIONS FOR DIRECTORS AND STATUTORY AUDITORS

Following the appointment of the Board of Directors and the Board of Statutory Auditors in March 2013, board induction sessions were held; the members of both the aforementioned bodies attended the induction session.

In accordance with the Code of Corporate Governance, these sessions were intended to give the directors and statutory auditors sufficient knowledge of the sector in which the Company operates, also in light of the corporate dynamics and changes to its corporate structure. They focused on: (i) the framework and rules of the governance system; (ii) the internal control and risk management system; (iii) the strategies of Snam and its subsidiaries; (iv) the operating and market climate; and (v) the relevant regulatory and legislative framework.

These sessions, which were held on 23 April 2013 and 11 June 2013, were prepared and conducted by the Directors and/or Heads of the relevant departments and structured as follows:

- corporate governance of Snam and the Group: this aimed to illustrate: (a) the evolution of the Snam's corporate governance model in light of the unbundling legislation and the ownership unbundling that has taken place; (b) Snam's current corporate governance structure; (c) the main compliance and governance procedures currently adopted by Snam;
- regulatory system: this aimed to illustrate: (a) the regulatory system in which Snam operates; (b) infrastructure regulation; (c) the tariff regulatory framework; and (d) the operating and market climate;
- introduction to the Group: this aimed to give a financial overview of the Snam Group;
- governance rules of Snam and its Controlled Companies: this aimed to illustrate: (a) the principles underlying Snam's management and coordination activities; (b) the Code of Ethics, Model 231 and the Anti-Corruption Procedure; (c) the Health, Safety, Environment and Quality system and the Privacy Code;



- (d) the internal control and risk management system;
- 2013-2016 business plan: this aimed to illustrate the strategies of Snam and its Controlled Companies. This session was conducted by the Chief Executive Officer.

6. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

6.1 CODE OF ETHICS AND PRINCIPLES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Snam has adopted and is committed to promoting and maintaining an adequate internal control and risk management system, to be understood as a set of all of the tools necessary or useful in order to direct, manage and monitor business activities with the objective of ensuring compliance with laws and company procedures, protecting corporate assets, managing activities in the best and most efficient manner and providing accurate and complete accounting and financial data.

The Code of Ethics defines the guiding principles that serve as the basis for the entire internal control and risk management system, including: (i) the segregation of duties among the entities assigned to the processes of authorisation, execution or control; (ii) the existence of corporate determinations capable of providing the general standards of reference to govern corporate activities and processes; (iii) the existence of formal rules for the exercise of signatory powers and internal powers of authorisation; and (iv) traceability (ensured through the adoption of information systems capable of identifying and reconstructing the sources, the information and the controls carried out to support the formation and implementation of the decisions of the Company and the methods of financial resource management).

Over time, the internal control and risk management system has been subjected to verification and updating in order to continually ensure its suitability and to protect the main areas of risk in business activities. In this context, as well as for the purpose of implementing the provisions of the Corporate Governance Code, Snam has adopted an Enterprise Risk Management system ("ERM"). Further information on the ERM system can be found in Chapter 6.3 of the Report.

The Board of Directors, in its most recent meeting of 29 October 2013, approved the "Guidelines of the Board of Directors on Internal Auditing" (the "Guidelines") that define the system of internal control and risk management as a set of organisational structures, rules and procedures to enable the identification, measurement, management and monitoring of the main risks. An effective system of internal control and risk management assists in leading the Company in line with pre-established goals, promoting reasoned decision-making.

The internal control and risk management system director and those appointed to manage it are responsible for establishing and maintaining an effective internal control and risk management system, in line with corporate and procedural objectives, ensuring that risk management procedures correspond to the risk containment plans defined. Snam's Board of Directors has identified the Company's Chief Executive Officer as the director responsible for the internal control and risk management system, performing the duties set forth in the Code of Corporate Governance.

The Board of Directors, subject to the opinion of the Control and Risk Committee, assesses, at least annually, the adequacy of the internal control and risk management system with regard to the characteristics of the Company and of the Group and the risk profile assumed, as well as its efficacy.

The Board of Directors – subject to the favourable opinion of the Control and Risk Committee and considering the opinion of the Board of Statutory Auditors, upon the proposal of the internal control and risk management system director, in agreement with the Chairman of the Board of Directors – appoints the Internal Auditor. Further information on the Internal Auditor can be found in Chapter 6.4 of the Report.

In its capacity as the "internal control and audit committee" pursuant to Legislative Decree 39/2010, the Board of Statutory Auditors oversees the effectiveness of the internal control and risk management system.

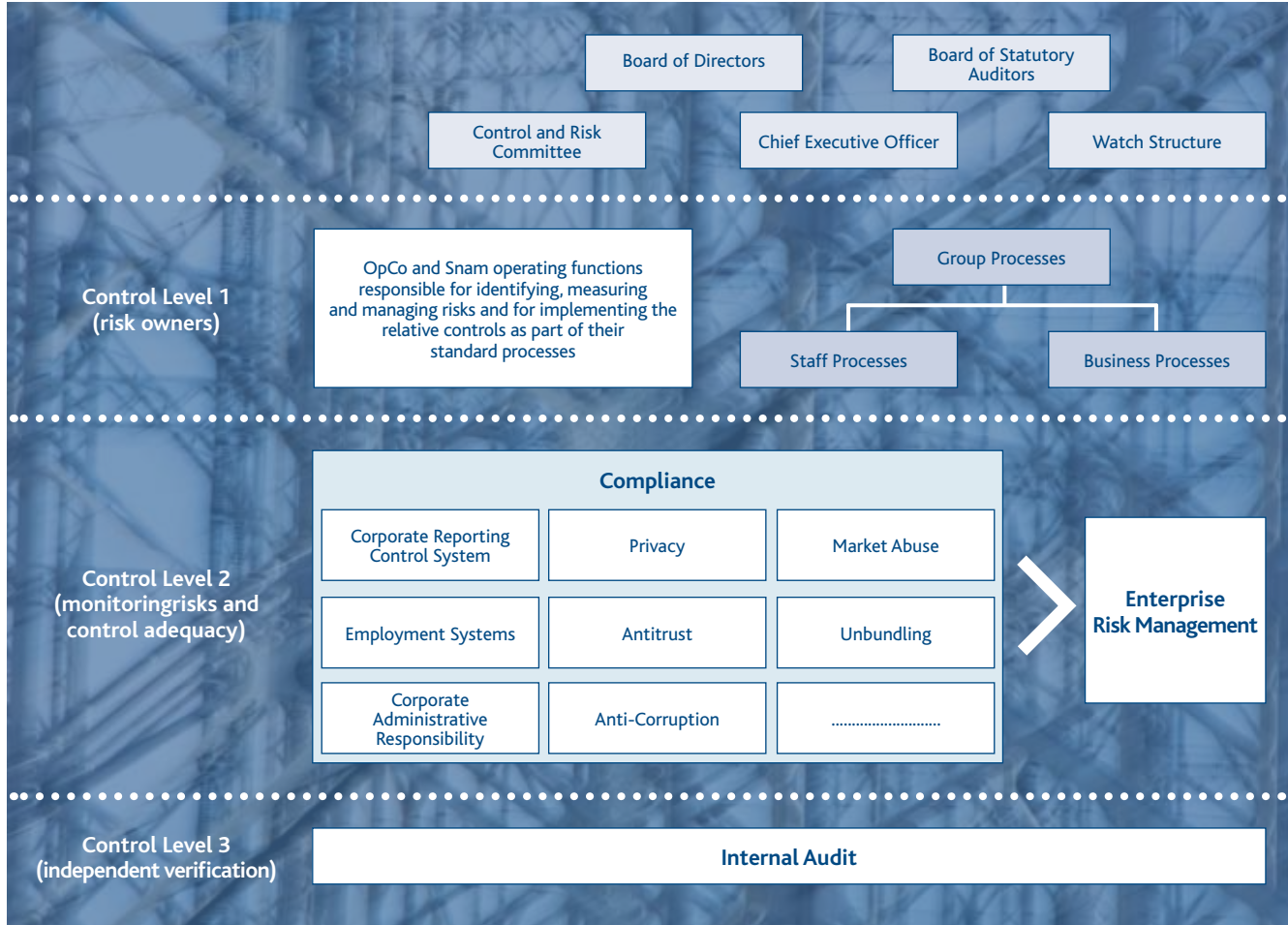
During 2013, the Board of Directors undertook initiatives aimed at the analysis and subsequent formalization of guidelines for the internal control and risk management system, containing the rules best organisational structures, procedures and organizational structure rules

for identifying, measuring, monitoring and managing risks, consistently in accordance with strategic objectives identified.

Snam’s internal control and risk management system is based on an integrated model of controls, with the identification duties of each body and department involved and concrete methods of coordination between them of each body and department involved clearly identified. Management is primarily responsible for applying the internal control and risk management system, since control activities are an integral part of management processes. Management must therefore foster an environment positively oriented that promotes to the controls and must specifically manage “line controls”, consisting of all the control activities that individual operating units or companies perform on their own processes. There are various operating units involved in the internal control and risk management system, based on specific allocations of responsibility. These units are set within the corporate structure at three different levels of the corporate structure, and they interact as shown in the diagram below.

Specifically, Snam’s risk management system comprises the following three levels of internal control:

- **Level One:** identification, evaluation and monitoring of risks inherent to the individual Group processes. The Group departments that bear the individual risks, and are responsible for identifying, measuring and managing them as well as for implementing the necessary controls, are located at this level.
- **Level Two:** monitoring of the main risks to ensure that they are effectively and efficiently managed and processed, and monitoring of the adequacy and functioning of the controls put in place to protect against the main risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls. This level contains Group personnel charged with coordinating and managing the main control systems (e.g. Corporate Administrative Liability, Disclosure, Anti-Corruption, Antitrust, etc.).
- **Level Three:** independent and objective verification of the operating effectiveness and adequacy of Levels One and Two, and in general of all risk management



methods. This activity is performed by the Internal Audit department, which performs his activity under the direction and guidance of the Guidelines.

In accordance with the Code of Corporate Governance, and on the basis of preliminary activity of the Control and Risk Committee, on 27 February 2014 the Board of Directors evaluated the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of Snam and its Controlled Companies and the risk adopted.

The internal control and risk management system director timely reports the Control and Risk Committee any problems and critical issues and arisen during the performance of his/her activity of which he/she has been made aware. During the 2013 financial year there were no events or facts for which such timely information was necessary.

6.2 SNAM'S ENTERPRISE RISK MANAGEMENT SYSTEM

Also in order to execute the provisions of the Code of Corporate Governance, Snam has adopted an ERM system composed of rules, procedures and organisational structures, for identifying, measuring, managing and monitoring the main risks that could affect the achievement of its strategic objectives.

Snam, through the ERM system has adopted uniform and structured method for Snam and its Controlled Companies identifying, evaluating, managing and controlling risks in line with existing reference models and best practice. The ERM system provides for an integrated, cross and dynamic evaluation of risk that increases the value of the management systems already in place in the individual corporate processes.

The results arisen in relation to the main risks and the relevant plans for managing said risks are submitted to the Control and Risk Committee to allow the evaluation of the effectiveness of the internal control and risk management system in relation to the specific features of Snam and to the risk profile adopted.

Within the company has been set up the Enterprise Risk Management department, whose duties include, inter alia:

- ensuring the definition and updating of the Snam's ERM model and providing specialist methodological support in identifying and evaluating Group risks;

- ensuring the coordination of the overall ERM process, providing that the risks to Snam and its Controlled Companies are properly consolidated and prioritised;
- providing for the identification of 'enterprise' risks and for the relevant measurements, to the extent of its competence;
- ensuring, in accordance with the competent corporate departments, the consolidation of the strategies of managing of the identified risks;
- ensuring the coordination of the risk monitoring and control activities;
- overseeing the periodic drafting of reports and the management and updating of defined risk indicators.

The scope of the risks identification phase is to pinpoint dangerous events both pertaining the corporate processes of Snam and its Controlled Companies and external to them that may affect the achievement of the corporate objectives. Risks are measured in an integrated and cross manner by way of defined grading scales of probability and impacts that concerns, both quantitative (e.g. economic and financial impacts) and more qualitative and intangible (e.g. reputational impact, health, safety-related and environment) aspects.

Each event is given an 'enterprise' score. For each risk, this score summarises the different evaluations performed by the Risk Owners and by the centralised units with specialist expertise. Risks are prioritised according to a combination of impact and probability scores.

Management actions and possible specific interventions are identified for all risks, with the relevant implementation timeframes, associated with a type of risks' management among those codified.

Risk mapping is dynamic and thus needs to be reviewed periodically. The 'enterprise' evaluation dictates how often these reviews will take place, but they will happen at least once a year, even for low-priority risks. Periodic reporting ensures, at different corporate level, that the information on risk management and monitoring activities of competence is available and represented.

The ERM system is constantly verified to having a continually effective model in line with methodological and technological developments regarding the risk management matter.

Within the enterprise risks, the main corporate risks identified, monitored and, insofar as specified below, managed by Snam are the following:

- market risk arising from exposure to fluctuations of interest rates and the price of natural gas;
- credit risk deriving from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- rating risk;
- default risk and debt covenants;
- operational risk;
- risks specific to the business sectors in which Snam and its Controlled Companies operate.

Below is a graphical representation of how Snam's ERM system works.



6.3 EXECUTIVE RESPONSIBLE FOR PREPARING CORPORATE ACCOUNTING DOCUMENTS

In accordance with Article 16 of the Bylaws¹⁹, the Board of Directors appoints the Executive Responsible for preparing corporate accounting documents pursuant to Article 154-bis of the TUF on proposal of the Chief Executive Officer, in agreement with the Chairman and upon a favourable opinion of the Board of Statutory Auditors.

The Executive Responsible for preparing corporate accounting documents may not be a member of the administrative or control bodies, or hold senior management positions, in Eni and its subsidiaries, nor may he/she have any direct or indirect professional

or financial relationship with said companies²⁰. As specified by Article 16 of the Bylaws, the Executive Responsible for preparing corporate accounting documents must have spent at least three years performing one of the following activities:

- a. direction, control or management activities at a company listed on regulated markets in Italy, other states of the European Union or other countries belonging to the OECD, which have a share capital of no less than € 2 million; or
- b. audit activities at the companies mentioned under letter a); or
- c. professional or university teaching in finance or accounting; or
- d. managerial functions at public or private entities with financial, accounting or control responsibilities.

The Board of Directors shall ensure that the Executive Responsible for preparing corporate accounting documents has the adequate powers and means to perform his/her duties and shall ascertain the application of the administrative and accounting procedures.

The Board of Directors verifies, on an annual basis adequacy of the powers and means available to the Executive Responsible for preparing corporate accounting documents for the fulfilment of his/her duties, as well as a half-yearly basis, the compliance with existing administrative and accounting procedures.

In accordance with statutory procedures and requirements, on 26 March 2013 the Board of Directors reappointed Antonio Paccioretti as Executive Responsible for preparing corporate accounting documents, Mr Antonio Paccioretti, who was first appointed to that position on 29 October 2007 and is also Snam's Director of Planning, Administration, Finance and Control.

6.4 INTERNAL AUDITOR

The role, duties and responsibilities of the Internal Auditor are defined and formalised by the Board of Directors in the Guidelines.

¹⁹ Article 154-bis of the TUF stipulates that the bylaws of listed issuers whose member state of origin is Italy must set forth the professional requirements and methods of appointment of a chief financial officer (CFO), following a compulsory opinion from the supervisory body. More information on the duties of the CFO established by current legislation can be found in Article 154-bis of the TUF.

²⁰ In accordance with the Prime Ministerial Decree of 25 May 2012..

As indicated in Chapter 6.1 above, the Board of Directors – subject to the favourable opinion of the Control and Risk Committee and considering the opinion of the Board of Statutory Auditors, upon the proposal of the internal control and risk management system director, in agreement with the Chairman of the Board of Directors – appoints the Internal Auditor²¹. The Internal Auditor is appointed for an unlimited term and may be dismissed by the Board of Directors. At least once during the course of the mandate granted to it by the Shareholders' Meeting, the Board of Directors assesses whether to reappoint the Internal Auditor, basing its decision on factors including rotation criteria.

The Board of Directors has appointed Silvio Bianchi as Internal Auditor.

The Internal Auditor, within an organisational structure that reports to the Chief Executive Officer, performs audit activities in full independence in accordance with the instructions of the Board of Directors²²; the Control and Risk Committee oversees the activities of the Internal Audit.

The Internal Audit activities are carried out ensuring the maintenance of the necessary conditions for independence and the necessary objectivity, competence and professional diligence provided for in the international standards for the professional practice of the Internal Audit and in the code of ethics issued by the Institute of Internal Auditors²³, as well as the principles contained in the Code of Ethics²⁴.

Within the process of approving of the audit schedule, once a year the Board of Directors approves the budget required for the Internal Audit department to perform its responsibilities. According to the Guidelines, the Internal Auditor has autonomous spending powers to assess, analyse and evaluate the internal control and risk management system and/or the related activities, and, in an exceptional and urgent circumstances that requires additional funds, he/she may ask the Board of Directors to extend the budget for the purposes of fulfilling his/her duties.

21 According to the Guidelines, the Board must assess the candidate's profile and whether he/she meets the necessary requirements of integrity, professionalism, competence, autonomy and experience, as well as any reason for incompatibility, including conflicts of interest, with previous activities or roles held at the Company and/or its Controlled Companies. The Control and Risk Committee assesses whether these requirements continue to be met at least once a year.

22 In accordance with criterion 7.C.5 letter b) of the Code of Corporate Governance it has been valorised the exclusive power reserved to the Board of giving instructions to the Internal Auditor.

23 The International Standards for the Professional Practice of Internal Auditing are available at the following web address: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF_Standards%20ENG.pdf.

24 See Chapter 6.1 above.

The Internal Auditor: (i) verifies, both on a continual basis and in relation to specific requirements, in compliance with international standards, the functioning and suitability of the internal control and risk management system via an audit schedule, approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks; (ii) is not responsible of any operational area, and has direct access to all information that is useful for carrying out his/her duties; (iii) prepares periodic reports containing appropriate information on his/her work, on how risks are managed and on compliance with the plans set up to limit them. These reports contain an evaluation of the suitability of the internal control and risk management system; (iv) prepares timely reports on events of particular importance; (v) submits the reports to the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the internal control and risk management system director; and (vi) verifies, in the context of the audit schedule, the reliability of the IT systems used, including the accounting systems.

The internal control and risk management system director may request to the Internal Auditor to carry out verifications on specific operational areas and on the compliance of internal rules and procedures within the execution of corporate operations, giving contextual communication to the Chairmen of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors.

In 2013, the Internal Audit department performed regularly its scheduled activities which have concerned in particular: (i) the collection of data, information and assessments required to map corporate risks supporting the drawing up the draft audit schedule; (ii) the execution of the audit schedule, approved by Snam's Board of Directors on 12 February 2013, following prior opinion of the Control and Risk Committee; (iii) the performing of the independent-monitoring programme drawn up with the Executive Responsible for preparing corporate accounting documents as part of Snam's Corporate Reporting Control System; (iv) the management of the channels used to provide notification, anonymous or otherwise, of problems relating to the internal control and risk management system, to corporate administrative liability, to irregularities or to fraud (whistleblowing); and (v) the preparatory work required for the awarding of mandates to the External Auditors.

The remuneration (fixed and variable) of the Internal Auditor is approved by the Board of Directors on the proposal of the Chief Executive Officer and in agreement with the Chairman, in accordance with corporate policies and having received a favourable opinion from the Control and Risk Committee. The proposal is also subject to examination by the Remuneration Committee.

6.5 DEPARTMENTS WITH SPECIFIC CONTROL FUNCTIONS

With a view to continually improving the efficiency and effectiveness of the internal control and risk management system of Snam and its Controlled Companies, and to better integrating this system, in addition to the departments mentioned previously, the following organisational structures play an important role in identifying, measuring and monitoring operational risks, within own operational responsibilities, doing so in a coordinated manner and using constant flows of information.

Legal & Corporate Affairs and Compliance, the duties of which include:

- ensuring the proper operation of management and coordination activities;
- overseeing the updating of corporate standards and principles and their compliance with applicable laws, regulations and provisions, as well as connecting, coordinating and controlling compliance activities;
- overseeing the definition of governance rules and systems;
- ensuring that the business units of Snam and its Subsidiaries have the necessary support and advice in terms of legal compliance, and that suitable solutions are put forward;
- performing the necessary activities and analysis to coordinate, monitor and control risk as part of the optimisation of operating processes.

Legal & Corporate Affairs and Compliance contains the Legal Compliance team, which is responsible for:

- promoting the simplification/streamlining of the compliance models and of the system of associated rules and procedures, quantifying the real risk in specific areas, in line with international best practice, and monitoring their application;
- disseminating a culture of compliance, working with the relevant departments to promote and ensure communication and training on key topics;

- ensuring that the business units of Snam and its Subsidiaries have the necessary support and advice in terms of legal compliance, and that suitable solutions are put forward.

The Legal Compliance team contains an Anti-Corruption Unit, whose role is to provide specialist legal advice and support on anti-corruption issues to the business units of Snam and its Controlled Companies. The main functions of this unit are: (i) to update existing procedures where necessary and to encourage Controlled Companies to adopt the new rules; (ii) to raise awareness of anti-corruption legislation among employees and to train them to comply with such legislation; (iii) to promote the transposition of new laws and to periodically review the Anti-Corruption Procedure to ensure it is as effective as possible; and (iv) to file a half-yearly report on its monitoring activities with (a) the Supervisory Body, (b) the Board of Statutory Auditors, (c) the Control and Risk Committee, (d) the Director of the Planning, Administration and Control Unit.

Planning, Administration, Finance and Control, the duties of which include:

- overseeing activities pertaining to budgeting, treasury and insurance against financial and business risks, as well as relationships with banking, financial and insurance counterparties;
- defining strategies for the management of financial risks and drawing up the Group's insurance programme;
- insuring against financial risks through the purchase and sale of derivatives, in accordance with established risk limits and guidelines;
- helping to define the target financial structure in accordance with the Company's business and risk profile;
- identifying and analysing the main financial risks pertaining to the Group's business, defining methods and tools to measure, control and monitor the identified risks and ensuring the consistency of these methods with those defined by the relevant Risk Management team;
- working with the relevant departments to suggest updates to risk evaluation and credit management methods.

The Planning, Administration, Finance and Control department contains the Taxation and Corporate Reporting Internal Control System Unit, the duties of which include: (i) ensuring flows of information and report to the Board of Statutory Auditors, the External

Auditors, the Internal Control Committee and the Internal Audit department on activities pertaining to the Corporate Reporting Internal Control System and to the Taxation Unit; and (ii) ensuring the activities related to the consolidated reports on the results of controls assessments and information related to the Corporate Reporting Internal Control System.

6.6 MODEL 231, SUPERVISORY BODY AND CODE OF ETHICS SUPERVISOR

Model 231

The Board of Directors has adopted its own organisation, management and control model pursuant to Legislative Decree No. 231 of 8 June 2001 ("Model 231") to prevent crimes mentioned in the legislation on corporate administrative responsibility for crimes committed in the interest or to the advantage of the company (Legislative Decree 231/2001), and it has set up a Supervisory Body equipped with autonomous powers of initiative and control, in compliance with the law.

Most recently on 30 July 2013, the Board of Directors approved the new Model 231, which was updated with regard to the new crimes of "private corruption", "undue inducement to give or promise benefits" and "employment of third-country citizens whose stay is illegal", and to the changes to Snam's organisational and ownership structure²⁵.

Model 231 is an organic set of principles, rules and provisions concerning, among other things, the management and control of each corporate process. Its aim is to protect the Company from any conduct that may incur its administrative responsibility, pursuant to Legislative Decree 231/2001, in relation to crimes or attempted crimes committed in the interest or to the advantage of the Company by persons holding a "senior" position within the entity or by those who are subject to the oversight or control of such persons.

The analysis' activity of the corporate process and the comparative analysis between the existing control environment and the control tools are performed on the base of COSO Framework, that is the reference model

on an international basis for the institution, the updating and the analysis and the evaluation of the internal control system (the "COSO Framework", as recently published on May 2013²⁶).

The multifunctional "Team 231" was created within the Company with the purpose of identifying and carrying out the activities required to update Model 231, used by the Company and its Controlled Companies, by incorporating new legislative developments introduced under the scope of application of Legislative Decree No. 231 of 8 June 2001.

Also the Controlled Companies have adopted a Model 231 commensurate with their own specific nature, appointing their own Supervisory Body to monitor the implementation and effective application of the model.

Training and encouraging participation

With a view to the continual improvement of the control system, and in light of the importance of making those inside and outside the Company aware of the content of Model 231, Snam has developed a specific training programme for all its employees in order to ensure that Model 231 is applied effectively. As well as being an important tool for making management and other employees aware of how to prevent the crimes mentioned in Legislative Decree 231/2001, this training activity encouraged all staff members to play an active role in Snam's system of ethics and values.

Model 231 can be consulted on the Company's website (http://www.snam.it/en/Governance/Administrative_responsibility/).

Supervisory Body and Code of Ethic Supervisor

Firstly, the Code of Corporate Governance allows issuers to allocate the supervisory-body functions mentioned in Legislative Decree 231/2001 to the board of statutory auditors²⁷. On 30 July 2013, the Board of Directors strengthened the Supervisory Body by increasing the percentage of external members, partly to ensure sufficient separation of duties and partly to ensure the presence of

²⁵ Specifically, the changes involved: (i) aligning Model 231 with the Corporate System Framework that identifies Snam's corporate processes; (ii) using a process-specific logic to redefine the operational and methodological approach; (iii) increasing flows of information to the Supervisory Body and from the Supervisory Body to senior management; (iv) revising the Code of Ethics and the anti-corruption system of rules and procedures, including in relation to the provisions of the Italian Anti-Corruption Law and of the UK Bribery Act (relating to Snam's investments overseas, particularly in the UK); and (v) implementing Snam's new organisational, shareholder and ownership structure.

²⁶ Internal Control - Integrated Framework, published by Committee of Sponsoring Organizations of the Treadway Commission, (<http://www.coso.org>).

²⁷ See the note to Article 7 of the Code: which provides "in light of a rationalization of the internal controls system, the issuer shall assess the opportunity to entrust the board of statutory auditors with the duties pertaining to the surveillance body pursuant to Legislative Decree 231/2001".

members with specific areas of expertise, thereby enabling the body to perform its duties effectively.

The Supervisory Body comprises the Internal Auditor, Head of Coordination of Legal and Corporate and Compliance

Affairs and three external members, one of which chairs the body, who are experts in legal and corporate affairs as well as in business organisation and economics. The table below shows the members of the body:

Member	Status
Mario Molteni	External member (Chairman)
Giovanni Maria Garegnani	External member
Ugo Lecis	External member
Silvio Bianchi	Internal Auditor
Bruno Clerico Titinet	Head of Coordination of Legal and Corporate and Compliance Affairs

Among other things, the Supervisory Body oversees the effectiveness of Model 231 and the monitoring of how it is implemented and updated. It examines Model 231's suitability in terms of preventing unlawful conduct and manages the relevant flows of information with the various corporate departments and the supervisory bodies of the Controlled Companies. Lastly, the Supervisory Body also acts as the Code of Ethics Supervisor.

In performing its tasks, the Supervisory Body has unlimited access to corporate information for investigation, analysis and control activities. Any Company department, employee and/or member of corporate bodies is subject to a disclosure obligation upon any request by the Supervisory Body, or upon the manifestation of significant events or circumstances, for the purposes of the Supervisory Body's remit.

If any problems emerge, the Supervisory Body publishes the results of its activities.

The Supervisory Body provides the following information flows:

- *continuous reporting line* to the Chief Executive Officer, who reports to the Board of Directors when reporting on the performance of the duties conferred;
- *half-yearly reporting line* to the Control and Risk Committee and the Board of Statutory Auditors; to this end, a half-yearly report is prepared regarding the activity performed, noting the outcome of controls and any legislative developments on corporate administrative responsibility. On this occasion, dedicated meetings are organised with the Control and Risk Committee and the Board of Statutory

Auditors; the half-yearly report is also sent to the Chairman and to the Chief Executive Officer, and the Board of Directors is informed about it;

- *immediate reporting line*, in the event of ascertained facts of special importance and significance, to the Control and Risk Committee and the Board of Statutory Auditors, after informing the Chairman and the Chief Executive Officer.

"Dedicated information channels" are established in order to facilitate the communication and information flow.

In 2013, the Supervisory Body met 11 times, with the attendance of 94.5% of its members.

6.7 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

Foreword

The internal control and risk management system and the financial reporting process of Snam and its Controlled Companies are part of the same "System" (Corporate Reporting Internal Control System), aiming to ensure that the financial reports are sound²⁸, accurate, reliable and of a timely nature, and that the process for drafting financial statements is able to produce financial information in accordance with accounting principles.

Snam has adopted a body of rules that define the standards, methodologies, roles and responsibilities for designing, implementing and maintaining over time the system of internal controls on the financial reporting of

²⁸ Soundness (of the information): information is sound when it is correct, complies with generally accepted accounting standards and fulfils the requirements of the applicable laws and regulations.

Snam and its Controlled Companies, and for evaluating its effectiveness over time.

In addition to Snam, the control model is applied to Controlled Companies based on their relevance for the purposes of preparing financial reports. The Controlled Companies adopt the defined control model as a reference to design and implement their own system of internal controls for financial reporting, tailoring it to their size and the complexity of the activities they undertake.

Snam's internal control and risk management model for financial reporting was defined in accordance with the provisions of Article 154-bis of the TUF and is based on the "COSO Framework".

In 2013, work got under way to revise and update this model in order to ensure it remains reliable and suitable, due partly to Eni's ceasing to fulfil this role as of 2012, partly to the growing complexity of the structure and organisation of Snam and its Controlled Companies, and also to the need to implement the changes made in the updated version of the aforementioned COSO Framework.

Existing phases of the internal control and risk management system in relation to the financial reporting process

The design, implementation and maintenance of the system of internal controls for financial reporting are guaranteed by the scoping, identification and evaluation of risks and controls (at company and process levels, through risk assessment and monitoring activities) and by the related information flows (reporting).

Identification and evaluation of risks for financial reporting

The scoping and risk assessment activities for the relevant processes, which are conducted using a top-down, risk-based approach, are aimed at identifying the organisational entities, items, accounts, significant financial statement information, processes and specific activities that may pose a risk of unintentional error or of fraud that could have a significant impact on the financial statements.

In particular, identifying the organisational entities which fall within the scope of the internal control and risk management system for financial reporting relies on the contribution of the different entities to specific amounts on the consolidated financial statements (total assets, total financial debt, net revenues, earnings before

tax), and considers their relevance for specific procedures and risks. Within the companies that are relevant to the internal control and risk management system for financial reporting, significant procedures are then identified based on an analysis of quantitative factors (procedures which help determine financial statement items in amounts in excess of a specific percentage of pre-tax profit and shareholders' equity) and qualitative factors (e.g. significant estimates made in determining the amount, complexity of the accounting treatment).

For relevant procedures and activities, risks of unintentional error and of fraud are identified, i.e. potential events which may compromise the achievement of the control objectives for financial reporting (e.g. financial statement declarations). The risks thus identified are assessed in terms of potential impact and likelihood of occurrence, assuming the absence of controls (so-called inherent-risk assessment).

Identification of controls for identified risks

For companies, processes and related risks considered significant, a control system has been defined based on two fundamental principles: disseminating controls to all levels of the organisational structure, in line with the operational responsibilities assigned, and sustaining the controls over time, so that they are integrated and compatible with operating requirements.

The control system structure provides for entity-level controls, which apply across the entire entity in question (group/individual company), and process-level controls. The entity-level controls are organised on the basis of the model adopted in the "COSO Framework", broken down into five components (control environment, risk assessment, control activities, information systems and communication flows, monitoring activities). Of particular importance are: control activities designed to determine the timing for the preparation and disclosure of economic and financial results ("half-yearly and financial statement circular" and the respective calendars); the existence of organisational structures and of a body of regulations appropriate for the achievement of financial reporting objectives; and training activities concerning accounting standards and the system of internal controls for financial reporting.

Process-level controls are broken down into:

- specific controls, understood as all manual or

- automated activities intended to prevent, identify and correct errors or irregularities which occur in carrying out operating activities;
- pervasive controls, understood as structural elements of the control system aimed at defining a general context which encourages proper execution and control of operational activities (such as the segregation of incompatible tasks and general controls on information systems).

Specific controls are identified in special procedures which define both the performance of corporate processes and the controls whose absence or lack of implementation entails a significant risk of error/fraud on the financial statements which has no chance of being intercepted by other controls.

Evaluation of controls for identified risks

Both entity-level and process-level controls are subject to regular evaluation (monitoring) in order to verify over time the adequacy of their design and their operational effectiveness. To this end, ongoing evaluation has been entrusted to the management responsible for significant processes/activities, and separate evaluation has been entrusted to the Internal Auditor, who operates in accordance with a plan agreed with the Executive Responsible for preparing corporate accounting documents that aims to define the scope and objectives of his/her actions via agreed audit procedures.

Monitoring activities identify any deficiencies in the system of internal controls for financial reporting, which are classified according to their significance and to the identification of actions to be taken to overcome them. The evaluation of the deficiencies considers them both individually and combined with financial statement items or significant information.

The results of the monitoring activities are subject to periodic reporting on the status of the control system, which is carried out using IT tools aimed at ensuring the traceability of information on the adequacy of the design and the functionality of the controls. Based on this reporting, the Executive Responsible for preparing corporate accounting documents prepares a half-yearly report on the adequacy and effective application of the system of internal controls for financial reporting which is shared with the Chief Executive Officer and submitted to the Board of Directors, following a report

to the Control and Risk Committee and Board of Statutory Auditors, upon approval of the consolidated financial statements, the draft separate financial statements and the half-yearly financial report, so that the supervisory activities of the Board of Directors can be carried out, as well as his/her own evaluations on the system of internal controls for financial reporting, based partly on the external assessment of the adequacy of the control system in relation to the preparation of the separate and consolidated financial statements.

Positions and departments involved

The Executive Responsible for preparing corporate accounting documents is supported within Snam and its Controlled Companies by various parties, whose duties and responsibilities are defined by the aforementioned rules on the financial reporting control system. In particular, control activities involve all levels of the organisational structure of Snam and its relevant Controlled Companies, such as business operating managers and departmental managers, up to administrative managers and CEOs. In this organisational context, the risk owner assumes particular importance as the person who, through on-going monitoring, evaluates the design and operation of specific and pervasive controls and supplies information for reports on monitoring activities, as well as on any deficiencies found, in order to identify appropriate corrective actions in a timely manner.

7. SNAM'S REGULATORY SYSTEM

In accordance with the evolving process aimed at continually improving the effectiveness and efficiency of its internal control and risk management system, Snam has adopted its own Regulatory System comprising the following levels: (i) Corporate System Framework (Level 1), (ii) Procedures (Level 2) and (iii) Operating Instructions (Level 3).

Certified management system documents (in accordance with ISO standards) on Health, Safety, Environment and Quality (policies, manuals, procedures and operating instructions) are also an integral part of the Regulatory System. Lastly, regulatory circulars are required solely to govern specific issues (sometimes with temporary validity).

These regulatory instruments are part of the efforts made by Snam to run their management and coordination activities efficiently over its Controlled Companies, and they are periodically sent to the Controlled Companies' boards of directors. For the purposes of sufficiently considering the legal autonomy and principles of good corporate and business management that govern their activities, the Controlled Companies are required to assess the need to supplement the content of the regulation issued by Snam, issuing (within a period of time specified by the Snam regulation) a dedicated supplementary document of their own: (i) relating to their own specifications; (ii) referring exclusively to organisational aspects; and (iii) without prejudice to principles, rules and guidelines defined by the Snam regulation. If no supplementary document is issued within the allocated timeframe, the Snam regulation is applied.

Controlled Companies are required to formally adopt measures on specific subjects (e.g. relating to health, safety and the environment and/or pertaining to the boards of directors of Snam and its Controlled Companies) where they hold direct and specific responsibility, in accordance with applicable laws.

7.1 NOTIFICATIONS PROCEDURE, ANONYMOUS OR OTHERWISE, RECEIVED BY SNAM AND ITS CONTROLLED COMPANIES

The Company has approved a procedure for when Snam and its Controlled Companies receive information from known and unknown sources (the "**Notification Procedure**").

The Notification Procedure establishes the criteria and methods for setting up information channels that are suited to receiving, analysing and processing notifications relating to problems with the internal control system, company reporting, corporate administrative liability, fraud, corruption or other matters (violations of the Code of Ethics, mobbing, theft, security breaches, etc.), sent by the employees (including top managers), members of the corporate bodies or third parties, also in confidentially or anonymously form.

The Notification Procedure fulfils the requirements set forth in the Organisation, Management and Control Model pursuant to Legislative Decree No. 231 of 2001,

Snam's Anti-Corruption Procedure and the Corporate Reporting Control System Procedure.

It applies to Snam and its Controlled Companies as part of Snam's own management and coordination activities. In compliance with the principles of proper business management of subsidiaries, Snam also manages the notifications and processes the related data pursuant to privacy regulations in the interest of its Controlled Companies, in accordance with their decision-making autonomy and in line with current legislation and internal rules on privacy, also ensuring compliance with the confidentiality requirements of investigative activity.

In order to facilitate the notification process, Snam has set up different notifications channels. These communication channels are used by Snam and its Controlled Companies. They are prepared and maintained by the Internal Audit department.

The Internal Audit department prepares a quarterly report on the notifications received, which is sent to:

- the Chairman;
- the CEO;
- Board of Statutory Auditors;
- Control and Risk Committee;
- External Auditors;
- Anti-Corruption department;
- Supervisory Body;
- Director of Planning, Administration, Finance and Control.

For notifications regarding the Controlled Companies, the relevant part of the report is sent to the Chief Executive Officers of the Controlled Companies in question, as well as to their audit and supervisory bodies.

The Notification Procedure is available on the Company's website (http://www.snam.it/en/Governance/Procedures/Reporting_irregularities/).

7.2 ANTI-CORRUPTION PROCEDURE

On 4 October 2013 - following the proclamation of Law No. 190 of 6 November 2012 ("Anti-Corruption Law" Provisions for the Prevention and Repression of Corruption and Illegality in Public Office), which introduced, among other things, the crime of private corruption (Article 2635 of the Italian Civil Code), and after approval from the Board of Directors - the new

Anti-Corruption Procedure (replacing the previously adopted Anti-Corruption Management System Guidelines, or MSGs) was issued.

In accordance with Snam's Code of Ethics, the Anti-Corruption Procedure prohibits the corruption in any form of any Italian or foreign public or private entities and is an integral part of a broader business ethics control system adopted by Snam that aims to ensure the Company's compliance with national and international anti-corruption laws, including the UK's Bribery Act, and with the best international anti-corruption standards, helping to protect Snam's reputation.

The Anti-Corruption Procedure has also been adopted in accordance with Principle 10 of the Global Compact, a United Nations initiative launched in 2000 to promote 10 universal principles relating to human rights, labour, the environment and the fight against corruption. Snam's adherence to the Global Compact demonstrates and strengthens its status as a socially responsible business committed to supporting and actively participating in the works of Italy's Global Compact Network.

Adoption and implementation of the Anti-Corruption Procedure is mandatory for Snam and its Controlled Companies, which have transposed it by resolution of the Board of Directors.

The Procedure is available on the Company's website (http://www.snam.it/en/Governance/Procedures/Anti-corruption_procedures/).

7.3 ANTITRUST CODE OF CONDUCT

On 3 August 2012, Snam adopted the "Antitrust Code of Conduct" Procedure (the "Antitrust Code") to replace the existing "Antitrust Code of Conduct MSGs", in order to ensure that Snam and its Controlled Companies comply with the principles set forth in the applicable antitrust legislation. The Antitrust Code applies to Snam and its Controlled Companies as part of Snam's management and coordination activities and is one of Snam's initiatives aimed both at protecting competition as part of the business culture and at implementing suitable procedures and systems for minimising the risk of violations of antitrust laws, under the broader umbrella of compliance initiatives (Model 231, anti-corruption, business ethics, etc.).

Specifically, given that the main risks a company may run by breaching antitrust rules include (i) fines, (ii) liability for compensation for damage caused to third parties by antitrust offences, (iii) damage to the company's image, and (iv) a possible negative impact on the company's share price on regulated markets, following an analysis of international antitrust best practice, an antitrust compliance programme was drawn up and is implemented through:

- (i) the adoption of the Antitrust Code;
- (ii) dedicated communication and training initiatives for all employees which aim to ensure familiarity with the Antitrust Code, as well as its effectiveness and correct implementation;
- (iii) the creation of an Antitrust Unit within Snam's Legal & Corporate Affairs and Compliance department to provide the necessary support and assistance in applying the Antitrust Code;
- (iv) a monitoring programme aimed at verifying the effectiveness of the rules set out in the Antitrust Code and the suitability of amending and updating it in order to ensure more effective implementation of its rules in the light of regulatory and business developments.

The Antitrust Code is implemented at Snam and its Controlled Companies and is aimed in particular at all:

- members of corporate bodies;
- executives;
- employees;
- representatives of Snam and/or its Controlled Companies.

7.4 RELATED-PARTY TRANSACTIONS

On 30 November 2010, the Board of Directors approved the Procedure entitled "Transactions in which Directors or Statutory Auditors Have an Interest and Related-Party Transactions" pursuant to Consob Regulation No. 17221 of 12 March 2010 (the "**Related-Parties Procedure**"). In accordance with Consob Regulation No. 17221 of 12 March 2010, the Related-Parties Procedure takes into account the peculiarities of the regulatory framework in which Snam and its Controlled Companies operate and the relevant assessments concerning the adoption of certain powers provided for by said Consob Regulation and the identification of the so-called thresholds of significance for individual transactions. Specifically, the Related-Parties Procedure was adopted in compliance

with the Unbundling Regulation, taking into account the specific nature of the activities engaged in by Snam and its Controlled Companies, which are subject to oversight by the Electricity and Gas Authority.

On 12 December 2013, the Board of Director performed the annual assessment, pursuant to article 14 of the Related-Parties Procedure²⁹, and made to it the amendments required in order to highlight the evolution of the corporate governance system and the change in the shareholding³⁰.

The Related-Parties Procedure identifies the Control and Risk Committee, in its composition of only independent directors, as the committee provided for by Consob Regulation No. 17221 of 12 March 2010. This Committee has voted unanimously in favour of the Related-Parties Procedure and its subsequent amendments.

The Related-Parties Procedure provides for a detailed examination process that (i) identifies the timeframe; and (ii) guarantees that information flows are formalised and tracked among the corporate department responsible for initially determining that the Procedure should be applied, the superior department, the body responsible for expressing an opinion on the transaction and, lastly, the party which approves the transaction.

The Procedure, which includes approval procedures for "Small Transactions" and "Large Transactions", identifies the following Committees:

- the Control and Risk Committee - in its composition of only independent directors - as the entity responsible for issuing:
 - (i) for "Small Transactions³¹", a non-binding reasoned opinion that must address the Company's interest in carrying out the transaction, as well as the expedience and substantial accuracy of its conditions. In the event of a negative opinion, the Company is required to inform the market, at the end of the quarter in question, of the reasons which

29 Article 14: "The Snam Board of Directors shall assess yearly whether to revise this Procedure, also taking into account the amendments which have taken place in ownership, and the effectiveness of the procedures demonstrated in application of the same, also with regard to the congruence of Transactions' relevance thresholds".

30 The amendments were related to (i) the new composition of the Control and Risk Committee (resolved by the board of directors on 12 December 2013 following the amendment of the relevant Regulation); (ii) the management of the conflicts of interest; and (iii) the deletion of the references to the functional separation.

31 Under the terms of the Procedure, "Small Transactions" are all transactions other than "Large Transactions" and "Negligible Transactions" (defined in Annex 2 of the Procedure).

led it to carry out the transactions despite this opinion;

- (ii) for "Large Transactions³²", which are the exclusive preserve of the Board of Directors, a favourable reasoned opinion on the Company's interest in carrying out the transaction, as well as the expedience and substantial accuracy of its conditions. The Control and Risk Committee, or one or more of its members (as designated by the Committee), shall also be involved in the negotiation and examination stages, receiving comprehensive and timely information, with the power to request information and submit comments to the authorised bodies and persons tasked with carrying out the negotiations and examination;

In both cases, the Committee may be assisted, at the Company's expense, by one or more independent experts;

- the Remuneration Committee (comprising non-executive directors, most of whom are independent) as the entity responsible for issuing an opinion on transactions³³ concerning the remuneration of Snam's directors, statutory auditors and executives with strategic responsibilities.

In order to ensure maximum market transparency, the Related-Parties Procedure has adopted a stricter criterion for large related-party transactions than required by Consob Regulation No. 17221 of 12 March 2010, imposing a single threshold of €140 million for all related-party transactions³⁴; such threshold of €140 has been confirmed by the Board of Directors on 12 December 2013 during the annual assessment of the Related-Parties Procedure.

Moreover, again with a view to ensuring maximum market transparency, Snam has decided to apply the Related-Parties Procedure to all transactions carried out

32 "Large Transactions" are indicated in Annex 1 of the Procedure.

33 The Procedure defines a "Transaction" (or "Transactions") as any active or passive transfer of resources or services or assumption of obligations, for consideration or otherwise, between Snam or its Subsidiaries (including entities of a non-corporate nature whose management bodies comprise mainly employees of Snam or its Subsidiaries) and Related Parties of Snam. These include: (i) mergers or demergers by incorporation or non-proportional demergers; (ii) any decision relating to the awarding of remuneration and financial benefits, in any form, to members of the administration and control bodies and to executives with strategic responsibilities.

34 Consob Regulation No. 17221 of 12 March 2010 specified a threshold of 5% of at least one of several parameters identified by said Regulation for the purposes of identifying a large related-party transaction. This threshold drops to 2.5% for transactions with the listed parent company, or with entities related to said parent, which are in turn related to the Company.

between Snam's Controlled Companies and the related parties of Snam, providing for adequate and timely flows of information between the management of the Controlled Companies and of Snam, thereby voluntarily extending the scope of the framework provided for by Consob Regulation No. 17221 of 12 March 2010. The Procedure is available on the Company's website (http://www.snam.it/en/Governance/Procedures/Transactions_with_related_parties/).

7.5 ADOPTING AND UPDATING PROCEDURES ON THE PROCESSING OF INFORMATION (MARKET ABUSE PROCEDURE)

On 12 December 2013, the Snam Board of Directors approved the "Procedure on Market Abuse"³⁵ (the "Market Abuse Procedure"), which combines and coordinates into a single document the market abuse rules and principles to which the Company and its related parties must adhere in order to:

- a. ensure appropriate processing of privileged information³⁶ relating to the Company and its direct and indirect Controlled Companies, in Italy and abroad, by those in possession of such information;
- b. regulate operations on the Company's financial instruments by persons who hold a senior position within the Company's ownership structure and/or corporate organisational structure (internal dealing); and
- c. define the operating methods and scope of application of the ban imposed on the Company on performing transactions on listed financial instruments it has issued in predetermined periods.

The Market Abuse Procedure is divided into four sections:

*Section I – Management of privileged information and register of persons with access to privileged information*³⁷

This section sets forth the rules for the management and processing of privileged information, as well as the procedures to be followed for communicating said

information both within and outside of the Company, in order to prevent privileged information from being processed at the wrong time and/or in an incomplete manner, or to prevent said processing from resulting in information asymmetry.

This section of the Market Abuse Procedure also governs the creation, maintenance and updating of the register of persons with access to privileged information, in accordance with Article 115-bis of the TUF and with Articles 152-bis et seq. of the Issuer Regulations.

In accordance with Article 152-bis, paragraph 4 of the Issuer Regulations, the Controlled Companies have mandated the Company to create, manage and maintain the register in relation to key personnel at the Controlled Companies who have access to privileged information.

*Section II - Rules governing internal dealing*³⁸

This section governs operations on the Company's financial instruments by persons who hold a senior position within the Company's ownership structure and/or corporate organisational structure. Specifically, it includes: (i) the criteria for identifying "Significant Persons" and "Significant Transactions" to which the regulations should be applied; (ii) the disclosure obligations of "Significant Persons" and of the Company to Consob and to the public with regard to "Significant Transactions"; and (iii) the rules governing the ban on carrying out "Significant Transactions" during "black-out periods"³⁹).

Section III – Black-out periods

This section defines the scope of application of the ban on the Company performing transactions on listed

³⁵ Previously, the market abuse provisions were set forth in three different corporate procedures.

³⁶ A definition of privileged information and a description of market disclosure obligations can be found in Articles 114 and 181 of the TUF and in Articles 66 et seq. of the Issuer Regulations.

³⁷ Article 115-bis of the TUF requires listed issuers, entities controlled by them and persons who act in their name or on their behalf to create and regularly update a register of persons with access to privileged information as a result of their professional activity or the duties they perform. The rules governing the creation and updating of the register can be found in Article 115-bis of the TUF and in the implementation provisions pursuant to Articles 152-bis et seq. of the Issuer Regulations.

³⁸ The rules governing internal dealing – i.e. transparency on transactions involving shares in listed companies and associated financial instruments carried out by said companies' corporate officers and by persons closely related to them – are contained in Article 114, paragraph 7 of the TUF and in the relevant implementation provisions pursuant to Articles 152-sexies to 152-octies of the Issuer Regulations.

³⁹ Pursuant to the Market Abuse Procedure, "Significant Persons" (other than "Significant Shareholders") and "Closely Related Persons" are banned from carrying out – whether directly or via an intermediary – "Significant Transactions" until the public is notified, and in the 15 (fifteen) days prior to the dates on which the Snam Board of Directors examines the mandatory interim reports, the proposed interim dividend, the preliminary financial statements and the proposed dividend for the full year to be put before the Shareholders' Meeting, if not disclosed at the same time as the preliminary data (the so-called black-out period). The ban does not apply to the purchase of shares carried out via the exercise of options issued under stock option and stock grant plans, although the sale of these shares is forbidden during black-out periods. Definitions of "Significant Persons", "Significant Shareholders" and "Closely Related Persons" can be found in subsection 5.2.2.3 of the Market Abuse Procedure; a definition of "Significant Transactions" can be found in subsection 5.2.2.4 of the Market Abuse Procedure.

financial instruments it has issued during black-out periods and the related operating methods.

Section IV- Penalty framework

This section provides a summary framework of the penalties for market abuse set forth in the TUF and in Legislative Decree 231/2001.

The Market Abuse Procedure has been transposed by the Boards of Directors of the Controlled Companies, without prejudice to foreign controlled companies applying said Procedure in accordance with their local laws.

The Procedure is available on the Company's website (http://www.snam.it/en/Governance/Procedures/Market_abuse_procedure/).

8. RELATIONS WITH SHAREHOLDERS AND INVESTORS

Snam has adopted a communication policy that aims to engage in constant dialogue with shareholders, institutional investors, socially responsible investors, analysts and all financial market operators, and to ensure the systematic disclosure of timely and comprehensive information on its activities, limited only by the confidentiality requirements inherent to certain types of information. It is for this reason that information is provided to investors, the market and news media through press releases, periodic meetings with institutional investors, the financial community and the press, and the ample documentation continually made available and updated on the Company's website.

Information regarding reports, significant events/ transactions and procedures issued by Snam on corporate governance is disclosed to the public in a timely manner and posted on the Company's website. Also available on the website are the Company's press releases, the documentation used in meetings with financial analysts, notices to shareholders, and information and documentation on agenda items for Shareholders' Meetings, including the minutes of these meetings.

Relations with shareholders and financial market operators are handled by the Investor Relations unit. Information of interest to them is available on the Company's website and may also be requested by emailing investor.relations@snam.it. Relations with the news media are handled by the Institutional Relations and Communications Department. Information of interest to them is available on the Company's website.

The pages in the Investor Relations area of the Company's website contain the "Financial Markets Reviews", which provide a monthly analysis of the financial markets and of the stock market performance of the utilities sector, Snam's stock and that of its competitors, and "News & Facts", a quarterly publication for individual investors. Since 2010, the Investor Relations section of the Company website has also included an interactive version of the "Guide for shareholders", which is updated semi-annually and provides a summary of useful information so that all shareholders can actively follow their investment in Snam.

The Company also annually publishes "Sustainability. Creating shared value", a document that summarises the sustainability policies behind Snam's choices and initiatives in its relations with stakeholders.

Snam believes that shareholder participation is a strategic element of corporate governance. To this end, Snam maintains constant dialogue with its major institutional investors and proxy advisors in order to understand their expectations and perceptions with regard to the main areas of corporate governance. Specifically, in 2013 Snam continued to perform many engagement activities in order to ensure that the Company's remuneration policies remain in line with international best practice.

Snam also encourages initiatives inspired by EU guidelines for drafting principles for managers, investors and advisers regarding transparent voting, monitoring investee companies and managing conflicts of interest (so-called "stewardship code").

9. UNBUNDLING MODEL

DPCM 25 maggio 2012

The Prime Ministerial Decree of 25 May 2012 provided for the creation by 25 September 2013 of an ownership unbundling system extended to all regulated natural gas transportation, distribution, storage and regasification activities, as well as for the sale by the then controlling shareholder, Eni, of its entire stake in Snam in light of its status as a producer and seller of energy.

Specifically, the Prime Ministerial Decree ordered Eni to sell to CDP in a direct deal, as quickly as market conditions allowed and in any event by 25 September 2013, in one or more instalments, a total stake of no less than 25.1% of Snam by means of direct negotiation. The Decree also ordered Eni, following the sale of at least 25.1% of Snam's share capital to CDP, to sell its residual stake in the Company via a transparent, non-discriminatory sale procedure involving individual and institutional investors.

In accordance with these provisions, on 15 October 2012, CDP Reti S.r.l. (a wholly owned subsidiary of CDP) purchased from Eni 30% less one share of the share capital of Snam. At the time of writing, Eni retains a stake of 8.54% in Snam servicing a bond issued by Eni and convertible into Snam shares, maturing on 18 January 2016.

The Prime Ministerial Decree also states that CDP should guarantee separation between Eni and Snam⁴⁰. To that end, Article 2 of the Prime Ministerial Decree provides that: (i) even if Snam is included in CDP's "separate management" activities, all decisions relating to the management of equity investments in Snam shall be adopted by the Board of Directors of CDP as if the equity investment were part of its "ordinary management" operations, meaning the Ministry of Economy and Finance will have no power to guide such decisions and the members of the Board of Directors of CDP in charge of "separate management" activities will not be able to influence them; (ii) the members of the corporate bodies and the executives of Eni and its subsidiaries may not be part of the corporate bodies of or hold executive offices at CDP or Snam and their subsidiaries, nor may they enter into any direct or indirect

professional or financial relationship with said companies, and vice versa.

As indicated in Section II, Chapter 2 above, the Prime Ministerial Decree of 25 May 2012 also provides that the voting rights of Eni (or of other producers or suppliers of gas and/or electricity or of their parents, subsidiaries or associates) at Snam's Shareholders' Meeting shall be limited in accordance with Article 19 of Legislative Decree 93/2011.

Order C11695 of 8 August 2012

The sale by Eni to CDP Reti S.r.l. of 30% less one share of the voting capital of Snam was made in compliance with Order C11695 of 8 August 2012 issued by the Antitrust Authority.

In compliance with such order, on 21 June 2013, the Italgas Shareholders' Meeting amended its Bylaws⁴¹, stating that:

- the Board of Directors must be composed of five members, two of whom (who shall not occupy the office of Chairman or Chief Executive Officer of the Company, and shall not be given operational powers) must meet the independence criteria set out in the Code of Corporate Governance;
- resolutions relating to the identification of natural gas distribution tenders in which to participate and the formulation of technical and financial bids for these tenders must be approved by four fifths of sitting directors.

The same Shareholders' Meeting consequently added to the composition of the Board of Directors by appointing two members who met the independence criteria set out in the Code of Corporate Governance.

Recertification of Snam Rete Gas

On 4 October 2012, the Electricity and Gas Authority completed the process of certifying Snam Rete Gas as an Independent Transmission Operator (ITO) by issuing Resolution 403/2012/R/gas. This process was begun in accordance with Legislative Decree No. 93 of 1 June 2011, which transposed Directive 2009/73/EC and states that the biggest transportation operator must

⁴⁰ Article 5, paragraph 8 of Legislative Decree 269/2003 provided for the creation of a system of organisational and accounting separation between activities of general economic interest and the activities performed by CDP.

⁴¹ Pursuant to Article 38 of the Order, CDP had to ensure that: (i) the Italgas Bylaws were amended in order to set the number of Italgas board members at five (two of whom must be neither the Chairman nor the Chief Executive Officer and must fulfil the independence requirements set forth in the Code of Corporate Governance); (ii) the Italgas Bylaws were amended in order to state that the resolutions of the five-strong Italgas board concerning the identification of natural gas distribution tenders in which to participate, and the formulation of the technical and financial bids for these tenders, can be approved only by a four-fifths majority of the directors in office.

comply with the ITO rules. According to the rules of the ITO model, the Electricity and Gas Authority must certify that the ITO complies with the Decree's requirements for qualifying the separation of the ITO from the vertically integrated undertaking (Eni). Once certification is obtained, the ITO is approved and designated as a "Transmission Operator" by the Ministry of Economic Development. This designation is communicated to the European Commission and published in the Official Gazette of the European Union.

As a result of Eni's loss of control over Snam, on 14 December 2012 Snam Rete Gas filed an application to be recertified as a Transmission Operator under ownership unbundling. Following the opinion of the European Commission, on 14 November 2013 the Electricity and Gas Authority adopted Resolution 515/2013/R/gas on the definitive certification of Snam Rete Gas as a natural gas Transmission Operator under ownership unbundling. This decision by the Authority certified Snam Rete Gas's (and the entire Snam

Group) compliance with the ownership unbundling model. The Electricity and Gas Authority highlights in the Resolution, inter alia, the lack of factual or legal elements that may jeopardize the independence of Snam and Snam Rete Gas, taking into account (i) the Italian legislative framework (in particular Legislative Decree 93/2011 and DPCM 25 May 2012); (ii) the lack of direction and coordination activity by CDP over Snam, does not allow CDP to influence the strategic and management choices of Snam and (iii) the Regulatory framework and the supervisory activity of the Electricity and Gas Authority do not permit Snam Rete Gas to put in place discriminatory behaviour.

10. CHANGES TO THE CORPORATE GOVERNANCE STRUCTURE AFTER THE END OF THE FINANCIAL YEAR

No significant changes occurring after the year-end have been noted.

