Report on Corporate Governance and Ownership Structure for 2016

Corporate Mission and Values

Snam is Europe's leading operator in the creation and integrated management of natural gas infrastructure. It facilitates the conditions for fair-priced energy by efficiently managing the gas system, developing infrastructure and offering integrated services for the market. It promotes the integration of the European networks, including through strategic partnerships with major operators in the sector along the continent's main energy corridors.

Snam follows an ethical and socially responsible business model that is capable of generating value for both the Company and the communities in which it operates, based on renowned professionalism and transparent dialogue with all its stakeholders, while respecting the environment and the local area. A clear and sustainable long-term development strategy, based on one of the most substantial investment programmes in Italian industry, has enabled the Company to attract Italian and foreign capital, boosting growth and employment.

With around 3,000 employees, Snam is active in natural gas transportation, storage and regasification. It manages a national transportation network encompassing more than 32,000 kilometres, nine storage sites and one regasification plant.

Report on Corporate Governance and Ownership Structure for 2016

pursuant to Article 123-*bis* of Legislative Decree
No. 58 of 24 February 1998
Issuer: Snam S.p.A.
Website: www.snam.it
Financial year to which the Report refers: 2016
Report approval date: 6 March 2017

Introduction

This report (the "**Report**") provides information – for the 2016 financial year unless expressly indicated otherwise – on the corporate governance system and ownership structure of Snam S.p.A.[1]

The Report consists of four Sections, which aim to provide the following information:

- Section I - Presentation of the Company;
- Section II - Information on the ownership structure;
- Section III - Structure of the corporate governance system adopted by the Company; and
- Section IV - Summary tables.

The Report is preceded by an Executive Summary that describes the key components of the corporate governance system.

The Report was drawn up in consideration of:

- the Consob document "*Report on corporate governance of Italian listed companies 2016*";
- the 2016 Assonime report "*La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain*" (Corporate Governance in Italy: Compliance, Remuneration and Comply or Explain);
- the The European House – Ambrosetti Final Report 2016 "*L'Osservatorio sull'Eccellenza dei Sistemi di Governo in Italia*" (Observatory of the Excellence of Governance Systems in Italy); and
- the *format for the Report on Corporate Governance and Ownership Structure* set out by Borsa Italiana (VI edition of January 2017). The Borsa Italiana format is available here: (http://www.borsaitaliana.it/comitato-corporate-governance/documenti/format.htm).

The Report is published in the "Governance and Conduct" section of the Company's website.

1 Pursuant to Article 123-*bis*, paragraphs 1, 2 and 3 of Legislative Decree No. 58 of 24 February 1998.

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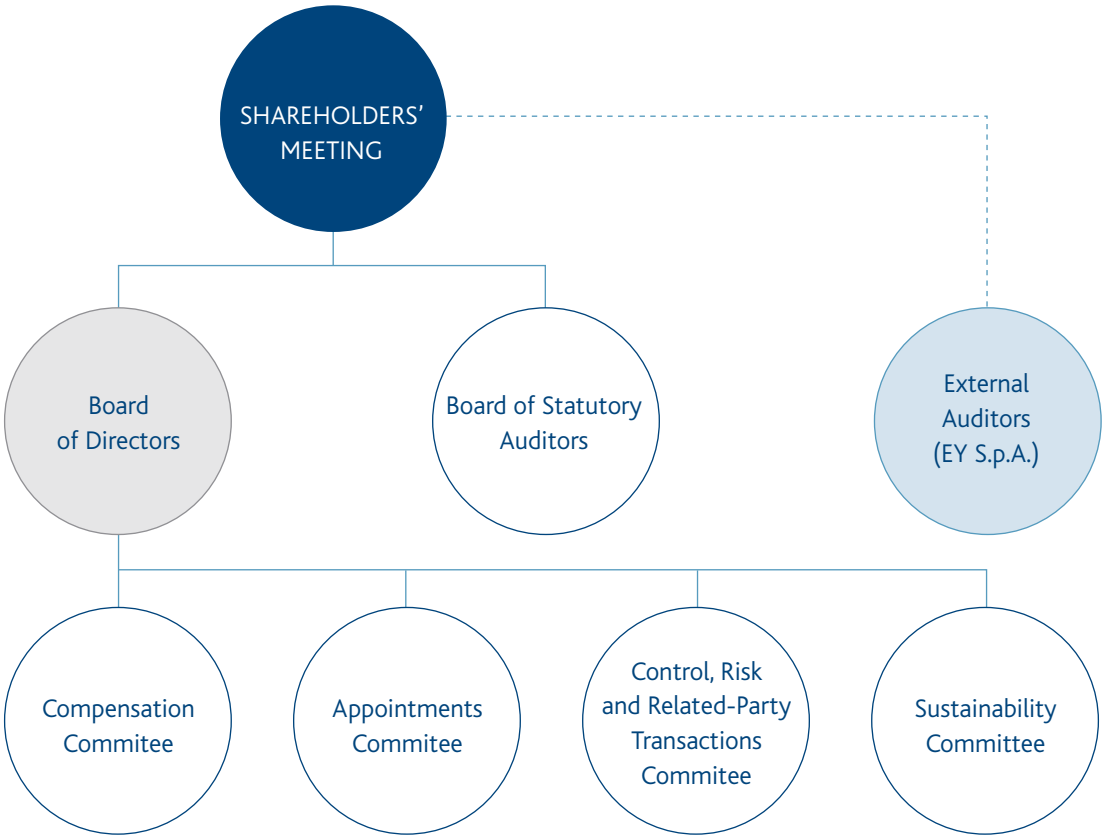
SNAM

Executive Summary

CORPORATE GOVERNANCE

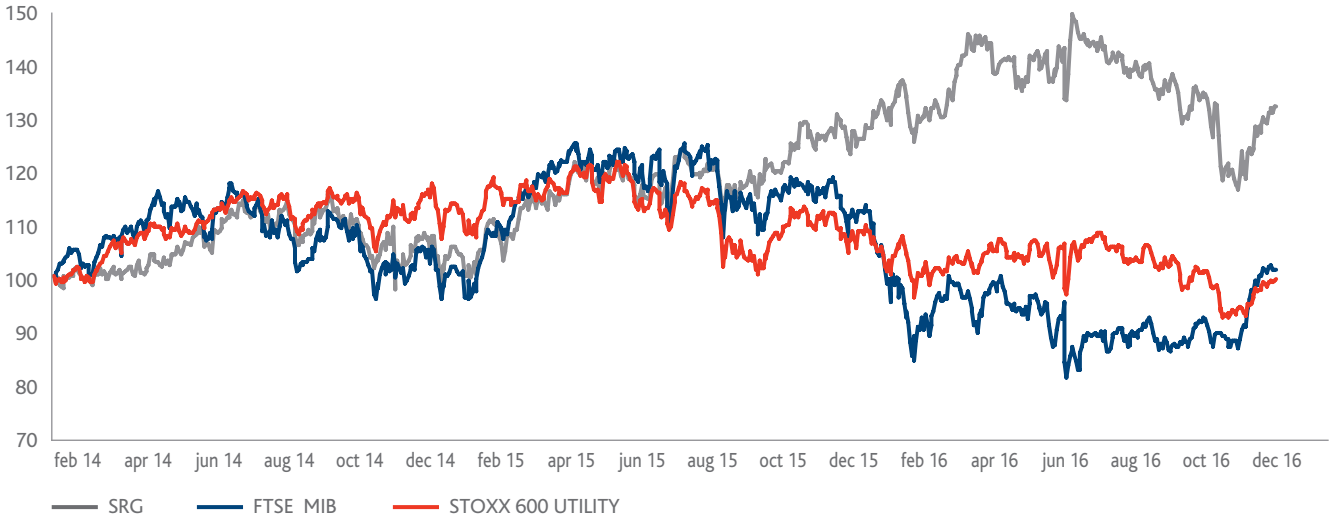


MAIN COMPANY HIGHLIGHTS

Figures in millions of euros	2014	2015	2016	% change 2015-2016
Total revenue (a)	2,516	2,554	2,501	-2%
EBIT (a)	1,454	1,427	1,293	-9%
Net profit – Continuing operations (b)	692	796	591	-26%
Group net profit (b)	1,198	1,238	861	-30%
Net debt	13,652	13,779	11,056	-20%
Market capitalisation at 31/12 (c)	14,383	16,973	13,614	-20%
Employees (d)	6,072	6,303	2,883	-54%
Sector			Utility	

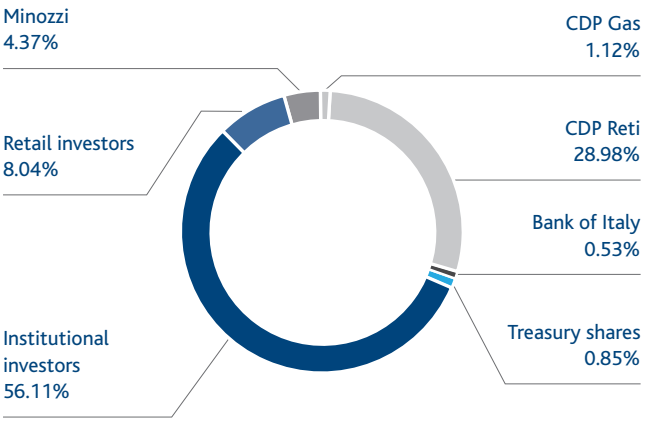
(a) The amounts refer to continuing operations (transportation, regasification and storage, corporate), The results of the natural gas distribution segment, the business separated from Snam, have been recognised separately as discontinued operations on a single line of the income statement, pursuant to accounting standard IFRS 5 - Non-current Assets Held for sale and Discontinued Operations, Accordingly, the comparison periods have been restated to exclude the contribution of the discontinued segment.
(b) Entirely attributable to Snam's shareholders.
(c) The number of outstanding shares (actual number) multiplied by the official price per share at year-end, The amounts for 2014 and 2015 were determined on the basis of the official historical prices recorded at year-end (€4,11 and €4,85 respectively at the end of 2014 and the end of 2015) and do not include price adjustments carried out after the demerger.
(d) Relating to continuing operations (transportation, regasification and storage, corporate).

SHARE PERFORMANCE, 2014 - 2016

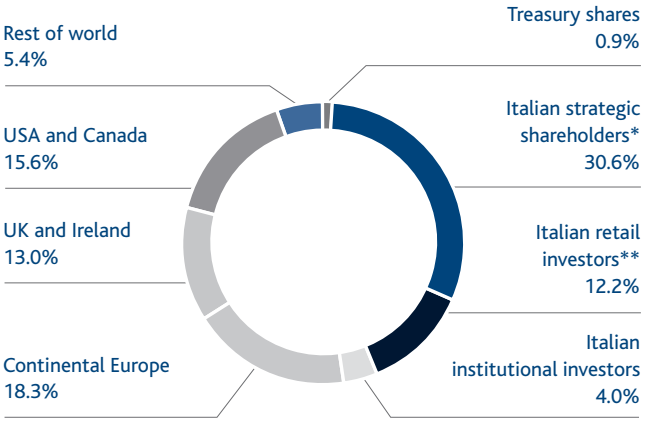


SHAREHOLDER STRUCTURE AND REPRESENTATION AT 31 DECEMBER 2016

COMPOSITION OF SHAREHOLDER STRUCTURE



SHAREHOLDING GEOGRAPHICAL BREAKDOWN



* The Italian strategic shareholders include Banca d'Italia, CDP Reti and CDP Gas.
** The Italian retail investors include the equity investment of Romano Minozzi (4.37%).

OTHER CHARACTERISTICS OF THE SHAREHOLDER STRUCTURE

	Yes/No	% of the share capital
Shareholder agreement	Yes*	28.98%
Majority voting	No	
Equity held by senior management	Yes	0.013%
Equity threshold for the submission of lists	Yes	1%
Equity held by Italian institutional investors	Yes	34.6%
Equity held by foreign institutional investors	Yes	56.11%

* See Section II, Point 8 of the Report.

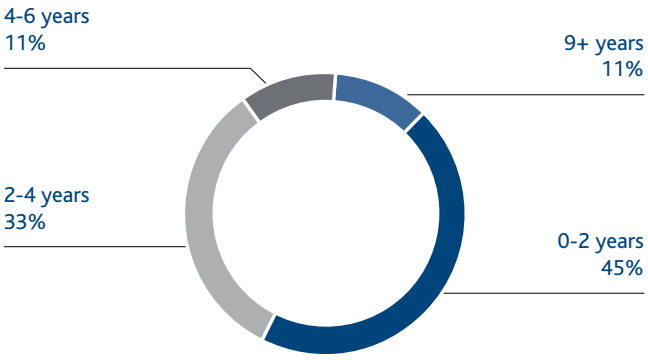
COMPOSITION OF THE BOARD OF DIRECTORS

STRUCTURE OF THE BOARD OF DIRECTORS

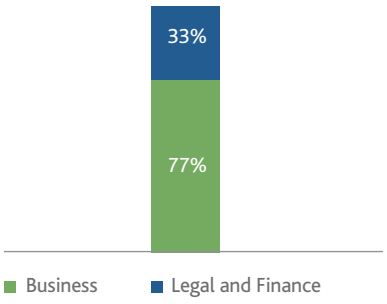
DIRECTOR	POST	ROLE	M/m	CRRPTC	CC	AC	SC
Carlo Malacarne	Chairman	Non-executive	M				
Marco Alverà	CEO	Executive	M				
Sabrina Bruno	Director	Independent (pursuant to TUF/Code)	m	✓			C
Monica de Virgiliis	Director	Independent (pursuant to TUF/Code)	M		C	✓	
Francesco Gori	Director	Independent (pursuant to TUF/Code)	m			C	
Yunpeng He	Director	Non-executive	M				✓
Lucia Morselli	Director	Independent (pursuant to TUF/Code)	M	✓			✓
Elisabetta Oliveri	Director	Independent (pursuant to TUF/Code)	m	C	✓		
Alessandro Tonetti	Director	Non-executive	M		✓	✓	

CRRPTC: Control, Risk and Related-Party Transactions Committee;
CC: Compensation Committee;
AC: Appointments Committee;
SC: Sustainability Committee;
M: Majority list, to be intended as the list from which the majority of the directors were drawn;
m: minority list, to be intended as the list form which the minority of the directors were drawn;
C: Chairman.

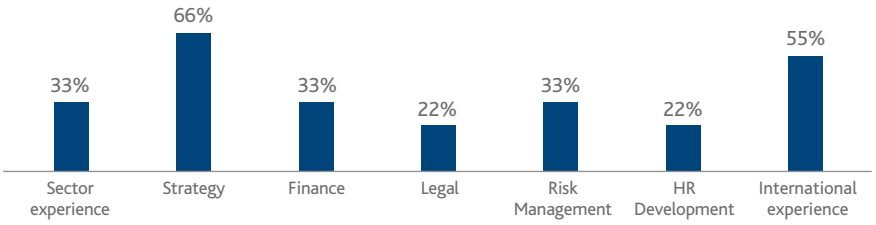
DIRECTORS' TIME IN OFFICE IN THE BOD



% OF BUSINESS EXPERTISE COMPARED WITH LEGAL AND FINANCE EXPERTISE



DIRECTORS' EXPERTISE



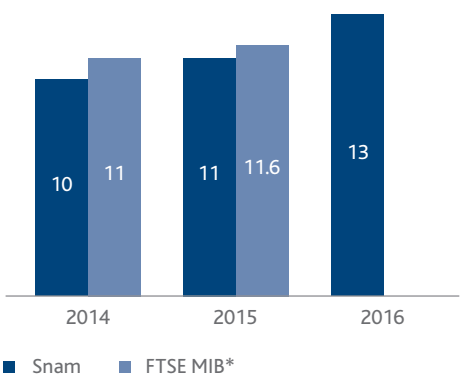
CHANGE COMPARED WITH PREVIOUS OFFICE

	Last office	Current office	FTSE MIB average
Number of directors	9	9	12.3 *
Directors elected by the minority	3 (33.3%)	3 (33.3%)	2 *
% of the least-represented gender on the BoD	33%	44.4%	29.4% *
% of independent directors	56%	56%	57% *
Average age of directors	56	53	57 *
Status of Chairperson	Non-executive	Non-executive	Non-executive 89.9% **
Existence of lead independent director	no	no	27.8% ***

* The European House - Ambrosetti S.p.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2016 edition. The data refer to the 2015 financial year and are taken from public sources, such as the 2015 separate financial statements and the Report on Corporate Governance published in spring 2016.
** Assonime – *La corporate Governance in Italia: autodisciplina, remunerazione e comply-or-explain* (2016). The 2016 survey includes 227 Italian companies, listed as at 31 December 2015, for which Reports were available at 15 July 2016. The figure refers to the average number of companies in the FTSE MIB in which the Chairperson is not Chairperson and CEO.
*** Assonime, *op. cit.*, the figure refers to the average number of companies in the FTSE MIB that declare that they have appointed a Lead Independent Director.

FUNCTIONING OF THE BOARD OF DIRECTORS

NUMBER OF BOARD MEETINGS



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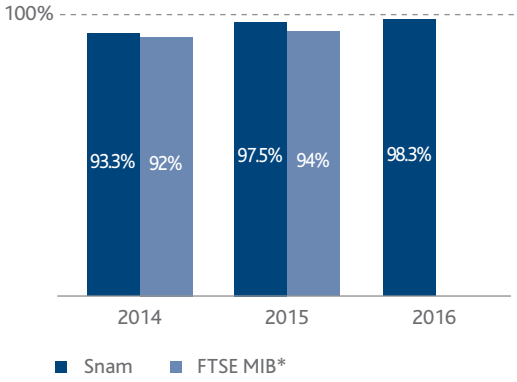
RATE OF ATTENDANCE AT BOARD MEETINGS



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NUMBER OF COMMITTEE MEETINGS AND RATE OF ATTENDANCE BY DIRECTORS

Committee	Number of meetings	Rate of attendance	Presence of independent members
Compensation Committee	10	100%	100%
Control, Risk and Related-Party Transactions Committee	12	96.6%	91.66%
Appointments Committee	9	100%	100%
Sustainability Committee	4	91.67%	91.67%

DIRECTORS WHO HOLD POSITIONS AS DIRECTOR OR STATUTORY AUDITOR IN OTHER SIGNIFICANT COMPANIES PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

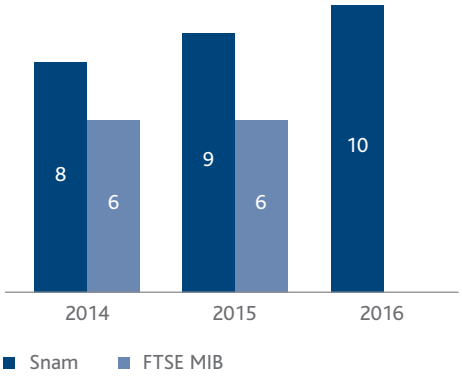
	Group companies	Other listed companies			Financial, banking and insurance companies and those of significant size		
		Non-executive director	Independent director	Statutory auditor	Non-executive director	Independent director	Statutory auditor
Sabrina Bruno	-	-	-	-	-	2	-
Monica de Virgiliis	-	-	1	-	-	-	-
Francesco Gori	-	1	-	-	1	-	-
Yunpeng He	-	2	-	-	1	-	-
Elisabetta Oliveri	-	-	1	-	-	1	-
Alessandro Tonetti	-	1	-	-	-	-	-

ANNUAL BOARD EVALUATION PROCESS

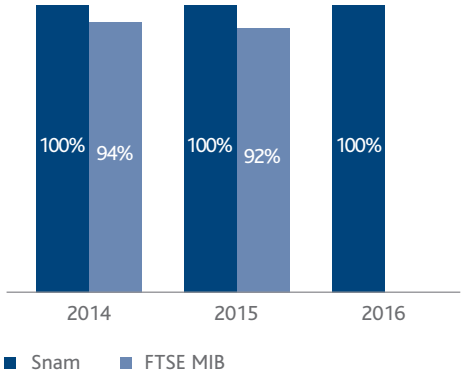
Board evaluation process completed	Yes
Evaluator	Self-assessment with the support of an advisor
Self-assessment methods	Interviews and questionnaires

REMUNERATION

NUMBER OF MEETINGS OF CONTROL AND RISK COMMITTEE



RATE OF ATTENDANCE OF CONTROL AND RISK COMMITTEE MEETINGS



SHORT-TERM INCENTIVE SYSTEMS (STI)

	No	Yes
Existence of a short-term incentive system		✓
Existence of a bonus cap		✓

LONG-TERM INCENTIVE SYSTEMS (LTI)

Existence of a long-term incentive system	
LTI Vehicles	
Cash	
Financial instruments	✓

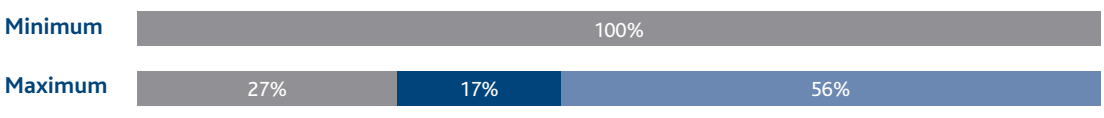
STI PARAMETERS FOR THE CEO

	Weight
Free Cash Flow	30%
Investments	30%
Operating efficiency	30%
Sustainability	10%

LTI PARAMETERS FOR THE CEO

	Weight
Ebitda	60%
Adjusted net profit	30%
Sustainability	10%

THEORETICAL PAY MIX FOR THE CEO

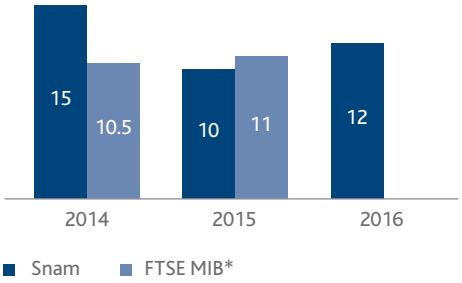


INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

COMPOSITION OF THE CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

	Independent	Executive/non-executive
Elisabetta Oliveri (Chairwoman)	✓	Non-executive
Sabrina Bruno	✓	Non-executive
Lucia Morselli	✓	Non-executive

NUMBER OF MEETINGS OF CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE



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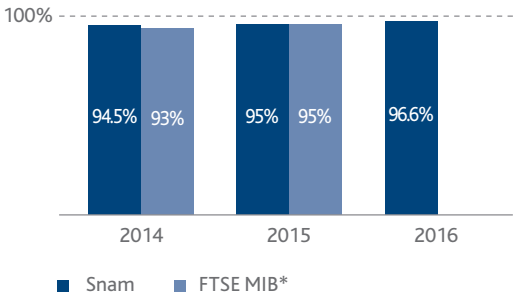
RATE OF ATTENDANCE OF CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE



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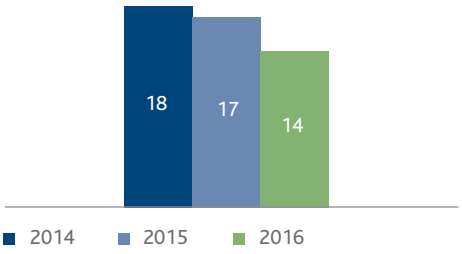
COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Statutory Auditors	Post	Ind.**	M/m*	Other positions
Leo Amato	Chairman	✓	M	44
Massimo Gatto	Standing	✓	m	4
Maria Luisa Mosconi	Standing	✓	M	10
Maria Gimigliano	Alternate	✓	M	N/A
Sonia Ferrero	Alternate	✓	m	N/A

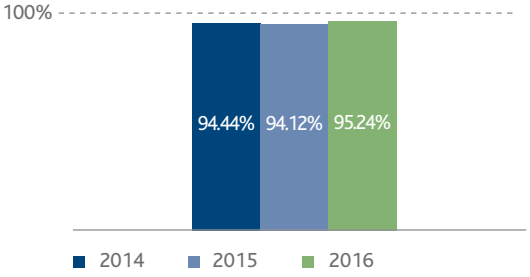
* M: Majority list, to be intended as the list from which the majority of the statutory auditors were drawn; m: minority list, to be intended as the list from which the minority of the statutory auditors are drawn.

** Independent in accordance with the TUF and the Code of Corporate Governance.

NUMBER OF MEETINGS OF THE BOARD OF STATUTORY AUDITORS



RATE OF ATTENDANCE OF THE BOARD OF STATUTORY AUDITORS



KEY ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

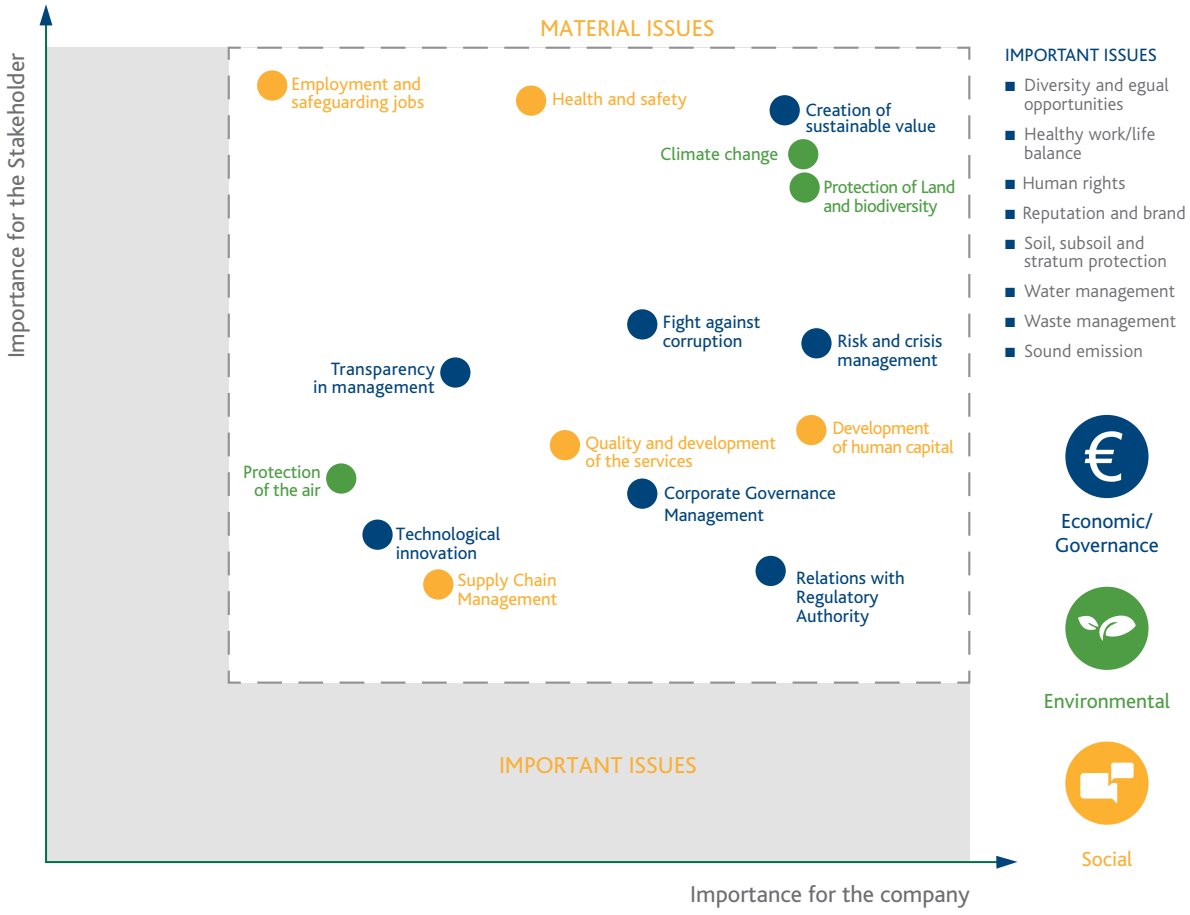
	Yes/No
Presence of Risk Management function	Yes
Existence of Risk Management plan	Yes
If yes, has the plan been discussed with the Committee?	Yes
Presence of succession plans (in relation to Management)	Yes
Preparation of specific Compliance programmes (Antitrust, Anti-corruption, Whistleblowing, etc.)	Yes

MAIN RISKS

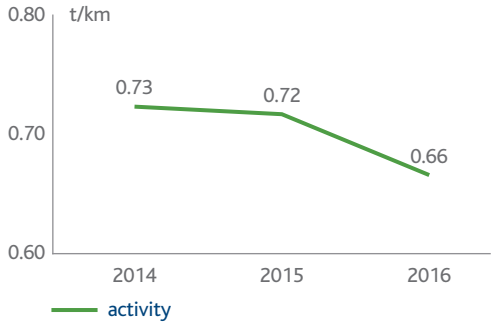
Main risks	Frequency	Impact	Mitigation measures
Regulatory change (regulatory, legal and non-compliance context)			Monitoring and discussion with the main institutions responsible. Regular review of the operational model in terms of health, safety and the environment. Update of 231 Model and the Code of Ethics. Analysis of adaptation to the latest version (July 2015) of the Code of Corporate Governance of Borsa Italiana and to corporate governance best practice. Anti-corruption monitoring. Monitoring of updates to corporate policies
Operating risk (damage, breakdown, etc.)			Ongoing checks and monitoring and communication initiatives aimed at providing information about the presence of infrastructure and the measures to be avoided/put into practice by third parties so as not to damage it
Rating risk (downgrading)			Ongoing monitoring of ratings indicators and activation of new lines if necessary

Rising scale

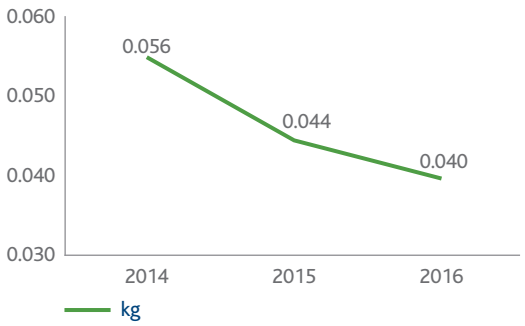
SUSTAINABILITY



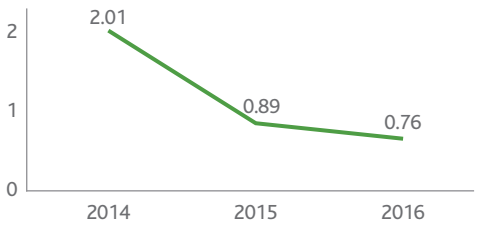
METHANE EMISSIONS/NETWORK KM



NOx EMISSIONS/ENERGY USED



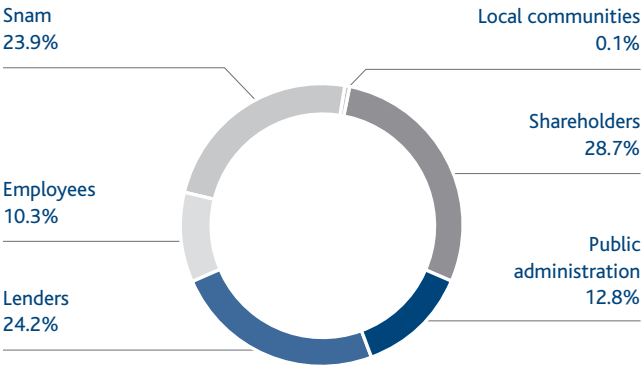
SAFETY AT WORK - ACCIDENTS AT WORK - FREQUENCY RATE FOR EMPLOYEES AND CONTRACTORS



ALLOCATION OF THE VALUE-ADDED

(€ millions)	2014	2015	2016
Value-added produced (A)	2,445	2,429	**2,518**
Value-added distributed (B)	1,907	1,831	**1,917**
Employees	241	238	**260**
Local communities	3	2	**2**
Donations and sponsorship	1	1	**1**
Legal compensation for environmental damage	2	1	**1**
Lenders (Bond holders and Banks)	377	347	**610**
Shareholders	875	875	**722**
Public administration	411	369	**323**
Direct taxation	394	357	**308**
Indirect taxation	17	12	**15**
Value-added retained by the Company (A) - (B)	538	598	**601**

ALLOCATION OF THE VALUE-ADDED (%)



Glossary

AEEGSI: Electricity, Gas and Water System Authority.

Anti-Corruption Laws: the provisions of the Italian Criminal Code on corruption, Law No. 190 of 6 November 2012, Law No. 69 of 27 May 2015, Legislative Decree No. 231/2001 and other measures in force, the FCPA, the UK Bribery Act, other public and commercial laws against corruption in force worldwide and international anti-corruption treaties, such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption.

Borsa Italiana: Borsa Italiana S.p.A.

Company's Website: www.snam.it.

Code of Corporate Governance: the code of corporate governance for listed companies approved in July 2001 by the Corporate Governance Committee, as subsequently amended in July 2015. The text is available at: http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

Consob: Commissione Nazionale per le Società e la Borsa (the Italian Securities and Exchange Commission).

Consolidated Finance Act (or "TUF"): Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented.

Demerger: the partial and proportionate demerger in favour of Italgas of the equity investment held by Snam in Italgas Reti, completed on 7 November 2016.

Executive Responsible For Preparing Corporate Accounting Documents: executive responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF.

External Auditors: EY S.p.A.

Group or Snam Group: Snam and its Subsidiaries.

Issuer, Snam or the Company: Snam S.p.A.

Issuer Regulations: regulations issued by Consob by means of Resolution No. 11971 of 14 May 1999, as subsequently amended and supplemented, on the subject of issuers.

Italgas: Italgas S.p.A.

Italgas Reti: Italgas Reti S.p.A.

Legislative Decree No. 231 of 2001: Legislative Decree No. 231 of 8 June 2001, "*Rules governing administrative liability of legal entities, companies and associations, including those without legal personality, pursuant to Article 11 of Law No. 300 of 29 September 2000*".

231 Model: the organisational, management and control model adopted by Snam pursuant to Italian rules on the "*liability of entities for regulatory offences connected to criminal acts*" laid down in Legislative Decree No. 231 of 2001.

Regulations on Related-Party Transactions: regulations issued by Consob by means of Resolution No. 17221 of 22 March 2010, as subsequently amended and supplemented, on the subject of related-party transactions.

Report: this report on corporate governance and ownership structure pursuant to Article 123-*bis* of the TUF.

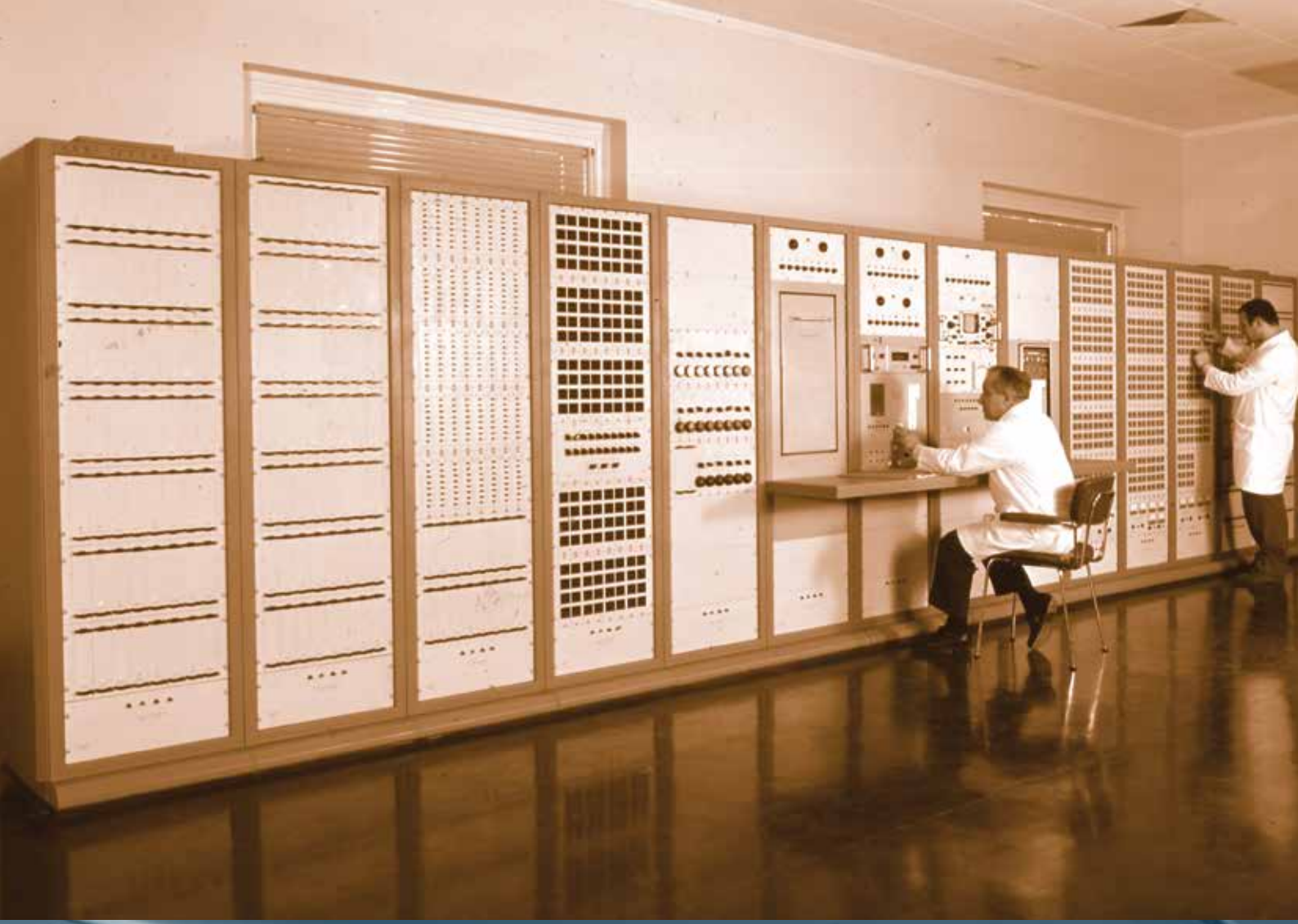
RAB: Regulatory Asset Base, *i.e.*, the net invested capital, calculated based on rules defined for transportation and storage companies by the AEEGSI to determine the related revenue.

Stakeholders: shareholders, investors, gas system operators, employees, suppliers, etc.

Subsidiaries: the following subsidiaries of Snam: Gasrule Insurance Limited; GNL Italia S.p.A.; Snam Rete Gas S.p.A.; Stoccaggi Gas Italia S.p.A. – Stogit.

Supervisory Body: supervisory body established pursuant to Legislative Decree No. 231 of 2001.

Unbundling Regulations: European and national provisions on functional and/or ownership unbundling that apply to all operators in the electricity and natural gas sectors. In particular: Directive 2009/73/EC, Legislative Decree No. 93 of 1 June 2011 and Prime Ministerial Decree of 25 May 2012 concerning "*Criteria, terms and conditions for the adoption by Snam S.p.A. of the ownership unbundling model pursuant to Article 15 of Law No. 27 of 24 March 2012*".



Section I - Presentation of the company

1. MISSION AND INTERNATIONAL GROWTH

Snam is Europe's leading operator in the creation and integrated management of natural gas infrastructure. It facilitates the conditions for fair-priced energy by efficiently managing the gas system, developing infrastructure and offering integrated services for the market. It promotes the integration of the European networks, including through strategic partnerships with major operators in the sector along the continent's main energy corridors.

Snam follows an ethical and socially responsible business model that is capable of generating value for both the Company and the communities in which it operates, based on renowned professionalism and transparent dialogue with all its stakeholders, while respecting the environment and the local area. A clear and sustainable long-term development strategy, based on one of the most substantial investment programmes in Italian industry, has enabled the Company to attract Italian and foreign capital, boosting growth and employment.
With around 3,000 employees, Snam is active in natural gas transportation, storage and regasification. It manages a national transportation network encompassing more than 32,000 kilometres, nine storage sites and one regasification plant.
Snam owns the main gas infrastructure within Italy and is a key operator in Europe in terms of its regulatory asset base (estimated at approximately €19.4 billion at the end of 2016)[2].

Snam's primary objective is to create value that can meet the expectations of Stakeholders, as expressed in its Bylaws, Code of Ethics and Sustainability Report[3]. This aim is achieved by providing services to its customers under conditions of the utmost safety and reliability and ensuring the development of infrastructure, new and more efficient technologies, and the flexibility of the gas system, in support of competitive growth and security in the supply system. Snam pursues a sustainable economic and business model that endorses respect for its people, based on the conviction that it is important to invest in, and constantly enhance, their expertise for the benefit of Stakeholders, the environment and the entire community.
At the European level, the Company promotes the integration of the European networks through comprehensive investments and corporate acquisitions, as well as strategic partnerships with the leading operators in the sector and institutional investors. In line with the principles of the European Third Energy Package[4], which promotes the integrated development of infrastructure and the use of common rules for network access in different countries, Snam has increased its focus on the international scene in recent years.

2. GOVERNANCE AND SUSTAINABLE BUSINESS DEVELOPMENT

Corporate governance serves to facilitate the creation of value for shareholders, while also accommodating the interests of the Company's Stakeholders. Initiatives, such as guidelines for strategy and business coordination and for the management control system, contribute to creating the best conditions for Snam to interact with its environment and thus ensure oversight of issues of mutual interest and compliance with rules. Snam promotes constructive dialogue with its Stakeholders, with the ultimate aim of orienting its actions towards the creation of shared value.
Its corporate management processes are based on the principles set out by the UN Universal Declaration of Human Rights, the fundamental conventions of the ILO and the OECD Guidelines for Multinational Enterprises. Snam also adheres to the UN Global Compact, the most important international sustainability initiative in the world, which aims to promote and disseminate 10 ethical principles concerning human rights, the environment, workers' rights and the combating of corruption. Finally, the Company's commitment to sustainable development is also reflected by the environmental protection provided under its policies. Snam thus enables environmental and economic development to coexist without neglecting land conservation.

Snam shares are listed on the FTSE MIB index of Borsa Italiana and are present on the main international indices (STOXX Europe 600, STOXX Europe Utilities), as well as on the main sustainability indices (Dow Jones Sustainability, FTSE4Good, CDP, Stoxx Global ESG Leaders, MSCI, United Nations Global Compact 100, Vigeo and Ethibel).

2 Source: 2016 annual financial report.
3 For further information, see Section I, Point 2 of the Report.
4 Directive 2009/73/EC.

To transparently present the value created and the sustainability of its business, since 2015 Snam has been preparing integrated reporting of financial and non-financial data and information in its Report on Operations within the Annual Financial Report, pursuant to the framework proposed by the International Integrated Reporting Council (IIRC).

The Financial Report is available on the Company's Website
http://www.snam.it/it/investor-relations/Bilanci_Relazioni/Bilanci_Annuali/2016/relaz_finanz_pdf_indicizzati.html

With regard to reporting, Snam continues to publish its Sustainability Report, drawn up pursuant to the GRI (Global Reporting Initiative) guidelines, since this is considered an important tool for managing the sustainability process and communicating with Stakeholders. The Sustainability Report is approved by Snam's Board of Directors[5].

The Sustainability Report is available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/investor_relations/bilanci_relazioni/bilanci_annuali/2015/report_sulla_responsabilita_sociale_2016.pdf

3. SNAM'S CORPORATE GOVERNANCE SYSTEM

Since it was first listed on the *Mercato Telematico Azionario* (Electronic Stock Exchange), organised and managed by Borsa Italiana since 2001, Snam has complied with the recommendations set out in the various versions of the Code of Corporate Governance. Compliance with the Code of Corporate Governance is voluntary and issuers may choose to full or partially disregard its recommendations. However, pursuant to the 'comply or explain' mechanism pursuant to Article 123-*bis* of the TUF, issuers must justify their reasons for not following the recommendations in their corporate governance reports.
For references to the information contained in the Report pursuant to Snam's application of the Code of Corporate Governance recommendations, please see Annex 1.
Snam's corporate governance system – a set of planning, management and control rules and methodologies necessary for the Company's functioning – was identified by the Board of Directors:

- in compliance with the regulations to which the Company is subject as a listed issuer;
- pursuant to the Code of Corporate Governance; and
- in line with the national and international best practices against which the Company compares itself.

The corporate governance system also focuses on compliance with the Unbundling Regulations, given the specific nature of the activities carried out by Snam and its Subsidiaries, which are subject to regulation by the AEEGSI.
The system is based on key principles, such as proper and transparent business management implemented through (i) the definition of information flows between corporate bodies; (ii) efficient definition of the internal control and risk management system; and (iii) the adoption of an Enterprise Risk Management system (the "**ERM System**"). This consists of rules and organisational structures aimed at identifying, measuring, managing and monitoring the main risks that could affect the achievement of the Company's strategic objectives.
Snam uses a traditional management and control system. The Bylaws set out the duties and activities of the following corporate bodies:

- Shareholders' Meeting;
- Board of Directors; and
- Board of Statutory Auditors.

3.1 Shareholders' Meeting

The Shareholders' Meeting is a decision-making body through which shareholders appoint the Board of Directors and the Board of Statutory Auditors. Pursuant to Article 12 of the Bylaws, in addition to the matters irrevocably assigned by law, the Shareholders' Meeting is exclusively responsible for passing resolutions concerning the sale, transfer, lease, usufruct or any other act of disposition, including within the scope of joint ventures, or subjection to restrictions of the Company or of business units of strategic importance in relation to gas transportation and dispatching activities[6].

5 For more information, see Section II, Point 2.3.
6 For more information, see Section III, Point 1 of the Report.

3.2 Board of Directors

The Board is vested with the broadest powers for the ordinary and extraordinary management of the Company, and may execute any act necessary to achieve the corporate objective. The Board of Directors appoints the Chairperson, if the Shareholders' Meeting has not already done so, delegates its powers to one or more of its members and may set up Committees. Specifically, the Board of Directors has created the following Committees, in compliance with the Code of Corporate Governance and the Bylaws[7]:

- Compensation Committee;
- Appointments Committee;
- Control, Risk and Related-Party Transactions Committee; and
- Sustainability Committee.

3.3 Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and with the deed of incorporation, as well as respect for the principles of proper administration in the performance of company activities. It also evaluates the adequacy of the organisational, administrative and accounting structure adopted by the Company, and how it functions in practice. Pursuant to Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors also performs supervisory activities in its role as the "*Internal Control and Audit Committee*"[8].

4. BYLAWS

The Bylaws set out the Company's governance model and the main rules applicable to the functioning of the corporate bodies.

The Bylaws can be viewed on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/statuto/Statuto_sociale_Snam_S.p.A._-_Novembre_2016_-_Clean.pdf

5. CODE OF ETHICS

The Code of Ethics defines a shared value system and expresses Snam's business ethics culture. It forms the basis for the Company's strategic line of thought and the conduct of its corporate activities[9]. In particular, the Code of Ethics:

i. states the values which identify Snam, such as compliance with the law, transparency, honesty, correctness, good faith, full respect of the provisions which protect competition;
ii. contains the behavioural standards in the relations with Stakeholders (employees, clients, shareholders, commercial and financial partners, as well as the community in which the Company is present through its activities); and
iii. forbids, without exemption, any form of bribery, illegitimate favours, collusive behaviours, requests, direct or through third parties, of personal or career advantages in favour of oneself or other people.

Amongst other things, the Code of Ethics represents a general binding principle of the 231 Model. The Board of Directors has assigned the Supervisory Body, established pursuant to Legislative Decree No. 231 of 2001, the role of Code of Ethics Supervisor, to which the following may be submitted:

- requests for clarification and interpretation of the principles and content of the Code of Ethics;
- suggestions relating to the application of the Code of Ethics; and
- notifications of breaches of the Code of Ethics.

The Code of Ethics is available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Code_Ethics/Code_of_Ethics_Snam.pdf

7 For more information on the Board of Directors, please see Section III, Point 2 of this Report; for further information on the Committees, see Section III, Point 3.
8 For more information, see Section III, Point 4.1 of the Report.
9 The Code of Ethics was most recently approved by the Board of Directors on 30 July 2013.

Section II - Information on ownership structure

1. STRUCTURE OF SHARE CAPITAL AND CHANGES IN SHAREHOLDER STRUCTURE AND MARKET CAPITALISATION

The table below shows the structure of Snam's share capital, which, as at the Report's approval date, amounted to Euro 2,735,670,475.56, fully subscribed and paid-up, divided into 3,500,638,294 ordinary registered shares, with no nominal value.

Share class	No. of shares	Proportion of share capital (%)	Listing market	Rights and obligations
Ordinary shares with no nominal value	3,500,638,294	100	*Mercato Telematico Azionario* (the electronic stock exchange) organised and managed by Borsa Italiana S.p.A.	The shares are indivisible, and each share entitles the holder to one vote. Shareholders may exercise corporate and ownership rights, subject to the limits set forth by the regulations in force and by the Bylaws

As at 31 December 2016, the Company held 29,905,180 treasury shares, equal to 0.85% of the share capital. The floating capital was 68.52%.

The Company's market capitalisation was Euro13,614 million as at 31 December 2016, compared with Euro16,973 million as at 31 December 2015, mainly due to the Demerger (based on an official price of Euro 3.9225 per share and a total of 3,470,733,114 shares in circulation).

2. GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS

The table below shows the geographical breakdown of shareholders at the Report approval date (based on notices provided for by regulations and information available to the Company).

Shareholders' area	Proportion of share capital (%)
Italy	47.7
Rest of continental Europe	18.3
USA and Canada	15.6
UK and Ireland	13.0
Rest of the world	5.4
Total	**100.00**

3. SIGNIFICANT SHAREHOLDINGS

The table below shows shareholders with equity investments of more than 3% in Snam as at the Report approval date (based on information available to the Company).

Declarant	Direct shareholder	Proportion of ordinary share capital (%)
CDP S.p.A.	CDP RETI S.p.A.(1)	28.98
	CDP GAS s.r.l. (2)	1.12
		Total: 30.1
MINOZZI ROMANO	Minozzi Romano	1.94
	Iris Ceramica Group S.p.A.	1.70
	GranitiFiandre S.p.A.	0.47
	Finanziaria Ceramica Castellarano S.p.A.	0.26
		Total: 4.37

(1) Company in which CDP S.p.A. holds 59.1% and State Grid Europe Limited holds 35%, with the remaining 5.9% held by Italian institutional investors.

(2) Company wholly owned by CDP S.p.A.

4. RESTRICTIONS ON THE TRANSFER OF SHARES AND VOTING RIGHTS

The Bylaws do not provide any restrictions on the transfer of ownership of shares of the Company. The provisions of law described below, however, impose certain restrictions on the transfer and ownership of shares of Snam.

4.1 Unbundling regulations

The Prime Ministerial Decree of 25 May 2012 (the "**Prime Ministerial Decree**") stipulates the "*Criteria, conditions and procedures with which Snam S.p.A. is required to comply to adopt the ownership unbundling model of the national gas transportation network and ensure the full separation of Snam S.p.A. from vertically integrated companies producing and supplying natural gas and electricity*".

To this end, the decree provided for the creation, by 25 September 2013, of an ownership unbundling system[10] for all regulated natural gas transportation, distribution, storage and regasification activities, and required Eni S.p.A. (a vertically integrated company and an entity that produces and sells energy) to transfer to CDP S.p.A. no less than 25.1% of the equity investment it held in Snam's share capital, and to dispose of the remainder on the market.

Pursuant to these provisions, on 15 October 2012, CDP Reti S.p.A. (then a wholly owned subsidiary of CDP S.p.A.) purchased 30% less one share of the share capital of Snam from Eni S.p.A. Subsequently, Eni S.p.A. gradually reduced its interest and no longer has a stake in the Company's capital.

10 Directive 2009/73/EC, transposed with Legislative Decree No. 93/2011, introduced a set of shared rules for the domestic natural gas market and required transportation companies forming part of a vertically integrated company to (i) adopt a model for the separation of ownership of operators of transportation systems from other non-network activities (ownership unbundling).
As an alternative to full ownership unbundling, the Directive provided for the adoption of models to separate activities by (ii) creating an independent transportation operator that manages and owns the network (Independent Transmission Operator or ITO model); or (iii) creating an independent system operator that manages a network owned by a third party (Independent System Operator or ISO model).

To ensure that Snam is fully separated, Article 2 of the Prime Ministerial Decree also stipulates that:

(i) all decisions relating to the management of equity investments in Snam must be adopted by the Board of Directors of CDP S.p.A. as if the equity investment were part of its "ordinary management" operations even if Snam is included in "separate management" activities of CDP S.p.A. Therefore, the Ministry of Economy and Finance will have no power to guide these decisions, and the members of the Board of Directors of CDP S.p.A. in charge of "separate management" activities will not be able to influence them; and

(ii) the members of the administration and control bodies and the executives of Eni S.p.A. and its subsidiaries may not be part of the corporate bodies of, or hold executive offices at, CDP S.p.A. or Snam or their subsidiaries; nor may they enter into any direct or indirect professional or financial relationship with these companies, and vice versa.

Again pursuant to the Prime Ministerial Decree, the voting rights attached to shares acquired (including through deeds, transactions or agreements of any kind), as well as to shares already held, directly or indirectly, by gas and/or electricity producers or suppliers or by their parents, subsidiaries or associates pursuant to the Italian Civil Code, and any powers of appointment pertaining to them, shall be restricted in compliance with the provisions of Article 19 of Legislative Decree No. 93/2011, which governs the ownership unbundling model. Article 19 of Legislative Decree No. 93/2011 stipulates that the same party (whether a natural or legal person) may not:

(i) exercise control, directly or indirectly, over an undertaking that produces or supplies natural gas or electricity and at the same time exercise control or rights, directly or indirectly, over a natural gas or electricity transmission system operator or over a natural gas or electricity transmission system; and

(ii) appoint members of the Supervisory Body, the Board of Directors or the bodies that legally represent the company within a transport system operator or a transport system and, simultaneously, directly or indirectly control or hold rights over natural gas production or supply operations[11].

Under the aforementioned provisions, shareholders that produce and sell gas and/or electricity are forbidden from exercising voting rights at the Company's Shareholders' Meetings. Therefore, they hold only the ownership rights they hold in Snam.

As a result of the legislative changes and Eni S.p.A.'s consequent loss of control over Snam, on 14 November 2013, the AEEGSI adopted Resolution 515/2013/R/gas, implementing its decision to definitively certify Snam Rete Gas as a natural gas transportation system operator under the ownership unbundling regime. By Resolution 318/2016/R/gas of 16 June 2016, adopted following CDP S.p.A.'s sale of shares in CDP RETI S.p.A. to the company State Grid Europe Limited, the AEEGSI confirmed that the requirements laid down in the Prime Ministerial Decree continued to be met.

5. SECURITIES THAT ENTITLE THE HOLDER TO SPECIAL RIGHTS

The Company has not issued any securities that entitle the holder to special rights. The Bylaws do not provide for the issuance of multiple voting shares or loyalty shares.

11 Such rights include the power to exercise voting rights and to appoint members of the Supervisory Body, Board of Directors or bodies that legally represent the company.

6. SPECIAL POWERS OF THE STATE

Decree-Law No. 21 of 15 March 2012, converted into law with Law No. 56 of 11 May 2012, contains rules concerning special powers on corporate ownership in the defence and national security sector, as well as for the activities of strategic importance in the energy, transportation and communication sectors. The Decree-Law affects regulation of the so-called special powers, by re-writing conditions and modalities of exercise of the State's special powers for privatized companies, to bring the national regulation into line with the rules provided by the Treaty on the Functioning of the European Union.

With regard to the energy sector, the Decree-Law confers upon the Government: (i) a power of veto in relation to resolutions, actions or operations adopted by companies that own strategic assets in the energy sector, on condition that such resolutions, acts or operations result in a loss of control or availability of the assets or a change in their use; and (ii) a power to impose certain duties or to oppose the acquisition by non-EU persons of controlling interests in said companies.

Pursuant to Decree-Law 21/2012, Snam is required to issue notification in the event of changes to the ownership, control, availability or purpose of networks, plants, assets and relations of strategic importance to the national interest ("**Relevant Assets**")[12]. The Company notifies the Prime Minister within ten days of adoption of any resolution, act or operation affecting the Relevant Assets and in any event before it is implemented. Resolutions passed by the Shareholders' Meeting or the management bodies concerning the transfer of Subsidiaries that hold the aforementioned Relevant Assets must be reported within the same timeframe. Within 15 days of the notification, the Prime Minister may, by issuing a decree adopted pursuant to a resolution of the Council of Ministers:

(i) declare a veto; and
(ii) impose specific provisions or conditions, if this is sufficient to ensure the protection of the public interest.

If 15 days pass without the Prime Minister adopting any measures, the operation may be carried out.

Pursuant to the same procedures and time frames, notification must also take place if the acquisition of equity investments in companies that hold Relevant Assets by non-EU entities results in a stable holding for the acquirer, due to its assumption of control of the company. If the acquisition poses the threat of serious harm to the fundamental interests of the State, the Prime Minister may:

(i) make the validity of the acquisition conditional on the acquirer's assumption of commitments intended to guarantee the protection of the aforementioned interests; and
(ii) oppose the acquisition, in exceptional cases involving risks to the protection of the aforementioned interests that cannot be eliminated through the assumption of specific commitments.

The law also stipulates that such powers may be exercised "*exclusively on the basis of objective and non-discriminatory criteria*".

12 Article 2 of Decree-Law 21/2012 provides for the identification of assets considered significant to national interest in the energy, transport and communication sectors to take place through one or more regulations adopted by presidential decree. On 6 June 2014, the Official Gazette published the two decrees implementing Article 2, paragraph 9 of Decree-Law 21/2012, as approved by the Council of Ministers on 14 March 2014, which identify: (i) strategically important assets in the energy, transport and communications sectors (Presidential Decree No. 85 of 25 March 2014); and (ii) procedures for activating special powers in the energy, transport and communications sectors (Presidential Decree No. 86 of 25 March 2014). Lastly, on 2 October 2014, the text of the Prime Ministerial Decree of 6 August 2014 was published, containing the "regulations on the coordination activities of the Prime Minister in preparation for the exercise of special powers over shareholder structures in the defence and national security sectors, and on assets of strategic importance in the energy, transport and telecommunication sectors". Specifically, the Relevant Assets include the national natural gas transportation network and the relative compressor stations, dispatch centres, gas storage plants, onshore and offshore LNG regasification plants and management activities associated with the use of the above networks and infrastructure.

7. MECHANISM FOR EXERCISING VOTING RIGHTS IN A POSSIBLE EMPLOYEE SHARE OWNERSHIP SYSTEM

There are no plans for an employee share ownership system.

8. SHAREHOLDER AGREEMENTS

The leading direct shareholder of Snam is CDP RETI S.p.A., which is controlled by CDP S.p.A. (59.1%) and State Grid Europe Limited ("**SGEL**") (35%), which in turn is wholly owned by State Grid International Development Limited.
CDP S.p.A., SGEL and State Grid International Development Limited are part of a shareholders' agreement dated 27 November 2014 (the "**Shareholders' Agreement**"), recently amended on 7 November 2016 after completion of the Demerger. Specifically, the Shareholders' Agreement was amended to (i) reflect the new corporate structure of the group to which CDP RETI S.p.A. belongs; (ii) extend the provisions of the Shareholders Agreement to the new investee, Italgas; and (iii) bring the Shareholders Agreement's contents into line with the provisions of the shareholders' agreement signed on 20 October 2016 between CDP RETI S.p.A., CDP Gas S.r.l. and Snam, applying to all the shares held in Italgas by CDP RETI S.p.A., CDP Gas S.r.l. and Snam[13].

The Shareholders' Agreement – which will last for three years from the signing date, and will renew automatically for successive three-year periods unless one of the parties withdraws – governs, among other things, certain aspects relating to Snam's corporate governance. In particular:

- SGEL is entitled to nominate a candidate to be included on the list of candidates for the position of director of Snam as long as it holds at least a 20% equity interest in CDP RETI S.p.A. The list is submitted by CDP RETI S.p.A. to the Shareholders' Meeting called to appoint members of the Board of Directors.
- SGEL's candidate must be included on the list submitted by CDP RETI in a position that would guarantee his/her appointment to the position of director of Snam if the CDP RETI S.p.A. list obtains a majority of votes at the Shareholders' Meeting.
- SGEL has undertaken to ensure that the director it appoints to Snam's Board of Directors (if and to the extent the director is not independent pursuant to Article 148 of the TUF) abstains, to the maximum extent permitted by law, from receiving information and/or documentation from Snam concerning matters on which there is a conflict of interest for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. Furthermore, the director may not participate in discussions within Snam's Board of Directors concerning the aforementioned matters.

The essential information pertaining to the Shareholder Agreement is available on the Company's Website
http://www.snam.it/it/investor-relations/azionariato/patti_parasociali/

13 The shareholders' agreement applying to the equity investments held in Italgas by CDP RETI S.p.A., CDP Gas S.r.l. and Snam came into effect on 7 November 2016 and governs, among other things, the exercise of voting rights attached to the syndicated shares, the creation of an "Advisory Committee" to make decisions on the exercise of voting rights attached to the syndicated shares at Italgas's shareholders' meeting, the obligations and methods for the formation and submission, through this Advisory Committee, of a joint list for the appointment of members of Italgas's board of directors, and certain restrictions on the sale and purchase of Italgas shares.
Specifically with regard to the Advisory Committee, the Italgas shareholders' agreement stipulates that the Committee shall be composed of five members, including four appointed by CDP RETI S.p.A. (three members, including the Committee chairman, put forward by CDP S.p.A. and one member by SGEL) and one member appointed by Snam. The voting rights associated with the shares syndicated under the shareholders' agreement will be exercised pursuant to the resolutions adopted by the Advisory Committee: the parties have therefore undertaken to confer on the Committee chairman a general power of attorney to exercise these voting rights at the shareholders' meetings of Italgas, pursuant to the resolutions adopted by the Advisory Committee.
The shareholders' agreement – which contains significant provisions pursuant to Article No. 122, paragraphs 1 and 5, letters a) and b), of the TUF – has been published pursuant to the relevant legislation.

9. CHANGE-OF-CONTROL CLAUSES AND PROVISIONS ON TAKEOVER BIDS

Snam and its Subsidiaries are party to significant agreements that take effect, are altered or are terminated if an entity or entities acting in concert, other than CDP S.p.A., gain control of Snam.

This specifically concerns bank financing agreements that allow the other party to early terminate the contract, either after an entity or entities acting in concert, other than CDP S.p.A., gain control of Snam, or after Snam's credit rating is downgraded to below predetermined thresholds following said acquisition of control[14].

The Bylaws do not provide any exceptions to the passivity rule provisions of Article 104, paragraphs 1 and 2 of the TUF, and do not call for the application of the neutralisation rules set out by Article 104-*bis*, paragraphs 2 and 3 of the TUF.

10. POWERS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS TO BUY TREASURY SHARES

The Company's Board of Directors does not have the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code. The Bylaws provide that the Company may issue shares, including special classes of shares, to be gratuitously allotted pursuant to Article 2349 of the Italian Civil Code.

Pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code and Article 132 of the TUF, the Company's Ordinary Shareholders' Meeting of 1 August 2016 authorised a share buyback plan for a disbursement of up to Euro 500 million and for up to 3.5% of the subscribed and authorised share capital, having regard to the treasury shares already owned by the Company, to be carried out, including in more than one tranche, within 18 months of the effective date of the Demerger: (i) to carry out activities to promote the liquidity and manage the volatility of the Company's share price; (ii) as part of actions related to future business and financial plans consistent with the strategies that the Company intends to pursue, for industrial projects or other extraordinary financial transactions involving the allocation or disposal of treasury shares; and (iii) for the purposes of any future stock option plans that the Company may decide to adopt.

11. MANAGEMENT AND COORDINATION ACTIVITIES

No shareholders claim to exercise control over Snam pursuant to Articles 2359 of the Italian Civil Code and 93 of the TUF. CDP S.p.A. declared, in its 2014 annual report, with effect from the reporting date of the financial statements for the year ended 31 December 2014, the existence of a *de facto* controlling stake in Snam S.p.A. pursuant to IFRS 10 – Consolidated Financial Statements. Snam is not managed or coordinated by any other entity. In particular, with its communication of 30 October 2013, CDP S.p.A. formally declared to the AEEGSI: (i) that it does not manage and coordinate Snam and the latter's Subsidiaries; (ii) that, with regard to Snam, it holds only rights associated with administration and assets as a shareholder, and does not have the power to influence or limit in any way the free managerial decisions of the management body of Snam or its Subsidiaries, including in relation to investments, business plans and sales and marketing strategies; and (iii) that it does not receive commercially sensitive or confidential information of any kind about the activity of Snam and its Subsidiaries, aside from information that is made available to all market operators, equally and without discrimination[15].

14 Further information on financial agreements can be found in the 2016 Annual Financial Report under Note 23, "*Guarantees, commitments and risks – Management of financial risks*" of the notes to the consolidated financial statements.

15 Please see AEEGSI Resolution of 14 November 2013, No. 515/2013/R/gas.

Snam manages and coordinates its Subsidiaries.

In 2013, Snam adopted the "*Regulations on exercising management and coordination activities for Snam and its Subsidiaries*". This document lays down the principles of proper corporate and business management adopted by Snam when managing and coordinating its Subsidiaries, which include:

- utmost compliance with general and industry regulations in force;
- standardised management of company businesses;
- maximisation of value for shareholders;
- attention to qualified stakeholders;
- control of corporate risks; and
- market transparency and the balancing of the interests of all shareholders.

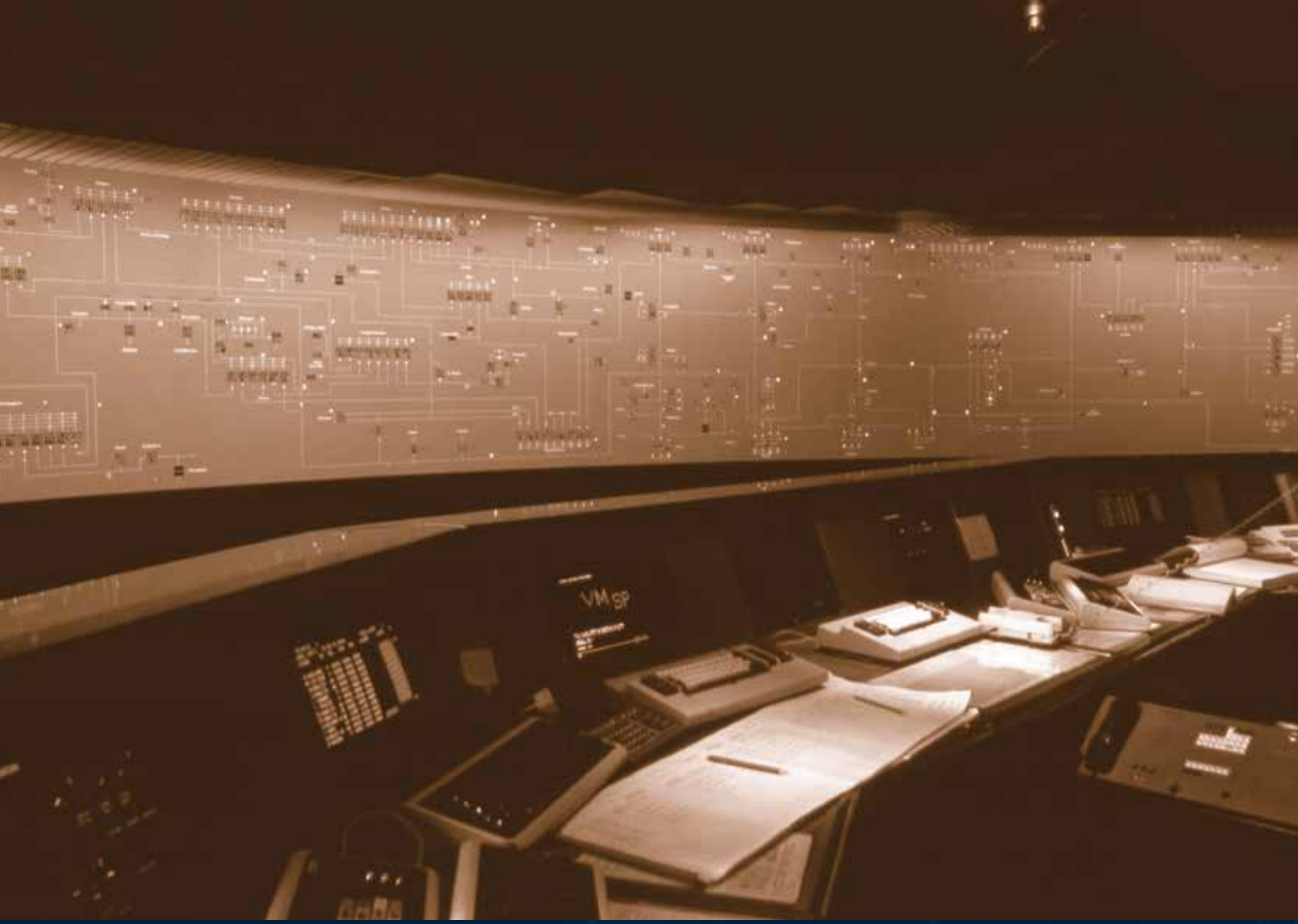
These regulations define a standard framework for governance structures, as well as organisational and managerial rules intended to enhance the role played by Snam as an entity that strategically performs management and coordination activities, while also taking adequate consideration of the legal autonomy and principles of proper corporate and business management of its Subsidiaries. Partly for this reason, the regulations have also been adopted by the Boards of Directors of the Subsidiaries.

12. FURTHER INFORMATION - REFERENCES

The information required pursuant to Article 123-*bis*, paragraph 1, letter i) of the TUF ("*rules applying to the appointment and replacement of directors [...] and to amendments to the articles of association if different from those applied as a supplementary measure*") can be found in the 2017 Remuneration Report, published pursuant to the law.

The Remuneration Report is available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/assemblea_azionisti/verbali_documenti/2016/Relazione_sulla_Remunerazione_2017_Snam.pdf

The information required pursuant to Article 123-*bis*, paragraph 1, letter l) of the TUF ("*the rules applicable to the appointment and replacement of directors [...] and to the amendment of the Bylaws, if different from the legislative and regulatory provisions that are additionally applicable*") can be found in the section of the Report dedicated to the Board of Directors (Section III, Point 2).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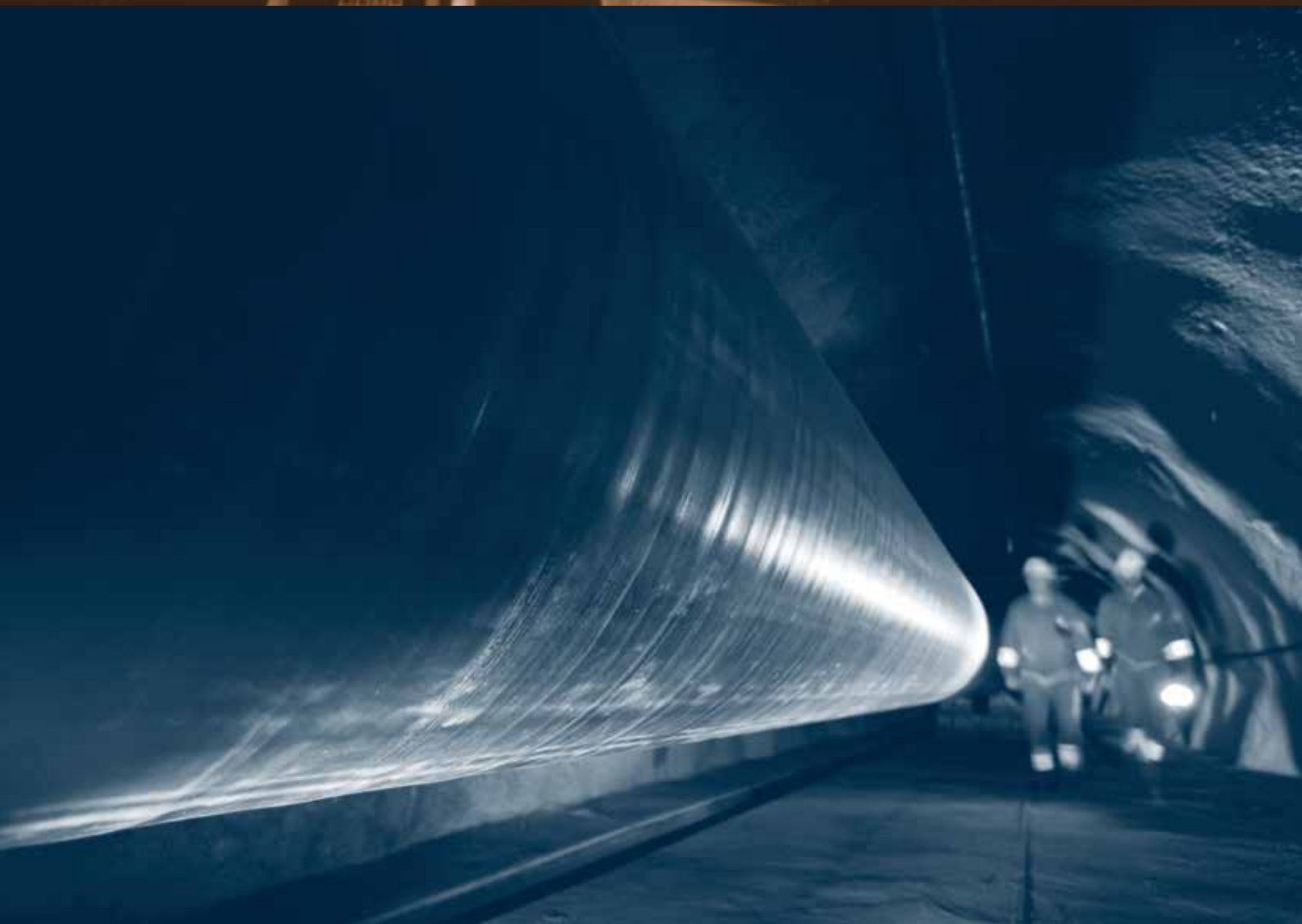
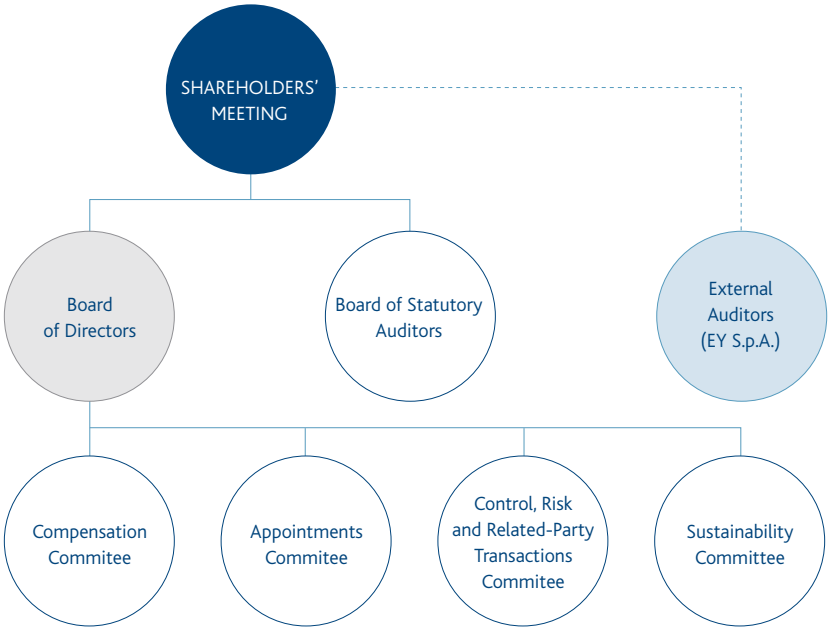


Section III - Structure of the corporate governance system adopted by the company

The following is a graphic representation of the Company's corporate governance structure at the date of this Report.



1. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

1.1 General profiles and *quorum*

Shareholders' Meetings are privileged corporate meetings between the Company's management and its shareholders. Ordinary or extraordinary Shareholders' Meetings are convened depending on the agenda items and matters to be resolved on, with different quorums required. The Bylaws stipulate that both ordinary and extraordinary Shareholders' Meetings must be held on a single call.

Ordinary Shareholders' Meeting (single call)	
***Quorum* to convene**	***Quorum* to pass resolutions**
Not applicable	Majority of those in attendance in person or by proxy[16]
Extraordinary Shareholders' Meeting (single call)	
***Quorum* to convene**	***Quorum* to pass resolutions**
At least one-fifth of the share capital	At least three-quarters of the share capital represented at the Shareholders' Meeting

1.2 Shareholders' Meeting regulations

Snam established its Shareholders' Meeting Regulations in 2001[17].

The Shareholders' Meeting Regulations are available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/assemblea_azionisti/regolamento_assemblee.pdf

16 With the exception of specific matters that require a majority of three-quarters of the share capital.

17 Regulations adopted by means of a resolution of the Ordinary Shareholders' Meeting of 27 July 2001 and subsequently amended on 27 April 2004 and 13 April 2011.

1.3 Shareholder's Meetings held in 2016

Two Shareholders' Meeting were held in 2016: an ordinary meeting on 27 April 2016, and both an ordinary and extraordinary meeting on 1 August 2016.

On 27 April 2016, the Shareholders' Meeting:

- resolved to approve the financial statements as at 31 December 2015, to allocate the profit for the year and to distribute dividends;
- determined the number of, and appointed, the members of the Board of Directors and determined the term of office and remuneration;
- appointed the Chairperson of the Board of Directors;
- appointed the members of the Board of Statutory Auditors and the Chairperson of the Board of Statutory Auditors and determined the remuneration of the standing auditors; and
- approved the remuneration policy pursuant to Article 123-*ter* of the TUF.

On 1 August 2016, the ordinary and extraordinary Shareholders' Meetings respectively:

- approved the plan to reorganise Snam's equity investment in Italgas and, in particular, the plan for the partial and proportionate demerger of Snam to Italgas; and
- authorised a treasury share buyback programme pursuant to Article 2357 of the Italian Civil Code.

Six out of the nine directors spoke at the Shareholders' Meetings. At the Shareholder's Meeting of 27 April 2016, the Chairperson of the Compensation Committee introduced the Remuneration Report and, specifically, the remuneration policy guidelines followed by the Company, and reported on the work carried out during the year.

The Board of Directors ensured that shareholders had adequate information at the Shareholders' Meetings, providing reports on the draft resolutions available at the Company's registered office, at Borsa Italiana and on the Company's Website, as well as through the other means prescribed by law. These reports were also sent to the members who had requested a copy and distributed at the entrance of the Shareholders' Meeting's room along with other useful documentation. The Board of Directors also reported on the work carried out during the year and the work scheduled.
For a more in-depth description of the tasks and functioning of the Company's Shareholders' Meeting, as well as validation procedures and the right to speak, please see Annex 2 to this Report.

2. BOARD OF DIRECTORS

Appointment	27 April 2016
Expiry	Approval of the financial statements as at 31 December 2018
Members	9
Executive	1
Independent	5
Committees	■ Control, Risk and Related-Party Transactions Committee ■ Appointments Committee ■ Compensation Committee ■ Sustainability Committee

2.1 Introduction

(i) Overview

The Company is managed by a Board of Directors made up of between five and nine members. The number of members and their term of office are decided by the Shareholders' Meeting at the time of appointment.
The Board of Directors is the central body within Snam's corporate governance system and is invested with the broadest powers for the ordinary and extraordinary administration of the Company. It is entitled to carry out any measures it deems necessary to implement and achieve the corporate objective, with the sole exception of measures reserved to Shareholders' Meetings by the law or by the Bylaws.

Pursuant to Article 2381 of the Italian Civil Code, Snam's Board of Directors has assigned itself a series of powers, in addition to those that by law cannot be delegated and those set out in the Code of Corporate Governance.

A description of the powers that the Board has assigned itself pursuant to Article 2381 of the Italian Civil Code is available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/sistema_corporate_governance/attribuzioni_consiglio_di_amministrazione.pdf

The Shareholders' Meeting has not authorised, in general or as a preventive measure, any exemptions from the prohibition on competition pursuant to Article 2390 of the Italian Civil Code.

For a description of the provisions of the Bylaws governing procedures for the appointment of the Board of Directors and the term of office, termination and dismissal of its members, please see Annex 3 to this Report.

(ii) Composition - directors currently in office

The Shareholders' Meeting held on 27 April 2016 set the number of directors at nine and established the term of office of the Board of Directors as three financial years, terminating on the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2018.

When the Board of Directors was reappointed on 27 April 2016, the following three lists of candidates were submitted:
(i) a list of six candidates submitted by CDP RETI S.p.A.;
(ii) a list of three candidates submitted by institutional investors; and
(iii) a list of two candidates submitted by Inarcassa.

At the 27 April Shareholders' Meeting, 69.37% of the share capital was represented, all of which voted on the appointment of directors through list voting.

The list submitted jointly by the institutional investors received the most votes (34.39% of the share capital represented), whereas the list submitted by CDP RETI S.p.A. received the votes of 33.85% of the share capital represented and the list submitted by Inarcassa received 0.55% of the votes.

Therefore, based on the provisions in the Bylaws on the list voting mechanism, three directors from the list having obtained the majority of votes submitted by the institutional investors and the first three candidates from the list submitted by CDP RETI S.p.A. were appointed. No directors were appointed from the list submitted by Inarcassa.

In addition to the list vote, the remaining three directors were appointed by majority vote at the proposal of shareholder CDP RETI S.p.A. The shares represented in the Shareholders' Meeting for which votes were cast represented 31.99% of the share capital, and votes in favour represented 30.82%.

The table below shows key information on the composition of the current Board of directors of the Company, including which lists the current Board members were appointed from and which directors meet the independence requirements pursuant to the TUF and the Code of Corporate Governance[18].

Director	Position	List in which he/she was submitted	CRRPTC	AC	CC	SC
Carlo Malacarne	Non-executive director and Chairman	CDP RETI S.p.A. list				
Marco Alverà	Chief Executive Officer	CDP RETI S.p.A. list				
Sabrina Bruno	Non-executive director(1)	List submitted jointly by minority shareholders	✓			✓
Monica de Virgiliis	Non-executive director(1) (2)	CDP RETI S.p.A. list		✓	✓	
Francesco Gori	Non-executive director(1)	List submitted jointly by minority shareholders		✓		
Yunpeng He	Non-executive director(2)	CDP RETI S.p.A. list				✓
Lucia Morselli	Non-executive director(1) (2)	CDP RETI S.p.A. list	✓			✓
Elisabetta Oliveri	Non-executive director(1)	List submitted jointly by minority shareholders	✓		✓	
Alessandro Tonetti	Non-executive director	CDP RETI S.p.A. list		✓	✓	

(1) Independent director pursuant to the TUF and the Code of Corporate Governance
(2) Director appointed by statutory majority at the proposal of CDP RETI S.p.A.
- CRRPTC: Control, Risk and Related-Party Transactions Committee
- AC: Appointments Committee
- CC: Compensation Committee
- SC: Sustainability Committee

Four out of nine members of the Board of Directors are women. The proportion of women is greater than the minimum stipulated by the laws on gender representation (one-third of the total)[19]. Moreover, three Chairs of the four Committees and all the members of the Control, Risk and Related-Party Transactions Committee are women.

18 Further information on the lists of candidates is available on the Company's Website (http://www.snam.it/it/etica-governance/assemblee-degli-azionisti/). For details on the appointment and term-end dates of the directors, see table 1 annexed to this Report.
19 Law No. 120 of 12 July 2011 stipulates, for the first renewal following the entry into force of said law, the appointment of a Board in which at least one fifth of the members belong to the least-represented gender. However, for subsequent terms of office, the minimum requirement provided for by Article 147-*ter*, paragraph 1-*ter* of the TUF applies. Therefore it is necessary to appoint a number of directors belonging to the least-represented gender equal to at least one third of the total.

At its meeting on 27 April 2016, the Board of Directors confirmed Marco Reggiani, Snam's General Counsel, in the role of Board Secretary.

At its meeting of 6 March 2017, the Board of Directors certified:

(i) that there are no grounds for ineligibility, forfeiture or incompatibility in relation to the directors in office, and that they fulfil the integrity requirements provided for by the applicable regulations; and

(ii) that, in relation to the Executive Responsible For Preparing Corporate Accounting Documents and based on the declaration made by the latter, there are no grounds for incompatibility pursuant to Article 16.4 of the Bylaws and that he fulfils the integrity requirements laid down by the applicable regulations[20].

(iii) Profiles of the directors currently in office

A short profile of each director is provided below.

Carlo Malacarne

Nationality: Italian
Professional background: Manager

Career

Born in Pavia in 1953.

Chairman of Snam since 27 April 2016.

He was Chief Executive Officer of the Company from 2006 to 2016.

Having obtained a degree in Electronic Engineering, after a brief period at Selecontrol, Carlo Malacarne began his career with Snam in the Gas Transportation department. In 1990 he was appointed Area Operational Manager, with responsibility for the construction and operation of gas pipelines, as well as promoting commercial initiatives to support the sale of methane. Subsequently, as Head of Telecoms and Process Systems, he helped to restructure Eni S.p.A.'s telecoms systems, overseeing the transfer of the Snam business unit to Nuova Società di Telecomunicazioni, of which he was appointed CEO. In March 1998, he was appointed Construction Manager, tasked with ensuring that investments both in Italy and abroad were executed properly. Alongside this role, he also became a member of the construction committee of TENP, the pipeline that transports gas from the North Sea to Italy, and of TAG, the pipeline designed to carry Russian natural gas to Italy via Austria, actively participating in the implementation of two pieces of strategic infrastructure for the transportation of gas along Europe's main energy corridors. In July 1999, he was appointed Head of Operations for the Italian Network, overseeing the running of the gas transportation network in Italy and the Panigaglia LNG terminal.

In July 2001 he was appointed General Manager of Operational Activities of Snam Rete Gas, ahead of the company's stock market flotation, and Chairman of the Board of Directors of GNL Italia, the company that runs the Panigaglia LNG terminal.

Between December 2005 and the beginning of May 2006, he was General Manager of Snam Rete Gas, overseeing commercial activities, planning, transportation network management and dispatching services in addition to his managerial duties.

From November 2012 to April 2016, he was Chairman of subsidiary Snam Rete Gas, which operates in the transportation and dispatching of natural gas.

He is a member of the general council of Confindustria and of Assolombarda, as well as a member of several technical bodies, including the chairmanship committee of the Comitato Italiano Gas (CIG) and the steering committee of the Associazione Tecnica Italiana del Gas (ATIG). Between 1997 and 2000, he chaired the transportation commission of the International Gas Union (IGU).

He was Chairman of Confindustria Energia between November 2013 and October 2015.

He has also been CEO of Mariconsult and board member of several international companies, including Transitgas (which operates the gas transportation system between the north and south of Switzerland) and Sergaz and Scogat (the companies responsible for the construction and management of the Tunisian section of the Transmed gas pipeline).

20 Article 147-*quinquies* of the TUF stipulates that "*parties that perform management functions must meet the integrity requirements laid down for members of control bodies by the regulations issued by the Ministry of Justice pursuant to Article 148, paragraph 4*" of the TUF. These requirements were laid down by Article 2 of Decree of the Ministry of Justice 162/2000 ("*Regulations containing rules for setting the professionalism and integrity requirements for members of the board of statutory auditors of listed companies to be issued based on Article 148 of the TUF*").

Marco Alverà

Nationality: Italian
Professional background: Manager

Career

Born in New York in 1975.

He has been Chief Executive Officer of Snam since 27 April 2016 and General Manager since January 2016.

Since 22 April 2016, he has also been Chairman of subsidiary Snam Rete Gas, which operates in the transportation and dispatching of natural gas.

Marco graduated in Philosophy and Economics from the London School of Economics and began his career in London in private equity and M&A. In 2000 he founded Netesi, the first Italian ADSL broadband company.

He joined Enel in 2002 as Head of Group Corporate Strategy and was member of the Management Committee, making an important contribution to the development of the company's gas strategy and closely following the stock market listing of Terna.

In 2004 he became Chief Financial Officer of Wind Telecom, where he oversaw the sale of Wind to Orascom.

Marco Alverà joined Eni S.p.A. in 2005 as Head of Supply & Portfolio Development in the Gas & Power division, successfully managing the repercussions of the crisis between Russia and Ukraine in the winter of 2006, and playing an active part in the negotiation of international gas supply agreements.

In this role, he also supervised the acquisition of Belgian company Distrigas during the delicate phase of its separation from Fluxys. In the same period, he served as CEO of Bluestream and Promgas, and was responsible for research into new natural gas transit routes to Europe from the Caspian region, Iran, the Middle East and Africa.

In 2008, he became Executive Vice President of the Exploration & Production division for Russia, Northern Europe and the Americas, where he managed operations and led negotiations with governments and energy companies. In 2010, he was appointed CEO of Eni Trading and Shipping, a company that manages all commodities trading and shipping activities, before being appointed Senior Executive Vice President Optimisation and Trading in 2012. In 2013 he assumed responsibility for the Midstream business unit, which contributes to the results of the Gas & Power division and is engaged in all supply, logistics and marketing activities for the various energy commodities. He also served as Chief Retail Market Gas & Power Officer from July to September 2015.

Since December 2016 he is a member of the General Council of the Giorgio Cini Foundation in Venice, promoting culture and arts and hosting several high-profile initiatives on international relations.

He has been a member of the boards of directors of Gazprom Neft, the Performance Theatre, the Global Leadership and Technology Exchange and the Eni Foundation, and operating Vice President of EUROGAS, the European association that represents the main gas operators at the continental level, and is a founder member of the ginger group for the promotion of natural gas in Europe, together with Shell, BG, Total and Statoil.

Sabrina Bruno

Nationality: Italian
Professional background: University lecturer
Board Committees: Control, Risk and Related-Party Transactions Committee, Sustainability Committee

Career

Born in Cosenza in 1965.

Sabrina has been an Associate Professor of Commercial Law at the Faculty of Economics of the University of Calabria since 2002. She obtained a national qualification as a full professor of Commercial Law in 2016 and of Comparative Law in 2013.

She has been a contract lecturer in Business and Company Law at LUISS G. Carli in Rome since 2006.

She was also a researcher in commercial law at the University of Calabria from 1993 to 2001.

She has been registered as a lawyer in the special Register of the Rome Law Society since 1991.

She was a Fulbright Visiting Scholar at Harvard Law School in 2010.

She completed a research doctorate in Comparative Private Law and European Community Law at the University of Florence in 1995.

Sabrina Bruno completed a three-year Master of Letters (MLitt) degree at Oxford University in 1994.

She graduated with honours in Law from LUISS G. Carli in 1987.

She was an independent non-executive director and Chairwoman of the Control and Risk Committee of Banca Profilo S.p.A. between 2012 and 2015. She was a standing auditor at Telecom Italia S.p.A. in 2012. She has been an independent non-executive director of Veneto Banca since August 2016 and is Chairwoman of the Appointments Committee. She has been an independent non-executive director of Banca Apulia since October 2016.

She has been an Academic Member of the European Corporate Governance Institute since 2014. She has been a member of the Science Committee of the Bruno Visentini Foundation since 2010. She has also been a member of the Italian Linacre Society since 1995.

She is the author of two monographs and various articles and essays on corporate law and corporate governance and has been a director of Snam since 26 March 2013.

Monica de Virgiliis

Nationality: Italian
Professional background: Manager
Board Committees: Appointments Committee, Chairman of the Compensation Committee

Career

Born in Turin in 1967.

Monica graduated in Electronic Engineering from the Polytechnic University of Turin in 1992 with the highest grade.

She joined Magneti Marelli in 1993 as a Manufacturing Engineer in the Electronics division, based in Pavia. In 1996, she joined the French Alternative Energies and Atomic Energy Commission (CEA) with the mission of developing partnerships with Italian companies. After a particularly successful collaboration with ST Microelectronics, she joined the company in 2001 as Business Development Manager for the Telecom Wireline division, based in Agrate Brianza. In 2003, she became Strategic Alliances Director, Advanced System Technology and moved to the headquarters in Geneva. In 2004, she became Group Vice President System and Business Development of the Wireless group.

In 2006, she became General Manager of the Home Video division and in 2007, as the business models of wireless customers changed and the smartphone arrived, became General Manager of the Wireless Multimedia division, with turnover of more than a billion dollars, where she successfully transformed the product portfolio and business model. She played a key role in the acquisition of NXP-Wireless and the creation of the joint venture with Ericsson.

In 2010, she left ST-Ericsson to return to STM, putting her business experience to good use in the Corporate programmes, first as Group Vice President Organisational Development and then Corporate Strategy and Development.

In 2015, she joined Infineon Technologies as Vice President Industrial Microcontrollers, based in Munich, where she achieved a turnaround of the product line for which she was responsible.

In late 2016, she joined Octo Telematics as Chief Operations Officer of the affiliate Mobility Solutions, working on the areas of intersection of new technology, the sharing economy and automotive.

She served on the boards of directors of various start-ups 2010–2014.

She has been on the Board of Directors of Prysmian S.p.A. since April 2015 and of the Stevenato Group since February 2016.

Has been a director of Snam since 27 April 2016.

Francesco Gori

Nationality: Italian
Professional background: Manager
Board Committees: Chairman of the Appointments Committee

Career

Born in Florence in 1952.

After earning a high school diploma from a liceo classico in Italy, Francesco graduated in Economics and Commerce with the highest grade and honours from the University of Florence.

He joined Pirelli in 1978, where, after gaining a range of experience in Italy and abroad, he was appointed General Manager of the Pneumatics division in 2001, CEO of Pirelli Tyre in 2006 and, in 2009, General Manager of Pirelli & C.

From 2006 to 2011, for two consecutive terms, he was elected Chairman of ETRMA, the European Tyre & Rubber Manufacturers' Association. After leaving the Pirelli group in 2012, he went on to serve as an Industrial Advisor at Malacalza Investimenti (the second-largest shareholder of Pirelli) from 2013 to 2015, when the company was delisted from the Italian stock exchange.

Since 2014, he has been an Industrial Advisor at the CCR fund of Idea Capital Funds SGR (Gruppo de Agostini), and since 2015 a non-executive director on the board of Apollo Tyres, India's leading tyre company. He has been Chairman of the Benetton Group since 2016.

He is also a director of the Italian branch of Plan International, one of the world's largest child sponsorship NGOs.

Has been a director of Snam since 26 March 2013.

Yunpeng He

Nationality: Chinese
Professional background: Manager
Board Committees: Sustainability Committee

Career

Born in Baotou (Inner Mongolia, China) in 1965.

Yunpeng obtained a Specialised Degree in Electrical Systems and Automation from the University of Tianjin and a Master's in Technology Management from the Rensselaer Polytechnic Institute (RPI).

He was Deputy General Manager of the European Office of the State Grid Corporation of China from January 2013 to December 2014.

He is currently a member of the boards of directors of CDP Reti S.p.A., Terna S.p.A. and Italgas S.p.A. He has also held the following positions at the *State Grid Tianjin Electric Power Company*: Vice Chief Technical Officer (CTO) between December 2008 and September 2012; Director of the Economic and Legal department between June 2011 and September 2012; Director of the Planning and Development department between October 2005 and December 2008; and Director of the Planning and Design department between January 2002 and October 2005.

In addition to these roles, he was Head of the Tianjin Binhai Power Company between December 2008 and March 2010 and Chairman of the Tianjin Electric Power Design Institute between June 2000 and January 2002.

Has been a director of Snam since 26 January 2015.

Lucia Morselli

Nationality: Italian
Professional background: Manager
Board Committees: Control, Risk and Related-Party Transactions Committee, Sustainability Committee

Career

Born in Modena in 1956.

Lucia graduated in Mathematics with honours from the University of Pisa. In 1981, she obtained a PhD in Mathematical Physics from the University of Rome in 1982 and a Master's in Business Administration from the University of Turin. In 1998, she obtained a Master's in European Public Administration from the University of Milan.

She has held various positions with a range of companies. From 1982 to 1985, she served as assistant to the CFO of Olivetti S.p.A.; from 1985 to 1990, she was Senior Manager Strategic and Manufacturing Service at Accenture; from 1990 to 1995, she was CFO of the Aircraft Division at Finmeccanica S.p.A.

She then served as CEO of the Telepiù group from 1995 to 1998, News Corporate Europe and Stream (Sky) S.p.A. from 1998 to 2003, Tecnosistemi S.p.A. in 2004, Mikado S.p.A. and Compagnia Finanziaria S.p.A. in 2009, Bioera S.p.A. from 2010 to 2011, Gruppo Berco from 2013 to 2014 and Acciai Speciali Terni from 2014 to 2016.

She also served as Chairman of the Board of Directors and CEO at Magiste International SA in 2006, and at Scorpio Shipping Group Ltd. from 2011 to 2013.

She was also a member of the Board of Directors of NDS from 2004 to 2005 and of IPI S.p.A. from 2007 to 2008.

In 2003, she founded the Franco Tatò & Partner consulting firm. Since 2009, she has been sitting on the Advisory Board (Restructuring Fund) of DGPA & TATO' Investment Fund.

Has been a director of Snam since 27 April 2016.

Elisabetta Oliveri

Nationality: Italian
Professional background: Manager
Board Committees: Chairwoman of the Control, Risk and Related-Party Transactions Committee, Compensation Committee

Career

Born in Varazze (SV) in 1963.

Elisabetta graduated with honours from the University of Genoa with a degree in Electronic Engineering.

She has held senior positions at multinationals: first as General Manager and then CEO of Sirti S.p.A., director at ATM - Azienda Trasporti Milanesi S.p.A. from 2011 to 2014, and Director at Eutelsat S.A. from 2012 to 2016.

She is currently CEO of Gruppo Fabbri Vignola S.p.A. and a member of the Board of Directors of Gruppo L'Espresso S.p.A., Eutelsat S.A., Banca Farmafactoring S.p.A. and Sagat S.p.A. She is also the Chairwoman and founder of the non-profit Furio Solinas Foundation.

She is a Knight of the Italian Republic.

Has been a director of Snam since 27 April 2010.

Alessandro Tonetti

Nationality: Italian
Professional background: Academic and management career
Board Committees: Appointments Committee, Chairman of the Compensation Committee

Career

Born in Ronciglione (VT) in 1977.

Alessandro is Chief Legal Officer of Cassa Depositi e Prestiti S.p.A. He graduated with honours in Law, and won two one-year scholarships for postgraduate completion courses in Administrative Sciences, with particular focus on Public Economic Law, under the guidance of Professor Sabino Cassese. Subsequently, he obtained a PhD in Administrative Law and Organisation and Functioning of the Public Administration at the University of Rome and a postgraduate specialisation diploma in European Public Law at the Academy of European Public Law of the Kapodistrian University of Athens, with an in-depth examination on the subject of competition and state aid. He also qualified to practise law.

From June 2013 to February 2016, he was a member of the "Nucleo tecnico per il coordinamento della politica economica" (Technical Team for Coordination of Economic Policy), supporting the Prime Minister's Office, and since March 2014 he has held the position of deputy Head of Cabinet at the Ministry of Economy and Finance. As representative for the Ministry of Economy and Finance he was a member of the "Gruppo di coordinamento per l'attuazione della disciplina dei poteri speciali sugli assetti societari" (Coordination Group for the Implementation of Regulations on Special Powers on Share Ownership) operating at the Prime Minister's Office. He has previously held managerial and executive roles at the Prime Minister's Office and was a member of the "Nucleo di consulenza per la regolazione dei servizi pubblici" (Advisory Team for Public Service Regulation), as well as of the Technical Secretariat of the National Management Committee for Economic Programming, also operating at the Prime Minister's Office, in support of the activity of the Inter-ministerial Committee for Economic Programming.

He teaches a Master's degree course in Administrative Law at the "Roma Tre" University in Rome. He previously taught a course in Business Administration Discipline at the Faculty of Economics of the University of Tuscia and was a contract Professor of Public Finance Law at the Suor Orsola Benincasa University of Naples. He has also given lessons at the School of Public Administration and the School of Economics and Finance. Author of various articles and essays in major law journals on administrative national and European law and on economic public law.

He also sits on the Board of Directors of Enav S.p.A.

Has been a director of Snam since 27 April 2016.

2.2 Meetings of the Board of Directors

The Company's Board of Directors meets regularly and is organised and operates to ensure the efficient and effective performance of its duties.

To this end, the Board of Directors has approved a set of Regulations aimed at governing the procedures for
(i) convening meetings;
(ii) performing Board duties; and
(iii) drawing up meeting minutes[21].

For a description of the procedures for convening and holding Board meetings, please see Annex 3 to this Report.

In 2016:
- the Board of Directors met 13 times;
- the meetings were attended by 98.30% of directors on average;
- the meetings were attended by independent directors 99.14% on average; and
- the average duration of the meetings was 118.7 minutes.

Nine meetings are scheduled for 2017; as at the date of this Report, two have been held.

Board of Directors' meeting notices are usually sent at least five days before the meeting. A complete, comprehensive set of documents related to agenda items is made available to directors and standing auditors by the Board Secretary at least five days prior to the date of the meeting, except in exceptional cases. This deadline has generally been respected.

The Company's governance stipulates that Board members shall act and pass resolutions knowingly and independently on matters within their competence, with the aim of creating shareholder value.

At Board meetings, heads of the competent Company and Group functions may, at the request of the Chairperson and with the consent of those present, attend to provide appropriate background information on agenda items and enhance the directors' knowledge of the Group's situation and corporate dynamics (some department heads so attended in 2016). In 2016, the CFO regularly attended meetings, and the managers of the following functions attended when matters within their respective remits were under discussion: Human Resources & Organisation, Corporate Strategy, Investor Relations, Institutional Relations, CSR and Communication and Internal Audit.

Pursuant to the procedure "*Transactions in which directors and statutory auditors have an interest and related-party transactions*", the directors must declare any interest on their own behalf or that of third parties in specific transactions submitted to the Board of Directors.

21 At its meeting on 26 January 2015, the Board of Directors amended its Regulations to enable compliance with the provisions of the Shareholder Agreement between CDP S.p.A., SGEL and State Grid International Development Limited relating to potential positions of conflict of interest held by the director appointed by SGEL (see Section II, Point 8).

The table below sets out the main activities carried out by the Board of Directors in 2016 and up to its meeting on 6 March 2017.

MONTH	STRATEGY AND FINANCE	GOVERNANCE	INTERNAL CONTROL AND RISK MANAGEMENT
January		- Appointment of Marco Alverà as the Company's Chief Executive Officer - Examination of results of Board Evaluation	
February		- Check of the compatibility of the positions and verification of the independence and integrity requirements of directors	
March	- Approval of the consolidated financial statements, the draft 2015 budget and the Report on Operations	- 2015 Report on Corporate Governance and Ownership Structure - 2016 Remuneration Report - 2015 Corporate Social Responsibility Report - Convening of Shareholders' Meeting of 27 April 2016 and approval of the related reports - Guidelines on the future size and composition of the Board of Directors, to be submitted to shareholders in view of the Shareholders' Meeting to renew the corporate bodies on 27 April 2016, having heard the opinion of the Appointments Committee and taken into account the results of the Board Evaluation carried out by the previous advisor, Crisci and Partners[22]	- Assessment of the adequacy of the organisational, administrative and accounting structure of the Company and the Subsidiaries - Assessment of the adequacy and effectiveness of the internal control and risk management system - Review of the Audit Schedule and budget for the Internal Audit function for 2016
April		- Appointment of Marco Alverà as the Company's Chief Executive Officer - Determination of powers reserved to the Board of Directors	
May	- Interim management statement as at 31 March 2016 - Review of first 2016 forecast	- Appointment of members of the Board Committees, establishment of the Sustainability Committee and approval of the related Regulations - Appointment of the Supervisory Body and Code of Ethics Supervisor	
June	- Approval of 2016-2020 Strategic Plan - Approval of Demerger plan	- Convening of Ordinary and Extraordinary Shareholders' Meeting on 1 August 2016	

22 The assessments were made available to the public at the Company's headquarters, on the Company's Website (www.snam.it, Governance section) and on Borsa Italiana's website and at the authorised storage mechanism.

MONTH	STRATEGY AND FINANCE	GOVERNANCE	INTERNAL CONTROL AND RISK MANAGEMENT
July	- Approval of the consolidated half-year financial report as at 30 June 2016 and the consolidated quarterly results as at 30 June 2016 - Review of second 2016 forecast	- Updating of the "Market Abuse" and "Notification" procedures - Review of matters concerning deferred monetary incentives	- Report on the adequacy of the Group's corporate reporting control system and compliance with administrative accounting procedures for the first half of 2016
September	- Renewal of the EMTN programme	- Appointment of the Executive Responsible For Preparing Corporate Accounting Documents Review of matters concerning long-term incentive plans	
November	- Interim management statement as at 30 September 2016 - Review of third 2016 forecast		
December	- Review of the 2017-2021 Strategic Plan (first reading) and the 2017 Budget	- Annual assessment of the procedure entitled "Transactions in which directors and statutory auditors have an interest and related-party transactions"	
6 March 2017	- Approval of the Snam Group's Strategic Plan for 2017-2021, during the definition of which - in line with the strategic risks defined by the ERM system and also with a view to medium to long term sustainability - analysis and assessments were made of sensitivities to the potential impact of such risks	- A positive assessment of the size, composition and functioning of the Board and Committees (for more information, see section (ii) below) - 2016 Report on Corporate Governance and Ownership Structure - 2017 Remuneration Report - 2016 Corporate Social Responsibility Report - Convening of Shareholders' Meeting of 11 April 2017 and approval of the related explanatory reports	- Assessment of the Company's organisational, administrative and accounting structure was prepared by the Chief Executive Officer with the help of the relevant functions and submitted, as well as to the Board of Directors for approval, to the Board of Statutory Auditors and the Control, Risk and Related-Party Transactions Committee. Judgement: adequate – Assessment of the organisational, administrative and accounting structure of the Subsidiaries, after approval by the Boards of Directors of each Subsidiary and after consultation with the respective Boards of Statutory Auditors. Judgement: adequate The Board of Directors did not set criteria for the identification of stategic subsidiaries, as it assesses the organizational, administrative and accounting structure of all the Subsidiaries

2.3 Role of the Board of Directors

The Board of Directors plays a central role in the Company's corporate governance structure, and has powers relating to the orientation of the Company and the Subsidiaries in terms of strategy, organisation and control. The table below sets out the duties assigned to the Board of Directors pursuant to the BoD resolution of 27 April 2016.

Examination and approval of strategic, business and financial plans	■ Defines the strategic guidelines and the objectives of the Company and the Group, including the sustainability policies ■ Examines and approves the strategic, business and financial plans of the Company and the Group, monitoring their implementation annually, as well as the Company's strategic agreements and its annual and multi-year infrastructure plan ■ Examines and approves the budget of the Company and of the Group, the half-year report and interim management statements of the Company and of the Group, the Sustainability Report and the Report on Corporate Governance and Ownership Structure
Definition of corporate governance and Group structure	■ Adopts rules that ensure the transparency and correctness of transactions with related parties and transactions in which directors and statutory auditors have an interest, after consulting the Control, Risk and the Related-Party Transactions Committee ■ Adopts a procedure for the management and communication of corporate information, with a specific focus on inside information ■ Establishes internal Committees that provide recommendations and advice and half-yearly reports ■ Appoints and revokes the General Managers and the Executive Responsible For Preparing Corporate Accounting Documents and resolves upon the exercise of voting rights at the Shareholders' Meetings of the Subsidiaries, at the recommendation of the Chief Executive Officer ■ Resolves, at the proposal of the Appointments Committee, on the appointments of the members of the corporate bodies of Subsidiaries included in the consolidation and of strategic foreign investee companies
Assessment of the adequacy of the organisational, administrative and accounting structure	■ Defines the basic guidelines for the organisational, administrative and accounting structure of the Company and its Subsidiaries and evaluates its adequacy annually, with particular focus on the internal control and risk management system ■ Defines, after consulting the Control, Risk and Related-Party Transactions Committee, guidelines for the internal control and risk management system, to ensure the identification, measurement, management and monitoring of key risks, and also determines how compatible these risks are with management of the Company and the Group consistently with the strategic objectives identified, assessing their adequacy and effectiveness ■ Assesses, after consulting the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, the results presented by the external auditors in any management letter and in the report on the fundamental questions arising from the audit ■ Appoints and revokes the Internal Auditor, setting the remuneration in line with the Company's remuneration policies, and ensures that he/she has adequate resources to carry out his/her duties
Continuous assessment of general operational performance and relations with the delegated bodies	■ Assesses the general performance of operations, with regard to the information received from the delegated bodies, paying particular attention to conflicts of interest and periodically comparing the results achieved, as reported in the financial statements and the interim accounts, with those of the budget ■ Confers powers on members of the Board of Directors and revokes them, sets the limits of the powers, the ways to exercise them and the associated remuneration, who report at least every quarter to the Board itself and the Board of Statutory Auditors on the exercise of the powers, the transactions with the greatest impact on the financial statements carried out by the Company and the Subsidiaries, and transactions with related parties[23] ■ Is authorised to issue directives to the delegated bodies and perform operations covered by the powers conferred

23 Information must be made available promptly when the directors have a direct interest in the transaction, when third parties are involved or when the transaction could be influenced by any entity that carries out management and coordination activities. This information is generally expected to be provided at each Board meeting.

Approval of the significant transactions of Snam and the Subsidiaries	■ Resolves, at the CEO's recommendation, upon the transactions of the Company and its Subsidiaries, in the context of exercising management and coordination activities that are of significant strategic, economic, capital or financial importance for the Company and the Group. This is without prejudice, in any case, to compliance with the confidentiality obligations relating to the commercial relations between the Company and the Subsidiaries and/or third parties. The following transaction types are considered of strategic importance or to have a significant impact on the financial statements: - acquisitions, disposals, sales, closures, contributions of companies or business units (including rent and usufruct), real estate and/or investments for over Euro 100 million - contracts for the sale of goods and/or services relating to the commercial activities of the Company and its Subsidiaries, worth over Euro 1 billion and/or with a duration of over 15 years - contracts relating directly to the activities indicated in the corporate objective and/or relating to the day-to-day management of corporate activities worth over Euro 100 million and/or for a duration of over 15 years - the stipulation, modification and termination of credit contracts for over Euro 2 billion and/or for a duration of over 15 years - sureties, and other forms of personal guarantee, and letters of patronage in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for over Euro 100 million and in any event if the amount is not proportional to the investment - sureties guaranteeing obligations assumed or to be assumed by the Company with third parties, worth over Euro 100 million - the Company's brokerage contracts
Assessment of the size, composition and functioning of the Board of Directors and the Committees	■ Assesses, annually, the composition and functioning of the Board and the Board Committees, assisted by an external advisor. The aspects assessed include: (i) the role of the Board of Directors in the strategic planning process, (ii) interaction between the Board and the Committees, (iii) the quality of Board information and debate, and (iv) the qualitative and quantitative composition of the Board and the Committees, referring in particular to the relationship between the executive, non-executive and independent directors and their individual expertise and experience
Definition of remuneration policy	■ Defines the remuneration policy for directors, general managers and executives with strategic responsibility of the Company and its Subsidiaries, as well as the related remuneration systems ■ Implements the remuneration plans based on shares and/or financial instruments resolved upon by the Shareholders' Meeting ■ Approves the Remuneration Report

Board Evaluation

In its assessment of the size, composition and functioning of the Board and the Committees conducted at its meeting of 6 March 2017, the Board decided to engage an external consultant, Spencer Stuart Italia S.r.l., a company that has provided other professional personnel selection services to Snam and has broad and long-standing experience in Board Evaluation. The evaluation of Snam's Board of Directors and its internal Committees was carried out by three senior partners at Spencer Stuart, by means of structured interviews conducted in January 2017. Prior to conducting the interviews, the experts involved carefully read the documentation and meeting minutes pertaining to the Board and the Committees, and met with the members of the Appointments Committee, the Chairperson and the CEO and, as observers, the Chairperson of the Board of Statutory Auditors and the Board Secretary.

The interviews with Snam's directors addressed various aspects relating to the composition, size and functioning of the Board and the Committees.

A comparison was also made between the best practices of Italian and international listed companies and the practices adopted by Snam's Board; for this purpose, the international study entitled "Boardroom Best Practice", recently completed by Spencer Stuart was used.

Following the interviews, the consultants were invited to attend a Board meeting as observers.

Overall, the directors interviewed were positive about the Board's methods of operation, in view of the following strong points:

a. the Board of Directors works well, with debate that is oriented towards open and constructive discussion;
b. they were very satisfied with the Board's role in strategic guidance, due to its involvement in the Strategic Plan;
c. the Board's knowledge of the Snam Group's business is steadily increasing. The induction and updating plan is generally seen as effective by the majority of directors;
d. the following were also remarked upon: (i) the balanced and effective way in which the Chairperson and CEO work together, respecting their remits; (ii) the ability and intelligence shown by the Chairperson in shifting from steering the business to a non-executive role; and (iii) the CEO's management ability and expertise, and appreciation of the adequate information on the performance of company operations provided to the Board;
e. the Company's Corporate Governance and Internal Control System is regarded as efficiently overseen by the Board;
f. the Directors appreciate the work of the Committees;
g. the Board's agenda items are clear, partly due to the prior provision to directors of an "outline for discussion" prepared by the Board Secretary;
h. the documentation drawn up by the corporate functions involved, depending on the matter under discussion, is clear and accessible;
i. Board meetings are outstanding in terms of the quality of minuting and due to the constant support and high quality of work of the Board Secretary.

Some areas for improvement were also identified during the interviews. In particular, the opportunity has arisen to: (i) foster stronger interpersonal relations and cohesion among directors, particularly those in their first term of office on the Company's Board; (ii) further improve information flows from the Board Committees regarding the work carried out by the Committees and any aspects that should be brought to the attention of the management body; (iii) assess the possibility of distancing the meetings of the Committees from those of the Board, to enable the Chairs of the Committees to prepare and share reports and information for the management body with the members of the respective Committees; and (iv) promptly update the Board on the succession process for key managers, with the related development pathways.

With regard to these areas for improvement, the Board also shared the actions proposed by the consultant, which will form the basis for next year's Board Evaluation.

2.4 Chairman of the Board of Directors

The Shareholders' Meeting of 27 April 2016 appointed Carlo Malacarne[24] as Chairman of the Board.

The Chairman, who does not have an executive role, carries out the tasks assigned by law, the Bylaws and by resolution of the Board of Directors, as indicated in Annex 4 to this Report.

The Chairman does not hold the office of Chief Executive Officer and is not the Company's controlling shareholder.

24 Carlo Malacarne was Chief Executive Officer of Snam from 8 May 2006 to 27 April 2016.

2.5 Chief Executive Officer (CEO)

At its meeting of 27 April 2016, the Board of Directors appointed Marco Alverà as Chief Executive Officer (CEO), and confirmed his appointment as General Manager on 15 January 2016. The Board of Directors assigned to him the duties of the Chief Executive Officer and conferred on him all the assignments and powers not reserved to the Board of Directors or the Chairperson, which are described, respectively, in Points 2.3 and 2.4 above and in Annex 4 to this Report.

The CEO represents the Company and performs the role of Director in charge of the internal control and risk management system (the "**Director in Charge**")[25].

No interlocking directorate, as defined in criterion 2.C.5 of the Code of Corporate Governance[26], is in place with the CEO.

2.6 Other executive directors

With the exception of the Chief Executive Officer, all the members of the current Board of Directors are non-executive, as: (i) they do not hold the position of chief executive officer or executive chairperson in the strategic Subsidiaries; and (ii) they do not hold executive positions in the Issuer or in the strategic Subsidiaries.

2.7 Independent directors

The Board of Directors includes a number of independent directors sufficient to ensure, in terms of number and authority, that their opinion carries substantial weight when Board decisions are taken. Of the nine directors, five are independent. The presence of independent directors on both the Board of Directors and its Committees ensures that the interests of all shareholders are adequately protected.

The Board of Directors verified that the independence requirements pursuant to the TUF and the Code of Corporate Governance were met by non-executive directors Sabrina Bruno, Monica de Virgiliis, Francesco Gori, Lucia Morselli and Elisabetta Oliveri on 27 April 2016, at its first meeting after its appointment, announcing the results of this assessment in a press release. The Board also checked that each of the above directors continued to meet the requirements at its meeting of 6 March 2017.

When performing the above analyses, the Board of Directors used the assessment parameters set forth in the TUF and the Code of Corporate Governance.

On 11 May 2016, the Board of Statutory Auditors verified that the criteria and procedures adopted by the Board of Directors to determine whether directors meet the independence requirements had been applied correctly with regard to the new directors elected on 27 April 2016. Two meetings of the independent directors took place, on 27 January 2016 and 2 February 2017 - intended to be separate and different from the meetings of the Board Committees, pursuant to Criterion 3.C.6 of the Code of Corporate Governance - during which requirements for any in-depth discussion of specific matters and the need for the half-yearly scheduling of meetings of independent directors were brought up.

2.8 Maximum accumulation of offices held at other companies

At its meeting of 6 March 2017, the Board of Directors, based on proposals from the Appointments Committee, issued the following directives and expressed the following position on the maximum number of offices that Directors may hold:

25 For more information on the Director in Charge, please see Section III, Point 6.1.

26 Criterion 2.C.5 of the Code of Corporate Governance stipulates that "*the chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, if the chief executive officer of issuer (B) is a director of issuer (A)*".

- An **executive director** may not hold:
  (i) an executive director position at another Italian or foreign listed company, at a financial, banking or insurance company, or at a company with net assets or consolidated annual turnover of more than Euro 500 million or, if the company uses a different currency, an equivalent amount; or
  (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than three of the companies listed under (i). Furthermore, in the case of the CEO, they may not assume the office of director of another issuer not belonging to the same group whose CEO is a director of the Company.

- A **non-executive director** (including independent) may not, while in office at the Company, hold:
  (i) an executive director office at one or more Italian or foreign listed companies, at financial, banking or insurance companies, or at companies with net assets or consolidated annual turnover of more than Euro 500 million or, if the company uses a different currency an equivalent amount, or the office of non-executive director or statutory auditor (or member of another control body) at more than three of the above-listed companies; or
  (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than six of the companies listed under point (i).

To calculate the maximum number of offices, the positions held within Snam, its Subsidiaries and Snam's Committees are irrelevant.

The Board, in assessing each personal position to be held in the interest of the Company, may take into account the specific circumstances and professional commitments (not limited to the holding of office) of the individual directors to allow for any exemptions to and any lowering of the maximum number of offices that can be held. If applicable, the Board of Directors will invite the director to take the consequent decisions.

The following table lists the other important positions held by directors of the Company pursuant to the Code of Corporate Governance and the relevant recommendations issued by the Board of Directors, based on the declarations of the directors.

Director	Other important positions held
Sabrina Bruno	Independent director of Veneto Banca Independent director of Banca Apulia
Monica de Virgiliis	Independent director of PRYSMIAN S.p.A.
Francesco Gori	Non-executive director of Apollo Tyres Ltd Chairman of Benetton Group S.r.l.
Yunpeng He	Non-executive director of CDP RETI S.p.A., Terna and Italgas
Elisabetta Oliveri	Independent director of Gruppo L'Espresso S.p.A. Independent director of Banca Farmafactoring S.p.A.
Alessandro Tonetti	Non-executive director of ENAV S.p.A.

At its meeting of 6 March 2017, the Board of Directors ascertained that:
(i) the directors, with the exception of the CEO, hold a non-executive role;
(ii) the CEO does not hold any other roles outside of Snam and its Subsidiaries[27]; and
(iii) the number of significant positions pursuant to the Code of Corporate Governance and the guidelines assumed by the Board of Directors regarding the maximum number of positions that a director may hold is compatible with the effective performance of the role of director of Snam.

27 Pursuant to Application Criterion 1.C.2 of the Code of Corporate Governance.

2.9 Lead independent director

Snam has not appointed a lead independent director due to the absence of the prerequisites laid down in Application Criterion 2.C.3 of the Code of Corporate Governance and considering that the Chairperson of the Board of Directors does not hold the office of CEO or a controlling stake in the Company. Furthermore, the appointment of a lead independent director was not requested by the independent directors.

2.10 Succession plans

During the Board's previous term of office, the Appointments Committee examined the methodology used to identify successors in senior managerial positions and those considered to be extremely critical to the Group's strategy (around 20 positions). These positions include all those that fall under the responsibility of the Appointments Committee (CEOs of Subsidiaries, Internal Auditor and Executive Responsible For Preparing Corporate Accounting Documents).

The process was based on a series of pragmatic steps that are rigorously implemented annually, involving the following phases:

- an analytical description of each position, particularly with reference to the areas of responsibility, guidelines for the evolution of the role in the near future, and the experience and managerial skills needed to best fulfil the position;
- an assessment of the current holder of each position and of potential candidates to succeed him/her, carried out also with the support of third leading companies in the sector;
- the preparation of a succession chart containing the names of potential successors and the resulting development guidelines; and
- an assessment of the overall risk associated with implementing successions.

The Appointments Committee examined the results of applying the methodology to the managerial positions under the Committee's responsibility and the main outcomes, both at the general level and in terms of the position in question, and considered the structure of the succession plans implemented to be adequate both to guarantee organisational controls consistently with the strategies defined by the Company and to overcome any continuity issues.

In light of the Demerger and the global corporate reorganisation in the second half of 2016, the Appointments Committee has scheduled a review for the first half of 2017 of the methods and contents included in the succession plans for key managers to be submitted to the Board of Directors.

In view of the nature of its shareholder structure, Snam does not set out specific succession plans for its executive directors.

2.11 Remuneration system for directors and managers with strategic responsibilities

The Board of Directors reviews the Remuneration Report pursuant to Article 123-*ter* of the TUF, whose first section – dedicated to the remuneration policy for directors and managers with strategic responsibilities adopted by the Company – is subject to an advisory vote by the Shareholders' Meeting. Snam's managers with strategic responsibilities are: Chief Financial Officer, General Counsel, EVP Human Resources & Organization, Chief Corporate Services Officer, Chief Industrial Assets Officer, Chief Commercial, Regulation & Development Officer and Chief International Assets Officer. For an explanation of Snam's remuneration policy, please see the Remuneration Report, which will be submitted to the Shareholders' Meeting for review on 11 April 2017 and made available on the Company's Website.

The Remuneration Report is available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/assemblea_azionisti/verbali_documenti/2017/Relazione_sulla_Remunerazione_2017_Snam.pdf

3. COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

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

- Compensation Committee;
- Appointments Committee;
- Control, Risk and Related-Party Transactions Committee; and
- Sustainability Committee.

In the performance of their functions, the Committees may access information and company functions. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors[28].

Non-Committee members may attend Committee meetings if asked to do so to provide information on agenda items. The respective Secretaries take the minutes.

Pursuant to Criterion 4.C.1, letter d) of the Code of Corporate Governance, the Committee Regulations stipulate that, after every Committee meeting, the Chairperson shall update the Board of Directors by means of communication, at the next meeting, on the matters addressed and the observations, recommendations and opinions expressed.

3.1 Compensation Committee

(i) Composition

The composition of the Compensation Committee is as follows:

Member	Position
Monica de Virgiliis	Independent non-executive director(1) - Chairwoman
Elisabetta Oliveri	Independent non-executive director(1)
Alessandro Tonetti	Non-executive

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

The Board of Directors identified the Chairwoman (Monica de Virgiliis) as the board member with sufficient knowledge and experience of financial matters or remuneration policies.

Compensation Committee meetings are valid with the presence of at least the majority of the members; the Committee adopts decisions with an absolute majority of the attendees. In the event of a tie, the Chairperson has the casting vote.

Committee meetings may be attended by the Chairperson of the Board of Statutory Auditors or by a standing auditor designated by the latter. At the invitation by the Committee Chairperson, other parties may attend the meetings to provide information and express an opinion on agenda items.

(ii) Duties

The Compensation Committee provides recommendations and advice, as described in the Regulations most recently approved by the Board of Directors on 11 May 2016, to the Board of Directors on directors' remuneration.

28 The composition, duties and functioning of the Committees are governed by the Board under special regulations, which can be consulted under the "Governance and Conduct" section of the Company's Website (http://www.snam.it/it/etica-governance/comitati/), pursuant to the criteria set out by the Code.

Pursuant to the Board of Directors' decision, the Compensation Committee annually reviews the remuneration structure of the Internal Auditor and ensures that it is consistent with the general criteria approved by the Board of Directors for all managers, indicating the above to the Chairperson of the Control, Risk and the Related-Party Transactions Committee for the purposes of the opinion which he must express on this matter at the Board of Directors' meeting. Please also see Section III, Point 3.3.

For a detailed description of the duties of the Compensation Committee, please see Annex 5 to this Report.

(iii) Activities

In 2016 the Compensation Committee met ten times, with an average attendance of 100% of its members and an average duration of 83.7 minutes.

Below is a brief description of the main issues dealt with by the Compensation Committee during the 2016 financial year:

Activity
■ Review of the implementation of policies defined in 2015 for the remuneration of the Chief Executive Officer and other managers with strategic responsibilities ■ Examination of the criteria used to define the draft policy guidelines for 2016 for non-executive directors, the CEO and other managers with strategic responsibilities, taking into account the outcomes of the assessment of the policies implemented in 2015
■ Verification of the results achieved in relation to the corporate objectives set out in the 2015 performance plans approved by the Board of Directors on 24 February 2015 ■ Examination of the information relating to the corporate objectives set out in Snam's 2016 performance plans, for the purposes of annual monetary incentive plans ■ Verification of the EBITDA generated in 2015 and the targets for EBITDA in 2016, for the purposes of implementing the deferred monetary incentive plan, and adjusted net profit for 2016, TSR for 2016 and the 2016 adjusted net profit target for the purposes of implementing the long-term monetary incentive plan
■ Verification of the proposal to the Board of Directors for variable remuneration to be paid to the CEO in 2016, determined based on Snam's 2015 results
■ Examination of the remuneration of non-executive directors for participation in the Board Committees, of the Chairperson of the Board of Directors and of the Chief Executive Officer and formulation of a proposal regarding the remuneration of non-executive directors for participation in the Board Committees, the Chairperson of the Board of Directors and the CEO
■ Analysis of the results of the vote of the Shareholders' Meeting on the 2016 Remuneration Report, and began an in-depth examination of the issues raised by shareholders and proxy advisors
■ Formulation of a remuneration proposal for the role of Senior Vice President Internal Audit

At the Board of Directors' meetings of 26 July 2016 and 6 March 2017, the Committee reported on its work in the first and second halves of 2016, respectively. At the subsequent Board meeting, it reported on each Committee meeting since 11 May 2016, when the Regulations pursuant to Criterion 4.C.1, letter d) of the Code of Corporate Governance were amended.

Seven Committee meetings are scheduled for 2017; as at the Report approval date, five have been held.

Pursuant to the Regulations, the directors refrain from attending Committee meetings during which proposals are prepared concerning their remuneration.

During 2016, the Chairperson of the Board of Statutory Auditors regularly attended Committee meetings and, upon invitation by the Committee, other non-Committee members also attended to provide information and express an opinion on individual agenda items.

According to the Compensation Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties; particularly, within the terms from time to time established by the Board of Directors, the Compensation Committee may turn to external consultants through the Company's structure, provided that the external consultants' position is not likely to compromise their independent judgement.

The Committee made use of external consultants, some of whom also carry out activities (which do not compromise their independent judgement) for the Human Resources and Organisation business area.

The Compensation Committee Regulations are available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Regolamento_Comitato_per_la_Remunerazione_di_Snam.pdf

Table 1 in Section IV provides information about the attendance of each participant in Compensation Committee meetings.

3.2 Appointments Committee

(i) Composition

The composition of the Appointments Committee is as follows:

Member	Position
Francesco Gori	Independent non-executive director(1) - Chairman
Monica de Virgiliis	Independent non-executive director(1)
Alessandro Tonetti	Non-executive

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

The Chairperson of the Company, the CEO and, for matters relevant to him/her, the Chairperson of the Board of Statutory Auditors, or a standing auditor designated by him/her, are usually invited to attend Committee meetings, and this was generally the case in 2016. Other non-Committee members may also attend, upon invitation by the Committee, to provide information and express an opinion on individual agenda items.

Meetings of the Committee are deemed to be valid if at least two members in office are present; the Committee makes decisions based on a vote in favour by at least two of the members in attendance.

(ii) Duties

The Committee provides recommendations and advice to the Board on the matters indicated in Annex 5 of this Report.

(iii) Activities

In 2016 the Appointments Committee met nine times, with 100% attendance of its members and an average duration of 45 minutes.

A brief description of the main activities carried out by the Appointments Committee in 2016 is provided below.

Activity
■ Verifications in preparation for the appointment of the General Manager
■ Analysis and submission to the Board of Directors of the "2015 Self-Evaluation Report of the Board of Directors" and guidance on the managerial and professional roles of the directors, which will be provided with a view to renewing the corporate bodies
■ Preliminary activities regarding the tender procedure for the identification of the advisor for Board Evaluation activities in 2016 -2018
■ With respect to subsidiaries included in the scope of the consolidation, formulation of proposals for the Board of Directors: (i) on the appointment of members of the Board of Directors and Board of Statutory Auditors of Italgas, Stogit. S.p.A., GNL Italia S.p.A, the Board of Statutory Auditors of ACAM Gas S.p.A., the appointment of Snam's representative on the Board of Directors of ITG Holding S.p.A.; (ii) on the replacement of the outgoing directors of Napoletangas S.p.A., the Chairperson of the Board of Directors of Snam Rete Gas S.p.A.; and (iii) on the changes to some of the members of direct subsidiaries Italgas Reti and Snam Rete Gas S.p.A. and the members of the Board of Directors of Stogit S.p.A.
■ With regard to the strategic foreign investee companies, formulation of proposals for the Board of Directors on the appointment: (i) of members of the Board of Directors of TIGF Holding SAS; (ii) of two members of the Board of Directors of Gasrule Insurance Designated Activity Company; and (iii) one member of the Supervisory Board of TAG

The Regulations governing the Appointments Committee were most recently approved by the Board of Directors on 11 May 2016.

The Appointments Committee Regulations are available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Regolamento_Comitato_Nomine_di_Snam.pdf

The Committee reported to the Board of Directors, at the Board meetings of 26 July 2016 and 6 March 2017, on its work in the first and second halves of 2016, respectively. At the subsequent Board meeting, it also reported on each meeting held since 11 May 2016, when amendments were made to the Regulations pursuant to Criterion 4.C.1, letter d) of the Code of Corporate Governance.

Four Committee meetings are scheduled for 2017; as at the Report approval date, two have been held.

According to the Appointments Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties; particularly, within the terms established from time to time by the Board of Directors, the Appointment Committee may turn to external consultants through the Company's structure, provided that the external consultant's position is not likely to compromise their independent judgement.

Pursuant to the Appointments Committee Regulations, in 2016 the EVP Human Resources & Organisation and the General Counsel took part in meetings of the Committee, the latter acting as Secretary to the Committee.

Table 1 in Section IV provides information about the attendance of each participant in Appointments Committee meetings.

3.3 Control, Risk and Related-Party Transactions Committee

Following the renewal of the corporate bodies, the Board of Directors, at its meeting of 11 May 2016, changed both the composition of the Committee and its name (to the Control, Risk and Related-Party Transactions Committee) and approved new Committee Regulations.

(i) Composition

Since 11 May, the Committee has been composed of three independent non-executive directors, as defined by the Code of Corporate Governance for listed companies, when it had previously comprised four members, of which three were independent and one was non-independent. With regard to "Transactions in which directors and statutory auditors have an interest and related-party transactions", the Committee carried out the duties assigned to it under the related Snam Procedure with its composition of only independent directors.

The composition of the Control, Risk and Related-Party Transactions Committee is as follows:

Member	Position
Elisabetta Oliveri	Independent non-executive director(1) - Chairwoman
Sabrina Bruno	Independent non-executive director(1)
Lucia Morselli	Independent non-executive director(1)

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

Snam's Board of Directors identified the Chairperson (Elisabetta Oliveri) among the members with adequate accounting, financial and risk management experience.

The Chairperson and the Board of Statutory Auditors were invited to Committee meetings; at the invitation of the Committee, the Director in Charge and other non-Committee members may attend Committee meetings to provide information and express opinions, within their respective remits, on agenda items.

Committee meetings are valid when attended by the majority of the members in office. The Committee resolves by an absolute majority of the attendees. In the event of a tie, the Chairperson has the casting vote.

(ii) Duties

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

For a more detailed description of the duties of the Control, Risk and Related-Party Transactions Committee, please see Annex 5 to this Report.

(iii) Activities

In 2016, the Committee met 12 times, with an average attendance of 96.6% of members and an average duration of 170 minutes.

The table below briefly describes the main issues discussed and the main activities performed in the 2016 financial year.

Area	Activity
	Activities of a non-recurring nature
Internal control and risk management system	■ examination, in relation to the organisational restructuring implemented after the Italgas demerger, of: - the organisational restructuring of Snam and the Subsidiaries implemented in early November 2016 with the creation of three Business Units and the launch of an overhaul of staff responsibilities with a view to simplifying processes and continuous improvement ■ acknowledgement, in relation to the ruling of the Court of Palermo, Preventive Measures Section, issued to Italgas on 11 July 2014, pursuant to Article 34, paragraph 2 of Legislative Decree No. 159/2011, of: - the Decree of revocation of the "Judicial Control" measure imposed on Italgas (now Italgas Reti), declaring that the implementation of the consequent limitations has therefore ceased ■ change in the composition of the Supervisory Body ■ expression of a favourable opinion on the identification of the new Executive Responsible For Preparing Corporate Accounting Documents and the new internal auditor
	Activities of a recurring nature
ERM system and management of the main risks faced by the Company	■ review of quarterly reports on the detection and updating of the key corporate risks in the ERM system, with a particular study of the risks associated with the demerger ■ periodic analysis, with the management of the Finance function, of the management of financial risks
Oversight of the Internal Audit function	■ examination of the periodic reports on the activities carried out in implementation of the Audit Schedule for 2016, the relevant follow-up activities and the audit's results ■ analysis of the quarterly reports on the notifications received by Snam and the Subsidiaries ■ review of the results of the Quality Assurance Review of the Internal Audit function carried out by Protiviti on the instruction of the Committee, which showed that the practices adopted by Snam's Internal Audit function fully comply with international standards ■ analysis of the proposed 2017 audit schedule
Corporate reporting and control system	■ examination of the report on the adequacy of the CRCS and on the compliance of the administrative and accounting procedures and the annual report on the organisational, administrative and accounting structure of Snam and of its Subsidiaries ■ analysis of the activities carried out in 2016 to update and continuously improve the CRCS of the Snam Group
Independent audit of financial statements	■ analysis of issues relating to the half-year and annual financial report, with regard to both the auditing and the checks performed in relation to the effectiveness of the CRCS
Legislative Decree No. 231 of 2001 Code of Ethics and the Anti-Corruption Procedure	■ meetings with the Supervisory Body and examination of its activities ■ report received from the General Counsel concerning the updating of the special part of the 231 Model to reflect legislative changes
Corporate Governance and regulatory compliance	■ review, with the General Counsel, of the 2015 Report on Corporate Governance and Ownership Structure and the 2015 Compliance Report and analysis of matters relating to changes in EU legislation on market abuse ■ analysis, with the General Counsel, of the proposal, subsequently approved by the Board of Directors, to introduce a new way of managing notifications, including anonymous ones, received by Snam and the Subsidiaries, by a legal firm of high standing and professionalism (Ombudsman) mandated by the Supervisory Body to ensure its independence
Health and safety at work	■ examination of the Snam Group's Workplace Health and Safety Management System, with the assistance of the Head of HSEQ, the EVP Human Resources & Organisation and the General Counsel
Transactions in which directors and statutory auditors have an interest and related-party transactions	■ monitoring of the Company's activities in relation to the demerger, as a significant transaction pursuant to the relevant regulations on the subject, expressing a favourable opinion, including on the basis of an authoritative opinion provided by an independent professional mandated by the Committee ■ annual review of the procedure "Transactions in which directors and statutory auditors have an interest and related-party transactions" (approved most recently on 14 December 2016), annual assessment of the choices made by the Company for the definition of the threshold for the purposes of distinguishing between transactions of lesser and greater significance and expression of a favourable opinion on the amendment of the threshold in order, among other things, to take account of amendments made to governance ■ analysis of the report drawn up by the Administration department on the related-party transactions carried out in the first half of 2016

The Regulations governing the Control, Risk and Related-Party Transactions Committee were most recently approved by the Board of Directors on 11 May 2016.

The Control, Risk and Related-Party Transactions Committee are available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Regolamento_Comitato_Controllo_e_Rischi_di_Snam.pdf

The Committee reported to the Board of Directors, at the Board meetings of 26 July 2016 and 6 March 2017, on its work in the first and second halves of 2016, respectively. At the subsequent Board meeting, it also reported on each meeting held since 11 May 2016, when amendments were made to the Regulations pursuant to Criterion 4.C.1, letter d) of the Code of Corporate Governance. Seven Committee meetings are scheduled for 2017; as at the Report approval date, two have been held.

In 2016, several non-Committee members attended meetings of the Control, Risk and Related-Party Transactions Committee, at the invitation of the Committee, to provide information and explanations.
The Committee Regulations stipulate that the Committee is authorised to access the information and corporate functions necessary to perform its duties.
The Board of Directors provides the Committee with the necessary resources to perform its duties; particularly, within the terms established from time to time by the Board of Directors, the Committee may turn to external consultants, provided that their position is not likely to compromise their independent judgement.

Table 1 in Section IV lists information about the attendance of each participant in Control, Risk and Related-Party Transactions Committee meetings.

3.4 Sustainability Committee

(i) Composition

The composition of the Sustainability Committee, which was established on 11 May 2016, is as follows:

Member	Position
Sabrina Bruno	Independent non-executive director(1) - Chairwoman
Yunpeng He	Non-executive
Lucia Morselli	Independent non-executive director(1)

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

The Chairperson of the Company, the CEO and the Chairperson of the Board of Statutory Auditors, or a standing auditor designated by them and the Executive Vice President for Institutional Relations, CSR and Communication, are usually invited to attend Committee meetings. Other non-Committee members may also attend, upon invitation by the Committee, to provide information and express an opinion on individual agenda items.

The members of the Board of Statutory Auditors usually attended the meetings, and the Executive Vice President Institutional Relations, CSR and Communication regularly attended. Persons that are not Committee members also attended, at the Committee's invitation, to provide information and express opinions, within their respective remits, on the individual agenda items.

Committee meetings are valid when attended by the majority of the members in office. The Committee resolves by an absolute majority of the attendees.

(ii) Duties

The Committee provides the Board of Directors recommendations and advice on the matters indicated in Annex 5 of this Report.

(iii) Activities

Since it was established on 11 May 2016, the Sustainability Committee has met four times, with an average attendance of 91.67% of members and an average duration of 110.75 minutes.

The table below sets out the issues that the Sustainability Committee focused its activities on in 2016:

Activity
■ Review of themes and processes connected to sustainability
■ Review of sustainability activities included in the Strategic Plan
■ Examination of Stakeholder Engagement activities
■ Analysis of areas for improvement and half-year sustainability reviews
■ Analysis of the results of the Dow Jones Sustainability World Index
■ Analysis of ways of representing non-financial information in the consolidated financial statements

The Regulations governing the Sustainability Committee were most recently approved by the Board of Directors on 11 May 2016.

The Sustainability Committee Regulations are available on the Company's Website
http://www.snam.it/export/sites/snam-rp/repository/file/Governance/organi_sociali/comitati/Regolamento_Comitato_Sostenibilitx_di_Snam.pdf

At the Board meeting of 6 March 2017, the Committee reported to the Board of Directors on its work since its creation on 31 December 2016. At the subsequent Board meeting, it reported on all subsequent Committee meetings.

Five Committee meetings are scheduled for 2017; as at the Report approval date, two have been held.

According to the Sustainability Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties; particularly, within the terms established from time to time by the Board of Directors, to make use of external consultants through the structure of the Company, provided that their situation is not likely to compromise their independent judgement.

Table 1 in Section IV provides information about the attendance of each participant in Sustainability Committee meetings.

4. BOARD OF STATUTORY AUDITORS AND EXTERNAL AUDITORS

4.1 Board of Statutory Auditors

(i) Composition

The Company's current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 27 April 2016 for three financial years and in any event until the date of the Shareholders' Meeting called to approve the financial statements for 2018.

The table below provides information on the current members of the Board of Statutory Auditors.

Member	Position	List in which he/she was submitted
Leo Amato	Standing Auditor and Chairman	CDP RETI S.p.A. list
Massimo Gatto	Standing auditor	List submitted jointly by minority shareholders
Maria Luisa Mosconi(1)	Standing auditor	CDP RETI S.p.A. list
Maria Gimigliano	Alternate auditor	CDP RETI S.p.A. list
Sonia Ferrero	Alternate auditor	List submitted jointly by minority shareholders

(1) appointed by statutory majority at the proposal of CDP RETI S.p.A.

Two lists for the appointment of the Board of Statutory Auditors were submitted at the Shareholders' Meeting of 27 April 2016:

(i) a list presented by CDP RETI S.p.A. (two candidates for standing auditor and one candidate for alternate auditor), and

(ii) a joint list presented by some institutional investors (one candidate for standing auditor and one candidate for alternate auditor).

At the Shareholders' Meeting for the appointment of statutory auditors through list voting, 69.37% of the share capital was represented and 69.25% of the share capital voted. The list submitted by CDP RETI S.p.A. was voted for by 33.79% of the share capital, while the list submitted jointly by the institutional investors was voted for by 34.47% (the most voted list).

Therefore, applying the provisions of the Bylaws relating to the list voting mechanism, two standing auditors were appointed (one drawn from the CDP RETI S.p.A. list and one drawn from the institutional investors' list) and two alternate auditors were appointed (one drawn from the CDP RETI S.p.A. list and one drawn from the institutional investors' list). In addition to the list vote, the remaining standing auditor was appointed by majority vote at the proposal of shareholder CDP RETI S.p.A. The remaining standing auditor was drawn from the list presented by CDP RETI S.p.A. At the time of the vote, 31.91% of the share capital was represented at the Shareholders' Meeting; 31.80% of the share capital voted, with 30.76% voting in favour.

Based on declarations provided by its members, on 14 March 2016, the Board of Statutory Auditors performed the periodic check and verified that all its members met the independence requirements laid down in Article 148, paragraph 3 of the TUF, as well as those laid down in Article 3 of the Code of Corporate Governance pertaining to directors.

On 27 April 2016, the Board of Statutory Auditors performed its annual check that all its members met the independence requirements laid down in Article 148, paragraph 3 of the TUF, as well as those in Article 3 of the Code of Corporate Governance pertaining to directors. The Board of Directors issued a press release about the results of these checks[29].

29 In July 2015, the Corporate Governance Committee updated the Code of Corporate Governance. The amendments made to Article 8 were applied by the Company in 2016 when the Board of Statutory Auditors was renewed. In particular, such amendments provide for the distribution of a press release by the Board of Directors concerning the check performed by the Board of Statutory Auditors after the appointment with regard to the fulfilment by the Statutory Auditors of the independence criteria required for directors. The Committee also stated that the remuneration of Statutory Auditors should be commensurate with the duties required of them, the importance of the role held, and the dimensional and sectoral characteristics of the business.

The personal and professional profile of each statutory auditor are provided in the short biographies below.

Leo Amato - Chairman

Nationality: Italian
Professional background: University lecturer - Chartered accountant and auditor

Career

Born in Turin in 1961.

Leo graduated with honours in Economics and Business from Turin University.

He is enrolled on the Register of Auditors and the Register of Court-Appointed Experts, and is a member of the Arbitration Chamber of Piedmont.

He holds administration and audit positions in a number of Italian companies.

He has worked as a contract lecturer in Business Contract Law, Non-profit Organisation Law and Trust and Fiduciary Transaction Law at the Faculty of Economics of the University of Eastern Piedmont.

He is the Chairman of Iusefor, the Training Centre of the University Institute of European Studies of Turin.

From 26 March 2013 to 27 April 2016 he was a standing auditor with Snam.

Since 27 April 2016 he has been Chairman of Snam's Board of Statutory Auditors.

Massimo Gatto - Standing auditor

Nationality: Italian
Professional background: Chartered accountant and auditor

Career

Born in Rome in 1963.

Massimo gained a degree in Economics and Business from the Sapienza University of Rome. He works as a chartered accountant, auditor and official receiver. He is currently a standing auditor at Fintecna S.p.A., RI.MA.TI. – Società Consortile a responsabilità limitata, METROB1 – Società Consortile a responsabilità limitata and Collegamenti Integrati Veloci-C.I.V. S.p.A., and is an alternate auditor at Unicredit Factoring S.p.A. and Mediaset S.p.A.

He is also a director of Associazione Nazionale per l'Enciclopedia della Banca e della Borsa.

From 27 April 2010 to 27 April 2016 he was Chairman of Snam's Board of Statutory Auditors.

Since 27 April 2016 she has been a standing auditor with Snam.

Maria Luisa Mosconi - Standing auditor

Nationality: Italian
Professional background: University lecturer - Chartered accountant and auditor

Career

Born in Varese in 1962.

She is a chartered accountant and auditor and has been registered in the Order of Chartered Accountants of Milan since 1992.

She has been registered in the Register of Consultants of the Court of Milan since 1997.

She is registered in the Register of Technical Consultants of the Court of Milan, with specific regard to corporate evaluations and extraordinary financing operations.

She is a teaching assistant at Bocconi University in Milan with Professor Mario Massari, delivering courses entitled Corporate Finance - An Introduction to Evaluation and Corporate Finance - Financial Management (advanced topics).

She also works as a chartered accountant, mainly dealing with insolvency procedures and consultancy on corporate crises and restructuring, as well as expert estimates, evaluations and industrial and strategic plans, and is an expert certifier of recovery plans pursuant to the Bankruptcy Law.

She is a member of the NED (Non-Executive Directors) Community, which is an association of non-executive and independent directors.

Previously an assistant and collaborator in the Corporate Finance Area of SDA Bocconi.

Previously a teaching assistant at the Cattolica del Sacro Cuore University and at the Bocconi University, both in Milan, delivering courses on Corporate Finance (basic and advanced) with Mario Massari, Maurizio Dallocchio and Gualtiero Brugger.
She has held or currently holds positions as Chairwoman or member of boards of statutory auditors/audit committees, boards of directors and supervisory boards and as official receiver for several listed and unlisted companies.
She has gained experience in various listed companies, including in regulated sectors, in the banking, insurance, financial intermediation and asset management segments.
She has experience in the sector of municipally-owned companies and bodies.
She is also a member of the Italian National Commission for the issuing of the "Regulations for the Conduct of the Boards of Statutory Auditors of Listed Companies" within the Italian National Council of Accountants and Accounting Experts.
Since 27 April 2016 she has been a standing auditor with Snam.

Maria Gimigliano - Alternate auditor
Nationality: Italian
Professional background:
Chartered accountant and auditor

Career
Born in Naples in 1976.
Maria graduated from Bocconi University, Milan, in Business Economics.
She is a standing auditor at Nonino Distillatori S.p.A., Ennefin S.p.A. and Nonino S.p.A.
She is registered on the Register of Auditors.
Since 26 March 2013 she has been an alternate auditor with Snam.

Sonia Ferrero - Alternate auditor
Nationality: Italian
Professional background:
Chartered accountant and auditor

Career
Born in Turin in 1971.
Sonia graduated with honours in Economics and Commerce from the University of Turin.
She has been a chartered accountant, registered in the Order of Chartered Accountants and Accounting Experts of Turin, since 2001.
She started her professional career at Studio Associato KPMG and later moved to Studio Tributario e Societario Deloitte & Touche. From January 2004 to July 2015 she worked at Studio Di Tanno & Associati. Since August 2015 she has worked at Studio Vasapolli & Associati.
She holds or has held various positions.
From May 2008 to December 2013 she was a member of the Board of Statutory Auditors of Holding dei Giochi S.p.A.; from May 2013 to June 2014 she was Chairwoman of the Board of Statutory Auditors of Gruppo Fabbri Vignola S.p.A.
From August 2010 to June 2015 she was Chairwoman of the Board of Statutory Auditors of Tages Holding S.p.A and, in the same period, of Tages Capital SGR S.p.A.
From April 2014 to September 2015, she was a member of the Board of Directors of Gromis S.r.l. and Inimm Due S.r.l.
Since May 2013, she has been a member of the Board of Statutory Auditors of MBDA Italia S.p.A. and Iniziativa Gestione Investimenti (IGI) SGR S.p.A.; since April 2011, she has been a member of the Board of Statutory Auditors of InBetween SGR S.p.A. Since April 2015, she has been sitting on the Board of Statutory Auditors of Banca Profilo S.p.A.
Since 27 April 2016 she has been an alternate auditor with Snam.

For a description of the main duties of the Board of Statutory Auditors pursuant to law, and the provisions of the Bylaws governing methods of appointing the statutory auditors and their term of office, please see Annex 6 to this Report.

The remuneration of the Board of Statutory Auditors is determined by the Shareholders' Meeting, taking account of the required commitment, the importance of the position held and Snam's size and sector characteristics.

(ii) Meetings of the Board of Statutory Auditors

The Board of Statutory Auditors met 14 times in 2016, with an average attendance of 95.24% of members (please see table 2 in Section IV) and an average duration of 231 minutes. The Board of Statutory Auditors has scheduled 15 meetings for 2017; as at the Report approval date, four have been held.

Pursuant to the procedure "*Transactions in which directors and statutory auditors have an interest and related-party transactions*", members of the Board of Statutory Auditors must declare any interest on their own behalf or that of third parties in specific transactions submitted to the Board of Directors. No such declarations were required from the members of the Board of Statutory Auditors in 2016.

The Board of Statutory Auditors receives the information flows it needs to perform its duties. At its meeting of 12 January 2017, Snam's Board of Statutory Auditors adopted a "Framework Resolution between the Boards of Statutory Auditors of the Snam Group" with the aim of formalising information flows between the latter. The text of the resolution was sent to the Boards of Statutory Auditors of the Subsidiaries for incorporation.

A description of the ways in which the Board of Statutory Auditors interacts with the Control, Risk and Related-Party Transactions Committee and with the Internal Audit department can be found in Section III, Point 6.3 of the Report.

4.2 External Auditors

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

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

5. BOARD INDUCTION SESSIONS FOR DIRECTORS AND STATUTORY AUDITORS

Following the appointment of the Board of Directors and the Board of Statutory Auditors, board induction sessions were held, which were attended by the members of both Boards.

Pursuant to the Code of Corporate Governance, the board induction sessions aim to provide directors and standing auditors with adequate knowledge of the sector in which the Company operates, as well as present company dynamics and changes in the ownership structure. The sessions covered:

(i) the Snam Group and the gas market scenario;
(ii) the regulatory context;
(iii) governance and the internal control and risk management system;
(iv) economic/financial data; and
(v) the Strategic Plan.

Specific in-depth analyses were conducted, through several dedicated sessions, relating to the internal control and risk management system (structure of the system, oversight, monitoring, information flows between the parties involved) and to corporate governance (historical development, shareholder structure, management and coordination, governance model and structure, delegated powers, anti-corruption and antitrust compliance programmes, whistleblowing, related-party transactions, and market abuse).

The induction sessions were organised and managed by the management of the competent function, whereas the strategic planning session was organised by the CEO.

In June and August 2016, meetings took place to explore specific themes relating to the Group's strategies, attended by directors and statutory auditors.

In February 2017, there was an off-site visit to the Bordolano gas storage site.

6. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

6.1 Introduction

Snam has adopted and undertakes to promote and maintain an adequate internal control and risk management system ("**ICRMS**"), to be understood as a set of rules, procedures and organisational structures designed to permit the identification, measurement, management and monitoring of key risks.

This system is part of the organisational, administrative and accounting structure and, more generally, Snam's corporate governance structure, and is based on the Code of Corporate Governance to which Snam adheres, using national and international model and best practice as a reference.

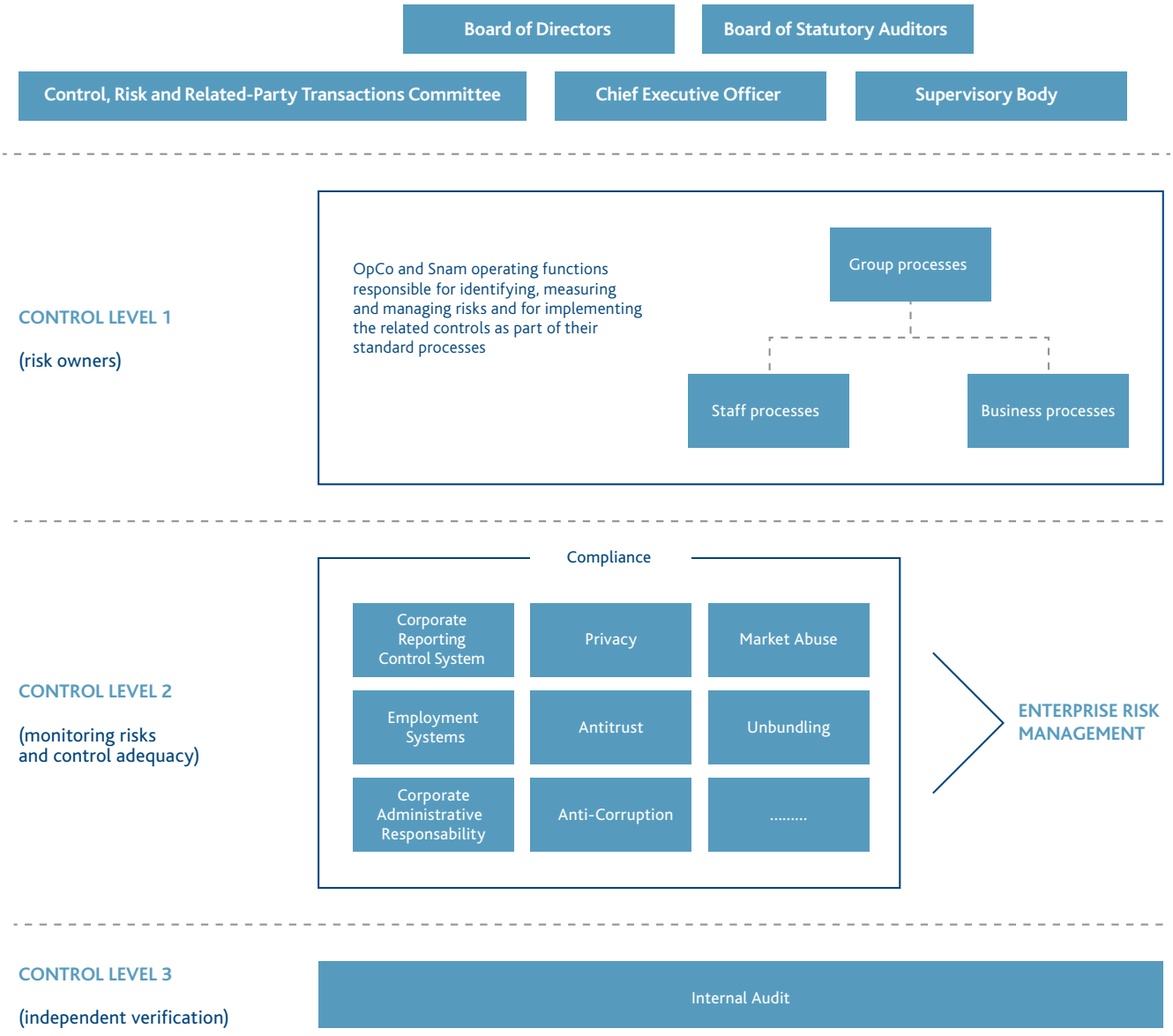
The Code of Ethics sets out the guiding principles on which the ICRMS is based, such as:

- the separation of activities between persons responsible for authorisation, executive or control procedures;
- the existence of company regulations that can provide general benchmark principles for governing corporate processes and activities;
- the existence of formal rules for the exercise of signatory powers and internal powers of authorisation; and
- traceability (guaranteed through the adoption of information systems that can identify and reconstruct the sources, information and checks carried out in support of the formation and implementation of the Company's decisions and financial resources management procedures).

The ICRMS is audited and updated over time, to ensure that it is always appropriate and to oversee the main areas of corporate risk. In this context, and also to execute the provisions of the Code of Corporate Governance, Snam has adopted an ERM system.

6.2 The corporate bodies, structures and functions involved

The ICRMS is an integrated system that involves the entire organisational structure: both the corporate bodies and company structures are required to contribute to its operation, in a coordinated way, according to the diagram shown below, so as to ensure that the main risks relating to the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored in line with the strategic objectives identified.



(i) The Board of Directors

Duties performed within the scope of the ICRMS
■ As part of the preparation of the Snam Group's 2017-2021 Strategic Plan, it defined the nature and the level of risk consistent with Snam's strategic objectives - based on risk mapping carried out as part of the ERM System - including in its assessments all risks that might be significant in view of the medium/long-term sustainability of Snam's activity
■ Defines the ICRMS guidelines as part of the preparation of the Snam Group 2017-2021 Strategic Plan
■ Assesses, on at least an annual basis (after consulting the Control, Risk and Related-Party Transactions Committee), the adequacy of the ICRMS with respect to the characteristics of the Company and the Group and the risk profile assumed With regard to 2016, on 16 March 2016 the Board of Directors assessed, based on the preliminary work carried out by the Control , Risk and Related-Party Transactions Committee, the adequacy and effectiveness of the ICRMS. With regard to 2017, on 6 March 2017 the Board of Directors assessed, based on the preliminary work carried out by the Control, Risk and Related-Party Transactions Committee, the adequacy and effectiveness of the ICRMS
■ Approves, on at least an annual basis, the Audit Schedule prepared by the Internal Auditor, after consulting the Control, Risk and Related-Party Transactions Committee and the Chairperson of the Board of Directors, the Director in Charge The Board of Directors approved the Audit Schedule for 2016 on 16 March 2016 and the Audit Schedule for 2017 on 6 March 2017
■ Assesses the adequacy of the ICRMS in relation to the characteristics of the company and the risk profile assumed, as well as its effectiveness On 16 March 2016, with regard to 2016, and on 6 March 2017, with regard to 2017, the Board of Directors assessed the organisational, administrative and accounting structure, which had been prepared by the management and organisational functions that report to the CEO and had been first presented to the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, as suitable for the size and types of activity carried out by Snam and the Subsidiaries

For further details on the remit for resolutions of the Board of Directors, please see Section III, Point 2.3.

(ii) Director in Charge

Pursuant to the Company's governance rules, Snam's CEO performs the role of Director in Charge.

Duties performed within the scope of the ICRMS
■ Identified the main corporate risks, in view of the characteristics of the activities carried out by Snam and the Subsidiaries, and took them into account in defining the 2017-2021 Strategic Plan approved by the Board of Directors
■ Planned, created and managed the ICRMS, and checking its adequacy and effectiveness on an ongoing basis
■ Adjusting the ICRMS to the dynamics of the operating conditions and the legislative and regulatory framework
■ Has the power to request that the Internal Auditor perform checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, informing the Chairpersons of the Board of Directors, the Control, Risk and Related Transactions Committee and the Board of Statutory Auditors of said request
■ Provided timely information, including through his structures, to the Control, Risk and Related-Party Transactions Committee about problems and issues arising during the course of his work or of which he had been made aware

(iii) Control, Risk and Related-Party Transactions Committee

The Control, Risk and Related-Party Transactions Committee is responsible for making appropriate enquiries to support assessments and decisions made by the Board of Directors concerning the internal control and risk management system, as well as those relating to the approval of financial reports.

For a more detailed description of the duties of the Control, Risk and Related-Party Transactions Committee, please see Annex 5 to this Report.

(iv) Board of Statutory Auditors

Also in its capacity as the Internal Control and Audit Committee pursuant to Legislative Decree No. 39/2010, the Board of Statutory Auditors oversees the effectiveness of the ICRMS.

For more information about the main duties performed by the Board of Statutory Auditors, please see Annex 6 to this Report.

(v) Executive Responsible For Preparing Corporate Accounting Documents

On 27 September 2016, the Board of Directors, at the CEO's recommendation, with the agreement of the Chairperson and after consulting the Board of Statutory Auditors, appointed Franco Pruzzi – Senior Vice President Finance and Administration – as the Executive Responsible For Preparing Corporate Accounting Documents, replacing Antonio Paccioretti, who has left his position at the Group.

The Executive Responsible For Preparing Corporate Accounting Documents must not be a member of the administrative or control bodies or hold senior management positions at Eni S.p.A. and its Subsidiaries, nor may he/she have any direct or indirect professional or financial relationship with said companies[30]. Pursuant to Article 16 of the Bylaws, the Executive Responsible For Preparing Corporate Accounting Documents must have spent at least three years performing one of the following activities:

a) administration, control or management activities at a company listed on regulated markets in Italy, other EU States or other OECD countries with share capital of no less than Euro 2 million;
b) external audit activities at the companies mentioned under a);
c) professional or university teaching in finance or accounting; and
d) managerial functions at public or private entities with financial, accounting or control responsibilities.

The Board of Directors checks annually that, based on the declaration made by the Executive Responsible For Preparing Corporate Accounting Documents, there are no grounds for the latter's incompatibility pursuant to the Bylaws and that the Executive Responsible For Preparing Corporate Accounting Documents meets the integrity requirements provided for by the applicable regulations.

The Board of Directors performs an annual check on the adequacy of the powers and means available to the Executive Responsible For Preparing Corporate Accounting Documents pursuant to the law for the fulfilment of their duties, as well as a half-yearly check on compliance with existing administrative and accounting procedures.

These checks took place on 16 March 2016 for 2016 and on 6 March 2017 for 2017.

(vi) Internal Auditor

The Internal Audit function is centralised at Snam: its scope of intervention is Snam and, also by means of service agreements, the Subsidiaries.

The role, duties and responsibilities of Internal Audit are defined and formalised by the Board of Directors in the "Guidelines on internal audit activity" (the "**Guidelines**").

The Internal Auditor is appointed by the Board of Directors subject to the favourable opinion of the Control, Risk and Related-Party Transactions Committee and after consulting the Board of Statutory Auditors, at the Director in Charge's recommendation, with the agreement of the Chairperson[31]. The appointment of the Internal Auditor is open-ended and may be revoked by the

30 Pursuant to the Prime Ministerial Decree of 25 May 2012.
31 Pursuant to the Guidelines, the candidate's profile and the necessary requirements of integrity, professionalism, competence, autonomy and experience are assessed, as well as any grounds for incompatibility, including in terms of conflict of interests, with previous activities or positions held at the Company and/or its Subsidiaries. The Control, Risk and Related-Party Transactions Committee performs an annual check on whether these requirements are still being met.

Board of Directors. At least once during the term of office determined by the Shareholders' Meeting, the Board of Directors assesses whether the Internal Auditor should be reappointed to the role, based, among other things, on rotation criteria.

The Internal Auditor, within the organisational structure that reports to the CEO, carries out auditing duties fully independently, pursuant to the instructions provided by the Board of Directors[32]; the Control, Risk and Related-Party Transactions Committee supervises the Internal Auditor's activities.

The Internal Auditor's activities are performed ensuring the maintenance of the necessary independence requirements and the proper objectivity, competence and professional diligence set out in the international standards for the professional practice of Internal Audit and in the code of ethics issued by the Institute of Internal Auditors[33], as well as in the principles of the Code of Ethics[34].

Annually, the Board of Directors, within the process for the approval of the audit plan, approves the budget for the Internal Audit's function to fulfil its duties. The Guidelines stipulate that the Internal Auditor shall have autonomous spending powers to scrutinise, analyse and assess the internal control and risk management system and/or perform related activities, and that the Internal Auditor, in exceptional and urgent situations that require the availability of funds exceeding the budget, may propose that the Board of Directors approve the extra budget of the Internal Audit department so that it may carry out the duties assigned to it.

The Director in Charge may request that the Internal Auditor perform checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, informing the Chairpersons of the Board of Directors, the Control, Risk and Related Transactions Committee and the Board of Statutory Auditors of said request.

The (fixed and variable) remuneration of the Internal Auditor is approved by the Board of Directors, at the proposal of the Director in Charge, with the agreement of the Chairperson of the Board of Directors, in line with the company policies, and with the favourable opinion of the Control, Risk and Related-Party Transactions Committee. The proposal is also subject to examination by the Compensation Committee.

At its meeting of 14 December 2016, Snam's Board of Directors, with the favourable opinion of the Control, Risk and Related-Party Transactions Committee and after consulting the Board of Statutory Auditors, at the recommendation of the Director in Charge and with the agreement of the Chairperson of the Board of Directors[35], appointed Lorenzo Alzati as the new Internal Auditor.

In particular, to ensure the independence and transparency of the process for selecting the Internal Auditor, Snam commissioned a specialist company to identify a shortlist of candidates with suitable personal and professional profile for the position. The applications were considered jointly by the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, with the Chairperson of the Board of Directors and the Executive Vice President Human Resources & Organisation.

32 Pursuant to the application criterion 7.C.5 letter b) of the Corporate Governance Code, the exclusive power of the Board to give instructions to the Internal Auditor has been enhanced.

33 The international stndards for the professional practice of the Internal Audit are available at the following link: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF_Standards%20ENG.pdf.

34 Please see Point 6.1 above.

35 Please see footnote 31 above.

The appointment of Lorenzo Alzati as Internal Auditor is open-ended and may be revoked by the Board of Directors.

Duties performed within the scope of the ICRMS
■ Verifies, both on a continual basis and in relation to specific requirements, in compliance with international standards, the functioning and suitability of the ICRMS via an Audit Schedule, approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks
■ Is not responsible for operational areas and has direct access to all useful information for the performance of its duties
■ Prepares periodic reports containing adequate information about his work, the way in which risk management is conducted and compliance with the plans established to contain risk, including an assessment of the suitability of the ICRMS, and sends these to the Chairs of the Board of Statutory Auditors, the Control, Risk and Related-Party Transactions Committee and the Board of Directors and to the Director in Charge
■ Prepares timely reports on events of particular significance and sends them to the Chairs of the Board of Statutory Auditors, the Control, Risk and Related-Party Transactions Committee and the Board of Directors, and to the Director in Charge
■ Verifies, in the context of the Audit Schedule, the reliability of the IT systems used, including the accounting systems
■ Carries out other audit measures not set out in the Audit Schedule, as permitted by the available resources provided for in the Internal Audit schedule approved by the Board of Directors, based also on requests from: (i) the Board of Directors; (ii) the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, with reciprocal communications; (iii) the Chairperson of the Board of Directors and the Director in Charge, ensuring communication to the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors; and (iv) the Supervisory Body

Main activities carried out in 2016

In 2016, the Internal Audit function performed its scheduled activities as expected, namely:

(i) drawing up the draft Audit Schedule based on the identification and prioritisation of the main risks facing the Company, carried out by the ERM unit;

(ii) executing the Audit Schedule approved by Snam's Board of Directors on 16 March 2016 following a favourable opinion from the Control, Risk and Related-Party Transactions Committee;

(iii) performing the independent-monitoring programme drawn up with the Executive Responsible For Preparing Corporate Accounting Documents as part of Snam's Corporate Reporting Control System;

(iv) managing the channels used to provide notification, anonymous or otherwise, of problems relating to the internal control and risk management system, to corporate administrative responsibility of the Company, to irregularities or to fraud (whistleblowing); and

(v) activities pertaining to relations with the External Auditors and the oversight of the procedure for the allocation of additional appointments by Snam Group companies on the allocation and management of appointments and the applicable regulatory provisions.

In addition, and at the instigation of the control bodies, a Quality Assurance Review (QAR) of the Internal Audit function was carried out by a leading specialised independent company. The review should take place every five years according to the international standards issued by the Institute of Internal Auditors (IIA), and includes benchmarking against entities similar to Snam in terms of business type and size. The analysis shows that the practices adopted by Snam's Internal Audit function fully comply with the international audit standards.

(vii) Snam's Enterprise Risk Management system

As part of the ICRMS, Snam has adopted the Enterprise Risk Management System (the "**ERM System**"), which consists of rules, procedures and organisational structures for identifying, measuring, managing and monitoring the main risks that may affect the achievement of strategic objectives.

The ERM System represents a method for identifying, evaluating, managing and controlling risk in line with existing international best practices and benchmark models (COSO Framework and ISO 31000). The ERM System therefore involves an integrated, cross-functional and dynamic risk assessment that makes the most of existing management systems in individual corporate processes, and is updated to ensure that it always acts as an effective risk management model.

As part of its Level Two controls, Snam has established an ERM function, the duties of which include:

- defining and updating Snam's ERM System and providing specialist methodological support in identifying and evaluating Group risks;
- coordinating the overall ERM process, ensuring that the risks to Snam and its Subsidiaries are properly consolidated and prioritised;
- identifying enterprise risks and scoring them where appropriate;
- working with the competent corporate functions to consolidate strategies for managing the identified risks;
- coordinating the risk monitoring and control activities; and
- supervising periodic reporting and the management and updating of defined risk indicators.

The objective of the identification stage is to pinpoint elements of risk both within and outside the corporate processes of Snam and its Subsidiaries that might affect their attainment of corporate objectives. Risk is measured in an integrated and cross-functional manner using different scales of probability and impact, both in terms of quantitative (e.g., economic and financial) and more qualitative and intangible (e.g., reputational, health-related, safety-related and environmental) aspects.

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

Management strategies are established for all risks and any specific interventions, as is a time frame for their implementation.

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

In 2016, the ERM department verified the risk mapping and related risk mitigation measures, submitting the results to the Control, Risk and Related-Party Transactions Committee. At the end of 2016 approximately 310 enterprise risks divided into all the Company's processes appear as mapped.

Apart from the ordinary check and control activity on risks mapped, further activities have been carried out for the purpose of continuously improving the model adopted and supporting risks managers. More in detail:

- certain risks mapped have been analysed for the purpose of identifying improvement proposal as for their operating management mechanisms, aiming at strengthening strategies and management interventions, systematic collection and consolidation of the Key Risk Indicators linked to the risks mapped;
- the ERM Risk Dashboard has been created and spread and the relevant dematerialization of the reporting process has been carried out.

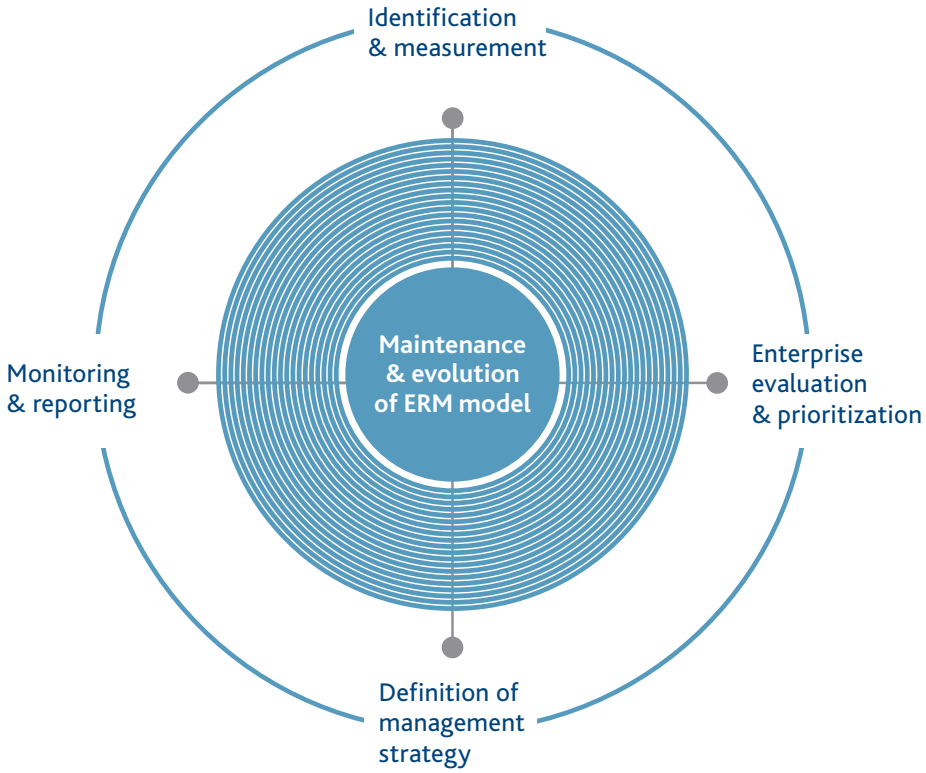
During December 2016 "Progetto Simplify" was started, having the purpose of, among others, defining and implementing an integrated model of risk assurance integrating the different control models existing within the Group, with a synergistic approach aimed at the maximum rationalization and global efficiency, as well as drafting and implementing Snam's new regulatory system with the view to simplification and greater usability.

The main corporate risks identified, monitored and, insofar as specified below, managed by Snam are as follows:

- regulatory risk;
- legal and non-compliance risk;
- cyclical risk;
- operating risks;
- market and competition risks;
- risks of a financial nature; and
- emerging risks.

For more details, please see the "*Factors of uncertainty and risk management*" chapter of the 2016 Report on Operations.

The graphic below illustrates the various operational phases of the ERM System.



(viii) 231 Model, Supervisory Body and Code of Ethics Supervisor

A. 231 Model

The Board of Directors adopted the 231 Model to prevent the crimes mentioned in the legislation on corporate administrative responsibility for crimes committed in the interest or to the advantage of the Company, and it has set up a Supervisory Body equipped with autonomous powers of initiative and control, in compliance with the law.

The 231 Model is a comprehensive set of principles, rules and provisions concerning, among other things, the management and control of each corporate process. Its aim is to protect the Company from any conduct that may incur its administrative responsibility, pursuant to Legislative Decree No. 231/2001, in relation to crimes or attempted crimes committed in the interest or to the advantage of the Company by persons holding a "senior" position within the entity or by those who are subject to the oversight and control of such persons.

The 231 Model was recently updated in the light of the issuance of regulations that introduced additional offences, such as those mentioned under Law No. 186/2014 concerning "*Provisions on money laundering*", Law No. 68/2015 concerning "*Provisions on crimes against the environment*", and Law No. 69/2015 concerning "*Provisions on crimes against government authorities, involving criminal organisations and involving falsified financial statements*".

The analysis of corporate processes and the comparative analysis of the existing control environment and the oversight measures are carried out based on the *COSO Framework*, which is the international benchmark model for the establishment, updating, analysis and assessment of internal control systems (the "**COSO Framework**", published most recently in May 2013[36]).

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

Snam has developed a specific training programme for all its employees. As well as being an important tool for making management and other employees aware about corporate ethics, prevention of the crimes mentioned in Legislative Decree No. 231/2001 and anti-corruption, this training activity encourages all staff members to play an active role in Snam's system of ethics and values.

The 231 Model is available on the Company's Website

http://www.snam.it/export/sites/snam/repository/file/Governance/modello231/modello_231_Snam.pdf

B. Supervisory Body and Code of Ethics Supervisor

On 26 July 2016, the Board of Directors changed the Supervisory Body by providing for the presence of only members external to the Company and the Group, partly to ensure sufficient separation of duties and partly to ensure the presence of members with specific areas of expertise, thereby enabling the body to perform its duties effectively.

The Supervisory Body currently comprises three external members, one of which acts as Chairperson, who are experts in legal and corporate matters, economics and corporate organisation. The table below shows the members of this body:

Member	Position
Gianluigi Tosato	External member (Chairman)
Giovanni Maria Garegnani	External member
Ugo Lecis	External member

Among other things, the Supervisory Body oversees the effectiveness of the 231 Model and monitors how it is implemented and updated. It examines the 231 Model's suitability to prevent unlawful conduct and manages the relevant information flows with the various corporate functions and supervisory bodies of the Subsidiaries. The Supervisory Body also acts as the Code of Ethics Supervisor.

The Supervisory Body 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 Supervisory Body, or in the event of significant events or circumstances, for the performance of the activities falling within the field of competence of the Supervisory Body.

36 The document "Internal Control – Integrated Framework", published by the Committee of Sponsoring Organizations of the Treadway Commission (http://www.coso.org).

If any problems emerge, the Supervisory Body publishes the results of the activities carried out in the performance of its duties.

In 2016, the Supervisory Body met 12 times, with average attendance of 96.7% of members.

(ix) Functions with specific control duties

The ICRMS clearly positions the corporate functions within three levels of internal control.

In line with an evolutionary process designed to constantly improve the efficiency and effectiveness of the ICRMS and its enhanced integration, as well as the functions described above, the following organisational structures play an important role in identifying, measuring and monitoring risks associated with management of the Company's business, as part of their own operational responsibilities, in a coordinated way and through continuous information flows.

In particular:

- the Compliance Function, among others: (i) promotes the compliance culture and the rationalization of the compliance models and the system of related rules and procedures, quantifying the effective risk in specific areas and monitoring their application; (ii) supervises the adequacy and compliance of the company system of principles and rules to laws, regulations and provisions in force, ensuring the connection, coordination and control of compliance activities; and (iii) ensures the definition and update of the necessary compliance programs. Additionally, an internal anti-corruption unit is established within the Legal & Corporate Affairs, Compliance and Enterprise Risk Management Direction; and
- the Planning, Administration, Finance and Control Function oversees financial risks; the Corporate Reporting Control System Function is set up internally.

x) Structure of the three levels of internal control

Level One:	Identification, evaluation and monitoring of risks inherent to the individual Group processes The Snam Group functions that bear the individual risk, are responsible for identifying, measuring and managing them and as for implementing the necessary controls within the processes within their remit, are located at this level
Level Two:	Monitoring of the main risks to ensure that they are effectively and efficiently managed and processed, and monitoring of the adequacy and functioning of the controls put in place to protect against these risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls This level contains Group personnel charged with coordinating and managing the main control systems (e.g., Corporate Administrative Responsibility, Disclosure, Anti-corruption, Competition, etc.)
Level Three:	Independent and objective verification of the operating effectiveness and adequacy of Levels One and Two, and in general of the overall risk management methods. Internal Audit operates on the basis of the Guidelines

6.3 Coordination between the parties involved in the ICRMS

The rules and procedures adopted by Snam in the context of its ICRMS and CRCS ensure adequate coordination of all parties involved.

In particular, information flows that ensure coordination between the parties involved in the ICRMS and the Board of Directors is composed of:

(i) review by the Board of Directors of the opinions and reports prepared by persons involved in the ICRMS;

(ii) information provided to the Board of Directors and the Board of Statutory Auditors by the Chairperson of the Control, Risk and Related-Party Transactions Committee and the presence of the Board of Statutory Auditors at meetings of the Board of Directors; and
(iii) participation in meetings of the Board of Directors and the Control, Risk and Related-Party Transactions Committee, for matters within their respective remits, of the managers of the control functions and the Executive Responsible For Preparing Corporate Accounting Documents.

The Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors of Snam:
- receive information flows from Internal Audit, from the Company's other control functions (*i.e.*, Enterprise Risk Management and Compliance), the Supervisory Body and the External Auditors. When the information is obtained, they meet to assess the results; and
- receive from the Executive Responsible For Preparing Corporate Accounting Documents a half-year report and an annual report on the assessment of the CRCS and compliance with the administrative and accounting procedures and an annual report on the Snam Group's organisational, administrative and accounting structure.

Furthermore, the Board of Statutory Auditors of Snam, in its capacity as the Internal Control and Audit Committee, pursuant to Legislative Decree No. 39/2010, oversees the financial disclosure process, it receives a report from the External Auditors on the fundamental questions arising during the audit.

The Chief Executive Officer, as the Director in Charge:
- receives periodic information flows from the Executive Responsible For Preparing Corporate Accounting Documents on the more important aspects of the CRCS and the results of the monitoring activities, and shares with the latter the half-year and annual report on the CRCS and the annual report on the organisational, administrative and accounting structure of the Snam Group, to be submitted to Snam's Board of Directors;
- receives from the Internal Auditor: (i) periodic reports and reports on particularly significant events prepared by the Internal Auditor, including with regard to the auditing activities carried out at the Subsidiaries; (ii) notifications relating to Snam and the Subsidiaries, compiled by the Internal Auditor in a quarterly report; (iii) requests for audits not included in the Audit Schedule; and (iv) information on audits relating to areas where investigations by the authorities are taking place;
- reports promptly to the Control, Risk and Related-Party Transactions Committee and/or the Board of Directors, at the next convenient meeting, on issues and problems relating to the ICRMS.

The Supervisory Body provides the following information flows to the top corporate level:
- *ongoing*, to the CEO, who reports to the Board of Directors during his activity of reporting on the exercise of the powers granted to him;
- *half-yearly*, to the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors; to this end, a half-yearly report is prepared regarding the activity performed, which includes the outcome of checks and any legislative developments relating to the administrative liability of entities. On this occasion, meetings are organised with the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors; the half-yearly report is also sent to the Chairperson and the CEO, and the Board of Directors is informed of it; and
- *immediate*, in the case of ascertained facts of special importance and significance, to the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, after informing the Chairperson and the CEO.

Information flows are also sent from the management to the Supervisory Body.

The Executive Responsible For Preparing Corporate Accounting Documents, after consulting the External Auditors and the Board of Statutory Auditors, assesses, with the Control, Risk and Related-Party Transactions Committee, the correct application of the accounting policies and their homogeneity for the purposes of the consolidated financial statements, and is required to agree with the Internal Auditor on the proposed Audit Schedule to submit to Snam's Board of Directors for approval. In view

of the duties assigned to the Executive Responsible For Preparing Corporate Accounting Documents as part of the CRCS, the Executive Responsible For Preparing Corporate Accounting Documents receives information flows from other persons, bodies and functions within the Company and the Subsidiaries[37].

The Internal Audit function receives and provides information relating to the ICRMS, pursuant to the Guidelines. In particular, it:

- obtains information and assessments from the Boards of Directors, Boards of Statutory Auditors and Supervisory Bodies of Snam and the Subsidiaries, for the purposes of formulating the proposed Audit Schedule, for subsequent approval by the Board of Directors;
- sends the Internal Audit reports on each audit intervention made by the Chairperson of the Board of Directors to the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, the Chief Executive Officer and to top management of the functions subject to audit, to the Executive Responsible and, for matters within its remit, to the Supervisory Body. For audits carried out on the Subsidiaries, reports are also sent to the Chairperson of the Board of Directors, the CEO and the control and supervisory bodies of the Subsidiaries themselves;
- provides a quarterly information flow to Snam's Supervisory Body concerning summary assessments of the audits carried out and the state of implementation of the corrective actions;
- notifies the managers of the functions involved, with specific regard to the CRCS, of the results of the independent monitoring activities carried out; and
- fulfils the disclosure obligations stipulated in the Anonymous Notification Procedure and prepares a quarterly report on notifications, which the Internal Auditor sends to the Chairperson of the Board of Directors, the Executive Responsible For Preparing Corporate Accounting Documents, the Board of Statutory Auditors, the Control, Risk and Related-Party Transactions Committee, the External Auditors, the Anti-Corruption Unit and the Supervisory Body.

The Enterprise Risk Management Function receives information flows from the functions and structures of Snam and the Subsidiaries competent from time to time and prepares and sends to the various corporate levels summary reports on the identification, assessment and management of risk. Specifically, it reports: (i) to the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and Snam's Supervisory Body, as the case may be, at least every three or six months; (ii) to the Boards of Statutory Auditors of the Subsidiaries and the Supervisory Bodies of Snam and the Subsidiaries at least every six months; and (iii) to the Executive responsible for preparing corporate accounting documents (through the CRCS function) with regard to: (a) the results of the Enterprise Risk Management process, and (b) any findings relating to the CRCS.

Finally, the Legal and Compliance Function periodically reports to the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body, specifically for the purpose of reviewing compliance matters, with regard to, among others, any potential issue and/or possible improvement recommendation, as well as the status of the Company's legal proceedings; within this framework, a report is also sent on the activities of check, training, assessment and monitoring set out in anti-corruption procedures.

6.4 Key features of the internal control and risk management system in relation to corporate reporting

(i) Introduction

The internal control and risk management system for the financial reporting process is an element of the "*System*" (the Corporate Reporting Control System) aimed at ensuring the dependability[38], accuracy[39], reliability[40] and timeliness of the Company's financial reporting and the capacity of the main relevant corporate processes to produce the reports pursuant to the accounting standards.

37 Pursuant to the "*Corporate Reporting Control System of the Snam Group*".
38 Dependability (of the reporting): reporting that is correct, complies with generally accepted accounting standards and fulfils the requirements of the applicable laws and regulations.
39 Accuracy (of the reporting): reporting that does not contain any errors.
40 Reliability (of the reporting): reporting that is clear and complete, thereby allowing investors to make informed decisions.

The reporting consists of all data and information – financial and non-financial (the latter aims to describe the relevant aspects of the business, comment on the economic and financial results for the year and/or describe the outlook) – contained in the periodic accounting documents required by law, as well as in any other accounting document or external communication subject matter of the statements provided for by Article 154-*bis* of the TUF[41].

The CRCS model adopted by Snam and its Subsidiaries was defined pursuant to the provisions of Article 154-*bis* of the TUF, and is based, in terms of methodology, on the "COSO Framework" ("*Internal Control – Integrated Framework*", issued by the Committee of Sponsoring Organizations of the Treadway Commission), which is the international benchmark model for the establishment, updating, analysis and assessment of internal control systems, an update to which was published in May 2013.

The Corporate Reporting Control System of the Snam Group is regulated by a procedure on the "*Corporate Reporting Control System of the Snam Group*" and a series of operating instructions.

(ii) Phases of the CRCS

The planning, establishment and maintenance of the CRCS is carried out through the following activities:

1. Scoping	2. Risk assesment	3. Identification of controls	4. Assessment of controls
Identification of the scope of analysis in relation to Group companies which apply the CRCS on the basis of the financial statement items and information that are significant for this purpose and the significance of the companies in relation to processes and specific risks	Identification of specific activities likely to generate risks of unintentional error or fraud, which may have a significant impact on the financial statements or potential events whose occurrence might compromise the achievement of control objectives relating to corporate reporting	For companies, processes and the relevant risks that are regarded as significant, the system is based on two fundamental principles: (i) the dissemination of controls to all levels of the organisational structure, in line with the operational responsibilities assigned, and (ii) sustaining the controls over time, so that they are integrated and compatible with operating requirements. The structure provides controls at entity level that operate across the reference entity, and controls at process level, *i.e.*, specific controls carried out within the relevant corporate processes	The controls are assessed regularly to ensure that they are adequate, both through line monitoring by management and through independent monitoring. The outcomes of assessments are the subject of a regular information flow (reporting) on the basis of which the Executive responsible for preparing corporate accounting documents draws up a half-year report and an annual report on the adequacy and effective implementation of the CRCS, which is shared with the Chief Executive Officer and sent to the Board of Directors and subsequently notified to the Control, Risk and Related-Party Transactions Committee and the Board of Statutory Auditors, at the time of approval of the draft separate and consolidated financial statements and the consolidated half-year financial report

41 Snam has established a body of rules that define standards, methods, roles and responsibilities for planning, establishing, maintaining over time and assessing the effectiveness of the Group's CRCS - which is applied to Snam and the Subsidiaries, taking account of their significance.

(iii) Positions and functions involved

The Executive Responsible For Preparing Corporate Accounting Documents is assisted in control and assessment activities by various persons (e.g., the risk owner, the department head) at various levels of the organisational structure of Snam and its Subsidiaries.
Furthermore, the senior managers and CEOs of the individual Group companies over time are responsible for establishing, designing and maintaining the Company's control system; they receive the results of the checks performed on all the controls and draw up dedicated Company half-year and annual reports that they submit to their own Boards of Directors, having informed the Board of Statutory Auditors, and to the parent company.

7. SNAM'S REGULATORY SYSTEM

7.1 Overview

Snam has adopted its own system of regulations that can be broken down into the following levels:
(i) Corporate System Framework (Level 1);
(ii) Procedures (Level 2); and
(iii) Operating Instructions (Level 3).

Moreover, certified management system documents (pursuant to ISO standards) on Health, Safety, Environment and Quality (Policies, Manuals, Procedures and Operating Instructions) are also an integral part of the regulatory system. Lastly, regulatory circulars are required to govern specific issues (sometimes with temporary validity).

Snam's Regulatory System is designed to:
(i) monitor and support the effectiveness of the internal control and risk management system; and
(ii) govern certain aspects of the management and coordination exercised by Snam over the Subsidiaries, to whose respective Boards of Directors the regulatory instruments adopted by Snam are sent periodically for information purposes.

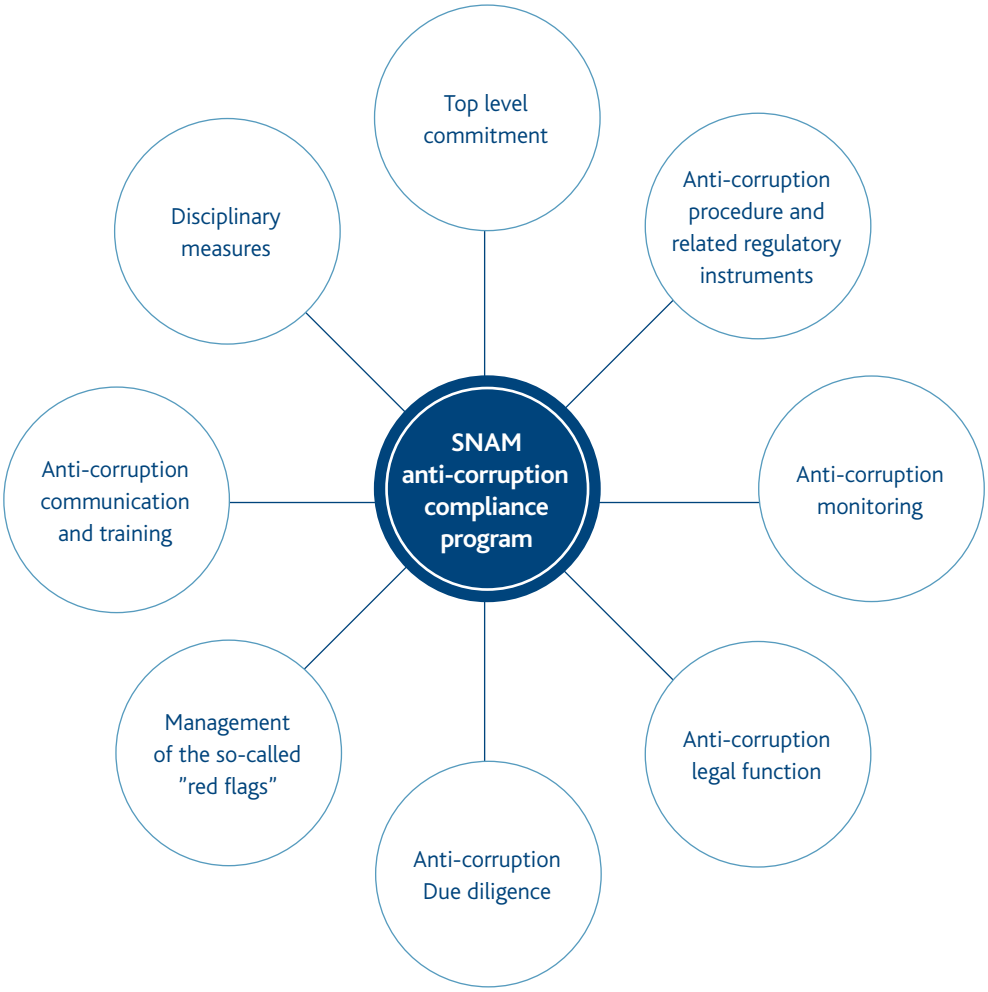
Subsidiaries are required to assess the need to supplement the content of the regulatory instruments issued by Snam, issuing a dedicated supplementary document of their own: (i) that relates to their own specific requirements, and (ii) exclusively referring to organisational aspects. If no supplementary document is issued by the Subsidiaries within the allocated timeframe, Snam's regulations are applied.
Subsidiaries are required to formally adopt measures on certain specific subjects (e.g., relating to health, safety and the environment and/or pertaining to the Boards of Directors of Snam and its Subsidiaries) where they hold direct and specific responsibility or, as the case may be, are required to adopt the measures adopted by Snam.

7.2 Compliance programmes

(i) Anti-Corruption Compliance Programme

The Snam Anti-Corruption Compliance Programme includes not only the 231 Model (designed to prevent the offences of administrative liability of companies for offences, such as, among other things, corruption offences) but, consistent with the provisions of the guidance and international best practices, is also implemented through:

- "top level commitment", *i.e.*, a commitment at the highest level to fight corruption;
- adoption of specific regulatory anti-corruption measures;
- establishment of a dedicated Anti-Corruption Unit;
- "monitoring" by an external and independent advisor to verify actual knowledge of and implementation of the procedures;
- staff awareness through training and information activities; and
- anti-corruption due diligence on contractual counterparties.



Snam and Transaparency International signed an agreement in October 2016 aimed at developing a partnership within the Global Corporate Supporters Forum promoted by the non-governamental organization.

Thanks to such agreement, Snam, being the first Italian company, is part of the international partners of the Forum, created for the purpose of grouping companies that excel for the integrity of their business management, in accordance with the good management practice, transparency and responsibility standards promoted by Transparency International, within the frame of the global effort against corruption and in favour of an ethical business conduct.

The partnership formalizes the principles of cooperation between Transaparency International and Snam on the management of anti-corruption programs and policies against frauds and irregularities, conflict of interests and whistleblowing, among those measures aimed at consolidating the highest anti-corruption standards acknowledged by Transaparency International.

Anti-Corruption Procedure highlights

- Prohibition of corruption, without exception, with respect to any party in either the public or private sectors
- Specific regulations and controls in relation to activities identified as potentially "at risk" and to activities relating to the effective implementation of anti-corruption compliance
- A clear distinction between permitted conduct and prohibited conduct
- A particular focus on relationships with public officials, suppliers and business partners
- Establishment of a dedicated Anti-Corruption Unit
- Monitoring activities with the involvement of management and training of over 1370 persons
- Drafting of the "Anti-corruption Guide" as an easily understandable and usable tool aiming at spreading and growing the anti-corruption culture among Snam's people
- Identified as an example of "absolute excellence" by Transparency International Italy after its "*Assessment on Transparency in Reporting on Anti-Corruption*"

The Anti-Corruption Procedure is an integral part of a broader business ethics control system that aims to ensure the Company's compliance with national and international anti-corruption laws, including the UK Bribery Act, and with the best international anti-corruption standards, helping to protect Snam's reputation. The Anti-Corruption Procedure places particular emphasis, among other things, on the selection of suppliers and business partners, the management of relations with them, and the related contractual protection clauses.

Adoption and implementation of the Anti-Corruption Procedure is mandatory for Snam and its Subsidiaries, which have adopted it by means of a resolution of the Board of Directors. The investee companies are also informed of the Anti-Corruption Procedure, to promote behaviour and information flows consistent with those of Snam and the Subsidiaries. Snam also uses its influence, to the extent that is reasonable under the circumstances, to ensure that the companies and entities in which Snam has a non-controlling stake and its business partners comply with the standards set forth in the Anti-Corruption Procedure.

The Anti-Corruption Procedure is available on the Company's Website

http://www.snam.it/export/sites/snam/repository/file/Governance/procedure/anticorruzione/snam_anticorruzione_01.pdf

(ii) Whistleblowing

Since 2006, Snam implemented a special procedure to establish a codified system for the collection, analysis, verification and reporting of notifications, anonymous or otherwise, received by Snam and its Subsidiaries (the "**Notification Procedure**") and to establish the criteria and methods for the establishment of information channels.

Whistleblowing procedure highlights

- Management of communication channels assigned to an external person (an Ombudsman) identified as a professional with a high degree of legal training in criminal matters, who ensures that reports are received and analysed by applying criteria of maximum confidentiality in order, among other things, to protect the good repute of persons involved and efficiency of investigations
- Preliminary investigations into notifications carried out in an integrated and coordinated way, through the involvement of the Internal Audit function, having first consulted the Legal & Corporate Affairs, Compliance and ERM function for those matters within its purview

  Quarterly circulation of a report on complaints received - issued by the Internal Audit function - amongst the following corporate functions:
  - Chairperson of Snam
  - Chief Executive Officer of Snam
  - Snam's Board of Statutory Auditors
  - Control, Risk and Related-Party Transactions Committee
  - Snam's External Auditors
  - Snam's Anti-Corruption Unit
  - Supervisory Body
  - Snam's CFO
  - Snam's Chief Corporate Services Officer and EVP Human Resources & Organisation
  - Snam's General Counsel

In the case of notifications relating to the Subsidiaries, the reports, insofar as they are relevant, are sent to the Chief Executive Officers of each Subsidiary concerned and to the related Control and Supervisory Bodies

The Notification Procedure is available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/procedure_segnalazioni/snam_segnalazioni_anche_anonime_04.pdf

The table below breaks down the activities carried out by Internal Audit in relation to notifications received during the last three years:

	2014	2015	2016
Notifications received	20	17	**25**
- relating to the Internal Control System	2	2	**14**
- relating to accounting, auditing, fraud, etc.	-	-	**-**
- relating to administrative liability pursuant to Legislative Decree No. 231/2001	-	-	**1**
- relating to breaches of the anti-corruption law	-	1	**4**
- relating to other matters (Code of Ethics, mobbing, theft, security, etc.)	18	14	**6**
Notifications dismissed due to lack of proof or because untrue (no.)	13	8	**12**
Notifications resulting in corporate disciplinary or managerial action and/or referral to a legal authority	1	3	**6**
Notifications in the process of examination (no.)			**7**

(iii) Antitrust Compliance Programme

The Company has identified the violation of antitrust legislation as one of the main corporate risks and has developed a detailed antitrust compliance program.

Highlights of the Antitrust Compliance Programme

The programme is implemented through:

- the adoption of the Antitrust Code
- dedicated communication and training initiatives for all employees that aim to ensure familiarity with the Code, as well as its effectiveness and correct implementation
- the establishment, within Snam's Legal & Corporate Affairs, Compliance and ERM department, of an Antitrust Supervisor who will provide the necessary support and assistance concerning application of the Antitrust Code
- a monitoring programme designed to verify the efficiency of the provisions of the Antitrust Code and the advisability of amendments and updates to the code
- the drafting of the "Practical Guide for competition preservation" as a tool to help Snam's people understand which situations might be potentially anti-competitive (antitrust practices) and which standards of behaviours adopt

The Antitrust Code is available on the Company's Website

http://www.snam.it/export/sites/snam/repository/file/Governance/codice_antitrust/codice_di_condotta_antitrust.pdf

7.3 Related-Parties Procedure

The Board of Directors approved the Procedure entitled "*Transactions in which directors and statutory auditors have an interest and related-party transactions*" pursuant to the Regulations on Related-Party Transactions (the "**Related-Parties Procedure**")[42]. The Related-Parties Procedure was adopted in compliance with the Unbundling Regulations, taking into account the specific nature of the activities engaged in by Snam and its Subsidiaries, which are subject to oversight by the AEEGSI.

Related-Parties Procedure highlights

- Involvement, as the case may be, of the Control, Risk and Related-Party Transactions Committee or the Compensation Committee (for decisions concerning the remuneration of Snam directors, auditors and managers with strategic responsibilities)
- Provision of a fixed significance threshold of Euro 140 million
- Extension of the scope of application of the Procedure to all transactions entered into by the Subsidiaries with related parties of Snam
- Establishment of a special approval process for transactions in which directors or auditors of Snam have an interest

The Related-Parties Procedure makes a distinction between Large Transactions and Small Transactions, on the basis of a significance threshold. To ensure maximum market transparency, the Related-Parties Procedure has a stricter parameter for identifying Large Transactions – a fixed significance threshold of Euro 140 million – than that provided in the Regulations on Related-Party Transactions[43].

The Related-Parties Procedure requires that the competent committee issue:

- for "Small Transactions[44]", a non-binding reasoned opinion that must address the Company's interest in carrying out the transaction, as well as the expediency and substantial accuracy of its conditions. In the event of a negative opinion, the Company is required to inform the market of the reasons that led it to carry out the transaction despite this opinion; and
- for "Large Transactions[45]", which are the exclusive preserve of the Board of Directors, a favourable reasoned opinion on the Company's interest in carrying out the transaction, as well as the expediency and substantive accuracy of its conditions. The Committee is also involved in the negotiation and examination stages, receiving comprehensive and timely information, with the power to request information and submit comments to the authorised bodies and persons tasked with carrying out the negotiations and examination.

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

Finally, the Related-Parties Procedure sets out a special approval process – which requires, among other things, that the Control, Risk and Related-Party Transactions Committee issue a non-binding opinion on the convenience of the transaction for the Company – in the case of transactions, other than related-party transactions, in which Snam's directors or statutory auditors have an interest, on their own account or on behalf of third parties.

42 The "Transactions in which directors and statutory auditors have an interest and related-party transactions" procedure defines a "transaction" (or "transactions") as the active or passive transfer of resources, services or assumption of obligations, regardless of whether a fee has been agreed, carried out by Snam or its Subsidiaries with related parties of Snam. These include: (i) mergers or demergers by incorporation or non-proportional demergers; and (ii) any decision relating to the awarding of remuneration and financial benefits, in any form, to members of the administration and control bodies and to executives with strategic responsibilities.

43 The Regulations on Related-Party Transactions established, as the relevant parameter for the identification of large transactions between related parties, the threshold of 5% of at least one of several parameters relating to the scale of the transaction in question identified by the Regulations on Related-Party Transactions. The threshold is lowered to 2.5% for transactions entered into with a listed parent or with parties related to the same, which are in turn related to the Company.

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

45 "*Large Transactions*" are indicated in Annex 1 to the Procedure.

The Related-Parties Procedure is available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/operazione_parti_correlate/procedura_parti_correlate.pdf

7.4 Market Abuse Procedure

Snam's Market Abuse Procedure combines and coordinates within a single systematic document the market abuse rules and principles with which the Company and its related parties must comply to:

a) ensure that price-sensitive information about the Company is treated appropriately by the persons who hold it, regulating the creation and maintenance of the insider register;
b) govern transactions on the shares and debt securities issued by the Company, and derivatives and other financial instruments related to these, by persons in senior positions ("*internal dealing*"); and
c) define the operational details and scope of the prohibition on the Company and persons performing functions of administration, control or management at the Company from carrying out transactions on shares, debt securities issued by the Company and on derivatives or other related financial instruments during predetermined periods ("*black-out periods*").

Market Abuse Procedure highlights

- Update of the provisions of the new "Market Abuse Regulation" pursuant to Regulation (EU) No. 596/2014 (and the relative executive regulations), which came into force on 3 July 2016
- A single document – comprehensive, systematic and up-to-date with new European regulations – that incorporates all measures relating to market abuse. Provisions on the management of price-sensitive information, internal dealing, black-out periods and insider register up-to-date with the Market Abuse Regulation
- Provision of a specific procedure for delayed dissemination of inside information
- Identification of detailed information flows within the corporate organisational structure and with the Subsidiaries
- Drafting of the "Market Abuse Guide" to make Snam's people aware of topics related to market abuse laws and regulations

The Market Abuse Procedure is divided into two sections:

Section I - Processing of inside information

This section covers:

a) the rules for the management and processing of inside information, as well as the procedures to be followed for communicating this information both within and outside of the Company;
b) the assumptions and procedures to follow if the Company deems it necessary to delay the dissemination to the public of inside information, if the conditions required by the applicable legislation are met; and
c) the establishment, maintenance and updating of the Register of persons who have access to inside information.

Section II - Rules governing Internal Dealing

This section governs transactions on the shares and debt securities issued by the Company, and the Company's derivatives and other financial instruments, by persons who hold a senior position within the Company's ownership structure and/or corporate organisational structure.

Specifically, it includes the following:

a) criteria for identifying "Relevant Persons" and "Relevant Transactions" to which the legislation in question applies;
b) disclosure obligations of Relevant Persons and the Company in respect of Consob and the public in relation to Relevant Transactions; and
c) new rules preventing Relevant Persons from carrying out Relevant Transactions in given periods ("*black-out periods*[46]").

The Market Abuse Procedure is available on the Company's Website

http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/Market_Abuse/Procedure_Market_Snam_REV04.pdf

8. RELATIONS WITH SHAREHOLDERS AND INVESTORS

Snam has engaged in constant dialogue with shareholders, institutional investors, socially responsible investors, analysts and all financial market operators, ensuring the systematic disclosure of timely and comprehensive information on its activities, without prejudice to the confidentiality requirements pertaining to certain types of information. Information is therefore provided to investors, the market and news media through press releases, periodic meetings with institutional investors, the financial community and the press, and ample documentation and numerous publications are made available and continually updated on the Company's Website.

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

Relations with shareholders and all financial market operators are handled by the "Corporate Strategy and Investor Relations" function. Information of interest to these parties is available on the Company's Website and may also be requested via email from *investor.relations@snam.it*.

Relations with the news media are handled by the Institutional Relations, CSR and Communications department. Information of interest to these parties is available on the Company's Website.

The "Investor's Publications" page, in the Investor Relations section of the Company's Website contains all the institutional products aimed at those who wish to invest in Snam or obtain a better understanding of the Company's characteristics and the contexts in which it operates.

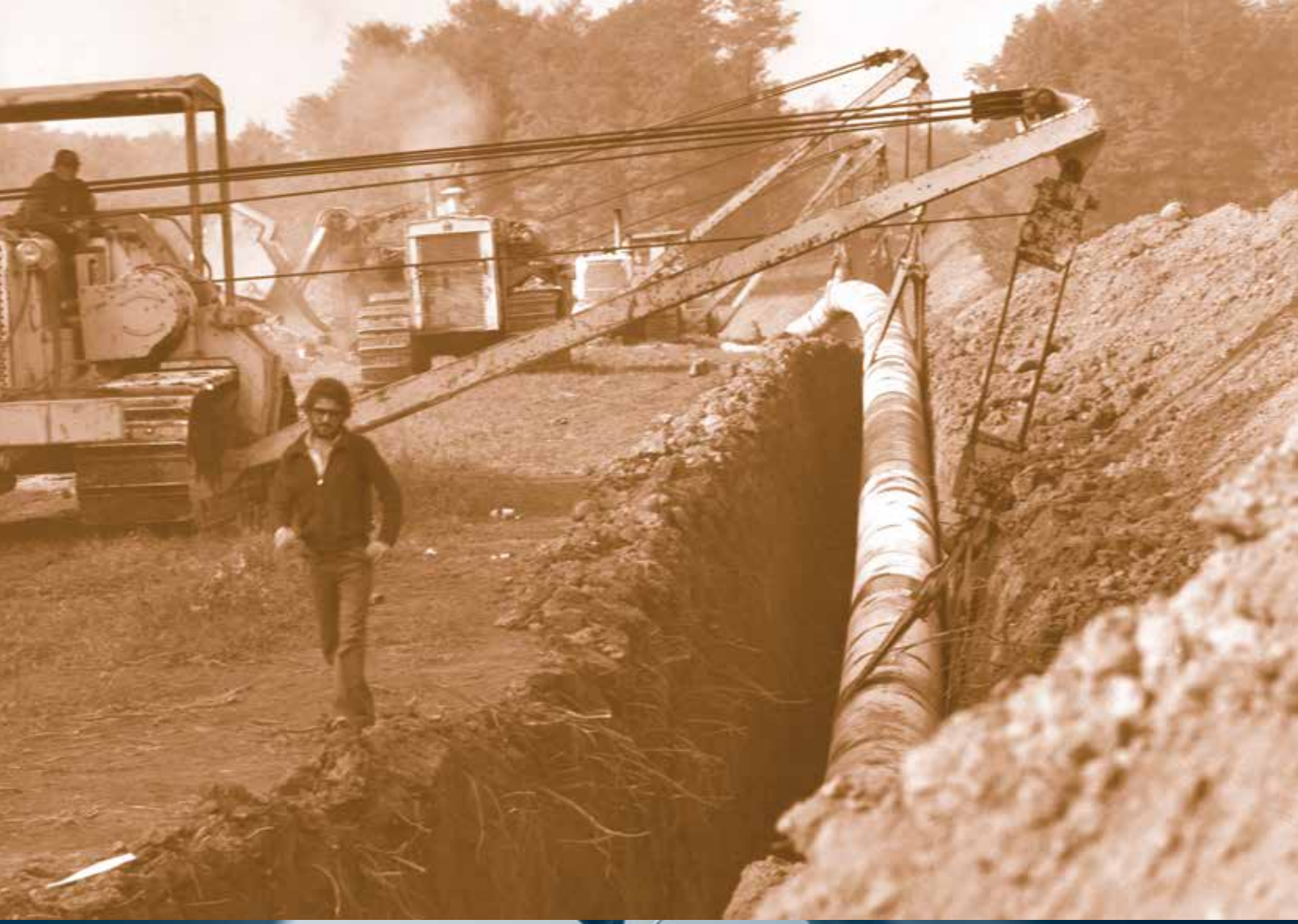
46 Pursuant to the Market Abuse Procedure, Relevant Persons and Closely-related Persons are not permitted to carry out – directly or via an intermediary – Relevant Transactions within a period of 30 calendar days before the Company announces the figures contained in the annual financial report, the half-year financial report and in other periodic financial reports that have to be published by law.
For the definition of "Relevant Persons", "Closely-related Persons" and "Relevant Transactions", please see the Market Abuse Procedure. The Market Abuse Procedure also governs prohibitions on certain transactions by Snam on its own shares. Such restrictions on transactions by issuers on their own shares are not stipulated in the Market Abuse Regulation.

Snam believes that involving shareholders and establishing a relationship of trust with them are strategically important goals, which continued to be pursued during 2016. The Corporate Strategy and Investor Relations function encourages the exercise of voting rights at the Shareholders' Meeting, and believes that an active policy of engagement is a valid resource for the whole Group, since it ensures shareholder satisfaction, helps to strengthen relations between shareholders and the Company, and plays a part in involving and informing shareholders about their shares and their decisions, as well as helping the Company to understand their expectations with regard to the main governance issues.

Snam also encourages initiatives inspired by EU guidelines on the drafting of stewardship codes, *i.e.*, principles for managers, investors and advisers on transparent voting, monitoring investee companies and managing conflicts of interest ("*stewardship code*").

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

No other significant changes occurred after the end of the financial year.



Section IV - Summary Tables

TABLE 1 - STRUCTURE OF SNAM'S BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control, Risk and Related-Party Transactions Committee		Compensat. Committee		Appointm. Committee		Sustainab. Committee[47]		Possible Executive Committee
Post	Members	Year of birth	Date of first appointm.*	Term start date	Term end date	List **	Exec	Non-exec	Indep. Code	Indep. TUF	No of other posts***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	
Chairman	Carlo Malacarne	1953	27.04.06[48]	27.04.16	Financ. Stat. 31.12.18	M		✓			0	13/13									N/A
Chief Executive Officer (•) (◊)	Marco Alverà	1975	27.04.16[49]	27.04.16	Financ. Stat. 31.12.18	M	✓					8/8									N/A
Director	Sabrina Bruno	1965	26.03.13	27.04.16	Financ. Stat. 31.12.18	m		✓	✓	✓	2	13/13	11/12	M					4/4	P	N/A
Director	Monica de Virgiliis	1967	27.04.16	27.04.16	Financ. Stat. 31.12.18	M		✓	✓	✓	1	8/8			7/7	P[50]	4/4	M[51]			N/A
Director	Francesco Gori	1952	26.03.13	27.04.16	Financ. Stat. 31.12.18	m		✓	✓	✓	2	13/13	3/3	P[52]			4/4	P[53]			N/A
Director	Yunpeng He	1965	26.01.15	27.04.16	Financ. Stat. 31.12.18	M		✓			3	13/13							4/4	M	N/A
Director	Lucia Morselli	1956	27.04.16	27.04.16	Financ. Stat. 31.12.18	M		✓	✓	✓	0	7/8	9/9	M[54]					3/4	M	N/A
Director	Elisabetta Oliveri	1963	27.04.10	27.04.16	Financ. Stat. 31.12.18	m		✓	✓	✓	2	13/13	9/9	P[55]	10/10	P[56]	5/5	M[57]			N/A
Director	Alessandro Tonetti	1977	27.04.16	27.04.16	Financ. Stat. 31.12.18	M		✓			1	8/8			7/7	M[58]	4/4	M[59]			N/A
Directors whose term expired during the year																					
Chairman	Lorenzo Bini Smaghi	1956	15.10.12	26.03.13	Financ. Stat. 31.12.15	M		✓				5/5					5/5	M[60]			N/A
Director	Alberto Clò	1947	26.03.13	26.03.13	Financ. Stat. 31.12.15	M		✓	✓	✓		5/5					5/5	P[61]			N/A
Director	Andrea Novelli	1978	15.10.12	26.03.13	Financ. Stat. 31.12.15	M		✓				4/5	2/2	M[62]	3/3	M[63]					N/A
Director	Pia Saraceno	1945	26.03.13	26.03.13	Financ. Stat. 31.12.15	M		✓	✓	✓		5/5	3/3	M[64]	3/3	M[65]					N/A

No. of meetings held during the year: 13	Control, Risk and Related-Party Transactions Committee: 12	Compensation Committee: 10	Appointments Committee: 9	Sustainability Committee: 4

Indicate the *quorum* required for the submission of lists by minority shareholders for the election of one or more members (pursuant to Article 147-*ter* of the TUF): 1% of the share capital

NOTES

The symbols indicated below must be inserted in the "Post" column:

- • This symbol indicates the Director in charge of the internal control and risk management system.
- ◊ This symbol indicates the person with primary responsibility for the management of the issuer (Chief Executive Officer or CEO).
- * The date of first appointment of each director means the date on which the director was unanimously appointed for the first time to the issuer's Board of Directors.
- ** This column indicates the list from which each director was drawn (M: majority list, to be inteded as the list from which the majority of the directors were drawn; "m": minority list, to be intended as the list from which the minority of the directors were drawn; "BoD": list submitted by the Board of Directors).
- *** This column shows the number of directorships and statutory auditor offices held by the person in question in other companies listed in Italy or in other regulated markets, in financial companies, banks, insurance firms or other large companies. Details of the offices concerned are provided in the Report on Corporate Governance.
- (*) This column shows the directors' attendance at meetings of the Board of Directors and of Committees (indicate the number of meetings attended compared with the total number of meetings that could have been attended, e.g., 6/8, 8/8, etc.).
- (**) This column indicates the director's role on the Committee concerned: "C": Chairperson; "M": member.

47 Established 11 May 2016.
48 The date refers to the appointment of Carlo Malacarne as director by the Shareholders' Meeting. From 8 May 2006 to 27 April 2016, Carlo Malacarne fulfilled the role of Chief Executive Officer.
49 Since 15 January 2016, Marco Alverà has fulfilled the role of General Manager, a post that he continues to occupy after his appointment as Chief Executive Officer.
50 Chairman and member of the Compensation Committee since 11 May 2016.
51 Member of the Appointments Committee since 11 May 2016.
52 Chairman and member of the Control and Risk Committee until 27 April 2016.
53 Chairman and member of the Appointments Committee since 11 May 2016.
54 Member of the Control, Risk and Related-Party Transactions Committee since 11 May 2016.
55 Chairman of the Control, Risk andRelated-Party Transactions Committee since 11 May 2016.
56 Chairman of the Compensation Committee until 27 April 2016 and a member since 11 May 2016.
57 Member of the Appointments Committee until 27 April 2016.
58 Member of the Compensation Committee until 11 May 2016. Member of the Appointments Committee since 11 May 2016.
60 Member of the Appointments Committee until 27 April 2016.
61 Chairman and member of the Appointments Committee until 27 April 2016.
62 Member of the Control and Risk Committee until 27 April 2016.
63 Member of the Compensation Committee until 27 April 2016.
64 Member of the Control and Risk Committee until 27 April 2016.
65 Member of the Compensation Committee until 27 April 2016.

TABLE 2 - STRUCTURE OF SNAM'S BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors										
Post	**Members**	**Year of birth**	**Date of first appointment***	**Term start date**	**Term end date**	**List ****	**Indep. Code**	**Attendance at meetings of Board of Statutory Auditors*****	**Attendance at meetings of the BoD**	**No. of other posts******
Chairman	Leo Amato	1961	26.03.13	27.04.16	Financial Statem. 31.12.18	M	✓	14/14	13/13	44
Standing auditor	Massimo Gatto	1963	27.04.10	27.04.16	Financial Statem. 31.12.18	m	✓	14/14	13/13	4
Standing auditor	Maria Luisa Mosconi	1962	27.04.16	27.04.16	Financial Statem. 31.12.18	M	✓	9/9	8/8	10
Alternate auditor	Maria Gimigliano	1976	26.03.13	27.04.16	Financial Statem. 31.12.18	M	✓	-	-	-
Alternate auditor	Sonia Ferrero	1971	27.04.16	27.04.16	Financial Statem. 31.12.18	m	✓	-	-	-
Statutory auditors whose term expired during the year										
Standing auditor	Stefania Chiaruttini	1962	26.03.13	26.03.13	Financial Statem. 31.12.15	M	✓	3/5	4/5	-
Alternate auditor	Luigi Rinaldi	1959	15.11.00[66]	26.03.13	Financial Statem. 31.12.15	m	✓	-	-	--

No. of meetings held during the year	14

Indicate the quorum required for the submission of lists by minority shareholders for the election of one or more members (pursuant to Article 148 of the TUF): 1% of the share capital

NOTES

* The date of first appointment of each statutory auditor means the date on which the statutory auditor was unanimously appointed for the first time to the issuer's Board of Statutory Auditors.

** This column indicates the list from which each statutory auditor was drawn ("M": majority list, to be intended as the list from which the majority of the statutory auditors were drawn; "m": minority list, to be intended as the list form which the minority of the statutory auditors were drawn).

*** This column shows the statutory auditors' attendance at meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared with the total number of meetings that could have been attended, e.g., 6/8, 8/8, etc.).

**** This column shows the number of directorships and auditor posts held by the interested party pursuant to Article 148-*bis* of the TUF and its implementing provisions contained in the Consob Issuer Regulations. The complete list of posts is published by Consob on its own website pursuant to Article 144-*quinquiesdecies* of the Consob Issuer Regulations.

66 Standing auditor until 15 February 2002

ANNEX 1 - THE CODE OF CORPORATE GOVERNANCE (JULY 2015) AND THE REFERENCE TO THE INFORMATION CONTAINED IN THE REPORT REGARDING THE IMPLEMENTATION OF ITS RECOMMENDATIONS ("COMPLY OR EXPLAIN" PRINCIPLE)

This Annex contains the text of the principles and criteria of the Code of Corporate Governance approved by the Corporate Governance Committee in July 2015, together with references to the pages of the Report that describe the procedures for the implementation of each of these principles and criteria ("*comply or explain*" principle).

	CODE OF CORPORATE GOVERNANCE JULY 2015 Principles and Criteria (Borsa Italiana S.p.A.)	Applied	Not applied	Inapplic.	Page reference
	Article 1 – Role of the board of directors				
1.P.1	Listed companies are governed by a board of directors that meets at regular intervals, adopts an organisation and a *modus operandi* which enable it to perform its functions in an effective manner.	✓			pages 27, 34-38, Annex 3
1.P.2	The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.	✓			pg. 34
1.C.1	The board of directors shall: a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer's corporate governance and the relevant group structure; b) define the nature and level of risk consistent with the strategic objectives of the issuer, including in its assessment all risks that might be relevant in view of the sustainability of the issuer's activities in the medium to long term; c) evaluate the adequacy of the organisational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management; d) specify the frequency, in any case no less than once every three months, with which the delegated bodies must report to the board on the activities performed in the exercise of the powers delegated to them; e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned; f) resolve upon transactions to be carried out by the issuer or its controlled companies that will significantly impact the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the board shall establish general criteria for identifying material transactions; g) evaluate, at least annually, the performance of the board of directors and its committees, as well as their size and composition, taking into account the professional competence, experience, (including managerial experience) and gender of its members and their time in office as directors. If the board of directors makes use of consultants for this evaluation, the corporate governance report shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer; h) report its view to shareholders on the managerial and professional profiles deemed appropriate for the composition of the board of directors, prior to its appointment, taking into account the outcome of the assessment mentioned under letter g) above;	✓			From letter a) to letter h) pages 37-38

	i) provide information in the corporate governance report on: (1) its composition, indicating for each member the position (executive, non-executive, independent), the relevant role held within the board of directors (including by way of example, chairperson or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, the number and average duration of meetings of the board and of the executive committee held during the fiscal year, and the related percentage of attendance of each director; and (3) the methods for implementing the evaluation procedure described in letter g) above; and				pages 27-34, 38-39 and Table 1
	j) adopt – to ensure the correct handling of corporate information – upon proposal of the managing director or the chairperson of the board of directors, internal procedures for the internal handling and disclosure to third parties of information concerning the issuer, having special regard to price sensitive information.				pg. 37
1.C.2	The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size. The board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the corporate governance report.	✓			pg. 41
1.C.3	The board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above section that may be considered compatible with an effective performance of a director's duties, taking into account the attendance by the directors to the committees set up within the board. To this end, the board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive, non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.	✓			pages 40-41
1.C.4	If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the board of directors shall evaluate each such issue, reporting any critical matters at the next shareholders' meeting. To this end, each director shall inform the board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.			✓	pg. 27
1.C.5	The chairperson of the board of directors shall ensure that the documentation relating to the agenda of the board is made available to directors and statutory auditors in a timely manner prior to the board meeting. The board of directors shall provide information in the corporate governance report on the promptness and completeness of the pre-meeting information, providing details, among other things, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.	✓			pg. 34
1.C.6	The chairperson of the board of directors, also upon request of one or more directors, may request to the managing directors that certain executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the board agenda, attend the meetings of the board, to provide appropriate supplemental information on the items on the agenda. The corporate governance report shall provide information on their attendance.	✓			pg. 34

	Article 2 – Composition of the board of directors				
2.P.1	The board of directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.	✓			pages 27-33
2.P.2	Non-executive directors shall bring their specific expertise to board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist.	✓			pages 28-33, 40-41
2.P.3	The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of board's decisions.	✓			pages 28-33, 40-41
2.P.4	It is appropriate to avoid the concentration of corporate offices in one single individual.	✓			pages 39-40
2.P.5	Where the board of directors has delegated management powers to the chairperson, it shall disclose adequate information in the corporate governance report on the reasons for this organisational choice.			✓	pg. 39
2.C.1	The following are qualified executive directors for the issuer: - the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies; - the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer; and - the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer. The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, per se, to cause them to be identified as executive directors, provided however, that such powers are not actually exercised with considerable frequency.	✓			pg. 40
2.C.2	The directors are required to know the duties and responsibilities relating to their office. The chairperson of the board of directors shall use his/her best efforts to allow the directors and the statutory auditors, after the election and during their mandate, in the most appropriate forms, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant changes, proper management of risk and the relevant regulatory and self-regulatory framework. The issuer shall include in the corporate governance report the type and organisational methods of the initiatives taken during the reporting period.	✓			pages 54-55
2.C.3	The board shall designate an independent director as lead independent director, in the following circumstances: (i) if the chairperson of the board of directors is the chief executive officer of the company; and (ii) if the office of chairperson is held by the person controlling the issuer. The board of directors of issuers on the FTSE MIB index shall designate a lead independent director when requested by the majority of independent directors, except in the case of a different and reasoned assessment carried out by the board to be included in the corporate governance report.			✓	pg. 42

2.C.4	The lead independent director: (a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below; and; b) cooperates with the chairperson of the board of directors to guarantee that directors receive timely and complete information.			✓	pg. 42
2.C.5	The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, if the chief executive officer of issuer (B) is a director of issuer (A).	✓			pg. 40
	Article 3 – Independent directors				
3.P.1	An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement.	✓			pg. 40
3.P.2	The directors' independence shall be assessed by the board of directors after the appointment and, subsequently, on a yearly basis. The results of the assessments of the board shall be communicated to the market.	✓			pg. 40
3.C.1	The board of directors shall evaluate the independence of its non-executive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to: a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer; b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement; c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g., through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship: - with the issuer, one of its subsidiaries, or any of its significant representatives; or - with a party that, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the above-mentioned parties; d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans; e) if he/she has been a director of the issuer for more than nine of the last twelve years; f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director; g) if he/she is shareholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer; and h) if he/she is a close relative of a person who is in any of the positions listed in the above points.	✓			pg. 40

3.C.2	For the purpose of the above, the chairperson of the entity, the chairperson of the board of directors, the executive directors and managers with strategic responsibilities of the relevant company or entity, must be considered as "significant representatives".	✓			pg. 40
3.C.3	The number and competences of independent directors shall be adequate in relation to the size of the board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the board, according to the indications set out in the Code. In the case of issuers on the FTSE MIB index, at least one third of the board of directors' members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down. In any event, there shall be no fewer than two independent directors.	✓			pg. 40
3.C.4	After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the board of directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardise the independent judgement of such director. The board of directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, within the corporate governance report. In the documents mentioned above, the board of directors shall: - disclose whether criteria for assessing independence have been adopted that are different from those recommended by the Code, also with reference to individual directors, and if so, specifying the reasons; and - describe the quantitative and/or qualitative criteria used, if any, in assessing the significance of the relationships being evaluated.	✓			pg. 40
3.C.5	The board of statutory auditors shall ascertain, within the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the board of directors for evaluating the independence of its members. The results of such controls are communicated to the market in the corporate governance report or in the report of the board of statutory auditors to the shareholders' meeting.	✓			pg. 40
3.C.6	The independent directors shall meet at least once a year without the presence of the other directors.	✓			pg. 40
	Article 4 – Establishment and functioning of the internal committees of the board of directors				
4.P.1	The board of directors shall establish among its members one or more committees, tasked with providing proposals and advice as indicated below.	✓			pg. 43
4.C.1	The establishment and functioning of the committees governed by the Code shall meet the following criteria: a) the committees shall be made up of at least three members. However, in those issuers whose board of directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairperson; b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the board of directors; c) the functions that the Code attributes to different committees may be distributed in a different manner or demanded from a number of committees lower than the envisaged one, provided that for their composition the rules are complied with those indicated from time to time by the Code and is ensured the achievement of the underlying objectives; d) the meetings of each committee shall be minuted and the committee chairperson shall inform the board of directors of these at the next convenient meeting;	✓			pages 43-50 and Annex 5

	e) the committees, in performing their duties, have the right to access the necessary company's information and functions, according to the procedures established by the board of directors, as well as to make use of external consultants. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the board; f) non-committee members, including other board members and persons belonging to issuer's structure, may attend committee meetings oat the invitation of the given committee to provide background information on agenda items; and g) the issuer shall provide adequate information, in the corporate governance report, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the percentage of attendance by members.				
4.C.2	The establishment of one or more committees may be avoided and the relevant duties may be assigned to the board of directors, under the coordination of the Chairperson and provided that: (i) independent directors represent at least half of the board members; if the number of the board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during the board meetings to actions that the Code requires the committees to carry out, and this circumstance is disclosed in the corporate governance report; and (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to management and coordination. The board of directors shall describe in detail in the corporate governance report the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the decision not to establish the risks and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the board shall periodically reassess this decision.			✓	
	Article 5 – Appointment of directors				
5.P.1	The board of directors shall establish from among its members a committee to propose candidates for appointment to the position of director, made up of a majority of independent directors.	✓			pg. 45
5.C.1	The appointments committee shall be vested with the following functions: a) to express opinions to the board of directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the board as well with regard to the topics indicated by articles 1.C.3 and 1.C.4.; and b) to submit the board of directors candidates for the office of director in cases of co-option, should the replacement of independent directors be necessary.	✓			Annex 5
5.C.2	The board of directors shall assess whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the corporate governance report. The review of the preparation of the above plan shall be carried out by the appointments committee or by another committee established within the board of directors that is assigned this task.	✓			pg. 42
	Article 6 – Remuneration of directors				
6.P.1	The remuneration of directors and managers with strategic responsibilities shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.	✓			pg. 42, Remuneration Report
6.P.2	The remuneration of executive directors and managers with strategic responsibilities shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in a medium/long-term timeframe. With regard to directors	✓			Remuneration Report

	with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to managers with strategic responsibilities, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4. The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.				
6.P.3	The board of directors shall establish from among its members a compensation committee, made up of independent directors. Alternatively, the committee may be made up of non-executive directors, the majority of which to be independent; in this case, the chairperson of the committee is selected from among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the board of directors at the time of his/her appointment.	✓			pg. 43
6.P.4	The board of directors shall, upon proposal of the compensation committee, establish a policy for the remuneration of directors and managers with strategic responsibilities.	✓			pg. 38
6.P.5	If the office or the employment of an executive director or a general manager is terminated, the issuer shall disclose detailed information on the matter via a press release, on completion of the internal process leading to the assignment or recognition of indemnities and/or other benefits.	✓			Remuneration Report and press release of 12 May 2016
6.C.1	The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues and consistently with the criteria detailed below: a) the fixed component and the variable component are properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out; b) upper limits are established for the variable components; c) the fixed component is sufficient to reward the director when the variable component is not delivered due to failure to achieve the performance objectives specified by the board of directors; d) the performance objectives – *i.e.*, the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – is predetermined, measurable and linked to the creation of value for the shareholders in the medium/long term; e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile; f) contractual arrangements shall be provided to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated; and g) indemnities eventually set out by the issuer in case of termination of directors shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to inadequate performance.	✓			Remuneration Report

6.C.2	In preparing plans for share-based remuneration, the board of directors shall ensure that: a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years; b) the vesting referred to in letter a) shall be subject to predetermined and measurable performance criteria; and c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in letter a), until the end of their mandate.	✓			Remuneration Report
6.C.3	Criteria 6.C.1 and 6.C.2 shall apply, mutatis mutandis, also to the definition – by the bodies entrusted with that task – of the remuneration of managers with strategic responsibilities. Any incentive plan for the person in charge of internal audit and for Executive responsible for preparing corporate accounting documents shall be consistent with their role.	✓			Remuneration Report
6.C.4	The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.	✓			Remuneration Report
6.C.5	The compensation committee shall: - periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and managers with strategic responsibilities, also on the basis of the information provided by the managing directors; it shall formulate proposals to the board of directors in that regard; and - submit proposals or issue opinions to the board of directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the board of directors and verify, in particular, the actual achievement of performance objectives.	✓			pg. 44 and Annex 5, Remuneration Report
6.C.6	No director shall participate in meetings of the compensation committee in which proposals are formulated to the board of directors relating to his/her remuneration.	✓			pg. 44
6.C.7	When using the services of an external consultant to obtain information on market standards for remuneration policies, the compensation committee shall previously verify that the consultant concerned is not in a position that might compromise its independence.	✓			pg. 45
6.C.8	According to principle 6.P.5., the press release should provide: a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the component received as director from those relating to an employment relationship, if any – and "claw-back" clauses, if any, with specific reference to: - benefits upon termination of office or termination of employment, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement); - maintenance of rights related to any incentive plans (monetary or based on financial instruments); - benefits (both monetary and non-monetary) upon termination of office; - non-compete commitments, describing their main contents; and - any other payment assigned for any reason and in any form;	✓			Remuneration Report and press release of 12 May 2016

	b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even partial non-compliance with the remuneration policy, information about the internal procedures applied according to Consob's regulations on related-party transactions; c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to objectively inadequate results, as well as whether requests have been formulated for the restitution of remuneration already paid out; and d) information as whether the replacement of the terminated executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.				
	Article 7 – Internal control and risk management system				
7.P.1	Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organisational structures aimed at identifying, measuring, managing and monitoring key risks. Such a system shall be integral to the organisational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.	✓			pages 55-56
7.P.2	An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the board of directors, promoting an informed decision-making process. It helps to ensure the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of the information provided to the corporate bodies and to the market, and compliance with laws and regulations, including bylaws and internal procedures.	✓			pages 55-56
7.P.3	The internal control and risk management system involves the following bodies, each within its respective area of competence: a) the board of directors, which guides and assesses the adequacy of the system, and identifies from among its own members: (i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "Director in Charge"), and (ii) a control and risk committee, with the characteristics described in Principle 7.P.4, and the role of supporting – with appropriate investigative activities – the assessments and decisions made by the board of directors concerning the internal control and risk management system, as well as those relating to the approval of financial reports; b) the person in charge of internal audit, entrusted with the task of verifying the functioning and adequacy of the internal control and risk management system; c) other roles and business functions with specific tasks relating to internal control and risk management, organised according to the company's size, complexity and risk profile; and d) the board of statutory auditors, also acting as an internal control and audit committee, which is responsible for oversight of the internal control and risk management system. Each issuer shall provide for coordination methods between the above-mentioned bodies to enhance the efficiency of the internal control and risk management system and reduce duplication of activities.	✓			pages 55-66

7.P.4	The control and risk committee shall be made up of independent directors. Alternatively, the committee may be made up of non-executive directors, the majority of which to be independent; in this case, the chairperson of the committee is selected from among the independent directors. If the issuer is controlled by another listed company or is subject to the management and control of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the board of directors at the time of appointment.	✓			pg. 47
7.C.1	The board of directors, after consulting the control and risk committee, shall: a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives; b) assess, on at least an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness; c) approve, on at least an annual basis, the plan drafted by the person in charge of internal audit, after hearing the board of statutory auditors and the Director in Charge; d) describe, in the corporate governance report, the main features of the internal control and risk management system and the methods of coordination established by the entities involved in it, expressing an assessment of its adequacy; and e) assess after consulting the board of statutory auditors, the findings reported by the external auditor in the suggestions letter, if any, and in the report on the main issues resulting from the audit. At the proposal of the Director in Charge, the board of directors shall, subject to the favourable opinion of the control and risk committee and after consulting the board of statutory auditors: • appoint and revoke the person in charge of the internal audit function; • ensure that this person is provided with adequate resources to fulfil his/her duties; and • define the relevant remuneration in line with company's policies.	✓			pages 37, 57-59
7.C.2	The control and risk committee, when assisting the board of directors, shall: a) assesses, together with the Executive responsible for preparing corporate accounting documents and after consulting the external auditors and the board of statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, if any; b) express opinions on specific aspects relating to the identification of the main risks for the company; c) review the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the internal audit function that are particularly significant; d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function; e) request the internal audit function to carry out reviews of specific operational areas, giving simultaneous notice to the chairperson of the board of statutory auditors; f) report to the board, at least every six months, upon approval of the annual and half-year financial report, on the activity it carries out and the adequacy of the internal control and risk management system; and g) support, with appropriate investigations, the assessments and decisions of the board of directors relating to the management of risks arising due to prejudicial acts of which the board has become aware.	✓			pages 47-48, 57 and Annex 5

7.C.3	The chairperson of the board of statutory auditors or another statutory auditor designated by this chairperson shall participate in the work of the control and risk committee; the remaining statutory auditors are also allowed to participate.	✓			pg. 49
7.C.4	The Director in Charge: a) shall identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the board of directors; b) shall implement the guidelines defined by the board of directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness; c) shall adjust this system to the dynamics of the operating conditions and the legislative and regulatory framework; d) may ask the internal audit function to carry out reviews of specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairperson of the board of directors, the chairperson of control and risk committee and the chairperson of the board of statutory auditors; and e) shall promptly report to the control and risk committee (or to the board of directors) issues and problems resulting from his/her activity or of which he/she has become aware in order for the committee (or the board) to take the appropriate actions.	✓			pg. 57
7.C.5	The person in charge of internal audits: a) shall verify, both on an ongoing basis and when special needs require, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the board of directors. Such a plan shall be based on a structured analysis and ranking of the main risks; b) is not responsible for any operational area and reports directly to the board of directors; c) shall have direct access to all useful information for the performance of its duties; d) shall draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. These periodic reports shall include an assessment of the ability of the internal control system to achieve an acceptable risk management profile; e) shall prepare timely reports on particularly significant events; f) shall submit the reports indicated under items d) and e) above to the chairperson of the board of statutory auditors, the control and risk committee and the board of directors, as well as to the Director in Charge; and g) shall verify, according to the audit schedule, the reliability of information systems, including the accounting systems.	✓			pg. 60
7.C.6	The internal audit function may be entrusted, as a whole or by business segment, to a party external to the issuer on condition that the party meets the professionalism, independence and organisation requirements. The adoption of such organisational choices, with appropriate reasons, shall be disclosed to the shareholders and the market in the corporate governance report.			✓	
	Article 8 – Statutory auditors				
8.P.1	The statutory auditors shall act with autonomy and independence, including with regard to the shareholders that elected them.	✓			pages 50-51
8.P.2	The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the board of statutory auditors.	✓			pg. 54 and Annex 6

8.C.1	The statutory auditors shall be chosen from among persons who may qualify as independent, also based on the criteria set forth in this Code with regard to the directors. The board shall verify compliance with the above criteria after appointment and annually thereafter, sending the results of its checks to the board of directors, which shall present them, after appointment, by means of a press release to the market, and, subsequently, in the corporate governance report, using methods that conform to those stipulated for directors.	✓			pg. 51
8.C.2	The statutory auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.	✓			Table 2
8.C.3	The remuneration of statutory auditors shall also be commensurate with the duties required of them, the importance of the role held, and the dimensional and sectorial characteristics of the business.	✓			pg. 54
8.C.4	A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall promptly and exhaustively inform the other statutory auditors and the chairperson of the board about the nature, terms, origin and extent of his/her interest.	✓			pg. 54
8.C.5	As part of their activities, the statutory auditors may ask the internal audit function to assess specific operating areas or corporate operations.	✓			pg. 60
8.C.6	The board of statutory auditors and the control and risk committee shall exchange information relevant to the performance of their respective duties on a timely basis.	✓			pg. 65
	Article 9 – Shareholder relations				
9.P.1	The board of directors shall take initiatives aimed at promoting the broadest possible participation by shareholders in the shareholders' meetings and facilitating the exercise of shareholders' rights.	✓			pg. 75 and Annex 2
9.P.2	The board of directors shall endeavour to establish an ongoing dialogue with shareholders based on the understanding of their reciprocal roles.	✓			pages 74-75
9.C.1	The board of directors shall ensure that a person is identified as responsible for handling relationships with shareholders and shall periodically assess whether it would be advisable to establish a business structure responsible for this function.	✓			pg. 74
9.C.2	All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing price-sensitive information. In particular, the board of directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting.	✓			pg. 26
9.C.3	The board of directors should propose to the approval of the shareholders' meeting rules laying down the procedures to be followed to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion on the matters under discussion.	✓			pg. 25
9.C.4	In the event of significant changes in the market capitalization of the company's shares or in the composition of its shareholders, the board of directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the by-laws in respect to the majorities required for exercising actions and rights provided for the protection of minority interests.			✓	

ANNEX 2 - SHAREHOLDERS' MEETING: ROLE AND FUNCTIONING

1. Role and functions of the Shareholders' Meeting

Pursuant to the law and the Bylaws, the Ordinary Shareholders' Meeting:

- approves the financial statements;
- appoints and dismisses the directors; appoints the statutory auditors and the Chairperson of the Board of Statutory Auditors, as well as the External Auditors, based on a reasoned proposal from the Board of Statutory Auditors;
- determines the remuneration of the directors and statutory auditors;
- resolves on the responsibility of the directors and statutory auditors;
- resolves on the other issues allocated by law to the Shareholders' Meeting;
- approves the regulations governing Shareholders' Meeting duties; and
- authorises resolutions concerning the sale, transfer, leasing, usufruct and any other act of disposal, including in the context of joint ventures, subjection to business restrictions or strategically relevant business units, involving gas transportation or dispatching activities, notwithstanding the directors' responsibility for the acts carried out by the same, pursuant to Article 2364, paragraph 1.5 of the Italian Civil Code. Resolutions in such matters are adopted by a vote in favour by shareholders representing at least three-quarters of the capital present at the Shareholders' Meeting.

Pursuant to the law, the Extraordinary Shareholders' Meeting resolves upon:

- amendments to the Bylaws; and
- extraordinary transactions other than those matters that, pursuant to the Bylaws, are the preserve of the Board of Directors.

Article 12 of the Bylaws stipulates that the Board of Directors is competent to resolve on specific matters.

2. Convocation, validity and right to speak at Shareholders' Meetings

The Shareholders' Meeting is convened through a notice published on the Company's Website at least 30 days prior to the Meeting date (or within another deadline specified by law for specific matters). In the case of a Shareholders' Meeting convened to elect members of the administration and control bodies using a list voting mechanism, the deadline for publishing the notice of meeting is 40 days before the date of the Shareholders' Meeting. The notice of meeting sets out the applicable regulations and describes the procedure for speaking at a Shareholders' Meeting. The Shareholders' Meeting may be attended by shareholders for which a notification certifying their entitlement has been provided to the Company by an authorised intermediary pursuant to the applicable law, at the end of the working day on the seventh trading day before the date set for the Shareholders' Meeting convened in a single call (the record date). The notification must reach Snam by the end of the third trading day before the date set for the Meeting convened in a single call.

Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company. To facilitate shareholders' participation in the Shareholders' Meeting, the Company, pursuant to Article 135-*undecies* of the TUF, shall appoint a representative whom shareholders may nominate as their proxy free of charge, giving them voting instructions on some or all of the proposals relating to the agenda items.

To facilitate shareholder participation, the Bylaws indicate that the Company must provide shareholder associations which satisfy the pertinent regulatory requirements with space to communicate and gather proxies from employee shareholders of the Company and its Subsidiaries. The terms and procedures for gathering proxies are agreed from time to time with the legal representatives of said associations.

Shareholders may ask questions about agenda items both prior to and during the Meeting. The notice of meeting shall indicate the deadline within which any questions submitted prior to the Meeting must reach the Company[67]. Questions arriving before the Shareholders' Meeting will be answered during the Meeting, at the latest. The information is provided in observance of the rules for price-sensitive information.

Shareholders that, either individually or jointly, represent at least one-fortieth of the share capital, may request, within ten days of the publication of the notice of meeting (or within another deadline provided for by law for specific matters), additions to the list of items to be discussed, indicating in their request the proposed additional items, or submit draft resolutions on items already on the agenda.

67 Pursuant to Article 127-*ter* of the TUF, this deadline cannot be earlier than three days prior to the date of the first or single call of the Shareholders' Meeting, or five days prior if the notice of meeting requires the Company to provide a response to the questions received before the Meeting. In this case, the answers shall be provided at least two days before the Shareholders' Meeting, including through publication in a dedicated section of the Company's Website. No response is required, either before or during the Meeting, to questions posed in advance if the information requested is already available in question-and-answer format in the section of the Company's Website indicated in paragraph 1-*bis*, or if the answer has already been published pursuant to said paragraph.

ANNEX 3 - BOARD OF DIRECTORS: APPOINTMENT, TERM OF OFFICE AND FUNCTIONING

1. Appointment of the Board of Directors

(i) Overview

Article 13 of the Bylaws provides for a list voting mechanism for the appointment of the Board of Directors, which should be structured in such a way as to permit the presence of Directors appointed by minority shareholders on the Board of Directors, as well as compliance with the criteria of gender representation, pursuant to the provisions of Article 147-*ter* of the TUF. Furthermore, the Bylaws state, with greater strictness than is required by Article 147-*ter*, paragraph 4 of the TUF, that at least one director, if the Board is made up of no more than seven members, or at least three directors, if the Board is made up of more than seven members, must meet the independence criteria set out in the TUF[68]. The list voting mechanism applies only for the replacement of the entire Board of Directors. The Shareholders' Meeting may change the number of members on the Board of Directors, including during its term of office, provided that it remains within the limit of a minimum of five and a maximum of nine, as set out in the Bylaws, making the relevant appointments. The term of office of directors thus elected shall expire with those in office.

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

Lists may be submitted by shareholders that, either alone or together with other shareholders, represent the minimum percentage calculated pursuant to the regulations in force (equivalent to 1% of the share capital, as provided for by Consob Resolution No. 19856 of 25 January 2017). Each shareholder may submit or be involved in the submission of only one list, and may vote for one list only.

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

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

(ii) List voting mechanism

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

a) seven-tenths of the directors to be elected are taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal;

b) the remaining directors shall be taken from other lists that may not be associated in any way, including indirectly, with shareholders that submitted or voted for the list that obtained the highest number of votes; therefore, the votes obtained by said lists are divided successively by one, two or three, depending on the progressive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown therein. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients are elected. If several candidates obtain the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected;

c) if, after applying the procedure described above, the minimum number of independent directors required by the Bylaws is not elected, the quotient of votes to be attributed to each candidate taken from the lists is calculated by dividing the number of votes for each list by the order number of each of these candidates; non-independent candidates

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

with the lowest quotients among the candidates taken from all the lists shall be replaced, starting from the lowest, by the independent candidates taken from the same list as the candidate being replaced (following the order in which they are listed); otherwise, they shall be replaced by persons who meet the independence criteria and appointed pursuant to the procedure described under e). If candidates taken from different lists have obtained the same quotient, the candidate from the list from which the highest number of directors has been taken shall be replaced, or, if these numbers of directors are the same, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who obtains the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;

d) if the procedure described under letters a) and b) above does not allow for compliance with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the next highest order number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed pursuant to the procedure described under e). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who obtains the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced; and

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

Additional binding legal provisions, including regulatory rules, shall remain applicable in any case.

2. Term of office, termination and forfeiture

Pursuant to Article 13.2 of the Bylaws, directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term of office. They may be re-elected. Pursuant to Article 13.8 of the Bylaws, if, during the financial year, the office of one or more directors should be vacated, the provisions of law shall apply[69]. If the majority of the directors should vacate their offices, the entire Board shall be understood to have resigned, and a Shareholders' Meeting must be called without delay by the Board of Directors to replace it.

Pursuant to Article 13.4 of the Bylaws, the Board shall evaluate, annually, the independence and integrity of the directors, as well as the lack of grounds for ineligibility and incompatibility[70]. If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for them to be replaced, or will ask that they either remove the grounds for incompatibility within an established period of time or forfeit the post.

3. Meetings of the Board of Directors

Pursuant to the Bylaws and the Regulations, the Board of Directors is convened by the Chairperson or, if he/she is absent or unable to do so, by the CEO, or, finally, if he/she is absent or unable to do so, by the eldest Board member.

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

Sufficient time is dedicated to each agenda item to hold a constructive debate, and the Chairperson encourages all directors to make a proactive contribution.

The Board of Directors meets regularly, at least once every quarter, pursuant to the time limits set out by law.

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

70 The grounds for incompatibility include the provisions of Article 2, paragraph 2, letter c) of the Decree of the President of the Council of Ministers of 25 May 2012, which stipulate that members of administrative or supervisory bodies, as well as those that carry out managerial functions, may not be members of the management or control bodies, or hold senior management positions, at Eni S.p.A. and its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

ANNEX 4 - CHAIRPERSON OF THE BOARD OF DIRECTORS: ROLE

The powers of the Chairperson of the Board of Directors are as follows:

- The Chairperson, pursuant to Article 2381, paragraph 1, of the Italian Civil Code, convenes meetings of the Board of Directors, sets the agenda, coordinates its work and ensures that directors are provided with adequate information on agenda items.
- The Chairperson, pursuant to Article 19 of the Bylaws, has powers to represent the Company in respect of any legal or administrative authority and in respect of third parties, and has powers of signature.
- The Chairperson, pursuant to Article 14.1 of the Bylaws: (i) chairs the Shareholders' Meeting, fulfilling the duties assigned by law and by the meeting regulations; (ii) convenes and chairs, sets the agenda for and coordinates the work of meetings of the Board of Directors; and (iii) ensures that the directors are provided with adequate information on the items on the agenda.
- The Board of Directors, pursuant to Article 16.1, paragraph 2 of the Bylaws, at the Chairperson's recommendation with the CEO's agreement, may also delegate responsibility for individual acts or categories of acts to other members of the Board of Directors. The Chairperson and the CEO, within the limits of the powers attributed to them, may delegate responsibilities and powers of representation of the Company for individual acts or categories of acts to employees of the Company and also to third parties.
- The Board of Directors, pursuant to Article 16.2 of the Bylaws, at the CEO's recommendation with the Chairperson's agreement, may appoint one or more General Managers, defining their powers, having first ascertained that they meet the legally prescribed requirements for integrity.
- The Board of Directors, pursuant to Article 16.4, paragraph 1 of the Bylaws, at the CEO's recommendation with the Chairperson's agreement, and with the prior approval of the Board of Statutory Auditors, may appoint the Executive Responsible For Preparing Corporate Accounting Documents.
- The Board of Directors, at the recommendation of the CEO, with the agreement of the Chairperson, the favourable opinion from the Control and Risk Committee and after consulting the Board of Statutory Auditors, appoints and dismisses the Internal Auditor and, following prior verification with the Compensation Committee, sets their remuneration in line with the Company's remuneration policy; ensures that they are given the appropriate resources to fulfil their responsibilities.
- The Appointments Committee, pursuant to its Regulations, at the proposal of the CEO and approval from the Chairperson, submits to the Board of Directors candidates for the corporate bodies of the Subsidiaries included in consolidation and of strategic foreign investee companies.
- The Board of Directors, pursuant to Article 3.1.2. of the Company's 231 Model, must approve by resolution the composition of, and changes and additions to, the Supervisory Body, after consultation with the Control and Risk Committee and the Board of Statutory Auditors, at the CEO's recommendation with the agreement of the Chairperson.
- The Chairperson also carries out the further tasks set forth in the Code of Corporate Governance approved by the Corporate Governance Committee relating to the role of the Chairperson of the Board of Directors.

ANNEX 5 - BOARD COMMITTEES: POWERS

Compensation Committee

The Compensation Committee performs the following functions:

a) submits the Remuneration Report and, in particular, the remuneration policy for Directors and managers with strategic responsibilities, to the Board of Directors, for its approval and presentation to the Shareholders' Meeting convened for the approval of the annual financial statements, under the terms provided for by law;
b) reviews the vote on the Remuneration Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;
c) prepares proposals regarding the remuneration of the Chairperson and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;
d) makes proposals concerning the remuneration of members of the Board Committees;
e) examines information reported by the Chief Executive Officer and proposes: (i) The general criteria for the remuneration of key management personnel, (ii) the annual and long-term incentive plans, including share-based plans, and (iii) the general guidelines for the remuneration of other managers of Snam and its subsidiaries;
f) proposes the definition of performance targets, the aggregation of company results, the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable remuneration of directors with powers;
g) proposes the definition, in relation to directors with powers, of: (i) the indemnification to be paid in the event of termination of their employment, and (ii) non-competition clauses;
h) monitors the application of decisions made by the Board;
i) periodically evaluates the adequacy, overall consistency and practical application of the remuneration policy adopted, as described under a) above, preparing proposals on this subject to the Board;
j) performs any duties that may be required by the procedure concerning related-party transactions carried out by the Company; and
k) reports to the Board on the work it has carried out, at least every half-year and not beyond the deadline for approval of the financial statements and the half-year report, at the Board meeting indicated by the Chairperson of the Board of Directors; in addition, after each of its own meetings, the Committee updates the Board of Directors at the next convenient meeting about the matters addressed and the observations, recommendations and opinions formulated.

Appointments Committee

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

a) it proposes to the Board candidates for the position of director, should the office of one or more directors be vacated during the year (Article 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved to the least represented gender;
b) at the proposal of the CEO and approval from the Chairperson, it submits to the Board candidates for the corporate bodies of the Subsidiaries included in the consolidation and of strategic foreign investee companies. Proposals by the Committee are compulsory;
c) it prepares and proposes: (i) procedures for the annual evaluation of the Board and its Committees, (ii) directives concerning limitations and restrictions for the accumulation of positions by directors of Snam and its Subsidiaries, and (iii) criteria for assessing both the requirements of professionalism and independence of the Board members of Snam and its Subsidiaries and the competing activities performed; and
d) it reports to the Board on the activities carried out, at least every six months and no later than the deadline for approval of the annual and half-year financial reports.

Control, Risk and Related-Party Transactions Committee

The Control, Risk and Related-Party Transactions Committee performs the following functions:

a) evaluates, together with the Executive Responsible for preparing corporate accounting documents and after consulting the External Auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
b) issues opinions on specific aspects relating to the identification of the main risks faced by the Company; it performs the additional duties assigned to it by the Board of Directors in relation to transactions in which directors or statutory auditors have an interest and related-party transactions, pursuant to the terms and methods set out in the procedure annexed to the Committee Regulations;
c) examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Auditor;
d) monitors the independence, suitability, effectiveness and efficiency of the Internal Audit function;
e) may ask the Internal Auditor to carry out inspections of specific operational areas, giving notice of this to the Chairperson of the Board of Statutory Auditors, the Chairperson of the Board of Directors and the Director in Charge;

f) reports to the Board, at least every six months, upon approval of the annual and half-year financial report, on it work and the adequacy of the internal control and risk management system; In any case, after each of its own meetings, the Committee updates the Board of Directors at the next convenient meeting about the matters addressed and the observations, recommendations and opinions formulated; and
g) expresses its opinion on the proposals put forward by the Director in Charge, in agreement with the Chairperson, to the Board of Directors: (i) relating to the appointment, dismissal and remuneration of the Internal Auditor, in line with the Company's remuneration policies, and ensures that this person has adequate resources to carry out his/her duties, and (iii) supporting, with appropriate investigations, the assessments and decisions of the Board of Directors relating to the management of risks arising due to prejudicial acts of which the Board has become aware or that the Committee itself has reported to the Board.

The Committee also expresses its opinion to the Board of Directors to:

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

Sustainability Committee

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

a) it examines and assesses: (i) sustainability policies aimed at ensuring lasting value creation for shareholders generally and for all other stakeholders, over a medium/long-term time horizon, in compliance with the principles of sustainable development; and (ii) the sustainability guidelines, objectives and consequent processes and the sustainability reports submitted annually to the Board of Directors;
b) it monitors the Company's positioning on the financial markets with regard to sustainability, with particular focus on the Company's placement in ethical sustainability indices;
c) it monitors international sustainability indices and the Company's participation in these, with the aim of strengthening its international reputation;
d) reviews any sustainability initiatives provided for in agreements within the Board of Directors' remit, including in relation to individual projects and on the subject of climate change;
e) reviews the Company's profit and non-profit strategy and its gas advocacy initiatives; and
f) expresses, at the Board's request, opinions on other matters relating to sustainability.

ANNEX 6 - BOARD OF STATUTORY AUDITORS: APPOINTMENT AND FUNCTIONS

1. Appointment of the Board of Statutory Auditors

Overview

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

Statutory auditors are chosen from among persons who meet the professionalism and integrity requirements indicated in Decree of the Ministry of Justice No. 162 of 30 March 2000. For the purposes of this decree, the issues strictly related to the Company's activity are: commercial law, business economics and business finance. Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector.

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

As per the provisions laid down for the Board of Directors and pursuant to the applicable provisions, the Bylaws stipulate that the statutory auditors must be appointed by list voting, unless they are replaced during their term of office, and in compliance with the applicable law on gender representation.

In the lists submitted by shareholders, the candidates must be listed by consecutive number and their number must not be greater than the number of members of the body to be elected. The rules for filing, submitting and publishing the lists are the same as for the election of directors (see Annex 3). Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms laid down in the applicable legislative and regulatory provisions.

Only shareholders that, alone or together with other shareholders, represent at least 1% of the share capital (the percentage set by Consob Resolution No. 19856 of 25 January 2017) are entitled to submit lists. Each candidate may appear on only one list; otherwise their candidacy is declared void.

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

To comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more candidates submitted for the appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of standing auditors, pursuant to the notice of meeting of the Shareholders' Meeting. Where the list contains only two candidates, one must be male and the other female.

Lists for appointing statutory auditors, together with information about the candidates and information on the identity of the shareholders submitting said lists and the percentage equity interest owned, must be made available to the public at the Company's registered office and at Borsa Italiana and posted on the Company's Website in a timely manner, or within the time periods provided for by current regulations. Additional binding legal provisions, including regulatory rules, shall remain applicable in any case.

List voting mechanism

The procedure for appointing the Board of Statutory Auditors by list voting mechanism, as provided for by Article 20 of the Bylaws, is described below.

Two standing auditors and one alternate auditor are taken from the list that obtains the majority of the votes. The other standing auditor, who will assume the role of Chairperson, and the other alternate auditor are appointed according to the methods laid down in Article 13.5, letter b) of the Bylaws for the election of directors, which are to be applied separately to each of the sections into which the other lists are divided.

Where following the above procedure fails to ensure compliance with the law on gender representation for the standing auditors, the quotient of votes to be attributed to each candidate taken from the standing auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same standing auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor that he/she has just been replaced by). If this fails to ensure compliance with the law on gender representation, the candidate is replaced by the person appointed by statutory majority by the Shareholders' Meeting, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and the Bylaws.

Where candidates from different lists have obtained the same quotient, the candidate from the list from

which the greater number of statutory auditors has been taken shall be replaced, or, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced.

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

2. Functions

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

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

Pursuant to Article 19 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135 of 17 July 2016, the Board of Statutory Auditors also performs supervisory functions in its capacity as the Internal Control and Audit Committee, overseeing in particular:

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

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

The Board of Statutory Auditors is invited to attend meetings of the Control, Risk and Related-Party Transactions Committee.

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For information please contact

Snam S.p.A.

Piazza Santa Barbara, 7

20097 San Donato Milanese (MI)

Website: www.snam.it

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