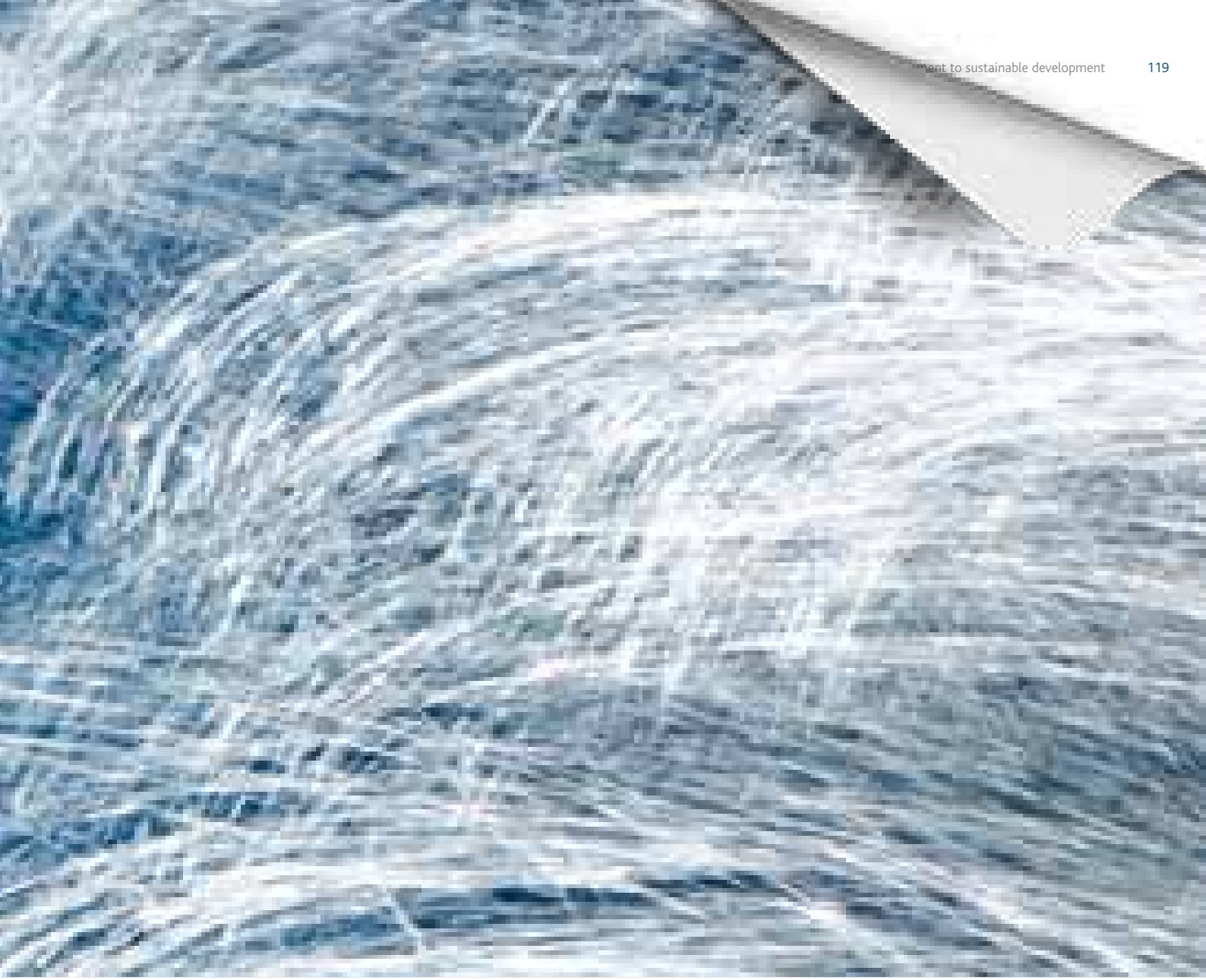
Commitment to sustainable development

THE SUSTAINABILITY MODEL

Snam considers sustainability to form an integral part of its business model. It is in fact a leading factor in defining the Company's strategic and operational decisions and a lever for long-term sustainable growth. Meanwhile it delivers the shareholders' expected results, sharing the value generated with all of its stakeholders including in terms of environmental and social issues.
The Company bases the day-to-day conduct of its activities on the principles set out by international bodies and conventions on the protection of human rights, employment and trade union rights, health, safety and environmental rights, repudiation of forced labour, child labour and any form of discrimination, and on conformity with values and principles concerning fairness, transparency and sustainable development. These principles are listed in the Code of Ethics adopted by all the companies, which are fundamental in orientating the conduct of personnel and for the responsible management of relationships with the stakeholders.
In order to give greater visibility to this commitment, Snam is a signatory to the Global Compact. This international initiative upholds ten universal principles concerning human rights, employment, the environment and anti-corruption, and brings together governments, businesses, United Nations agencies, labour organisations and civil associations, with the aim of contributing to the creation of a more inclusive and sustainable global economy. Snam's commitment to the Global Compact also continued in 2013 with activities for engagement and dissemination of the ten principles by participating both actively, as a member of the Italian Global Compact Network, in the meetings of the Integrated Reporting Working Group, and in specific



initiatives aimed at its own stakeholders.

Snam's sustainability management model extends to all Group companies and is integrated into all phases of the corporate business process (Planning, Management, Control, Reporting, Communication and Stakeholder Engagement). The Board of Directors takes on a central role in defining the policies, while the Sustainability objectives, submitted for the approval of top management, are pursued by means of specific short- and medium-term projects and initiatives included in the Company's action plan. All of the activities provided for by the model are coordinated by the Snam sustainability office with the participation of the various Snam offices and subsidiaries.

Snam publishes its sustainability balance sheet annually, which is considered to be an important instrument for strategic control and communication with stakeholders. The Report, approved by the Board of Directors at the same time as the annual financial report, examines the activities carried out according to economic efficiency, environmental protection and social protection, providing the performance indicators on which the business is measured and compared publicly.

In 2013 Snam embarked on a process of analysing sustainability issues ("Materiality Analysis") that has enabled the definition of the most significant business issues. The analysis also responds to the request of the new guidelines (GRI-G4) published by the Global Reporting Initiative in 2013 regarding the reporting of sustainability reports.

The results achieved and maintained over time have enabled Snam shares to maintain their position in the main ethical indices, such as the Dow Jones Sustainability Index World, the FTSE4Good Europe Index, the FTSE4Good Global Index, the ECPI Ethical Index Euro and the STOXX Global ESG Leaders Index.

In 2013 Snam is also present:

- in the CDP Italy 100 Climate Disclosure Leadership Index (CDLI), a sustainability index issued directly by the CDP, a non-profit organisation involved in climate change that is among the most important internationally;
- in the new global index United Nations Global Compact 100 (GC 100), developed by the United Nations Global Compact in cooperation with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues as well as for performance in the financial sector, and that adhere to the ten fundamental principles of the United Nations on the topics of human rights, labour, environment and anti-corruption.

Snam has incorporated into its own path to sustainability the Shared Value approach that places high value on the connection between the economic system and society, and redefines the boundaries of corporate social responsibility. The premise of this new concept is that companies need to take action to reconcile business and society by placing a high value on knowledge, best practices and current or possible future initiatives: in short, to create economic value in ways that generate value simultaneously for the Company but also for the stakeholders and the locations where it operates.
Following this approach, during the year the Company has started up further processes for identifying new projects that maximise positive external results, and it has completed several projects (see the table below).

Scope for generation of Shared Value	Initiative
Within the framework **of supplier relationships**, making corporate know-how available through a system of knowledge sharing, which will help companies in the supply chain in a process of continuous improvement that can increase both their own competitiveness and the dependability of their partnership with Snam, to the ultimate benefit of service quality.	**Meet for prevention and improvement** Organised by Snam Rete Gas in Milan, this initiative is part of the strong commitment that the Company is developing on the issues of safety, environment and sustainability in the supply chain and part of a programme launched in 2011 with the "Supplier's Day for Sustainability" initiative, continued in 2012 with the workshop "My Safety is Your Safety".
	Grow together: the suppliers' portal During the year the suppliers' portal was created and also put online, a new point of reference and interaction between Snam and its suppliers, aimed at simplifying and improving the day-to-day operations of the entire supply chain through the effective management and dissemination of information of common interest for this type of stakeholder. The new portal was also designed to strengthen social responsibility both at Snam as well as at its suppliers, and represents a place for raising awareness of key issues such as health and safety of workers, human rights and respect for the environment.
As part of Snam's **management and enhancement of sites and infrastructure**, sharing space and knowledge with stakeholders in the area to encourage public acceptance of the legitimacy of the networks and the creation of competitive advantage for the area.	**The Italgas Historical Archive and Museum: a historic asset for the community** The Italgas Historical Archive and Museum contains a wealth of knowledge that is testimony to the life of the Company and of a technological revolution that has helped to change the face of the region: here the Company has sought to enhance its cultural heritage through the creation of 'Thursday Workshops', an educational programme aimed at primary and secondary schools that uses archived records to tell not only the history of the Company but also a part of the history of Italy and of the city of Turin.
As part of the **implementation of new investments**, sharing with local communities and disseminating among local protagonists the knowledge of best business practices in the application of naturalistic engineering techniques in particularly delicate areas with complex ecosystems, such as parks and protected areas.	**Sustainable Trails – Julian Prealps Park** Publication, with the patronage of the Ministry of Environment and the Protection of Land and Sea, of the second volume in the series dedicated to Snam's commitment to environmental protection and enhancement of the area. The book covers the completion of the Malborghetto - Bordano methane pipeline for importing natural gas from Russia, which for a short distance passes through the Val Alba nature reserve. An example of effective cooperation between the Company and the Julian Prealps Park is further testimony of how the construction of the energy infrastructure necessary for the country can coexist with preservation of biodiversity and recovery of the original landscape.
	Shared Value Education Generating value for the Company and, at the same time, for the geographical area, giving the local community a concrete and positive contribution. This is how the cooperation between Snam and the Municipality of Crema was established for the enhancement of six urban areas through the active joint involvement of Snam employees and citizens. The initiative was based on Snam's specific needs for training designed to enhance the culture and strengthen the integration and the unique expertise of the Information Technology area of the Company. To achieve this goal we have chosen an original path inspired by the methodology of team building, concretely improving the relationship between operational activities and the social context.

PEOPLE AND ORGANISATION

Consolidating the system of occupational skills and managerial abilities in tune with the changing business scenario, and promoting the enrichment of employment opportunities for people, the processes of organisational integration and of change management to make them more involved, informed and accountable for business strategies and objectives. These are the objectives of Snam, which wants to assist people in an ongoing process of development starting from the selection stage and always keeping in mind the skills required by the business strategies and mission.

EMPLOYMENT

At 31 December 2013, the Snam Group had 6,045 employees in service. The analysis by contractual category and Company included in the scope of consolidation is shown in the following tables:

PERSONNEL BY COMPANY

(number)	2011	2012	2013	Change
Snam S.p.A.		672	**703**	31
Snam Rete Gas S.p.A.	2,755	1,978	**1,952**	(26)
GNL Italia S.p.A.	74	78	**79**	1
Italgas S.p.A.	2,479	2,551	**2,559**	8
Napoletanagas S.p.A.	526	465	**449**	(16)
Stogit S.p.A.	278	307	**303**	(4)
	6,112	**6,051**	**6,045**	**(6)**

PERSONNEL BY POSITION

(number)	2011	2012	2013	Change
Executives	118	115	**116**	1
Managers	544	560	**579**	19
Office workers	3,277	3,257	**3,271**	14
Manual workers	2,173	2,119	**2,079**	(40)
	6,112	**6,051**	**6,045**	**(6)**

More specifically, the employment figures recorded during 2013 are:

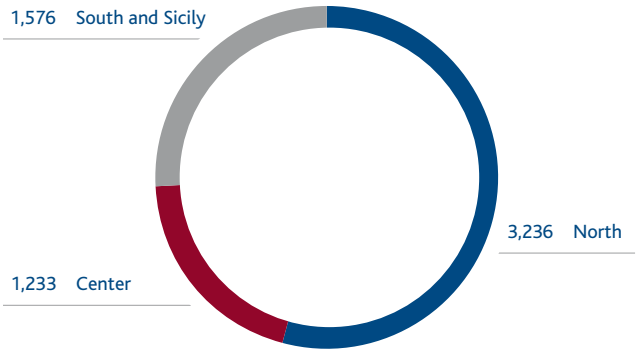
- an increase of 83 people, of whom 67 were recruited from the market (46 of whom university graduates); 3 people from non-consolidated companies and 13 for other new hires;
- a decrease of 89 people, 74 of whom due to termination of employment (8 of whom by unilateral termination by the Company); 1 transfer to other companies; 1 death and 13 for other departures from service.

There were also about a hundred transfers recorded between various Group companies, with the objective of making resource management better and more efficient.

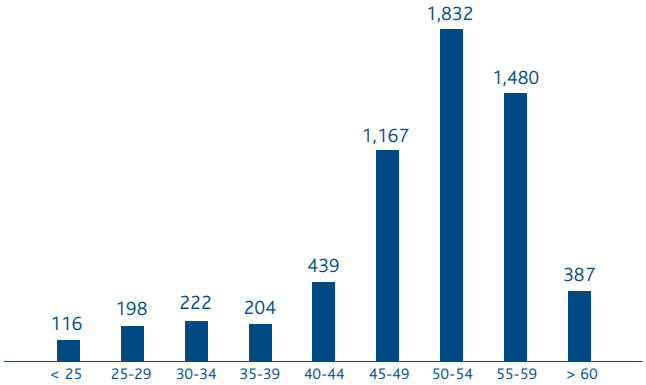
Snam makes "good jobs" because it is a capital-intensive enterprise that is present in a large part of the nation, because it carries out activities involving qualifications and specialisations and because it offers stable, lasting jobs. A total of 96% of Snam personnel have permanent employment contracts. The remaining 4% have apprenticeship contracts that, by law, are temporary (although historically nearly all apprenticeship contracts have become permanent contracts at expiration).

With regard to territorial coverage, about 3,200 people are employed in northern Italy, 1,200 in central Italy and 1,600 in southern Italy.

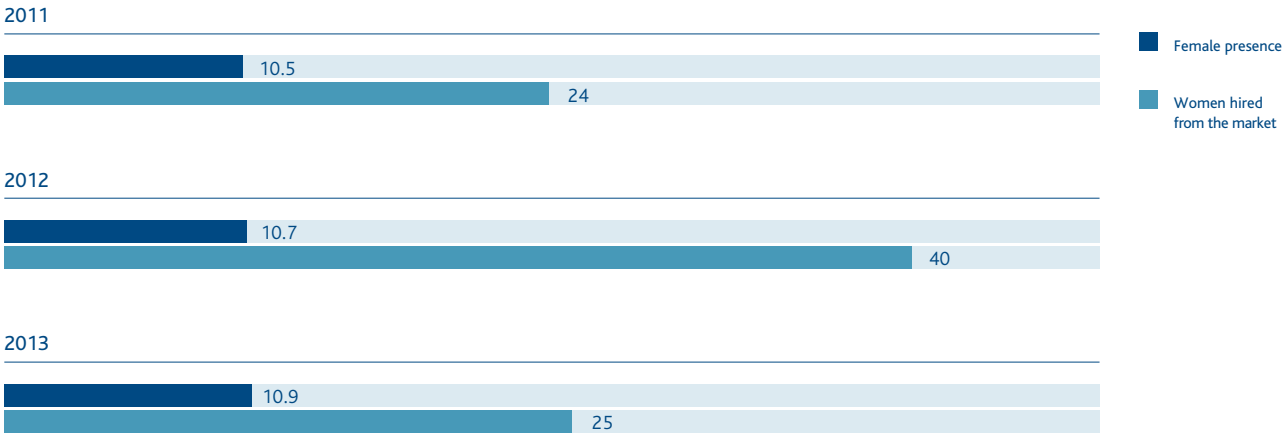
EMPLOYEES BY GEOGRAPHICAL (No.)



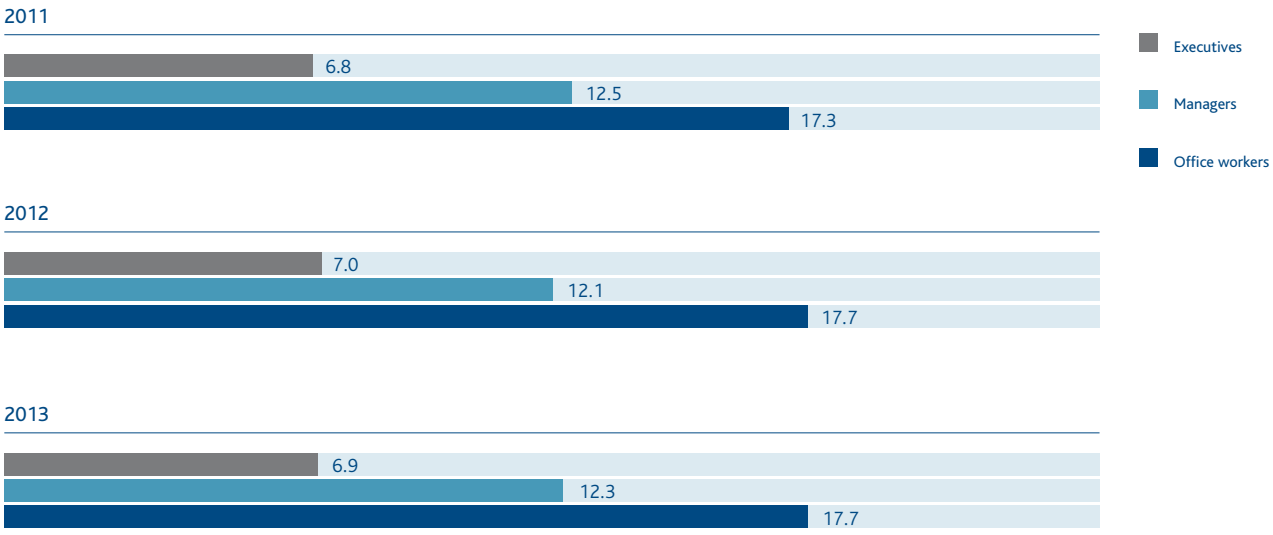
STATISTICAL DIVERSITY: EMPLOYEES BY AGE BRACKET (No.)



FEMALE PRESENCE (%)



FEMALE PRESENCE BY STATUS (%)



ORGANISATION

The principal organisational changes that occurred in 2013 at Snam can be summarised as follows:

- the Enterprise Risk Management unit, directly reporting to the Snam Chief Executive Officer and with the goal of single, centralised risk oversight, was created as an outcome of project activity started in 2012;
- with a view to the strategic development of the Snam Group in the role of European infrastructure operator, the Business Development and Activities Abroad Division was created, reporting directly to the Snam Chief Executive Officer and with the task of promoting and supporting the growth of the Snam Group in the sectors where it operates, in line with the business strategy and the change in the markets of interest;
- following the change in the Corporate functions, the Road to Excellence project was launched; in 2013 this involved the Legal and Corporate Affairs and Compliance Division and the Human Resources and Security Division, with the aim of making operating methods ever more efficient, responding faster to business needs and developing core skill areas, and playing a proactive role in managing the change that is affecting the Snam Group;
- the need for strengthening the process of trade receivables management has led to the establishment of a centralised Snam Credit Management unit, which operates at the Group level, with a view to exploiting synergies and cross-functionalities among the various operating companies;
- the new organisational unit Finance M&A, reporting to the Finance Director, was formed to oversee the financial assessments related to corporate transactions included in the Snam Strategic Plan.

In the scope of transportation activities, steps were taken to strengthen the new corporate structure and, specifically, the organisational and operational mechanisms needed to optimise the functioning of the Operations, Commercial Development and Government Relations, Planning Administration and Control units have been specified and strengthened. In particular:

- from the commercial perspective, steps have been taken in the organisational redesign of work processes for managing gas operating processes in line with the requirements imposed by constant changes in the business and regulatory scenarios (in particular the G-1 market launch) with an expansion of shift activities;
- in the scope of management and control, centralised cost control oversight was established for all Company units;
- in the Operations scope, the following are notable:
  - reorganisation of technical activities, with the creation of an integrated focus for reference in activities relating to methane pipelines, compression stations and the measurement that represents a reference on the change in transportation activities abroad as well;
  - continuation of the implementation plan for the territorial reorganisation of maintenance centres and, in line with the plans already determined at given times in the past, of the process of experimentation in "leaving home" operating methods with the signing of the Union Agreement on 24 September 2013.

In the course of 2013, in the scope of storage activities, organisational changes took place as summarised below:

- in the scope of Operations, the Cortemaggiore-Bordolano Focus Unit was created in view of the future start-up of operating activities also at the new Bordolano facility; furthermore, by virtue of changed operating requirements, the night shift is no longer active at the Cortemaggiore facility, and its functioning has thus been made to match the other storage facilities;
- the operating methods to manage the commercial processes in gas operation, in line with the requirements imposed by constant changes in the business and regulatory scenarios, were redesigned with the strengthening of the organisational oversight dedicated to shift activities.

In the regasification segment there was a more in-depth design of the processes of the Commercial area in line with the requirements imposed by the regulatory and business scenarios.
On the other hand, in the scope of distribution, in 2013 the following are of particular note:

- specific projects were started to improve efficiency of operational processes related to the management of tenders for the awarding of the gas distribution service;

- there was full implementation of the modifications made to the management of the remote reading of gas meters, both on the computerised level as well as on the level of technical organisation;
- with a view to the technological upgrading of the Group's information systems, a project was started to assess the organisational and technical impacts of adopting integrated IT solutions with the aim of pursuing logistics of efficiency and effectiveness at the Group level;
- projects have been initiated to assess the organisational impacts involving corporate operations and joint ventures for the development of natural gas distribution activities in the territories of north-western and central Italy.

Lastly, the main changes involving Napoletanagas were as follows:

- On 1 January 2013 the Company make use of Italgas for the activities involving the supply of goods, labour and services of third parties and for the activities of managing and developing concessions for gas distribution (particularly participation in the tender for assigning the scopes of the gas distribution service, the management of current concessions and maintaining relations with Concessionary Bodies);
- within the scope of the Health, Safety, Environment, Quality and Corporate Body unit, lastly, an Inspection Body Unit was created to carry out inspection activities to check the converters associated with gas volume meters accredited for the type C Body (see standard UNI CEI EN ISO/IEC 17020:2012). These tasks are to be performed in compliance with proper separation of responsibilities and of reporting between inspections and the other activities carried out and, in particular, with the function of checking carried out distinctly and independently from the repair function.

In 2013 the Corporate System Framework was created: a document that is the at the apex of the pyramid of the Snam regulatory system and which was created with the objective of innovating and simplifying the structure of the earlier Organisational Manual, adapting it to organisational changes and new business challenges.
The Corporate System Framework represents a different approach, not only in terms of its content, but also in its form and the way it is used. The aim was to create a simple document that could be accessed immediately and applied across the entire Group, including to employees working abroad. Since Snam is now operating in an international context, this aspect was a special area of focus for a business that has set its sights on the international markets and intends to grow further in this direction. The document has therefore been translated into English and French, so that personnel abroad can use it as a reference. For the same reason, references to Italian entities, institutions and laws have been removed.

Involvement and participation initiatives

Snam believes that communication plays a key role in promoting the participation and involvement of its staff. The aim is not just to "inform", but to raise awareness, provide shared experiences and bring people together, making them feel closer to the Company by putting them right at the heart of it.
The results of the Snam Group's "One Voice" employee survey were published in 2013. The results show a positive overall perception in line with the leading companies in Italy. They also reveal some areas in which Snam employees would like to see further improvement; we are investing in these areas in order to meet the requirements expressed by our workers. The broad areas of intervention are: empowerment, development, performance management, communication and innovation.
There are many channels and instruments through which Snam shares its values, challenges, objectives and projects, increasing the level of employee satisfaction in carrying out their activities.
The Group's intranet is not only built as a tool for information but also as a place for sharing and developing knowledge. It underwent some significant updates in 2013: changes to some parts, such as "Highlights" and pop-ups, which were introduced during the year, have made the intranet a new, interactive tool from the home page onwards. We are continually publishing more news and using more video content.
Snam creates and uses printed publications such as newsletters, brochures, posters and flyers to ensure that all its employees are included, even if they do not have easy access to a computer. During 2013, the "Energie" Newsletter followed changes and developments at the Company by publishing "Speciali di Energie", examining some topics closely such as the results of the employee survey, and distributing a questionnaire to evaluate employees' knowledge and

use of, and satisfaction with, the Company's welfare systems, as well as to gather their suggestions. There has been a considerable increase in the volume of news, but the content has also changed: news is now published with a view to giving people more information about the Company and making them feel part of a continually evolving organisation.
"Sapernedi+" 2013, the communication initiative aimed at raising awareness of the Company's values and strategies and sharing the issues, problems and solutions of individual business units, has been a success. Nearly 5,000 employees, or 83% of the Group's workforce, took part through around 250 meetings that took place at the Company's various offices throughout the country. This enabled us to reach every one of the Group's centres, operating hubs, districts, stations and business units.
While retaining their respective autonomy and business cultures, in 2013 Snam and TIGF launched the "Partage" knowledge- and experience-sharing programme with a view to identifying the sources of value that might help TIGF to grow as part of Snam's international strategy. Some 70 people have taken part in the programme, which has initiated seven projects.

Training

Development and consolidation of the system of professional skills, in tune with trends in the environment in which the business operates, are an integral part of the personnel development process.
Training is an essential element for enriching the employment opportunities of personnel and for supporting the processes of organisational integration and change management.
Throughout 2013 more than 198,350 hours of training were provided (amounting to 32.8 hours per employee) to 23,811 participants.

TRAINING BY POSITION

(hours)	2011	2012	2013	Change
Executives	2,369	2,366	**6,133**	3,767
Managers	13,840	15,841	**23,699**	7,858
Office workers	102,103	65,209	**117,942**	52,733
Manual workers	68,822	77,355	**50,584**	(26,771)
	187,134	**160,771**	**198,358**	**37,587**

The Company personnel involved in training initiatives amounted to 96.8%, a sure sign of the continual and all-encompassing commitment to update and develop the knowledge of all personnel.
As in previous years, the firm commitment to vocational training for the development and strengthening of specialised technical expertise and in the field of sustainability continued.
The most significant and/or interesting initiatives launched and implemented in 2013 included the following:

- specific training activity was carried out following the SAP upgrade, which affected all Company departments;
- following changes introduced by the Italian Anti-Corruption Law, an e-learning system helped to disseminate the principles and content of the new model adopted by the Board of Directors in relation to Legislative Decree 231/2001;
- a joint training course with Terna's managers was developed in order to boost growth by comparing different business cultures. The "Forma(re)ti" project is a training programme reserved for executives and managers of companies with networks throughout Italy as part of a regulated business. The programme is dedicated to areas such as programme management, economics, bid and procurement management, supply chain and change management. Beyond its content, the programme has a unique inter-company structure, which Snam and Terna have embraced by hosting sessions at their own offices;

- managerial training activities continued;
- training dedicated to the maintenance and knowledge of technical systems was conducted;
- 2013 also saw the launch of the "Energienglish" programme, which offered all Snam staff the opportunity to take an online English course run by EF Corporate Language Learning Solutions. All Snam employees had access to the self-study programme, an online course consisting of 16 modules and using tools such as grammar guides, translation exercises and games. Approximately 1,900 employees have signed up to the year-long course, which is testament to its popularity. There are two other study courses available to those who require advanced knowledge of the language. In these cases, the e-learning modules are supplemented by group conversation sessions with mother-tongue teachers, weekly courses with individual lessons and foreign study placements.

We continued our commitment to the training required by current legislation and on sensitive areas such as health, safety, environment and quality. All health and safety courses were organised and run in accordance with the Agreement between the State and the Regions of 21 December 2011.

Initiatives in favour of employees

Snam's corporate welfare system is a carefully structured group of instruments and services that aims to provide employees with a better work/life balance and, more generally, a better working experience.
The more traditional and established components of the corporate welfare system are as follows:

- complementary insurance against workplace and non-work-related accidents;
- supplementary healthcare assistance covering public and private healthcare and hospital expenses;
- complementary pension funds, which in most cases are topped up by employer contributions.

In addition to these benefits, there are initiatives and services for people in the following major areas: family, health and well-being, time and space, savings and relationships.

Our model is continually evolving to keep up with recent changes and to ensure high levels of satisfaction. The 2013-2014 welfare programme has three guiding principles: introduce new initiatives for emerging needs; draw up specific measures based on the needs of the Company's various employees and ensure that employees are aware, informed and involved.
In 2013, a detailed analysis was carried out on Snam's workforce, which is broad and diverse in terms of needs and sensitivities.

In order to maximise the cost/benefit relationship and to motivate people to take part and feel like they play a key role in the Company, we created a questionnaire to evaluate their awareness, use of and satisfaction with services, as well as to gather their suggestions.

During the year we created a special logo for our welfare activities, and expanded and enriched the dedicated area of the Company intranet to ensure that our employees are fully informed about the various welfare initiatives.
Over the coming months, partly based on the results of the analysis and the questionnaire, we may gradually introduce several savings (extending current agreements) and healthcare initiatives in support of families.

Industrial relations

Snam guarantees all workers the right to express their thoughts freely, to join associations and to engage in trade union activities. The relevant national collective labour agreements (the energy and oil contract for the transportation, storage and regasification segments and the gas/water contract for the distribution segment) apply to all Snam workers.
At the end of 2013, 50.75% of employees were members of a union.
During 2013, 240 meetings took place with the trade union organisations; a high number of meetings, at both national and local level, is a feature of the relationship between Snam and these organisations.
The negotiations paved the way for the use of a participatory model across all levels, which was formally introduced by way of a new Industrial Relations Protocol agreed by the parties on 17 October 2013. This hugely innovative document, the first of its type entered into by Snam, regulates all aspects of the negotiation system in order to simplify and bring it more into line with national and international benchmarks, based on the common desire to pursue corporate objectives through the use of tools that prevent conflict by encouraging the development and promotion of a participatory culture among employees. As well as the remodulation of national and local negotiating levels, in relation to the national collective labour agreements in place, the Protocol established:

- the Snam Industrial Relations Committee, comprising representatives from Snam's management and from the national secretariats of the trade unions that signed the Protocol, as well as three employee representatives appointed by each signatory trade union. The Committee introduces mechanisms for providing information about topics pertaining to the overall energy and economic situation, particularly with regard to developing Company policies;
- a Study Commission with the aim of identifying new participation models in line with applicable legislation. The Commission comprises six members: one representative for each signatory trade union and three representing the Group companies;
- the Health and Safety Committee, comprising representatives of Snam's management and individuals identified by the national secretariats of the trade unions.
- The Protocol also set out time frames for the establishment of a European Works Council pursuant to Legislative Decree 113 of 22 June 2012 (transposing Directive 2009/38/EC) following the Company's recent acquisitions in Europe.

The Protocol also describes training as a subject affecting all Group employees insofar as they are strategic resources for the business, with the aim of developing professional capabilities and skills that adapt to changes at the Company, and thus resolving to invest significantly in training initiatives in the coming years.
In October 2013, as part of the Group integration, reorganisation and consolidation process aimed at achieving structural synergies and improving the quality/quantity mix, Snam signed an Employment Protocol that provides for the use of instruments under the current set of rules, specifically the redundancy, pursuant to Articles 4 and 24 of Law 223/91, of 300 workers and the recruitment of 150 people over the next three years in the Group's various operating units.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

By adopting a Health, Safety, Environment and Quality Policy, Snam is assuming a specific commitment to civil society by recognising the essential value of the principles of protection and prevention. In terms of health, safety, environment and quality, the organisational structure provides for a distinction between the duties of general management, which are centralised within Snam, and the duties of special management, coordination and support for operating units, which are assigned to the individual companies. In particular, the centralised organisational structures ensure the management of expertise, assist the business units in identifying the most efficient technical and organisational solutions, and define, for all companies, the guidelines, methodologies, standards and operating procedures to be applied. They also take care of the definition, implementation and maintenance of management systems, including by means of technical audits. The operating companies maintain an internal organisational structure which allows them to operate with an adequate level of decision-making autonomy.

Management systems

The Snam Group uses specific certified Management Systems with the objective of overseeing the processes and business activities in accordance with the health and safety of workers, environmental protection and the quality of services offered. The table below shows the certifications obtained by the various management systems, as well as the laboratory accreditations. In 2013, Snam Rete Gas extended the certification of its Environmental Management System to the entire Company, in accordance with the UN EN ISO 14001 standard. For many years previously, the certification covered the gas compression stations and the pipeline network, and the certification of the Quality Management System, implemented in compliance with the UNI EN ISO 9001:2008 standard, followed for the gas process systems (design, development and centralised management of process systems and remote control for the dispatching and metering of natural gas in the transportation network.

During 2013, new certifications were obtained and all necessary actions, including 300 audits (256 internal audits performed by specially qualified staff and 44 audits performed by external companies), were implemented to retain existing certifications.

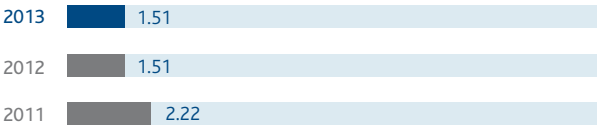
MANAGEMENT SYSTEMS

Company	Coverage certification	Type of certification and accreditation	Year of first certification
Snam	Company	BS OHSAS 18001	2012
Snam Rete Gas	**Company**	**ISO 14001**	**2013 (certification extended to the whole Company)**
	Gas process systems	**ISO 9001**	**2013**
	Infrastructure planning unit	ISO 9001	2011
	Company	BS OHSAS 18001	2010
	Unit size	ISO 9001	2010
	Testing laboratory (conveyed gas flows)	ISO 17025	2007
	Dispatching centre	ISO 9001	2003
	Calibration laboratory (mixtures of natural gas)	ISO 17025	2002
GNL Italia	Company	BS OHSAS 18001	2012
		ISO 14001	2000
Stogit	Company	BS OHSAS 18001	2012
	Design and delivery of natural gas metering and accounting	ISO 9001	2008
	Company	ISO 14001	2002
Italgas	Company	ISO 50001	2012
		ISO 14001	2001
		BS OHSAS 18001	2001
		ISO 9001	1996
	Calibration laboratory	ISO 17025	1994
	Testing laboratory	ISO 17025	1994
Napoletanagas	Company	ISO 14001	2003
		BS OHSAS 18001	2003
		ISO 9001	2000

Health and safety

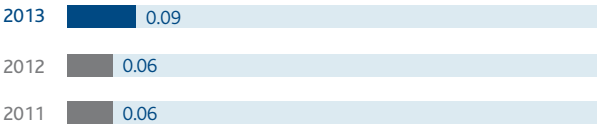
The protection of health and safety in the workplace is one of Snam's primary objectives.
In 2013, in addition to the requirements of Legislative Decree 81/08, the "Objective Safety" project, launched at the end of 2010, continued its significant initiatives which aim to act on the culture of the workforce to improve attitudes, behaviour and personal responsibility with regard to health and safety at work.
The "Objective Safety" project was implemented to reduce further the number of workplace incidents and accidents, partly by unifying and improving the best practices developed by the individual companies. The three initiatives known as "Safety Trophy", "Zero Accidents Prize" and "Safety Walk" are also part of the project. The first two are aimed at encouraging all employees to adopt safe and responsible behaviour, through a points-based competition with non-monetary prizes (the first mainly involves the personnel of outlying operating sites, while the second is aimed at all personnel). The third, "Safety Walk", launched for the first time in 2011, aims to engage the entire Company in achieving effective workplace safety through meetings between top management and Snam personnel in their operational activities. Internal communication and training act to consolidate knowledge and reinforce attention on the issue. Specifically, the selected channels for communication are as follows: the intranet portal, displays stationed at all Snam worksites and a newsletter which provides in-depth information on the issues, risks and tools associated with health and safety in the workplace. The news bulletin, produced in hard copy, is distributed to all personnel of the Snam Group.
The measures implemented in recent years have enabled us to obtain good results both at the Group level and for the individual companies, as shown by the trend of accident indicators.
The employee accident frequency index was 1.51 (unchanged from 2012) and the severity index was 0.09 (0.06 in 2012). The increase in the severity index is due to more severe consequences from the accidents that occurred.

ACCIDENTS AT WORK - EMPLOYEE FREQUENCY INDEX(*)



(*) number of accidents at work resulting in absence of at least one day, per million hours worked

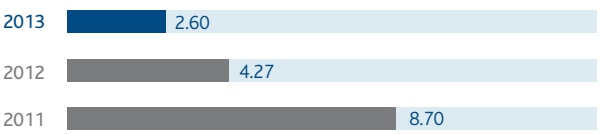
ACCIDENTS AT WORK - EMPLOYEE SEVERITY INDEX(*)



(*) number of working days lost due to accidents at work resulting in absence of at least one day, per thousand hours worked

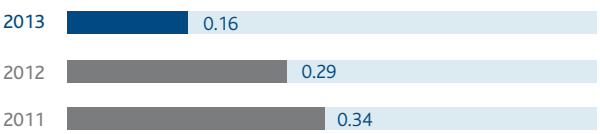
With regard to safety in connection with contracted labour, special attention was paid to suppliers' qualifications and, subsequently, to evaluating suppliers through special inspections performed in the work execution phase.
We further increased supplier involvement regarding safety aspects by holding specific sessions to help raise the awareness of our suppliers to these issues, partly because of the growing importance of safety indicators within supplier qualification and evaluation criteria.
There were no fatal accidents in 2013.

ACCIDENTS AT WORK - CONTRACTOR FREQUENCY INDEX(*)



(*) number of accidents at work resulting in absence of at least one day, per million hours worked

ACCIDENTS AT WORK - CONTRACTOR SEVERITY INDEX(*)



(*) number of working days lost due to accidents at work resulting in absence of at least one day, per thousand hours worked

During the course of the year, the commitment to protect the health of employees was reaffirmed by focusing on continually monitoring risk factors identified in the corporate processes and implementing suitable prevention and protection measures. Work environment inspections were carried out in order to evaluate adequate and appropriate working and environmental conditions and to identify possible measures for prevention or improvement. A total of 260 environmental inspections were performed in 2013.
Activities continued to support specific health protection initiatives, such as cancer prevention and flu vaccination campaigns, bans on smoking in Company workplaces, and on the supply of alcohol in Company canteens.
We ensure that regular health checks are performed on personnel exposed to specific risk factors, with 2,674 check-ups during the year.

Environmental Protection

Protection of the environment is of primary importance during all phases of Snam operations. The criteria and procedures adopted for the location, design, construction and management of the plants meet high environmental protection requirements.
Snam is committed to providing Italy with a daily source of energy, natural gas, which owing to its chemical and physical properties and its ability to be used in highly efficient technologies in various sectors (civil, industrial and thermoelectric), is able to provide a significant contribution to reducing atmospheric emissions of greenhouse gases (GHG), particles and sulphur oxides. In fact, using the same amount of energy, the carbon dioxide (CO_2) generated by natural gas consumption is 25-30% less than that produced by oil products and 40-50% less than coal.
The more significant environmental aspects of Snam operations are the temporary use of the soil during the construction of new transportation infrastructure and the atmospheric emissions from the use of gas turbines installed in the gas compression stations (transportation and storage).
When laying pipelines, the route is selected from a variety of alternatives according to environmental impact, transportation safety and technical and economic feasibility considerations. In particular, it seeks to avoid or to minimise the passage through areas of significant natural or cultural interest, archaeological areas, geologically unstable areas and inhabited areas where the construction of new dwellings is anticipated. When laying the pipelines, technologies are used that interfere with the surrounding environment as little as possible. Having completed the works, a careful environmental restoration operation is carried out to return the land to its original condition.
During the year, environmental restoration activities mainly concerned the regions of Friuli Venezia Giulia and Sicily. Restoration works were carried out, along the paths of the methane pipelines, over a total distance of approximately 131 km, and new trees were planted along 22 km.
During operation, the plants and pipelines periodically undergo inspections and maintenance to ensure very high safety standards. Particular attention is paid to the section of lines that are inspected regularly by vehicles, using helicopters and personnel on foot in order to detect potentially hazardous situations caused, for example, by the works of third parties in the area of the pipelines. Similarly, any land slippage at specific points of the route is also kept under surveillance. The integrity of the pipelines is also inspected by passing devices along them known as “intelligent pigs”, which can detect any faults.
In 2013, around 2,342 km of network were inspected with intelligent pigs and around 15,400 km using helicopters.
The use of natural gas, which meets almost all of Snam’s energy requirements, allows us to minimise sulphur oxides and particle emissions.
To limit the emissions of nitrogen oxides generated by the gas turbines used in the compression stations, specific programmes have been defined over the years to modify the existing turbines and install new units with low emission combustion (DLE) systems in both gas compression stations and storage facilities.

The main activities carried out during the year in the storage facilities were as follows:
- entry into service of the DLE turbocompressors at Cortemaggiore (TC2) and Fiume Treste (TC1);
- upgrading of DLE turbocompressors at Sabbioncello (TC2) and Minerbio (TC4).

The main activities carried out during the year in the compression stations were as follows:
- entry into service of the DLE turbocompressors at Messina (TC1);
- upgrading of the DLE turbocompressors at Messina (TC2).

The greenhouse gases (GHG) emitted into the atmosphere by Snam operations are CO_2 and methane (CH_4), the primary component of natural gas. The CO_2 is a by-product of the combustion process and is directly associated with the consumption of fuels, while the emissions of natural gas, and therefore of CH_4, derive partly from the normal operation of the plants and partly from the atmospheric emissions due to the connection of new pipelines and maintenance or to accidental events in the transportation and distribution networks.
Snam seeks to minimise its GHG emissions in its operations by implementing specific containment programmes such as:
- the reduction of natural gas emissions (through the recompression of gas in pipelines, the replacement of pneumatic equipment and the replacement of cast-iron pipes in distribution networks);
- the reduction of power consumption (using specific energy management measures);
- the use of electricity produced from renewable energy sources (through specific purchase contracts and the installation of photovoltaic panels in building construction).

The following Snam facilities are subject to the Emissions Trading Directive (2003/87/EC) that gave rise to the greenhouse gas 'emissions market': 11 gas compression stations and 1 entry point terminal at Snam Rete Gas; 7 gas compression stations at Stogit and 1 LNG regasification plant at GNL Italia.
At the start of the third regulatory period (2013-2020), the greenhouse gas emission authorisation system, previously governed by Legislative Decree 216/2006, was updated and modified by Legislative Decree 30 of 13 March 2013, effective from 5 April 2013.
In order to achieve the emission targets set out in the Kyoto Protocol, the Snam Group's free CO_2 quotas are now gradually decreasing, rather than constant as they were in the second regulatory period. Moreover, quota allocations for the third regulatory period also depend on the actual productivity of the plant in the previous year.
In 2013, total CO_2 emissions were around 533,000 tonnes. The annual quotas issued by the Ministry of the Environment and the Protection of Land and Sea amounted to around 719,000, meaning a surplus of approximately 186,000 tonnes.

TECHNOLOGICAL INNOVATION AND RESEARCH

Through its subsidiaries, Snam is involved in some particularly interesting and innovative activities aimed at ensuring the increasing reliability in the management of its activities.
Snam is part of the European Gas Research Group, www.gerg.info, through which it can share research and innovation projects and establish synergies with other European transporters and distributors of natural gas.
Snam is also a member of the European Pipeline Research Group, www.eprg.net, an association that researches pipeline-related topics and counts Europe's biggest gas transportation and pipeline manufacturing companies among its members. Within this framework, projects (divided into three broad areas: Design, Materials and Corrosion) are in place to continually improve expertise in managing the integrity of methane pipelines throughout their life cycle.
Currently, the main projects of interest to Snam are: the effects of cathodic protection on pipes that have suffered mechanical damage; the experimental evaluation of the resistance of curves created using cold bending; the study of a new model for evaluating the integrity of pipelines subjected to mechanical damage; the monitoring of the effects on pipes interred in land that is unstable to varying degrees.

In partnership with the Politecnico di Milano, an energy efficiency study is under way on the application of high-efficiency cogeneration systems in compression stations, with a view to reducing electricity costs and increasing the overall energy efficiency of the gas compression process. In distribution, we are at the study phase of a project to install a turboexpansion-cogeneration plant that would turn the potential energy lost into electricity when the pressure of the gas is reduced. In addition, following a pilot project, we have adopted an innovative mechanical and pneumatic system to control and modulate the capacity of regulating and metering stations (REMIs) and of final reduction groups (GRFs). This system maximises the efficiency of the pre-heating system (where present) and restricts average noise emissions.

In transport telemetry, an initiative is under way to develop the technology of remote control and monitoring equipment for the SCADA (supervisory control and data acquisition) system, with a view to further improving the efficiency and performance of field data acquisition processes. In 2013, we also launched the "Sistema Manutenzione Asset Rete Trasporto Gas" (SMART GAS) project, with the aim of improving maintenance efficiency through an overhaul of work processes and rules relating to the transportation network, the compression stations, and the remote control and metering facilities, identifying the necessary changes to the professional model of ICT and technological instruments and resources used during maintenance activities.

In gas distribution, we continued work on the technological innovation project relating to large-calibre ultrasound meters installed at the regulating and metering stations (REMIs), monitoring them and comparing their results against those of traditional meters. We also continued to research innovative (ultrasonic and mass flow) and compact (with integrated remote reading and conversion system) meters. With regard to remote metering, we continued work on the "Remote Metering Information System" project that aims to design and create an information system for remote metering activities and to manage the operating, organisational and change-management aspects of implementing said system. In 2013, we completed work on the creation of the part of the system dedicated to mass usage (meters ≥ G10).

With regard to anti-seismic measures taken to protect buildings, we continued work on the only project in Italy involving practical testing of a Japanese valve system that can intercept gas flows to important buildings (hospitals, schools, etc.) in the event of seismic activity.

STAKEHOLDER RELATIONS

Stakeholder Engagement

Snam's engagement system is present at all levels of the business. The Company regularly collaborates with investors, government authorities, institutions and companies with the aim of offering a service which is consistent with local and national needs and growth plans and makes available its expertise to foster the development of activities to ensure ongoing improvements in the reliability of plants and the quality of services offered, while placing a priority on the health and safety of its employees and contractors.

Investor Relations

Since listing on the stock market in December 2001, Snam has been known for the transparency of its relations with investors and the financial community, and provides detailed reports of its objectives and results to enable shareholders and the financial market to assess all the ways in which the Company creates value.

Based on assessments expressed by the financial community, Snam is a company with a limited industrial and financial risk profile, operating in a stable and transparent regulatory environment which guarantees visibility over its future earnings and cash flows.

Best practice benchmarks are adopted every year which enable shareholders and the financial market to thoroughly assess the Company's drivers of value creation. In 2013, 11 road shows were conducted to meet shareholders and institutional investors in the major financial centres of Europe and North America. In total, management held one-to-one meetings with 100 investors, and there were also 30 group meetings and 8 industry conferences.

In 2013, there was also an Investor Day when the Company presented its foreign strategy to the financial community and gave a group of investors the chance to visit the infrastructure of Interconnector UK (in which Snam has a 15.8% stake) in the south of England.
The year also saw extensive communication with Snam bondholders and credit market analysts, with management taking part in dedicated conferences (three during 2013) and organising numerous one-to-one meetings and conference calls.
At the same time, we also communicated with the rating agencies Standard & Poor's and Moody's, retaining an investment grade credit rating (BBB+ from Standard & Poor's and Baa1 from Moody's) which reflects the Company's financial soundness and structure.
Information of interest to shareholders and investors, such as quarterly and half-year reports, is available in Italian and English from the Investor Relations section of the Company website, www.snam.it.
This section also features some periodical publications, such as the "Financial Market Review" that offers a monthly analysis of the financial markets and the stock market performance of Snam, its competitors and the utilities sector in general, and "News&Facts", a quarterly publication for individual investors.
Since 2010, the Investor Relations section of the website has featured the "Shareholders' Guide", including an interactive version, which is updated weekly and aims to provide a summary of useful information which will enable all shareholders to play a more active role in their Snam investment.
2013 saw the launch of "Sustainability. Creating a shared value", an annual publication summarising the sustainability policies that dictate Snam's relations with its stakeholders.

Communities and local areas

In keeping with the principles of sustainable development and its strategic growth plans, Snam arranges social and cultural events. The Company is involved in ongoing positive discussions with the local communities where it operates. It cooperates with local and national authorities, participates in the work of several associations and committees and provides its commitment and expertise to encourage improvements in the area of corporate social responsibility.
Following the signing in 2012 of a memorandum of understanding with Federparchi providing for joint projects on conservation to further strengthen environmental biodiversity and protection, an implementing agreement was signed in 2013. This implementing agreement established a working group, comprising specialists from Snam and Federparchi, with the aim of implementing environmental protection and conservation measures in infrastructure construction zones, and of conducting surveys aimed at acquiring direct knowledge of the techniques used by Snam in its environmental restoration programmes.
Every year since 2002, Snam has supported the environmental "Clean Up The World" volunteer initiative, organised by Legambiente, and Clean Up The World's Italian campaign, a great global event for volunteer environmental action in which volunteers spend three days cleaning our country's beaches, squares, gardens, parks and rivers. By means of an internal awareness campaign, Snam encourages its people to participate in the event.
During the year, institutional meetings continued with representatives of local government agencies and local governments with the aim of greater sharing and the participation of local stakeholders in the Company's strategic decisions.

Customers and the Electricity and Gas Authority

Snam has always placed special emphasis on its relationship with customers, with a view to satisfying the diverse needs resulting from the evolving gas market. This is done by monitoring the needs of customers and identifying, and then introducing, tools and procedures which facilitate access to our services.
Operating and commercial activities are carried out using increasingly advanced computer systems with applications which can even be migrated to web systems and enable a high degree of automation in managing various contracts. These systems are implemented from time to time to improve customer communications. In this way, we also comply with Resolutions issued by the Electricity and Gas Authority which regulates our services.

In 2013 we worked on the IT software and related web interfaces with the users of the transportation portals, making sure that we always involved and discussed things with our clients, to improve balancing operations by enabling management of the second balancing session.
We also introduced functionalities which, based on the information provided by distribution companies, enable Snam and its transportation users to measure the 'adequate capacity' so they can better monitor their own balancing position with a view to safeguarding the gas system.
In 2013, the transportation segment conducted a feasibility study on the creation of an online portal to support the disconnection and opening of redelivery points on the transportation network. From 2014, the portal will simplify related activities for users by using a single, clear channel of communication and monitoring request statuses in real time. Meanwhile, as part of the default transportation supply service, the Company held a public call for tenders to select three users to provide the service in line with the provisions of the Electricity and Gas Authority. It has also completed the digitisation of all activities related to this service, enabling the nominated users to fulfil the obligations laid down by the Electricity and Gas Authority in a straightforward manner thanks to the new functionalities available on the Capacity and M-Gas portals.
The storage business is still involved in making changes to the IT systems with a view to continually improving the quality and fluidity of the service, partly in light of regulations issued by the Electricity and Gas Authority. Specifically, the Stogit capacity portal, which covers all information exchanges between Stogit and its customers in line with the provisions of the Storage Code, has been further enriched by the implementation of the strategic storage service, enabling customers to communicate their imports and production figures on a monthly basis, and of the new auction process. The SAMPEI system, which is used for managing new contracts, the various storage sites of users and the new delivery methods, has also been updated.
The relationship with the Electricity and Gas Authority plays a key role for those operating in the energy business. Over the years, Snam has established a constructive relationship and worked effectively with the Electricity and Gas Authority by continually maintaining an advisory role and providing substantial information to support changes in the regulatory environment in the natural gas sector. In particular during the consulting phase, it has always made a significant contribution to the preparation of resolutions and provides support in response to all of the Authority's requests for information, including in the form of round table discussions and specific technical meetings.

Suppliers

Snam has adopted a procurement procedure based on transparency, impartiality and responsibility in compliance with the principle of free competition, and continues to achieve operating and performance targets over the short and long term.
Results are achieved based on the strategic planning of procurement activities and the preparation of a long-term procurement plan. The plan will be used to identify procurement targets, to maximise operating efficiency and to guarantee a high level of service, adhering at all times to the sustainability principles which Snam has adopted.
Our activities have always emphasised the respect and protection of human and labour rights, environmental protection and the search for a sustainable development model. It is our wish to share these values with all our counterparties.
In this respect, we ask suppliers to adopt Model 231 and to observe the principles of Snam's Code of Ethics, to comply with legislation on occupational health and safety and with environmental laws, and to adhere to international standards regarding labour laws.
Snam supports the Global Compact, an international initiative launched in 2000 by the United Nations to support ten universal principles concerning human rights, employment, the environment and anti-corruption. Snam Group companies share the ten principles of the Global Compact with all their suppliers through their contractual documentation, with the intention of disseminating the values contained therein.
Snam is guiding its suppliers through a process of improvement and optimisation of the procedures which govern subcontracting, entailing greater subcontractor accountability while at the same time ensuring the growth of the supplier and improving the quality of work carried out for the Company.

As part of efforts to spread Snam's culture of sustainability, a workshop was staged in July 2013 for companies involved in contract work for gas transportation activities. The workshop, which was entitled "Make comparisons to prevent and improve", was an important opportunity to discuss workers' safety and the protection of their day-to-day environment. It was a follow-up to "My safety is your safety", held in 2012.

Several new initiatives developed by Snam to make the supply chain even more efficient were unveiled at the event. These included: the new vendor rating model for recording the quality of services provided; the creation of the "Safety Trophy" for contractors who invest in safety and deliver exceptional performance; and the supplier portal, a new online platform serving as a one-stop shop for creating a more efficient computer networking system, sharing good practices and exchanging expertise with a view to establishing common values in supply chain processes.

During 2013, Snam employed more than 1,000 companies and entered into over 1,600 supply contracts worth a total of around €1.35 billion (€1.24 billion in Italy), covering goods, works and services.