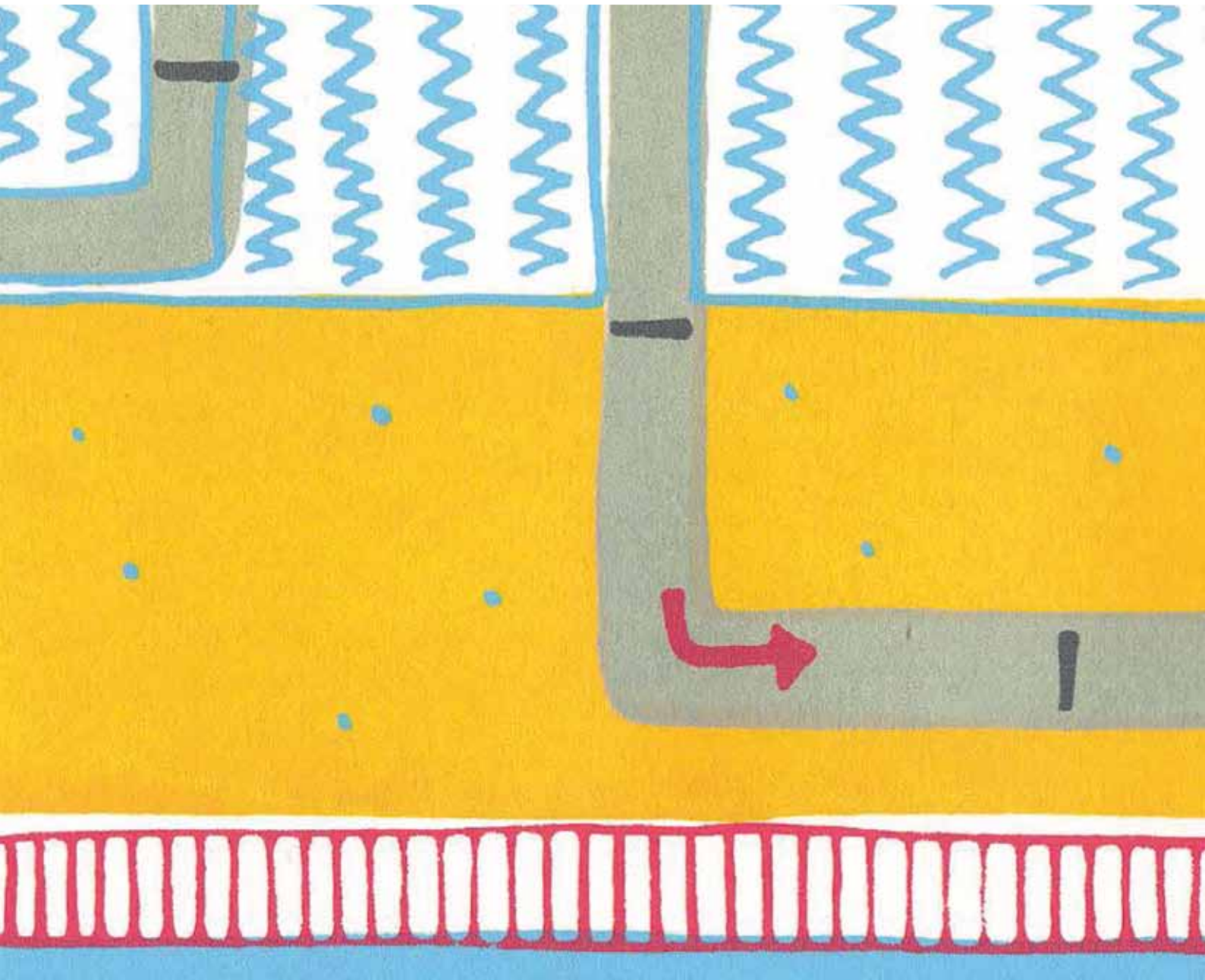


Governing the business responsibly



BUSINESS MANAGEMENT AND GOVERNANCE

The first and biggest responsibility for a company such as Snam, which has been operating in a regulated environment for many years and which aims to expand its business sustainably while also moving into international markets, is to pursue its corporate mission by managing its business economically and with solid ethical principles, balancing the expectations of its shareholders against those of parties with a legitimate interest in the Company's activities and more generally in the proper operation of the "gas system".

Snam has been tuned into this sensitive area since it was floated on the stock exchange in 2001. At that time it began to adapt its governance systems

according to the principles set out in the "Corporate Governance Code for Listed Companies" issued by Borsa Italiana, and the recommendations made by Consob in this regard. More generally, it has sought to align itself with national and international best practice in this area, with a particular focus on the unbundling legislation, as it manages activities that are subject to the regulations of competent national authorities and European natural gas legislation. Detailed information on Snam's corporate governance system is provided in the Report on Corporate Governance and Ownership Structure for 2013, which is published on the website (http://www.snam.it/repository/file/Governance/relazione_governo_societario/Relazione_sul_Governo_Societario_e_gli_Assetti_Proprietari_2013.pdf).



Our ethical principles and corporate values: Code of Ethics

The Code of Ethics sets out Snam's culture of corporate ethics and inspires its strategic thinking and the way it carries out its activities. Among other things, it specifically stipulates the following principles and values:

- transparency, honesty, propriety and good faith with regard to full compliance with the rules put in place to protect competition;
- involving stakeholders, fostering dialogue on sustainability and corporate responsibility;
- creating competitive value for the Company, for its stakeholders and for the region in which it operates;
- safeguarding and promoting human rights;
- individual freedom in every form, and rejecting all

kinds of discrimination, violence, corruption (in any form and regarding any public or private party), and forced or child labour;

- recognising and safeguarding dignity, liberty and equality among human beings;
- protecting employment, freedom of trade union association, health, safety, the environment and biodiversity.

The Code of Ethics, which is also an integral part of the Organisational Model pursuant to Legislative Decree 231/2001, was updated in July 2013 and is available on the Company website at <http://www.snam.it/it/governance/codice-etico/index.html>.

The Board of Directors has assigned the role of Code of Ethics Supervisor to the Watch Structure, established pursuant to Legislative Decree 231/2001.

Our systems

CORPORATE GOVERNANCE

The corporate governance system defines the body of rules that govern and guide the management and control of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT

The internal audit and risk management system comprises the body of rules, procedures and organisational structures aimed at managing the main business risks.

ADMINISTRATIVE LIABILITY

Snam and its subsidiaries have adopted the organisation, management and control model pursuant to Legislative Decree 231/01 and established their own Watch Structure.

PROCEDURES

These formalise and govern the business processes by defining roles, duties, responsibilities and coordination activities.

Corporate Governance

Snam's management and control system is based on a "traditional" arrangement, with the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors as the key corporate bodies. The activities and functions of each of these bodies are set out in the bylaws.

The Shareholders' Meeting is the shareholders' deliberative body, and appoints the Board of Directors and the Board of Statutory Auditors. As well as matters that are mandatory by law, the Shareholders' Meeting has exclusive responsibility, under the bylaws, for resolutions relating to acts of disposal, including those that apply to joint ventures, and subjection to business restrictions or strategically important business units in terms of activities connected to gas transportation and dispatching.

The Board of Directors is the central body in Snam's corporate governance system. It is invested with the broadest possible powers of ordinary and extraordinary

management, with the sole exception of acts that are reserved for the Shareholders' Meeting, either by law or in accordance with the bylaws. In particular, the Board plays a central role in defining policy on matters relating to sustainability, and also reviews and approves the Sustainability Report.

The Board currently in office was appointed by the Shareholders' Meeting of 26 March 2013. It has nine members, and will remain in place for three financial years, until the date of the Shareholders' Meeting called to approve the financial statements for the year as at 31 December 2015. Lorenzo Bini Smaghi has held the post of Chairman since 15 October 2012, while Carlo Malacarne has been Chief Executive Officer since 8 May 2006.

The majority of Board directors are independent (five out of nine), with a strong female presence (four out of nine), which exceeds the level stipulated by the gender representation rules in force.

COMPOSITION OF THE BOARD OF DIRECTORS

Director	Office	List from which elected
Lorenzo Bini Smaghi	Non-executive director and Chairman	CDP Reti S.r.l. list
Carlo Malacarne	Chief Executive Officer ⁽¹⁾	CDP Reti S.r.l. list
Sabrina Bruno	Non-executive director ⁽²⁾	List presented jointly by minority shareholders
Alberto Ciô	Non-executive director ⁽²⁾	CDP Reti S.r.l. list
Francesco Gori	Non-executive director ⁽²⁾	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 ⁽²⁾	List presented jointly by minority shareholders
Pia Saraceno	Non-executive director ⁽²⁾	CDP Reti S.r.l. list

(1) Executive director.

(2) Independent director pursuant to the Consolidated Finance Act (TUF) and the Corporate Governance Code.

To perform its duties more effectively, Snam's Board of Directors has created four committees from its members. The first three are provided for in the Corporate Governance Code, and operate according to the Corporate Governance Code and the bylaws:

- The Control and Risk Committee provides support for the Board of Directors, expressing opinions on specific aspects of the identification of corporate risks, and reporting to the Board of Directors at least every six months on the adequacy of the internal control and risk management system.

- The Compensation Committee provides recommendations and advice to the Board on matters relating to the compensation of directors and managers with strategic responsibilities. The Appointments Committee provides recommendations and advice to the Board, particularly with regard to the Board’s size and composition and the annual self-assessment procedures performed by the Board and the Committees.
- The Combined Independent Management Committee is a collegial body created by Snam’s Board of Directors in response to the measures set out in the Consolidated Unbundling Act. This body, which is tasked with the joint management of regulated activities relating to natural gas transportation,

dispatching, distribution, storage and regasification and comprises Snam’s Chief Executive Officer and the Chief Executive Officers of the directly controlled companies, operates according to its own regulations. Snam maintains this Committee on a voluntary basis.

The Board of Statutory Auditors oversees compliance with the law, the deed of incorporation and the principles of proper administration in the conduct of corporate activities. It also controls the suitability of the organisational, management and accounting structure adopted by the Company and how this functions in practice. The Board of Statutory Auditors also oversees the effectiveness of the internal control and risk management system.

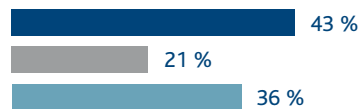


Remuneration of management

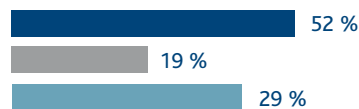
The 2013 remuneration policy guidelines determine a pay mix in line with the managerial position held, with greater weighting for the variable component, for posts typically having a greater impact on business results, as shown in the pay-mix chart set out below, calculated by considering the enhancement of short- and long-term incentives in the event of on-target results. Snam’s corporate data sheet, which presents performance targets for the Chief Executive Officer and contributes to the formulation of the performance targets of managers with strategic responsibilities, also includes a specific target, accounting for 10% of the total, for the accident frequency rate among employees and contractors. For managers with strategic responsibilities, the annual variable incentive plan is also based on specific sustainability targets that relate to the scope of responsibility of the role performed. The policies implemented were assessed, in terms of positioning and pay mix, using remuneration benchmarks provided by specialist consultancy companies. (Detailed information on compensation is provided in the “Compensation Report” document on the website www.snam.it).

PAY-MIX

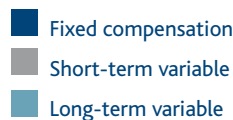
Chief Executive Officer



Managers with strategic responsibilities



Other managerial staff



COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Member	Role
Massimo Gatto ⁽¹⁾	Statutory auditor and Chairman
Leo Amato ⁽²⁾	Statutory auditor
Stefania Chiaruttini ⁽²⁾	Statutory auditor
Maria Gimigliano ⁽²⁾	Alternate auditor
Francesco Gori	Alternate auditor

(1) List presented jointly by minority shareholders.

(2) CDP Reti S.r.l. list.

ACTIVITIES OF THE CORPORATE BODIES

Director	Meetings (no)	Average member attendance
Board of Directors	11	98.0%
Control and Risk Committee	10	93.3%
Compensation Committee	6	94.0%
Appointments Committee	8	95.8%
Combined Independent Management Committee	3	100.0%
Board of Statutory Auditors	15	70.9%

The audit of the Company's financial statements is entrusted to a specialised company on the appropriate register and appointed by the Shareholders' Meeting on the basis of 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.

Internal control and risk management

The responsible directors and managers are in charge of setting up and maintaining an efficient internal control and risk management system, in line with the corporate objectives, and the process of aligning the risk management procedures with the defined containment plans. 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; he performs the duties stipulated in the Corporate Governance Code.

The Board of Directors, have first obtained an opinion from the Control and Risk Committee, assesses the adequacy of the internal control and risk management system at least once a year in respect of the characteristics of the Company and the Group and with the risk profile assumed, as well as the system's effectiveness.

In particular in 2013 the Control and Risk Committee, as part of its role to assist the Board of Directors, examined the new initiatives established by the Company to implement an Enterprise Risk Management (ERM) system, designed to help senior management to systematically identify, measure, manage and monitor key risks that could affect the achievement of the strategic objectives. Risks relating to sustainability are included in the mapping of operational risks identified by the ERM system.

Applying the control system is a primary responsibility of management, as control activities are an integral part of management procedures. Management must therefore

encourage the creation of an atmosphere that is actively orientated towards control and, in particular, oversee “line controls”, which are all the control activities that the individual operating units or companies carry out on their processes.

Independent control is the responsibility of the Internal

Audit department, which is specifically responsible for ensuring that the internal control and risk management system is functioning properly and is adequate. The parent company performed auditing activities in 2013, with a dedicated team of 14 auditors.

ACTIVITIES CARRIED OUT BY INTERNAL AUDIT ▷ GRI - G4: HR3, SO5

	2011	2012	2013
Total number of audits performed	48	55	63
Reports received	22	17	16
involving the internal control system	8	10	7
involving accounting, auditing, fraud, etc.	-	-	-
involving administrative responsibility pursuant to Legislative Decree 231/2001	-	-	-
involving breaches of the anti-corruption law	1	-	-
involving other subjects (Code of Ethics, mobbing, thefts, security, etc.)	13	7	9
Reports shelved due to lack of proof or because untrue (no)	11	13	10
Reports ending in corporate disciplinary or managerial action and/or filing with a legal authority	5	2	1
Reports in the process of examination (no)	6	2	5

Snam in line with risk management best practice

Snam's Enterprise Risk Management (ERM) department has been active since April 2013. It is tasked with identifying, measuring and monitoring all corporate risks. Snam has always been aware of and managed its risks, but with the ERM system it has chosen a method and model for identifying, assessing, managing and controlling risks that is structured and standardised for all Group companies.

The model applies right across the corporate organisation, and the ERM system will support the Risk Owners, who are the corporate figures directly involved in managing the risks associated with their business areas. Risks are measured using the two classic parameters of operational and economic

impact, and the probability of occurrence, and management and mitigation actions are then established. The Category Risk Managers, who are the department managers responsible for risks that could have cross-cutting effects, are also expected to contribute to this process. Lastly, each department has an ERM contact, serving as a reference point for all risk management activities within his/her department.

More than 100 meetings took place as part of the risk mapping process, leading to the identification of 318 risks, 77% of which have a medium-low probability of occurrence, confirming the Snam's overall low risk profile. This analysis will be updated again in 2014, with the help of a new, ad hoc information system.

318 risks identified with a range of impact types:

- Industrial/business – Economic – Strategic – Health, safety and environment – Financial
- Human capital – Reputation – Market – Legal/compliance

Administrative liability and prevention of offences

▷ GRI - G4: SO3

The Board of Directors has adopted its own organisational, management and control model pursuant to Legislative Decree 231 of 8 June 2001 ("Model 231") to prevent the crimes identified by legislation governing corporate administrative liability for crimes committed in the interest or to the advantage of the Company (Legislative Decree 231/2001). It also appointed a Watch Structure with powers of initiative and control, in accordance with the law.

A new text for the Model was thus approved by the Board of Directors on 30 July 2013, with updates introduced relating to new crimes of "private corruption", "undue inducement to give or promise benefits" and "employment of third-country citizens whose stay is illegal", as well as changes to Snam's corporate and organisational structure.

Model 231 consists of an organic combination of principles, rules and measures that relate, inter alia, to the management and control of every corporate process, in order to protect the Company from any conduct that might give rise to sanctions against the Company, pursuant to Legislative Decree 231/2001, relating to crimes committed or attempted in the interest or to the advantage of the Company by individuals in "top" management positions within this structure or individuals subject to the supervision and control of these persons.

A multi-functional team was created within the Company ("Team 231"), which aims to identify and carry out the activities required to update Model 231 by the Company and its subsidiaries by incorporating new legislative developments introduced under the scope of application of Legislative Decree 231 of 8 June 2001. The subsidiaries have also adopted their own Model 231, commensurate with their specific operations, and appointed their own Watch Structure to monitor the implementation and effective application of this Model.

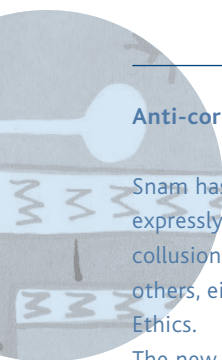
In line with the principles of continuous improvement in the control system and awareness of the importance of disseminating the contents of Model 231, both inside and outside the Company, and to ensure the model's effective application, Snam has developed a special training programme for all of its employees. As well as being an important tool for raising awareness among managers and the corporate workforce of the prevention of offences under Model 231, this training activity has led to widespread active participation by all employees in Snam's ethics and value system.

Model 231 can be viewed on the Company website (http://www.snam.it/en/Governance/Administrative_responsability/index.html).

Watch Structure and Code of Ethics Supervisor

The Watch Structure comprises the Internal Audit Manager, the Head of Legal, Corporate Affairs and Compliance, and three external members, one of whom serves as Chairman, who are experts in legal and corporate affairs and business economics and organisation.

Among other things, the Watch Structure monitors the effectiveness of Model 231 as well as implementation and updating activities. It reviews the adequacy of Model 231 in preventing unlawful conduct and is responsible for information flows in this area with the various corporate departments and with the supervisory bodies of the subsidiaries. The Watch Structure also performs the role of Code of Ethics Supervisor. In performing its tasks, the Watch Structure has unlimited access to corporate information for investigation, analysis and control activities. Any Company department, employee and/or member of Company bodies is subject to a disclosure obligation in the event of any request by the Watch Structure, and in the event of significant events or circumstances, for the performance of the activities falling within the remit of the Watch Structure.



Anti-corruption

Snam has been combating corruption for several years, expressly prohibiting "corrupt practices, illegitimate favours, collusion and requests for personal benefits for oneself or others, either directly or through third parties" in its Code of Ethics.

The new anti-corruption procedure, issued in October 2013 and replacing the previous MSG, prohibits bribery in any form in respect of any public or private, national or international party, and forms an integral part of a broader control system for corporate ethics adopted by Snam to ensure its compliance with national and international anti-corruption legislation,

including the UK Bribery Act, and the highest international standards in anti-corruption, and to safeguard its reputation. The anti-corruption procedure is also adopted in compliance with the tenth principle of the Global Compact, an international initiative launched in 2000 by the United Nations to support ten universal principles in the areas of human rights, labour, the environment and anti-corruption. Adoption and implementation of the procedure is mandatory for Snam and its subsidiaries, pursuant to a resolution by the Board of Directors. The Procedure can be viewed on the Company website (http://www.snam.it/en/Governance/Procedures/Anti-corruption_procedures/index.html).

Management procedures and systems

Snam believes that transparency and clarity in defining roles and responsibilities, reducing "grey areas" and differences of interpretation, are essential for the proper application of all of the standards that govern the management of all corporate activities. The reference documents for employees, which provide directions in this regard, are therefore very important.

In 2013, the Corporate System Framework was created.

This document represents the highest point of the pyramid of Snam's regulatory system, and was created to upgrade and simplify the structure of the previous Organisational Manual, adapting it to organisational changes and new corporate challenges. The new document brings together the corporate regulations within a framework structured into 24 processes (seven business processes and 17 staff processes).

SNAM GROUP PROCESSES



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. To manage some specific areas, such as occupational health and safety, the environment, the quality of services provided and, more recently, energy performance, Snam

also decided to adopt a range of specific management systems and to obtain certification for these under the most widely recognised international standards.

New certifications were obtained in 2013, and all the activities required to maintain certification were

implemented, including 312 audits (256 internal audits performed by specialist staff and 56 by external firms).

To check that the management systems used are effective 40 health, safety and environment audits were carried out on contractors operating at the worksites.

MANAGEMENT SYSTEMS

Company	Coverage certification	Type of certification and accreditation	Year of initial certification
Snam	Company	BS OHSAS 18001	2012
	Company	ISO 14001	2013 (certification extended to the entire Company)
Snam Rete Gas	Gas process systems	ISO 9001	2013
	Infrastructure Planning Unit	ISO 9001	2011
	Company	BS OHSAS 18001	2010
	Metering Unit	ISO 9001	2010
	Testing laboratory (conveyed gas flows)	ISO 17025	2007
	Dispatching Unit	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
Napoletanagas	Company	ISO 17025	1994
		ISO 14001	2003
		BS OHSAS 18001	2003
		ISO 9001	2000

MARKET REGULATION

In Italy

The Electricity and Gas Authority has regulated the gas transportation, storage, regasification and distribution segments in Italy since 1997.

In the context of market liberalisation, regulation over time has become a tool enabling the economically sustainable development of infrastructure and non-

discriminatory access to services by all operators in the free market.

The quality and regularity of relations between Snam and the Electricity and Gas Authority play a key part in this process. Over the years, Snam has established constructive dialogue and proactive cooperation with the Authority by continually maintaining an advisory role and providing the necessary support to changes in the regulatory framework of the natural gas segment.

Specifically, the Group's companies individually:

- respond, either directly or through trade associations, to the public consultations that the Authority holds on different activities in the segment prior to defining new regulations or revising current ones;
- take part in technical working groups established by the Authority on changes to the regulatory framework;
- draft changes to the transportation, distribution, storage and regasification Network Codes, which are

then submitted to the Authority for approval;

- participate in gathering data and in surveys conducted during the year for purposes of evaluating the status of the sector or of the individual services, and periodically send the data requested in compliance with reporting obligations.

The table below summarises relations with the Electricity and Gas Authority for each regulated segment.

RELATIONS WITH THE AUTHORITY

Description	Transportation	Storage	Distribution	Regasification
Responses to consultation documents (no)	9	1	7	1
Responses to consultations/observations through trade associations (no) *	13	2	14	1
Tariff proposals (no)	4	2	3	2
Data gathering (no)	90	53	131	29
Investigations (no) **	3	1	1	0
Proposed amendments to codes and contractual documents (no) ***	15	3	0	2
Approved amendments to codes and contractual documents (no)	11	2	0	1

* Responses to consultations (Electricity and Gas Authority, Ministry of Economic Development and Energy Market Operator) through trade associations.

** Includes: exploratory investigations in the transportation segment.

*** Includes proposals still being evaluated by the Electricity and Gas Authority, including agreements and contractual documents with operators in regulated services.

Determining revenue and tariffs

The clarity, stability and transparency of the regulatory framework for determining revenue and tariffs are key factors for the economic sustainability of Snam, and are also important to network users, who are affected by costs associated with infrastructure use, and to financial investors, in terms of predicting returns on their investments. In general, tariff criteria are defined every four years. The revenue from all activities is calculated so as to ensure coverage of operating costs, amortisation and depreciation, and a fair return on net invested capital, which ranges, in general, from 6% to 8%. Incentives are also provided, differentiated according to the type of investments made during the course of each regulatory period. Every year, based on its own recorded revenue, each

Snam company formulates a tariff proposal which is submitted to the Electricity and Gas Authority for approval.

With Resolutions 438/2013/R/gas, 514/2013/R/gas and 573/2013/R/gas, the Authority has approved the tariff calculation criteria for the fourth regulatory period, for the regasification, transportation and distribution activities, respectively.

Regulatory period

SNAM RETE GAS	January 2014	December 2017
GNL ITALIA	October 2014	December 2017
ITALGAS	January 2014	December 2019
STOGIT	January 2011	December 2014

In Europe

On a European level, the Electricity and Gas Authority is part of the Agency for the Cooperation of Energy Regulators (ACER) and Snam Rete Gas is part of the European Network of Transmission System Operators for Gas (ENTSOG). These two bodies develop European Network Codes and guidelines to regulate the access and use of cross-border infrastructure and to help towards creating a single gas market.

In this area, Snam Rete Gas played an active part in the process of defining the European Codes in 2013, collaborating with regulatory authorities and commercial and infrastructure operators to prepare common rules for balancing and interoperability, which are in the process of being adopted in law. In 2014, European Codes will be developed on pricing and the sale of newly created transportation capacity.

Snam Rete Gas also played an active part in the process of preparing the Community-wide ten-year network development plan (TYNDP), published by ENTSOG in February last year, and is also working with other infrastructure operators to draft two regional investment

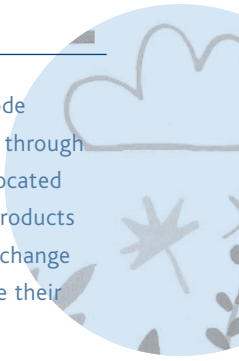
plans, one on the south-north corridor and one focusing on the south-east, involving new natural gas supply guidelines in the Caspian Sea area.

Through ENTSOG and GIE (Gas Infrastructure Europe, an association of European transportation, storage and regasification infrastructure operators), Snam also helped to prepare about 20 responses to public consultations relating to documents mainly proposed by the European Commission and ACER. The main themes subject to consultation related to the development of EU energy policies, changes to the Gas Target Model and the guidelines relating to European Codes. To facilitate the process of harmonising rules, Snam Rete Gas joined with 18 other transportation operators to create the company PRISMA, with the aim of early implementation of European provisions on the sale of capacity (the CAM Code) using a single, shared IT platform. Specifically, in April, the daily sale of capacity began between the Austrian exchange point at Baumgarten and the Italian gas system at the Tarvisio entry point, in coordination with the Austrian regulator and the interconnected transmission operator.

The first European Network Code (CAM Code) is adopted

On 14 October 2013, the first European Network Code was adopted through publication of Regulation (EC) No 984/2013, and its provisions will become legally binding as at 1 November 2015. The document is the first major step towards harmonising the rules of operation in the European gas market and will ensure access to transportation capacity according

to shared criteria and procedures. Specifically, the Code defines measures for the sale of hub-to-hub services through what is known as bundled capacity, which will be allocated using standardised auction procedures and a set of products harmonised throughout Europe that will facilitate exchange between the individual national markets and increase their liquidity.



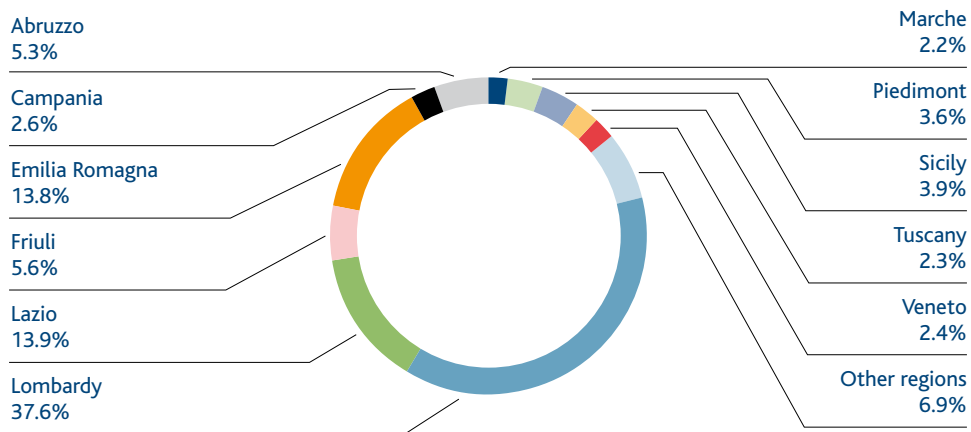
SNAM FOR SUPPLIERS ▷ GRI - G4: EN1

Snam operates in supply chains in its own interest, transparently and in full respect of free competition, and seeks to involve suppliers in achieving long-term high levels of performance, with the aim of reciprocal growth and creating shared value. Its supply policy also includes a particular focus on supporting small - and medium - sized local enterprises, in keeping with the Company's regional roots.

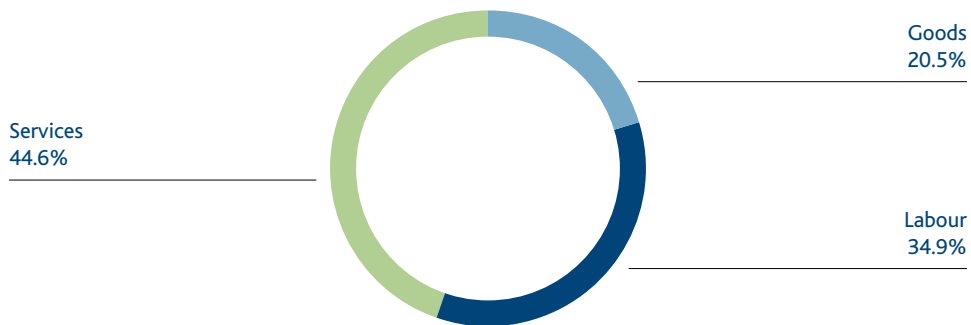
In what was one of the more difficult years for the economy and the national market in particular, Snam relied on more than 1,000 businesses, stipulating more than 1,600 supply contracts worth approximately €1.35 billion (€1.24 billion in Italy), divided between goods, labour and services.

Steel (tubing, fittings, etc.) accounted for the biggest proportion of the goods acquired by the Snam Group, with about 65,850 tonnes of supply recorded in 2013.

GEOGRAPHICAL DISTRIBUTION OF PROCUREMENT IN ITALY ▷ GRI - G4: EC9



PROCUREMENT BY NATURE OF GOODS



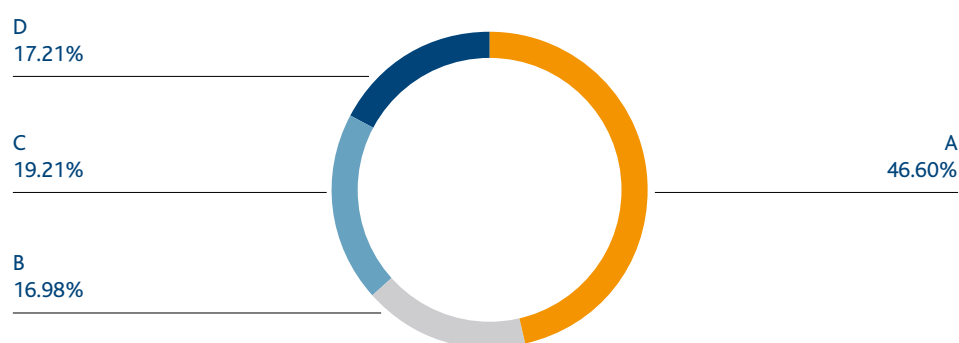
A clear and responsible relationship

Any parties intending to supply goods, labour and services to Group companies must not only meet its quality, price and reliability requirements but also share its drive towards innovating processes and its commitment to reducing environmental and social impacts and risks within the supply chain. This takes place through a rigorous and in-depth qualification process, which is the only way that the candidate supplier can enter into contact with Snam to showcase its current capacities and its future potential. In order to qualify for selection, potential suppliers must come through various preliminary evaluations,

both theoretical and practical, according to the nature and criticality of the goods involved. The evaluation is performed with the systematic support of computer tools in order to ensure that the information gathered is traceable and comparable.

Goods are classified according to four levels of criticality (A, B, C and D) that are allocated to each group of goods according to their technological complexity and the impact on Snam’s performance. The A and B criticality classes represent the most critical level: more than 850 million of goods in these classes was procured in 2013 (amounting to some 63.6% of the total).

PROCUREMENT BROKEN DOWN BY CRITICALITY CLASS



Many elements are assessed, including technical and management capacity, economic and financial reliability, ethical profile (including for products), commitment to anti-corruption, safeguarding and protecting the environment, promotion of healthy and safe working conditions and the absence of forced or child labour. For the most critical goods, Snam’s procedures also include

very stringent requirements, such as possession by the supplier of certified management systems compliant with international standards.

All 100% of critical suppliers, which represent about 14% of qualified suppliers, have certified quality and environmental management systems compliant with ISO 9001 and ISO 14001 standards.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2013	Sector	Status of activities
Works suppliers (criticality A and B) ISO 9001 and ISO 14001 certified (%)	2010	Achieve 100% by 2013	100	Snam Group	Target achieved

○ Target achieved
 ○ Annual target achieved (KPI with targets for more than 1 year)
 ○ Activity in progress
 ○ Target not achieved

Snam requires all suppliers to show, through contractual documentation, that they are familiar with Model 231 and with the principles of its Code of Ethics, thereby ensuring that they comply with workplace safety, health and environmental protection regulations and with international standards on labour rights.

In 2013, 638 suppliers were involved in activities related to renewals and new qualifications. At year-end, a total of 4,565 suppliers were qualified.

The driver towards continuous improvement

The qualification process is part of the broader Vendor Management system, which also includes the monitoring of suppliers through audits, inspection visits and assessments of their services, prepared with the help of the units responsible for managing their contracts. The system is designed to safeguard the integrity of the sustainability of the supply chain; Snam may place under observation, limit, suspend or even revoke the qualification of suppliers that fail to comply with the agreed standards. Possible failures include a lack of the technical and organisational requirements, negative assessments of the supplier's services or those of its

subcontractors, and failure to observe measures relating to regular contributions and the rules of Snam's Code of Conduct.

In 2013, Snam carried out 21 audits on critical suppliers in the qualification phase, collected 941 feedback statements relating to 196 suppliers and issued 64 measures for non-fulfilment, including notices and qualification suspensions and revocations.

In 2013, the services assessment system was incorporated into a pilot project that introduced a points reward system for suppliers registering no accidents during execution of construction and maintenance activities on the gas infrastructure. Collection also began of the accident indices of suppliers throughout their working cycles, and not only as part of their relations with Snam. This was done to encourage more transparency and knowledge about the supplier and, where necessary, to start specific awareness-raising initiatives.

Finally, in 2013 Snam continued action to raise awareness of and disseminate the ten Global Compact principles among its suppliers.



BREAKDOWN OF SUPPLIERS ACCORDING TO SUSTAINABILITY ISSUES ▷ GRI - G4: EN32-EN33-LA14-LA15-HR10-HR11-SO9-SO10

Suppliers ⁽¹⁾	Number	Working practices ⁽²⁾	Environmental criteria	Human rights ⁽³⁾
Goods				
Total qualified suppliers	1,538	36.7%	36.7%	100%
of which in criticality A and B classes	262	100%	100%	100%
Suppliers qualifying during the year	71	35.2%	35.2%	100%
of which in criticality A and B classes	9	100%	100%	100%
Labour				
Total qualified suppliers	504	61.3%	61.3%	100%
of which in criticality A and B classes	122	100%	100%	100%
Suppliers qualifying during the year	66	48.5%	48.5%	100%
of which in criticality A and B classes	15	100%	100%	100%
Services				
Total qualified suppliers	3,163	38.6%	38.6%	100%
of which in criticality A and B classes	235	100%	100%	100%
Suppliers qualifying during the year	216	28.2%	28.2%	100%
of which in criticality A and B classes	15	100%	100%	100%

(1) A supplier may be in possession of more qualifications.

(2) Aspects relating to health and safety.

(3) Ethical aspects (regular contributions/DURC (single insurance contribution payment certificate), Law 231, child labour, forced labour, etc.).

The new supplier portal for sustainability

On 31 October 2013, Snam launched its new supplier portal, a web platform created as a single point of operational access to manage suppliers. In just two months of activity, about 350 users have also registered on the portal, and this number is expected to grow substantially in 2014.

The portal is designed to simplify and improve daily operations for everyone involved in managing the entire supply chain. It provides all potential interested suppliers with information

about tender notices and qualification procedures, while active suppliers are provided with information, in a dedicated area, on the goods classifications for which they qualify, their active contracts, performance in terms of safety at work and all administrative items and forms.

The new portal is also designed to strengthen the dissemination of corporate social responsibility by exploring and sharing good practices on matters of central importance for Snam, including the health and safety of its workers, human rights and respect for the environment.