DIRECTORS' REPORT INTEGRATED REPORT



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ENERGY TO INSPIRE THE WORLD: SNAM'S PURPOSE

In a time of transformation and change, **the company must be clear about the reason for which it exists**: its purpose. To find it, it is necessary to reshape the organisation and activate a collective exercise among people of research and analysis of the **added value that can be contributed to the world**. Today, more than ever, it is necessary to have a broader outlook and range of action than in the past, aiming to create solid relationships between people, suppliers and communities, responding to the needs of sustainable development for all stakeholders.

"Energy to inspire the world" is the purpose of Snam, where its history and values come together.

The Group's strong engineering tradition, its sense of belonging to the energy industry and its great capacity for building infrastructure, combined with its founding values and the role that the Group aims to have in the energy transition, have been the basis of the path that Snam has taken to achieve its purpose. **Snam is much more than a company that builds and manages energy infrastructures**: with the work of its people it guarantees secure supplies, enables millions of homes to be heated, connects countries and communities, creates opportunities for development while respecting the environment and is a key player in the energy transition.

Purpose is **a daily commitment for Snam**: it is part of its culture and strategy. With the new **Towards Net Zero** Strategic Plan, the Group has set itself the goal of taking a **leading role in the energy transition**, thanks to the new businesses (biomethane, hydrogen, energy efficiency, sustainable mobility) and the innovation component, and aims of **achieving carbon neutrality by 2040**, ahead of the European target set for 2050.

To achieve the objectives outlined above, Snam adopts sustainable finance policies and tools that are consistent with its strategy and aimed at developing a transparent and efficient financial market.

Sustainability is central to the Group's strategy and this is also demonstrated by the the **ESG Scorecard**, which aims to explain and report to stakeholders in a timely and transparent manner the environmental, social and governance targets that Snam has defined in line with its sustainable development strategy

Energy transition and sustainable success in the Snam Articles of Association

"Energy to inspire the world" is the message that guides Snam's way of doing business and that, in 2021, was formally added to its Articles of Association. In fact, on 2 February 2021 the Shareholders' Meeting approved the amendment to the Articles of Association, expressly referencing energy transition business in combination with core regulated activities business, as well as including the pursuit of sustainable success among the goals which the Company's business must focus on.

Sustainable Development Goals

In pursuing its purpose, Snam reconciles its strategic choices with its commitment to achieving the Sustainable Development Goals (SDGs) defined by the United Nations in 2015.

The 17 SDGs and their targets represent an important reference for Snam, which focuses its efforts on those that are closest to its mission, purpose and activities.

We build innovative energy infrastructures and offer integrated services that connect people and communities



We are committed to a stable supply with maximum safety and environmental protection



We promote the development of our people, ensuring respect for the dignity and diversity of each individual



We invest in tomorrow's energy sources and design infrastructure for a more sustainable future



We integrate with the territories and provide the communities in which we operate with skills, technologies and resources to create new opportunities and contribute to economic and social development



We follow an ethical and socially responsible business model, generating value for all our stakeholders



HIGHLIGHTS 2020

FINANCIAL

2,770 mln €

Total revenues +6.3% compared to 2019, despite the effects of Covid-19 on gas demand

2,197 mln €

Adjusted Ebitda, +1.3% compared to 2019

1,164 mln €

Adjusted net profit, +6.5% compared to 2019

1,101 mln €

Reported net profit, +1.0% compared to 2019

1,189 mln €

Technical investments, +23.5% compared to 2019 despite Covid-19

0.2495 €

Proposed dividend per share, +5% compared to 2019

STRATEGY

Energy transition

Acquisition of 70% of Mieci and Evolve (energy efficiency) and **50% of Iniziative Biometano** (agricultural biomethane); **45 million euros in total**

Hydrogen

Entry into the share capital of **ITM Power Plc**, a technological leader in green hydrogen

International development

ADNOC Gas Pipeline - infrastructure manager in the United Arab Emirates: acquisition, through a consortium with 5 international funds, of a 49% stake

OPERATING

69.97 bcm

Gas injected into the national network, -7.2% compared to 2019

71.3 bcm

Gas demand in Italy, -4.3% compared to 2019

17.0 bcm

Total storage capacity, the largest on offer in Europe

12.5 bcm

Allocated storage capacity, 100% of available capacity

60 unloaded

Methane tankers unloaded, +5.3% compared to 2019

2.52 bcm

LNG volumes regasified, +5.0% compared to 2019

FINANCIAL

OPERATING



ENVIRONMENT

-13%

compared to 2019
Total GHG emissions.
Declared carbon neutrality by 2040

-11%

compared to 2019
Natural gas emissions 35 Mm^3

+49%

Percentage of electricity produced using renewable sources compared to electricity consumption

-11%

compared to 2019
Issues of NO_x (403 tonnes)

Snam added to the **CDP A List** and the **A- list of CDP suppliers**

SOCIAL

20 mln €

to support the Italian healthcare system and third sector allocated, in part through Fondazione Snam to fight the pandemic

16 mln €

spent in 2020

Gender equality index

Inclusion on the Bloomberg Gender Equality Index for the second year in a row

507

female employees: +15% compared to 2019

1,832 mln €

Procurement, +18% compared to 2019

37%

procurement spent through SME: +7% compared to 2019





GOVERNANCE

8.6

Average score obtained for customer satisfaction

Purpose, energy transition, gender parity

added to the Company's Articles of Association

7,453

Reputation audits carried out on business partners

41%

Time dedicated to ESG issues by the Board of Directors in 2020

ENVIRONMENT
GOVERNANCE
SOCIAL

LETTER TO SHAREHOLDERS AND STAKEHOLDERS



Nicola Bedin
Chairman



Marco Alverà
Chief Executive Officer

Dear shareholders and stakeholders,

2020 was a year that created upheaval in the world, redefining our idea of normality due to the pandemic which still has not been entirely left behind us. Many of us went through difficult times and, in some cases, lost loved ones. We completely changed our way of living, working, travelling and interacting with our neighbours. Some of these changes will stay forever. The economic consequences of the pandemic were very heavy and several years will be needed to overcome them.

In this unprecedented situation, Snam has been distinctive both due to its essential role in the energy system and for its commitments relative to ESG. In fact, on one hand we continued to work without pause, both remotely and in the field, to guarantee the continuity of energy supplies even during the most severe moments of the emergency, also by introducing extraordinary measures. Despite difficulties, for the thirteenth year in a row we were able to complete our investment projects in line with forecasts. This challenge once again demonstrated the value of our people and the fundamental importance of our network for energy security in Italy and Europe.

On the other hand, we immediately took action to support the healthcare system by obtaining protective masks and ventilators and to help associations in the Third Sector, through donations of money and skills, to support the most fragile segments of the population, also through Fondazione Snam and contributions from our people.

Internally, the emergency also forced us to rethink working methods and processes so they could function remotely and with an increasing use of digital tools. We activated new forms of engagement and welfare services focussed on the health and well-being of our people and their families.

The events of 2020 demonstrated to the world how unavoidable it now is to deal with and overcome one of the main challenges of our generation: climate change. Despite the impact of the pandemic, the reduction in CO2 emissions globally in the past year was lower than expected, with an increase in the second half coinciding with the return of many economic activities. And it was in

2020 that Snam strengthened its position as a facilitator of the energy transition and was one of the first companies in its sector to announce a goal of carbon neutrality by 2040. We plan to reach this target, for Scope 1 and Scope 2 emissions (direct and indirect) through an interim goal in 2030, at which time we will have decreased our CO2 equivalent emissions by 50%, capitalising on the efforts put in over the years and making our business ever more sustainable. Snam also has the objective of contributing to lower emissions in the entire economic system by enabling its infrastructure to transport increasing amounts of renewable gases. Additionally, thanks to our energy efficiency, sustainable mobility, biomethane and hydrogen initiatives, by 2024 we will enable Italy to prevent the emission of 600,000 tonnes of CO2.

The Plan we launched in 2020, calling for a total of 7.4 billion euros by 2024, establishes these environmental commitments as one of its pillars and puts ESG factors at the centre of our strategies. Sustainable success is included in our purpose, "Energy to inspire the world", which as of February 2021 became part of the Snam' Bylaws, after approval by the Shareholders' Meeting. At the side of these economic goals, for the first time we set out multi-year targets for environmental, social and governance aspects, benefiting all our stakeholders. Confirming our commitment, we once again renewed our adhesion to the principles of the Global Compact and the sustainable development goals (SNGs) identified by the UN. To report on our contribution to Agenda 2030, we prepared an ESG Scorecard to measure the company's performance in 13 areas, with material and quantitative objectives for 2023. Alignment with the SDGs can also be seen in our financial policies: by the end of the Plan, sustainable finance will represent over 60% of available fund, compared to the current 40%. With regards to ESG, this was also an important year in terms of promoting diversity and inclusion, with new objectives and initiatives relative to gender parity, including the addition of two new appendices to the Diversity & Inclusion Policy, the first on gender parity and the second on the personnel selection process, as well as the creation of the Snam Inclusive Language Manifesto. Snam's efforts were awarded by inclusion for the second year in a row on the Bloomberg Gender-Equality Index (GEI).

We continued to work together with our suppliers, acquiring goods, labour and services for 1,832 million euros (+18% compared to 2019), continuing to be one of the companies which invests the most in Italy (96% of total procurement). At the same time, we continued to strengthen international business by becoming part of the United Arab Emirates networks, through the acquisition of an equity investment in ADNOC Gas Pipelines, the first outside of Italy. This was done in combination with other investors. We also won a tender with our Greek investee DESFA to manage the Kuwait regasification plant, one of the largest of its type in the world. Simultaneously, we began work in India and continued to bring our skills to China.

We took major steps forward in initiatives for the energy transition. For hydrogen, after initial experiments, we continued to work to make our network ever more ready to host growing quantities. Thanks to our infrastructure, we can serve as a facilitator for the development of this energy vector which is destined to play a decisive role in making Europe the first continent with zero emissions by 2050, as demonstrated by the strategies adopted by the European Union and various member states during 2020. In this sector we established a technological partnership with De Nora, an Italian leader in water treatment and alkaline electrolysis technologies. The goal is to be on the cutting edge of innovation, as is also demonstrated with our agreement with the British ITM Power, which produces membrane electrolyzers.

Relative to energy efficiency we strengthened Snam's own abilities through new acquisitions (Mieci and Evolve) and established the foundation for the launching of the Renovit platform which could become one of the most important Italian companies in this sector, in which CDP Equity holds an equity investment as of January 2021. Our commitment to sustainable mobility continued, with 29 new refueling stations contractualised in 2020, for a cumulative total of 132 stations, and growth of Cubogas in the compressor sector. We also gained entrance to the agriculturally produced biomethane infrastructure through the acquisition of a 50% stake in Iniziative Biometano. As a whole, investments in energy transition business through 2024 exceed 700 million euros, almost double that in the previous Plan. Urban forestation can be added to these

activities, with the creation of the benefit company Arbolia, the result of a joint project with the CDP Foundation to make Italian cities and communities greener.

In line with our commitment to carbon neutrality by 2040 and thanks to projects implemented to reduce various types of emissions, we reduced total GHG emissions by 13% with respect to 2019. This environmental performance allowed our Company to be included on the CDP Climate Change A List and on the CDP Supply Chain A- List, with Snam involving its strategic suppliers in the programme.

Finally, 2020 was the year the Southern Corridor was completed, a fundamental tool for European energy supplies, both now and in the future. Snam quickly constructed the connection between TAP and the national network and, as a shareholder, contributed its know-how for the success of the entire project. This is another piece that combines with the efforts made in recent years to make Italy a functional energy hub for exports as well, a goal that has been achieved thanks to our investments in reverse flow.

Despite the uncertainties caused by the pandemic, we look to the future with optimism, thanks to the knowledge and skills of our people and the strategic value of our assets. We are convinced that infrastructure will play a crucial role in the recovery of economic systems and in the energy transition, moving towards a zero future emission, with Snam in an ideal position to play a leading role in facing this challenge.

In 2020, despite the inevitable impacts of the pandemic, we obtained more than just positive results, in line with expectations. Based on the results achieved we will propose a unitary dividend of 0.2495 euros to the Shareholders' Meeting on 28 April, of which 0.0998 euros already distributed in advance, confirming a remuneration policy for shareholders that is attractive and sustainable over time.

17 March 2021

for the Board of Directors

Chairman

Chief Executive Officer

> Highlights
> Directors' report integrated report
> Consolidated non-financial statement
> Consolidated Financial Statements

SNAM PROFILE

SUMMARY

Established in 1941, as Società Nazionale Metanodotti, later known as Snam, the company is the leading operator in Italy and Europe in the creation and integrated management of natural gas infrastructure. Over the years, the Company has developed a sustainable and technologically advanced network guaranteeing supply security, facilitating the energy transition and supporting development in the areas in which it operates.

In Italy, Snam is responsible for natural gas transportation, dispatching and storage as well as regasification of liquefied natural gas (LNG). With respect to the these three core business sectors, Snam is the largest in Europe in terms of the size of its transmission network (over 41,000 km, including international assets) and in terms of natural gas storage capacity (around 20 billion cubic metres, including international assets). Relative to regasification business, Snam is one of the largest continental operators through the Panigaglia terminal and its equity investments in the Livorno (OLT) and Rovigo (Adriatic LNG) systems, as well as in Revithoussa (DESFA) in Greece, for total pro quota regasification capacity of around 8.5 billion cubic metres annually.

In addition to those three areas which have characterised Snam since its establishment, the Company has begun to invest many and ever increasing resources in new businesses: biomethane, energy efficiency, sustainable mobility and hydrogen. Thanks to these, Snam contributes to the decarbonisation of the Italian system, constructing compressed (CNG and bio-CNG) and liquefied (LNG, bio-LNG and small scale LNG - SSLNG) natural gas distributors, as well as biomethane infrastructure making use of organic and agricultural and agro-industrial waste, and providing energy efficiency services to condominiums, public administrations, and industry, while creating a foundation for hydrogen-based infrastructure.

Within Europe, Snam is notable for its agreements with the leading industry players and direct equity investments in the share capital of various companies. Additionally, the Group exports its know-how, offering engineering and technical/operational services to other gas operators, both domestically and internationally.

Through its international subsidiaries it operates in Albania (AGSCo), Austria (TAG, GCA), China (Snam Gas & Energy Services Beijing), United Arab Emirates (ADNOC Gas Pipelines), France (Terēga), Greece (DESFA), and the United Kingdom (Interconnector UK). Snam is also one of the main shareholders of TAP (Trans Adriatic Pipeline), the final section of the Southern Energy Corridor for gas.

Through its subsidiary Snam Gas & Energy Services, based in Beijing, Snam is involved in the development of the gas market in China through the distinctive skills it holds in this sector.

As can be seen in the amendments made to the Articles of Association in February 2021, Snam is committed to supporting the energy transition by making use of resources and energy sources that are compatible with protecting the environment and progressive decarbonisation, pursuing sustainable success.

Snam is a capital-intensive business and mainly focuses on regulated activities. Regulation makes provision for tariff systems that cover the costs incurred by the operator and for a fair return on invested capital. This means the Group is able to maintain a generally limited risk profile and remunerate shareholders sustainably, while also guaranteeing the provision of services to all operators along the chain with non-discriminatory criteria, establishing and respecting high quality and safety standards.

Snam's business model, which integrates environmental, social and governance aspects with an eye to a sustainable development model, is intended to make use of talent and ensure transparency with local communities and stakeholders, through constant dialogue and the social initiatives promoted by Fondazione Snam. In line with this view, Snam has kicked off a number of projects to promote an increasingly sustainable energy system not just in the sector in which it operates, but throughout the entire domestic system. At the same time, the Group has developed initiatives and projects for energy efficiency, compressed natural gas (CNG), liquefied natural gas (LNG), biomethane and hydrogen. Snam's approach to these

new businesses is intended to support independence, through the creation of dedicated business units with the aim of concentrating knowledge, expertise and know-how within individual projects to optimise results. 2020 saw a continuation of that begun by Snam in 2019, a year known as the "year of hydrogen", thanks to multiple national and EU policies which, with reference to Italy, suggest 2% hydrogen on the network in 2030 and 5% in 2040. In this context, Snam signed various agreements and partnerships (including complementary ones with De Nora and ITM) with the objective of continuing to develop its own position in the hydrogen sector, serving as a leader not just in Italy, but also in international markets.

Since 2001, Snam has been listed on the Italian stock exchange and can be found on the Italian FTSE MIB and on some of the main international indices (Stoxx Europe 600 and Stoxx Europe 600 Utilities). Given the importance of sustainability in Snam's business and in its strategic decisions, the Group is also found on some of the most prestigious sustainability indices, including FTSE4Good. Turning to ESG ratings, Snam finds itself at the top of MISCI (MISCI World ESG and MSCI ACWI ESG), Sustainalytics, ECPI, Ethibel, Vigeo. In 2020, it was again included on the Gender-Equality Index (GEI) established by Bloomberg and was promoted to the CDP A List (former Carbon Disclosure Project).

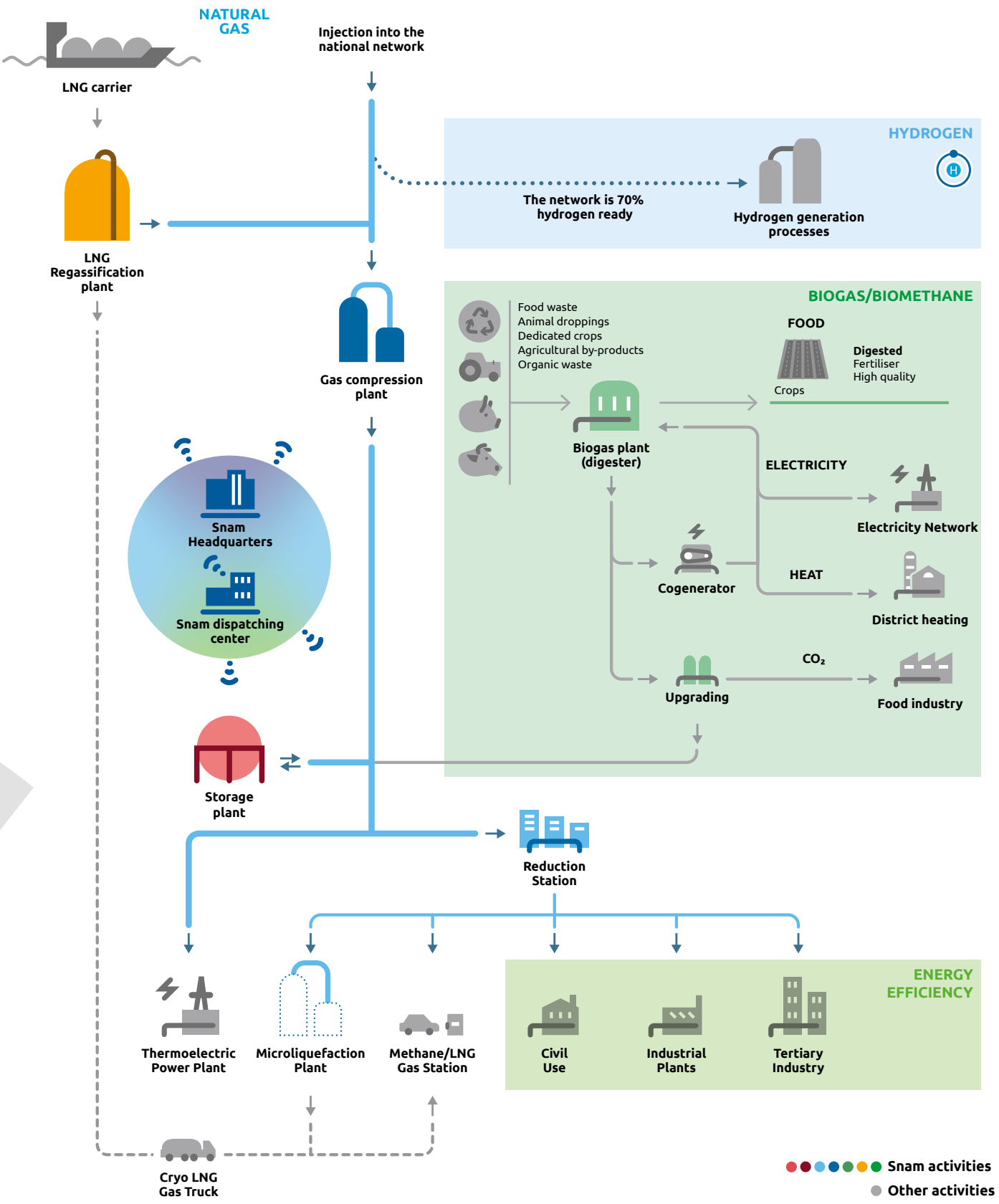
An important event during the year was the presentation of the new 2020-2024 Strategic Plan, which renewed Snam's commitment to three fundamental pillars: strengthening core business, internationalisation, and contributing to the energy transition. The new plan, called "Towards Net Zero", establishes long-term objectives, which see the Company working to achieve carbon neutrality by 2040, in advance of the targets set by the European Union. Investments are increased, dedicated to the energy transition focussing on technological development, innovation, and new business, going from 400 million euros to over 700 million euros. Objectives linked to reducing direct greenhouse gas emissions (Scope 1) and indirect ones (Scope 2) presented at the same time as the 2020-2024 Strategic Plan are challenging and ambitious. In fact, Snam plans to reduce these emissions by 50% by 2030, becoming a carbon neutral company by 2040.

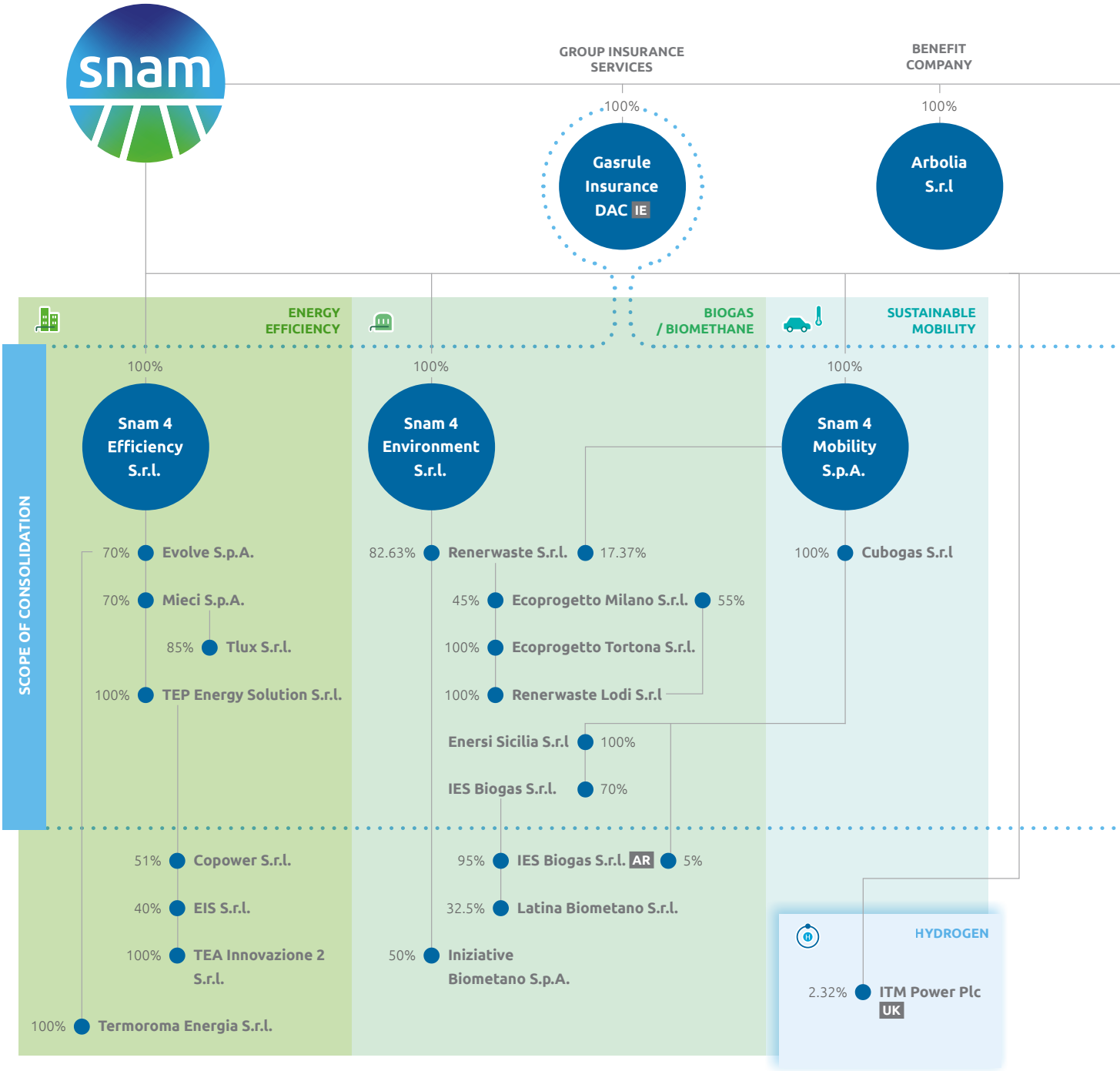
Additionally, the new Strategic Plan also saw the creation of the ESG Scorecard, a tool designed to ensure disclosure of the main environmental, social and governance aspects, while evaluating the Group's performance relative to certain targets established for the next three years, confirming the fact that Snam fully integrates social, environmental and governance issues into its decisions about its business plan, working to improve both sustainability and financial performance.

Over the years, the role played by the fight against climate change and by sustainability has grown, to elements which are profoundly integrated into the Group's business strategies. These range from development of new business, directly associated with the commitment to the energy transition, to investments in regulated energy infrastructure focussed on hydrogen ready replacements, to digitalisation and decarbonisation. From integrating sustainability objectives in its financial strategy, to the growing impact of sustainable finance within available funding, Snam works constantly to operate in an environmentally respectful manner and to support decarbonisation with concrete actions, creating long-term value for stakeholders.

This commitment has been formalised and added to the Articles of Association, a significant decision which highlights Snam's positioning as a company which is not content merely to be a simple constructor and operator of energy infrastructure, but desires to contribute to society, investing today to achieve tangible results tomorrow.

The world of gas



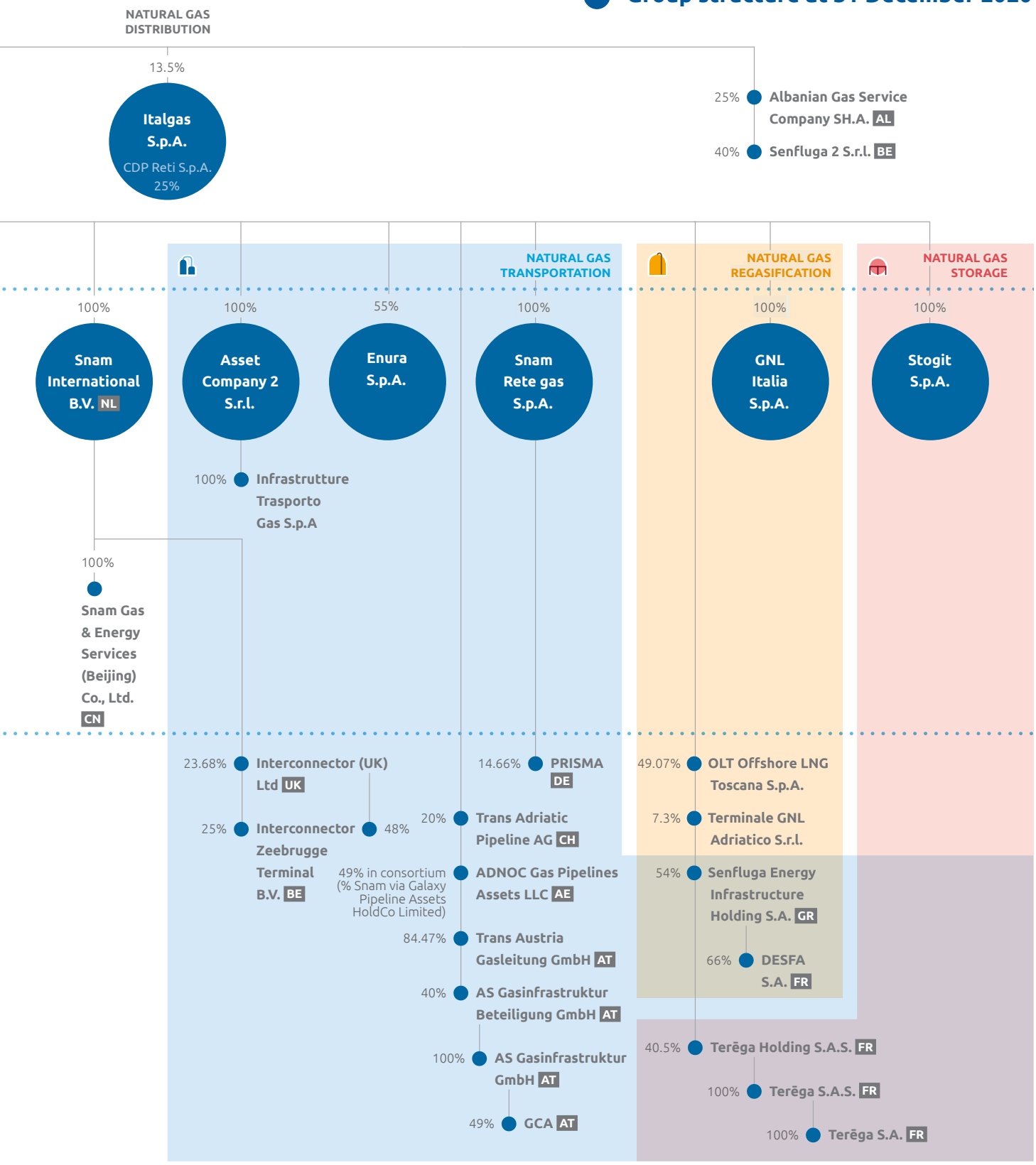


The changes in the Snam Group's scope of consolidation as of 31 December 2020, with respect to that as of 31 December 2019, involve the acquisition on 5 October 2020, through the subsidiary Snam 4 Efficiency, of 70% of two companies working in the energy efficiency sector in Italy, Mieci S.p.A. and Evolve S.p.A.

The main equity investment transactions during 2020*, which had no impacts on the Group's scope of consolidation, involved:

- the sale, on 13 January 2020, of a 6% equity investment in the associate company Senfluga, after which Snam's stake in the company amounts 54%. This sale resulted from agreements signed by Senfluga shareholders to sell a total stake equal to 10%, in amounts proportional to the stakes held by each shareholder;
- the completion on 26 February 2020 of the acquisition of a 49.07% stake in OLT (Offshore LNG Toscana), based on which Snam obtained joint control over the regasification terminal with First State Investments International Ltd;
- the increase in the equity investment held in Tep Energy Solution S.r.l. (TEP) from 82% to 100% of share capital, through the exercising of a call option relative to the stakes held by minority interests (equal to 18%)**, carried out on 6 March 2020;
- (the acquisition on 15 July, in a consortium with five international funds, of 49% of ADNOC Gas Pipeline LLC, a company which holds 20 year management rights for 38 gas pipelines in the United Arab Emirates;
- the acquisition on 30 September 2020, through the subsidiary Snam 4 Environment, of a 50% stake in the share capital of Femogas S.p.A., with joint control held with Iniziative Biometano S.p.A., a company which manages biogas and biomethane systems which use agricultural biomass obtained in Italy;
- entry into the share capital of ITM Power PLC in November 2020, one of the largest global producers of electrolyzers, gaining a stake of 2.318%.

NFS Group structure at 31 December 2020



* Additionally, on 18 November, the entry of Snam as a significant minority shareholder of Industrie De Nora was announced. The transaction was finalised on 8 January 2021.

** The controlling equity investment in TEP (82%), acquired in May 2018, on the basis of the contractual terms with the exercise of the put and call cross options on the interests of third-party (equal to 18%) is regulated as if Snam had acquired 100% control of TEP, without therefore detecting the interests of third parties shareholders.

Snam's presence in Italy and in the international infrastructure system





Trans Austria Gasleitung

1 TAG (84.47%)
3 parallel pipelines of 380 km each

DESFA

2 DESFA (66% through Senfluga**)**
1,466 km of transportation network
2 entry point (Bulgaria and Turkey)
1 LNG entry point in Greece
1 LNG terminal

GAS CONNECT AUSTRIA

3 GCA (49% through AS Infrastruktur**)**
554 km of transportation network
315 km of distribution network

Terēga

4 Terēga (40.5%)
5,135 km of networks
5.8 Bcm of storage capacity
(2.8 Bcm working gas)

interconnector
fluxys

5 Interconnector (23.54%
through Snam International B.V.**)**
235 km between UK and Belgium

Trans Adriatic Pipeline

6 TAP (20%)
878 km (773 km on-shore and 105 km off-shore) between Greece-Turkey border and Italy, via Greece and Albania

ADNOC

7 ADNOC Gas Pipeline (49% in consortium**)**
20 years' operation rights, remunerated by tariffs, on 982 km of network

2020: TOWARDS DECARBONISATION

2020 was a year of opportunities and challenges for Snam, which the Group was able to take advantage of and face, strengthening the decarbonisation process.

NEW BUSINESSES

During the year, Snam continued to develop and grow new businesses (biomethane, energy efficiency, sustainable mobility and hydrogen), with the aim of being a leader in the energy transition.

1941

SNAM IS FOUNDED
On 30 October 1941, the Società Nazionale Metanodotti (Snam) is founded for the construction and operation of natural gas pipelines and the distribution and sale of gas. Thus, the project of converting Italy to methane begins and will continue until 1960.

1960

NETWORK EXPANSION
Between 1960 and 1980 the network in Italy is quadrupled, reaching an overall length of almost 15,000 km by 1980.

1983

TRANSMED
Work ends on Transmed, the "record-breaking pipeline" which transports gas from Algeria across the Mediterranean and Italy.

1997

PIPELINES UPGRADED
Snam completes the work of upgrading pipelines for importation from northern Europe, and begins working on the construction of an additional import pipeline from Russia and on Greenstream, the underwater import pipeline from Libya.

2001

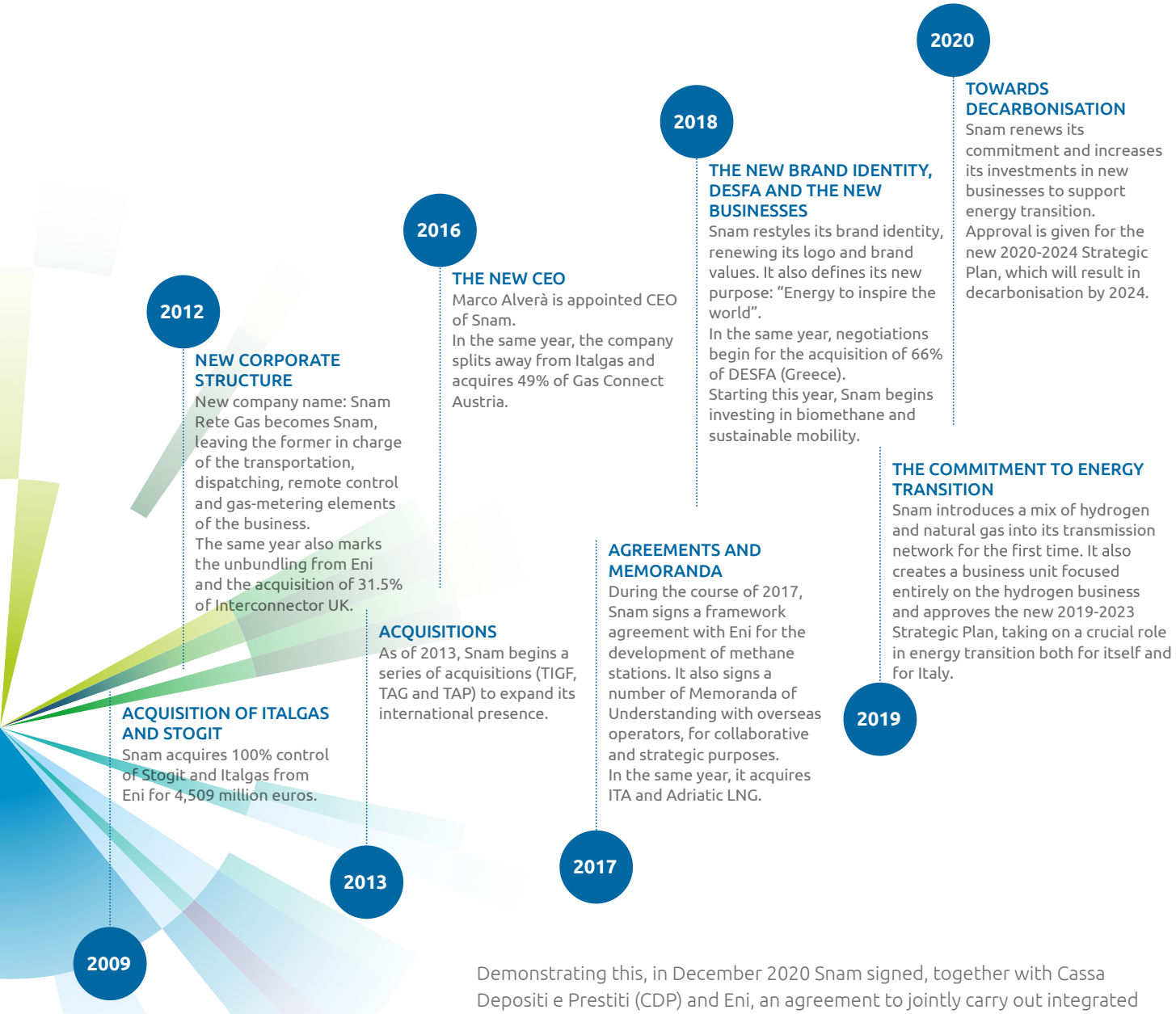
RENAMING AND FIRST LISTING ON THE STOCK MARKET
The birth of Rete Gas Italia, which will later change its name to Snam Rete Gas. This year also sees the birth of GNL Italia, to handle LNG regasification activities. Finally, Snam shares are listed on the Italian stock exchange.

2003

MARKET LIBERALISATION
Following European Directive 98/30/EC, Snam decides to unbundle transportation and dispatching from all other activities within the company.

2007

THE FIRST SUSTAINABILITY REPORT
Publication of the Group's first Sustainability Report for the 2006 reporting year and win of the 2007 "Oscar di Bilancio" (Financial Report Award) for Corporate Governance.



Demonstrating this, in December 2020 Snam signed, together with Cassa Depositi e Prestiti (CDP) and Eni, an agreement to jointly carry out integrated projects in the energy transition business, throughout the entire value chain.

Relative to **sustainable mobility** business, Snam continued to grow, supporting the introduction and development of CNG, LNG and SSLNG mobility in Italy.
In particular, with regard to the **Panigaglia LNG terminal**, requests for authorisation to construct infrastructures used by LNG on load transportation tankers were submitted to the competent bodies and authorisation is currently underway for the construction of a **micro-liquefaction plant** in Campania, to allow loading of tankers for distribution of LNG and bio-LNG in Italy. Additionally, during the year Snam signed agreements and partnerships, continuing negotiations, and establishing contracts with over 25 counterparts, for a total of approximately **132 contractualised stations, of which 20 LNG**.

Again with reference to sustainable mobility, Snam is involved in the H2iseO project, together with FNM and Trenord, to create the first Italian "Hydrogen Valley", in Lombardy, in particular in Sebino and Valcamonica, with the objective of creating a fleet of hydrogen trains and associated infrastructure, starting in 2023.

For the **hydrogen** business, in 2020 Snam continued to develop hydrogen applications in the industrial sector for railway transportation, thanks to cooperative projects begun with Ferrovie dello Stato Italiane and Alstom, promoting its potential as a fundamental energy vector in the fight against climate change and in decarbonisation of "hard-to-abate" industries. The collaboration is intended to accomplish the **first conversions of railway sections from diesel to hydrogen**: the agreement already calls for the conversion of around 13 sections with a total length of approximately 700 km, with the installation of the first fuel cells with a capacity of 45 MW.

Additionally, in January 2020 the Group officially become part of **The Hydrogen Council**, a global coalition of leading energy sector, industrial and transportation companies committed to promoting the use of hydrogen to support the energy transition. With the intention of implementing new technological solutions for the energy transition based on green hydrogen[1] and the capture and reuse of CO_2, Snam has developed multiple partnerships to acquire technical skills, improve its technological position and become more competitive. In this sense, in November Snam announced the acquisition of a significant minority stake in **De Nora,** which was finalised on 8 January 2021. In addition to being a global innovator in sustainable energies and technologies for water treatment and a global technological leader in alkaline electrodes, with significant knowledge in the electrochemical field, the Company also holds a 34% stake in **ThyssenKrupp Uhde Chlorine Engineers (TKUCE)**, a joint venture with ThyssenKrupp, a world leader in water electrolysis, involved in multiple major projects for green hydrogen production. Also, in November, Snam signed an agreement with **ITM Power** which, among other things, called for the acquisition of a 2.32% equity investment in the company, through participation in a capital increase successfully completed on the market.

In December, Snam announced its participation in a global coalition of seven companies. Through the **"Green Hydrogen Catapult"** initiative, they aim to develop 25 MW in green hydrogen production capacity by 2026, halving current production costs, bringing them to less than $2/kg. This threshold is the turning point to make green hydrogen and its derivatives (such as green ammonia) the ideal energy resource for various sectors, from the manufacturing of steel to fertilisers, from electricity generation to long haul shipping, for which there is potential short-term demand in Europe and globally.

Finally, at the end of the year a project was implemented by Snam, Tenaris and Edison to experiment with the production of steel using green hydrogen, to contribute to decarbonisation of the iron/steel sector. The project calls for the use of green hydrogen in the Tenaris steel mill in Dalmine. The initiative could

1 Green hydrogen means hydrogen obtained solely through energy produced by renewable sources, such as solar, wind or recycled energy. It is obtained through electrolysis, that is by separating the hydrogen and oxygen in water, through an electrical-powered machine called an electrolyzer.

also include the creation of a storage site for high pressure hydrogen and the use of oxygen in the smelting process. All of these activities will help to significantly reduce CO_2 emissions associated with the production of steel.

With respect to **energy efficiency** business, in October 2020 Snam 4 Efficiency finalised the acquisition of 70% of Mieci S.p.A. and Evolve S.p.A., for a total of around 50 million euros, expanding its portfolio of clients who can be offered integrated efficiency and technological services. During 2020, Snam, through TEP, completed 54 deep renovation projects for condominiums, leading to a reduction of CO_2 emissions of around 1.7 kton/year, for a total reduction of over 2.3 kton/year, when also considering the projects implemented the previous year. In the industrial sector, 4 new plants were commissioned and 6 were acquired through the merger with TEA, for a total of 17 plants operated, also considering the 7 constructed in previous years, allowing for reductions in CO_2 emissions of around 2.2 kton/year.

For **biomethane** business, Snam, through its subsidiary **IES Biogas**, designed and built advanced biomethane production systems, starting from waste and by-products from the food and waste industries, in particular FORSU (organic portion of municipal waste). Additionally, with an eye to internalising the skills of sector leaders and strengthening its position in the biomethane value chain, Snam completed its acquisition of **Renerwaste S.r.l.**, involved in biogas and biomethane infrastructure and continued its projects with **Enersi Sicilia S.r.l.** to create a biomethane and compost production plant. It also acquired a 50% stake in **Iniziative Biometano**, a company which manages biogas and biomethane systems powered by agricultural biomass.

INTERNATIONALISATION

In 2020, Snam continued to pursue its internationalisation strategy, developing relationships in key countries for the expansion of its business.

In February, Snam and SOCAR, the state energy company of the **Republic of Azerbaijan**, signed a cooperation agreement to study development of **renewable gas** and **sustainable energy**, also in terms of prospects for future use in the Southern Energy Corridor[2] and, therefore, the Trans Adriatic Pipeline (TAP).

In July, Snam finalised one of the most important transactions in the sector at the global level. A consortium consisting of Snam, the sole state operator, and five international funds acquired, 49% of ADNOC Gas Pipelines, a company which holds for 20 years the management rights to 38 gas pipelines in the **United Arab Emirates**.

Additionally, in August Snam and Pipechina (China Oil and Gas Piping Network Corporation, a company recently established by the Chinese government to supervise the development and management of gas infrastructure in the country) signed a Memorandum of Understanding for strategic cooperation including technical support (for transportation infrastructure, regasification and

2 The Southern Energy Corridor is a 3,500 km route that travels seven countries, transporting gas from the Caspian Sea to Italy.

storage of natural gas) and research and development for the energy transition in China (including experiments in the hydrogen sector), as well as possibilities for joint investments. Also in China, the supply of technical services to the main government energy companies continued in 2020, mainly for storage business.

Finally, in November Snam signed a series of cooperation agreements for the energy transition in the **Indian market**, in particular for hydrogen and sustainable mobility, with Adani Gas Limited, Greenko and Indian Oil.

SUSTAINABILITY AND CSR

In January 2020, Snam was added to the 325 companies around the world included on the ***Gender-Equality Index*** **(GEI) 2020** published by **Bloomberg**, demonstrating the Company's commitment to promoting and guaranteeing gender parity, which was also recognised in 2021 with its inclusion in the GEI 2021. In December 2020, the Group was promoted to the "Climate Change A List" (from the previous A-), published by CDP (formerly the Carbon Disclosure Project), for its actions aimed at reducing emissions, mitigating climate risks and developing a low carbon economy.

The importance the fight against climate change has for the Company is also demonstrated by the issuing in February 2019 of the first **Climate Action Bond** in Europe (and the second globally), a financial instrument used to allocate funds to projects for reducing CO_2 emissions, increase the use of renewables, and support energy efficiency and the development of green projects based on environmental criteria.

In February 2020, the first Climate Action Bond Report was published, which contains significant information for investors, including the framework used by Snam and the processes adopted to assess and select projects, as well as case studies of activities selected by Snam. These activities were followed by the highly successful issuing of three **Transition bonds**, which will be used for Eligible Projects, projects for the energy transition, for which the selection criteria is indicated in the Group's Transition Bond Framework, published in June. In February 2021, the second report on the Climate Action Bond was published, including analyses carried out on the Transition Bonds issued at that date.

Additionally, in September 2020, as a founding member of the **CFO Taskforce**, established as part of the Global Compact, Snam contributed to the publication of Guidelines for Finance and Investment linked to the SDGs, containing the first guidelines supported by the United Nations for investments and finance intended to guide companies in aligning their sustainability commitments with corporate finance strategies intended to create a significant impact on the SDGs.

Finally, with reference to the "sustainable loan", in 2020 Snam obtained the confirmation of a 2.5 basis point reduction in the cost of this loan for the second year in a row, due to achieving objectives linked to social and environmental sustainability parameters.

Among other activities linked to sustainable finance, Snam carried out an initial analysis on the alignment of its corporate investment plan with respect to

SDG criteria and the European Taxonomy, analysing the delegated acts draft published in November 2020 by the European Commission to classify economic assets able to support the achievement of European environmental and climate goals. At the date of this report, the delegated acts were approved by EU co-legislators and they were subsequently implemented in the second/third quarter of 2021.

In June 2020, **Cassa Depositi e Prestiti** and Snam announced the foundation of **Arbolia** a **benefit company established to develop reforesting and CO_2 absorption projects** in Italian cities, to be carried out in part with the involvement of companies and private citizens who want to contribute to protecting the environment. The benefit company's goal is to plant 3 million new trees by 2030, to absorb around 200 thousand tonnes of CO_2.

THE NEW STRATEGIC PLAN

On 25 November 2020, Snam presented its **new 2020-2024 Strategic Plan, "Towards Net Zero"**. The new strategy is intended to strengthen Snam's core business, continue the Group's international expansion, and focus on innovation and new business for the energy transition, which will allow Snam to achieve carbon neutrality by 2040.

The new Plan establishes ambitious objectives: Snam intends to reduce Scope 1 and Scope 2 greenhouse gas emissions by 50% by 2030 compared to 2018 figures and reduce methane emissions by 45% by 2025 compared to 2015, in line with the United Nations Environmental Program (UNEP) framework. To achieve these objectives, the Group has planned investments totalling 7.4 billion.

The new Strategic Plan also saw the creation of the ESG Scorecard, a tool designed to ensure greater disclosure of the main environmental, social and governance aspects, while evaluating the Group's performance relative to certain targets established for coming years, confirming the fact that Snam fully integrates social, environmental and governance issues into its business decisions.

THE COVID-19 PANDEMIC

Snam and Fondazione Snam implemented a number of projects to deal with the Covid-19 pandemic.

Starting in February 2020, at the beginning of the health emergency in Italy, Snam immediately created an **ad hoc team to manage the situation**, which maintained constant contact with Civil Protection, to guarantee the health and safety of its own personnel and continuity of its essential energy security services for the country. Additionally, the Group immediately activated smart working to limit the risks of direct contact in offices.

The company worked quickly to protect its people; to that end a health insurance policy was established for all employees relative to contagion risks and over 3,200 pulse oxymeters were distributed, monitoring and prevention tools that make it possible to measure the blood oxygen levels and heartbeat,

accompanied by professional medical assistance when necessary. Snam also offered preventive blood screening to all personnel, with access to a swab test if needed to ascertain a positive diagnosis. A number of internal initiatives were also begun to strengthen connections between people, from webinars to video messages from the CEO, as well as additional services to support remote working (delivery of smart-working kits, consisting of a monitor and a wireless keyboard and mouse) and well-being and life balance, including baby-sitting vouchers, online edutainment and study support services.

In addition to the main objective of supporting the organisation during a historic, complex and delicate situation, several important transformation and change projects were successfully completed, including digitalisation of processes and training where the internal corporate university, Snam Institute, was able to continue with training in a digital format, and despite the closure of offices during the first half of 2020 25,000 hours of training were provided, through 200 courses, involving approximately 2,500 employees.

Moving on to look at the assistance Snam offered the health and social systems, in March 2020, in cooperation with Fondazione Snam, the Group allocated **20 million euros for initiatives to support the Italian health system and non-profit sector** to deal with the emergency. In particular, Snam invested in PPE and medical material (ventilators and masks), donated to support immediate medical needs. Some of these resources were also directed to the non-profit sector, cooperating with around 150 partners including institutions, third sector entities, research organisations and schools, to support the most vulnerable sections of the population, including the elderly, young people and children, victims of domestic violence, homeless people, individuals with disabilities and people affected by non-Covid diseases. Through this assistance, which ranged throughout Italy, Snam reached more than 700,000 people.

At the same time, Snam began a charity drive through Group employees, called “Diamo forma al futuro” (Let’s shape the future), through a payroll giving initiative that offered the possibility of contributing through a voluntary donation. The initiative allowed Snam executives, starting with the CEO and top management, could decrease their gross remuneration from May through December 2020, to allow the company to activate charity initiatives. Additionally, all employees could contribute on a voluntary basis through cash donations or by donating one or more work hours through their individual paystub. The amounts collected were then matched by the company and transferred to entities involved in the health emergency. The campaign saw the participation of more than 1,200 employees who made a very significant impact.

NFS STAKEHOLDERS RELATIONS

The importance of building a transparent and cooperative relationship with all stakeholders in a situation of transformation was particularly clear during the past year, above all during a time in which the necessary measures to fight the pandemic and the requirement of maintaining interpersonal distance had heavy affects on work movements and encounters between people. Thanks to the Group's commitment and the reorganisation of its initiatives, Snam continued stakeholder engagement activities with an eye to listening to and including all, creating a continuous and transparent dialogue, increasing reciprocal trust to better serve the Group's decision-making processes.

Stakeholder dialogue initiatives include all company structures, relative to their individual tasks, roles, and responsibilities. In order to guarantee a homogeneous approach to these dialogues, since 2016 the Group has followed a **Stakeholder Involvement Policy** which defines Snam's approach to this issue and establishes **four fundamental objectives**:

IDENTIFYING

the **various categories of stakeholders** with which the Company deals through mapping, considering the evolving context and the development of company activities

ANALYSING AND UNDERSTANDING

the **profile of stakeholders** and the **Company's positioning** with regard to them

TAKING AN IN-DEPTH LOOK

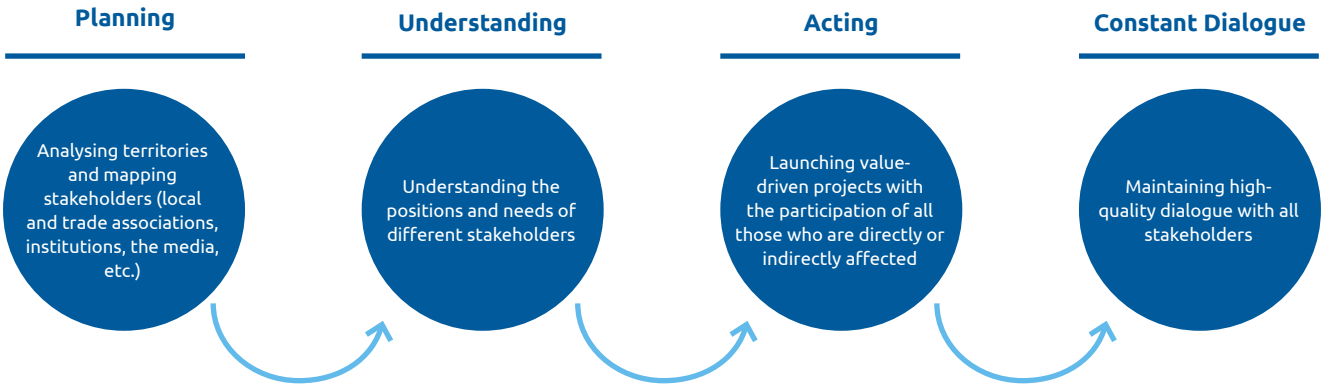
at the most relevant **interests** and **issues** for each category of stakeholder, including through periodic updates of the materiality analysis

COMMUNICATING

regularly with stakeholders regarding **management results** in relation to the material issues of mutual interest through the **Sustainability Report** and all the other reporting and communication tools

STAKEHOLDER ENGAGEMENT PROCESSES AND ACTIVITIES

The stakeholder engagement process is based on **constant and proactive communication between Snam and its stakeholders** with the goal of supporting continuous and reciprocal growth.



Engagement activities focussed in particular on energy transition and new business issues, as well as the Covid-19 pandemic, with the aim of sharing guidelines, objectives and activities, as well as understanding stakeholder needs throughout the value chain. In the face of social distancing, the Company implemented solutions and alternative tools for dialogue, for example increasing its commitment to the organisation of online events.

Stakeholder category	STAKEHOLDER ENGAGEMENT 2020	
 EMPLOYEES	**Intranet Easy**	Easy, the Group's intranet, is a "digital workplace" that provides information and serves as a tool to increase awareness for employees. The portal was updated thanks to the Agile re-design project and was released in July 2020: during the emergency, **Easy became a meeting place for all of Snam's people**, allowing them to exchange thoughts, receive useful information and stay constantly up to date.
	Webinars	Webinars are tools used by Snam to provide **training and offer information**, during which employees can interact with each other. Of those with the highest attendance, worthy of special note were the medical/scientific webinar with Professor Burioni to support responsible pandemic prevention and containment actions and that held by the CEO to present the Strategic Plan.
	Workshops	Workshops are tools that make it possible to bring working groups together to discuss specific issues in an interactive manner. For example, using this tool Snam worked with employees to assess sustainability issues significant to the Group, with the goal of updating the materiality matrix.
	Videomessages	Videomessages **update employees** about Group initiatives and decisions, providing useful information on daily operations and **raising awareness about relevant issues**. Snam sent seven videomessages to provide updates and information about the pandemic recorded by the CEO and another message recorded by Giovanni Albano, a Humanitas doctor working in Covid-19 departments.
	Meetings with Unions	Communication with national and local unions is constant: during the year 155 remote meetings were carried out to analyse business evolution projects, define productivity and profitability indicators for the 2020 profit-sharing premium and to establish smartworking methods that guarantee **protection of worker's rights**.
	Other initiatives	Every year Snam organises numerous initiatives to increase employee involvement. This year these activities were fundamental in strengthening a sense of community and closeness. ■ **#Distantimauniti (Separate but united)**: an internal engagement initiative carried out to strengthen listening and involvement activities during the pandemic. ■ **"Diamo forma al futuro" (Let's shape the future)**: supported the design and promotion of the charity drive, in cooperation with Fondazione Snam. ■ **Support initiatives for colleagues and families**: Covid-19 insurance policy, healthcare assistance services, blood/swab test campaigns, smart-working support (smart kit, data SIM cars and tethering service), Covid-response welfare offering packages. ■ **Snamwood**: a reforestation and environmental project, intended to plant over 3,300 trees, dedicated to all Snam employees, in cooperation with Arbolia. An online contest allowed those participating to vote on the name of the forest to be created.
 SUPPLIERS	**Suppliers Portal**	Active since 2013, this contains Snam's procurement policy and provides an additional **contribution to the transparency, traceability and completeness of the information provided to current and potential suppliers**. As of 31 December 2020, 2,275 suppliers were registered, with very active participation.
	Questionnaires and workshops	Suppliers are constantly involved and kept up to date about Snam's strategies and projects through questionnaires and online workshops. In particular, the central themes of 2020 were **climate change and awareness of ESG issues**.

Stakeholder category		STAKEHOLDER ENGAGEMENT 2020
 CLIENTS	**Workshops**	Client workshops represent an opportunity to meet and exchange opinions to learn more about **relevant market issues**, as well as to discuss innovations and operating trends for balancing and transportation, storage, and regasification. The year ended with three **commercial workshops** on the issues of transportation, balancing, storage and regasification and on Ten Year Plans, with four **co-design workshops for the Jarvis project** to ensure the design is in line with client expectations and a workshop on **evaluating sustainability issues**.
	Other initiatives	**Customer satisfaction surveys** sent to shippers and traders and extended to Snam's core business activities (83.6% participation rate for 2020, with an average satisfaction score of 8.6 out of 10).
 BUSINESS PARNTERS	**Partnerships, collaborations and agreements**	Snam works in close contact with its business partners, with which it establishes **partnerships, agreements and Memorandums of Understanding** of strategic importance for developing business. The main agreements signed during the year were related to the creation of infrastructure, research, and feasibility studies in the context of new business for the energy transition.
 INVESTORS AND FINANCIERS	**Roadshow**	Snam **continued to promote dialogue with shareholders and institutional investors thanks to 10 roadshows** held virtually in the largest European and North American financial centres, making it possible to meet 345 investors (of which 140 ESG), an increase of 18% with respect to the previous year.
	Sector conferences	Snam participated in **15 sector conferences aimed at investors specialising in the utilities and infrastructure sector** in order to create an opportunities for meetings and communications between these investors and Snam top management.
 COMMUNITIES, LOCAL AREAS AND ASSOCIATIONS	**School involvement**	Involvement with schools mainly occurs through ad hoc projects, such as: ■ **Young Energy**, a project aimed at fostering student orientation and bringing them closer to the world of work through initiatives focused on corporate business. ■ **With the School**, a project established by Snam in cooperation with LUISS Business School and the Elis Consortium, intended to strengthen the link between schools and business, contributing to the renewal and evolution of the school as an organisation.
	Local community involvement	Snam, also through Fondazione Snam, is committed to involving local communities through initiatives in certain priority sectors such as environmental protection, educational poverty and gender equality. Involvement of local communities also occurs through **employee engagement**, in which Snam employees dedicate their own time to Foundation activities that support local communities.
 INSTITUTIONS	**Meetings with local, regional and national institutions**	Snam believes it is fundamental to maintain constant relations with national, regional and local administrations to ensure required information is provided about company activities, support the acceptability of local plants and to present requests to obtain the authorisations needed to build new infrastructure. In 2020, **50 meetings with mayors** were held in municipalities involved in Group activities, as well as **2 meetings with local agricultural associations**.
 AUTHORITIES	**Meetings and task forces**	Snam maintains its relationship with Autorità di Regolazione per Energia Reti e Ambiente (**ARERA**), organising meetings and task forces, responding to consultation documents and proposals, collecting data and carrying out continuous monitoring of its actions with respect to directives issued by the Authority.

Stakeholder category	STAKEHOLDER ENGAGEMENT 2020	
 MEDIA	**Digital engagement**	In recent years, Snam has strengthened its digital engagement by offering all stakeholders digital communication which is transparent, timely and accurate. This allowed the Group to be **included**, with a score of 91.4 out of 100, in the **Webranking awards**, a classification issued by Lundquist, in cooperation with the Swedish company Comprend.
	Other communication initiatives	Snam has adopted an integrated communication style, using both traditional and digital channels, with modern language able to emphasise its commitment to sustainability. Among its other communication initiatives, Snam has created: ■ **Snamcast – Talks to inspire the world**: an eight episode podcast that speaks to sustainability-related issues, including new energy sources, energy efficiency and savings, the circular economy and many other ideas to create a new future. ■ **Snam Talks**: a six-episode video series, which presents projects and ideas for a more sustainable future through the stories of men and women coming from various paths, cultures, and professions. ■ **Influencer marketing campaign** with the "Il Milanese imbruttito", to disseminate information about the advantages offered by natural gas-based mobility.
 OTHER OPERATORS	**Sector associations**	Snam works in close contact with other sector operators, above all to create an integrated European network and continue development of market-oriented services. In Europe, Snam actively participates in **task and research groups** on the role of gas in the future energy mix and on how new renewable energy vectors can help support the energy transition process. In this sense, Snam is part of the following associations, among others: ■ **EU Clean Hydrogen Alliance**, an alliance begun at the European level to achieve the objectives of the Green Deal, eliminating net CO_2 emissions by 2050, also thanks to the support of hydrogen. ■ **Oil and Gas Methane Partnership (OGMP) 2.0**, organised by the United Nations Environment Programme (UNEP). ■ **CEO Action Group**, joint declaration by the World Economic Forum to support the Green Deal as a growth strategy for Europe, with an eye to post Covid-19 recovery on the path to net-zero emissions, based on circularity, renewable energy and low carbon industry. ■ **Sustainability Alliance**, an ecosystem project, in cooperation with growITup (an Open Innovation platform created by Cariplo Factory in partnership with Microsoft Italia), to promote sustainable growth in Italy through digital tools. ■ **European Gas Research Group (GERG)**, a European research group that develops research and innovation projects for European natural gas transporters. In 2020, Snam participated in the project to identify and measure natural gas emissions linked the gas transportation system. ■ **European Pipeline Research Group (EPRG)**, a research association focussing on issues relative to pipelines, made up of the main gas transportation companies and pipeline producers in Europe. Through EPRG, in 2020 Snam studied the behaviour of steel used in existing gas pipelines after injection of hydrogen.

NFS MATERIAL TOPICS IN RELATION TO THE ACTIVITIES CARRIED OUT

Through stakeholder engagement activities carried out through the year, the Group updated its materiality analysis to identify relevant sustainability issues that offer a significant indication of the organisation's economic, environmental and social impacts, or which influence stakeholder decisions.

This analysis, which is done annually, included consideration of the areas established under Italian Legislative Decree 254/2016 and the main aspects which characterise the sector in which Snam works, to the extent needed to ensure a full understanding of the Company's activities, its performance, results and the impacts generated.

The process to update material topics included the following activities:

1 IDENTIFICATION OF MATERIAL TOPICS

UPDATING MATERIAL ISSUES THROUGH:

- Analysis of Snam's peers
- Analysis of sector standards, including the Sustainability Accounting Standards Board (SASB) for the "Oil & Gas midstream" sector, and of the evolving context, with particular reference to the impact of Covid-19 on sustainability issues.
- Analysis of internal documentation
- Macro-trend analysis
- Risk analysis

2 INTERNAL AND EXTERNAL RELEVANCE

ESTABLISHING INTERNAL MATERIALITY BY ANALYSING:

- Questionnaires given to 30 management functions
- Interviews with Top Management
- Towards Net Zero Strategy
- ESG Scorecard

ESTABLISHING EXTERNAL MATERIALITY BY ANALYSING:

- Stakeholder engagement, through the distribution of over 6,000 questionnaires
- Stakeholder engagement, through 3 workshops involving 77 participants
- Analysis of a benchmark based on Snam's peers
- Analysis of reporting standards
- Macro-trend analysis

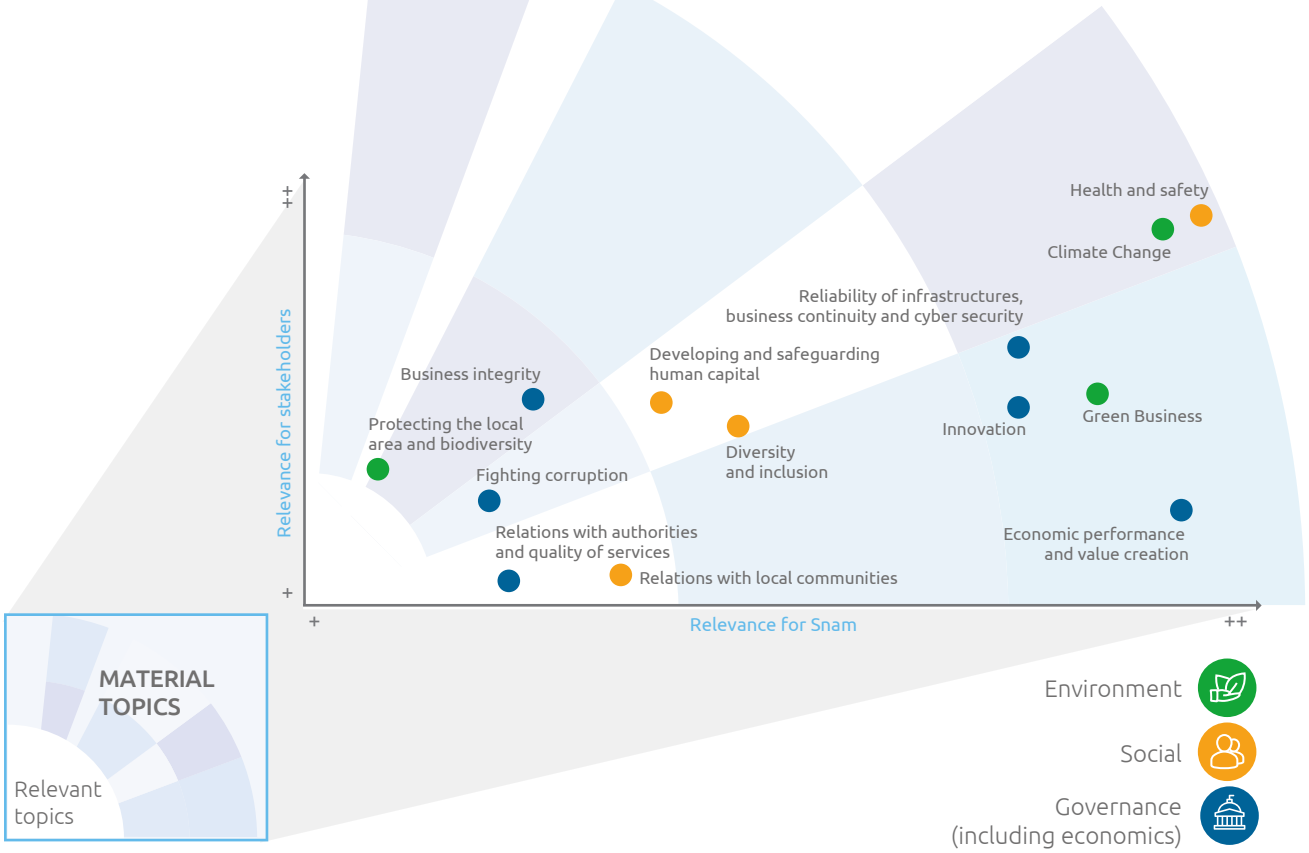
3 MATRIX DEFINITION AND CREATION



To assess the external relevance of issues, over 6,000 stakeholders were reached through specific questionnaires (including employees), with an overall response rate of around 32%. Additionally, three insight workshops were carried out with the involvement of 77 people, including suppliers, clients, and employees. The 2020-2024 Strategic Plan was presented during these meetings, with special attention paid to sustainability issues, introduced together with all the issues to be evaluated with regards to the materiality analysis. Participants were then able to evaluate these issues in real time through the use of an interactive tools to analyse and discuss the results directly during the meeting.

To assess internal materiality, Snam managers were involved so as to obtain a holistic and shared view of the Company's priorities.

The result of this process led to the identification of material sustainability issues and definition of the materiality matrix. This materiality matrix was then validated by management and the Company's Chief Executive Officer, and then presented to the Environmental, Social and Governance (ESG) Committee and the Board of Directors.



ISSUES	DEFINITION	SDGs
Health and safety	Adopting practices and systems to safeguard the health and safety of employees and third parties involved in company activities (e.g. suppliers), including in relation to the pandemic.	3 8
Climate Change	Promoting strategies for the control of climate change, in order to reduce greenhouse gases and environmental impact. Developing initiatives to improve energy efficiency in the Group's plants and sites, promoting a more sustainable way of doing business by using and producing energy from renewable sources.	7 13
Reliability of infrastructures, business continuity and cyber security	Ensuring the reliability of infrastructures and services in order to prevent and/or mitigate potential situations that could compromise the business continuity (e.g. emergencies, pandemic-related issues). Managing computer security, particularly in relation to potential cyber attacks, and in the light of the ever-increasing use of IT tools (which has further accelerated in the wake of the Covid-19 pandemic).	9
Green business	Promoting a low-carbon, circular economy by integrating operations with new businesses that support the decarbonisation processes, such as biomethane, hydrogen, the use of gas for sustainable mobility (CNG, LNG), and new technologies capable of incorporating renewable energy from the environment.	11 13
Business Integrity	Conducting activities with integrity and fairness, in accordance with legal standards, regulations, prescriptions and company policies which add to and improve on the former. Ensuring a responsible approach to fiscal strategy and guaranteeing the efficiency of corporate governance, with a particular focus on the issues of remuneration and balanced participation in the main corporate governance bodies.	16
Developing and safeguarding human capital	Encouraging professional development and policies for attracting and retaining talent, strengthening the technical, managerial and organisational skills of employees. Embracing new technologies for the purposes of recruiting personnel, ongoing training and employee development. Promoting a work/life balance for personnel through welfare initiatives (e.g. smart working), including in relation to the pandemic and with a particular focus on the most vulnerable individuals.	8



ISSUES	DEFINITION	SDGs
Economic performance and value creation	Promoting the creation of shared value in the medium-/long-term for all categories of stakeholders, through operational and financial efficiency and committing to the development of business activities capable of generating value for all stakeholders.	8
Innovation	Searching for new technologies with the aim of increasing efficiency in conducting business and reducing environmental impact, including from a circular economy perspective. Making the most of technological innovation (e.g. the cloud, AI, etc.) to increase efficiency in operations and in the services offered, to digitalise and optimise the monitoring and management of infrastructures, and to easily integrate new Green business opportunities.	9
Relations with authorities and quality of services	Guaranteeing customers a safe and reliable service over time, in accordance with the principles of competition, equal treatment and access to infrastructures, and promoting constructive, transparent relations with the regulatory authorities and with institutions in order to develop services which satisfy customers while at the same time considering the needs and demands of the market.	16
Diversity and inclusion	Promoting and guaranteeing equal opportunities for all employees, valuing and protecting diversity (in terms of race, religion, culture, gender, sexual orientation and age), and promoting initiatives for dialogue and collaboration in order to grasp the opportunities offered by different experiences, expertise, abilities and backgrounds.	5 10
Relations with local communities	Involving local communities in order to develop projects that can effectively meet the expectations of stakeholders, and supporting local communities during times of crisis and economic/health-related uncertainty, also in order to strengthen the licence to operate.	8 11
Fighting corruption	Adopting preventive arrangements and targeted policies, in addition to promoting partnerships dedicated to fighting corruption and crime in general, and fostering a culture of legality.	16
Protecting local areas and biodiversity	Safeguarding the landscapes of the territories where Group plants or facilities are located and safeguarding the environment both during commissioning and ordinary management, including policies to protect the soil, subsoil and water table during operations.	14 15

Because of the pandemic, the issue of **health and safety** was again confirmed as a priority for the Group, as was **climate change**, which saw an increase with respect to 2019, confirming its commitment to decarbonisation. Additionally, **relations with authorities and quality of services** saw its position rise higher, becoming one of the material topics.

On the other hand, in contrast to 2019, the issue of **brand reputation** was not included among material topics, despite its continuing relevance, thanks to the significant brand building work done in past years that clearly strengthened the Group's approach to this issue.

The analyses described above also made it possible to identify further issues which, although not material, are, however, relevant for Snam or its stakeholders and are carefully supervised and monitored:

- **Supply chain**: the use of selection policies for suppliers, collaborators and commercial partners based on equitable and transparent processes that integrated sustainability criteria intended to promote socially responsible practices among suppliers, with the aim of establishing long-term cooperative relationships and developing innovative approaches in the context of the circular economy.
- **Waste management**: efficient management of the disposal of materials used during productive activities and when constructing Group infrastructure. The waste produced by Snam mainly derives from the maintenance and management of plants but has always been an environmental aspect of limited relevance, both in terms of the quantity and type of waste. Other waste derives from sludge, typically generated through well drilling activity.
- **Water resource management**: optimisation of the consumption and management of water resources involved in Snam activities and the adoption of policies and practices which support responsible water use. Snam uses seawater to cool the auxiliary equipment at the liquefied natural gas regasification plant, which is fully returned to the sea in the same amount but at a higher temperature (in accordance with the law). Fresh water is used for irrigation, when taken from wells, and for office and the fire extinguishing system, when taken from the aqueduct.
- **Employment**: the promotion of stable and continuous employment, guaranteeing a healthy workplace and generational turnover in line with business development, as well as a welfare system and effective work/life balance.
- **Brand reputation**: taking advantage of and protecting the brand through constant relations with all relevant Group stakeholders, in particular the financial community and investors.
- **Respect for human rights**: promoting respect for human rights throughout the value chain (suppliers, employees, clients). Given the type and geographical placement of its business, Snam considers protection of human rights to be linked in particular to aspects of diversity and equal opportunity, in this context in particular relative to non-discrimination. Further issues may potentially arise along the supply chain, for which specific initiatives have been implemented to ensure the upholding of human rights in business relations.
- **Air quality protection**: promotion of initiatives to reduce and limit the emission of air pollutants. The only significant pollutant emissions produced by Snam are emissions of nitrogen oxide (NOx), which mainly derive from the burning of natural gas in turbines installed in the compression plants (thrust and storage).




HEALTH
PARTNERS
INSTRUCTION

NFS SUSTAINABLE VALUE CREATION: THE SNAM BUSINESS MODEL

Snam's business model is based on sustainable growth, transparency, the enhancement of talent and diversity, and the protection and social development of local areas, also through the work of Fondazione Snam.

The Group bases its business model on its values, integrating new commitments relative to the energy transition with its traditional core business. This model pursues sustainable success through the creation of long-term value to benefit shareholders, while simultaneously considering the interests of other relevant stakeholders. The business plan and ESG coexist and are interconnected, with the goal of providing a concrete contribution to the achievement of the United Nations Sustainable Development Goals.

The repositioning of the company in recent years and the projects called for the in the new plan create the conditions for the Group to take advantage of the opportunities provided by the energy transition, in part thanks to the skills acquired by Snam personnel and the increasing digitalisation of processes.

The economic resources for making the investments necessary for maintaining and improving infrastructures

The abilities, skills and experience of the people who are part of the Group, necessary to achieve Snam's strategic objectives and to keep attention to our distinctive values high

The transportation network and plants for the storage and regasification of natural gas, the production and injection of biomethane, for the distribution of natural gas for motor transport

The "licence-to-operate" given by the stakeholders to Snam, the trust placed in the Group with its more than 75 years of history

The information systems, processes and internal procedures, the practices developed and consolidated over time, the approach to innovation

The richness of the territory on which the Snam infrastructures stand, the air and the biodiversity that are part of it and the energy resources that enable the Group to provide its services.

GOVERNANCE

ESG SCORECARD

E
- Transition to a low-emissions future
- Energy efficiency
- New energies
- Biodiversity

S
- Diversity and inclusion
- Health and safety
- Local development
- Supply chain
- Value for the communities

G
- Secure and reliable energy
- Fighting corruption and illegality

BUSINESS AREAS

STORAGE

REGASIFICATION

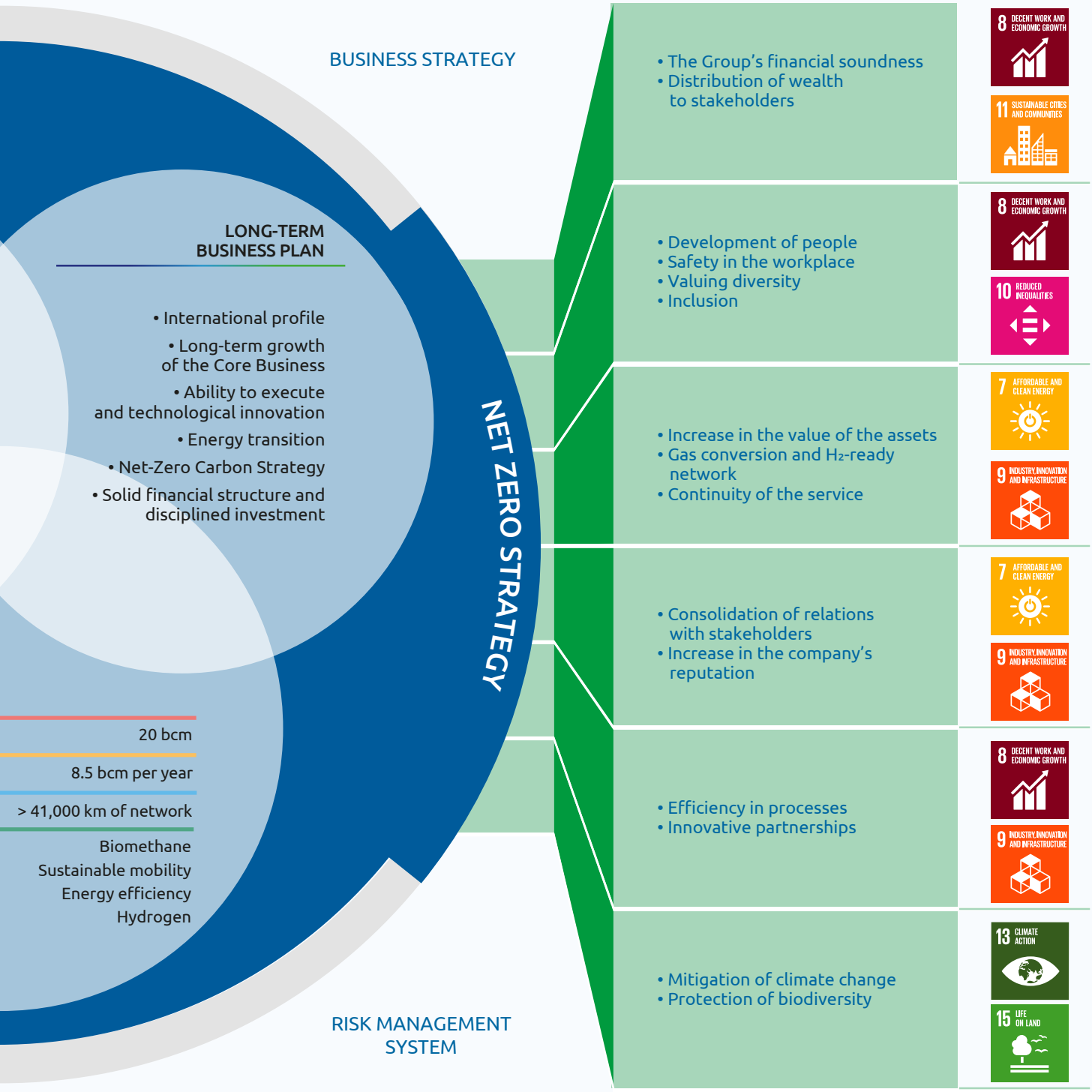
TRANSPORTATION

BUSINESS TRANSITION

INTERNAL CONTROL

WE CONNECT TO BUILD OPPORTUNITIES

WE PROMOTE SAFETY



WE SUPPORT A CHANGING WORLD

WE GIVE SHAPE TO THE FUTURE

2020-2024 STRATEGIC PLAN

In November 2020 Snam issued its new strategy, Towards Net Zero, which covers the time-period from 2020-2024. Towards Net Zero combines two hearts: **climate strategy and the evolution of its business**, summarised in **six main pillars**, which are illustrated in the subsequent sections. On one hand, Snam plans to reduce its Scope 1 and Scope 2 greenhouse gas emissions, while strengthening cooperation with suppliers and associated companies to reduce Scope 3 emissions and, on the other hand, intends to position itself as a facilitator of a low-carbon economy both domestically and internationally, thanks to its strong core business and new energy transition business.

The objectives established by Snam its the new Strategic Plan represent ambitious challenges and include concrete short, medium and long-term actions that will contribute to achieving **carbon neutrality by 2040**.

The new Plan calls for investments of **7.4 billion euros by 2024**, around 1 billion euros more than the previous Plan, allocated to the various projects, in particular those intended to ensure adjustment of infrastructure to ensure it is hydrogen ready (50% of investments) and those for new energy transition business, for which investments have doubled. In addition to contributing to decarbonisation and energy transition goals, **around 40% of investments comply with the European Commission Taxonomy criteria**, which are close to being finalised.

The six pillars of Towards Net Zero

Net-Zero Carbon by 2040 and ESG leader

- Scope 1 and Scope 2 GHG emissions reduction plan
- Collaboration with suppliers and associates to achieve a gradual and significant reduction in their emissions
- New ESG Scorecard

Long-term growth of the Core Business

- Upgrade of the network with a view to being Hydrogen ready and to inputs of growing percentages of hydrogen
- Conversion of compression stations to dual fuel to facilitate balancing of the network

Ability to execute and technological innovation

- Construction of the most technologically advanced gas transportation company in the world
- Acquisition of technological advantage in relation to H_2 and H_2O
- Taking advantage of core skills in similar sectors

Energy transition

- Internalisation of skills and abilities
- Role of leader in growing markets
- Strengthening of core business assets

International profile

- Asset portfolio increasingly geographically diversified
- Asset-light approach to enter countries with high potential
- Monetisation of our skills through Snam Global Solutions

Solid financial structure and disciplined investments

- Maintenance of the current credit parameters
- Stable growth of revenue
- Consistency with the ESG strategy

NET ZERO CARBON IN 2040 AND ESG LEADER

The ultimate objective of the climate strategy included in the new Strategic Plan is to achieve carbon neutrality by 2040, working above all to reduce Scope 1[3] and Scope 2[4] emissions. Secondly, the strategy calls for establishing cooperative programmes with associated companies and suppliers to take action on Scope 3[5] emissions as well. Further, with the aim of furthering integrating environmental, social and governance issues, Snam has reorganised the sustainability KPIs monitored with an ESG Scorecard.

For more information, please see the dedicated sections on "Net Zero Carbon" and "ESG Scorecard" in this chapter.

LONG-TERM GROWTH OF THE CORE BUSINESS

Activities called for under the Long-term growth of the core business are mainly intended to improve the Group's core business, taking into account the fundamental role that Snam infrastructure will play in decarbonisation. These projects aim to achieve:

- **infrastructure** that is increasingly ***Hydrogen-ready*** (H-ready);
- conversion of **power plants to dual fuel**;
- **long-term sustainable growth**.

The Company already benefits from **infrastructure that is 70% hydrogen ready** and intends to continue projects to prepare the network to accept ever increasing percentages of hydrogen. This activity is of fundamental importance for decarbonisation objectives, given that, based on the prospects for green gas development, hydrogen could potentially reach over 25% of the global energy mix by 2050. Additionally, during 2020 specific standards were defined to acquire only H-ready components for the network. Finally, the installation of the first **hybrid turbine able to operate with 10% hydrogen volume** is planned for 2021 in the Istrana power plant (prov. Treviso).

Snam also intends to begin **conversion of compression facilities to dual fuel**, accompanying gas turbochargers with electrocompressors, which will contribute not only to reducing greenhouse gas emissions but also support sector coupling[6].

To maintain and support long-term sustainable growth, activities for the **gas conversion of Sardinia** will continue, a project already begun which calls for the creation of a virtual pipeline and the first sections of the network, as well as **maintenance and development of regulated business assets** (transportation,

3 Scope 1 emissions are direct GHG emissions, including carbon dioxide (CO_2) and methane (CH_4) and refer to emissions caused by controlled operations or those held by the Company.
4 Scope 2 emissions are indirect GHG emissions deriving from electricity, heat and steam imported and consumed by the Company.
5 All indirect emissions (not included under Scope 2) that derive from the Company's value chain, including upstream and downstream emissions.
6 The European Commission sees sector coupling as a strategy offering greater flexibility to the energy system, to help achieve decarbonisation in the most economical manner possible (DG ENER (2018) Request for services no. ENER/B2/2018-260 - Potentials of sector coupling for the EU natural gas sector - Assessing regulatory barriers.)

storage, regasification), and increasing storage capacity, while replacing around 1,200 km of the transportation network, and **investments to support carbon neutrality**, in particular by creating 245 CNG system connections, plus 50 for biomethane plants and another 100 connections to the network.

ABILITY TO EXECUTE AND TECHNOLOGICAL INNOVATION

The third pillar includes three main objectives linked to issues of technological development and innovation for the Group, specifically:

- becoming **the most technologically advanced gas transportation company in the world**;
- strengthening its **position in the hydrogen value chain** in part through the use of innovative technologies;
- **taking advantage of core skills in adjacent sectors**.

As demonstrated by its success in carrying out the TAP project, Snam has an excellent capacity to manage infrastructure projects and will continue to develop and make use of this ability, supported by large investments in innovation and digitalisation.

Approximately 500 million euros will be used for remote control projects, the adoption of Internet of Things (IoT)[7] systems, in cooperation with Microsoft, as well as for cloud and edge computing[8], with the aim of becoming the **most technologically advanced** gas transportation company in the world. IoT and machine learning systems will be fundamental in transmitting, analysing and historicising data in real time, with a capacity at least 100 times greater than that currently available to the Group.

Of particular importance is the kick-off in 2021 of the first future district, the Bologna "Flagship" District, which will be provided with technology able to monitor the Group assets in terms of operating efficiency, security, integrity, and reliability. This includes an evolution from the traditional approach of leak detection and repair (LDAR) to a tool developed in house by Snam, which supports predictive maintenance for the network and offers centralised control over methane emissions. The **LDAR** will also play a fundamental role in the achievement of the Strategic Plan decarbonisation goals, because it makes it possible to manage and reduce methane leaks, consequently reducing emissions of the same.

Additionally, through the acquisition of a significant minority interest in **De Nora** (a global innovator in sustainable energies and water treatment technology, as well as a global technological leader in alkaline electrodes) and the partnership with **ITM** (specialised in membrane electrolyzers), the Group has set itself the objective of **monitoring new technologies and beginning new experiments with hydrogen**. In a wider context, to become a technological leader Snam will

7 Internet of Things means extending the internet to the world of things and concrete places, allowing them to send and receive data.
8 Cloud and edge computing are decentralised and distributed IT infrastructure, consisting of micro-data centres, located near the user, which provide remote internet services from smaller distances than those covered by cloud computing

also invest in **making full use of its core skills** in similar sectors, to fully take advantage as much as possible of the knowledge and professional expertise it has already acquired over the year in sectors where these can be newly applied.

ENERGY TRANSITION

Energy transition business represents an important lever for achieving decarbonisation objectives, not only for Snam but for the entire national system. Over the years, the Company has been able to create a **wide and diversified platform of activities** consisting of four fundamental sectors: biomethane, sustainable mobility, energy efficiency and hydrogen. Snam has invested increasing amounts in these areas, going from an initial sum of 200 million euros 2018 to 720 million euros in the 2020-2024 Plan, with an expected contribution of around 150 million euros for annual EBITDA in 2024. Further, thanks to biomethane production, energy efficiency initiatives and sustainable mobility projects, Snam **will prevent the emission of over 600,000 tonnes of CO_{2eq}**.

The importance of these businesses in Snam's strategy translates not only economically through investments in the Plan, but can also be seen in the amendments to the Snam Articles of Association, initially proposed in December 2020 and finalised in February 2021. In fact, the Group has added **a clear reference to its purpose, "Energy to inspire the world" and to new businesses**, to reflect Snam's commitment to supporting the energy transition by making use of resources and energy sources compatible with protecting the environment and progressive decarbonisation, as well as adding the pursuit of sustainable success among the purposes of the company's business.

All energy transition business is guided by three main objectives:

- **internalising the skills and knowledge** of other leader companies through cooperation, partnership and agreements
- taking on **a leadership role in growing markets**
- **strengthening core business assets**.

Biomethane

Since 2017, Snam has invested in biomethane as an alternative energy solution, also through **Snam 4 Environment**, which specialises in biomethane production infrastructure (from organic, agricultural, agro-industrial and animal waste) and in promoting green business, playing a fundamental role in the development of biomethane in Italy.

Snam has called for investments of around 220 million euros by 2024 for biomethane, to create infrastructure and plants with installed capacity of 64 MW, 22 MW more than in the previous plan, as well as to develop a platform to support the growth of the circular economy and industrialisation of agricultural production.

Additionally, some of the investments will be destined for companies active in biomethane production, to **internalise their skills and take advantage of further opportunities for growth**. An example here is the acquisition of 50%

of Iniziative Biometano, a company which operates in Italy managing biogas and biomethane plans powered with biomass coming from agriculture.

Sustainable mobility

Increased use of natural gas and biomethane in the transportation sector, replacing classic fuels such as diesel and petrol, demonstrates the importance of gas relative to sustainable mobility. **Snam 4 Mobility** is the platform created by the Group to provide integrated services in the natural gas "smart green" mobility sector. The Plan calls for investments of around 150 million euros between 2020 and 2024, with the aim of **creating more than 150 new refueling stations by 2024** and extending offerings for heavy vehicles, in parts thanks to the start up of a **new micro-liquefaction plant**, combined with the adaptation of the Panigaglia terminal in Liguria to load tankers for transportation use. Additionally, Snam 4 Mobility will work to develop infrastructure to distribute hydrogen through land transportation: in coming years, **five hydrogen refueling stations will be created in Italy**. Finally, the other main task for Snam 4 Mobility will be promoting the conversion of an ever-increasing number of vehicles from UFG to LNG.

Energy efficiency

Energy efficiency work represents another important factor in the decarbonisation strategy, to which Snam will dedicate around 200 million euros through **Snam 4 Efficiency** to support energy efficiency in residential, industrial, tertiary and public administration sectors, facilitated by national fiscal incentives, known as "ecobonus" and "sismabonus". In 2020, Snam 4 Efficiency acquired 100% of **TEP Energy Solution**, specialised in **energy efficiency solutions and carbon footprint assessments for condominiums, companies and public administrations**. Finally, with an eye to internalising additional skills relevant to the sector, in October 2020 Snam finalised the acquisition of 70% of **Mieci S.p.A.** and **Evolve S.p.A.**, thereby establishing a platform with the goal of significantly increasing its presence and market share in the energy efficiency sector. In this sense, in January 2021 CDP acquired a 30% stake in Snam 4 Efficiency share capital, followed by a name change to **Renovit**, resulting in the development of a new platform to promote energy efficiency in condominiums, companies and public administrations and to support sustainable development and the energy transition in Italy.

Hydrogen

For Snam, hydrogen represents a winning opportunity for decarbonisation, the reason that a large part of the investments in the new Plan are destined for infrastructure H-readiness, and around 150 million euros in 2024 for activities developed by the **Hydrogen** business unit.

The new Strategic Plan also calls for cooperation with Ferrovie dello Stato Italiane and Alstom for the **initial conversions of railway sections from diesel to hydrogen**. The agreement already calls for the conversion of around 13 sections with a total length of approximately 700 km, with the installation of the

first fuel cells with a capacity of 45 MW. Snam will also install the fuel cells for its own activities, with a capacity of 5.2 MW.

Finally, through cooperation with other important players in the sector, Snam has been awarded three grants for *Fuel Cells and Hydrogen Joint Undertaking*, which allow access to funds and pilot projects at the European level, while creating partnerships for final implementation.

INTERNATIONAL PROFILE

The strategic agreements signed with major sector operators throughout the main continental energy corridors and the changes made to redefine its own role within the European infrastructure system have characterised Snam's **international operations** since 2012 and have contributed to transforming the Company from a local asset operator to a strategic partner in the international gas market.

At the international level, Snam's new Strategic Plan call for:

- **growing and diversifying its geographic portfolio**;
- adopting an **asset-light approach** in countries with high growth potential;
- **monetising its know how and skills through Snam Global Solution**.

Through its investees, the Group plans to **take advantage of further opportunities for the energy transition** and to **benefit from growing gas demand in certain key geographic areas, also opting for new uses of gas to replace more polluting fuels**, such as coal and oil. In this light, the Group will not only serve as a facilitator for the energy transition, but above all will serve as an advocate and guide towards decarbonisation, taking advantage of its own know-how and that of Snam Global Solution. In fact, in non-European countries, such as **China** and **India**, where the use of fossil fuels such as coal is still widespread, gas plays a central role in the process of decarbonisation. Additionally, in countries demonstrating interest in decarbonising transportation, Snam Global Solution can offer the Group's experience in CNG and LNG together with the technological skills it has acquired thanks to the Cubogas products.

For the Indian market, in 2020 Snam signed agreements with three major operators (Adani Gas Limited, Greenko and Indian Oil) **for sustainable mobility and hydrogen** and is paying close attention to the decarbonisation process begun by the Indian government, also through additional development of gas infrastructure.

Finally, another main objective for Snam is to **develop services in areas which offer interesting growth opportunities**, for example the **United Arab Emirates**, where agreements were signed with Abu Dhabi National Oil Company (ADNOC) to invest in the country's energy infrastructure. Entry as the sole industrial operator in the consortium that obtained 49% of ADNOC will allow for the development of dialogue with regards to possible cooperative projects for hydrogen and the energy transition.

SOLID FINANCIAL STRUCTURE AND DISCIPLINED INVESTMENTS

The sixth pillar of the Strategic Plan involves the Group's financial structure and establishes three objectives that Snam is committed to achieving by 2024:

- Maintenance of the **ratio guidelines currently implemented by the rating agencies**;
- **risk adjusted returns exceeding those for Italian regulated assets**;
- investments that are **consistent with the ESG strategy**.

Snam plans to strengthen the efficiency plan launched in the second half of 2016, with over 70 million euros in savings expected by 2022, which has already led to an approximately 20% decline in costs relative to the core area, making it possible to start energy transition business without penalising Group performance.

The plan objectives will be achieved in part thanks to a disciplined approach to the use of capital, supported by a commitment to take advantage of opportunities offered by growth in the sustainable finance market. Activities to **optimise the financial structure** implemented over the last five years have led to a reduction in the average cost of gross debt, which fell from 2.4% in 2016 to an average of 1.2% through the time horizon of the plan (compared to 1.4% in the previous plan), thanks to actions implemented to take full advantage of current favourable market conditions and improve the interest rate and credit spread scenario. Further possible savings could derive from treasury optimisation, as well as further diversifying sources and increasing sustainable finance instruments.

During the Plan, Snam also plans to maintain the ratio between net debt and RAB[9] below 60%; an adjusted Funds from Operation to Net Debt (FFO/Net Debt) ratio above 14% on average over the course of the plan; to maintain a mix between fixed and variable rate debt of 3/4, in line with the previous plan; 3.2 billion euros in syndicate credit facilities, not use at 31 December 2020, and maturing between 2024 and 2025.

With respect to activities associated with **sustainable finance**, Snam intends to increase the percentage of funding available from 40% to 60% over the course of the plan, mainly issuing bonds for which the proceeds are invested in projects ranging from reducing emissions, to increasing use of renewable energies and which make a concrete contribution to achieving the Sustainable Development Goals.

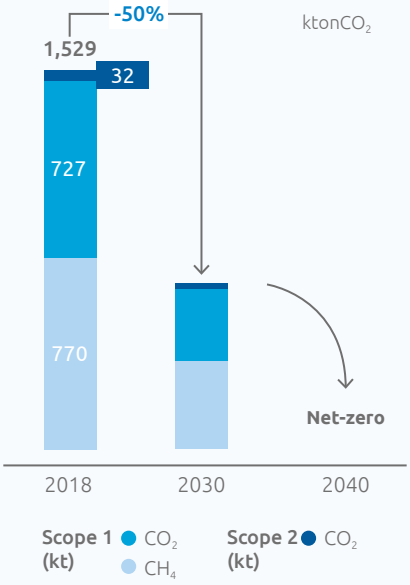
9 "RAB" means Regulatory Asset Base, or net Capital Invested for regulatory purposes calculated on the basis of the rules defined by the Electricity, Gas and Water Authority, to determine reference revenues for regulated business.

For some time now Snam has followed a virtuous path aimed at the continuous development of the sustainable finance market, made concrete in part through participation on dedicated Task Forces and Forums. Additionally, to map and take advantage of the alignment of its own activities with sustainability principles, Snam carried out an initial project aimed at identifying how the investments found in the 2020-2024 Plan align with the SDGs and Taxonomy criteria.

More information can be found in the subsequent section, “Sustainable finance and SDG investments”.



SNAM'S NET ZERO CARBON STRATEGY



With its Towards Net Zero strategy, Snam put its commitment to decarbonisation at the centre of the 2020-2024 Plan integrating sustainability and ESG issues in an even more significant manner within its strategic choices.

Snam has established ambitious and challenging goals, which will put the Group in a leadership position in achieving carbon neutrality by 2040, in advance with respect to European and domestic objectives and in line with the targets for limiting global warming to 1.5°C, as called for in the Paris Agreement signed in 2015.

In this area, objectives are aimed at reducing:

1. **Scope 1 direct emissions** through specific actions involving CO_2 (carbon dioxide) and CH_4 (methane) emissions. More specifically, Snam intends to install electrocompressors on 8 compression units, as well as gas turbochargers, increasing the energy efficiency of its assets to reduce CO_2 emissions. Use of the Leak Detection and Repair (LDAR), replacing pneumatic systems and gas recompression, will be fundamental in reducing methane emissions;
2. **Scope 2 Indirect CO_2 emissions**, relative to which Snam plans to increase consumption of electricity derived from certified renewable sources;

Relative to **other indirect CO_2 emissions (Scope 3**), Snam plans to strengthen cooperation with its suppliers and associated companies to progressively and significantly reduce emissions throughout the value chain.

SCOPE 1 AND SCOPE 2 EMISSIONS

Snam has set itself an even more challenging target for **reducing Scope 1 and Scope 2 emissions**, going from -40% to -**50% in 2030** (with respect to 2018), to achieve **carbon neutrality by 2040**.

Over half of these reductions will be achieved through the project to covert stations to dual-fuel: by 2040, **Snam will convert 8 of its stations**, specifically Malborghetto, Messina, Poggio Renatico, Fiume Trieste, Minerbio, Settala and Sergnano by 2030, and the power station of Ripalta by 2040.

The remaining part of the Plan reductions are linked to the Group's commitment to **reduce methane emissions by 45% by 2025, compared to 2015 amounts**, a target in line with the requests made by *Oil and Gas Methane Partnership*[10] (OGMP) 2.0, to which it adhered in November 2020.

10 The OGMP is an initiative created by the UN Environment Programme (UNEP), which encourages companies to reduce the methane emissions caused by their business.

Snam and the Task Force on Climate-Related Financial Disclosure (TCFD)

Snam's commitment to act as a major player in the energy transition is made concrete realized through more transparent reporting focussing on the issue of fighting climate change. Since 2018, the Company has published a stand-alone document in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). The recommendations indicated by the Task Force are structured around four thematic areas, representing the fundamental elements of an organisation:

- Governance: describes an organisation's governance model in relation to climate-related issues.
- Strategy: describes the actual or potential impacts of the risks and opportunities related to climate change on the business, strategy and financial planning of the organisation.
- Risk management: describes how the organisation identifies, measures, and manages climate-related risks.
- Metrics and Targets: describes the metrics and objectives used to measure and manage relevant climate-related risks and opportunities.

The Group's climate objectives are in line with the goals set to contain global warming to within 1.5°C, as established in the Paris Agreement, and call for a 45% reduction in methane emissions by 2025, compared to 2015, a target which is in line with the requests of the Oil and Gas Methane Partnership (OGMP) 2.0.

In defining the Group's objectives, Snam considered scenarios developed in cooperation with Terna (Document Describing the 2019 Scenarios), preparatory to the creation of transmission and transportation network development plans in the electricity and gas sectors nationally. This study develops joint Snam-Terna energy scenarios showing how technological development together with collaboration and synergies between the electricity and gas industries could be the key for reaching the global emission reduction targets. The scenarios put forward highlight how the European decarbonisation objectives will lead to the increasing use of green gases, such as hydrogen, biomethane and synthetic methane, partly replacing natural gas, not only in thermoelectric power plants, but also in end uses: civil, industrial and transportation.

The Group's strategic and financial planning is closely interconnected with considerations on developments in the reference sector and the role Snam will play in guiding the energy sector's decarbonisation process. More details on the Group's strategy and its resilience with respect to climate change can be found in the document **"Financial Disclosure on Climate Change 2020"**, prepared in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures.

Further considerations on Group governance, its risk management process, the risks and opportunities identified, and performance can be found in the relative sections of this document.

To achieve the objective of carbon neutrality by 2040, once the necessary greenhouse gas emission reduction initiatives have been implemented, the Group will compensate for its residual greenhouse gas emissions by supporting **offsetting projects**[11].



11 Offsets are discrete reductions in greenhouse gases (GHG) used to compensate for GHG emissions occurring elsewhere. Offsets are calculated with respect to a baseline which represents a hypothetical situation with regards to emissions in the absence of the mitigation (offsetting) project. (The Greenhouse Gas Protocol, *A Corporate Accounting and Reporting Standard – Revised Edition*, 2004)

SCOPE 3 EMISSIONS

Relative to other Scope 3 indirect emissions, that is all emissions associated with the company's activities coming from sources which the Company does not control or own, throughout the entire value chain, the Group plans to strengthen its cooperation with suppliers and associated companies, to achieve progressive and significant reductions. The Group intends to involve suppliers and them and make them more responsible through the following actions:

- mapping their greenhouse gas emissions;
- requesting that the most important suppliers in terms of procurement complete the **CDP Supply Chain Questionnaire**;
- involving them in awareness-raising projects.

For associated companies, Snam intends to serve as a guide and advocate to improve their carbon footprints through:

- workshops and training programmes to share best practices;
- awareness raising projects aimed at encouraging the reduction of methane leaks, pneumatic emissions and the adoption of electric energy from renewable sources.

Snam and the CDP Foundation create Arbolia to create new forests in Italian cities

In addition to the emissions avoided thanks to new business projects, Arbolia, the new benefit company established by Snam and CDP Foundation, will guarantee absorption of CO2 thanks to the planting of new trees in Italian cities.

Through Arbolia, the two companies intend to create "a greener, cleaner, healthier and more beautiful Italy", improving ecosystems, promoting biodiversity, making cities more resilient and creating occasions for social and economic development with additional positive effects on air quality and, consequently, quality of life.

The solutions proposed by Arbolia can be summarised in four main points:

- **afforestation and reforestation with trees and bushes for businesses and citizens in urban and suburban areas, serving as public areas and made available to public administrations and private individuals;**
- **care and maintenance for the trees during the first two years mainly through irrigation, grass cutting and replacement of trees or bushes which did not take root, with respect for biodiversity;**
- **carbon footprint analysis services with TEP Energy Solution intended for companies and public administrations, for use in certification, incentives and offsetting processes associated with forestation activities and CO_2 absorption;**
- **direct dialogue with institutional stakeholders and companies to offer them opportunities to create roots in the local area by creating shared values and promoting virtuous sustainable behaviour.**

Thanks to Arbolia, Snam will contribute to the achievement of some important Sustainable Development Goals, in particular SDG 11 to make cities more liveable and sustainable, SDG 13, linked to climate protection and SDG 15 to restore the earth's ecosystem.

Arbolia's first project was developed in December 2020 in Parma, where over two thousand trees were planted in an area of around 20 thousand square metres.
The environmental impacts of this initial project are already significant, total absorption of CO_2 per year is estimated at 178 tonnes and 483 kg of fine particles per year.

ESG SCORECARD

The growing importance of non-financial aspects in determining company strategies, the consideration given to ESG issues by investors and the interest all stakeholders have in the company's operating methods have always driven Snam to work to measure the impact its business has on the areas in which it works. In fact, Snam monitors over 140 KPIs relative to ESG aspects, many of which supported by multi-year targets. With the aim of redefining its own priorities for the future, modelling the company culture and improving its non-financial reporting, the Company has further strengthened the process used to define its targets.

Through the **ESG Scorecard**, Snam has again strengthened its business model with an eye to achieving the sustainable development goals of Agenda 2030, creating a scorecard of objectives for 2021-2023, focussed on thirteen ESG areas of import to both the company and the stakeholders. These are three-year objectives and the scorecard will be monitored and reviewed annually. Through this tool, the Group intends to provide the utmost transparency relative to the most important environmental, social and governance aspects, with a process that involves all the relevant functions of the Company and its subsidiaries with an eye to continuous improvement and constant dialogue with stakeholders and the market.

Environment

The holistic approach adopted by Snam with regards to the environment leads the company to commit itself, beyond the fight against to climate change, to protecting habitats and biodiversity, adopting the best practices to protect and support the areas in which its infrastructure is found.

Its environmental commitments can be seen in its goal to reduce natural gas leaks, as well as in all the targets relative to energy efficiency, development of new business, green innovation and protection of biodiversity.

Social

Employees, local communities and suppliers are stakeholders which are increasingly central to Snam's strategy, because only with their participation is it possible to achieve the challenging strategic objectives the Group has set itself for the coming years. Also in the light of the Covid-19 emergency, the Company has strengthened activities already in place for years, intended to spread a culture that defends individuals in their complexity, protecting mental and physical health and promoting diversity and development in an inclusive environment, as well as activities to improve the quality of life in local communities and to sustainably manage its supply chain. These commitments can be seen in the structure corporate welfare system that meets the needs of Snam employees and their families, in corporate volunteering and community engagement initiatives, carried out in part through cooperation with Fondazione Snam, and in the support offered to the Italian economy and small and medium enterprises (SME), through specific involvement of local suppliers.

Governance

Legality, integrity, reliability of services and efficiency in network management are the key words that serve as the basis for the actions and projects implemented by Snam, which is committed to creating targets that make its business transparent, responsible and valuable. These objectives take the form of specific actions intended to guarantee infrastructure reliability and service quality are at high levels, to bring ESG issues to decision-making processes and induction sessions for the Board of Directors, and to carry out careful reputation checks to evaluate risks associated with the supply chain, fighting against any active or passive corruption identified.

ESG SCORECARD 2021-2023

Environment
Social
Governance (including economic aspects)

ENERGY SAVINGS OF OPERATIONAL MANAGEMENT

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

MWh of electricity production by photovoltaic plants
>860 MWh
Annually until 2023

% of retrofit and methane fuelled cars out of total car fleet
49% (2021) > **61%** (2023)

LAND PROTECTION AND BIODIVERSITY

15 LIFE ON LAND

% vegetation restoration of the natural and semi-natural areas involved in the construction of the pipeline routing
>99%
Annually until 2023

NEW BUSINESSES - GREEN INNOVATION

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

Production of biomethane (MScm)
19 (2021) | 84 (2022) | 141 (2023)

Cumulated number of CNG and LNG stations
74 (2021) | 119 (2022) | 167 (2023)

Reduction of CO_{2eq} emissions from energy efficiency interventions
16 (2021) | 34 (2022) | 43 (2023)

Available LNG capacity for SSLNG market
250 kton
By 2023

NATURAL GAS EMISSIONS

13 CLIMATE ACTION

% reduction of total natural gas emissions (vs 2015)
-25.1% (2021) > **-36%** (2023)

% of natural gas recovered from maintenance activities
(average of the last 5 years)
>40%
Annually until 2023

INFRASTRUCTURE RELIABILITY

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Average annual customer satisfaction rate in terms of service quality
(average of the last 3 years)
7.8/10 (2021) > **8.1/10** (2023)

% of reliability levels on gas supply
99.9%
Annually until 2023

GENDER DIVERSITY

5 GENDER EQUALITY

% of women in executive and middle-management roles

21.75% (2021) > 25% (2023)

% of women in succession planning (first and second line and key positions)

25% (2021) > 27% (2023)

SAFETY

3 GOOD HEALTH AND WELL-BEING

IpFG (Combined Frequency and Severity Index)

< AVERAGE last 5 years
Annually until 2023

No. of HS reports / No. of total audits performed (external and internal)

< AVERAGE last 5 years
Annually until 2023

WELFARE

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

% of participation in welfare activities

50% (2021) 52% (2022) 54% (2023)

EMPLOYEE ENGAGEMENT

8 DECENT WORK AND ECONOMIC GROWTH

% employee engagement index

70% (2021) > 75% (2023)

ENGAGEMENT OF LOCAL COMMUNITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

% of employees hours dedicated to Fondazione Snam's initiatives supporting local communities

+10% (2021) +10% (2022) +10% (2023)

RESPONSIBLE SUPPLIERS

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

% spent on local suppliers (SMEs in Italy) on total procurement

40% (2021) 40% (2022) 50% (2023)

Increase of third sector suppliers in Vendor List

+10% (2021) +20% (2022) +20% (2023)

GOVERNANCE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

% of BoD time dedicated to ESG issues in meetings and induction sessions

AT LEAST 40%
Annually until 2023

ANTI-CORRUPTION

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

% of third parties on which a reputational check has been carried out

100%
Annually until 2023

NFS SUSTAINABLE FINANCE AND SDG INVESTMENTS

In recent years, sustainable finance and its related instruments has taken on an increasingly significant role within the global financial landscape. This has given Snam the opportunity to **enhance its own role and work as a sustainable company**, guaranteeing broad access to financial markets at competitive costs, with positive effects on its economic and statement of financial position and reputation. In addition, with the aim of aligning the financing strategy with its sustainability targets and expanding its investor base, in 2018 Snam had already finalised the transformation into syndicated credit lines of 3.2 billion euros into **Sustainable Loans**, introducing environmental, social and governance (ESG) objectives. These objectives were met in 2019 and 2020, meaning Snam could benefit from a reduced interest rate on its Sustainable Loan.

For the 2020-2024 Plan, the Group aims at **increasing the weight of sustainable finance up to 60% of the funding available within the scope of the plan**. To promote this increase, the Euro Commercial Paper programme was renewed and increased from 2 to 2.5 billion euros, involving it in the ESGs that are in line with the Sustainable Loan (obtaining, for the instrument, an ESG rating of EE, assigned by the ESG Ratings company, Standard Ethics).

In recognition of the Group efforts, Snam joined the **Nasdaq Sustainable Bond Network**, a sustainable finance platform managed by Nasdaq, that unites investors, issuers, investment banks and specialist organisations. During 2020, Snam also increased its meetings and relations with **socially responsible investors** who are becoming increasingly important within the financial market. There is a total of 245 investors classified as ESGs within Snam's shareholding, representing 34.1% of the total number of Snam's institutional shareholders at September 2020 (Nasdaq analysis), and 13.8% of the overall number.

Since 2018, Snam has been a member of the ***Corporate Forum on Sustainable Finance*** **(CFSF)**. In November 2020, the Forum confirmed the role of sustainable finance as a crucial support in projects with a positive social and environmental impact, but it also highlighted certain challenges for sustainable finance:

1. further integration of the sustainability policies with the company's financial strategies;
2. working in synergy with the investors to stimulate the development of a more sustainable economy through innovative financial instruments;
3. increasing the company's presence in international and Italian forums that contribute to the development of sustainable financial markets;
4. actively participating in the definition of regulatory standards and frameworks that govern the sustainable financial instruments;
5. collaborating with rating companies to more deeply incorporate the ESG criteria into the assessment of the long-term financial sustainability of companies;
6. building on expertise and promote best practices that realise the impact of the strategies applied.

The complementary activities and sustainable financial instruments implemented by Snam over the years contribute to a common objective: **making the Company more transparent, attracting a wider range of investors and highlighting its constant and growing involvement in ESG issues and efforts to achieve SDGs**.

CLIMATE ACTION AND TRANSITION BONDS ISSUED BY SNAM

In 2019, Snam was one of the first companies in the world to issue a **Climate Action Bond**, with a reference framework dating back to 2018. The aim of the Climate Action Bond was to better align its financial strategy with the Group's sustainability targets, consolidate Snam's role in energy transition within Europe, raise the awareness of investors around their own ESG initiatives and investments and diversify the investor base. The funds obtained with the Climate Action Bond were used to finance and, in part, refinance the **Eligible Projects** defined in the Climate Action Bond Framework and reported in the table below. The projects cover a broad spectrum of initiatives aimed at reducing emissions or using renewable energy, energy efficiency and protecting the local area and biodiversity.

The bond issued was also certified by **DNV GL** that confirmed the bond's alignment with the suitable categories defined in the framework.

Eligible Projects of the Climate Action Bond

Eligible Category	Description	SDGs
Carbon & Emission Reduction Projects	Infrastructure, equipment, technology, systems and processes that show a reduction in the use/loss of energy and a reduction in emissions of the industrial structures.	
Renewable Energy Projects	Development of new biomethane plants and updating of existing biogas plants, in Italy and abroad.	
Energy Efficiency Projects	Energy efficiency projects for Snam's corporate structures or the supply chain.	
Green Construction Projects	Development and maintenance of conservation areas, protection of the natural capital and development and maintenance of green areas/buildings.	

In 2020, Snam reconfirmed that it was fully committed to further integrating the Group's sustainability objectives with the company's financial strategy by implementing and issuing two **Transition Bonds**. The first was issued in June for 500 million euros, for a duration of ten years, and the second, issued in Europe, was the first to be issued by a gas transportation utility. The second Transition Bond was issued in November for 600 million euros for a duration of eight years, the longest bond issue with a coupon of 0% issued by an Italian issuer.

The **Eligible Categories** perimeter, already identified in the Climate Action Bond Framework, now includes the new category "Retrofit of gas transmission network", or any activity on the gas network aimed at improving the integration of hydrogen and other low-carbon gases, as defined in the Transition Bond Framework published in June 2020.

This last category was inserted with the intention to align Snam's initiatives with the mitigation criteria identified by the **Taxonomy of the European Commission** on sustainable finance.



In March 2021, as part of the Environmental Finance Bond Awards, Snam's Transition Bond Framework, published in June 2020, was recognised in the Award for Innovation - Use of Proceeds (Green Bond) category, demonstrating the market's recognition of the company's commitment to sustainable finance.

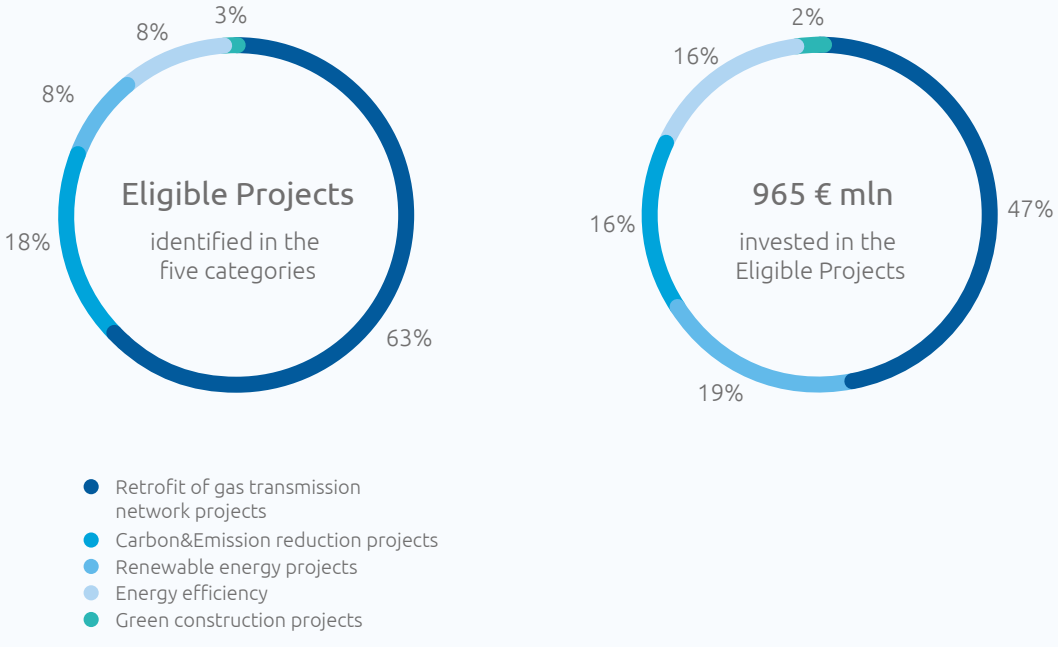
The Transition Bond further expands Snam's investor base and also establishes the rules around the issue of bond loans aimed at financing environmental sustainability investments, in line with the key role, attributed to renewable gases, of achieving the long-term decarbonisation goals, and with the role that can be assumed by the existing infrastructure facilitating this transition.

The table below reports the list of **Eligible Projects** envisaged by Snam's Transition Bond.

Eligible Projects of the Transition Bond

Eligible Category	Description	SDGs
Carbon & Emission Reduction Projects	Infrastructure, equipment, technology, systems and processes that show a reduction in the use/loss of energy and a reduction in emissions of the industrial structures.	
Renewable Energy Projects	Acquisition and development of new biomethane plants and updating of existing biogas plants, in Italy and abroad.	
Energy Efficiency Projects	Energy efficiency projects for Snam's corporate structures or the supply chain.	
Green Construction Projects	Development and maintenance of conservation areas, protection of the natural capital and development and maintenance of green areas/buildings.	
Retrofit of gas transmission network	Activities and projects carried out for the purpose of adapting Snam's gas network and making it ready to transport a growing percentage of hydrogen and/or other low-carbon gases, in keeping with what is indicated in the **European Taxonomy**.	

At 31 December 2020, Snam financed eligible projects worth approximately 965 million euros[12] (vs 235 million euros in 2019), equal to approximately 60% of the bond issues concluded by 2020. As shown in the two graphs below, around 47% of the total amount financed was allocated to the fifth category of the current Framework (i.e., Retrofit of gas transmission network), which included more than 60% of all the eligible projects.



12 For more details, you can refer to the "Climate Action and Transition bonds Report" available at the following link: www.snam.it/export/sites/snam-rp/it/investor-relations/debito_credit_rating/file/Snam_Climate_Action_and_Transition_bonds_Report_2021.pdf

TEP Energy Solutions and the Nearly Zero Energy buildings

In 2020, TEP Energy Solution implemented the complete restructuring of two residential buildings in Ponte di Legno (BS), hence developing its first "Nearly Zero-Energy Buildings": buildings that consume very little energy and that are able to generate the amount of energy required directly on-site from renewable sources thanks to the sustainable technologies and materials used to build them.

The intervention is part of a TEP commitment to support the requalification of urban centres and the economic and social development of territories, with the help of local businesses. The project, involving 80 residential units and worth a total of 15 million euros, will allow for the recovery of a structurally compromised area in Valcamonica, a winter and summer tourist destination. The buildings, dating back to the first half of the 1970s, will be rebuilt in compliance with the new seismic regulations and will undergo further improvements, including: acoustic isolation, eliminating architectural barriers to improve accessibility, renovating surrounding areas and reducing impact on the landscape.

Post-intervention, the buildings will be classified under energy class A4, the highest according to the current regulations in force. For energy saving, external thermal insulation and integrated photovoltaic plants will be installed and the buildings will be connected to the city's district heating network. The interventions will benefit from Sismabonus and Ecobonus tax incentives that will considerably reduce investment costs.

This project was made possible thanks to the CasaMia programme created by TEP to promote the energy efficiency of residential buildings and help protect them from seismic events through tax incentives.

THE CFO TASKFORCE AND INVESTMENTS IN SUPPORT OF SDGS

In 2009, Snam had already made it clear that it was committed to a sustainable business development model, to observing and protecting human and working rights and to protecting the environment by complying with the UN Global Compact, the largest-scale worldwide voluntary initiative on sustainability issues.

For Snam, this commitment also involves the integration and alignment of financial planning procedures with the SDGs, an objective further strengthened through active participation in the **UN Global Compact CFO Taskforce**, of which Snam is a founding member. The initiative involves different actors in the business sector: investors, banks, financial institutions and credit rating agencies to make the market more efficient, broader and fluid and to promote the flow of capital to activities that contribute significantly to these goals.

In September 2020, the Taskforce launched **the first principles integrated and supported by the United Nations for investment and finance**, developed to guide companies to align their sustainability commitments with corporate financial strategies to generate a significant impact on SDGs. As a member of the CFO Taskforce, Snam is committed to adopting these guidelines, implementing specific KPIs and sharing experiences to help create a transparent and efficient SDG financial market.

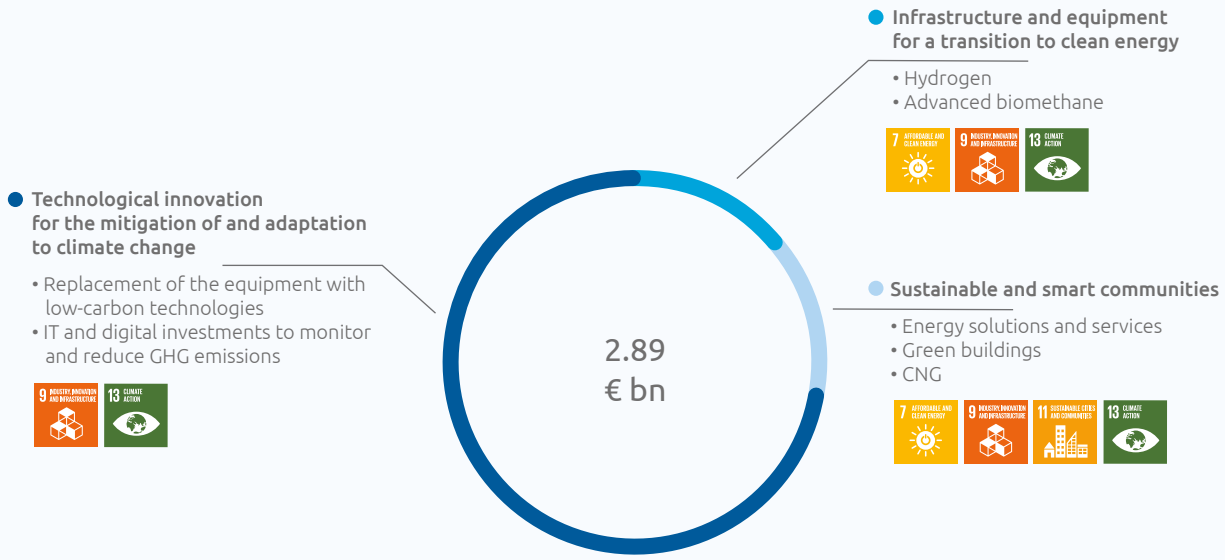
Snam's actions for the SDGs

Description	SDGs
Increasing the production of energy from renewable resources, including biomethane, and improving the energy efficiency of Snam's operations, avoiding or reducing the impact on the environment, the landscape and the cultural heritage. Snam will achieve this goal through **Snam 4 Environment** and **Snam 4 Efficiency**: the former is specialised in the biomethane production infrastructure and in the promotion of green activities, while the second is one the main Italian operator in energy efficiency services for the residential, industrial, and public administration sectors. Both leverage on the technical competencies acquired thanks to businesses which are leaders in the sector, in particular Renerwaste and Iniziative Biometano for the biomethane business and TEP, Mieci, and Evolve for the energy efficiency business.	
Building a more resilient and sustainable infrastructure through investments aimed at making the infrastructure Hydrogen ready and at converting the compression stations into dual fuel, and at digitalising the business, allowing Snam to become the most technologically advanced gas transport company in the word and to guarantee ever increasing security and sustainability of its operational activities.	
Snam has created **Snam 4 Mobility**, a company dedicated to promoting sustainable mobility using CNG, LNG and renewable gases (bio-CNG and bio-LNG), which has the objective of strengthening the infrastructure for sustainable mobility (CNG/LNG refuelling stations), of expanding the offering for heavy vehicles and of creating the first hydrogen stations in the national territory.	
With the goals of playing a crucial role in the energy transition and with a long-term vision aligned to the purpose "Energy to inspire the world" and to the European objectives, Snam will be one of the first businesses in the Oil & Gas sector to achieve the carbon neutrality by 2040, giving a concrete contribute to decarbonisation of the system through the development of green gas and, in particular, of hydrogen. Snam has created the business unit **Hydrogen** with the goal of acting in the forefront in a sector with great growth opportunities, the hydrogen one, through collaborations, strategic partnerships, and the launch of new pilot projects.	

In the table, there is a reference to Snam 4 Efficiency, which has been substituted by Renovit in 2021.

At the same time as approving the 2020-2024 Plan, the Group carried out an analysis to confirm the **alignment** between the **SDGs** and the **investments included in the strategic Plan**. This analysis highlighted the SDGs that the Plan would impact most significantly, showing alignment between the investments and the Group's priority ESGs. In particular, while contributing transversally to many of the United Nations SDGs, the 2020-2024 Plan will have an **effective and significant impact on SDGs 7, 13, 9 and 11** (in order of priority).

Breakdown of the investments aligned with the SDGs in the 2020-2024 Plan



Snam's strategies to align with the European Taxonomy system

The EU Taxonomy is a classification system integrated throughout Europe and aimed at creating a common language that investors and businesses can use when investing in economic activities with **a substantial positive impact on the climate and the environment**. The Taxonomy links the Paris Agreement with investment practices, clearly defining the types of activities that are consistent with the transition towards a low-emissions economy and adapting to climate change, as well as other environmental targets. This instrument aims to drive the flow of capital to activities able to contribute to a zero greenhouse gas emissions economy by 2050.

The implementation process is still underway: by 2021, we can expect the approval of Delegated Acts that define the technical criteria relative to the first two of six environmental targets established in the Taxonomy - "climate change adaptation" and "climate change mitigation".

To demonstrate its commitment to align with the EU Taxonomy, when defining its investment choices in its strategic Plan, Snam analysed the sum of the investments envisaged (approx. total of 7.4 billion euros in the period 2020-2024) that demonstrated **around 40% alignment** with the technical criteria of the most recent version of the Delegated Acts.

The importance of a growing alignment with the EU Taxonomy is also relevant to Snam's use of sustainable financial instruments under conditions that benefit its investments, with the intention to expand its green investor base at the same time.

Snam is actively monitoring the Taxonomy evolution process with the aim to implement the disclosure indications envisaged.

NFS INNOVATION FOR BUSINESS DEVELOPMENT

Snam's short, medium and long-term goals require huge efforts and investments in innovations, to ensure it always finds the best technical and management solution. To this end, the Group will invest around **2 billion euros** with the aim to enhance its innovative capacity to transform and manage its assets and seize opportunities offered by energy system developments.

These resources will contribute to the evolution of research and development initiatives, digitalisation and innovation to increase the Group's ability to transmit and analyse data in real time. The most important experiment that highlights the benefits of digitalisation on the energy system will be represented by the first "future" district in 2021, also known as the **Bologna 'Flagship' District**.
The experiment will make use of the most advanced technologies to measure results in relation to its operational effectiveness, security, integrity and the reliability of assets, to highlight the benefits of digitalisation on the energy system.

Snam's innovation efforts are most prominent in three strategic areas:

- **energy efficiency and reducing emissions within the core business;**
- **digitalisation of the core business;**
- **investment in energy transition.**

ENERGY EFFICIENCY AND REDUCING EMISSIONS WITHIN THE CORE BUSINESS

Snam invests in activities aimed at energy efficiency and reducing emissions within its core business to maintain a high performance levels and, at the same time, contribute to the fight against climate change. In 2020, Snam:

- implemented an **Asset Control Room** project to improve and innovate asset management and operating;
- continued the experiment on the **Leak Detection and Repair (LDAR)** system, and also completed a related pilot project, aimed at identifying and localising gas leaks along the gas transportation network;
- completed the new **Supervisory Control and Data Acquisition (SCADA)** for the network area (monitored and remote) and the Snam Rete Gas plants.

DIGITALISATION OF THE CORE BUSINESS

The new Plan includes technological innovation and digital transformation investments worth 500 million euros. To this end, in 2020, Snam:

- introduced a **Digital Asset Model** aimed at representing a digital version of Snam's assets, providing the opportunity to interpret data identified by sensors on-site, in a similar context to the real one. This model will allow for

Alliance for Sustainability: for the promotion of sustainable and digital growth throughout Italy

In 2020, Snam adopted the **Alliance for Sustainability** initiative, a project carried out in collaboration with **growITup**, an Open Innovation platform created by Cariplo Factory in partnership with Microsoft Italia, with the aim to promote sustainable growth of Italy through digital platforms, in line with the European plans to relaunch the economy.

Alliance for Sustainability involves **strategic collaboration with large corporations, the world of academia and start-ups** to develop new projects, through **open innovation**, able to address climate change and the most pressing environmental challenges and spread green culture, leveraging on **new technological trends** and contributing to the **sustainable development of Italy**.

The Alliance work plan involves meetings with each of the participating companies where environmental requirements are mapped out using **Design Thinking** methods. During a round table discussion, the areas identified will be outlined along with common objectives and synergies between the different companies, in collaboration with start-ups based on environmental issues that will present their solutions. Finally, the **Digital Hackathon** will be carried out, where the ideas proposed, and requirements identified will be brought together through definitive solutions.

new asset management logic to be adopted, including remote management, network alignment simulations, operator support in augmented and virtual reality, as well as reduce the risk of accidents and optimise on-site activities, resulting in reduced emissions;

- an agreement protocol was signed with the aim to integrate and seize opportunities offered by **Cloud and Edge Computing, Artificial Intelligence and Internet of Things (IoT)**. The **Cloud Foundation Programme** will lead to the transformation of Snam's technical architectures through an hybrid and integrated model known as **Hybrid Cloud**, bringing benefits including an increased resilience of services and business continuity, flexibility, quicker activation of new services, scalability of technological infrastructures and innovation acceleration;
- the **videoconference systems renewal process** was completed for all the meeting rooms on the Campus and at Italian regional sites, ensuring full coverage of all the meeting rooms across Italy to date, with nearly 200 areas equipped with the latest generation videoconferencing systems. After **digitalising corporate spaces**, **Surface HUB2** systems, also known as interactive Microsoft white boards, were installed in around 100 management offices in the first months of 2021;
- continued the **Gas Transportation Network Asset Maintenance System (Smart Gas)** project, a corporate initiative aimed at improving the effectiveness of technical and operational processes related to asset maintenance activities, was continued In October 2020, the Smart LNG go live was implemented for the maintenance unit, while the project for the prevention and protection implementation and service unit is still being developed. The dematerialisation of the archives in the regional units continued through the eDoc document system, which will be fully integrated into SMART GAS;
- the **Smartness Matrix** was continued, originally initiated as a means to analyse, in a structured way, the requirements of the acquisition processes and the management of data relating to the control and operation of the transportation, storage, and regasification assets, to increase their effectiveness levels and identify the best supporting technologies of the whole remote-controlled process;
- research into plant system solutions were continued for the creation of the **SmartPipeline**, with the identification and installation of new digital functional and diagnostic instruments used to make the gas transportation network even smarter. This project was also extended to the **SmartPlant** initiative launched in 2020;
- the **IoT Foundation** programme was continued with the aim to modernise technological components to support systems that monitor and control, in real time, the Group's network and plants;
- an initial project to support the control room was developed, based on the use of **Artificial Intelligence (AI) algorithms**.

MANAGING CYBERSECURITY TO GUARANTEE IT SECURITY

Business development, investments in digitalisation and the implementation of innovative solutions all require constant maintenance of cybernetic security systems, also known as **cybersecurity**. Snam's approach to cybersecurity is **integrated** and based on a defined framework that complies with the standard principles on the subject: constant attention to the regulatory obligations and reference standards ensure that the Company complies with **ISO/IEC 27001** provisions (Information Security Management Systems) and **ISO 22301** (Business Continuity Management Systems).

In the cybersecurity system, all the domains are managed under the same operations system, through a **Cybersecurity Incident Management** model applied by the **Security Incident Response Team** that prevents, monitors and addresses remediation interventions and timely escalation plans to mitigate the most modern cyber threats that could compromise the confidentiality, integrity and availability of information.

In 2020, despite the changes to normal work practices due to the Covid-19 pandemic, the Security Incident Response Team was able to operate without interruptions, guaranteeing high levels of cyber security. All of this was possible thanks to the experience gained during recent years in relation to remote working, leading to risk analyses and the adoption of security solutions suitable for safeguarding corporate interests, also while implementing this way of working.

The **human factor** is also an important element which contributes to cybersecurity: therefore, Snam promotes employee awareness raising actions through, for example, "White Phishing" campaigns or simulating fraudulent emails, aimed at identifying the company's most vulnerable areas.

Cybersecurity is not only an internal issue, it also involves customers and the entire supply chain. Snam established an **Ethics and Integrity Agreement** with the latter that includes cybersecurity issues, with particular focus on the transparency of incidents and defence procedures in case of problems.

ENERGY TRANSITION INVESTMENTS

In 2020, with the view to use corporate infrastructure to promote and facilitate energy transition, Snam continued and initiated various research aimed at adapting its **network for the transportation of mixed natural gas and hydrogen (H2)**. In particular, the Group:

- initiated **tests**, in collaboration with suppliers, **on gas turbines for compression plants** to validate the supply with mixed natural gas and hydrogen with 10% variable hydrogen;
- issued **internal regulations** to create a hydrogen-ready infrastructure by building new pipelines and adjusting the existing ones;
- joined **research groups**, specifically the European Gas Research Group, and collaborated with other European natural gas transportation companies to

detect and measure the natural gas emissions from the gas transportation system, evaluating the state of the art and, consequently, selecting the most useful instruments in defining a testing programme for carrying out measurements on-site;

- participated in **Joint Industry Projects** to research the effects of hydrogen on gas measurement systems, also through specific tests carried out;
- continued the **Power 2 Gas** initiative, a process through which the electricity produced by renewable sources that is surplus to immediate consumption is transformed into hydrogen to be injected directly into the network or used for the production of synthetic methane (SINGAS). To this end, a feasibility study was carried out and basic engineering activities were instituted for the creation of a P2H pilot plant;
- the **Absorbed Natural Gas (ANG)** initiative was continued for the storage of natural gas in tanks containing a porous sorbent, allowing for larger quantities of natural gas to be stored than would be stored in an empty tank of the same volume;
- the Group joined the **European Pipeline Research Group (EPRG)**, an association that carries out research on pipelines used by the most important companies in the European gas transportation and pipeline manufacturing sectors. EPRG manages projects, divided into **Design, Material and Corrosion**, aimed at constantly improving the knowledge and management of the integrity of gas pipelines during their life cycle (pipe manufacturing, pipeline construction and operation). During 2020, EPRG initiated a series of projects to research the behaviour of **steel**, used in existing pipelines, **when introduced to hydrogen blends**.

Digital management of the pandemic

To address the pandemic, Snam implemented a series of interventions to expand, on large scale, and consolidate the new ways of working that were already used, for some time, by the company, such as smart working.

Smart working involves connecting to company resources remotely and adopting secure technological solutions that guarantee this connection, and using platforms to carry out calls, message exchanges and, most importantly, virtual meetings that involve multiple users. Of all these aspects, the most complicated was the mass distribution of the required technological equipment to users. A total of 889 smart working kits (monitor and keyboard) and 147 headsets, 300 smartphones and 605 data SIM cards were distributed, 178 Pcs were assigned/replaced and 479 tokens were provided for remote access to the Snam network.

GOVERNANCE

NFS TCFD

GOVERNANCE AND ORGANISATION

Snam's governance system fosters dynamics that create value and facilitate the conditions for the **proper and adequate interaction between the company and the context of reference**. These objectives are pursued on the basis of Snam's *modus operandi* principles: **integrity, transparency and compliance with regulations**, both internally and externally, to guarantee a clear and sustainable growth strategy that satisfies the interests of all the stakeholders. The **governance system** reflects this traditional model and is developed in compliance with the regulations in force and applicable across the sector (regulations for listed companies and unbundling regulations), in consideration of **Italian and international best practices and the principles of the Group's Code of Ethics**.

SHAREHOLDERS' MEETING

APPOINTS

APPOINTS (list voting mechanism)

INDEPENDENT AUDITORS
(Deloitte & Touche S.p.A.)

BOARD OF DIRECTORS

- Carries out all the actions that it considers opportune for the implementation and achievement of the corporate purpose, excluding only actions that the law or the by-laws reserve for the Shareholders' Meeting
- Assesses the company's organisational, administrative and accounting structure
- Approves the strategic, commercial, and financial plans, monitoring their implementation
- Defines the corporate governance system and rules, and the internal control and risk management system of Snam and its Subsidiaries
- Adopts procedures to ensure the correctness and transparency of transactions between related parties or, in relation to Directors and Statutory Auditors, with subjects of interest
- Adopts procedures for the management and diffusion of corporate and financial information, including price-sensitive information.

BOARD OF STATUTORY AUDITORS

- Oversees observance of the law, the deed of incorporation and the principles of correct administration in performance of the company's activities
- Checks the adequacy of the organisational, administrative and accounting structure adopted by the company and that it operates correctly
- Performs the supervisory functions in its capacity as "Committee for internal control and auditing", under the terms of Italian Legislative Decree no. 39 of 27 January 2010

ESTABLISHES

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE

The Committee **makes proposals** and provides consultation to the Board of Directors in order to promote the continual **integration of national and international best practices** into Snam's corporate governance and of **environmental, social, and governance factors** into the corporate strategies aimed at creating value for all shareholders and for stakeholders over the medium to long term, **observing the principles of sustainable development**.

CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

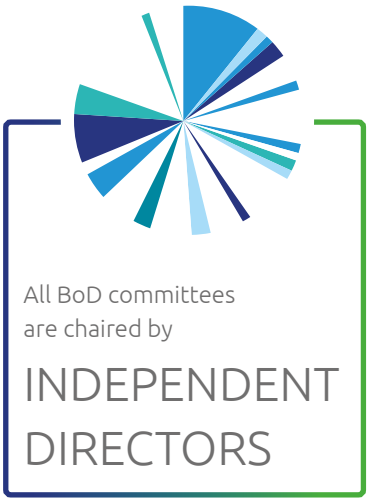
The Committee **makes proposals** and provides consultation to the Board of Directors in order to **support**, with adequate enquiries, **the Board's assessments and decisions on the internal control and risk management system**, and those related to the **approval of the periodic financial reports**.

APPOINTMENTS COMMITTEE

The Committee **performs propositional and consultative functions** in relation to the Board of Directors proposing, assessing and examining the c**andidates for the administrative bodies of Snam and the Subsidiaries**.
In addition, it formulates opinions and reports to the Board regarding activities performed, the dimensions and composition of the Board itself, expressing also **recommendations with respect to the managerial and professional figures**, whose presence on the Board is considered opportune.
The Committee also **examines and assesses the methods involved in preparing the succession plan** for the Company's senior managers with strategic responsibilities.

REMUNERATION COMMITTEE

The Remuneration Committee performs **makes proposals and provides consultation** to the Board of Directors on the subject of the remuneration of directors.
The Committee periodically assesses the **adequacy, overall consistency and actual application of the Remuneration Policy**, as well as **proposing the definition of the performance targets** which also include indicators related to ESG factors, the final accounting of the company's results and the definition of claw-back clauses.



Furthermore, Snam adheres to the UN Global Compact, the most important international sustainable development initiative, aimed at promoting and spreading the ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

As specified in the Company by-laws, following the approved amendment by the extraordinary shareholders' Meeting of 2 February 2021, the Group aims to pursue successful sustainable practices through the creation of long-term values which benefit the shareholders, taking into consideration the interests of other stakeholders that are significant to the Company. Snam also operates under the frameworks of OECD **Guidelines for Multinational Businesses**, the **UN Declaration of Human Rights the fundamental Conventions** of the ILO guidelines and its own **Code of Ethics**, that is also an integral part of the Organisational Model of Legislative Decree 231/2001.

Snam already complies with a substantial proportion of the recommendations contained in the Corporate Governance Code published by the Corporate Governance Committee in January 2020 and which officially entered into force from 2021. Snam's efforts and commitment lead to its classification, in 2020, as one of the best Italian Companies for corporate governance and integration of ESG factors (environmental, social and governance) in corporate strategies, according to the annual Integrated Governance Index survey carried out by ETicaNews and TopLegal.

The Meeting of 2 April 2019 established nine directors for a term of three years in office, due to expire at the date of the 2022 Meeting for the approval of the balance sheet at 31 December 2021.

BOD COMPOSITION

Snam's Board of Directors instituted the following four Committees: the Remuneration Committee, the Appointments Committee, the Control, Risk and Related-Party Transactions Committee, the Environmental, Social & Governance Committee. The composition, roles and function of the Committees are governed by the Board and set out in specific regulations. The Board assigns Committee members. The Committees are composed of three non-executive directors, the majority of which are independent, except the Control, Risk and Related-Party Transactions Committee that is composed of independent directors only.

With the aim to optimise corporate processes, including the functioning, efficiency and effectiveness of the BoD, a **Board Evaluation** process has been implemented since 2019, aimed at assessing the Board and internal Committee operations by passing judgement on the activities carried out and identifying elements that could improve their performance. The Board Evaluation process has been entrusted to an independent advisor.

Considering the key principles of transparency and integrity, comprising the foundation of the corporate structure, Snam is committed to identifying the information flows between corporate bodies and effectively defining the

More detailed information on governance and remuneration can be found in the document "2020 Report on corporate governance and ownership structure" and the "2021 Remuneration Report", published online at **www.snam.it** at the same time as the Annual Report.

67%
OF THE BoD ARE INDEPENDENT DIRECTORS*

*
5 of 9 directors are qualified as independent pursuant to the Consolidated Law on Finance (TUF) and the Code of Corporate Governance and the Chairman is qualified as independent pursuant to the TUF.

BoD Composition

WOMEN
33%

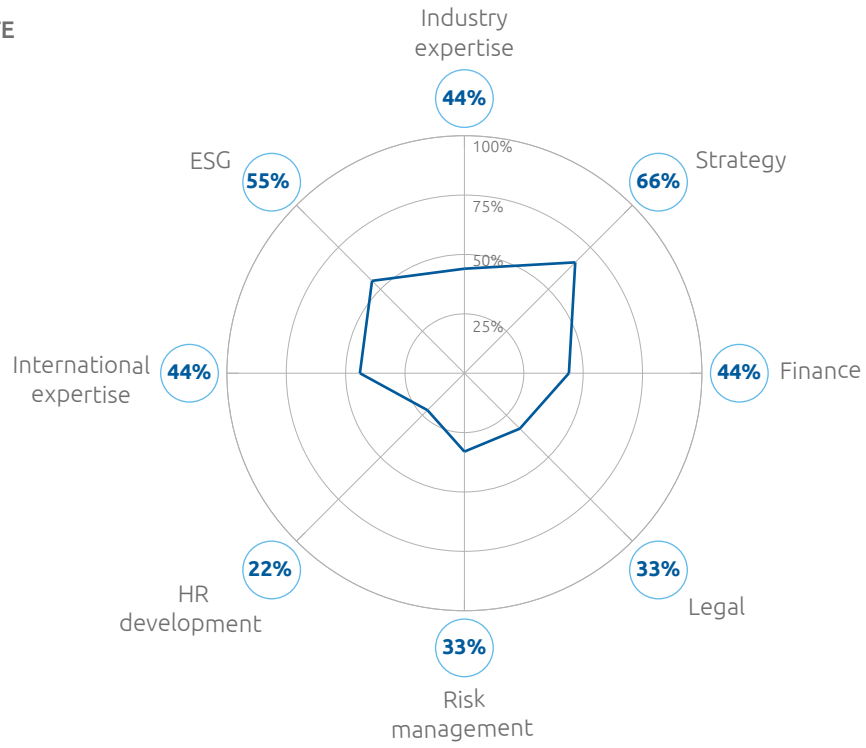
MEN
67%

IN 2020, **12** BOD MEETINGS WERE CARRIED OUT WITH A **100%** PARTICIPATION RATE

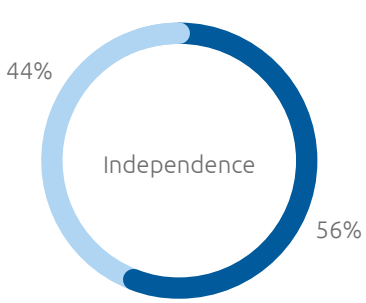
BUSINESS SKILLS (%)
67%

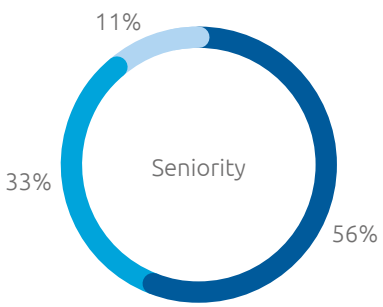
FINANCE SKILLS (%)
33%

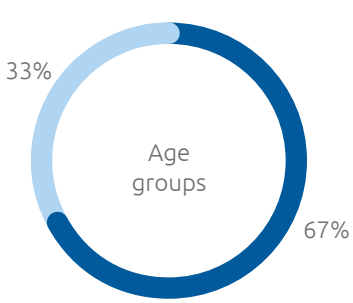
Diversity and skills matrix



BoD Composition







internal Control and Risk Management System. Snam exercises management and coordination activities through the implementation of **Guidelines on Corporate Governance** which define the principles, contents, instruments and operating methods of strategic activities carried out by Snam in line with its own corporate governance system and the characteristics of its organisational structure while, at the same time, taking into account the legal autonomy and the principles of the correct corporate and business management of the subsidiaries.

SUSTAINABILITY GOVERNANCE

The Board of Directors plays a central role in overseeing the company's commitment to sustainable development along the value chain. Sustainability issues are always a central focus of the Board of Directors that dedicated 41% of its meetings to ESG issues in 2020.

Since 2016, the Board of Directors has been assisted with these tasks by the Sustainability Committee, replaced in May 2019 by the ESG Committee, that makes proposals and provides advice and is made up of three non-executive directors, two of which are independent, including the Chairman. The Committee is responsible for the promotion and integration of environmental, social and governance factors in corporate strategies in compliance with sustainable development, as well as the coordination of the preparation of non-financial information. In 2020, the ESG Committee met 18 times, with a participation rate of 98%, and addressed issues relating to climate change on various occasions, analysing, in particular, the Group's results and Snam's strategies with regards to reaching the established decarbonisation targets.

Climate change governance

In compliance with the TCFD recommendations, Snam is committed to maintaining and strengthening its governance system with the aim to support the Company initiatives in the fight against climate change.

To this end, activities have been implemented to ensure the comprehensive monitoring by the Board of Directors of climate change risks and opportunities, and opportunities aimed at ensuring the correct management of these issues by the management department when running its activities.

Based on the proposal of the CEO, the Board of Directors plays a fundamental role in spreading and integrating a culture aimed at reversing climate change. As such, the Board regularly assesses and approves:

- **climate change and energy transition targets, an integral part of corporate strategies, included in the annually approved strategic Plan;**
- **Snam's strategic risks, including annually assessed climate change risks;**
- **ithe share-based long-term incentive plan with goals relating to reducing gas emissions, consistent with the Strategic Plan guidelines for the CEO and managers, with a greater impact on annually approved company results;**
- **the annual sustainability results and the HSE reassessment, including their impacts on climate change;**
- **institutional reporting that comprises the half-year and annual Report (including the Consolidated Non-Financial Statement - NFS), the Sustainability Report and the Financial Disclosure on Climate Change;**
- **the information provided by the Committees and, specifically by the ESG Committee, pursuant to the relative Regulation on information disclosed to the Board after every Committee meeting.**

As one of the initiatives aimed at making climate change a priority for management bodies, the new Plan envisages the continuation of board induction sessions for the BoD, as a means to keep its members informed about climate change issues and initiatives. In particular, according to the ESG Scorecard, it was foreseen that the BoD dedicates at least 40% of its time on ESG matters during meetings or board induction sessions.

SNAM'S ORGANISATIONAL MODEL

We manage our business in accordance with the Corporate System Framework, the organisational and procedural system applied across all Group companies in Italy and abroad, created to ensure that the system of rules governing the business is clear, simple and organic. The system is inspired by the **Code of Ethics**[13] and is based on management policies, described in the following chapters, based on the principles enunciated by the **United Nations Universal Declaration of Human Rights**, the **Fundamental ILO Conventions** and the **OECD Guidelines for Multinational Enterprises**.

In order to successfully implement this system, managerial actions need to be based on the allocation of specific objectives to each position of responsibility and on the transparent assessment of results, thereby enabling continual improvements in the effectiveness and efficiency of corporate processes.

The organisational structure of Snam features four business units and staff functions, designed with a view to simplifying processes, efficiency and continuous improvement. The business units focus on four key Snam activities: (i) international development, (ii) management of Italian subsidiaries and development of technical services based on specialist skills and know-how for gas operators, (iii) energy transition business development, and (iv) hydrogen business development.

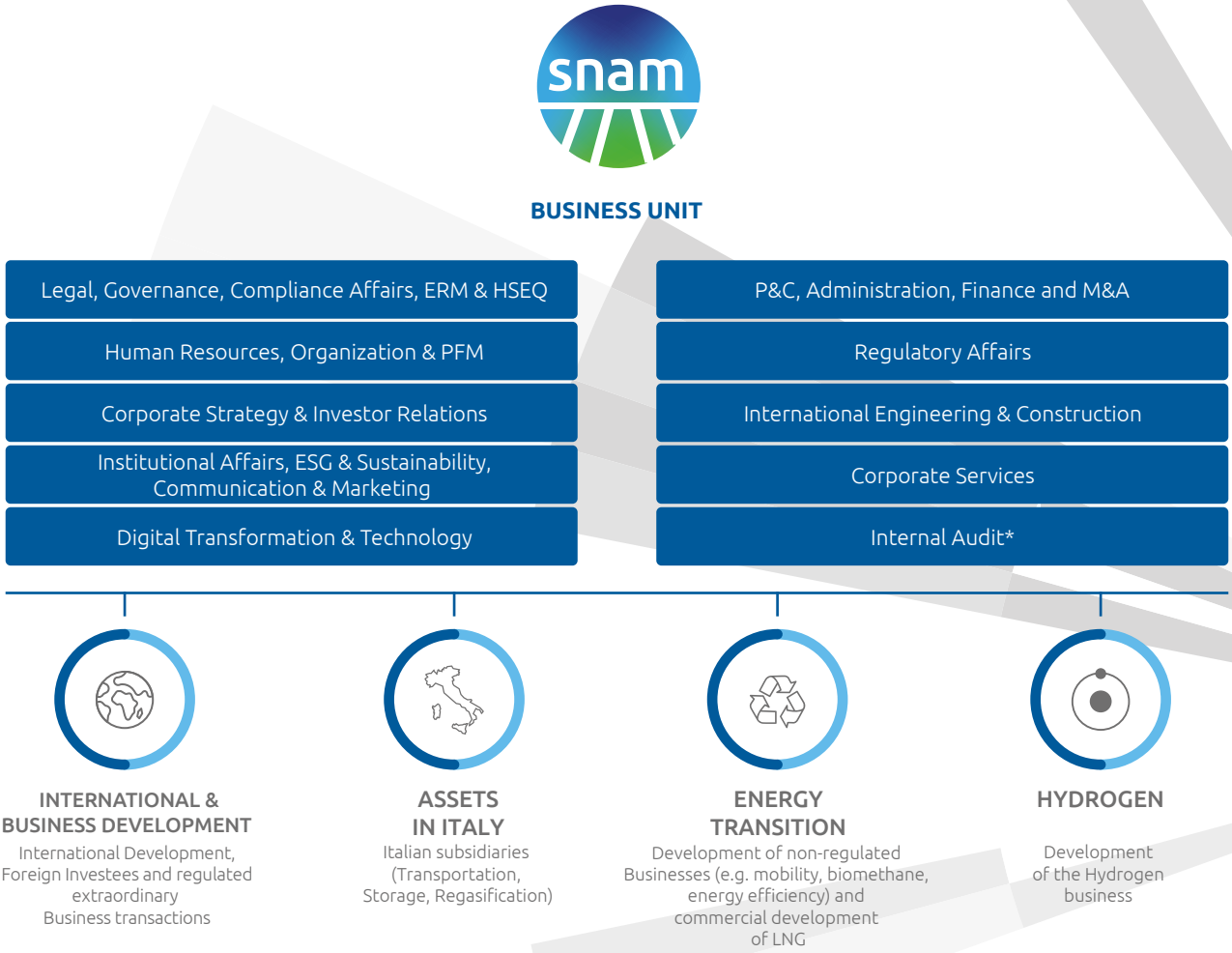
Reorganisation of the corporate structure in 2019 was required to facilitate the integration and optimisation of corporate processes, especially in the context of energy transition and decarbonisation. All business units linked to biomethane, hydrogen, sustainable mobility and energy efficiency and international activities were implemented in 2019. In 2020, also in consideration of the impact that such activities will have on the 2020-2024 Strategic Plan, the role of these business units was further strengthened.

SNAM'S REMUNERATION AND INCENTIVE SYSTEM

Snam is committed to providing a remuneration system that always aligns with international best practices, compliant with European and Italian regulations, and which supports and fosters the development of the Company consistently with its Strategic Plan.

Snam's remuneration system, guided by the Remuneration Committee, is aimed at recognising the responsibilities assigned to it, the results it achieves and the quality of the professional contribution provided by the Company management department and complies with the principles of people promotion and equal opportunities, established in the Code of Ethics and present, for some time, in Snam's organisational culture.

13 Snam's Code of Ethics can be viewed on the Company's website at the following link www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/codice_etico.pdf.



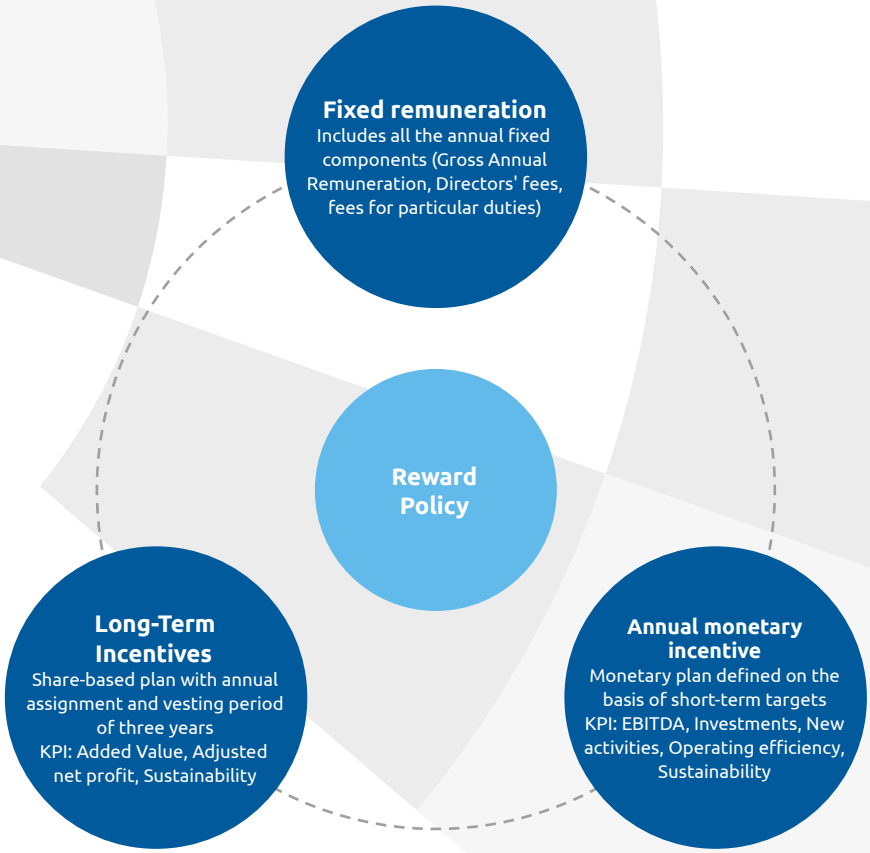
(*) On behalf of the Board of Directors, the Chairman coordinates and makes use of the Head of Internal Audit, who reports hierarchically to the Board.

The remuneration system represents a fundamental instrument aimed at attracting, retaining and motivating team of high-quality management personnel who are able to run the company successfully, while aligning its actions with shareholders' interests and promoting the creation of value in the medium-long term.

For **managers**, the remuneration system breaks down into two parts: fixed remuneration, with possible annual adjustments for merit or progression of roles/responsibilities, and variable remuneration with incentives aimed at promoting professional contribution in the short-term, by assigning an annual monetary incentive (IMA), as well as in the medium-/long-term, by assigning a long-term share-based incentive (ILT). Also, managers are subject to claw-back mechanisms, aimed at recovering the variable portion if the resulting compensation is not due if it was earned based on targets that were attained as a result of malicious or grossly negligent behaviour or that were proven to be manifestly incorrect. Finally, the **Total Reward Statement** is an information package on the breakdown of individual remuneration that guarantees the promotion and transparency of the remuneration system for managers.

For **the rest of the corporate population**, Snam adopts a short-term variable incentive plan intended to reward best performance and the young resources with potential for development. What is more, all companies in the Group implemented a "**Participation Bonus**", instituted by the National Collective Labour Agreement, based on the performance of profitability and productivity parameters, measured in relation to the targets agreed upon every year between the company and trade-union representatives.

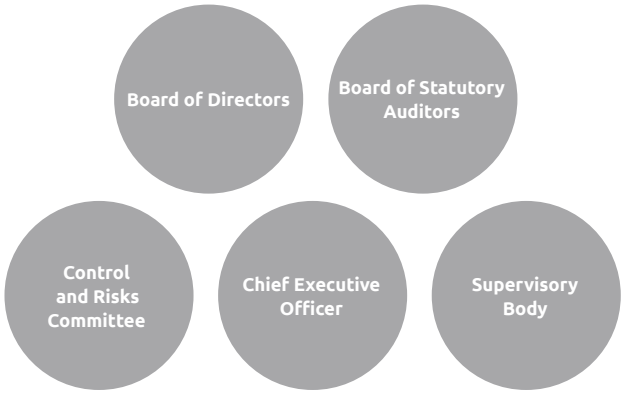
The Snam 2020 Remuneration Policy[14] for Directors, Auditors and Managers with strategic responsibilities[15] was approved in 2020. The document defines the new 2020-2022 long-term share-based incentive plan that prescribes the assignment of Snam ordinary shares after achieving performance goals measured over a three-year period. Sustainability plays an increasingly important role in the new Remuneration Policy which includes: the frequency index and the accident severity index, inclusion in the DJSI, FTSE4GOOD and CDP indices, and the Forestation Project.



14 The Snam 2021 Remuneration Policy for Directors, Auditors and Managers with strategic responsibilities will be approved during the shareholders' Meeting of 28 April 2021.

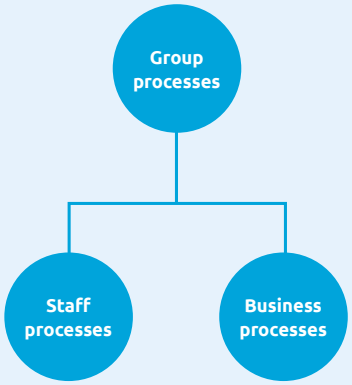
15 At Snam, managers with strategic responsibilities differ from Directors and Auditors, and have the following roles: Chief Financial Officer; Chief International & Business Development Officer; General Counsel; Executive Vice President Human Resources & Organization & PFM.

NFS INTERNAL CONTROL SYSTEM



1st Control Level

[risk owner]



Subsidiaries and Snam responsible for identifying, measuring and managing risks and implementing the related controls in the context of the processes pertaining to them

Identification, evaluation and monitoring of risks inherent to the individual Group processes.
This level includes the functions of the Snam Group owners of the individual risks, responsible for their identification, measurement and management, and for the implementation of the necessary controls in the processes pertaining to them.

2nd Control Level

[monitoring of risks and the adequacy of controls]

COMPLIANCE → ENTERPRISE RISK MANAGEMENT

Monitoring the main risks to ensure they are effectively and efficiently managed and processed, and monitoring the adequacy and functioning of the controls 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 includes the functions of the Group staff in charge of the coordination and management of the main control systems (e.g. Corporate Administrative Liability, Corporate Reporting, Anti-corruption; Antitrust).

3rd Control Level

[independent audit]

Internal Audit

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 on internal audit activities".

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Although it has a limited economic and financial risk profile because most of its operations are in regulated business segments, Snam adopts a structured and systemic approach to governing all risks that could affect value creation.

Snam's **Internal Control and Risk Management System** is one of the Group's key elements and constitutes all the guidelines, regulations and organisational structures that allow for the **identification, measuring, management and monitoring of the most significant risks**, including those established under Art. 3, paragraph 1, of Legislative Decree 254/2016 (in relation to environmental, social and personnel-related issues, respect for human rights, and the fight against active and passive corruption), and the **monitoring of managerial processes**. This system is integrated into the organisational, management and accounting structure and, in general, into the corporate governance of Snam and is based on the Corporate Governance Code which Snam complies with, taking as references the national and international models and best practices.

The control system is divided into three levels, each with different objectives and associated responsibilities. The Board of Directors charges the **CEO with giving structure to and maintaining the entire system**. We use an integrated, dynamic and group-wide method of assessing risk that evaluates the existing management systems in the individual corporate processes, starting with those relating to the prevention of fraud and corruption and health, safety, environment and quality.

These same controls form an integral part of the managerial processes. Management must therefore foster an environment that encourages controls, and must specifically manage "line controls", consisting of all the control activities that individual operating units or companies perform over their own processes. Independent controls are performed by the Internal Audit department, which is responsible for checking that the system is functioning and adequate.

The Internal Control and Risk Management System is based on guiding principles contained in the **Code of Ethics**:

- the segregation of the activities of the persons in charge of the authorisation, execution, 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 authorisation powers;
- traceability (guaranteed through the adoption of information systems that can identify and reconstruct sources, information and checks carried out in support of the formation and implementation of the Company's decisions and financial resources management procedures).

The Internal Control and Risk Management System is audited and updated to ensure it is suited and appropriate to overseeing the main areas of corporate risk. In this context, and also in order to execute the provisions of the Code of Corporate Governance, Snam has adopted an ERM (Enterprise Risk Management) Model, considered in more detail in the "Risk Management" chapter of this document.

The corporate bodies, institutions and functions involved in the internal control system are the Board of Directors, the CEO who, employed by the BoD, is responsible for the structure that maintains the entire system, the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, the Supervisory Body and the Guarantor of the Code of Ethics, the Officer responsible for the preparation of financial reports, and the Internal Audit Officer. In particular, the role carried out by the Internal Audit department is crucial in that it verifies the functionality and adequacy of the system, preparing periodic reports containing appropriate information regarding its own activities, the risk management procedures, and compliance with the plans defined to contain said information, as well as assuring the reliability of the information systems.

RISK ASSURANCE & INTEGRATED COMPLIANCE

Under the scope of the Internal Control and Risk Management System, Snam has approved **"Risk Assurance & Integrated Compliance" Guideline** with the aim to merge the second control level models and promote and facilitate compliance with the reference regulations and the prevention of offences. This is specifically achieved through the **Compliance Programme for the Prevention of Offences (CPPI)** that fully complies with the Code of Ethics and that is implemented and rendered operational through:

- the regulatory system;
- the corporate governance provisions adopted in conformity with applicable legislation and international best practices;
- the provisions, methodologies and activities of the models applied by the dedicated functions;
- an integrated Risk Assurance & Compliance process.

Under the scope of the CPPI, the elements significant for its implementation are the Risk Assurance & Integrated Compliance model, the reporting[16], rewarding and penalty systems and training and communication.

The integrated Risk Assurance & Compliance model is intended to improve the perception of the checks by the various owners involved and to make the SCIGR even more efficient through better coordination and integration of the flows and interaction between the three lines of control, valuing the respective contributions.

Like in 2019, in 2020 Snam used the **Risk Assurance & Integrated Compliance (RACI)** information platform to coordinate and integrate the second level control information flows, maintaining the specific characteristics of the methodologies of each model[17], with a synergistic approach, aimed at maximum rationalisation and overall efficiency. The RACI helped create an integrated data base (Risk & Control Register), where the models involved in the Risk Assurance & Integrated Compliance process share a single risk and control catalogue.

This repository makes it possible collect consistent and complete information and data in an integrated fashion to support the **decision-making processes of the top management and corporate bodies which receive dedicated reports**.

16 The CPPI is also effective thanks to the contribution made by the adoption of a whistleblowing system. The Guideline "Anonymous reports received by Snam and subsidiaries" regulates the process of receiving, analysing and dealing with the reports from anyone, anonymously or confidentially www.snam.it/export/sites/snamrp/repository/file/Governance/procedure/procedure_segnalazioni/snam_segnalazioni_anche_anonime_04.pdf.

17 The prerogatives of the Chief Financial Officer in particular are preserved as a result of Article 154-bis of the TUF, with reference, among other things, to the preparation of adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements as well as any other financial reports.

ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001 (MODEL 231)

The **organisational, management and control model** pursuant to Legislative Decree 231/2001 (Model 231) constitutes an organic set of principles, rules and provisions concerning the control of each corporate process. The 231 Model plays a fundamental role in protecting the company from any conduct that may incur its administrative responsibility, pursuant to Legislative Decree 231/2001, in relation to offences committed or attempted in the interest or the benefit of the company by parties in so-called top management positions in the structure or by parties subject to their supervision and control.

Snam and subsidiaries adopted their own 231 Models[18] to prevent the offences referred to in the legislation on corporate administrative liability for the offences committed in the interests or for the benefit of the company, and they identified and appointed a **Supervisory Body**, for each of them, with autonomous initiative and control powers, in compliance with the laws and regulations.

The **CoSO Framework** (most recently published in May 2013) provides a basis for the analysis of corporate processes and the comparative analysis of the existing control environment and of the control systems. The Framework is the international reference model for the establishment, updating, analysis and assessment of the internal control system.

At the end of 2019, risk assessment and gap analysis activities were carried out through the "Risk Assurance & Integrated Compliance" model, created with the intention of uniting the entire risk and control detection and management system supporting business operations, aimed at updating the 231 Model of Snam and the subsidiaries.

This update also involved the offences introduced by Law 39/2019 (Fraud in sporting competitions, illegal gambling or betting and the use illegal gambling devices) and by Legislative Decree 105/2019 (violation of national cybersecurity regulations).

According to the logic of the Risk Assurance & Integrated Compliance model, the scope of 231 was revised from an integrated logic which, starting from the specific nature of the original Sensitive Activities pursuant to the special part of the 231 Models, has made it possible to develop and apply an integrated analysis method for "Crime Risk" in line with the reference best practices.

The outcomes of these activities will make it possible to adapt the Special Part documents known as the "Processes, Sensitive Activities and Specific Control Standards of the 231 Model" for Group companies, giving evidence of the new 231 methodology applied.

Considering the importance of the principles of ethics and integrity, Snam dedicated a specific **training programme to spreading the principles and content of Model 231 and Legislative Decree 231/2001**. A Compliance Route was created and made available in the second half of 2019, aimed at the entire corporate population and arranged in 5 modules on the following themes: Model 231, Privacy, Market Abuse, Antitrust and Anti-corruption. Lastly, for some time Snam has been preparing, as part of the reporting management process (so-called whistleblowing)[19], specific communication channels that the subsidiaries also refer to in addition to Snam.

Finally, under the scope of reporting management, the Group has, for some time, adopted specific communication channels, available to both Snam and subsidiaries. The management of the communication channels is entrusted to an external subject (Ombudsman), who ensures the receipt and analysis of each report received, applying criteria of maximum confidentiality suitable, among other things, for the protection of the integrity of the persons reported and the effectiveness of the investigations

18 The 231 Model is available on the Company's website at www.snam.it/export/sites/snamrp/repository/file/Governance/responsabilita_amministrativa_231/Modello-231_snam_finale_2019.pdf.

19 Detailed information on the topics discussed in this section can be found in the "Report on Corporate Governance and Ownership Structure 2019", available on the Company's website at www.snam.it/it/etica-governance/relazioni-documenti/.

INTERNAL AUDIT ACTIVITIES

In 2020 the Internal Audit activities are carried out by ensuring that the conditions of complete independence and autonomy are preserved, as well as the due professional diligence, objectivity, and competence, as provided for by the Mission of the Internal Audit and by the Mandatory Guidance of the Institute of Internal Auditors and by the principles contained in the Code of Ethics.

The Internal Audit regularly carried out scheduled activities involving:

1. preparation of the proposed Audit Plan based on the measurement and prioritisation of the main corporate risks carried out by the ERM unit;
2. execution of the Audit Plan, composed of 14 measures, approved by the Snam Board of Directors on 18 March 2020, following the favourable opinion of the Control, Risk and Related-Party Transactions Committee and after carrying out three further audits not scheduled in the plan (spot audits);
3. monitoring of the implementation of corrective actions based on the recommendations that were provided during the audit;
4. development of the independent monitoring programme defined with the Chief Financial Officer under the scope of Snam's Corporate Reporting Control System;
5. confirmations of reports, including anonymous ones, of problems relating to the internal control and risk management system, the company's administrative responsibility, whistleblowing and
6. activities involving relations with Independent Auditors, also following the identification of the new single auditor for the Group for the years 2020-2028, following the tender launched by the Group CDP S.p.A., and those relating to monitoring activities for conferring additional tasks.

Regarding point 5), in 2020, Snam received 10 reports, 4 of which were anonymous. The Internal Audit department was appointed by the Supervisory Body to verify nine of these, while the other one was assigned to the Human Resources department.

The main issues reported in 2020 were in relation to alleged irregularities in the administrative management of purchase contracts; potential conflicts of interest between employees and personnel from companies providing services to Snam and subsidiaries and alleged infringements of the Code of Ethics and corporate procedures. From the results of the analyses carried out on the 9 archived reports, and only with regards to substantiated and verifiable allegations, 7 of these were unfounded, according to the information reported, 1 was founded, and 1 was only partially founded. Moreover, actions to improve the Internal Control and Risk Management System were recommended for 6 reports (e.g., updating procedures, disciplinary provisions, communication and training).

Significant further actions carried out include:

- the implementation of the an external quality review, in compliance with International standards for the professional practice of Internal Auditing (so-called External Quality Review), to be carried out at least once every five years by an independent subject;
- the update of the relative Operating Manual to ensure it to be coherent with the amendments to the organisational structure of the unit and the new practices, also linked to the full operation of the IT tool for the management of audit activities;
- the update of the "audit universe" of audit objects, also in order to consider the organisational changes to the Snam Group that took place during 2020 and to include the new processes resulting from the acquisition of companies in relation to the new businesses;
- the adoption, with reference to the prevention of the Covid-19 emergency, of the necessary organisational and operational procedures to facilitate audit activities in the context of remote working, respecting the timeframes established and only implementing restrictions for on-site checks carried out during audits on operational processes;
- the management of specific requests came up during periodic meetings with Snam's control bodies.

In 2020, audit activities were performed by a dedicated team of 11 auditors (average annual headcount):

Internal Audit activities

(no.)	2018	2019	2020
Total audits performed (planned and/or spot)	14	15	**16**
Report for independent monitoring activities (Law 262/05)	8	19	**21**
Reports received and processed	4	11	**10**
- those involving the Internal Control System	-	1	**5**
- those involving accounts, audits, fraud, etc.	-	-	**-**
- those involving administrative liability pursuant to Legislative Decree 231/2001	-	-	**-**
- those involving violations of anticorruption law	-	-	**-**
- those involving other subjects (Code of Ethics, mobbing, theft, security, etc. (*)	4	10	**5**
Reports archived due to a lack of elements or untruthfulness (**)	2	6	**3**
Reports concluded with disciplinary procedures/managerial action (***) and/or subject to Court Authorities	2	5	**6**

(*) The data for 2019 comprises the management of 4 integrations referring to 3 reports received during the year, one of which is currently under examination.
(**) The data for 2019 was updated following the Archiving, in 2020, of a 2019 report.
(***) The term "managerial" also refers to organisational/procedural interventions relative to actions aimed at improving the Internal Control and Risk Management System.

RISK MANAGEMENT



MANAGEMENT OF RISKS AND OPPORTUNITIES

NFS TCFD

As outlined in the previous section, Snam places the Enterprise Risk Management (ERM) function at the second level of the SCIGR, which corresponds to monitoring risks and the adequacy of controls. ERM reporting directly to the General Counsel, which performs a fundamental function in the context of integrated corporate risk management for all Group companies. The main objective of the ERM model, which works in line with the recommendations of the CoSO framework and the new 2020 Corporate Governance Code, as well as international best practices, is to identify risks using standardised, group-wide policies, so as to identify priority events and ensure their consolidation and reporting. The risk is defined as an effect of the uncertainty on the targets of the Strategic Plan and can be negative or positive in scope. The results of the risk and opportunity assessment and monitoring activities and the related mitigation measures are presented regularly to the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, the Supervisory Body and the Board of Directors of Snam. In this context, the ERM unit also carries out awareness-raising and training activities for executive and non-executive directors with regard to the applied risk management methodologies and the evolution of Snam's ERM model.

The results are also shared with: the Internal Audit department, which uses them when preparing audit plans; the Strategic Planning department, which assesses coherence with the risk assessments and analyses of the Strategic Plan; the Sustainability department, to support planning activities and to define strategies for managing ESG themes that are relevant to the Group.

Towards Net Zero strategy

Business plan



Identification of risk events related to business processes and external risk factors that could affect the achievement of company targets by **Staff** and **Business Managers**, responsible for the implementation of initiatives aimed at the effective oversight of risks, and **specific analyses of the operational processes of every Company and of the corporate Strategic Plan**. The events are periodically reviewed, also in the light of the growing significance of **new business development areas**, in order to ensure correct oversight of risks and opportunities related to them.

Assessment and prioritisation of each event in terms of probability of occurrence and impact, negative (risks) or positive (opportunities). The **probability** is determined on the basis of a scale from 1 (remote) to 4 (highly probable); the **impact**, measured on a scale from 1 (low) to 4 (significant), is assessed according to **qualitative** (industrial/business, asset, reputational, legal, market, health and safety and environment) or **quantitative** (economic, financial) dimensions.
The **prioritisation** of the risks, a combination of the assessment of probability and impact expressed by risk owners (first reports of the CEO) and risk specialists, is represented on 4 levels (low, medium, high and critical, for risks; light, moderate, good and excellent, for opportunities). Furthermore, the event management strategy (monitoring and management, mitigation, transfer) is defined and the actions or specific interventions are identified.

Monitoring activity on the evolution of the single risks and opportunities (and/or of the entire risk register) on the basis of the **stage of progress of the management interventions/actions** associated with the risks/opportunities and the **trend of the risk indicators.**

Periodic reporting on the results of the risk identification, assessment and monitoring activities. The purpose of periodic reporting is to **report to the company's Top Management, the Control bodies and any other significant stakeholders** the information collected in the previous stages, namely: **main risks** to which the Company is exposed, **measures** identified, monitoring **indicators**, changes that may impact the business in the future, main **opportunities**.





Operational impact
Specialist impact

The wide-ranging nature of its impact measurement is a distinctive feature of Snam's ERM model. Indeed, every event is assessed in relation to eight types of impact, some of which are determined by risk owners (operational impacts: Economic, Industrial/Business, Asset), others by specialist departments (impacts: Financial, Legal/ Compliance/Governance, Reputational, HS/Environment, Market). Lastly, in addition to the Governance and Environment impacts, the Social impact has been defined in connection with the continuous and increasing integration of ESG aspects within the ERM framework and will be incorporated into the model in 2021. Thus, risk is assessed from different perspectives and risk prioritisation is defined by combining the measurement of the impacts and the probability related to them. The opportunities are identified in a similar way to risks, that is operational impacts are determined by risk owners and the other impacts by specialist departments. With particular reference to the specialised impact in terms of health, safety and the environment (HSE), the environment component makes it possible to incorporate aspects related to the environment and climate change associated with the identified risks and opportunities and, therefore, to determine their materiality based on the significance of their - positive or negative - contribution to managing climate change and environmental aspects related to the area in which Snam operates.

Risks identified via the ERM process are classified as financial, operational, legal and non-compliance, and strategic, including risks related to ESG issues that these may contain.

In 2020, the mapping of risks/ opportunities was updated through the RACI IT platform under the scope of the Integrated Risk Assurance and Compliance model, aimed at coordinating and integrating second-level control information flows with a synergistic approach, intended to achieve the maximum rationalisation and overall efficiency of the SCIGR. At the end of 2020, approximately 141 enterprise risks were mapped, 31 of them distributed across all corporate processes.

ELEMENTS OF RISK AND UNCERTAINTY

NFS TCFD

This paragraph illustrates the main elements of uncertainty featured in the ordinary management of Snam's operations. The risks identified are broken down into financial and non-financial risks. The latter are classified in the following categories:

- Strategic
- Legal and non-compliance
- Operating

Moreover, the disclosure below takes into account the impacts of Covid-19, set out in a specific paragraph of this section. Financial risks are illustrated in Note 26, "Financial risk management", of the Notes to the consolidated financial statements.

RISKS AND UNCERTAINTIES ARISING FROM THE COVID-19 EMERGENCY

The evolution of the pandemic linked to the spread of SARS-CoV-19, if not adequately contained, may continue to have significant health, social and economic consequences worldwide.

Even with the lockdown measures in place, considerable risks remain, both from an economic and financial point of view and for people's health. In addition to the worsening global macroeconomic scenario and the risk of deterioration in the credit profile of a considerable number of countries (including Italy), the risk of slowdowns in many commercial activities persists due to negative impacts on supply chains, commodity prices, flows and capital demand.

There is also significant uncertainty in financial markets both nationally and internationally with potential impacts on the business environment.

Snam, which has taken protective measures since February 2020, has taken all the necessary initiatives to protect the safety of its people, both in compliance with the lock-down measures and by taking further precautions. In particular, the company has set up an inter-functional team to manage the situation, in constant contact with the Civil Protection, with two fundamental objectives: the health and safety of its people and the continuity of the essential energy security service for the country.

As early as February 2020, Snam already ordered, as a precautionary measure, smart-working for workers whose activities did not require physical presence in the workplace, without prejudice to the necessary supervision of operational activities in the area and those relating to the dispatching of San Donato Milanese, the heart of Snam's infrastructure.

With the gradual resumption of Snam's activities, in line with the indications and provisions of the competent authorities, criteria and measures aimed at protecting the health and safety of workers in the workplace have been defined as a priority. These criteria and measures are updated according to the indications that are progressively communicated by the Institutions and Health Authorities, as well as according to the results of the monitoring of the measures adopted and the health status of the workers carried out by the competent figures. Starting from April, on-site work gradually resumed, with all the appropriate precautionary measures being adopted, and almost all the work fronts were gradually reinstated.

After a slow-down in the summer months, the infection curve began to rise again in various countries, particularly in Europe.

Therefore, at present the company is not able to reliably calculate the impact of Covid-19 on the targets for 2021 and future years.

However, based on the information available today, the company expects a limited impact relative to its targets in 2021. Any additional further impacts on economic/financial performance and on the Group's equity situation, as well as on business development plans, will be evaluated in the light of the evolution and duration of the pandemic.

The same considerations apply in respect of any potential effects on the development initiatives and suppliers or customers deriving from the slow-down to business and the current macroeconomic context consequent to the international reach of the pandemic, that cannot yet be assessed. The same for the assets held by the Snam Group outside Italy, in particular in France, Austria, Greece, Albania and the United Kingdom.

RISKS AND UNCERTAINTIES ARISING FROM SNAM'S ORDINARY OPERATIONS

The descriptions of the risk categories are provided below. For each risk category, events related to the ESG (Environmental, Social and Governance) areas that are relevant to Snam are illustrated in table form, with an indication of the main management methods adopted by the Group.

The indication of the capital assets on which the identified risks may have an impact also provides a better understanding of how the risks may impact the Group's ability to preserve and create value over time.

Strategic risks

Regulatory and legislative risk

Regulatory and legislative risk for Snam is linked to the regulation of activities in the gas sector. The decisions of the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) and the National Regulatory Authorities of the countries in which the foreign subsidiaries operate, European and national regulations and, more generally, the change in the regulatory reference framework, could have a significant impact on the operations, results and financial stability of the Company.

It is not possible to foresee the effect that future changes in legislative and fiscal policies could have on Snam's business and on the industrial sector in which it operates.

Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context regarding the criteria for determining reference tariffs are particularly significant.

Macroeconomic and geo-political risk

Because of the specific nature of the business in which Snam operates, there are also **risks associated to political, social and economic instability in natural gas supplier countries**, mainly related to the gas transportation sector. A large part of the natural gas transported in the Italian national transportation network is imported or moved through countries in the MENA area (Middle East and North Africa, particularly Algeria, Tunisia, Libya and, in terms of the TANAP-TAP, Turkey along with the states bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), nations subject to political, social and economic instability which could evolve into potential crisis scenarios in the future.

In particular, the import and transit of natural gas from/and through these countries are subject to an extensive set of risks, including: terrorism and common crime, changes in political-institutional balances; armed conflict, socio-political and ethno-sectarian tensions; disorder and unrest; inadequate legislation on insolvency and creditor protection; limits on investment and the import and export of goods and services; introduction of and increases in taxes and excises; forced renegotiation of contracts; nationalisation of assets; changes in trade policies and monetary restrictions.

If a shipper using the transportation service via Snam's networks cannot procure the transportation of natural gas from/or through the aforementioned countries because of said adverse conditions, or in any way suffers from said adverse conditions, to an extent such so as to determine or incentivise the consequential inability to fulfil contractual obligations towards Snam, this could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

In addition, Snam is exposed to macro-economic risks

deriving from relocation or tension on financial markets or situations deriving from exogenous phenomena, which could have an impact on liquidity and access to financial markets.

Risk of climate change

The achievement of global climate objectives will lead to significant investments in decarbonisation of the energy sector over the next thirty years. In recent years, Snam has repositioned itself to benefit from new mega-trends of the energy transition, thanks to infrastructure that will be crucial for achieving decarbonisation targets, to its presence in energy transition business, to international growth and thanks to a disciplined approach to investments.

Thus Snam is committed to achieving carbon neutrality by 2040, with an intermediate target of reducing Scope 1 and 2 emissions by 50% by 2030 compared to 2018, in line with the target of containing global warming to within 1.5°C set by the Paris Agreement adopted during the Climate Change Conference (COP 21). This objective is also consistent with the UNEP (UN Environment Programme) objectives of reducing CO_2, emissions, with which a protocol has been signed.

With regard to the **risks associated with the emissions market**, in field of the application of the European Union directives concerning the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants, with the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), the updating of the sector regulations has confirmed a constant reduction of the quotas on emissions released free of charge. The allowances will be assigned to each plant on a gradually decreasing basis, so they will no longer be constant, and will also depend on the actual functionality of the plants. The allowances assigned free of charge to Group plants no longer suffice to comply with the regulatory conformity obligations relative to ETS mechanisms, hence Snam will procure the additional allowances required on the market.

By Resolution 114/209/R/gas of 28 March 2019, the ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transportation and metering service, providing, among other things, for the recognition of costs related to the Emission Trading System (ETS). Resolutions No. 419/2019/R/gas and No. 474/2019/R/gas also introduced the recognition of ETS-related costs for the storage service (regulatory period 2020-2025) and the regasification service (2020-2023).

The climate change scenarios could cause a change in the choice of energy mixes in various European countries and in the behaviour of the population and could have an impact on the demand for natural gas (and volumes transported), which, on the one hand, could benefit from its greater sustainability compared with other fossil fuels in the short/medium and represent a bridge toward the complete decarbonisation of certain sectors, while on the other policies and individual choices could lead to a gradual decrease in consumption with a resulting impact on the use of infrastructure. Additionally, the tightening of decarbonisation targets could influence the development of the use of alternatives to gas, thereby favouring a greater penetration of low-carbon renewable gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) and the growth of new businesses.

Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations), worsening natural and hydro-geological conditions in some areas with a possible impact on the quality and continuity of the service provided by Snam as well as on Italian and European gas demand. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see next paragraph "Market risk".

Lastly, Snam has signed the Methane Guiding Principles, which commit the company to further reducing methane emissions deriving from its activities in natural gas infrastructure. In adhering to these principles, Snam has also committed to encouraging other players across the entire gas supply chain – from the producer to end consumer – to pursue the same objective.

Commodity risk associated with changes in the price of gas

Through resolution no. 114/2019/R/gas, under the scope of the process for revising the criteria for calculating the revenues recognised for the natural gas transportation and metering service for the fifth regulatory period

(2020-2023), the criteria for recognising Unaccounted For Gas (UFG) were also defined. On the basis of these criteria, from 2020, the recognition of quantities of fuel gas, network leaks and UFG will take place in monetary terms instead of recognition in kind by shippers. However, the change in the price of natural gas will continue not to represent a significant risk factor for Snam, since there is a hedging mechanism for the risk associated with differences between the price recognised for fuel gas, network leaks and UFG volumes and the effective procurement price. With reference to the quantities recognised, said resolution confirmed the current criterion relative to fuel gas and network leaks, whereas for UFG, the level admitted will be updated once a year and will equal the average of the quantities effectively recorded in the last four years available.

In July 2020, with resolution no. 291/2020/R/gas, it concluded its investigation, recognising an additional volume of UFG for the years 2018-2019 totalling 182 million cubic metres, equal to a total value of about 42 million euros, which will be recognised, net of the amount already received on account for the year 2018, by the CSEA. In addition, it started a procedure, which concluded at the end of 2020 with the publication on 22 December 2020 of the 569/2020/R/gas resolution, to refine the UFG recognition criteria for the fifth regulatory period (2020-2023), aimed at strengthening the consistency of the mechanism's operation and its stability, providing that the incentive of the mechanism is in any case determined on the basis of predefined unit fees proportionate to the remuneration of the metering service, rather than the price of gas. This change results in a substantial reduction risk compared to the potential impacts of the original provision.

Specifically, the Authority, while keeping the current criterion for recognising and valuing UFG quantities for tariff purposes and the functioning of the neutrality mechanism set forth in the IBT (Integrated Balance Text), which regulate the balance of gas systems within the Nation grid, in terms of recognised value, introduced an incentive mechanism based on the difference between the recognised UFG and the actual amount for the same year.

Generally speaking, the change in the regulatory framework with regard to the recognition of natural gas quantities to cover fuel gas, network leaks and UFG could have negative effects on the Snam Group's operations, result balance sheet and cash flow.

Market risk

With reference to the **risk associated with gas demand**, based on the tariff system currently applied by ARERA to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes withdrawn. The ARERA, however, confirmed for the fifth regulatory period (2020-2023), with resolution no. 114/2019/R/gas, the guarantee mechanism with respect to the share of revenues related to volumes withdrawn already introduced in the fourth regulatory period on transported volumes. This mechanism provides for the reconciliation of major or minor revenues, exceeding ± 4% of the reference revenues related to the volumes withdrawn. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed.

Based on the tariff system currently applied by the ARERA to natural gas storage activities, Snam's revenues, via Stogit, related to infrastructure usage. However, the ARERA has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenues was approximately 97%, while for the fifth regulatory period (2020-2025) resolution no. 419/2019/R/gas extended the level of guarantee to all recognised revenues (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent resolution no. 232/2020/R/gas) with voluntary participation that provides for an increase in profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulation criteria for the LNG regasification service for the fifth regulatory period (2020-2023), resolution no. 474/2019/R/gas confirmed the mechanism to cover reference revenues at a guaranteed minimum level of 64%.

In general, the change to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, protection from market risk is offered by the French and Greek regulatory authorities (Terēga') and

(DESFA), from the TAP and Austria long-term contracts (different expiry dates for TAG and Gas Connect from 2023) and for the ADNOC Gas Pipeline (20 years tariff-based). In Austria and the United Kingdom (Interconnector UK) regulation does not guarantee hedging for the volume risk.

Strategic Risks

Description	Related material topics	Mitigation actions	Impact on capital
REGULATORY AND LEGISLATIVE RISK			
Regulatory framework in Italy and in the countries of interest with penalising parameters, specifically as regards the criteria for determining tariffs	■ Relations with authorities and quality of services	Maintaining a continuous and constructive dialogue with the regulator that contributes to the definition of a clear, transparent and stable framework to encourage the sustainable development of the gas system	
		Monitoring consultation processes in a direct and/or indirect manner	
		Preparation and transmission of documents containing company positions and/or proposals regarding the definition of the regulatory framework	
Significant change in legislation and/or case law		Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments	
MACROECONOMIC AND GEOPOLITICAL RISK			
Political, social and economic instability in natural gas supply countries	■ Relations with authorities and quality of services	Continuous monitoring of the political, social and macroeconomic framework	
		Maintaining relationships with the Authorities and Institutions responsible for managing crises in high-risk markets	
		Monitoring consultation processes in a direct and/or indirect manner	
Significant change in legislation and/or case law		Preparation and transmission of documents containing company positions and/or proposals regarding the definition of the regulatory framework	
		Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments	

Strategic Risks

Description	Related material topics	Mitigation actions	Impact on capital
TCFD CLIMATE CHANGE RISKS - TRANSITION RISKS			
Political and legal risks Tightening of the emerging regulatory framework	■ Green Business ■ Innovation ■ Relations with authorities and quality of services	Regular monitoring of energy consumption and updating consumption forecasts for plants subject to ETS	
		Transfer of quotas between Snam companies to increase the energy efficiency of plants	
		Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 per CO_2 and -45% by 2025 vs 2015 for CH_4), culminating in the achievement of carbon neutrality by 2040	
		Development and improvement of the efficiency of gas infrastructures, in order to foster the use of natural gas and biomethane to replace more polluting fossil fuels and promote renewable gases, such as hydrogen, to support the energy transition	
Technological risks Diffusion of new technologies favouring the use of intermittent energy sources and failure to adapt to new technological standards	■ Green Business ■ Innovation ■ Development of human capital	Development of new business related to the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency)	
		Development and bringing in-house competencies in alternative technologies to gas, through acquisitions also	
		Development of partnerships to favour the development of operators along the hydrogen value chain and promote hydrogen as a fundamental energy source for decarbonisation, via advocacy and awareness-raising activities, both in Italy and abroad	
Market risks Reduction in demand for natural gas	■ Climate change ■ Green Business ■ Innovation	Development of new business related to the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency)	
		Support to the diffusion of more efficient gas technologies (gas heat pumps and high- efficiency cogeneration heating pumps)	
		Participation in Italian and European working tables in the field of energy transition and climate neutrality	
		Awareness-raising activities around public opinion on natural gas as a key source to ensure energy security and enable the phasing out of coal in electricity generation	
		Monitoring of European and national legislative initiatives within the natural gas field and representation for the company's interests with regards to the various institutional stakeholders	
		Monitoring of international, European and national public financing programmes in the infrastructure, energy and sustainable transportation fields	

Strategic Risks

Description	Related material topics	Mitigation actions	Impact on capital
Reputational risks Negative public perception of companies working in the fossil fuel sector	■ Climate Change	Representation with institutional stakeholders in order to promote gas infrastructure as a tool for the development of renewable gas	
		Interaction and promotion/advocacy with industry stakeholders and the financial world in coordination with other gas chain operators and associations also	
		Participation in European working tables in the field of energy transition and climate neutrality	
		Participation in national, European and international initiatives aimed at strengthening the commitment to reduce methane emissions	
		Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 per CO_2 and -45% by 2025 vs 2015 for CH_4), culminating in the achievement of carbon neutrality by 2040	
		Participation in the TCFD, the publication of an ad hoc document and the publication of the Sustainability Report	
TCFD **CLIMATE CHANGE RISKS - PHYSICAL RISKS**			
Acute risks Increase in the severity of extreme weather events, impacting service continuity and quality	■ Reliability of infrastructures, business continuity and cyber security ■ Innovation	Bringing the recovery plan business continuity management system in line with international best practices	
		Technologically-advanced tools for monitoring/ controlling the state of the infrastructure/plants and the territories concerned	
		Systematic and continuous maintenance and control	
		Timely implementation of Emergency Response Procedures	
		Design and construction of infrastructure based on the most recent technical and safety regulations and the carrying out of dedicated studies (geomorphological, hydraulic, environmental risk, etc.) during the design phase	
Chronic risks Temperature increase resulting in lower gas demand	■ Innovation	Development of new business related to the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency)	

Human capital · Relational capital · Intellectual capital
Financial capital · Infrastructure capital · Natural capital

The table below provides a focused look at the main categories of climate change-related opportunities identified by the Group, which are represented in line with TCFD recommendations.

Description	Actions and strategies to capitalise on opportunity	Impact on capital
TCFD Resource efficiency		
Reduction of internal energy consumption	Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 per CO_2 and -45% by 2025 vs 2015 for CH_4), culminating in the achievement of carbon neutrality by 2040	
	Increased activity and investment to meet decarbonisation targets	
	Conversion of 8 compressor stations to dual fuel plants by replacing gas turbochargers with electric compressors	
TCFD Energy sources		
Use of energy sources and/ or technologies with low GHG emissions	Identification of objectives for increasing the production of renewable energy (e.g. installation photovoltaic systems), for purchasing green electricity and for installing low-emission technologies (e.g. new high-efficiency heat generators, trigeneration plants, etc.)	
	Identification of a new target for the use of at least 55% green electricity by 2030	
Development or expansion of business serving the energy transition	Planned investments for 720 million euros in business serving the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency)	
	Acquisition of new companies in the field of energy transition (energy efficiency, biomethane) and the development of existing business (sustainable mobility)	
	Strategic partnerships with technological companies to support the hydrogen business (e.g. De Nora)	
	Other hydrogen partnerships (e.g. ITM Power)	
	Promotion of Snam's business related to the energy transition	
	Support for the coal phasing-out process and promoting the use of gas as an alternative fuel to the most polluting fossil sources	
	Increase in the Investment Plan for the gas conversion of new regions in which subsidiaries related to the phasing out of coal/oil (e.g. DESFA and Terēga) operate	
	Development of the gas conversion project in Sardinia, aimed at replacing fuels that have a greater impact on the climate	
	"LNG Offshore OLT terminal" Project located between Livorno and Pisa, in Tuscany, via an acquisition agreement with the Iren Group	

Description	Actions and strategies to capitalise on opportunity	Impact on capital
TCFD Markets		
Access to new foreign markets	Analysis and possible pursuit of extraordinary investment transactions in companies operating in Snam's core business (transportation, storage and regasification) in emerging markets where the demand for natural gas is bolstered by the need to replace the use of coal and other more polluting fossil sources (China and India)	
	Pursuit of service sales activities through Snam Global Solution, leveraging the expertise gained in the various Group companies, also on the issue of the energy transition too (India, China, the Middle East, North Africa, the Balkans, and Central and North America)	
	Signing strategic agreements with important sector operators within the main continental energy corridors	
	Requalification of Snam's role within the European infrastructure system (acquisition of DESFA in Greece)	
	Project in the United Arab Emirates in collaboration with some of the most important international investment funds launched in agreement with ADNOC (Abu Dhabi National Oil Company) to invest in the energy infrastructure of the United Arab Emirates	
	Participation in working groups in order to take a leading role in advocacy and awareness-raising activities for decarbonisation in Italy and abroad, using our expertise	
Attracting new investors	Participation in the assessment of the main international sustainability rating agencies and in the assessments of the main ESG indices, thereby increasing the company's visibility among SRI investors and, more generally, among the entire financial community	
	Issuance of bonds linked to emission reduction and climate change resilience projects (Transition Bonds)	
	Snam's regular participation in roadshows with the aim of meeting institutional investors around the world, including SRI investors	
	Sustainable finance activities: development of market standards/regulations (e.g. alignment with Taxonomy); constant interaction with investors through participation in seminars/roadshows; preparation of a framework to distribute Transition Bonds	
TCFD Resilience		
Business diversification	Development of new business related to renewable gases (biomethane and hydrogen), to the implementation of the use of gas to support energy transition (Small-scale LNG, CNG) and to the efficient use of energy (energy efficiency), in Italy and abroad	
	Participation in working groups in order to take a leading role in advocacy and awareness-raising activities to promote the use of hydrogen at national and international levels	
	Actions and investments aimed at developing hydrogen as an additional source to support the energy transition (e.g. creation of dedicated business units, the inclusion of a 10% hydrogen blend in a section of the national grid, position papers, dedicated studies and strategic positioning)	
	Modernisation of infrastructure in a H-ready perspective, already 70% ready, and the definition of standards for the acquisition of only H-ready components for the grid	

LEGAL AND NON-COMPLIANCE RISK

The **legal and non-compliance risk** concerns the failure to comply, in full or in part, with the European, national, regional and local laws and regulations with which Snam must comply in relation to the activities it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation.

As regards specific cases, the infringement of regulations on the protection of workers' health and safety and of the environment, and the infringement of anti-corruption rules, inter alia, may also result in (possibly significant) sanctions on the Company based on the administrative responsibility of entities (Legislative Decree 231 of 8 June 2001). Snam has, therefore, adopted and undertakes to promote and maintain an adequate internal control and risk management system aimed at allowing for the identification, measurement, management and monitoring of the main risks related to the activities carried out. With regard to the **Risk of Fraud and Corruption**, Snam believes it is of vital importance to ensure a climate of fairness and transparency in corporate operations and repudiates corruption in all its forms in the widest context of its commitment to abiding by ethical principles. Snam's top management is strongly committed to pursuing an anti-corruption policy, trying to identify possible areas of vulnerability and eliminating them, strengthening its controls and constantly working to increase employees' awareness of how to identify and prevent corruption in various business situations.

Reputational checks as well as accepting and signing the Ethics and Integrity Agreement are pillars of the control system designed to prevent the risks associated with illegal behaviour and criminal infiltration of our suppliers and sub-contractors, with the goal of guaranteeing transparent relations and professional morality requirements throughout the supply chain and for the entire duration of the association.

Snam is a member of the United Nations "Global Compact" and operates within the framework of the principles set forth by this global initiative, which are an integral part of its strategies, policies and rules, including the tenth principle of "zero tolerance" towards all forms of corruption, which is the foundation for a consolidated culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italia, as a member of the Business Integrity Forum (BIF), and in 2018 Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International.

In 2017, Snam began a collaboration with the OECD, becoming part of the Business at the OECD Committee (BIAC), and in October 2019 - as the first Italian company - joined the Leadership team as Vice-Chair of the Anti-corruption Committee.

In September 2019, Snam was also involved in the Partnering Against Corruption (PACI) initiatives of the World Economic Forum. Furthermore, thanks to its commitment to the issues of Business Ethics and Anti-Corruption, Snam was referenced in the document presented at the B20 Summit under the Japanese Presidency held in Tokyo (2019) as a "*tangible example*" of a company that has distinguished itself in the fight against corruption with its concrete actions.

In 2020, in addition to its role as Vice-Chair of the Anti-corruption Committee mentioned above, for the purposes of the progressive enhancement of ESG issues at a multilateral level also, Snam was also selected as a permanent member of the BIAC Corporate Governance Committee and, to the same end, the company's efforts were also increased in the working tables promoted by the World Economic Forum in the area of "ESG and Corporate Governance".

Within the OECD, Snam has participated in several events, among which we should mention the "*Safeguards for a resilient Covid-19 response and recovery*", the first event of the year organised by the organisation since the beginning of the international health emergency, which replaced the annual Global Integrity Forum.

Lastly, during the B20 Saudi Presidency (2020), Snam was also one of the very few Italian companies to take an active part in the work of the Integrity & Compliance Taskforce, whose contributions were incorporated within the Policy Paper that was distributed to G20 members in view of the handover to the Italian Presidency (2021).

Legal and non-compliance risk

Description	Related material topics	Mitigation actions	Impact on capital
Possible violation of rules and regulations, with particular reference to Legislative Decree 231/2001	■ Health and safety ■ Business integrity ■ Anti-corruption	Updating and monitoring of Model 231 protocols	
		Awareness-raising and training initiatives on corruption and accident prevention for the entire company and its contractors	
		Analysis and evaluation of the reports received via the channels provided in the reporting procedure	
		Adoption and maintenance of Health, Safety and Environment management systems certified in accordance with the ISO14001 and OSHAS18001 or ISO45001 standards	
Maintaining an adequate reputation profile for suppliers and sub-contractors	■ Business integrity ■ Anti-corruption	Introduction of additional measures to prevent corruption and criminal infiltration	
		Obligation for suppliers and contractors to sign the Ethics and Integrity Agreement	
		Reputation checks on suppliers and sub-contractors	
Failure to align Corporate Governance and/or the internal control and risk system with regulations and/or best practices	■ Business integrity ■ Anti-corruption	Regular review of employer's model	
		Updating of Model 231 and Code of Ethics	
		Analysis of compliance with the latest version (June 2020) of the Italian Stock Exchange's Corporate Governance Code and with corporate governance best practices	

OPERATIONAL RISKS

Ownership of storage concessions

The risk linked to **maintaining storage concessions** is associated for Snam to the business in which the subsidiary Stogit operates on the basis of concessions provided by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed no more than twice for a duration of ten years each time. With regard to these concessions, Stogit has submitted – within the statutory terms — the extension request to the Ministry of Economic Development. The extensions of the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were granted until the end of 2020. For Alfonsine, Cortemaggiore and Minerbio, the related proceedings are still pending before the aforementioned Ministry. For the pending extensions, the Company's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures that are in progress, as envisaged by the original authorisation, which will be extended automatically on expiry until said completion. One concession (Fiume Treste) will expire in June 2022 and has already been renewed for the first ten-year extension period in 2011 and an application was submitted for the second extension on 18 May 2020. Lastly, another concession (Bordolano) will expire in November 2031 and can be extended for a further ten years[20]. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on the Company's operations, results, balance sheet and cash flow.

Malfunction and unexpected service interruption

The risk of the **malfunctioning and unforeseen interruption of the service** is determined by accidental events, including accidents or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, landslides or other similar events, third-party interference and corrosion, outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people and property, with potential compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks according to industry best practices, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in the progress of infrastructure implementation programs

There is also the possibility that Snam could incur **delays in the progress of infrastructure construction programmes** as a result of several unknowns linked to operating, economic, regulatory, authorisation, competition and social factors or health emergency situations, regardless of its intentions. Snam is therefore unable to guarantee in absolute terms that the projects for upgrading, maintaining and extending its network will be started, be completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer time frames than those originally planned, affecting Snam's financial position and economic results.

Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

20 The Stogit concessions issued prior to the entry into force of Legislative Decree 164/2000 can be extended by the Ministry of Economic Development a maximum of twice, for ten years at a time, pursuant to Article 1, paragraph 61 of Law 239/2004. Pursuant to Article 34, paragraph 18 of Decree-Law 179/2012, converted by Law 221/2012, the duration of the single Stogit concession issued after the entry into force of Legislative Decree 164/2000 (Bordolano) is for thirty years with the possibility of extension for a further ten years.

Environmental risks

Snam and the sites in which it operates are subject to laws and regulation relating to pollution, environmental protection, the use of hazardous substances and waste disposal. These laws and regulations expose Snam to potential costs and liabilities related to the operation and its assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate corrective actions and shared responsibility are therefore difficult to estimate.

Snam cannot predict if and how environmental regulations and laws may over time become more binding and cannot provide assurance that future costs to ensure compliance with environmental legislation will not increase or that these costs can be recovered within the mechanism's tariffs or the applicable regulation. Although Snam has also taken out specific insurance contracts to cover some of the environmental risks, according to industry best practices, substantial increases in costs relating to environmental compliance and other related aspects and the costs of possible sanctions could have a negative impact on the business, operating results and financial and reputational aspects.

Employees and staff in key roles

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train or retain qualified personnel (particularly for technical positions in which the availability of appropriately qualified personnel may be limited) or situations in which the capacity to implement the long-term business strategy is influenced negatively due to significant disputes with employees could trigger an adverse effect on the business, financial conditions and operating results.

The events related to this risk category may also refer to the theme of Diversity and Inclusion.

Risk linked to foreign equity investments

Snam's investee companies abroad may be subject to regulatory/legislative risk, conditions of political, social and economic instability, market risks, and the cyber security, credit and financial and other risks typical of the natural gas transportation and storage segments identified for Snam such to negatively influence their operations, economic results, balance sheet and cash flows. For Snam, this could have negative impacts on the contribution to profit generated by such investments.

Risks associated with future acquisitions/equity investments

Every investment made under the scope of joint venture agreements and any future investment in Italian or foreign companies could involve an increase in the complexity of the Snam Group's operations and it may not be possible to ensure that these investments generate the anticipated income under the scope of the acquisition or investment decision and are correctly integrated in terms of quality standards, policies and procedures consistent with the rest of Snam's operations. The integration process could require additional costs and investments. Improper management or supervision of the investment made may adversely affect the business, operating results and financial aspects.

Operational risks

Description	Related material topics	Mitigation actions	Impact on capital
Maintaining gas storage concessions	■ Economic performance and value creation	Development of storage in accordance with the most current technical and economic criteria and science and technology best practices	
Delays in the progress of infrastructure implementation programs	■ Protecting the local area and biodiversity ■ Relations with local communities	Application of the strictest national and international environmental and safety standards during the design process with particular attention to protecting the natural value of the territories and biodiversity	
		Communication policy concerning the work to be carried out in order to share projects with the territory and stakeholders from the beginning	
		Structured and meticulous performance qualification and monitoring system for contractors	
Breakage or damage to pipelines/ plants, also as a result of extraordinary events, which could cause malfunction and unexpected service interruption	■ Health and safety ■ Reliability of infrastructures, business continuity and cyber security	Application of management systems and procedures that take the specific nature of Snam's activities into account	
		Implementation of a recovery plan and business continuity management system	
		Communication initiatives aimed at providing information regarding the presence of infrastructure and the behaviours to be avoided/implemented by third parties in order to prevent damage occurring to them	
		Technologically-advanced tools for monitoring/ controlling the state of the infrastructure/plants and the territories concerned	
		Continuous verification of insurance coverage in relation to the type of business and related risks	
		Systematic and continuous maintenance and control	
Acquisition of equity investments	■ Economic performance and value creation	Due diligence for investment assessment, also with the support of external advisers	
		Overall planning in terms of the time, actions and resources required to ensure efficiency/effectiveness in the management of activities	
		Elaboration and continuous monitoring of the acquisition business plan	
Asset Management	■ Economic performance and value creation	Support for affiliates, as a business partner, in the regulatory, operational and financial structure optimisation fields	
Cyber threats (Cyber security)	■ Reliability of infrastructures, business continuity and cyber security	Adaptation of IT and business continuity systems to the ISO/IEC 27001 and ISO22013 standards respectively, with the provision of the relative certifications	
		Definition of a security incident management team model to promptly respond to events that could potentially damage the integrity of information and computer systems used	

FINANCIAL RISKS

Financial risks are illustrated in Note 26, "Financial risk management", of the Notes to the consolidated financial statements.

Financial risks

Description	Related material topics	Mitigation actions	Impact on capital
Interest rate changes	■ Economic performance and value creation	Cash Flow at Risk monitoring through an Asset & Liability Management (ALM) model	
Liquidity: inability to meet payment commitments		Minimising opportunity cost and maintaining a balance in terms of debt composition and maturity	
		Monitoring contractual protection clauses in loan agreements (e.g. negative pledge and pari passu clauses)	
		Constant monitoring of Snam's rating indicators and the availability of long-term credit lines	
Receivables		Regular monitoring of the credit situation and systematic management of reminders and possible recovery actions for overdue debts at certain intervals	
		Check of the authenticity and validity of financial guarantees received	
		Reporting of any critical issues in the regulatory system that could lead to opportunistic/fraudulent behaviour by operators	

EMERGING RISKS

Within the Group's Enterprise Risk Management model, particular attention is paid to identifying changes in the reference context in order to seize upon events or macro-trends coming from outside the organisation that could have a significant medium-long term impact (3-5 years and beyond) on Snam's business or on the sector.

These changes may, on the one hand, cause new risks to emerge in the long term, but also have consequences for the company today, changing the nature and extent of potential impacts and the probability of occurring of already identified risks.

The purpose of the process of identifying emerging risks is to succeed in assessing their impact in good time and putting in place the necessary strategies and related mitigation actions, both in terms of prevention and control. In this area, some of the emerging risks identified by Snam are cyber security and risks related to the energy transition.

Cyber security

Materiality and potential impacts on Snam

Snam carries out its activities through a complex technological architecture relying on an integrated model of processes and solutions capable of promoting the efficient management of the entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, requires a constant focus and an ability to continuously adapt to the changing needs to protect it. The Group's new Business Plan provides for approximately 500 million euros of investments in digitalisation - from the remote control of activities to the implementation of articulated infrastructures enabling the Internet of Things via which Snam aims to become the most technologically-advanced gas transportation operator in the world, as well as to guarantee increasingly greater security and sustainability in its business processes.

Global experts project and the company believes that cyber security threats will evolve in the future, in terms of both number and complexity. The digital channel is increasingly used illicitly by various types of actors with different purposes and modes of action: cyber criminals, cyber hacktivists, and state-sponsored action groups. Similarly, technological evolution makes increasingly sophisticated tools available to these categories, through which consolidated attack techniques can be made more effective and new ones can be developed. In addition to this, the increasing digitalisation of the network with the use of new technologies (e.g. Internet of Things) poses significant challenges for the Group in these regards, extending the potential attack surface exposed by both internal and external threats.

In this scenario, cyber security plays an extremely important role as it deals with preventing or tackling very diverse events that can range from the compromise of individual workstations to the degradation of entire business processes in the field of transportation, storage and regasification, with potential effects on the normal capacity to provide the service.

A correct approach to cyber security management also makes it necessary to ensure full compliance with the increasingly stringent sector regulations issued at both European and national level, in order to improve the management and control oversight of companies that provide essential services to the country.

Mitigation actions

Snam has developed its own cyber security strategy based on a framework defined in accordance with standard principles on the subject and has had a dedicated department for a few years now which, comprehensively, deals with addressing and implementing what has been planned at the strategic level, ranging from governance aspects to those that are more predominately technological.

First and foremost, we should note the adaptation of internal processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and

ISO 22301 (Business Continuity Management Systems), as well as the formal certification of conformity to the listed standards of an independent third party. Secondly, on the basis of multiple activities, out of which Risk Analysis and Technical Verification activities stand out, the protection needs arising from technological evolution, from changing business processes or from the identification of previously unknown vulnerabilities, are assessed and, where appropriate, solutions to replace or integrate those already in place are implemented. More specifically, in order to adequately counter the most modern cyber threats, Snam has defined a cyber security incident management model intended to prevent, monitor and, when necessary, implement prompt remediation against events potentially capable of harming the confidentiality, integrity and availability of information processed and the IT systems used. At the basis of these activities is a Security Incident Response Team which, by relying on solutions that make it possible to collect and correlate all security events recorded throughout the company's IT infrastructure, has the task of monitoring all anomalous situations that could have negative impacts for the company and activate, when necessary, suitable containment and remediation actions via the involvement of the technical and business structures concerned. Even in 2020, the Security Incident Response Team was able to work without interruption and guarantee its support activities 24 hours a day, seven days a week.

The change that has become necessary in operational processes and, in particular, the massive recourse to remote working methods has not had an impact on overall security posture to date; this is mainly due to the fact that the adoption of smartworking, which has occurred in recent years as an alternative solution to working in the office, had already led to risk analysis activities and the adoption of security solutions suitable to preserve the company's interests, even in the presence of a potential attack surface that is larger than in the past. As part of the cyber incident management activities (preventive and reactive) and in respect of formal agreements signed between the various parties, information-sharing with national and European institutions and peers is used in order to improve the capacity and speed of response when faced with the possible negative events for which exposure may be a reality. This practice will also become increasingly necessary in the future given the cyber threat notification requirements that national security regulations impose and will impose.

With regard to technological development, as mentioned previously, Snam has set in motion an ambitious digitalisation programme that will radically change business processes in the years to come and within which a strong focus on cyber security will always be guaranteed. During 2020, the foundations were laid for the safe development of all the nascent Internet of Things initiatives. Firstly, a precise Security by Design process has been defined, which puts in place compliance for precise requirements and checks for each application and infrastructural development. Additionally, more appropriate security technologies have been defined to support the new capabilities that Snam will acquire in the years to come. Lastly, the security processes to be developed have been identified in order to take due account of the new security requirements that arise from a business context in which work methods, the technologies adopted and the surface area exposed to digitalisation will change considerably over the course of just a few years.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of weak signals and raising consciousness about risks of a cyber nature that could occur during normal work activities. Therefore, regular initiatives of various kinds are organised in this area, for which recourse is made to the teaching methods deemed most appropriate at any given time: frontal instruction, the creation of multimedia, exercises and tests, newsletters, etc.

With reference to the management of information supporting business processes, it is worth highlighting that the company owns assets used for data transmission to and from the country (fibre); this gives greater intrinsic security thanks to not being dependent on the service provided by third-parties and the possibility of using the communication channel exclusively.

Energy transition and development of the hydrogen technologies market

Materiality and potential impacts on Snam

While the climate change demonstrates the real effects of rising temperatures, the energy sector is facing a momentous transformation. Without any change to the company's commitment to its core business of regulated activities for natural gas transportation, storage and regasification, Snam is building a wide-ranging and diversified platform of activities related to energy transportation (in particular, renewable energy transport and management, the construction and management of plants related to sustainable mobility and energy efficiency) to seize upon the opportunity of being a "system integrator" able to offer green solutions and contribute to the development of renewable gases.

The business diversification can reinforce Snam's position as an enabler of the energy transition towards forms of using resources and energy sources that are compatible with environmental protection and gradual decarbonisation, with a long-term vision that is in keeping with its purpose and European objectives.

Furthermore, Snam has been working to make its infrastructure suitable for transporting increasing quantities of renewable gas with the prospect of transporting fully decarbonised gas by 2050.

In this context, and with particular reference to the Group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electric technologies, and/or delays in the development of new technologies for the production, transportation and storage of green hydrogen at competitive costs; the delay or failure to make investments (infrastructures, projects, new acquisitions) as a result of uncertainties related to operational, economic, regulatory, authorisation, competitive and social factors; the failure to develop the hydrogen market with to the value chain that should fuel the infrastructure. Lastly, consideration must be given to the possible evolution of the regulatory framework in favour of intermittent energy sources and which would, at the same time, penalise the development of the renewable gas market.

Indeed, these factors may penalise the achievement of the development objectives of the aforementioned activities and, more generally, the opportunity for Snam to benefit from the new mega-trends in the energy transition.

Mitigation actions

The development and introduction of new technologies that would enable the achievement of the development objectives for energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed, in order to respond to the urgent need to address climate change. With particular reference to the hydrogen value chain, the study of the necessary technological developments connected to the chemical and physical processes for the relative production requires particular skills and expertise, in order to support research and development both within the company and the national system. The processes commonly used for the commercial production of hydrogen are: the reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500°C with the production of CO_2 equivalent to the hydrocarbon used, and the electrolysis of water (4-5%). Specifically, the lack of skills in the alternative technologies to natural gas is a risk that could potentially be exacerbated by rapid changes in the external environment. That is why the Group is always committed to the development of internal competencies, to bringing skills in-house via acquisitions and to the participation and encouragement of governmental and industry working groups dedicated to hydrogen at national and international level. At the European level, it is also a member of Hydrogen Europe, while in Italy it is represented in the H2IT trade association - the Italian Hydrogen and Fuel Cell Association.

The Group's facilities and assets will also need to be ready to seize upon the opportunities arising from the development of alternative gases to natural gas. In April 2019, first in Europe, Snam experimented with feeding a mix of 5% hydrogen and natural gas into its transmission network, an experiment that was also repeated in December 2019, doubling the percentage of hydrogen by volume to 10%. The company is currently committed to verifying the full compatibility of its infrastructure with increasing quantities of hydrogen mixed with natural gas,

as well as to supporting the development of the Italian supply chain, in order to promote the use of hydrogen in many sectors, from industry to transportation. Currently, around 70% of Snam's methane pipelines are compatible with hydrogen and standards have been defined for the purchase of only hydrogen-ready components for the network. The Group's infrastructure development is therefore aimed, on the one hand, at the more efficient use of programmable and low-impact fossil fuels, while, at the same time, promoting the biomethane alternative and guaranteeing the necessary conditions for accommodating hydrogen also.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas chain: that is why it is crucial to develop partnerships to foster the development of operators along the hydrogen value chain, also participating in working groups so that Snam may take on a leading role in role in advocacy and awareness-raising activities for the use of hydrogen as a fundamental energy source for decarbonisation both in Italy and abroad.

To date, the Group has reached agreements with various entities in order to promote the growth of all phases of the hydrogen value chain, with a focus on conducting pilot projects to increase the production and use of hydrogen, via strategic partnerships in hard-to-abate industries (e.g. steel plants, refineries, other energy-intensive industries, mobility, etc.) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

2020 PERFORMANCE



RESULTS

In order to allow for a better assessment of the performance of economic-financial operations, this Report includes the reclassified financial statements and some alternative performance indicators (non-GAAP measures), mainly represented by the results in the adjusted configuration[21]. Specifically, adjusted EBIT and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the reported EBIT and the reported net profit, as per the Income Statement.

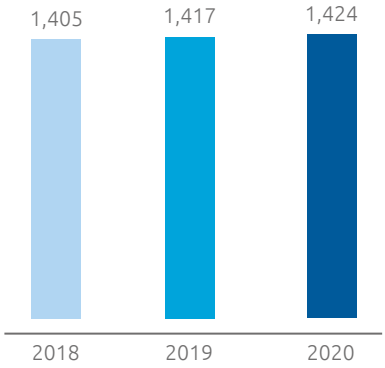
Income components classified as special items in 2020 are represented: (i) by financial expenses deriving from the repurchase of bonds on the market in the context of the liability management transaction (32 million euros, 24 million euros, net of the relative tax effect); (ii) by the costs incurred as a result of the Covid-19 pandemic-related emergency (27 million euros; 22 million euros net of the relative tax effect), mainly related to donations of medical supplies and cash to the Italian health system and the third sector (16 million euros), purchases of personal protective equipment for internal use and costs for services (11 million euros); (iii) by funds allocated to provisions for risks and charges (17 million euros) regarding the estimation of probable fiscal and financial charges in relation to circumstances and/or events already existing as at 31 December 2020.

21 For the definition of these indicators and the reconciliation with the related reported results, in line with the guidelines of the 2015/ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015, please refer to the chapter "Financial review and other information - Non-GAAP measures ".

ADJUSTED RESULTS

Thanks to the solidity and efficiency of the operational management and strict financial discipline, Snam achieved positive results in line with expectations in 2020, notwithstanding the effects of the Covid-19 pandemic.

Adjusted EBIT
(million €)

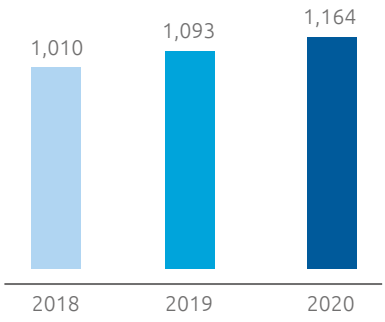


Adjusted EBITDA for 2020 amounts to 2,197 million euros, an increase of 28 million euros or 1.3% with respect to the adjusted EBITDA recognised in 2019. The positive contribution made by new energy transition businesses and Snam Global Solution (for approximately +13 million euros overall) and the greater regulated revenues deriving from the increase in the RAB base (+16 million euros), together with the continuation of actions under the Efficiency Plan (63 million euros of cost efficiencies compared to 2016) and the containment of costs following lockdown measures, have more than offset the reduction in regulated revenues deriving from the lower volumes transported following the Covid-19 health emergency, notwithstanding the fact that climate trends are in line with 2019.

Adjusted EBIT for 2020 totalled 1,424 million euros, up by 7 million euros (0.5%) compared with adjusted pro-forma EBIT for 2019. The aforementioned increase in EBITDA was partially absorbed by the natural increase in amortisation/depreciation (-40 million euros, 5.5%), essentially due to the entry of new assets to operations, partially compensated for by lower writedowns (+19 million euros, 63.3%).

With regard to business segments, thanks to higher regulated revenues linked to the increase in the RAB base, which more than absorbed the effects of a reduction in the volumes transported, the positive performance of the natural gas transportation sector was partially absorbed by a fall recorded in the storage sector, mainly attributable to tariff adjustment mechanisms and, in particular, lower incentives for new investments paid out for the fifth regulatory period.

Adjusted net profit
(million €)



Adjusted net EBIT for 2020 totalled 1,164 million euros, up by 71 million euros (6.5%) compared with adjusted net profit for 2019. The increase is due to the greater EBIT, as well as: (i) the sharp decline in net financial expenses (+39 million euros; equivalent to 23.6%), thanks mainly to the actions to optimise the financial structure and management of the treasury, with the cost of gross debt coming to 0.9%, notwithstanding the greater average debt for the period, influenced by investments in equity investments as well as the payment of dividends to shareholders and the share buyback activity; (ii) greater revenue from equity investments (+33 million euros; +15.3%), including one-offs or temporary effects, attributable to investees TAP and TAG, which benefit from non-recurrent income components, as well as ADNOC Gas Pipelines, an equity investment acquired in July 2020.

Income taxes recorded an increase (8 million euros; equivalent to 2.1%) following the greater pre-tax profit, partly offset by the effects of the reintroduction of the ACE - Aid to Economic Growth benefit.

Net financial debt was 12,887 million euros at 31 December 2020 (11,923 million euros at 31 December 2019). Cash flow from operations (1,597 million



euros) made it possible to fully cover net technical investment requirements (-1,110 million euros). Taking into account net outflows associated with the acquisition of equity investments (-522 million euros, including the shareholders loan to OLT acquired by Snam with the purchase of the equity investment), free cash flow stood negative at 35 million euros. The net financial debt, after equity cash flow deriving from the payment to shareholders of the 2019 dividend (779 million euros, of which an interim dividend of 313 million euros and 466 million euros for the balance) and the acquisition of treasury shares (114 million euros), recorded an increase of 964 million euros compared with 31 December 2019, including non-monetary components related to financial debt (36 million euros), which refer mainly to the change in the scope of consolidation and the financial debt recorded through the application of IFRS 16 "Leasing".

DIVIDENDS

Our healthy results and solid business fundamentals allow us to propose **a dividend of 0.2495 euros per share**, to the Shareholders' Meeting, of which 0.0998 euros per share was paid in January 2021 as an interim dividend (326 million euros) and the balance of 0,1497 euros per share will be paid from 23 June 2021 with an ex-dividend date of 21 June 2021 (record date 22 June 2021). The proposed dividend, up 5% compared with 2019, in line with the dividend policy announced in the strategic plan, confirms Snam's commitment to guaranteeing shareholders an attractive remuneration that is sustainable over a period of time.

Main income statement data (a)

(million euros)	2018	2019	2020	Change	% change
Regulated revenue (b)	2,429	2,491	**2,548**	57	2.3
Total revenue (b)	2,530	2,606	**2,770**	164	6.3
Operating costs (b)	435	437	**573**	136	31.1
EBITDA	2,095	2,169	**2,197**	28	1.3
EBIT	1,405	1,417	**1,424**	7	0.5
Net profit (c)	1,010	1,093	**1,164**	71	6.5

(a) Figures are stated in the adjusted configuration.
(b) Starting 1 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenue (53 million euros in 2020). Similarly, the relative values from previous years (59 and 56 million euros respectively for 2019 and 2018) have been restated.
(c) Entirely attributable to parent company shareholders.

Reported results

(million euros)	2018	2019	2020	Change	% change
EBIT	1,384	1,452	**1,380**	(72)	(5.0)
Net profit (a)	960	1,090	**1,101**	11	1.0

(a) Entirely attributable to parent company shareholders.

Key share and income figures

		2018	2019	2020	Change	% change
Net profit per share (a)	(€)	0.286	0.330	**0.336**	0.006	1.9
Adjusted net profit per share (a)	(€)	0.301	0.331	**0.356**	0.025	7.4
Group shareholders' equity per share (a)	(€)	1.78	1.90	**1.98**	0.08	4.3
Pay-out (Relevant dividend/Group net profit) (b)	%	77.71	71.56	**74.11**	2.55	3.6
Dividend yield (Relevant dividend/Year-end official share price) (b)	%	5.9	5.1	**5.1**	0.0	0.0
Price/Book value (Official average price per share/ Group shareholders' equity per share)	(€)	2.10	2.36	**2.23**	(0.13)	(5.4)

(a) Calculated considering the average number of shares outstanding during the year.
(b) The 2020 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 27 February 2021.

Key shareholder figures

		2018	2019	2020	Change	% change
Number of shares of share capital	(million)	3,469	3,395	**3,361**	(34)	(1.0)
Number of shares outstanding at 31 December	(million)	3,301	3,292	**3,270**	(22)	(0.7)
Average number of shares outstanding during the year	(million)	3,358	3,301	**3,272**	(29)	(0.9)
Year-end official share price	(€)	3.820	4.686	**4.601**	(0.085)	(1.8)
Official average price per share for the year	(€)	3.747	4.474	**4.417**	(0.057)	(1.3)
Stock Market Capitalisation	(million)	12,606	15,428	**15,046**	(382)	(2.5)
Dividend per share	(€ per share)	0.2263	0.2376	**0.2495**	0.0119	5.0
Dividends for the year in question (*)	(million)	746	780	**816**	36	4.6
Dividends paid in the financial year	(million)	731	746	**779**	33	4.4

(*) The 2020 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 27 February 2021.

OPERATING REVIEW AND SUSTAINABILITY IMPACTS

TECHNICAL INVESTMENTS

Plant security and quality levels

Technical investments for 2020, totalling 1,189 million euros[22], up on 2019 (+226 million euros; +23.5%) and in line with forecasts, despite the difficulties deriving from the restrictions that characterised the first part of the year due to Covid-19, and related mainly to the transportation (981 million euros) and storage (134 million euros) business segments.

Investments in projects aimed at maintaining plant security and quality totalled 529 million euros for transportation (336 million euros in 2019) and 101 million euros for storage (57 million euros in 2019).

Snam guarantees **360° degree monitoring of its assets**, committing to the study and development of technologies which make it possible to have full control over infrastructure. In order to detect potentially critical situations on the network and act in a timely manner in the event of unforeseen external phenomena, the methane pipelines are regularly inspected by qualified personnel, including through the use of motor vehicles, helicopter or drone overflights, or technology.

To control and check the pipelines, Snam uses an intelligent device equipped with sensors, called "pig", which, by travelling inside the gas pipelines, allows to detect any defects or anomalies in terms of the material or minimum pipe movements.

Moreover, Snam has implemented a pipe inspection method through a detection system able to identify any methane leaks (**Leak Detection**); this activity responds to the ARERA directives which require the entire network to be monitored every 3 years.

The Company has always **constantly monitored the technological evolution**, in order to identify solutions that are potentially applicable to its own business and capable of improving the quantity and quality of checks on all its assets, for the purpose of increasing reliability and safety over time. Ever since their invention, Snam has trialled and, where deemed effective and applicable, subsequently adopted various **in line inspection** solutions, which have evolved from the use of simple internal pipeline cleaning devices to advanced devices equipped with complex systems of sensors capable of identifying deformations in the pipe section, any construction defects or corrosion, as well as any movements in the pipeline's axis over time.

22 An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

Experimental activities are currently in an advanced state of implementation, involving the use of **satellite survey technologies** in order to assess the possibility of improving the ability to intercept potential activities that interfere with and could damage or jeopardise the integrity of the pipelines, and to identify geographical areas characterised by land movements of a particularly slow nature that cannot be identified with the conventional monitoring methods currently employed (periodic geological surveying by qualified geologists), which potentially pose a danger to the maintenance of the pipeline's integrity over time.

Lastly, Snam carries out continuous monitoring and control activity on its storage facilities through detection systems which activate when needed to immediately ensure the safety of the facilities. The most commonly used systems related to fire, smoke, pressure and gas leak detection.

Control and inspection of transportation business

(km)	2018	2019	2020
Network inspected using smart pigs	1,651	1,651	**1,487**
Network inspected using helicopter overflights	18,462	20,178	**20,662**
Network inspected with Leak Detection technology			**10,535**
Network subject to geological inspection	4,209	5,163	**4,438**

INTERCONNECTED TRANSPORTATION-STORAGE CAPACITY AND NETWORK UTILISATION

The average transportation capacity provided in 2020 was 363.1 million cubic metres/day on average, which was in line with 2019, while transferred capacity totalled 207.2 million cubic metres/day on average. Network saturation[23] was 57.1%, a decrease compared with 2019 (63.8%).

The number of active transportation users in 2020 was 213, compared with 150 active users in 2019. In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.

The total storage capacity at the end of 2020, on a like-for-like basis with strategic storage, came to 17.0 billion cubic metres, thanks to the Bordolano field gradually coming into operation, confirming the most extensive capacity at the European level for 2020 too.

There were 91 active storage customers (unchanged from 2019).

BUSINESS VOLUMES

In 2020, a total of 69.97 billion cubic metres of gas was injected into the network, a decrease of 5.40 billion cubic metres (-7.2%) compared with 2019.

23 Ratio of capacity transferred to available capacity.



71.30 bcm
Gas demand
(-4.3% compared with 2019)

71.60 bcm
Normalised gas demand
(-4.4% compared with 2019)

60 methane tankers unloaded
(+39 compared with 2018)

19.60 bcm
Gas moved through the storage system

The reduction is due to the significant decline in gas demand, which comes to 71.30 billion cubic metres (-3.18 billion cubic metres; -4.3%), due to the decrease in withdrawals in all consumption sectors. More specifically, the drop in gas demand is attributable: (i) to lower consumption in the thermoelectric sector (-1.47 billion cubic metres; -5.5%), following the decrease in electricity demand due to the lockdown measures implemented to contain Covid-19, in particular during the months from March to June, as well as the increase in photovoltaic production, partially offset by a significant drop in imports of electricity and a reduction in hydroelectric and wind production; (ii) to lower consumption in the industrial sector (-0.91 billion cubic metres; -5.3%), due to a 12% reduction in industrial production with respect to 2019, intensified by the closure of various productive activities during the lockdown (March/April), followed by a slow recovery in industrial production which has not yet returned to pre-Covid levels. Additionally, the reduction in gas demand was affected by lower consumption in the residential and tertiary sector (-0.72 billion cubic metres; -2.6%), essentially due to a progressive increase in energy efficiency measures and modernisation of heating systems with higher efficiency hot water heaters, relative to similar climate conditions in the two periods.

Total storage capacity as at 31 December 2020, including strategic storage, was 17.0 billion cubic metres (unchanged with respect to 2019), of which 12.5 billion cubic metres related to available capacity fully allocated for the thermal year 2020-2021 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2019-2020, as established by the Ministry of Economic Development by means of the notice dated 17 January 2020.

Volumes of gas moved through the storage system in 2020 amounted to 19.60 billion cubic metres, an increase of 0.27 billion cubic metres, or 1.40%, compared with 2019. Greater disbursements to deal with the reduction in injections to the national network were partially compensated for by lower injections in storage.

During 2020, the Panigaglia (La Spezia) terminal regasified 2.52 billion m^3 LNG (2.40 billion m^3 in 2019; +5%).

The continued increase in volumes of activities compared with 2018 (0.91 billion m^3 in 2018, more than doubled in 2020) is mainly due to the greater competitiveness of the cost of LNG compared with natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

In 2020, 60 methane tankers were unloaded (+3 with respect to 2019; +39 with respect to 2018).

KEY OPERATING FIGURES

In accordance with IFRS 8 "Operating Segments," the operating segments that are reported separately were not changed and refer to regulated activities related to the transportation, regasification and storage of natural gas. Therefore, the new companies which head activities relating to the Energy Transition (sustainable mobility, energy efficiency and biogas/biomethane) are included in the "Corporate and other activities" segment, not operating under the terms of IFRS 8. An analysis of EBIT by business segment is provided in the "Business segment operating performance" section.

Key operating figures

	2018	2019	2020	Var. ass.	Var. %
Natural gas transportation (a)					
Natural gas injected into the National Gas Transportation Network (billion cubic metres) (b)	72.82	75.37	**69.97**	(5.40)	(7.2)
Gas transportation network (kilometres in use)	32,625	32,727	**32,647**	(80)	(0.2)
Liquefied Natural Gas (LNG) regasification (a)					
LNG regasification (billion cubic metres)	0.91	2.40	**2.52**	0.12	5.0
Natural gas storage (a)					
Available storage capacity (billion cubic metres) (c)	12.4	12.5	**12.5**		
Natural gas moved through the storage system (billion cubic metres)	21.07	19.33	**19.01**	(0.32)	(1.7)
Employees in service at year end (number) (d)	3,016	3,025	**3,249**	224	7.4
of which business segment:					
- Transportation	1,915	1,945	**1,910**	(35)	(1.8)
- Regasification	64	65	**67**	2	3.1
- Storage	59	61	**62**	1	1.6
- Corporate and other activities (e)	978	954	**1,210**	256	26.8

(a) With regard to 2020, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10,572 kWh/SCM) for transportation and regasification activities and 39.23 MJ/SCM (10.895 kWh/SCM) natural gas storage for the 2019-2020 thermal year.
(b) The data for 2020 were updated at 14 January 2021. 2019 figures were definitively updated.
(c) Working gas capacity for modulation, mining and balancing services, allocated in full for the 2020-2021 thermal year.
(d) Fully consolidated companies.
(e) The figures for 2020 include resources coming from the entry of Mieci and Evolve into the scope of consolidation (137 resources overall).







Staff employment and development

The number of employees in service at 31 December 2020 was 3,249, an increase of 224 (+7.4%) over 2019. Over the year, the following were recorded:

- the entry of 376 resources, of which 137 were due to the entry of Mieci and Evolve into the scope of consolidation, and 226 were appointed from the market, including to strengthen new energy transition businesses, particularly in the field of biomethane.
- the exit of 152 resources, principally due to termination of employment relationships (143), 47 of which were unilateral.

With respect to the Group's distribution country-wide, 2,495 people are employed in the northern regions of Italy, 246 in the central regions and 498 in the south and Sicily. Moreover, 10 resources are permanently in service abroad.

During 2020, 66,385 hours of training were delivered with 17,277 participants, involving 90% of the company workforce (95% of women participated in at least one training course). On average, 20.4 hours of training took place per employee (20.8 hours on average for male staff and 18.5 for female staff).





Industrial relations

During 2020, Snam maintained a constant relationship with Trade Unions at the national and local level through 155 teleconferencing meetings, in line with government provisions and specific business policies aimed at containing the spread of Covid-19.

The Parties discussed several plans for the evolution of consolidated and recently created businesses, as well as issues of organisational importance triggered by the crisis situation that had emerged over the year.

In particular, pathways deriving from the integration of commercial and physical dispatches were discussed and established, in order to optimise transportation and storage activities.

As regards the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics intrinsic to the business evolution. The Parties met to establish productivity and profitability indicators for the 2020 Participation Bonus for Group companies and the benefits related to the 2019 bonus were booked. Moreover, a series of trade union discussions on smart working was set up, to extend that way of working to the business's entire office-based population, including operational units in the territory in response to the pandemic.



Supply chain management[24]

Snam adopts an 'extended' management model aimed at going beyond the boundaries of its company perimeter in order to empower supply chain operators (suppliers and subcontractors). In this framework, everyone is encouraged to achieve increasingly sustainable performance in terms of risk mitigation, innovation of management processes, increasing in operational efficiency and the promotion of responsible governance procedures. Moreover, in consideration of the new objectives linked to the reduction of Scope 3 emissions included in the new Towards Net Zero Strategic Plan, it is even more necessary and important to establish collaboration and a mutual commitment from Snam and its suppliers and subcontractors in order to tackle climate change.

In 2020, there were 541 suppliers under contract, of which 377 belong to the small-medium business (SME) sector (69% of the total), concluding 1,338 procurement contracts worth a total of approximately 1,832 million euros (+18% compared with 2019). From the geographical point of view, more than 96% of assets, works and services were acquired in Italy, involving suppliers located throughout almost all of the national territory (19 regions). Among the goods purchased, the most important material is steel (piping, connectors, etc.) which, in 2020, amounted to a supply of approximately 84,000 tonnes.

As regards the companies TEP, IES Biogas, Cubogas and Snam 4 Environment, together with their subsidiaries, 189 million euros worth of goods and services were procured from more than one thousand suppliers belonging to the new businesses sector (mobility, biomethane and hydrogen).

Supply

(million euros)	2018	2019	2020
Value of procurement	1,520	1,550	**1,832**

Snam also incurred expenses of approximately 11 million euros for the supply of goods and services to ensure the safety of its own employees and deal with the Covid-19 pandemic in the best possible way.

To ensure the adequacy of suppliers in relation to current and future procurement requirements, Snam is constantly conducting market intelligence analyses and scouting activities for new suppliers. Thus, the correct balancing of the number of supplier companies on the Vendor List is ensured, according to criteria that follow the evolution of the need to acquire goods, works and services over time.

In 2020, the number of suppliers on the Vendor list and the related product groups were rationalised (-12% and -7%, respectively, compared to 2019), researching new and efficient synergies between the supplier companies already

24 The figures in this paragraph relate to the following companies only: Snam, SRG, GNL Italia, Stogit, Enura, Snam 4 Mobility, Cubogas.

available, and, at the same time, the population of suppliers linked to energy transition activities and Snam's new businesses was increased, together with critical activities connected to the management of the health emergency.

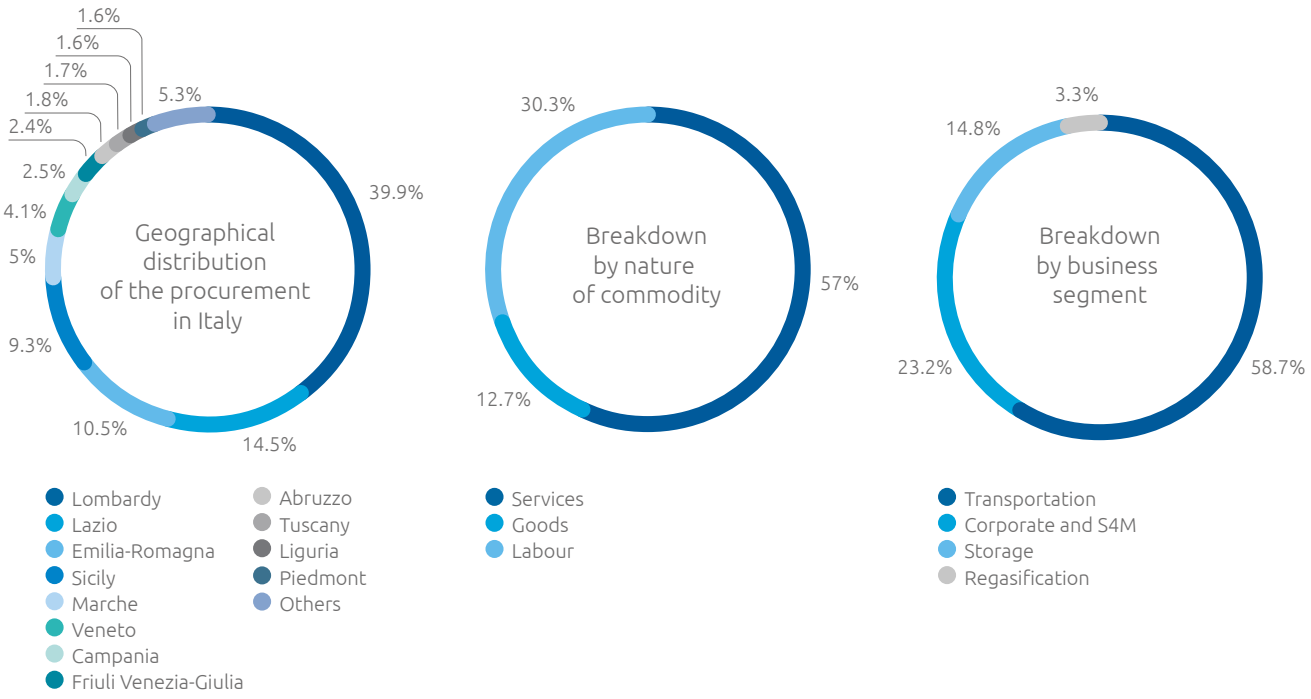
In 2020, over 700 businesses were contacted and more than 1,000 new candidates were activated for accreditation/qualification. The number of spontaneous candidatures increased by 2.7% compared to 2019, coming to 1,007.

As at 31 December 2020, the total number of qualified suppliers was 1,855, of which 221 belonged to the most important and strategic product categories (A and B). Snam exercises control of its supply chain by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the course of the year, 877 feedback reports were collected, relating to the services of 166 suppliers (+41% compared to 2019), 371 contracts were analysed and, in line with the promotion of sustainable behaviours along the supply chain, 3,815 audits on the tax compliance of 1,768 suppliers and subcontractors were also carried out, detecting irregularities in 2.28% of cases (+1.3% compared with 2019).

Moreover, with regard to the fight against corruption, all suppliers and subcontractors are required to accept the Integrity Ethics Pact and are subject to reputational checks. In 2020 2,758 reputational checks were conducted on suppliers and contractors. Moreover, since July 2020, Snam has been introducing a new category of checks carried out on its own suppliers, called "**Compliance Checks**", which also entail the analysis of the financial solidity of suppliers (or aspiring suppliers), as well as their suitability and fitness both from a technical point of view and in terms of HSEQ.

In procurement of works related to Snam's core activities, the suppliers considered critical (critical levels A and B) must be in possession of quality and environment management systems certified with ISO 9001, ISO 14001, OHSAS 18001 and ISO 45001 standards.

To evaluate the performance of its own suppliers over time, Snam uses a rating index (IR) that takes into consideration compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Level of service), establishing a good relationship with the customer for the entire duration of the contract (Behaviour). Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. In 2020, 13 provisions were issued in this area.



Health and safety

Although the issues of health and safety at work have become even more important during the course of 2020, sue to the Covid-19 pandemic, Snam is constantly committed to developing and promoting health and safety in the workplace. Research into and the adoption of good business practices is subject to gradual promotion not only within the company, but also vis-à-vis suppliers, to extend and improve collaboration so as to achieve the best performance.

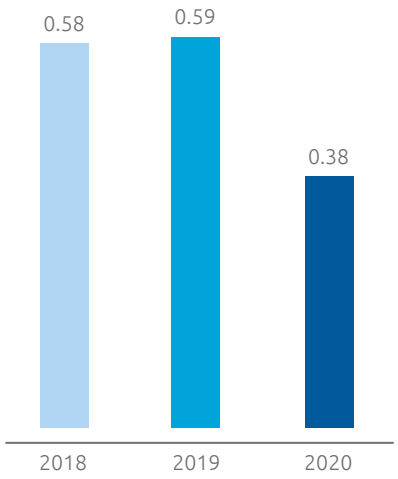
In 2020 a total of 5 accidents took place (7 in 2019), 3 of which involved Snam Group employees (2 in 2019). All of them took place in companies in the unregulated sector (2 Cubogas and 1 Mieci), and 2 involved contractors (5 in 2019), with one sadly resulting in a fatality.

In 2020, the accident frequency index for employees was 0.59, a slight increase compared to 2019 (0.41), while for contractors it was 0.25, a reduction compared to 2019 (0.71).

The accident severity index for employees was 0.01, a reduction compared to 2019 (0.03), while for contractors it was 0.93, a marked increase compared to 2019 (0.07) due to the fatal accident[25].

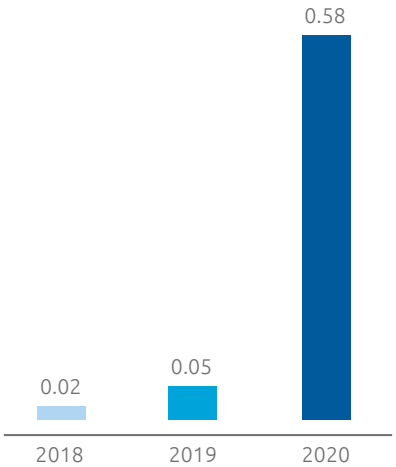
Overall, for employees and contractors, the frequency index was 0.38 while the severity index was 0.58.

Frequency index
Employees and contractors



The frequency index was calculated as days of absence for injury / total hours worked.

Severity index
(including fatalities) Employees and contractors

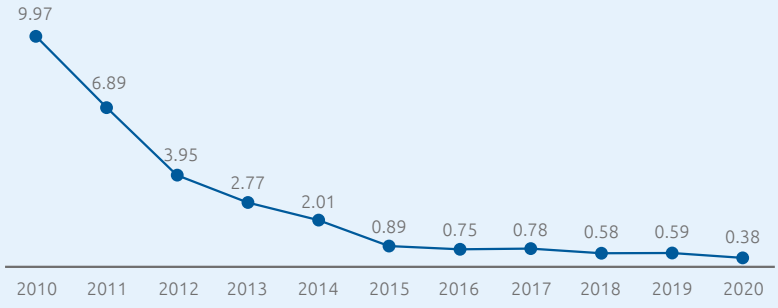


The severity index was calculated as number of injuries / total hours worked.

Frequency index

Employees and contractors

In the past 10 years, Snam has disseminated a culture based on protecting health, preventing injuries and safety at all levels of the Company, involving the whole corporate population and contractors. This approach enabled a constant reduction of injuries.



* The frequency index was calculated as days of absence for injury / total hours worked.

25 One fatal accident is computed as 7,500 days of absence.

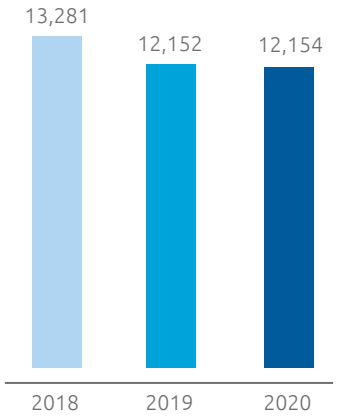
Energy consumption

The main sources of Snam's energy consumption are the gas turbines used in compression facilities, which in 2020 represented 82% of total consumption. Moreover, 2020 saw an increase in the consumption of the regasification plant (+4% compared to 2019), in line with the increase in quantities of gas being regasified and a simultaneous reduction in consumption for storage (-6% compared to 2019), in line with the reduction in stored gas.

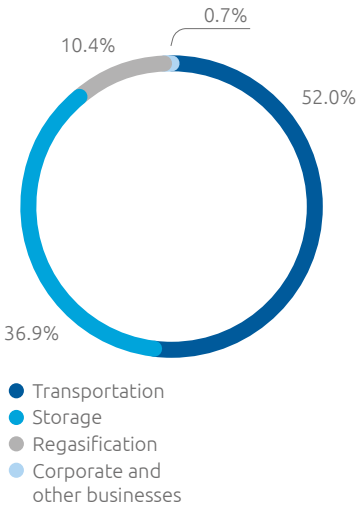
In 2020 total energy consumption was 12,154 TJ (similar to in 2019, +0.02%), influenced principally by the use of backbone pipelines for importation. In fact, during the course of the year, a 7% reduction in gas injected into the network compared to 2019 was recorded; the gas was transported by the North Africa backbone route, which is more energy-intensive than the northern Europe and Russia backbones.

The Company's energy mix is almost entirely made up of natural gas (95.4%); the other sources of which it is composed are electricity (increased from 3.5% in 2019 to 3.8% in 2020) and other fuels (diesel fuel, gasoline, LPG and heat), which together amount to 0.8% of the total consumption.

Energy consumption (TJ)



Energy consumption by business segment



GREENHOUSE GAS EMISSIONS

Total GHG emission were approximately 1.74 million tonnes of CO_{2eq} (-13% compared with 2019). The total reduction in emissions was principally due to various concurrent causes, including:

- recovery of natural gas emissions through gas recompression, hot tapping[26] and Leak Detection and Repair (LDAR);
- production and/or purchase of electricity from renewable sources;
- installation of facilities with LED lighting;
- installation of more energy-efficient heat generators;
- restructuring and improvements to the energy-efficiency of buildings;
- increase in smart working.

In 2020, Snam reduced its atmospheric emissions by more than 200 thousand tonnes of CO_{2eq}, a much higher figure than for 2019 (+12%), and it also avoided the emission of more than 10 million m³ of natural gas, equivalent to 183 thousand tonnes of CO_{2eq} (+11% compared to 2019).

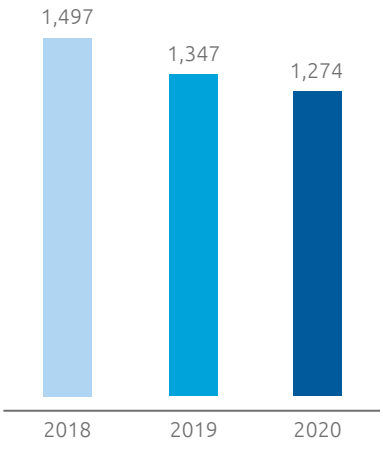
Direct emissions of CO_{2eq} came to 1.27 million tonnes. Of these, 0.66 million tonnes were attributable to fuel emissions, while CO_{2eq} emissions deriving from methane and HFC emissions amounted to approximately 0.62 million tonnes and 0.001 million tonnes (-11% compared with 2019 and -20% compared with 2018, respectively). Natural gas emissions stood at 35 million m³, down compared with 39.2 million m³ in 2019.

Indirect CO_{2eq} emissions from energy consumption derived from the procurement of electricity and heat generated by third parties, which the Company uses for its own activities. Electricity consumption, which came approximately 128,750 MWh, increased by 10% compared to 2019, principally caused by the Renerwaste sites (not accounted for in 2019). Notwithstanding the increase, emissions did not increase for those sites, as almost 60% of the electricity consumed was generated by renewable sources.

CO_{2eq} emissions, calculated according to the market based approach, came to 31.3 thousand tonnes, down compared to 2019 (-3.4%), thanks precisely to the growing use of renewable energy sources, thus avoiding the atmospheric emission of approximately 18,600 tonnes of CO_{2eq}, an increase compared to the 16,100 tonnes avoided in 2019. As regards Scope 3 emissions, in 2020 the Group implemented a number of measures to calculate and subsequently reduce such emissions. Of these measures, Snam intends to continue to request its suppliers to complete the CDP Supply Chain questionnaire, promote working groups for the establishment of a common strategy for reducing emissions, hold thematic meetings on problems related to climate change and introduce stricter sustainability criteria in the choice of suppliers.

with regard to Scope 3 emissions, in 2020 some 8 different categories pertaining to such emissions were accounted for, therefore recalculating the emissions of previous years. In 2020, Scope 3 emissions came to approximately 433 thousand tonnes, a 31% reduction on the recalculated 2019 figure, following a decline in procurement and the different nature of the supplies. The 433 thousand tonnes of CO_{2eq} relating to scope 3 emissions does not include the category linked to investments (which historically represents approximately 50% of total scope 3 emissions), due to the timing of data validation by investee companies.

Direct GHG emissions – Scope 1 (kt CO_{2eq})*

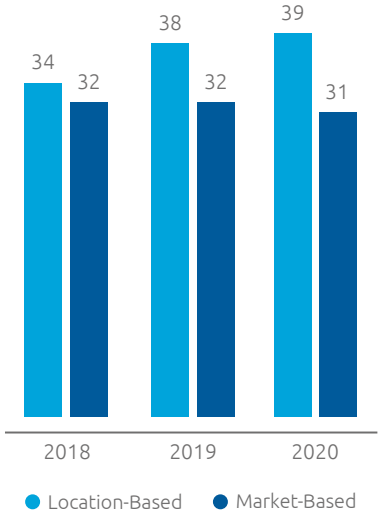


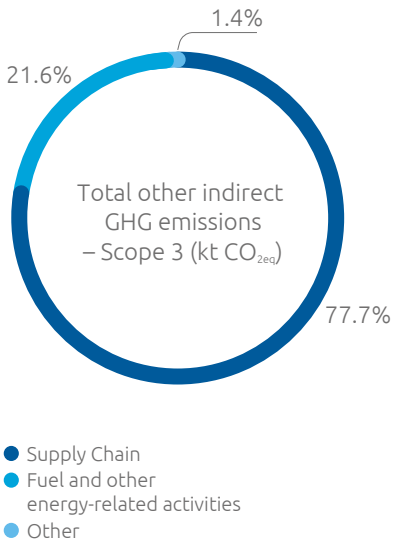
* The emissions of CO_{2eq} were consolidated according to the operational control approach. The GHG gases included in the calculation are CO_2 and CH_4 and the emissions are calculated with a GWP of methane equal to 28, as indicated in the scientific study by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC"

26 Advanced technique for the attachment of branches from pipelines in operation that make it possible not to interrupt the flow of gas or discharge the gas contained in the pipeline from which the branch leads.

Lastly, as regards carbon dioxide emissions from the Snam Group facilities covered by the ETS, overall they were greater than the allocated emission allowances. The allocation of free allowances by the competent national authority each year is gradually reduced each year as set out from the third regulatory period in Article 10 bis of Directive 2009/29/EC, which ended in 2020. In view of around 0.615 million tonnes of carbon dioxide emitted into the atmosphere, around 0.120 million tonnes were allocated free of charge, resulting in a 0.495 million tonne deficit.

Indirect GHG emissions – Scope 2 (kt Co_{2eq})





SNAM AND THE FINANCIAL MARKETS

SNAM SHARE PERFORMANCE

The Snam share price ended 2020 at an official price of 4.601, down 1.81% on the price recorded at the end of 2019, which was 4.686.

The average value of the share during the period was 4.417 euros, peaking at 5.1 euros in the second half of February.

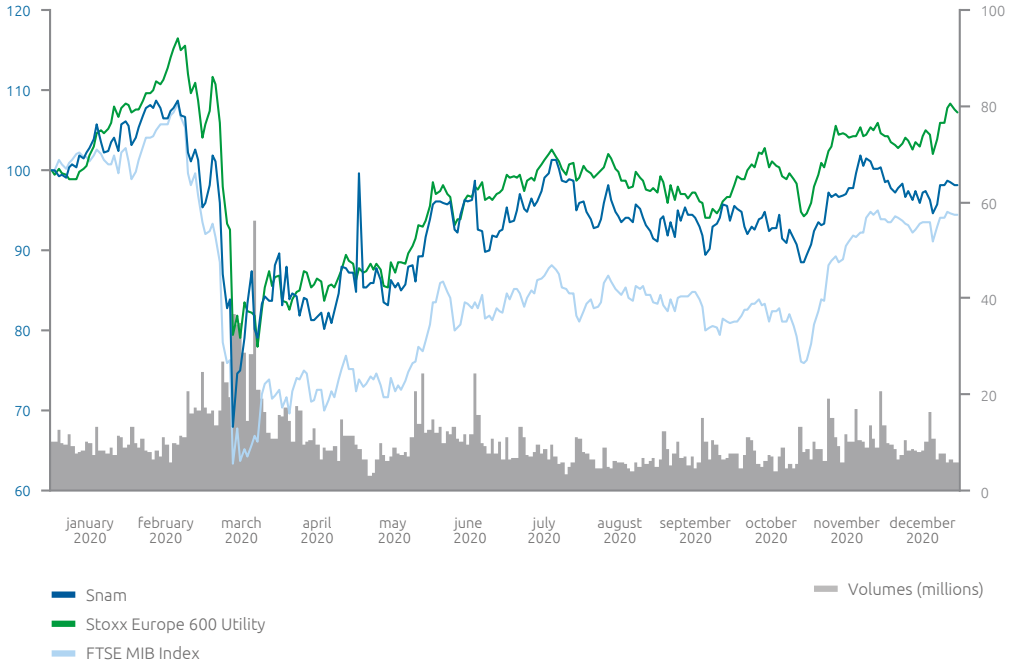
The stock continued to benefit from both growth prospects in all the economic and financial indicators presented to the market in the strategic plan at the end of 2019 and confirmed in the 2020 plan, and clarity of the regulatory framework.

Since the beginning of March, the effects of the Covid-19 pandemic and lock-down measures have triggered strong tensions and volatility in financial markets and global equity indices have fallen sharply. The Snam share also fell in relation to the intensification of restrictive measures. Despite the restrictions imposed by the authorities on the mobility of people, the company has worked with great commitment and extraordinary measures to guarantee its essential energy security service.

The success of the issue of the first Transition Bond in June 2020, followed by two further issues in December 2020 and February 2021, whose funds will be used to finance projects in the energy transition sector, the agreement with ADNOC to join the networks of the Arab Emirates, the partnerships with the British ITM Power, one of the largest global producers of electrolysers, and through the partnership with De Nora, a global leader in alkaline electrodes, are factors that contributed to the recovery of the share in the last months of the year.

During the course of the year, the Company continued its investing activities both in its own regulated infrastructure, which is confirmed to be central to the energy transition to a low-emissions economy, and in the new energy transition activities in order to guarantee sustainable and profitable growth for shareholders.

SNAM – Comparison of Snam, FTSE MIB and STOXX Europe 600 Utilities listings
(1 January 2020 – 31 December 2020)



Snam shareholder composition at 31 December 2020

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A. (a)	**31.35**
	Mr. Romano Minozzi	**7.46**
	Snam S.p.A.	**2.70**
	Other shareholders	**58.49**

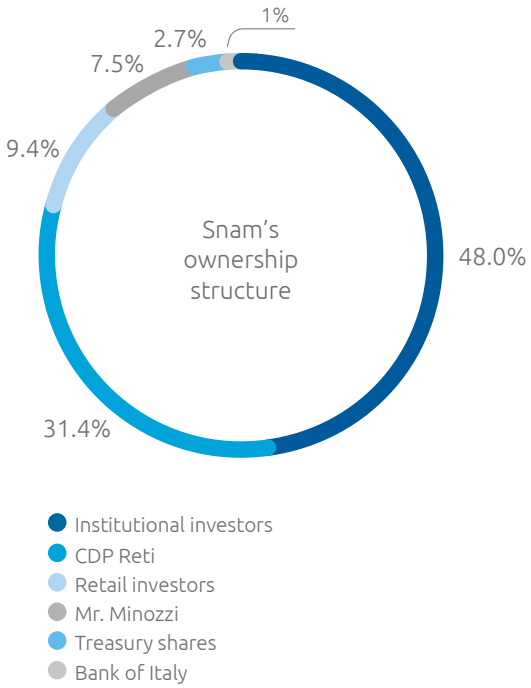
(a) CDP S.p.A. holds 59.10% of CDP Reti S.p.A.

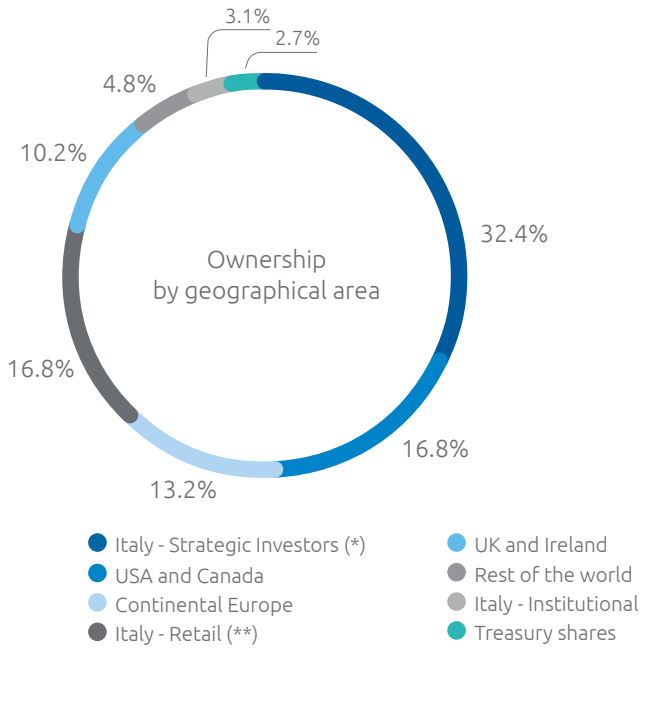
Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At the end of 2020, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 31.35% of share capital, Snam S.p.A. held 2.70% in the form of treasury shares, and the remaining 65.95% was in the hands of other shareholders.

The share capital at 31 December 2020 consisted of 3,360,857,809 shares without indication of nominal value (3,394,840,916 at 31 December 2019), with a total value of 2,735,670,475.56 euros (unchanged from 31 December 2019).

As at 31 December 2020, Snam's portfolio contains 90,642,115 treasury shares (102,412,920 as at 31 December 2019), equal to 2.70% of its share capital, with a book value of about 361 million euros (3.02% for a book value of around 388 million euros at 31 December 2019). More information with regard to the changes in treasury shares in the portfolio in 2020 can be found in the chapter "Other information - Treasury shares" of this Report.





(*) Italy's strategic investors include the Bank of Italy and CDP Reti.
(**) Italy's retail investors include the shares held by Romano Minozzi (7.6%).

RELATIONS WITH THE FINANCIAL COMMUNITY AND INVESTOR RELATIONS POLICY

Snam believes that maintaining constant relations with investors and the entire financial community is of strategic importance for its reputation. In this respect, it endeavours to disseminate comprehensive and timely information, capable of effectively representing the business's strategy and performance, particularly enhancing the dynamics that ensure the creation of value over time.

2020 Engagement Activity

In addition to the normal activities in presenting the Strategic Plan and conference calls upon the publication of the Company's results (annual, half-year and quarterly) during 2020, and notwithstanding the restrictions on movement that emerged following the onset of the Covid-19 pandemic, Snam has virtually participated in:

- 10 roadshows to meet shareholders and institutional investors in the major financial centres of Europe and North America;
- 15 industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet senior management.

INCLUSION OF SNAM STOCK IN SUSTAINABILITY INDICES AND ESG RECOGNITION

As in previous years, Snam stock was included in the main international SRI (sustainable and responsible investment) stock market indices, an instrument that guarantees transparency in relation to the market and comparability in relation to the Group's peers, in addition to making the Company visible to other investors and the financial market as a whole.

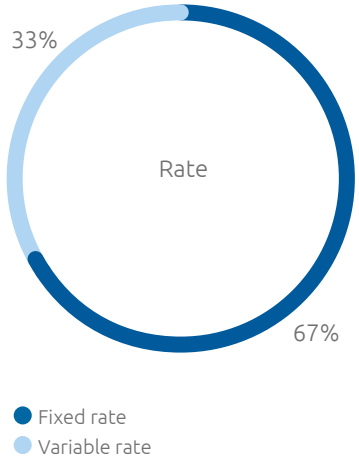
There are 245 investors within Snam's shareholder composition that are classified as ESG, representing 34.1% of all institutional shareholdings in Snam and 13.8% of the total as of September 2020 (Nasdaq analysis).

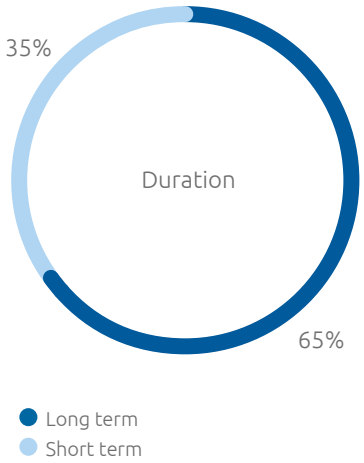
Sustainability indices

FTSE4Good	Snam is once again present in the FTSE4Good index, where it has been listed since 2002, an index created by the FTSE Group to encourage investment in companies that meet globally recognised social responsibility standards and an important point of reference to establish benchmarks and ethical portfolios.
	Snam's listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Also reconfirmed in the Ethibel PIONEER and in the Ethibel EXCELLENCE Investment Registers: the Forum Ethibel decision indicates that the company can be characterised as an industry leader in terms of CSR.
MSCI	Snam's listing has been confirmed for the fourth year running in the two sustainability indexes MSCI ACWI SRI Index and MSCI ACWI ESG Leaders, by MSCI, an international leader providing IT tools to support the investment decisions of global investors. The MSCI Global Sustainability indices includes companies having high sustainability ratings in their affiliated sectors.
STOXX	For the ninth consecutive year Snam stock has been included into the STOXX Global ESG Leaders Indices, a group of indices based on a transparent process of selection of the performance, in terms of sustainability, of 1,800 companies listed worldwide.
ECPI	Snam is included in five of the main ECPI sustainability indexes. Snam's inclusion in the family of ECPI indices dates back to 2008. The ECPI methodology consists in screening based on testing more than 100 ESG (Environmental, Social and Governance) indicators
	Snam is confirmed to be included in 2020 as well in the (Europe, Eurozone, World) NYSE Euronext Vigeo 120 indices, managed by Vigeo, a leading company on a European level in rating companies with regard to CSR issues.
100	Snam was also listed, in 2020, for the fifth year running, in the United Nations Global Compact 100 index (GC 100), developed by the United Nations Global Compact with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on the human rights, labour, environment and anti-corruption issues.
	Snam is for the second consecutive year among the companies included at the global level in Bloomberg's Gender-Equality Index (GEI). The index includes this year 380 businesses, of which 18 belonging to the energy sector. The company, one of the leading operators of energy infrastructures in the world, obtained a total score of 71.21% improving the GEI score by 2.1 percent compared to the previous year.
S&P Global	In the context of the CSA assessment 2020, Snam was included in the **Sustainability Yearbook 2021** which rewards companies included in the top 15% of their industry.

ESG ratings

CDP A LIST 2020 CLIMATE	Snam has been included again among the top-scoring companies of CDP, a non-profit organisation among the most important at the international level on the subject of climate change. In 2020, Snam came back to the global top, obtaining inclusion in the A List which comprises only 273 companies at the world level (8 in Italy), testifying to the strong commitment put into action on subjects related to climate change and the energy transition.
CDP	Snam joined for the second year the CDP supply chain programme, the CDP programme aimed at the involvement of its supply chain in the climate change questionnaire. Snam got a score of A-, demonstrating the commitment of its suppliers in engagement activities involving issues related to the reduction of emissions and the development of sustainable strategies. In 2020 the company widened the perimeter of analysis, involving a higher number of suppliers and obtaining from these a higher level of response compared to 2019 (60% of respondents vs. 56%). The quality of the responses of suppliers also improved.
Corporate Responsibility Prime oekom research	In 2020, Snam was confirmed at "PRIME" level (with rating B-) by ISS ESG, which recently acquired the service Oekom Research, a leading international agency rating socially responsible investments, which operates on behalf of institutional investors and financial services companies.
SUSTAINALYTICS	Snam was also confirmed in 2020 in the Sustainalytics index, a leading ratings agency that evaluates companies from an ESG perspective and which the company has been part of since 2013. The score of 19.8 indicates a low level of risk of the company in the ESG field, compared to an average risk level in 2019.





DEBT MANAGEMENT AND CREDIT RATING

Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure.

The Group's net financial position at 31 December 2020 was 12,887 million euros, the result of a gross financial debt of 15,937 million euros and cash and cash equivalents of 3,050 million euros.

With reference to the capital market, in June 2020 Snam concluded the issue of its first Transition Bond, which followed the first Climate Action Bond, issued in 2019, for a sum of 500 million euros, with an annual coupon of 0.75% maturing on 17 June 2030. Moreover, in November 2020, Snam issued a second Transition Bond for a sum of 600 million euros, with an annual coupon of 0%, a re-offer of 99.728%, maturing on 7 December 2028. That issue was structured as the longest bond loan with a coupon equal to 0% to have ever been issued by an Italian issuer, when it was issued.

In December 2020, Snam successfully completed a buyback on the bond market of bonds (Liberty Management) with a total nominal value of around 629 million euros, with an average coupon of approximately 0.62% and a remaining maturity of approximately 2.80 years. The total disbursement resulting from the buy back of securities as part of the Liability Management transaction stood at 651 million euros, including the fees paid to intermediaries and accrued interest (4 million euros in total).

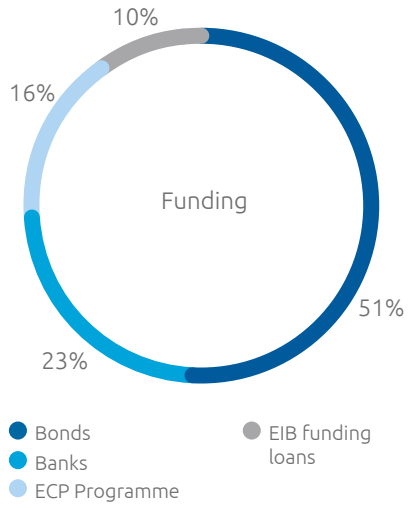
At 31 December 2020, Snam has unused committed long-term credit facilities ("Sustainable Loan") for an amount of approximately 3.2 billion euros. During the year, as part of the process to optimise the financial structure of Group, their duration was extended without an increase in margins. Moreover, in May 2020 Snam maintained the reduction of the margin for the "Sustainable Loan" that had been obtained previously in April 2019 following the achievement of the objectives linked to social and environmental sustainability parameters.

In order to increase the proportion of total available funding represented by sustainable finance, the Euro Commercial Paper programme was renewed, rising from 2 billion to 2.5 billion euros, linking it to environmental and social sustainability targets in line with the Sustainable Loan and with the instrument obtaining an ESG rating of EE assigned by the ESG rating company Standard Ethics.

As at 31 December 2020, Snam had an active Euro Medium Term Notes (EMTN) programme with a total nominal maximum value of 11 billion euros, of which it has used approximately 7.8 billion euros.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs in 2020.

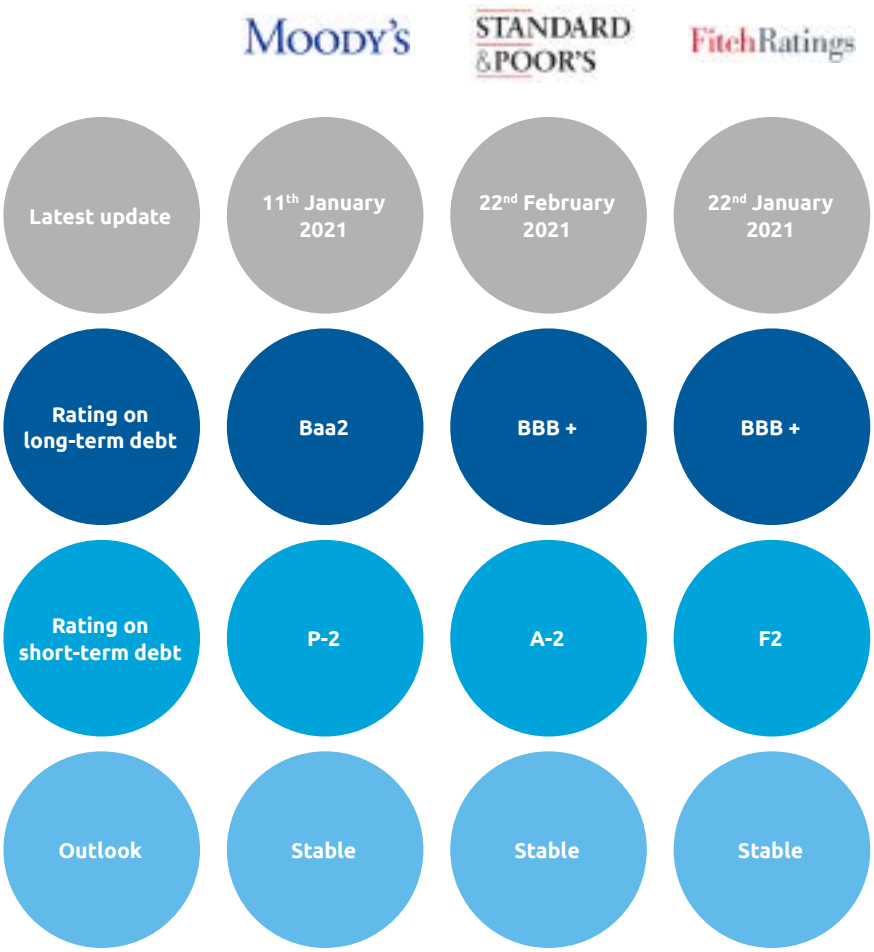
As at 31 December 2020, sustainable sources of financing stood at around 7 billion and represented approximately 40% of Snam's committed funding. This



percentage is in line with the company's ambition to increase the proportion of available funding represented by sustainable finance from the current 40% to 60%, over the life of the plan.

At the same time, the communication activity continued with the rating agencies Moody's, Fitch and Standard & Poor's, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody's (Baa2 with a stable outlook), Fitch (BBB + with stable outlook), and Standard & Poor's (BBB + with a stable outlook).

In addition, when the Commercial Paper programme was renewed by Snam, the agencies confirmed the short-term rating of the company at P-2 for Moody's, A-2 for S&P and F2 for Fitch. Snam's long-term rating by Moody's and Standard & Poor's is a notch higher than that of Italian sovereign debt, while the rating assigned by Fitch is two notches higher.



KEY EVENTS

CORE BUSINESS DEVELOPMENT

Snam and Iren sign: acquisition of a stake in the OLT - Livorno regasifier

Completed on 26 February 2020, Snam' acquisition of 49.07% stake in the share capital of OLT (Offshore LNG Toscana), the company that built and manages the offshore regasification terminal (FSRU - Floating Storage and Regasification Unit) located offshore of the Tuscan coast between Livorno and Pisa.

The consideration paid by Snam to the Iren Group for the acquisition of the entire equity investment in OLT owned by Iren Mercato S.p.A., as well as the remaining share of a shareholders' loan from Iren S.p.A. in favour of OLT stands at around 332 million euros in total. The amount, paid by Snam with its equity, may be subject to possible contractually-required price adjustment mechanisms.

Following the transaction, Snam took control of the regasification terminal in conjunction with First State Investments International Ltd. which, via the subsidiary FS SP S.à r.l., owns 48.24%.

INTERNATIONAL BUSINESS DEVELOPMENT

Snam - in consortium with five international funds - signs agreement with ADNOC to join the networks of the Arab Emirates

On 15 July 2020, the consortium consisting of Snam and the investment funds Global Infrastructure Partners (GIP), Brookfield Asset Management, GIC (the Singapore sovereign fund), Ontario Teachers' Pension Plan and NH Investment & Securities, following the fulfilment of all conditions precedent, completed the acquisition of 49% of ADNOC Gas Pipeline Assets LLC (ADNOC Gas Pipelines) from The Abu Dhabi National Oil Company (ADNOC), as had been announced on 23 June.

The transaction values 49% of ADNOC Gas Pipelines, a company that holds for 20 years the management rights to 38 pipelines in the United Arab Emirates, at about 10.1 billion dollars.

The consortium has obtained approximately 8 billion dollars in funding from a pool of international banks. The equity contribution is distributed proportionally among the consortium members, all of whom hold equal shares with the exception of the GIP leader. For Snam, in particular, the disbursement from own resources amounted to approximately 250 million dollars. As at the date of this document, the bank debt obtained upon entry was entirely refinanced on the market through five bond issues which took place in October 2020 and February 2021, respectively, for around Usd 8 billion at a weighted average cost of around 2.6% and an average effective duration of more than 10 years.

The transaction represents for Snam, the consortium's only industrial operator, an important investment opportunity in a strategic infrastructure, also in the framework of possible future collaborations in the energy transition in the Gulf area.

BIOMETHANE

Entry into the agricultural biomethane sector: agreement signed for the acquisition of a 50% stake in Iniziative Biometano

On 30 September 2020, through its subsidiary Snam 4 Environment, Snam completed its acquisition, from Femogas S.p.A., of a 50% stake, with joint control rights, in the share capital of Iniziative Biometano S.p.A., a company operating in Italy in the management of biogas and biomethane plants fed with biomass of agricultural origin.

The equivalent value of the transaction, announced 7 May last upon the presentation of results for the first quarter of 2020, following the signing of a binding letter of a binding letter of intent reported on 21 November 2019, is around 10 million euros.

The acquisition allows Snam to enter into the agricultural biomethane sector, the development of which is expected to give rise to the largest contribution as biomethane

establishes itself as a strategic source for the purposes of the energy transition and circular economy in Italy.

Iniziative Biometano, through its subsidiaries, currently owns six operational biogas plants, which will be converted into biomethane plants thanks to IES Biogas (controlled by Snam), with an overall production potential of around 39 megawatts when fully operational. It is also one of the principal shareholders of an additional biomethane plant which entered into operation in October.

Iniziative Biometano will be the platform with which Snam and Femogas will develop further projects in the national territory to give a decisive boost to the availability of biomethane in increasingly significant quantities within the national energy mix.

ENERGY EFFICIENCY

Crédit Agricole Italia and TEP Energy Solution for energy reclassification in Italy

In January 2020, Crédit Agricole Italia and TEP Energy Solution, a subsidiary of Snam, signed an agreement to encourage energy reclassification work on residential and tertiary-sector buildings in Italy, with a particular focus on condominiums, in order to make these solutions accessible to the largest possible number of users.

In the agreement, TEP will offer clients the energy efficiency solutions included in the Casa Mia programme, while Crédit Agricole Italia will offer them "Flexcondominio" financing and other financial services to support the technical offer from TEP.

The actions provided for in the **Casa Mia** programme, from the construction of thermal walls to insulate buildings to the reclassification of boilers and structural consolidation, provide the means to reduce the energy costs of properties by as much as half, while also providing concrete improvements to habitability and increasing market value by up to 10-15%.

The proposed formula finances the works through the saving achieved from lower consumption and the assignment of the tax credit linked to the Ecobonus and Sismabonus mechanisms.

Snam strengthens itself in energy efficiency: acquisition of 70% of Mieci and Evolve

On 5 October 2020 Snam, through its subsidiary Snam 4 Efficiency, acquired, in cash, 70% of two companies active in the energy efficiency sector in Italy, Mieci S.p.A. and Evolve S.r.l. (renamed Evolve S.p.A., at the same time as the operation), for a total value of approximately 50 million euros, in execution of agreements signed on 10 June 2020.

The transaction enables Snam to achieve structural development of its portfolio of activities and a consequent substantial improvement in its competitive positioning in this business by acquiring, through its partnership with Gemma and Fen Energia, one of the leading national operators in energy and technology services for public bodies and private customers, new skills in energy efficiency in the public and residential sectors. In particular, in the residential sector, the synergies between Evolve and the ESCo (Energy Service Company) TEP Energy Solution, already controlled, will allow Snam to increase its market position and play a leading role in the spread of energy efficiency in Italian condominiums, also in the context of the new "ecobonus".

As part of the transaction, options are envisaged to allow Snam 4 Efficiency to acquire 100% of both companies in the long term and, for the seller, to invest in Snam 4 Efficiency.

SUSTAINABLE MOBILITY

Awarded third order for public transportation in Paris

Cubogas, controlled by Snam 4 Mobility and specialized in technological solutions for CNG (compressed natural gas) refuelling stations, was awarded the tender for the construction of a new natural gas distributor for buses launched by RATP, the Parisian public transportation company active in the entire Île-de-France region.

The order, worth approximately 1.4 million euros, provides for the supply of three compressors, two additional storages of 45 cylinders each and further accessories for the new Nanterre refuelling station, which will be able to supply CNG to about 200 buses that run in the Paris metropolitan area. The Nanterre site, which is already set to supply an increasing number of buses in the future, follows the orders assigned by RATP to Cubogas over the past months for two other locations close to the French

capital.

These tenders will allow Snam to contribute to the decarbonisation of Paris' public transportation through a greater diffusion of natural gas to replace traditional fuels; as well as helping to demonstrate the international breadth of Cubogas' activities.

The Indian market and opportunities for sustainable mobility

In November 2020, Snam officially entered India, concluding a number of cooperation agreements relating to the sustainable mobility sector.

The company involved is **Adani Gas Limited** (a joint venture between the Adani Group and Total SE), with which it will create an equitable joint venture aimed at promoting the production of compressors that will support the adoption and diffusion of sustainable mobility in India, favouring the use of natural gas. The objective will be to create a compressor factory using technology developed by Cubogas, a Snam 4 Mobility company, for the provision of natural gas for motor vehicles, to be installed at existing refuelling stations, as well as those in development.

HYDROGEN

Snam enters "The Hydrogen Council"

On 15 January 2020, Snam officially became part of **The Hydrogen Council**, a global coalition of leading companies in the energy, industrial and transportation sectors committed to promoting the use of hydrogen to encourage the energy transition.

Snam and ITM Power, a partnership for green hydrogen

The agreement between Snam and ITM, signed on 22 October 2020, concluded with a 33 million euros investment in ITM Power Plc. Following its subscription of the capital increase, Snam possesses a 2.318% shareholding.

Snam will acquire technical competence for the development of green hydrogen, and at the same time ITM Power can take advantage of Snam's position in the value chain in order to develop its own business and joint projects.

ITM Power Plc is engaged in the production of electrolysers, essential components for obtaining hydrogen from renewable sources through the electrolysis of water. Therefore, Snam will involve ITM Power in the development of green hydrogen with "membrane" technology (PEM – Proton Exchange Membrane) hydrolysers of up to 100 MW power.

Partnership with De Nora

On 18 November, Snam's arrival as a significant minority shareholder in Industrie De Nora was announced (a transaction finalised on 8 January 2021), replacing Blackstone's 33% share in the company, based on an enterprise value of 100% of its value of approximately 1.2 billion.

This highly strategic partnership allows Snam to increase its exposure to the mega-trends of the energy transition, particularly with regard to the production of green hydrogen and water treatment, taking advantage of De Nora's leadership and technical competence in the field of alkaline electrodes – essential components for the production of alkaline electrolysers.

Moreover, De Nora possesses a 34% shareholding in **ThyssenKrupp Uhde Chlorine Engineers (TKUCE)**, one of the global leaders in the development, assembly and installation of alkaline electrolysers and the production of chlorine and caustic soda, whose alkaline electrolyser technology is used in several major global hydrogen-based projects.

The Indian market for the hydrogen business

In November 2020, in addition to the agreement for sustainable mobility with Adani Gas Limited, Snam signed another agreement for the hydrogen business with Greenko. Snam will start a collaborative project to support the development of the hydrogen supply chain in India, specifically studying methods for producing hydrogen from renewable sources, designing hydrogen-ready infrastructure and applying those solutions to both industry and transportation, including fuel cell mobility.

Alstom and Snam: agreement for the development of hydrogen trains in Italy

Snam and Alstom, a global leader in integrated solutions for sustainable mobility, have signed a five-year agreement to develop hydrogen trains in Italy.

The aim of the agreement is to implement, including in 2021, rail mobility projects including both hydrogen-powered trains and the technological infrastructure necessary for the supply, as well as vehicle management and maintenance services.

Under the agreement, Alstom will be responsible for the supply and maintenance of hydrogen trains, whether newly built or converted, while Snam will work on developing the infrastructure for production, transportation and refuelling.

The collaborative project arose from the two companies' common commitment to hydrogen: Alstom launched the Coradia iLint in Germany, the world's first fuel cell train, already in service for a year and a half on a regional route, while Snam was among the first companies in the world to experiment with the injection of 10% hydrogen into the natural gas transportation network.

SNAM FOR THE ENERGY TRANSITION: AGREEMENTS AND COLLABORATION

Snam and Milan Polytechnic University for the energy transition

In October 2020, Snam and Milan Polytechnic University started a collaborative project to develop joint research activities into the role of the gas system in the energy transition, with a particular focus on hydrogen and other green gases as the principal assets in the fight against climate change.

The agreement envisages joint studies on hydrogen, sustainable mobility, biomethane, liquefication and SSLNG, as well as the development of projects for the capture, transportation, storage and reuse of carbon dioxide. Other research activities will concern the digital transformation applied to the gas transportation networks, sustainable finance, staff training and talent attraction.

Lastly, in collaboration with Fondazione Snam, Snam will contribute to Milan Polytechnic University's Equal Polytechnic Opportunities (Pari Opportunità Politecniche / POP) programme with the "**Girls@Polimi**" initiative, with the donation of three three-year study bursaries to encourage girls to study STEM subjects (science, technology, engineering, mathematics).

Snam and Indian Oil, collaboration to implement the energy transition in India

In November 2020, Snam signed a Memorandum of Understanding with **Indian Oil**, a government-owned company and one of the country's largest integrated energy operators, aimed at possible joint projects for the energy transition and the gas infrastructure supply chain, with a particular focus on initiatives in the natural gas storage and liquefication sectors.

CDP, Eni and Snam for the decarbonisation of the energy system

In December 2020, Casa Depositi e Prestiti, Eni and Snam signed a letter of intent to initiate strategic collaboration in energy transition that will lead to the joint creation of integrated projects in key sectors for the energy transition, such as the hydrogen supply chain, the circular economy and sustainable mobility.

Eni and Snam will offer their own complementary technical and industrial competence, upstream downstream and midstream, respectively, while CDP will leverage its own economic-financial and relationship management competence with the institutions involved in the initiatives.

The letter of intent also envisages collaborative projects in the decarbonisation of those industrial sectors in which the reduction of CO_2 emissions is more difficult, both through the development of Carbon Capture and Storage (CCS) to promote the production of blue hydrogen in the transition phase, and progressively through green hydrogen. Moreover, the three companies plan to build infrastructure and carry out research and development activities for the storage and transportation of hydrogen and CO_2.

OTHER

New share buyback and cancellation plan treasury shares without reduction of share capital

On 18 June 2020, the Snam Ordinary Shareholders' Meeting, after revoking the resolution of the Ordinary Shareholders' Meeting of 2 April 2019 to authorise the purchase of treasury shares, for the part that remained unexecuted, authorised the purchase of treasury shares, to be carried out on one or more occasions through one or more top-level intermediaries appointed by the Company, for a maximum duration of 18 months from the date of the

resolution, with a maximum disbursement of 500 million euros, and in any case up to the maximum limit of shares in portfolio equal to 6.50% of the subscribed and paid-up share capital (taking into account treasury shares already held by the Company).

The shareholders' resolution also specifies the terms and conditions of the price for the purchase of treasury shares and provides that acts of disposal may be carried out on one or more occasions, without time limits and even before the purchases have been exhausted, in relation to all or part of the Company's treasury shares purchased on the basis of the same resolution, as well as those already held. The Extraordinary Shareholder's Meeting held on the same date also approved the cancellation of 33,983,107 treasury shares with no nominal value with no change to the share capital and the resulting amendment of art. 5.1 of the company Bylaws. The shares were cancelled on 6 July 2020 following the deposit with Companies House of the amended company Bylaws.

As a result of this transaction, the share capital consists of 3,360,857,809 shares with no nominal value for a total value of 2,736 million euros (unchanged from 31 December 2019). At the date of this report, Snam has 90,642,115 shares in its portfolio, equal to 2.70% of the share capital.

Renewal of EMTN and ECP programmes

On 12 October 2020, Snam's Board of Directors approved the annual renewal of the EMTN (Euro Medium Term Notes) Programme launched in 2012, to be executed by 12 October 2021, for a maximum overall equivalent value of 11 billion. In the context of the EMTN Programme, as at the date of this document, around 8.2 billion worth of bond loans have been issued[27], net of the bond redeemed on 29 January 2021 and considering the issue of the dual tranche in February 2021 worth 750 million euros.

The same Board also approved the renewal of the Euro Commercial Paper Programme (ECP Programme), which started in 2018, and the issuance of one or more Euro Commercial Papers within a period of 3 years from 12 October 2020, which may be associated with ESG indicators defined as part of the November 2020 Strategic Plan. Moreover, the Board approved the extension of the maximum value of the ECP Programme from 2 billion up to a maximum equivalent value of 2.5 billion, to be places with institutional investors in accordance with the terms and procedures established in the ECP Programme. To date, in the context of the ECP Programme, the value of commercial papers issued stands at 2 billion.

Bond buyback

On 7 December 2020 Snam successfully concluded the buyback on the market of its bonds for a total nominal value of 629 million euros. The effects of this transaction on the 2020 income statement (32 million euros, 24 million euros excluding the tax effect) are essentially represented by the charges deriving from the difference between the outlay deriving from the repurchase of part of the bonds on the market and the amortised cost valuation of the bonds themselves.

Through this operation, Snam proposes to continue the process of optimising its debt structure and continuously improving the cost of capital, in line with its objectives.

The year just ended represents the last of the six years of liability management which, from 2015 to the present day, has contributed to reducing Snam's cost of borrowing from 2.4% in 2016 to 0.9% in 2020.

27 The convertible bond, for a nominal value of 400 million euros, is not part of the EMTN Programme.



FINANCIAL REVIEW

FINANCIAL REVIEW

Revenue and operating costs are represented in the "core business" and "new business" views. These include the values of companies that are responsible for Energy Transition activities (sustainable mobility, energy efficiency and biogas/biomethane), as well as the activities of Snam Global Solutions. Consistently, the figures for the comparison periods have been restated.

In accordance with IFRS 8 "Operating Segments," the operating segments that are reported separately were not changed and refer to regulated activities related to the transportation, regasification and storage of natural gas. Therefore, the new companies of the Energy Transition, are included within the "Corporate and other activities" segment, which is not operational in accordance with IFRS 8. An analysis of EBIT by business segment is provided in the "Business segment operating performance" section.

Income statement

2018		2019		2020		2020 adjusted vs 2019 adjusted	
Adjusted (*)	(million of €)	Reported	Adjusted (*)	Reported	Adjusted (*)	Change	% change
2,429	Regulated revenues (**)	2,491	2,491	**2,548**	**2,548**	**57**	**2.3**
51	Non-regulated revenues	30	30	**30**	**30**	**0**	**0.0**
2,480	**Core business revenues**	**2,521**	**2,521**	**2,578**	**2,578**	**57**	**2.3**
50	**New business revenues**	**85**	**85**	**192**	**192**	**107**	
2,530	**TOTAL REVENUES (**)**	**2,606**	**2,606**	**2,770**	**2,770**	**164**	**6.3**
(385)	Core business operating costs (**)	(316)	(351)	**(437)**	**(393)**	**(42)**	**12.0**
(50)	New business operating costs	(86)	(86)	**(180)**	**(180)**	**(94)**	
(435)	**TOTAL OPERATING COSTS (**)**	**(402)**	**(437)**	**(617)**	**(573)**	**(136)**	**31.1**
2,095	**EBITDA**	**2,204**	**2,169**	**2,153**	**2,197**	**28**	**1.3**
(690)	Amortisation, depreciation and impairment losses	(752)	(752)	**(773)**	**(773)**	**(21)**	**2.8**
1,405	**EBIT**	**1,452**	**1,417**	**1,380**	**1,424**	**7**	**0.5**
(195)	Net financial expense	(203)	(165)	**(158)**	**(126)**	**39**	**(23.6)**
159	Net income from equity investments	216	216	**249**	**249**	**33**	**15.3**
1,369	**Pre-tax profit**	**1,465**	**1,468**	**1,471**	**1,547**	**79**	**5.4**
(359)	Income tax	(375)	(375)	**(370)**	**(383)**	**(8)**	**2.1**
1,010	**Net profit**	**1,090**	**1,093**	**1,101**	**1,164**	**71**	**6.5**
1,010	- Attributable to parent company shareholders	**1,090**	**1,093**	**1,101**	**1,164**	**71**	**6.5**
	- Minority interests						

(*) The values exclude special items.
(**) Starting 1 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenue (53 million euros in 2020). Similarly, the relative values from previous years (59 and 56 million euros respectively for 2019 and 2018) have been restated.

Reconciled summary of adjusted results (*)

2018	(million of €)	2019	2020	Change	% change
1,384	**EBIT**	**1,452**	**1,380**	**(72)**	**(5.0)**
21	Exclusion of special items	(35)	**44**	79	
1,405	**Adjusted EBIT**	**1,417**	**1,424**	**7**	**0.5**
960	**Net profit**	**1,090**	**1,101**	**11**	**1.0**
960	- Attributable to parent company shareholders	**1,090**	**1,101**	**11**	**1.0**
	- Minority interests				
50	Exclusion of special items	3	**63**	**60**	
1,010	**Adjusted net profit**	**1,093**	**1,164**	**71**	**6.5**

(*) For the nature and detailed reconciliation of the individual adjustments, read the paragraph: "Non-GAAP measures" of this Report.

Adjusted EBITDA for 2020 amounts to 2,197 million euros, an increase of 28 million euros or 1.3% with respect to the adjusted EBITDA recognised in 2019. The positive contribution made by new energy transition businesses and Snam Global Solution (for approximately 13 million euros overall) and the greater regulated revenues deriving from the increase in the RAB base (+16 million euros), together with the continuation of actions under the Efficiency Plan and the containment of costs following lockdown measures, have more than offset the reduction in regulated revenues deriving from the lower volumes transported following the Covid-19 health emergency, notwithstanding the fact that climate trends are in line with 2019.

Adjusted EBIT for 2020 totalled 1,424 million euros, up by 7 million euros (0.5%) compared with adjusted pro-forma EBIT for 2019. The aforementioned increase in EBITDA was partially absorbed by the natural increase in amortisation/depreciation for the period (-40 million euros, 5.5%), essentially due to the entry of new assets to operations, partially compensated for by lower writedowns (+19 million euros, 63.3%).

Adjusted net profit for 2020 totalled 1,164 million euros, up by 71 million euros (6.5%) compared with adjusted net profit for 2019. The increase is due to the greater EBIT, as well as: (i) the sharp decline in net financial expenses (+39 million euros; equivalent to 23.6%), thanks mainly to the actions to optimise the financial structure and management of the treasury, with the cost of gross debt coming to 0.9%, notwithstanding the greater average debt for the period, influenced by investments in equity investments as well as the payment of dividends to shareholders and the share buyback activity; (ii) greater revenue from equity investments (+33 million euros; +15.3%) thanks to the positive contribution, which includes some one-off or temporary effects, from the investees TAP (+22 million euros), following the entry into operation of the methane pipeline as of 15 November 2020 and non-current items that have led to higher than expected results, and TAG (+10 million euros), following the recognition of tariff components linked to the termination of the regulatory period, as well as the positive result for ADNOC Gas Pipeline (+ 20 million euros), an equity investment acquired in July 2020. These effects were partially offset for the tariff updating by the smaller contribution from Terēga (-9 million euros), which in 2019 benefited from non-recurring items, and from Interconnector UK (-7 million euros), due to lower capacity commitments in 2020 with respect to the previous year.

Income taxes recorded an increase (8 million euros; equivalent to 2.1%) following the greater pre-tax profit, partly offset by the effects of the reintroduction of the ACE[28].

28 The ACE - Aid to Economic Growth benefit, introduced by Decree-Law no. 201 of 6 December 2011 converted into Law no. 214 of 22 December 2011 and subsequent additions and amendments, was repealed by the 2019 Budget Law and subsequently reinstated by the 2020 Budget Law with a reduced rate from 1.5% to 1.3%.

ANALYSIS OF THE ENTRIES ON THE ADJUSTED FINANCIAL STATEMENT

Total revenues

2018	(million of €)	2019	2020	Change	% change
	Business segments				
2,069	Transportation	2,116	**2,156**	40	1.9
596	Storage	591	**689**	98	16.6
24	Regasification	32	**31**	(1)	(3.1)
268	Corporate and other activities	311	**443**	132	42.4
(427)	*Consolidation eliminations*	*(444)*	***(549)***	*(105)*	*23.6*
2,530		**2,606**	**2,770**	**164**	**6.3**

Revenues - Core and new business revenues

2018	(million of €)	2019	2020	Change	% change
2,480	**Core business revenues**	**2,521**	**2,578**	**57**	**2.3**
2,429	***Regulated revenues***	***2,491***	***2,548***	***57***	***2.3***
1,907	Transportation	1,969	**2,028**	59	3.0
505	Storage	505	**499**	(6)	(1.2)
17	Regasification	17	**21**	4	23.5
51	***Non-regulated revenues***	***30***	***30***	***0***	***0.0***
50	**New business revenues**	**85**	**192**	**107**	
2,530	**Total revenues**	**2,606**	**2,770**	**164**	**6.3**

Total revenues for 2020 financial year amounted to 2,770 million euros, up by 164 million euros or 6.3% with respect to 2019 financial year.

Core business revenues (2,578 million euros, net of consolidation eliminations) rose by 57 million euros, up 2.3% compared with 2019), essentially due to higher regulated revenues, thanks in particular to the contribution from the transportation business segment. Net of the effects of the recognition of energy costs, regulated revenues amounted to 2,488 million euros, down slightly with respect to 2019 (-3 million euros or 0.1%). The higher revenues mainly attributable to tariff updating mechanisms, more specifically attributable to the increase in RAB (+16 million euros), were offset by the reduction in volumes transported as a result of the Covid-19 health emergency (-17 million euros). The variation in regulated revenues was also affected by the lower revenues for gas sales linked to the "default" service in the transportation segment.

With reference to energy costs, and particularly costs for the purchase of fuel gas, previously contributed in kind by shippers, and costs for the purchase of CO_2 emission rights, it is noted that, on the basis of what is established by the regulatory framework in force for the fifth regulatory period, as of 1 January 2020, those costs are covered by revenue through the variable fee applied to users.

Non-regulated revenues (30 million euros), essentially in line with that of 2019, principally refers to income from the leasing and maintenance of fibre optic telecommunications cables (14 million euros) and contributions for connections to infrastructure.

Revenues from new businesses (192 million euros, net of consolidation eliminations), increased by 107 million euros compared to 2019, thanks to the growth in biogas and biomethane facility orders from the subsidiary IES Biogas, the start of energy efficiency activities in the

residential context, and sales of compressors for sustainable mobility, as well as the development of Snam Global Solutions activities, principally connected to the EPMS contract with TAP. The increase in revenues from new businesses was also affected by the revenues from companies that entered the scope of consolidation at the end of 2019 in the biomethane segment (Renerwaste group) and in 2020 in the energy efficiency segment (Mieci, Evolve).

Operating costs (*)

2018	(million of €)	2019	2020	Change	% change
	Business segments				
413	Transportation	366	**380**	14	3.8
161	Storage	149	**263**	114	76.5
17	Regasification	26	**24**	(2)	(7.7)
271	Corporate and other activities	340	**452**	112	32.9
(427)	*Consolidation eliminations*	*(444)*	***(546)***	*(102)*	*23.0*
435		**437**	**573**	**136**	**31.1**

Operating costs - Core and new business costs (*)

2018	(million of €)	2019	2020	Change	% change
385	**Core business costs**	**351**	**393**	**42**	**12.0**
385	Fixed costs	288	**280**	(8)	(2.8)
	Variable costs	11	**46**	35	
	Other costs	52	**67**	15	28.8
50	**New business costs**	**86**	**180**	**94**	
435	**Total operating costs**	**437**	**573**	**136**	**31.1**

(*) Net of special items.

Operating costs in 2020 stood at 573 million euros, an increase of 136 million euros, up 31.1% compared with 2019.

Core business operating costs (393 million euros, net of consolidation eliminations) rose by 42 million euros, up 12.0% on 2019, principally due to the increase in energy costs, attributable in particular to the costs for fuel gas purchases, previously subject to contribution in kind by shippers. These costs are covered by revenues, based on the current regulatory framework for the fifth regulatory period. Net of this effect, core business operating costs recorded a reduction of 17 million euros, equivalent to 4.8%, principally due to the continuation of actions under the Efficiency Plan (63 million euros of cost efficiencies compared to 2016; +12 million euros compared to 2019), lower costs linked to the development of new business initiatives and specific projects, in addition to the containment of costs following the lockdown measures.

New business operating costs (180 million euros, net of consolidation eliminations) rose by 94 million euros compared with on 2019. The increase is attributable to growth in the volume of activities, as well as the costs arising from the entry and integration of companies active in the biomethane business that entered the scope of consolidation at the end of 2019, and the energy efficiency segment at the end of 2020.

The number of employees as at 31 December 2020 (no. 3,249 resources) is analysed below by professional status:

2018	(no.)	2019	2020	Change	% change
	Professional status				
107	Senior Managers	111	**131**	20	18.0
480	Middle Managers	493	**549**	56	11.4
1,682	Office workers	1,683	**1,764**	81	4.8
747	Manual workers	738	**805**	67	9.1
3,016		**3,025**	**3,249**	**224**	**7.4**

The increase of 224 people compared with 2019 is mainly due to the resources coming from the acquisition of Mieci and Evolve (137 resources) and the new hires from the job market, net of the relative personnel leaving, mainly to support the development of new businesses (more than 50 people).

Amortisation, depreciation and impairment losses

2018	(million of €)	2019	2020	Change	% change
682	**Total amortisation and depreciation**	**722**	**762**	**40**	**5.5**
	Business segments				
567	Transportation	598	**627**	29	4.8
5	Regasification	5	**7**	2	40.0
100	Storage	105	**108**	3	2.9
10	Corporate and other activities	14	**23**	9	64.3
	Consolidation eliminations		***(3)***	*(3)*	
8	**Impairment losses (Recovery of value)**	**30**	**11**	(19)	(63.3)
690		**752**	**773**	**21**	**2.8**

Depreciation, amortisation and impairment losses (773 million euros) increased by 21 million euros or 2.8% compared with 2019. The increase is mainly due to the greater depreciation and amortisation (+40 million euros or +5.5%), essentially following the new infrastructure coming into operation and the businesses that joined the scope of consolidation, partially offset by lower write-downs (-19 million euros; -63.3%).

Below is a breakdown of EBIT by business segment:

EBIT

2018	(million of €)	2019	2020	Change	% change
	Business segments				
1,081	Transportation (*)	1,122	**1,142**	20	1.8
2	Regasification	1		(1)	(100.0)
335	Storage	337	**314**	(23)	(6.8)
(13)	Corporate and other activities (*)	(43)	**(32)**	11	(25.6)
1,405		**1,417**	**1,424**	**7**	**0.5**

(*) Net of special items.

With reference to the business segments subject to separate reporting pursuant to IFRS 8, an analysis of EBIT is provided in the "Business segment operating performance" section of this Report.

Net financial expense

2018	(million of €)	2019	2020	Change	% change
199	**Financial expense related to net financial debt**	**164**	**145**	**(19)**	**(11.6)**
202	Interest and other expense on short- and long-term financial debt (*)	173	**156**	(17)	(9.8)
(3)	Bank interest income	(9)	**(11)**	(2)	22.2
6	**Other net financial expense (income)**	**11**	**(7)**	**(18)**	
11	Accretion discount	8	**6**	(2)	(25.0)
(5)	Other net financial expense (income)	3	**(13)**	(16)	
2	**Losses on derivatives - ineffective portion** (*)	**1**		**(1)**	
(12)	**Financial expense capitalised**	**(11)**	**(12)**	**(1)**	**9.1**
195		**165**	**126**	**(39)**	**(23.6)**

(*) Net of special items.

Net financial expense in 2020 stood at 126 million euros, a reduction of 39 million euros or 23.6% compared with 2019. The reduction is principally due to: (i) lower costs related to the net financial gross debt (-19 million euros or -11.6%) mainly connected to the lower average cost of borrowing, also following the benefits resulting from the actions to optimise the financial structure of the group implemented by Snam in the period 2016-2020, specifically the

liability management operations, as well as the positive market conditions, notwithstanding the higher average debt for the period, influenced by equity investments, as well as the payment of dividends to shareholders and share buyback activities; (ii) benefits linked to the optimisation of treasury management in particular the use of uncommitted lines and negative-rate Commercial Papers and the use of liquid funds which made it possible to generate financial income for a total of 11 million euros (+22% compared with 2019) and (iii) greater net financial income (+18 million euros) principally in relation to interest receivable on long-term financial receivables related to the pro-rata contribution from the OTL Shareholder Loan (+13 million euros).

Capitalised financial costs in 2020 amounted to 12 million euros, broadly in line with the previous year.

Net income from equity investments

2018	(million of €)	2019	2020	Change	% change
157	Portion of profit or loss from equity investments accounted for using the equity method	218	**247**	29	13.3
2	Other (expenses) and income from equity investments	(2)	**2**	4	(200.0)
159		**216**	**249**	**33**	**15.3**

Net income from equity investments (247 million euros; +33 million euros or 15.3%) essentially relates to the portion of profit from equity investments accounted for using the equity method (247 million euros) mainly attributable to the companies under joint control TAG (84 million euros), Terēga (35 million euros) as well as the subsidiaries Italgas (52 million euros), Senfluga (27 million euros), Galaxy[29] (20 million euros) and TAP (15 million euros).

Income tax

2018	(million of €)	2019	2020	Change	% change
385	**Current taxes** (*)	410	**409**	(1)	(0.2)
(26)	**Deferred taxes** (*)	(35)	**(26)**	9	(25.7)
359		**375**	**383**	**8**	**2.1**

(*) Net of special items.

Income taxes totalled 383 million euros, an increase of 8 million euros or 2.1% compared with 2019. The increase is mainly due to the greater pre-tax profit, partly offset by the greater ACE - Aid to economic Growth benefit, reintroduced by the 2020 Budget Law, as well as the benefits associated with the tax benefits from super-amortisation.

29 Galaxy Pipeline Assets HoldCo Limited, a corporate vehicle through which Snam, in concert with 5 international funds, purchased the equity investment in ADNOC Gas Pipeline Assets LLC.

NON-GAAP MEASURES

Snam presents in the directors' report, in addition to the financial results envisaged by the IFRS, certain variables deriving from the latter, even if not envisaged by the IFRS or by other standard setters (Non-GAAP measures).

Snam's management believes that these measures facilitate the analysis of the Group's performance and of the business segments, ensuring better comparability of results over time.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and additions (Consob Communications no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators[30] and compliant with international accounting standards[31].

With regard to the impact of Covid-19 on the determination of alternative performance indicators, ESMA[32] recommends caution in the use of separate items in the income statement with regard to the impacts of Covid-19 in order to ensure consistency in the determination of alternative performance indicators, and not to affect the intelligibility of a company's financial performance through new indicators if not adequately justified.

In accordance with these recommendations, also due to the limited impact of Covid-19 on its results, Snam has not changed the Non-GAAP financial disclosure provided previously, simply isolating emerging costs directly related to the current pandemic situation as income components classified under special items, as illustrated below.

EBITDA, EBIT and adjusted net profit

EBITDA, EBIT and adjusted net profit are obtained by excluding the special items (gross and net of the related taxes, respectively) from the respective reported profit measures, as per the legal scheme of the Income Statement.

Income components classified among special items for financial year 2020[33] involve:

i) financial expense resulting from the buy back on the market of bonds under the scope of the liability management operation implemented by Snam in December 2020 (32 million euros, 24 million euros after the tax effect, 38 million euros in 2019, 29 million euros after the tax effect). These charges are essentially linked to the difference between the outflow deriving from the repurchase of bonds on the market and measurement at the amortised cost of the bonds themselves;
ii) the costs suffered due to the state of emergency linked to the Covid-19 pandemic, for a total of 27 million euros (22 million euros net of tax effects), relative to: (a) donations of healthcare materials (14 million euros) and cash (2 million euros), also through Fondazione Snam, to assist the Italian healthcare system and the third sector; (b) purchases of personal protective equipment for internal use (6 million euros); (c) costs for services (5 million euros), mainly to deep clean working environments and for security.
iii) allocation to the provision for risks and charges (17 million euros) for the estimate of likely tax and financial charges against facts and/or events already existing as of 31 December 2020.

30 According to the CESR/05-178b recommendation of October 2005, all the data included in the financial statements audited in accordance with IFRS or in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are conventional indicators or in the commentary notes.
31 For the definition of these quantities refer to the Glossary.
32 For more information see ESMA document 32-51-370 "ESMA Guidelines on Alternative Performance Measures (APMs)" of 17 April 2020, Q&A no. 18.
33 With reference to 2019, in addition to the effects of the Liability Management operation referred to above, the special items excluded from the reported results concerned the release to the income statement of the provision for impairment losses (35 million euros) following the recognition by the Regulatory Authority, of part of the receivables not collected relating to the balancing activities for the period 1 December 2011 - 23 October 2012.

Special items

Income components are classified among special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion.

Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report.

Free cash flow

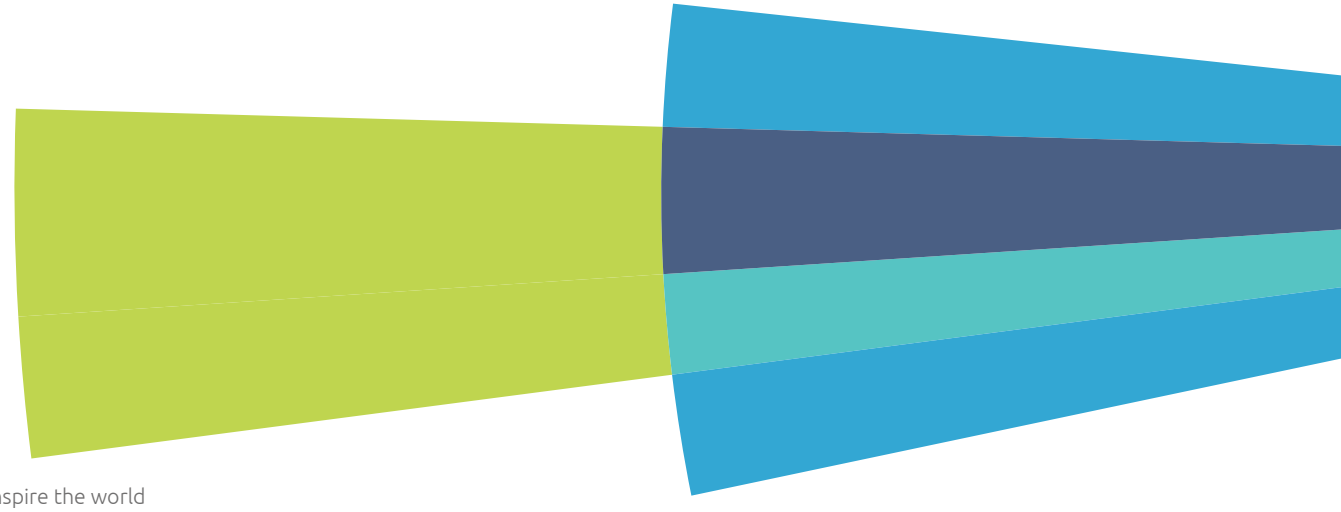
Free cash flow is the measure that allows the connection between the obligatory financial statement, which expresses the change in liquidity between the beginning and end of the period, and the change in net financial debt between the beginning and end of the reclassified cash flow statement. The "free cash flow" represents the cash surplus or deficit left over after financing the investments and closes either: (i) on the cash change for the period, after the cash flows related to the financial payables/assets (credit/debit repayments/ financial payables) have been added/subtracted, to self-owned capital (payment of dividends/net acquisition of treasury shares/capital injections), as well as the effects on cash and cash equivalents of changes in the scope of consolidation and exchange differences arising from conversion; or (ii) on the change in net financial debt for the period, after the flows relating to self-owned capital have been added/subtracted, as well as the effects on net financial debt of changes in the scope of consolidation and exchange differences arising on conversion.

Net financial debt

Net financial debt is calculated as the financial debt net of cash and cash equivalents, securities available for sale and to be kept until maturity and short-term financial receivables.

The tables below show the reconciliation between the reported Income Statement and the adjusted Income Statement, as well as a table summarizing the special items:

	2019			2020			2020 adjusted vs 2019 adjusted	
(million of €)	**Reported**	**Special item**	**Adjusted**	**Reported**	**Special item**	**Adjusted**	**Change**	**% change**
Regulated revenues	2,491		2,491	**2,548**		**2,548**	57	2.3
Non-regulated revenues	30		30	**30**		**30**	0	0.0
Core business revenues	**2,521**		**2,521**	**2,578**		**2,578**	**57**	**2.3**
New business revenues	**85**		**85**	**192**		**192**	**107**	**125.9**
TOTAL REVENUES	**2,606**		**2,606**	**2,770**		**2,770**	**164**	**6.3**
Core business operating costs	(317)	(35)	(352)	**(442)**	**44**	**(398)**	*(46)*	*13.1*
New business operating costs	(85)		(85)	**(175)**		**(175)**	*(90)*	*105.9*
TOTAL OPERATING COSTS	**(402)**	**(35)**	**(437)**	**(617)**	**44**	**(573)**	**(136)**	**31.1**
EBITDA	**2,204**	**(35)**	**2,169**	**2,153**	**44**	**2,197**	**28**	**1.3**
Amortisation, depreciation and impairment losses	(752)		(752)	**(773)**		**(773)**	(21)	2.8
EBIT	**1,452**	**(35)**	**1,417**	**1,380**	**44**	**1,424**	**7**	**0.5**
Net financial expense	(203)	38	(165)	**(158)**	**32**	**(126)**	39	(23.6)
Net income from equity investments	216		216	**249**		**249**	33	15.3
Pre-tax profit	**1,465**	**3**	**1,468**	**1,471**	**76**	**1,547**	**79**	**5.4**
Income tax	(375)		(375)	**(370)**	**(13)**	**(383)**	(8)	2.1
Net profit	**1,090**	**3**	**1,093**	**1,101**	**63**	**1,164**	**71**	**6.5**
- Attributable to Parent Company shareholders	**1,090**	**3**	**1,093**	**1,101**	**63**	**1,164**	**71**	**6.5**
- Minority interests								



Details of special items

(million of €)	2019	2020	Change	% change
Special item of EBIT	**(35)**	**44**	**79**	
Allocations to provisions for risks and charges		**17**	17	
Exclusion of special items for emerging Covid-19 costs:		**27**	**27**	
- of which assets donated		***14***	*14*	
- of which cash donated		***2***	*2*	
- of which healthcare material for internal use and services		***11***	*11*	
Release of provision for impairment losses for balancing receivables	(35)		35	(100.0)
Special item Net financial expenses	**38**	**32**	**(6)**	**(15.8)**
- Liability management finance charges	38	**32**	(6)	(15.8)
Special item Income taxes	**0**	**(13)**	**(13)**	
- Taxation on special items in EBIT	**9**	**(5)**	**(14)**	
- Taxation on special item net financial expense	**(9)**	**(8)**	**1**	**(11.1)**
Total special item of net profit	**3**	**63**	**60**	

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The reclassified Statement of Financial Position combines the assets and liabilities of the Statutory layout included in the Annual Report and the Half Year Report based on how the business operates, usually split into the three basic functions of investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(million of €)	31.12.2019	31.12.2020	Change
Fixed capital	**19,311**	**20,260**	**935,949**
Property, plant and equipment	16,439	**16,815**	376
- *of which right-of-use leased assets*	*21*	***21***	
Non-current inventories - Compulsory inventories	363	**363**	
Intangible assets and goodwill	990	**1,125**	135
Equity investments accounted for using the equity method	1,787	**1,923**	136
Other financial assets	44	**421**	363377
Net payables for investments	(312)	**(387)**	(75)
Net working capital	**(1,094)**	**(861)**	**233**
Provision for employee benefits	**(46)**	**(40)**	**6**
Non-current assets held for sale	**10**		
NET INVESTED CAPITAL	**18,181**	**19,359**	**1,164178**
Shareholders' equity	**6,258**	**6,472**	**200214**
- Shareholders' equity pertaining to Parent Company shareholders	6,255	**6,469**	200214
- Minority interests	3	**3**	
Net financial debt	**11,923**	**12,887**	**964**
- *of which financial payables for leased assets* (**)	*21*	***21***	
COVERAGE	**18,181**	**19,359**	**1,178**

(*) For a reconciliation of the reclassified statement of financial position to the compulsory statement see the paragraph below "Reconciliation of the reclassified financial statement with the legally required statements".
(**) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

Fixed capital (20,260 million euros) increased by 949 million euros with respect to 31 December 2019, essentially due to: (i) the rise in tangible and intangible fixed assets (+511 million euros); (ii) the growth in financial assets (+377 million euros), mainly against long-term financial receivables due from OLT, for which Snam took over when the equity investment was acquired and it became part of the ITM Power Plc shareholding structure, an equity investment measured at Fair Value Through OCI - FVTOCI; (iii) the increase in equity investments accounted

for using the equity method (+136 million euros), against profits achieved in 2020 financial year from associate companies, net of dividends collected, as well as the acquisition of ADNOC Gas Pipeline (49% in a consortium with 5 international funds) and Iniziative Biometano S.p.A. (50% with joint control). These effects were partially compensated for by the trend in net payables for investments (-75 million euros).

The change in property, plant and equipment and in intangible assets can be broken down as follows:

(million of €)	Property, plant and equipment	Intangible assets	Total
Balance at 31 December 2019	**16,439**	**990**	**17,429**
Technical investments	1,024	165	**1,189**
Amortisation, depreciation and impairment losses	(692)	(81)	**(773)**
Transfers, write-offs and divestments	(14)	(1)	**(15)**
Change in scope of consolidation	2	54	**56**
Other changes	56	(2)	**54**
Balance at 31 December 2020	**16,815**	**1,125**	**17,940**

In 2020, technical investments amounted to 1,189 million euros[34], up with respect to 2019 (+226 million euros; 23.5%), in line with forecasts, despite the impacts deriving from Covid-19. These refer mainly to the transportation (981 million euros) and storage (134 million euros) segments.

The change in the scope of consolidation (+56 million euros, of which 1 million euros is leased assets as right-of-use assets) refers to assets recorded following the acquisition of 70%[35] of Mieci S.p.A. (45 million euros) and Evolve S.p.A. (11 million euros).

The other changes (54 million euros) mainly concern: (i) the effects resulting from the adjustment of the current value of outlays compared with the costs of dismantling and restoring sites (+73 million euros)[36]; (ii) the contributions to third-party interference works (compensation; -20 million euros).

34 An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.
35 Greater information with regard to the impact of the business combination is illustrated in Note no. 24 "Business combinations" in the Notes to the consolidated financial statements.
36 Further information is provided in Note 20 "Provision for risks and charges" of the Notes to the consolidated financial statements.

Non-current inventories - Compulsory inventories

Compulsory inventories, standing at 363 million euros (unchanged from 31December 2019) are made up of minimum quantities of natural gas which storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001. The quantities of natural gas in stock, equal to around 4.5 billion standard cubic metres, are determined annually by the Ministry of Economic Development[37].

Equity investments accounted for using the equity method

The equity investments accounted for using the equity method (1,923 million euros) mainly related to the companies Trans Austria Gasleitung GmbH - TAG (521 million euros), Terēga Holding S.A.S. (338 million euros), Trans Adriatic Pipeline AG - TAP (278 million euros), Italgas S.p.A. (235 million euros), Galaxy Pipeline Assets HoldCo Limited (207 million euros), Senfluga (138 million euros) and AS Gasinfrastruktur Beteiligung GmbH (125 million euros). Detailed changes are provided in note no. 16 “Equity investments accounted for using the equity method” in the Notes to the Consolidated Financial Statements.

Other financial assets

Other financial assets (421 million euros) mainly refer to the long-term financial receivables from OLT, originating from the taking over of the residual share of a shareholders’ loan from Iren S.p.A. in favour of OLT, against the acquisition of the 49.07% stake in the share capital of the company completed on 26 February 2020 (332 million euros; 303 million euros net of subsequent reimbursements) and the fair value measurement through OCI of the minority interests in the companies Terminale GNL Adriatico S.r.l. (38 million euros) and ITM Power Plc (74 million euros, against a purchase cost of approximately 34 million euros).

37 By means of the announcement of 17 January 2020, the Ministry of Economic Development confirmed that the strategic gas storage volume for thermal storage year 2020-2021 (1 April 2020-31 March 2021) would remain at 4.62 billion standard cubic metres, 4.5 billion cubic metres of which was allocated to Stogit. By means of the Decree of 12 February 2021, the Ministry confirmed the strategic gas storage volume for the thermal year 2021-2022 (1 April 2021-31 March 2022) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit

For more details, see note no. 12 "Other current and non-current financial assets" in the Notes to the Consolidated Financial Statements.

Net working capital

(million of €)	31.12.2019	31.12.2020	Change
Trade receivables	1,217	**1,551**	334
Inventories	112	**98**	(14)
Tax assets	35	**93**	58
Other assets	185	**187**	2
Provisions for risks and charges	(713)	**(798)**	(85)
- of which: Provision for site dismantlement and restoration	*647*	***710***	*63*
Trade payables	(487)	**(639)**	(152)
Accruals and deferrals from regulated activities	(145)	**(111)**	34
Net liabilities for income taxes	(106)	**(90)**	16
Derivative liabilities/(assets)	(63)	**(38)**	25
Tax liabilities	(35)	**(10)**	25
Other liabilities	(1,094)	**(1,104)**	(10)
- of which: Payables to the Energy and Environmental Services Fund (CSEA)	*597*	***575***	*(22)*
- of which: Payable for interim dividend 2020	*313*	***326***	*13*
	(1,094)	**(861)**	**233**

The net working capital (861 million euros) increased by 233 million euros in respect to 31 December 2019. The increase is mainly attributable to: (i) the increase in assets related to tariff batches of the transportation segment (+158 million euros) principally following the higher receivables from the CSEA against less imports invoiced in 2020 to users, with respect to the restriction established by the Regulatory Authority (+106 million euros), as well as the greater net assets for additional tariff components invoiced to users (+21 million euros) mainly following the changes to invoicing for payments and the relative collection times; (ii) greater net tax receivables (+83 million euros) due to the changes to payments on account made in relation to the period-end tax burden; (iii) net assets coming from companies that entered the scope of consolidation at the end of 2020 (+33 million euros); (iv) the reduction in liabilities for hedging derivatives (+25 million euros) mainly following the unwinding of forward start contracts after the issuing of the relative debt instruments. These effects were partly offset by: (i) the increase in provisions for risks and charges (-85 million euros) mainly due to the adjustment of the current value of costs for the decommissioning and restoration of sites following a reduction in the discounting rates expected; (ii) the increase in net liabilities for settlement and balancing of the gas transportation system[38] (-98 million euros).

38 From 2018, the Company, in its capacity as Balancing Manager (BM), has been responsible for the regulation of the physical and economic items of the balancing service related to previous years and deriving from the correction of measurement data. The regulations also stipulate that any imbalance of credit items and debit items in relation to users must be regulated by the CSEA in order to guarantee Snam Rete Gas's neutrality as a major transportation company.

Comprehensive income statement

(million of €)	2019	2020
Net profit for the year	**1,090**	**1,101**
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT		
Cash flow hedge – effective portion of fair value change	(44)	**(6)**
Share of other comprehensive income statement of equity investments accounted for using the equity method (*)	(17)	**(38)**
Tax effect	**10**	**1**
Total items that may be reclassified to profit or loss, net of tax effect	**(51)**	**(43)**
Revaluation of employee benefit liabilities (defined-benefit plans)		**(1)**
Share of other comprehensive income statement of equity investments accounted for using the equity method	(1)	**1**
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	4	**43**
Tax effect		
Total items that will not be reclassified to profit or loss, net of tax effect	**3**	**43**
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX	**(48)**	**0**
TOTAL COMPREHENSIVE INCOME	**1,042**	**1,101**
Total comprehensive income statement attributable to:		
- Parent Company shareholders	1,042	**1,101**
- Minority interests		

(*) The values essentially refer to the change in the fair value of derivative financial instruments used to hedge investments in associates.



Shareholders' equity

(million of €)	2019	2020
Shareholders' equity at 31 December 2019		**6,258**
Increases owing to:		
- Comprehensive income	1,101	
- Other changes	19	
		1,120
Decreases owing to:		
- 2019 dividend balance	(466)	
- 2020 Interim Dividend (*)	(326)	
- Acquisition of treasury shares	(114)	
		(906)
Shareholders' equity at 31 December 2020		**6,472**
- Shareholders' equity pertaining to Parent Company shareholders		**6,469**
- Minority interests		**3**

(*) Amount paid on 20 January 2021.

Information about the individual equity items and changes therein compared with 31 December 2019 is given in Note 23 to the consolidated financial statements, "Shareholders' Equity".

Reconciliation between Snam S.p.A.'s net profit and the shareholders' equity and those of the consolidated companies

	Net profit		Shareholders' equity	
(million of €)	**2019**	**2020**	**31.12.2019**	**31.12.2020**
Statutory financial statements of Snam S.p.A.	**817**	**1,015**	**4,396**	**4,550**
Net profit of the Companies included in the scope of consolidation	972	**971**		
Difference between the carrying value of the equity investments in consolidated companies and the shareholders' equity in the annual financial statements, inclusive of the profit for the period			1,815	**1,912**
Adjustments made upon consolidation for:				
- Dividends	(777)	**(868)**		
- Difference between purchase price and corresponding net shareholders' equity	(3)	**(5)**		
- Adjustments due to uniformity of accounting principles	(1)	**(2)**		
- Income from valuation of equity investments accounted for by the equity method and other Income from equity investments	82	**(10)**	47	**10**
	1,090	**1,101**	**6,258**	**6,472**
Minority interests			(3)	**(3)**
Consolidated financial statements (*)	**1,090**	**1,101**	**6,255**	**6,469**

(*) Shareholders' equity pertaining to Parent Company shareholders.

Net financial debt

(million of €)	31.12.2019	31.12.2020	Change
Financial and bond debt	**14,774**	**15,937**	**1,163**
Short- term financial liabilities (*)	4,125	**5,599**	1,474
Long- term financial liabilities	10,628	**10,317**	(311)
Financial payables for leased assets (**)	21	**21**	
Financial receivables and cash and cash equivalents	**(2,851)**	**(3,050)**	**(199)**
Cash and cash equivalents	(2,851)	**(3,044)**	(193)
Short-term financial receivables		**(5)**	(5)
Short-term securities held for sale		**(1)**	(1)
	11,923	**12,887**	**964**

(*) Includes the current portion of non-current financial liabilities.
(**) Including non-current lease liabilities (15 million euros) and the current portion of non-current lease liabilities (6 million euros).

Net financial debt was 12,887 million euros at 31 December 2020, compared with 11,923 million euros at 31 December 2019.

Cash flow from operations (1,597 million euros) made it possible to fully cover net technical investment requirements (-1,110 million euros). Taking into account net outflows associated with the acquisition of equity investments (-522 million euros, including the shareholders loan to OLT acquired by Snam with the purchase of the equity investment), free cash flow stood negative at 35 million euros. The net financial debt, after equity cash flow deriving from the payment to shareholders of the 2019 dividend (779 million euros, of which an interim dividend of 313 million euros and 466 million euros for the balance) and the acquisition of treasury shares (114 million euros), recorded an increase of 964 million euros compared with 31 December 2019, including non-monetary components related to financial debt (36 million euros), which refer mainly to the change in the scope of consolidation and the financial debt recorded through the application of IFRS 16 “Leasing”.

Financial and bond debts at 31 December 2020 equal to 15,937 million euros (14,774 million euros at 31 December 2019) comprise the following:

(million of €)	31.12.2019	31.12.2020	Change
Bond loans	9,048	**8,140**	(908)
- of which short-term (*)	*1,439*	***308***	*(1,131)*
Bank loans	3,704	**5,273**	1,569
- of which short-term (*)	*685*	***2,788***	*2,103*
Euro Commercial Paper - ECP (**)	2,001	**2,503**	502
Financial payables for leased assets	21	**21**	
	14,774	**15,937**	**1,163**

(*) Includes the current portion of non-current financial liabilities.
(**) Entirely short-term.

Bond loans (8,140 million euros) showed reduction of 908 million euros compared with 31 December 2019, mainly due to: (i) the repayment of a fixed rate bond maturing on 29 January 2020, for a nominal amount of 350 million euros; (ii) the repayment of a fixed rate bond loan maturing on 13 February 2020, of a nominal amount of 526 million euros; (iii) the repayment of a fixed rate bond maturing 25 October 2020, of a nominal amount of 500 million euros; (iv) the repurchase on the market of fixed-rate bonds for a total nominal value of 629 million euros with an average coupon of 0.62% and a residual duration of approximately 2.80 years. The total disbursement resulting from the buy back of securities as part of the Liability Management transaction, concluded in December 2020 stood at 651 million euros[39], including the fees paid to intermediaries and accrued interest. These variations were partially offset by the issuing: (i) a Transition Bond, for a nominal amount of 500 million euros, at a fixed rate maturing on 17 June 2030; (ii) a Transition Bond, for a nominal amount of 600 million euros, at a fixed rate maturing on 7 December 2028.

Bank loans (5,273 million euros) increased by 1,569 million euros, due mainly to higher net utilisations of uncommitted credit lines (1,047 million euros) and the subscription of new Term Loans for an incremental nominal value of 590 million euros.

The Euro Commercial Papers (2,503 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors.

Cash and cash equivalents, of 3,044 million euros (2,851 million euros as at 31 December 2019) refer mainly to current accounts and on-call bank deposits (2,991 million euros) and cash held at the company Gasrule Insurance DAC (23 million euros) and Snam International BV (22 million euros).

At 31 December 2020, Snam had unused committed long-term credit lines worth 3.2 billion euros.

Information on financial covenants is provided in note no. 17 “Current and non-current financial liabilities” in the Notes to the Consolidated Financial Statements.

39 For more information on the operation, see the section titled “2020 Performance - Main events”.

RECLASSIFIED STATEMENT OF CASH FLOWS

The reclassified statement of cash flows below summarises the legally required financial reporting format. It shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

Reclassified statement of cash flows

(million of €)	2019	2020
Net profit	**1,090**	**1,101**
Adjusted for:		
- Amortisation, depreciation and other non-monetary components	527	**523**
- Net capital losses (capital gains) on asset sales and write-offs	8	**13**
- Dividends, interest and income taxes	552	**504**
Change in net working capital	(264)	**(224)**
Dividends, interest and income taxes collected (paid)	(427)	**(320)**
Cash inflow from operating activities	**1,486**	**1,597**
Technical investments	(954)	**(1,166)**
Technical divestments	0	**2**
Acquisition of subsidiaries and businesses, net of liquidity acquired	(41)	**(30)**
Equity investments	12	**(193)**
Change in non current financial assets	(5)	**(298)**
Other changes relating to investment activities	(16)	**53**
Free cash flow	**482**	**(35)**
Repayment of financial payables for leased assets	(6)	**(7)**
Change in current and non-current financial liabilities	1,285	**1,133**
Change in current financial assets		**(5)**
Equity cash flow (a)	(782)	**(893)**
Net cash flow for the year	**979**	**193**

(a) Includes cash flow and payment to shareholders of the dividend.

Change in net financial debt

(million of €)	2019	2020
Free cash flow	**482**	**(35)**
Financial payables and receivables from companies entering the consolidation scope	(47)	**(25)**
Change in financial payables for leased assets	(25)	**(6)**
Equity cash flow	(782)	**(893)**
Other changes	(3)	**(5)**
Change in net financial debt	**(375)**	**(964)**

RECONCILIATION OF THE RECLASSIFIED FINANCIAL STATEMENT WITH THE LEGALLY REQUIRED STATEMENTS

Reclassified statement of financial position

(million of €)		31.12.2019		31.12.2020	
Items (Where not expressly stated, the component is taken directly from the the Statutory layout)	**Reference to notes to consolidated financial statements**	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
Fixed capital					
Property, plant and equipment			**16,439**		**16,815**
Non-current inventories - Compulsory inventories			**363**		**363**
Intangible assets and goodwill			**990**		**1,125**
Equity investments accounted for using the equity method			**1,787**		**1,923**
Other financial assets, consisting of:			*44*		***421***
- Minority equity investments accounted for at FVTOCI	(12)	39		**112**	
- Non current financial assets - current portion	(12)			**1**	
- Non current financial assets - non-current portion	(12)	3		**306**	
- Other financial assets	(12)	2		**2**	
Net payables for investments, consisting of:			*(312)*		***(387)***
- Trade payables for the purchase of fixed assets	(18)	(320)		**(394)**	
- Receivables for private contributions	(9)	8		**7**	
Total fixed capital			**19,311**		**20,260**
Net working capital					
Trade receivables			**1,217**		**1,551**
Current inventories			**112**		**98**
Tax receivables, consisting of:			**35**		**93**
- Current income tax assets	(11)	12		**34**	
- Other current tax assets	(13)	14		**50**	
- IRES receivables for the National Tax Consolidation Scheme with former parent ENI	(9)	9		**9**	
Trade payables			**(487)**		**(639)**
Tax payables, consisting of:			*(35)*		***(10)***
- Current liabilities for income taxes	(11)	(26)		**(2)**	
- Other current tax liabilities	(19)	(9)		**(8)**	
Net deferred tax liabilities, made up of:			*(106)*		***(90)***
- Deferred tax assets	(22)	23		**23**	
- Deferred tax liabilities	(22)	(129)		**(113)**	
Provisions for risks and charges			**(713)**		**(798)**
Market value of derivative financial instruments	(19)		**(63)**		**(38)**

Reclassified statement of financial position

(million of €)		31.12.2019		31.12.2020	
Items (Where not expressly stated, the component is taken directly from the the Statutory layout)	**Reference to notes to consolidated financial statements**	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
Other assets, consisting of:			*185*		***187***
- Other receivables from the Energy and Environmental Services Fund (CSEA)	(9)	124		**79**	
- Advances to suppliers	(9)	6		**6**	
- Other	(9)	12		**24**	
- Other assets	(13)	43		**78**	
Assets and liabilities from regulated activities, consisting of:			*(145)*		***(111)***
- Regulated activities	(13)	2		**19**	
- Regulated liabilities	(19)	(147)		**(130)**	
Other liabilities, consisting of:			*(1,094)*		***(1,104)***
- Other payables	(18)	(994)		**(996)**	
- Other liabilities	(19)	(100)		**(108)**	
Total Net working capital			**(1,094)**		**(861)**
Provision for employee benefits			**(46)**		**(40)**
Non-current assets held for sale and directly associated liabilities consisting of:			**10**		
- Non-current assets held for sale			**10**		
NET INVESTED CAPITAL			**18,181**		**19,359**
Shareholders equity pertaining to shareholders of the parent company			6,255		**6,469**
Minority interests			3		**3**
Total shareholders' equity			**6,258**		**6,472**
Net financial debt					
Financial liabilities, consisting of:			*14,774*		***15,937***
- Non-current financial liabilities		10,643		**10,332**	
- Current financial liabilities		4,131		**5,605**	
Financial receivables and cash and cash equivalents, composed of:			*(2,851)*		***(3,050)***
- Cash and cash equivalents		(2,851)		**(3,044)**	
- Current financial assets	(12)			**(5)**	
- Other	(12)			**(1)**	
Total net financial debt			**11,923**		**12,887**
COVERAGE			**18,181**		**19,359**

Reclassified statement of cash flows and reconciliation with the Statutory layout

(million of €)	2019		2020	
Items	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
PROFIT FOR THE YEAR		**1,090**		**1,101**
Adjusted for:				
Amortisation, depreciation and other non-monetary components:		527		**523**
- Amortisation, depreciation and losses due to impairment of property, plant and equipment and intangible assets	752		**773**	
- Share of profit or losses of equity investments accounted for using the equity method	(218)		**(247)**	
- Other (income) expenses from equity investments	4		**(2)**	
- Change in provision for employee benefits	(18)		**(9)**	
- Other changes	7		**8**	
Net capital losses (capital gains) on asset sales, write-offs and eliminations		8		**13**
Dividend, interest and income taxes:		552		**504**
- Dividends	(2)		**0**	
- Interest income	(11)		**(25)**	
- Interest expense	190		**159**	
- Income taxes	375		**370**	
Change in net working capital:		(264)		**(224)**
- Inventories	(43)		**(23)**	
- Trade receivables	38		**(308)**	
- trade payables	(28)		**138**	
- Change in provisions for risks and charges	6		**13**	
- Other assets and liabilities	(237)		**(44)**	
Dividends, interest and income taxes collected (paid):		(427)		**(320)**
- Dividends collected	134		**241**	
- Interest collected	11		**22**	
- Interest paid	(185)		**(155)**	
- Income taxes (paid) received	(387)		**(428)**	
CASH FLOWS FROM OPERATING ACTIVITIES		**1,486**		**1,597**

Reclassified statement of cash flows and reconciliation with the Statutory layout

(million of €)	2019		2020	
Items	**Partial amount from legally required statement**	**Amount from reclassified format**	**Partial amount from legally required statement**	**Amount from reclassified format**
Technical investments:		(954)		**(1,166)**
- Property, plant and equipment	(852)		**(1,001)**	
- Intangible assets	(102)		**(165)**	
Technical divestments:		0		**2**
- Property, plant and equipment	0		**2**	
Acquisition of subsidiaries and businesses, net of liquidity acquired		(41)		**(30)**
- Acquisition of subsidiaries, net of liquidity acquired	(41)		**(30)**	
Equity investments		12		**(193)**
- Investments	(24)		**(288)**	
- Divestments	36		**95**	
Non current financial assets		(5)		**(298)**
- Assumption of non current financial assets	(5)		**(332)**	
- Repayments of non current financial assets	0		**34**	
Other changes relating to investment activities:		(16)		**53**
- Change in net payables for investments	(16)		**53**	
FREE CASH FLOW		**482**		**(35)**
Change in financial payables:		1,279		**1,121**
- Increase in non current financial liabilities	2,877		**1,684**	
- Decrease in non current financial liabilities	(2,070)		**(2,091)**	
- Increase/(decrease) in short-term financial liabilities	478		**1,540**	
- Decrease in financial payables for leased assets	(6)		**(7)**	
- Change in current financial receivables			(5)	
Equity cash flow		(782)		**(893)**
- Dividends paid	(746)		**(779)**	
- Acquisition of treasury shares	(39)		**(114)**	
- Change in minority interests in subsidiaries that do not entail a change of control	3		0	
NET CASH FLOW FOR THE YEAR		**979**		**193**

SNAM S.P.A. FINANCIAL REVIEW

COMPANY INFORMATION

Snam S.p.A. (hereinafter also referred to as Snam) is an industrial holding company listed on the Milan stock exchange, which holds equity investments in industrial and service companies in Italy and abroad.

In its capacity as the group's parent company, it is responsible for the strategic direction, planning and control of the financial management, direction and coordination of the group's activities. It provides Group companies with business support services (mainly administrative, tax, legal, human resources, information technology and HSEQ services) in order to optimise the available resources and efficiently use the existing know-how. These services are governed by specific inter-company service contracts.

As at 31 December 2020, the major shareholder CDP S.p.A. held, through CDP Reti S.p.A., 31.4% of the share capital of Snam S.p.A. For this purpose, note that, from 1 August 2019, CDP reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – "Consolidated financial statements" from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

No management and coordination activity has been formalised or exercised by CDP over Snam.

RECLASSIFIED INCOME STATEMENT

In order to facilitate the reading of the Income Statement, taking into consideration the nature of Snam S.p.A. as an industrial holding company, the Reclassified Income Statement was prepared by presenting items relating to financial management first, because they represent the most important component of an income nature[40].

40 This statement was prepared on the basis of the suggestions reported in Consob Communication no. 94001437 of 23 February 1994.

Reclassified Income Statement

2018	(million of €)	2019	2020	Var, ass	% change
	Income and financial expenses				
775	Income from equity investments	898	**1,124**	226	25.2
213	Interest receivable and other financial income	159	**151**	(8)	(5.0)
(249)	Interest payable and other financial expenses	(211)	**(178)**	33	(15.6)
(2)	Losses from derivative contracts	(1)	**(10)**	(9)	
737	**Total financial income and expenses**	**845**	**1,087**	**242**	**28.6**
213	Revenues from the provision of services	227	**260**	33	14.5
14	Other income	15	**15**		
227	**Other business income**	**242**	**275**	**33**	**13.6**
	Other management costs				
(94)	For personnel	(88)	**(90)**	(2)	2.3
(146)	For the provision of non-financial services and other costs	(186)	**(253)**	(67)	36.0
(240)	**Total other management costs**	**(274)**	**(343)**	**(69)**	**25.2**
724	**Pre-tax profit**	**813**	**1,019**	**206**	**25.3**
(3)	Income tax	4	**(4)**	(8)	
721	**Net profit**	**817**	**1,015**	**198**	**24.2**

Net profit in 2020 amounted to 1,015 million euros, up by 198 million euros or 24.2% compared with 2019. The increase is due mainly to the greater financial income and expense (+242 million euros or +28.6%) essentially following the greater income from equity investments (+226 million euros or +25.2%), partly offset by the increase in other management costs (-69 million euros or 25.2%), mainly attributable to greater financial expense for the provision of non financial services and other costs (-67 million euros or 36%).

ANALYSIS OF INCOME STATEMENT ITEMS

Income and financial expenses

2018	(million of €)	2019	2020	Var, ass	% change
775	Income from equity investments	898	**1,124**	226	25.2
213	Interest receivable and other financial income	159	**151**	(8)	(5.0)
(249)	Interest payable and other financial expenses	(211)	**(178)**	33	(15.6)
(2)	Losses from derivative financial instruments – ineffective portion	(1)	**(10)**	(9)	
737		**845**	**1,087**	**242**	**28.6**

Financial income and expense in 2020 (1,087 million euros) rose by 242 million euros or 28.6% compared with the previous year.

Income from equity investments (1,124 million euros) consists mainly of the dividends distributed by the subsidiaries Snam Rete Gas S.p.A. (665 million euros) and Stogit S.p.A. (197 million euros), by the companies under joint control Terēga (86 million euros) and Trans Austria Gasleitung GmbH - TAG (83 million euros), and by the related companies Italgas S.p.A. (28 million euros), Galaxy Pipeline Assets HoldCo Limited (17 million euros) and Senfluga Energy Infrastructure Holding S.A. (11 million euros). The increase of 226 million euros, up 25.2% compared with 2019, was mainly due to the greater dividends distributed by the subsidiaries Snam Rete Gas S.p.A. (+85 million euros) and Stogit S.p.A. (+11 million euros), by the companies under joint control Terēga (+72 million euros) and Trans Austria Gasleitung GmbH - TAG (+20 million euros), and by the related companies Galaxy Pipeline Assets HoldCo Limited (+17 million euros) and Senfluga Energy Infrastructure Holding S.A. (+11 million euros).

Interest receivable and other financial income (151 million euros), principally relates to: (i) interest deriving from the intra-group loans granted by Snam S.p.A. to the subsidiaries Snam Rete Gas S.p.A. and Stogit S.p.A. (106 million euros overall) and to company under joint control OLT - Offshore LNG Toscana S.p.A (13 million euros); (ii) the income from the direct recharging and treasury arrangements concluded between Snam S.p.A. and the companies, the expenses connected by the compulsory buy back transaction implemented by Snam in December 2020 (18 million euros in total).

The interest payable and other financial expenses (178 million euros) relate to: (i) the expenses connected to the bond buy back transaction (22 million euros), equal to the difference between the buy back price of the bonds on the market and the relative value at the amortised cost; (ii) expenses for bond loans[41] (138 million euros) and for loans provided by banks and other financial institutions (18 million euros).

41 Details of the bond issues that took place during the year and their conditions are provided in Note 16, "Current and non-current financial liabilities" in the Notes to the Separate Financial Statements.

The losses from derivatives financial instruments (10 million euros) relate to the effects deriving from the unwinding of derivative financial contracts on bonds subject to the buyback operation.

Other business income

2018	(million of €)	2019	2020	Var, ass	% change
213	Revenues from the provision of services	227	**260**	33	14.5
14	Other income	15	**15**		
227		**242**	**275**	**33**	**13.6**

Revenue for the provision of services (260 million euros) mainly involve charge backs for services provided by Snam to subsidiaries (229 million euros in total). The services are governed by contracts entered into with Snam S.p.A. and the subsidiaries, and concern the following areas: ICT, Personnel and Organisation, Planning, Administration Finance and Control, General Services, Property, Security, Legal and Corporate Affairs and Compliance, Health, Safety and Environment, External Relations and Communication, Internal Audit, Technical, Commercial, Regulation and Procurement. The services provided also include the revenue on projects of the Global Solution Business Unit (31 million euros).

The increase of 33 million euros compared with the previous year is due to the greater charge backs to subsidiaries (+26 million euros), for services mainly of an ICT nature and to the greater revenue from Global Solution Business Unit projects (+7 million euros) essentially following the design services rendered to the subsidiary TAP.

Other income (15 million euros) essentially refers to income from the leasing and maintenance of fibre optic telecommunications cables for third-parties (13 million euros).

Other management costs

2018	(million of €)	2019	2020	Var, ass	% change
146	For the provision of non-financial services and other costs	**186**	**253**	67	36.0
94	For personnel	**88**	**90**	2	2.3
240		**274**	**343**	**69**	**25.2**

Costs for non financial services and other costs are composed of operating costs (242 million euros) and depreciation and amortisation (11 million euros). The increase of 67 million euros is essentially due to: (i) higher costs for services (27 million euros), mainly attributable to ICT services charged back to Group companies; (ii) costs incurred as a result of the state of emergency related to the Covid-19 pandemic for a total amount of 24 million euros, relating mainly to donations of health equipment (14 million euros) and money (2 million euros) to

the Italian health system and the third sector, purchases of personal protection equipment for internal use (6 million euros) and costs for services (2 million euros), mainly relating to employee support and security; (iii) the dynamics of the provision for risks and charges (17 million euros).

Personnel costs totalled 90 million euros, an increase of 2 million euros, essentially in line with the corresponding period of the previous year.

The number of employees as at 31 December 2020 (804 people) is analysed below by professional status:

Employees by professional status

31.12.2018	(number)	31.12.2019	31.12.2020	Var, ass	% change
	Professional status				
71	Senior Managers	71	**75**	4	5.6
259	Middle Managers	242	**265**	23	9.5
505	Office workers	426	**461**	35	8.2
3	Manual workers	3	**3**		
838		**742**	**804**	**62**	**8.4**

Income tax

Income tax amounts to 4 million euros mainly on account of the share of non taxable dividends collected in the year.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The reclassified statement of financial position combines the assets and liabilities of the condensed statement based on how the business operates, conventionally split into the three basic functions: investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

The reclassified statement of financial position format is used by management to calculate the key leverage and profitability ratios.

Reclassified statement of financial position (*)

(million of €)	31.12.2019	31.12.2020	Change
Fixed capital	**11,608**	**11,056**	**(552)**
Property, plant and equipment	20	**18**	(2)
- of which right-of-use leased assets	*14*	***12***	*(2)*
Intangible assets	12	**15**	3
Equity investments	6,545	**6,761**	216
Financial assets	5,035	**4,268**	(767)
Net payables for investments	(4)	**(6)**	(2)
Net working capital	**(334)**	**(320)**	**14**
Provision for employee benefits	**(14)**	**(13)**	**1**
Assets held for sale	**10**		**(10)**
NET INVESTED CAPITAL	**11,270**	**10,723**	**(547)**
Shareholders' equity	**4,396**	**4,550**	**154**
Net financial debt	**6,874**	**6,173**	**(701)**
- of which financial payables for leased assets (**)	*14*	***12***	*(2)*
COVERAGE	**11,270**	**10,723**	**(547)**

(*) See the paragraph titled "Non-GAAP measures" for a methodological indication of the reclassified statements.
(**) Including non-current lease liabilities (9 million euros) and the current portion of non-current lease liabilities (3 million euros).

Fixed capital (11,056 million euros) decreased by 552 million euros compared with 31 December 2019 mainly as a result of the reduction in financial assets (-767 million euros). This effect was partially offset by the increase in equity investments (216 million euros), mainly due to the subscription of the increase in the share capital in favour of Galaxy Pipeline Assets HoldCo Limited (221 million euros), following the purchase of ADNOC Gas Pipeline Assets LLC.

Equity investments

This item amounts of 6,761 million euros and is composed of equity investments in the following companies:

(million of €)	% ownership	Balance at 31.12.2019	Acquisitions and subscriptions	Assign-ments and reimburse-ments	Other changes	Balance at 31.12.2020
Investments in subsidiaries		**4,864**	**48**		**9**	**4,921**
Snam Rete Gas S.p.A.	100%	2,850			1	**2,851**
Stogit S.p.A.	100%	1,597				**1,597**
Asset company 2 S.r.l.	100%	172				**172**
Snam International B.V.	100%	61				**61**
GNL Italia S.p.A.	100%	43				**43**
Snam 4 Mobility S.p.A.	100%	38				**38**
Snam 4 Efficiency S.r.l.	100%	23	48		8	**79**
Gasrule Insurance D.A.C.	100%	20				**20**
Enura S.p.A.	55%	4				**4**
Snam 4 Environment S.r.l.	100%	55				**55**
Asset Company 4 S.r.l.	100%	1				**1**
Investments in joint ventures						
Trans Austria Gasleitung GmbH	84.47%	500				**500**
Terēga Holding S.A.S.	40.50%	452		(81)		**371**
AS Gasinfrastruktur Beteiligung GmbH	40%	93			1	**94**
OLT - Offshore LNG Toscana S.p.A.	49.07%		3			**3**
Investments in associates		**636**	**236**			**872**
Trans Adriatic Pipeline AG	20%	303	15			**318**
Italgas S.p.A.	13.50%	244				**244**
Galaxy Pipeline Assets HoldCo Limited	12.32%		221		1	**222**
Senfluga Energy Infrastructure Holding S.A.	54.00%	89				**89**
		6,545	**287**	**(81)**	**10**	**6,761**

Financial assets

Financial assets stand at 4,268 million euros and relate to: (i) receivables from long-term loans, including the relative current portions, granted mainly to the subsidiaries Snam Rete Gas (3,135 million euros) and Stogit (676 million euros), (ii) the loan granted to the company under joint control OLT (303 million euros) and (iii) fair value measurement through OCI of the minority interests in the company Terminale GNL Adriatico S.r.l. and ITM Power Plc (112 million euros overall).

The reduction of 781 million euros compared with 31 December 2019 was mainly due to the closing and the simultaneous repayment of existing loans to Snam Rete Gas S.p.A. and Stogit S.p.A. (-1,148 million euros overall), partially offset by the taking over of the residual share of a shareholders' loan from Iren S.p.A. in favour of OLT, against the acquisition of the 49.07% stake in the share capital of the company completed on 26 February 2020 (332 million euros; 303 million euros net of subsequent reimbursements).

Net working capital

(million of €)	31.12.2019	31.12.2020	Change
Trade receivables	106	**106**	
Other assets	58	**54**	(4)
Tax receivables	45	**39**	(6)
Net prepaid tax assets	29	**25**	(4)
Inventories		**3**	
Provisions for risks and charges	(11)	**(28)**	(17)
Tax liabilities	(45)	**(32)**	13
Derivatives	(62)	**(38)**	24
Trade payables	(81)	**(83)**	(2)
Other liabilities	(373)	**(366)**	7
	(334)	**(320)**	**14**

Net working capital (-320 million euros) decreased by 14 million euros compared with 31 December 2019 mainly as a result of the reduction in liabilities for derivatives (+24 million euros) and the reduction in tax debts (+13 million euros), partly offset by changes in provisions for risks and charges (-17 million euros).

Shareholders' equity

(million of €)		
Shareholders' equity at 31 December 2019		**4,396**
Increases owing to:		
- 2020 comprehensive income (*)	1,052	
- Other changes	8	
		1,060
Decreases owing to:		
- Final 2019 dividend	(466)	
- 2020 interim dividend	(326)	
- Acquisition of treasury shares	(114)	
		(906)
Shareholders' equity at 31 December 2020		**4,550**

(*) For further details, refer to the Comprehensive income statement of Snam S.p.A.

Net financial debt

(million of €)	31.12.2019	31.12.2020	Change
Financial and bond debt	**14,799**	**15,972**	**1,173**
Short- term financial liabilities (*)	4,158	**5,651**	1,493
Long- term financial payables	10,627	**10,309**	(318)
Financial payables for leased assets (**)	14	**12**	(2)
Financial receivables and cash and cash equivalents	**(7,925)**	**(9,799)**	**(1,874)**
Short-term financial receivables	(5,120)	**(6,808)**	(1,688)
Cash and cash equivalents	(2,805)	**(2,991)**	(186)
	6,874	**6,173**	**(701)**

(*) Includes the current portion of non-current financial liabilities.
(**) Including non-current lease liabilities (9 million euros) and the current portion of non-current lease liabilities (3 million euros).

Net financial debt at 31 December 2020 was 6,173 million euros, a reduction of 701 million euros compared with 31 December 2019.

Financial and bond debts (15,972 million euros) are denominated in euros and relate mainly to bond loans (8,140 million euros; 51%) and bank loans (5,260 million euros, 33%, of which 1,620 million euros was provided by the European Investment Bank - EIB).

Long-term financial debt (10,309 million euros) represented around 65% of gross financial debt (around 72% at 31 December 2019).

The breakdown of debt by type of interest rate at 31 December 2020 is as follows:

(million of €)	31.12.2019	%	31.12.2020	%	Change
Fixed rate	11,188	**76**	**10,739**	**67**	(449)
Variable rate	3,611	**24**	**5,198**	**33**	1,587
	14,799	**100**	**15,937**	**100**	**1,138**

The reduction in bond loans (908 million euros) compared to 31 December 2019, mainly relates to: (i) the repayment of a fixed rate bond maturing on 29 January 2020, for a nominal amount of 350 million euros; (ii) the repayment of a fixed rate bond loan maturing on 13 February 2020, of a nominal amount of 526 million euros; (iii) the repayment of a fixed rate bond maturing 25 October 2020, of a nominal amount of 500 million euros; (iv) the repurchase on the market of fixed-rate bonds for a total nominal value of 629 million euros with an average coupon of 0.62% and a residual duration of approximately 2.80 years. The total disbursement resulting from the buy back of securities as part of the Liability Management transaction, concluded in December 2020 stood at 651 million euros[42], including the fees paid to intermediaries and accrued interest. These variations were partially offset by the issuing: (i) a Transition Bond, for a nominal amount of 500 million euros, at a fixed rate maturing on 17 June 2030; (ii) a Transition Bond, for a nominal amount of 600 million euros, at a fixed rate maturing on 7 December 2028.

The increase in bank loans (1,569 million euros) relates mainly to higher net utilisations of uncommitted credit lines (1,047 million euros) and the subscription of new Term Loans for an incremental nominal value of 590 million euros.

The Euro Commercial Papers (2,503 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors and recorded an increase of 502 million euros.

Short-term financial receivables (6,808 million euros) showed an increase of 1,688 million euros compared with 31 December 2019. The increase is essentially attributable to the greater net use of current account balances of the subsidiaries Snam Rete Gas and Stogit (1,540 million euros in total).

Cash and cash equivalents, standing at 2,991 million euros (2,805 million euros as at 31 December 2019) refer to current accounts and on-call bank deposits.

At 31 December 2020, Snam had unused committed long-term credit lines worth 3.2 billion euros.

42 For more information on the operation, see the section titled "2020 Performance - Main events".

RECLASSIFIED STATEMENT OF CASH FLOWS AND CHANGE IN NET FINANCIAL DEBT

The reclassified statement of cash flows below summarises the legally required financial reporting format. It shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

Reclassified statement of cash flows

(million of €)	2019	2020
Net profit	**817**	**1,015**
Adjusted for:		
- Amortisation, depreciation and other non-monetary components	13	**17**
- Dividends, interest and income taxes	(866)	(1,101)
Change in working capital due to operating activities	(14)	**(30)**
Dividends, interest and income taxes collected (paid)	862	**1,111**
Net Cash inflow from operating activities	**812**	**1,012**
Technical investments	(5)	**(9)**
Equity investments	(48)	**(226)**
Change in non current financial receivables	425	**832**
Free cash flow	1,184	1,609
Change in current financial assets	**(751)**	**(1,697)**
Repayment of financial payables for leased assets	(4)	**(4)**
Change in current and non-current financial liabilities	1,320	**1,171**
Equity cash flow (a)	(785)	**(893)**
Net cash flow for the year	**964**	**186**

(a) Includes cash flows deriving from the purchase of treasury shares and dividend payment to shareholders.

Change in net financial debt

(million of €)	2019	2020
Free cash flow	**1,184**	**1,609**
Exchange rate differences on financial debt	(3)	
Change in financial payables for leased assets	(18)	(2)
Equity cash flow (a)	(785)	**(893)**
Other non-monetary changes		**(13)**
Change in net financial debt	**378**	**701**

(a) Includes cash flows deriving from the purchase of treasury shares and dividend payment to shareholders.

OTHER INFORMATION

TREASURY SHARES

In compliance with the provisions of Article 2428 of the Italian Civil Code, the treasury shares held by the Company at 31 December 2020 are analysed in the table below:

Period	No of shares	Average cost (€) (*)	Total cost (million of €)	Share capital (%) (**)
Repurchases				
Year 2005	800,000	4.399	3	0.04
Year 2006	121,731,297	3.738	455	6.22
Year 2007	73,006,653	4.607	336	3.73
Year 2016	28,777,930	3.583	103	0.82
Year 2017	56,010,436	3.748	210	1.6
Year 2018	113,881,762	3.743	426	3.28
Year 2019	8,412,920	4.622	39	0.25
Year 2020	23,723,763	4.816	114	0.71
	426,344,761	**3.955**	**1,686**	
Less treasury shares granted/sold/cancelled:				
- granted free of charge under the 2005 stock grant plans	(39,100)			
- sold under the 2005 stock option plans	(69,000)			
- sold under the 2006 stock option plans	(1,872,050)			
- sold under the 2007 stock option plans	(1,366,850)			
- sold under the 2008 stock option plans	(1,514,000)			
- cancelled in 2012 following the resolution by the Extraordinary Shareholders' Meeting of Snam S.p.A.	(189,549,700)			
- cancelled in 2018 following the resolution by the Extraordinary Shareholders' Meeting of Snam S.p.A.	(31,599,715)			
- cancelled in 2019 following the resolution by the Extraordinary Shareholders' Meeting of Snam S.p.A.	(74,197,663)			
- cancelled in 2020 following the resolution by the Extraordinary Shareholders' Meeting of Snam S.p.A.	(33,983,107)			
- granted free of charge under the 2017 stock incentivisation plan	(1,511,461)			
Treasury shares held by the Company at 31 December 2020	**90,642,115**			

(*) Calculated on the basis of historical prices.
(**) The share capital is that which exists at the date of the last purchase in the year/period.

As at 31 December 2020, Snam held 90,642,115 treasury shares, (102,412,920 treasury shares, equal to 3.02% of the share capital at 31 December 2019), equal to 2.70% of the share capital, with an overall book value of 361 million euros. The market value of the treasury shares at 31 December 2020 was around 417 million euros[43]. The reduction in the number of treasury shares compared with 31 December 2019 is principally attributable to: (i) the cancellation of 33,983,107 shares with no nominal value, with no reduction in the share capital, and the resulting amendment of Article 5.1 of the company Bylaws approved by Snam's Shareholders' Meeting, held on an extraordinary basis on 18 June 2020; (ii) the allocation of 1,511,461 shares to Snam managers as part of the 2017 Stock Incentivisation Plan, the vesting period of which reached maturity in July 2020. These effects were partly offset by the purchase of 23,723,763 shares for an overall cost of approximately 114 at an average price of 4.82 per share (an overall disbursement of 890 million euros since 2016 Snam, for the purchase of approximately 230 million shares at an average price of 3.86 per share), essentially carried out in the context of the buyback programme approved by the Shareholders' Meeting of 2 April 2019, subsequently extended with a resolution of the same Shareholders' Meeting of 18 June 2020, following the revocation of the resolution of 2 April 2019, in relation to the part that remained unexercised[44].

The share capital as at 31 December 2020 consisted of 3,360,857,809 shares (3,394,840,916 shares as at 31 December 2019) with no nominal value for a total equivalent value of 2,736 million euros.

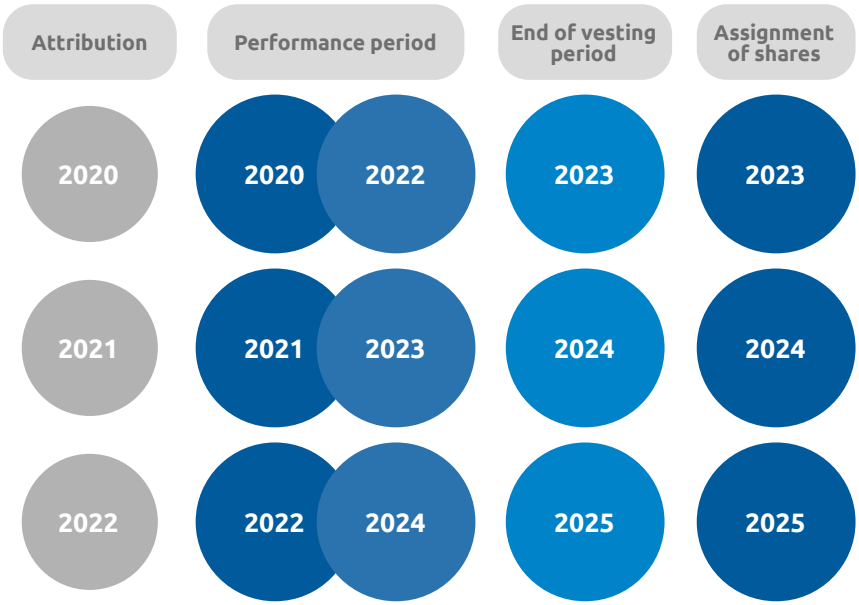
The subsidiaries of Snam S.p.A. do not hold, and have not been authorised by their Shareholders' Meetings to acquire, shares in Snam S.p.A.

43 Calculated by multiplying the number of treasury shares by the period-end official price of 4.601 euros per share.
44 For more details on the aforementioned resolution, see the chapter titled "Key events of 2020" in this Report.

SNAM SHARE-BASED INCENTIVE PLANS FOR SENIOR MANAGERS

2020-2022 Long-Term Share-Based Incentive Plan

The Shareholders' Meeting of Snam, held on 18 June 2020 in ordinary session, approved the 2020-2022 long-term share-based incentive plan, conferring to the Board of Directors, every necessary power for the implementation of the Plan.



The plan is intended for Snam's Chief Executive Officer and managers, identified among those holding positions with the greatest impact on company results or with strategic importance for the achievement of Snam's long-term objectives, as well as any other positions identified in relation to performance achieved, skills possessed or with a view to retention, up to a maximum of 100 beneficiaries.

The Plan calls for three annual attributions for the period 2020-2022. Each attribution is subject to a three-year vesting period and consequently any effective assignment of shares takes place between 2023 and 2025, as shown below:

The Board of Directors has determined that a maximum of 3,500,000 Shares will be used for each three-year cycle of the Plan. The Plan will be concluded in 2025, upon expiry of the vesting period for the last attribution envisaged in 2022.

The Plan envisages the free assignment of a variable number of Shares, depending on the individual attribution and the degree to which the Plan performance conditions are achieved. The number of shares accrued is subject to the achievement of performance conditions, verified for all Beneficiaries at the end of each three-year implementation period following a detailed process of

verification of the results actually achieved by the Remuneration Committee.

The performance conditions of the Plan, calculated according to a linear interpolation criterion between minimum, target and maximum values, are linked to the following parameters:

- Adjusted net profit cumulated in the three-year period corresponding to the Performance Period, with a weight of 50%;
- Added Value which reflects the generation of the value of the regulated business, calculated as the change in the RAB over the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt[45];
- ESG metric, with a weight of 20%, measured through the results achieved with respect to 2 indicators, aiming at:
  1. reducing natural gas emissions (weight 10%) in the three-year period corresponding to the Performance Period;
  2. guaranteeing a fair representation of the less present gender in Snam's management team (weighing for 10%) in terms of the % of the less represented gender in executives and middle managers and out of all Group executives and middle managers.

It is also envisaged that an additional number of shares will be assigned - defined as "dividend equivalents" - according to the shares effectively assigned at the end of the vesting period. The number of additional shares to be allocated is determined by dividing the sum of the dividends distributed in the vesting period by the average price of the share recorded in the month prior to the assignment. For the Chief Executive Officer and the other Plan Beneficiaries, it is envisaged that 20% of the shares assigned, gross of those required to fulfil tax requirements, shall be subject to a lock-Up period.

For further information, see the "Information Document on the 2020-2022 Long-Term Share-Based Incentive Plan" prepared pursuant to Article 84-bis of the Issuers' Regulations, available on Snam's website.

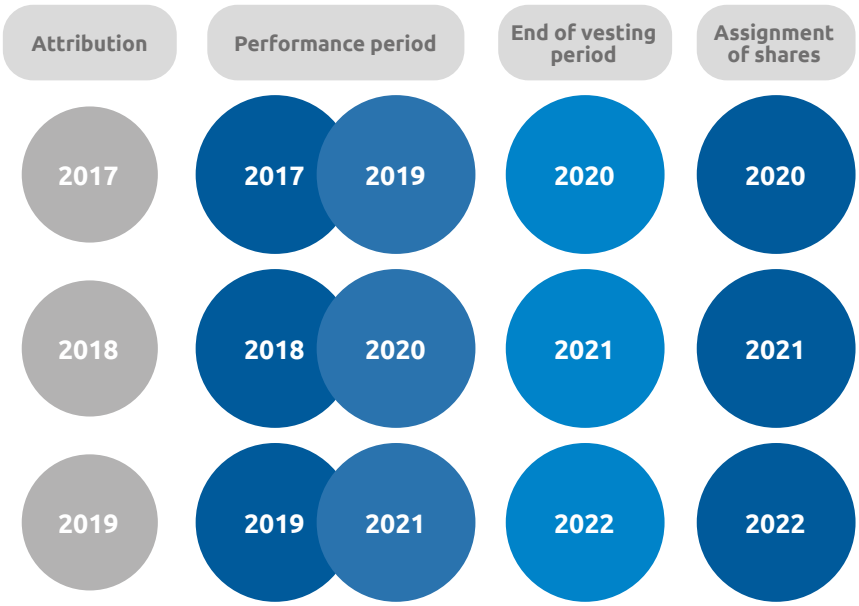
In connection with the above-mentioned plan, 1,277,996 shares have been allocated, for 2020. The unitary fair value of the shares, calculated from the value of the stock-market listing of the Snam stock at the respective allocation dates (grant dates), is equal to 4.441 euros per share and and 4.559 per share (at 14 October 2020 and 16 December 2020 for the CEO and members of the Leadership Team, and for the other beneficiaries, respectively).

The expenses, relating to the period 1 July - 31 December 2020, equal to the product of the number of shares expected to mature at maturity and their fair value at the grant date, were reported as a component of the personnel cost against a corresponding shareholders' equity reserve, and came to around 2 million euros.

45 The change in net debt is calculated excluding changes to working capital connected with regulatory dynamics and considering changes to commercial working capital.

2017-2019 Long-Term Share-Based Incentive Plan

On 11 April 2017 the Shareholders Meeting approved the 2017-2019 Long-term share-based incentive plan conferring all necessary powers on the Board of Directors to implement the plan.



The plan, intended for the Snam CEO and senior managers, identified as those who hold positions with a greater impact on company results or with strategic importance for achieving Snam's multi-year targets, includes three cycles of the annual assignment of three-year targets (the so-called rolling plan) for the years 2017, 2018 and 2019. At the end of the three-year performance period, if the underlying conditions of the plan are met, the beneficiary shall have the right to receive Company shares free of charge.

A maximum number of 3,500,000 shares will service the Plan for each three-year period that the Plan will be in effect. The Plan will be concluded in 2022, upon expiration of the Vesting Period for the last attribution made in 2019.

The number of shares that accrue is subject to the performance conditions being achieved, calculated as the average of the annual performance of the parameters identified in the three-year vesting period, which affect EBITDA, adjusted net profit and sustainability.

The Plan also involves the beneficiaries receiving, at the end of the vesting period, a Dividend Equivalent, or an additional number of shares equivalent to the ordinary and extraordinary dividends distributed by Snam during the vesting period due on the number of shares effectively granted to the beneficiaries by way of performance levels achieved under the terms and conditions of the Plan. There will also be a two-year lock-up period for the other executives who are beneficiaries on 20%[46] of the shares for the CEO

46 The percentage reaches about 40% in case of sale of shares assigned to pay the relevant taxes.

and other executives, as recommended in the Code of Corporate Governance.

A total of 5,385,372 shares have been allocated in connection with the above-mentioned plan, 1,368,397 of which are for the 2017 allocation, 2,324,413 for the 2018 allocation and 1,692,562 for the 2019 allocation. The unitary fair value of the shares, calculated from the value of the Snam stock at the allocation dates (the grant date), is equal to 3.8548 and 3.5463 and 4.3522 euros per share, respectively for the 2017, 2018 and 2019 allocations. Expenses, reported as a labour cost component, with an opposing entry in shareholder equity provision, amount to 6 million euros (7 million euros in 2019).

In July 2020, 1,511,461 shares were assigned to Snam managers in connection with the 2017 Stock Incentivisation Plan, the vesting period of which came to a natural end, with the consequent release of the relative shareholders' equity provision, established during the three-year vesting period.

COMPENSATION PAID TO DIRECTORS AND STATUTORY AUDITORS, GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES, AND INVESTMENTS HELD BY EACH OF THESE

Information on the compensation paid to directors and statutory auditors, general managers and managers with strategic responsibilities, and the equity investments held by each of these, can be found in the Remuneration Report, which is prepared in accordance with Article 123-*ter* of Legislative Decree 58/1998 (TUF). The Remuneration Report is available on the Snam website (www.snam.it) in the Governance section.

RELATED-PARTY TRANSACTIONS

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

Considering the de facto control of CDP S.p.A. over Snam S.p.A., based on the current Group ownership structure the related parties of Snam are represented by Snam's associates and joint ventures as well as by the parent company CDP S.p.A. and its subsidiaries and associates, as well as subsidiaries, associates and companies under joint control (directly or indirectly) with the Ministry of Economy and Finance (MEF).

Operations with these parties mainly involve the exchange of goods and the provision of regulated services in the gas sector.

These transactions are part of ordinary business operations and are generally settled at market conditions, i.e. the conditions which would be applied for two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group.

Pursuant to the provisions of the relevant legislation, the company has adopted internal procedures to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and statutory auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

No management or coordination activity of CDP S.p.A. has been formalised or exercised.

As at 31 December 2020, Snam manages and coordinates its significant subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the statement of financial position, income statement and cash flows, are provided in Note 36 "Related-party transactions" of the Notes to the consolidated financial statements.

Relations with managers with strategic responsibilities ("Key Managers") are shown in Note 29 "Operating costs and expenses" of the Notes to the consolidated financial statements.

PERFORMANCE OF SUBSIDIARIES

For performance information concerning the segments in which the Company operates wholly or in part through subsidiaries, please refer to the sections “Business segment operating performance” and “Financial review” within this Report.

BRANCH OFFICES

As required by Article 2428, paragraph 5 of the Italian Civil Code, it is noted that Snam does not have branch offices.

RESEARCH AND DEVELOPMENT

Research and development activities performed by Snam are described in the section “The Toward Net Zero strategy - Innovation for business development” of this Report.



BUSINESS SEGMENT OPERATING PERFORMANCE



Snam regulated infrastructure in Italy



NATURAL GAS TRANSPORTATION

ENTRY POINTS	9
COMPRESSION STATIONS	13
PIPELINES UNDER OPERATIONS	32,647 km
national network	regional network
9,649 km	22,998 km
NATURAL GAS INJECTED IN THE NETWORK	69.67 Bcm
national production	imported
3.86 Bcm	66.11 Bcm
EMPLOYEES	1,910

LNG REGASIFICATION

REGASIFICATION PLANTS	1
LNG CARRIERS DOCKED	60
REGASIFIED GAS	2.52 Bcm
MAXIMUM CAPACITY OF DAILY REGASIFICATION	57 m^3
EMPLOYEES	67

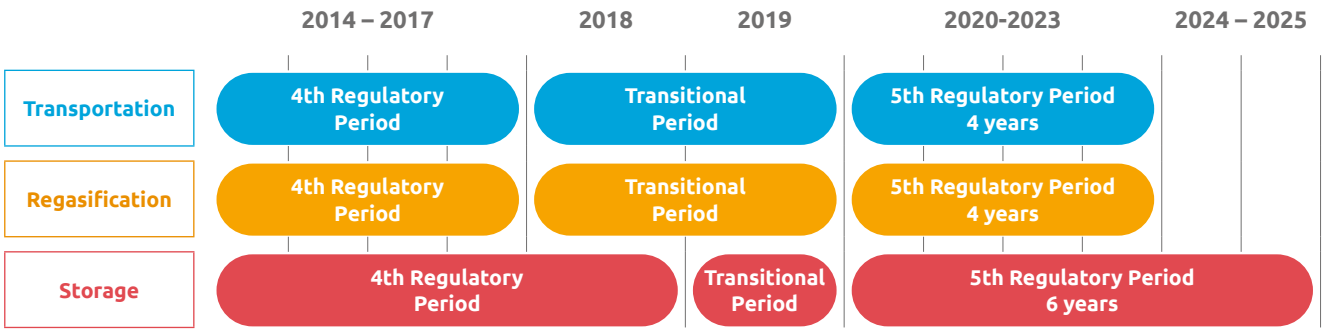
NATURAL GAS STORAGE

OPERATING CONCESSIONS	9
NATURAL GAS MOVED IN STOCK	19.60 Bcm
injected	supplied
9.30 Bcm	10.30 Bcm
TOTAL STORAGE CAPACITY	17.0 Bcm
of which available	of which strategic
12.5 Bcm	4.5 Bcm
EMPLOYEES	62

APPLICABLE REGULATORY FRAMEWORK AND PRINCIPAL DEVELOPMENTS

Tariff Regulation in Italy

With resolutions 114/2019/R/gas, 474/2019/R/gas and 419/2019/R/gas the Authority defined the tariff criteria for the fifth regulatory period, respectively for transportation and regasification activities (1 January 2020-31 December 2023) and for storage activities (1 January 2020-31 December 2025) confirming the essential stability and continuity of the regulatory principles for the regulation in force through 31 December 2019, or during the transition period at the end of the fourth regulatory period.



The following are the primary tariff components for each of the regulated activities carried out by Snam, based on the regulatory framework in force as at 31 December 2020 and in the comparison period. More information about the main rate changes with respect to each business segment can be found in the section below, "Main rate changes with respect to each business segment".

	TRANSPORTATION	REGASIFICATION	STORAGE
End of period of regulation (TARIFF)	Transition period: 1 January 2018 – 31 December 2019	Transition period: 1 January 2018 – 31 December 2019	Transition period: 1 January 2019 – 31 December 2019
	5th period: 1 January 2020 – 31 December 2023	**5th period:** 1 January 2020 – 31 December 2023	**5th period:** 1 January 2020 – 31 December 2025
Calculation of net capital invested recognised for regulatory purposes (RAB)	Transition period: Historic cost revalued Working capital recognised 0.8%	Transition period: Historic cost revalued Working capital recognised 0.8%	Transition period: Historic cost revalued Working capital recognised 0.8%
	Confirmed for 5th period	**Confirmed for 5th period**	**Confirmed for 5th period**
Return on net capital invested recognised for regulatory purposes (WACC pre-tax)	Transition period: 5.7% Year 2019	Transition period: 6.8% Year 2019	Transition period: 6.7 Year 2019
	5th period: 5.7% Years 2020-2021 LIC return with WACC 5.3%%	**5th period:** 6.8% Years 2020-2021 LIC excluded	**5th period:** 6.7% Years 2020-2021 LIC excluded
Incentives for new Investments	Transition period: (investments in financial year 2019): +1% for 12 years (investments in new capacity for transportation and with cost analysis-positive benefits)	Transition period: (investments in financial year 2019): +1.5% for 12 years (investments in new capacity regasification)	Transition period: Withholding for 8 years of 20% of greater revenues with respect to revenues recognised deriving from auctions on new additional capacity
	Remuneration of investments t-1 offsetting time-lag regulatory	Remuneration of investments t-1 offsetting time-lag regulatory	Remuneration of investments t-1 offsetting time-lag regulatory
	5th period: (investments during financial year by 2022): +1.5% for 10 years (investments in new capacity of transportation and with cost analysis-benefits >1.5)	**5th period:** Withholding 40% of revenues flexibility services (covering revenues not subject to guarantee factors)	**5th period:** Withholding 50% of revenues from auctions short-term Possible optional strengthening of the percentage, against % reduction, revenue guarantees
Efficiency factor (X FACTOR)	Transition period: 1.3% - on operating costs	Transition period: 0%	Transition period: 4.7% - on operating costs
	5th period: 0.7% on operating costs (*)	**5th period:** 3.1% on operating costs	**5th period:** 1% on operating costs

(*) Referring to the largest transportation company.

The **remuneration rate for net invested capital (WACC)** as of 1 January 2016 was set by the Authority with resolution 583/2015/R/com of 2 December 2015 "Remuneration rate for capital invested in infrastructural services for the electric and gas sectors: criteria for determination and update". The duration of the regulatory period for the WACC (TIWACC) for infrastructural regulations for the gas sector was set at six years (2016-2021) and a mechanism was established to adjust the rate halfway through the period, based on current trends. With resolution 639/2018/R/COM of 6 December 2018, the Authority updated the remuneration rate for capital invested in regulated infrastructural services for

the gas sector for the year 2019. The respective resolutions defined the tariff adjustment criteria for the 5th regulatory period for this type of business, confirmed the value of the Beta parameter for all sectors for the year 2020, keeping the WACC unchanged for that year, in line with the TIWACC regulations.

With Resolution 380/2020/R/gas, published on 15 October 2020, the Authority began proceedings to determine the remuneration rate for capital invested (WACC) in the electricity and gas sectors for the second regulatory period, starting on 1 January 2022 (II PWACC). The document provides some general guidelines, which include:

- the duration of the II PWACC shall be no less than 4 years;
- an infra-period revision to allow adjustments to the WACC based on current trends;
- confirmation of the current general methodology (weighted average of Ke and Kd, use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
- identification of as detailed as possible criteria for estimating the Beta, to improve the predictability of the model and reduce the level of discretion;
- as part of preparatory activities to develop regulations for spending and service objectives, the start of a process to align regulations for electricity and gas infrastructure, in relation to criteria for recognition of capital invested and operating costs, to make the regulations as homogeneous as possible and avoid imbalances on returns on capital invested linked to differences in the regulatory treatment of specific operating cost items and capital.

The resolution establishes that documents will be made available for consultation containing the Authority's guidelines, as well as the possibility to call for hearings to consult with interested entities and associations.

RELATIONS WITH THE REGULATORY AUTHORITY

Over the years Snam has established a constructive relationship and effective cooperation with the Italian Regulatory Authority for Energy, Networks and the Environment – ARERA in the various sectors in which Snam works:

Natural Gas Transportation

Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents and service proposals	10	5	**4**
Tariff proposals	3	4	**6**
Data collection	143	137	**97**
Investigations (*)	2	0	**0**
Proposals to amend/update codes and contractual documents (**)	12	6	**9**
Proposals to amend/update codes and contractual documents (approved)	10	6	**8**

(*) Information sent to the Authority during 2020 relative to investigations in the sector. Includes exploratory investigations.
(**) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

Liquefied Natural Gas (LNG) Regasification

Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents	1	2	**0**
Tariff proposals	2	2	**1**
Data collection	34	24	**22**
Proposals to amend/update codes and contractual documents (*)	3	0	**1**
Proposals to amend/update codes and contractual documents (approved)	3	0	

(*) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

Natural Gas Storage

Relations with the Regulatory Authority

(no.)	2018	2019	2020
Responses to consultation documents	1	2	**0**
Tariff proposals	3	3	**2**
Data collection	122	45	**33**
Proposals to amend/update codes and contractual documents (*)	3	4	**1**
Proposals to amend/update codes and contractual documents (approved)	2	4	**1**

(*) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

Gas Market Monitoring

In the context of its evaluations of wholesale gas markets, the Authority appointed Snam, as the leading transportation company, together with the Energy Markets Operator, to assist it in monitoring activities by: (i) preparing an integrated database of transportation, balancing, storage and regasification services, made available to the Regulator and updated daily; (ii) making available scheduled indexes and reports in the context of the balancing function, system equilibrium and flexibility of supply sources, (iii) providing additional specific analysis when requested by the Authority.

Relations with the Regulatory [a]uthority relative to Gas Market Monitoring in 2020

(no.)	Transportation	Regasification	Storage
Reports/analysis (with reference to all business)	**5**	**1**	**1**
Monitoring conventions, manuals and specifications (with reference to all business)	**5**	**5**	**5**
Reports and data flows	**13,709**	**820**	**2,339**

MAIN CHANGES IN THE TARIFF STRUCTURE FOR THE BUSINESS SEGMENTS

Natural Gas Transportation

Regulation for the Fifth Regulatory Period 2020-2023

Tariff adjustment criteria for the natural gas transportation and metering service for the fifth regulatory period (2020-2023)

Through resolution 114/2019/R/gas, published on 29 March 2019, the Authority defined the regulation criteria of the natural gas transportation tariffs for the fifth regulatory period (1 January 2020-31 December 2023). The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.364, with the WACC remaining unchanged at 5.7% before tax for the years 2020-2021, in line with the TIWACC framework. Works in progress are included in the calculation of the RAB predicting a real pre-tax return of 5.3%. The inclusion in the RAB of investments made in the year t-1 for the purpose of remuneration to compensate the regulatory time-lag is also confirmed. Limited to the interventions included in the Development Plans that will come into operation in the years 2020-2021-2022 with a cost/benefit ratio of more than 1.5, a greater WACC of +1.5% for 10 years is applied.

The revenue component relating to the return and amortisation and depreciation is updated on the basis of an annual recalculation of net invested capital (RAB) and additional revenue from the higher rate of return for investments realised in prior regulatory periods. Amortisation and depreciation are calculated based on the useful economic and technical life of the transportation infrastructure.

Operating costs recognised for 2020 are calculated based on effective recurring costs for 2017, increased by the greater efficiency achieved in the current period (50% profit sharing), with the possibility of including any recurring costs for 2018 if adequately justified. The application of the price-cap method for the purpose of updating operating costs is confirmed, envisaging an X-factor to return the greater efficiency achieved in the fourth regulatory period to users in 4 years.

It is expected that the largest transportation business will procure quantities of gas to cover self-consumption, leaks and unaccounted for gas (UFG) under the scope of the centralised market. The quantities of gas recognised are assessed based on the weighted average price of forward products with delivery to the PSV (Virtual Trading Point) in the reference tariff year. The resolution includes the recognition of the difference between the price recognised for these volumes and the effective procurement price, deferring the definition of the detail mechanism to the next provision. For more details, please see the section below, "UFG - Unaccounted for gas".

With regard to tariff structure, the current methodology for determining the capacity/commodity split was confirmed, providing for capacity revenue to cover capital costs (return and amortisation and depreciation) and commodity revenue to cover recognised operating costs. The current revenue correction factor applied to the capacity component (100% guaranteed) and to the component related to transported volumes (allowance ±4%) is confirmed. With reference to the metering service, a mechanism to cover revenues similar to that of the transportation service (100% guaranteed) was introduced. The tariff structure based on the entry/exit model is confirmed, including not only the domestic network but also the regional network in the reference price methodology. The entry and exit capacity fees are calculated using the capacity weighted distance methodology (CWD) with the revenues distributed between the entry and exit points 28/72.

A variable fee was introduced, applied to volumes transported, intended to cover the operating costs recognised, the costs relating to the Emission Trading system, ratifying the principle of neutrality adopted by the business in relation to price risk and incentivising virtuous behaviour aimed at reducing CO_2 emissions, and the costs of procurement of quantities to cover self-consumption, leaks and UFG. This fee is applied to the transportation network entry points and is calculated annually based on the volumes effectively withdrawn in the year t-2.

Lastly, there are plans for the definition of the regulation criteria for the quality of the natural gas transportation service for the fifth regulatory period to be deferred, trialling the innovative use of transportation networks, as well as the restructuring of the metering service, following specific consultations carried out in 2019. In this regard, through resolution 554/2019/R/gas, published on 23 December 2019, the Authority approved the new Consolidated Act for the regulation of the quality of the gas transportation service which contains provisions on the continuity of the service, security and commercial quality, valid for the fifth regulatory period 2020-2023.

Approval of 2020 Revenues
By means of Resolution 201/2019/R/gas, published on 28 May 2019, the Authority approved the revenue recognised and fees for the natural gas transportation and dispatching service for 2020. Revenue recognised for the natural gas transportation service for 2020 amounted to € 2,096 million euros. The RAB used to calculate 2020 revenue for transportation, dispatching and metering amounts to 16.4 billion and includes estimated investments for the year 2019.

Approval of revenues for the year 2021
By means of Resolution 180/2020/R/gas, published on 26 May 2020, the Authority approved the revenue recognised and fees for the natural gas transportation and dispatching service for 2021. Revenue recognised for the natural gas transportation service for 2021 amounted to 2,121 million euros. The RAB used to calculate 2021 revenue for the transportation, dispatching and measurement business was 16.8 billion, and included the investments estimated for 2020.

10-Year Gas Transportation Network Plan
With Resolution No. 539/2020/R/gas, published on 15 December 2020, the Authority expressed its evaluations on the 10-Year Gas Transportation Network Plan for the years 2019 and 2020. The Authority also made some adjustments to Resolution No. 468/2018/R/gas regarding the minimum requirements of the Plans applicable from 2021. In order to guarantee coordination between sectors, Snam and Terna will publish, by 31 January 2021, a joint document containing descriptions of the scenarios to be used as a basis for the 2021 Plans. The submission deadline applicable to the 2021 Plans was postponed until 31 March 2021.

Provision on metering fees for the transportation service for 2020 and 2021
With resolution 597/2020/R/gas, published on 29 December 2020, the Authority clarified the criteria for determining and applying the fees for the metering service, establishing that the Cmcf fee applies to redelivery points supplying end users for which ownership of the metering system is held by the transportation company, regardless of whether this ownership has been constant or is acquired. Therefore, the Authority redetermined the CMt and Cmcf fees for the year 2021, and established that the fees for 2020 would not be redetermined (including specific company ones), also in consideration of the negligible impact - it being expected that any changes would be covered through the corrective factor for metering revenues.

UFG - Unaccounted For Gas

Determination of charges for the purchase of gas to cover unaccounted-for gas
With Resolution 291/2020/R/gas, published on 29 July 2020, the Authority concluded its investigation, recognising an additional volume of UFG for the years 2018-2019 totalling 182 million cubic metres, equal to a total value of about 42 million euros, which will be recognised by the CSEA, net of the amount already received on account for the year 2018. In addition, it has initiated a procedure, to be completed by the end of 2020, to refine the UFG recognition criteria for the 5th regulatory period (2020-2023), aimed at strengthening the consistency of the mechanism's operation and its stability, providing that the incentive force of the mechanism is in any case determined on the basis of predefined unit fees proportionate to the remuneration of the metering service, rather than the price of gas.

Revision of criteria for recognising Unaccounted For Gas on transportation networks
With resolution 569/2020/R/gas, published on 22 December 2020, the Authority introduced an incentive mechanism relative to the difference between the UFG recognised in one year and the effective one for the same year. In particular, the incentive is calculated by applying a unit fee, of 3.3 €/MWh (3.5 c€/SCM), to the difference between the effective and recognised UFG, with a cap equal to the value of the remuneration of the metering service.

Balancing and Gas Settlement

Amendments to the Integrated Text on Balancing (TIB)
By Resolution No. 45/2020/R/gas, the AEEG approved several amendments to the Integrated Text for balancing and the Integrated Text for monitoring the wholesale natural gas market, which are functional to the definition of the parameters for the incentive system of the Balancing Manager for the fourth incentive period from 20 February 2020 to 31 December 2021.
The measure confirmed the incentive scheme in place, based on three performance indicators (p1, p2, p3) that measure respectively the goodness of the System's forecasts of requirements (p1) and the efficiency of the Balancing Manager's balancing actions (p2 linked to the intervention prices of the Balancing Manager and p3 on the residual balance sheet), providing for profit sharing with the System of part of the annual bonus. Two new performance indicators have also been introduced (p4

already defined with Res. 208/2019/R/gas and p5), linked to the start of the new Settlement regime, which measure Snam Rete Gas's efficiency in supplying the quantities of gas needed to operate the network.
In addition, the Authority refers to further evaluations and to the examination of the performance results for 2020, the introduction of a new incentive based on the forecast by the person in charge of Balancing withdrawals during the gas day.

Liquefied Natural Gas (LNG) Regasification

Regulation for the Fifth Regulatory Period 2020-2023

Criteria for adjusting the tariffs for the liquefied natural gas regasification service for the fifth regulatory period (2020-2023)
Through resolution 474/2019/R/gas, published on 21 November 2019, the Authority defined the criteria for calculating the revenues recognised and the tariffs for the regasification service for the fifth regulatory period (1 January 2020-31 December 2023).
The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method.
The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.524, with the WACC remaining unchanged at 6.8% before tax for the years 2020-2021, in line with the TIWACC framework.
Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period. The revenue guarantee mechanism is confirmed as 64% of revenues recognised for a duration of 20 years starting from the first year in which the business offers the regasification service or, if prior to that, from the first year of ownership of the guarantee factor pursuant to resolution ARG/gas 92/08.
In order to incentivise the range of flexible services offered, there are plans that a share of 40% of revenues from the offering of these services can be retained by the regasification business to cover the revenues not subject to the revenue guarantee factor, up to the recognised revenues.
Recognition of variable electricity costs will be introduced (dependent on the unloading of ships and regasification of LNG) through a fee applied to users. Costs relating to electricity for the basic operation of the terminal continue to be recognised in the reference revenues.
There are plans to recognise costs relative to the Emission Trading System (ETS), ratifying the neutrality principle for the business in relation to price risk and incentivising virtuous behaviour aimed at CO_2 emissions.

Approval of 2020 Revenues
With resolution 43/2020 / R / gas "Approval of the tariffs for the LNG regasification service for 2020 and amendments and additions to the RTRG", published on 19 February 2020, the Authority approved the revenues recognized for the service of regasification for 2020 on the basis of the proposal presented by GNL Italia. The tariffs were determined on the basis of reference revenues of 25.1 million euros and on energy costs of approximately 3.1 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activity is 121.8 million euros.
At the same time, the Authority published the definitive 2019 revenues with a total amount of 26.8 million euros, based on the final 2018 balance sheet data.

Approval of revenues for the year 2021
By means of Resolution no. 229/2020/R/gas "Approval of tariffs for the LNG regasification service for the year 2021 and provisions relating to the revenue coverage factor for 2019", published on 26 June 2020, the Authority approved the revenues recognised for the regasification service for the year 2021 based on the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 26.6 million euros and energy costs of approximately 4.3 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 129 million euros.
At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2019 for an amount of approximately 11 million euros.

Natural Gas Storage

Regulation For The Fifth Regulatory Period 2020-2023

Criteria for adjusting the tariffs for the natural gas storage service for the fifth regulatory period (2020-2023)

Through resolution 419/2019/R/gas, published on 23 October 2019, the Authority defined the criteria for calculating the revenues recognised for the storage service for the fifth regulatory period (1 January 2020-31 December 2025).

The duration of the regulatory period will be extended from 4 to 6 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.506, with the WACC remaining unchanged at 6.7% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period.

The mechanism for hedging revenues will be extended to cover 100% of the reference revenues, also predicting the storage businesses can optionally access an updated incentive system following the remodelling of the share of revenue recognised subject to the hedge factor. The methods for recognising renewal costs are confirmed.

There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and incentivising virtuous behaviour aimed at reducing CO_2 emissions.

Lastly the resolution approves the regulatory provisions for the quality of the storage service for the period 2020-2025.

Approval of 2020 Revenues

By means of Resolution 535/2019/R/gas, published on 19 December 2019, the Authority approved the revenue recognised for the storage service for 2020. The recognised revenues amounted to 491 million euros. The RAB for storage activities was 4.0 billion.

Approval of 2021 Revenues

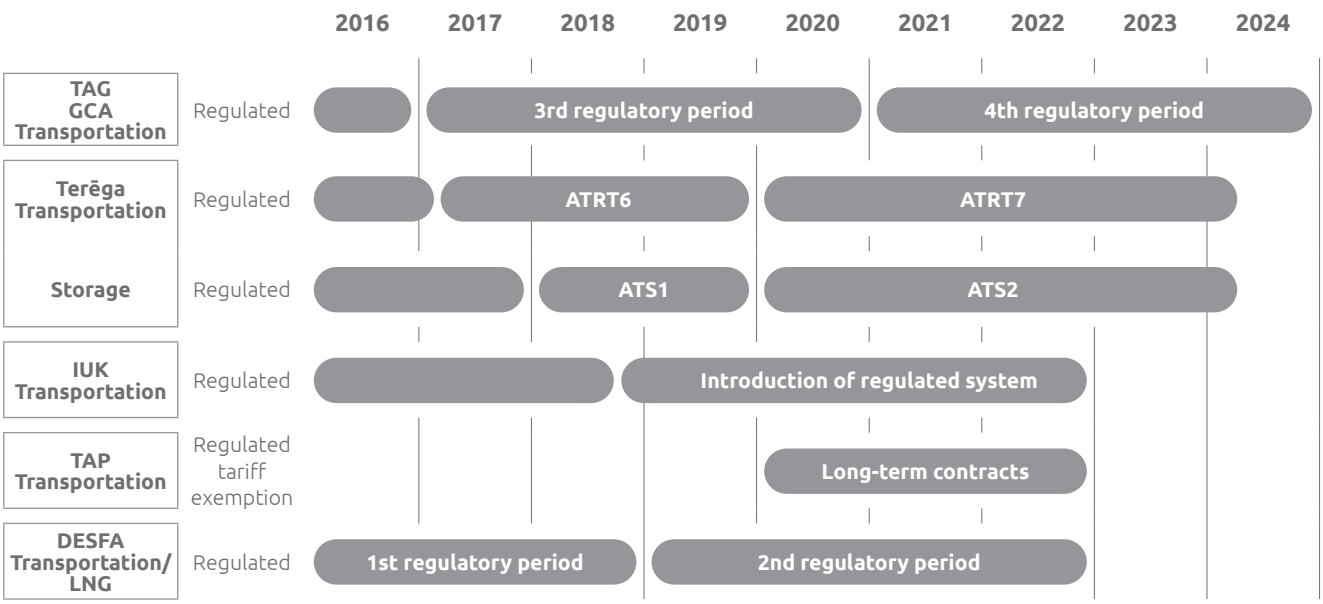
By means of Resolution 275/2020/R/gas, published on 23 July 2020, the Authority approved the revenue recognised for the natural gas storage service for 2021. The recognised revenues amounted to 486 million euros. The RAB used for the calculation of revenues 2021 is 3.95 billion and includes the estimated investments for the year 2020.

Resolution 232/2020/R/Gas - Amendments to the RAST and definition of incentive parameters for the year 2020 for Stogit S.p.A.

With Resolution no. 232/2020/R/Gas, the Authority extends to 31 December 2020 the incentive scheme that provides for (i) a 50% profit sharing on the sale of short-term storage services and for the remodulation of the injection profile and (ii) the withholding of 100% of the revenues deriving from the sale of the remodulation services. The resolution requires storage companies to submit an incentive proposal for the following calendar year by 30 November each year. The Authority also envisages that storage companies can access on a voluntary basis an enhanced incentive mechanism that increases the level of profit sharing applied to revenues from the sale of short-term services against a reduction in guaranteed revenues. Storage companies may apply for access to the enhanced incentive mechanism for 2021-2022 by 30 November 2020.

Regulation in European Countries of Interest to Snam: Main Features

Snam constantly monitors developments in the regulations within the various European countries in which it has a presence through international equity investments. Below is a summary of the main drivers with regards to the regulatory structures of reference:



GAS CONNECT AUSTRIA · Trans Austria Gasleitung

Transportation

- Regulatory revision for the fourth period (2021 - 2024) completed in June 2020
- RAB differentiated between equity financed portion (Revalued Historical Cost) and debt financed portion (Book Value). Additionally, different treatments are established for old assets (prior to 2012) and new investments;
- Different remuneration rates are established for the portion of RAB financed with equity (Cost of Equity(*) 8.94 Real Pre Tax) and the portion financed with debt (Cost of Debt 1.61 Nominal Pre Tax).

Terēga

Transportation

- RAB annually revalued using inflation (Consumer Price Index), taking new investments and amortisation/depreciation into account (Current economic cost method);
- WACC remuneration rate of 4.25% Real Pre-Tax.

Storage

- Storage under regulated regime from January 2018;
- WACC remuneration rate of 4.75% Real Pre-Tax; RAB of around 1.3 billion.

interconnector · fluxys

Transportation

- Under an exemption regime until October 2018;
- Switch from an exemption regime to a regulated regime without volume risk protection, upon maturity of long-term contracts (October 2018).

Trans Adriatic Pipeline

Transportation

- Third Part Access exemption on initial capacity (10bcm/y);
- Exemption from tariff regulation on initial capacity and expansion.

DESFA · Hellenic Gas Transmission System Operator S.A.

Transportation/LNG

- RAB based on historic cost, Work in Progress remunerated by WACC;
- Nominal Pre-Tax Remuneration rate 2019-2022 period: 8.22%, 7.84%, 7.52%, 7.44%
- RAB approximately 0.8 billion euros (Transportation + LNG)
- Socialisation of the cost of LNG in the transportation tariff (50% from 2020 vs. previous 75%)
- Recovery of the old Recoverable Difference accumulated between 2006 - 2016, around 326 million euros, distributed over 16 years, from 2017 - 2032

(*) This value includes a 3.5% risk premium linked to commercialisation of capacity.

DELIVERY AND DEVELOPMENT OF REGULATED SERVICES

In 2020, the integration process through which the commercial management activities of the three businesses - transportation, storage and regasification - merged into a single organisation continued, allowing the optimisation of the processes within Snam. In particular, the creation of a single Commercial Control Room to manage daily movements and deliveries of gas and network balancing has led to improved performance, by integrating know-how from various sectors.

Clients and service quality according to the Network Code

	2018	2019	2020
Transportation			
Active clients (shippers)	136	150	**145**
New connection agreements for delivery/redelivery points	88	123	**103**
Contractualised transportation capacity/Available transportation capacity (entry points interconnected w/foreign countries) (%)	79	64	**57**
Compliance with connection demand emission times (%)	100	100	**100**
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	**100**
Interruptions with adequate notification (%)	97	97	**95**
Regasification			
Active clients (shippers)	2	6	**5**
Compliance with maximum time for accepting monthly delivery scheduling proposals (%)	100	100	**100**
Compliance with maximum Terminal capacity interruption/reduction time for maintenance (%)	100	100	**100**
Storage			
Active clients (shippers)	91	83	**91**
Contractualised storage capacity/Available storage capacity (%)	100	100	**100**
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	**100**
Connection flow line subject to monitoring (%)	100	100	**100**
Total capacity not made available due to service interruptions/reductions (%)	0	0	**0**



Commercial Control Room: integrating client services

One of the main responsibilities of the Control Room, which works 24/7 to monitor the Italian gas system, is balancing the system, with a dual valence: physical and commercial.

Commercial balancing consists of the activities required to correctly schedule, account for and allocate the transported gas, as well as the fee system that encourages customers to maintain a balance between the volumes they inject into and withdraw from the network. Every day, Snam receives transportation and storage capacity requests from its clients. In confirming the requests, **the Control Room complies with, among other things, the specific informational requirements established under the Balancing Network Code** (Regulation EU 312/2014), specifically hourly publication on the Snam website of information on system balancing status, as well as the publication of information on withdrawals measured during the gas day, twice per day for each shipper. This means clients receive information able to allow them to evaluate their own status and, if necessary, implement actions to balance their position.

On the other hand, the physical balancing of the system consists of the set of operations through which the Dispatching department of Snam controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times.

As occurred for the entire commercial area, the activities carried out by the Control Room have been reorganised to allow for remote management, thereby ensuring necessary business continuity and the fundamental safety of people in the face of the Covid-19 emergency.

Similarly, Dispatching, which represents the central hub of the national gas transportation network, unable to stop for any reason, worked in isolation during the emergency, providing an example of resilience and becoming an international best practice adopted by the National Grid, ALNG and Transitgas.

Flexibility and Default Services

To support improved operational flexibility in the Italian gas system, the possibility of reserving transportation capacity on a monthly and daily basis was introduced, in addition to an annual basis, through redelivery points which supply gas directly to thermoelectric power stations, paying solely for the amounts reserved and not for an entire thermal year of the service. This access method creates more flexible allocation methods to promptly and efficiently deal with new operating conditions on the electric system.

Again for thermal year 2020-21, Snam Rete Gas serves as the Default Transportation Supplier for the Sales Companies and End Users under their network for which the balancing user responsible for the relative withdrawals cannot be identified. The same service is also carried out for the sales companies

and final customers at third-party transporters who explicitly requested it. **The service in the 2019-2020 thermal year involved 270 parties amongst Final Customers and Sales Companies, for volumes of approximately 240,000 MWh.**

In 2020, allocations for storage capacities, similar to the transportation business, were incorporated in the European PRISMA platform. This synergy assists clients who make use of a single platform to reserve transportation and storage capacity, making Snam's storage capacity more transparent at the European level. Thanks to Snam's continued commitment to meeting the various needs of clients, flexibility of the services offered is guaranteed and constant and accurate information is provided, thanks to dedicated studies.

Informational Systems Serving Clients

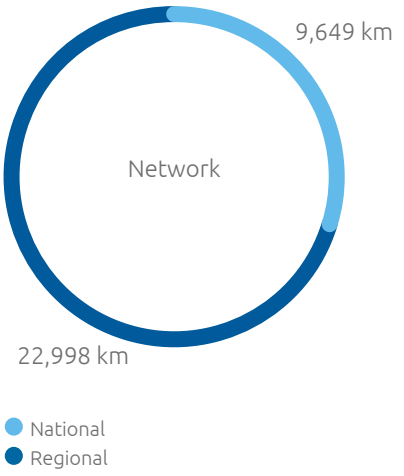
The Company makes an information channel available to its clients, to support prompt and flexible communication, making it possible to obtain "smart" information based on individual requirements, as well as offering direct and informal "chat" communication. Further, the portal offers clients a system of widgets and notifications which can be personalised.

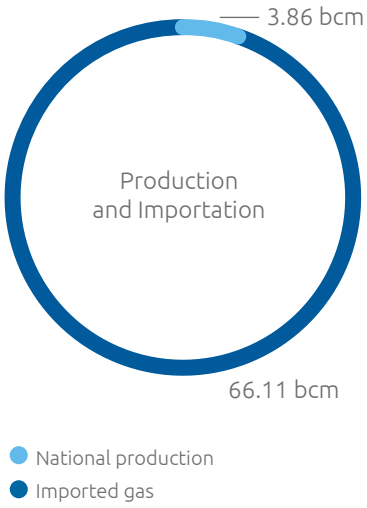
In particular, as of 22 May 2019 Snam has offered its clients **the Jarvis commercial platform, with a new user experience co-designed with market operators and intended to establish a new service model offered to clients by the company, with integrated business processes.** This project, which saw the addition of new functions in 2020, was created using the Agile development methodology, based on streamlined business processes integrated into a single multi-language system using innovative architecture that covers processes currently distributed among 17 systems.

These activities led to a definitive switch to the new Jarvis platform (for the functions released), with progressive elimination of functions previously found on other various systems. In particular, in December 2020 the applications PSV and Portale M were definitively shut down.

Additionally, in 2020 a Customer Relationship Management system was added to the Jarvis Project to support the transition from operational excellence to commercial excellence, with the aim of improving the quality of services offered and customer relations, ever more important in company strategies.

NATURAL GAS TRANSPORTATION





Snam, through its subsidiaries Snam Rete Gas S.p.A. and Infrastutture Trasporto Gas, is the leading Italian natural gas transportation and dispatching operator, and owns almost all the transportation infrastructures in Italy, with over 32,600 kilometres of high- and medium-pressure gas pipelines (approximately 94% of the entire transportation system). Snam manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 13 compression stations, including the two plants in Minerbio and Sergnano that came into operation in 2018, and a new dispatching unit that has recently been renovated in terms of structure and technology. Gas coming from abroad is injected into the network at nine entry points, in correspondence with the 6 methane pipeline interconnection points (including the TAP pipeline which began operating in November 2020) and the three interconnection points for the LNG regasification terminals. Once it has been imported or regasified, the gas is transported to the local distribution networks, the regional network redelivery points or large end users such as thermoelectric power stations or manufacturing plants.

Snam awards transportation capacity to shippers who apply. In this way, users acquire the right to inject or withdraw a quantity of gas not exceeding the daily rate allocated on any day of the thermal year. The conditions for access to the service are contained in the Network Code. Shippers have the possibility of making gas sales and trades at a Virtual Trading Point (PSV) of the National Network, thanks to the dedicated IT platform.

The transportation capacity of the network again covered all user demand in 2020. In addition to the average transportation capacity offered at entry points connected with foreign countries and with LNG terminals equal to 363.1 million cubic metres/day; Snam has made further transport capacities available at entry points interconnected with national producers for a total of 22.0 million cubic metres average/day and with the production of biomethane for a total of 0.6 million of cubic metres average/day.

Over the last 17 years transportation operators have been constantly increasing, going from around 30 operators in 2003 to around 213 operators in 2020 (including shippers and traders).

In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.

The natural gas transportation sector information includes figures for Snam Rete Gas, Infrastrutture Trasporto and Enura.

Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a) (b)	2,069	2,116	**2,156**	40	1.9
Total revenues net of pass- through items (a) (b)	1,984	2,031	**2,093**	62	3.1
- of which regulated revenue (a) (b)	*1,907*	*1,969*	***2,028***	*59*	*3.0*
Operating costs (a) (b)	430	331	**383**	52	15.7
Adjusted operating costs (*) (a) (b)	413	366	**380**	14	3.8
Adjusted operating costs net of pass-through items (*) (a) (b)	328	281	**317**	36	12.8
EBIT	1,064	1,157	**1,139**	(18)	(1.6)
Adjusted EBIT(*)	1,081	1,122	**1,142**	20	1.8
Technical investments	764	813	**981**	168	20.7
- of which with a greater return	*280*	*249*	***265***	*16*	*6.4*
- of which with a basic return (c)	*485*	*564*	***716***	*152*	*27.0*
Net invested capital at 31 December	12,551	12,959	**13,411**	452	3.5
Natural gas injected in the National Gas Transportation Network (billion cubic metres) (d)	72.82	75.37	**69.97**	(5.40)	(7.2)
Gas transportation network (km in use) (e)	32,625	32,727	**32,647**	(80)	(0.2)
- of which National Network (e)	*9,697*	*9,727*	***9,649***	*(78)*	*(0.8)*
- of which regional network	*22,928*	*23,000*	***22,998***	*(2)*	*(0.0)*
Employees in service at the period end (number)	1,915	1,945	**1,910**	(35)	(1.8)

(*) The values shown in the adjusted configuration respectively exclude: charges for the early retirement fund for financial year 2018 (17 million euros) and the effects of the release of the provision for impairment losses in the income statement relative to balancing activities for financial year 2019 (35 million euros). With reference to 2020, the amounts exclude costs suffered following the state of emergency linked to the Covid-19 pandemic, essentially relative to personal protective equipment for internal use and for deep cleaning of work areas (3 million euros total). More information on adjusted results measures and the relative special items relevant at the consolidated level can be found in the chapter "Financial review – Non-GAAP measures".

(a) Before consolidation adjustments.

(b) The revenue components that are offset by costs ("pass-through" items) relate to modulation. As from 1 January 2020, the pass-through component attributable to interconnection with other transportation operators is recognised as a direct reduction in the corresponding revenue (47 million euros in 2020). Similarly, the corresponding figures for 2019 and 2018 (52 and 49 million euros, respectively) have been restated.

(c) At a real pre-tax base WACC of 5.7% for 2019 and 2020 (5.4% in 2018).

(d) The data for 2020 were updated at 29 January 2021. 2019 figures were definitively updated. With reference to 2020, gas volumes are expressed in standard cubic metres (Scm) with a conventional average Higher Heating Value (HHV) of 38.1 Mj/Scm (10.575 KWh/Scm).

(e) The amount includes 84 km of network relative to Infrastrutture Trasporto Gas.

RESULTS

Total revenues amounted to 2,156 million euros, up by 40 million euros or 1.9%, compared to financial year 2019 (2,116 million euros). Net of components offset in costs47, total revenues amounted to 2,093 million euros, up by 62 million euros, or 3.1%, compared with the previous year, mainly in view of the higher regulated revenues.

Regulated revenues, net of the components that are offset by costs and the effects deriving from the coverage of energy costs, amounted to 1,976 million euros, up by 7 million euros or 0.4% with respect to 2019. Higher revenues, mainly attributable to tariff adjustment mechanisms, in particular the increase in RAB (+25 million euros), were absorbed by the reduction in volumes transported as a result of the Covid-19 emergency, despite climate trends in line with 2019 (-17 million euros).

Non-regulated revenues of 65 million euros, up by 3 million euros with respect to 2019, refers essentially to charge backs for technical services provided to other Group companies, which are reflected in the costs incurred to provide the related services.

Adjusted EBIT amounted to 1,142 million euros, up by 20 million euros or 1.8% compared with the adjusted EBIT for 2019 (1,122 million euros). The increase is due to greater revenues (+10 million euros) and the reduction in operating costs (+19 million euros, net of components offset by revenues and sterilisation of energy costs) following cost containment measures following the lockdown measures, the trend in provisions for risks and charges and minor costs for redundancy packages. These effects were partially absorbed by greater amortisation/depreciation (-29 million euros), due to new infrastructure entering the system, offset by lower writedowns (+23 million euros).

With reference to energy costs, specifically those to acquire fuel gas, previously transferred in kind by shippers, and charges to acquire CO_2, emission rights, it should be noted that on the basis of that established for the fifth regulatory period, as of 1 January 2020 these costs are covered in revenues through the variable fee.

47 The main revenue components offset by costs relate to modulation.

OPERATING REVIEW

Technical investments

		2018	2019		2020
Type of investment	**Higher return (%) (*)**	**Million euros**	**Million euros**	**Higher return (%) (*)**	**Million euros**
Development	1.0%	279	249	1.5%	**265**
Replacement and other		485	564		**716**
		764	**813**		**981**

(*) With respect to a real pre-tax base WACC respectively at 5.4% for 2018 and 5.7% for 2019 and 2020, applied to investments in new transportation capacity and with cost-benefit analysis exceeding 1.5, pursuant to resolution ARERA 575/2017/R/Gas..

Technical investments in 2020 amounted to 981 million euros, an increase of 168 million euros, or 20.7%, compared with 2019 (813 million euros).

The investments were classified respectively in accordance with Resolution 575/2017/R/gas with reference to 2018 and 2019 and 114/2019/R/gas for 2020 whereby the Energy, Networks and Environment Regulatory Authority (hereinafter ARERA or the Authority) identified different categories of projects with different rates of return.

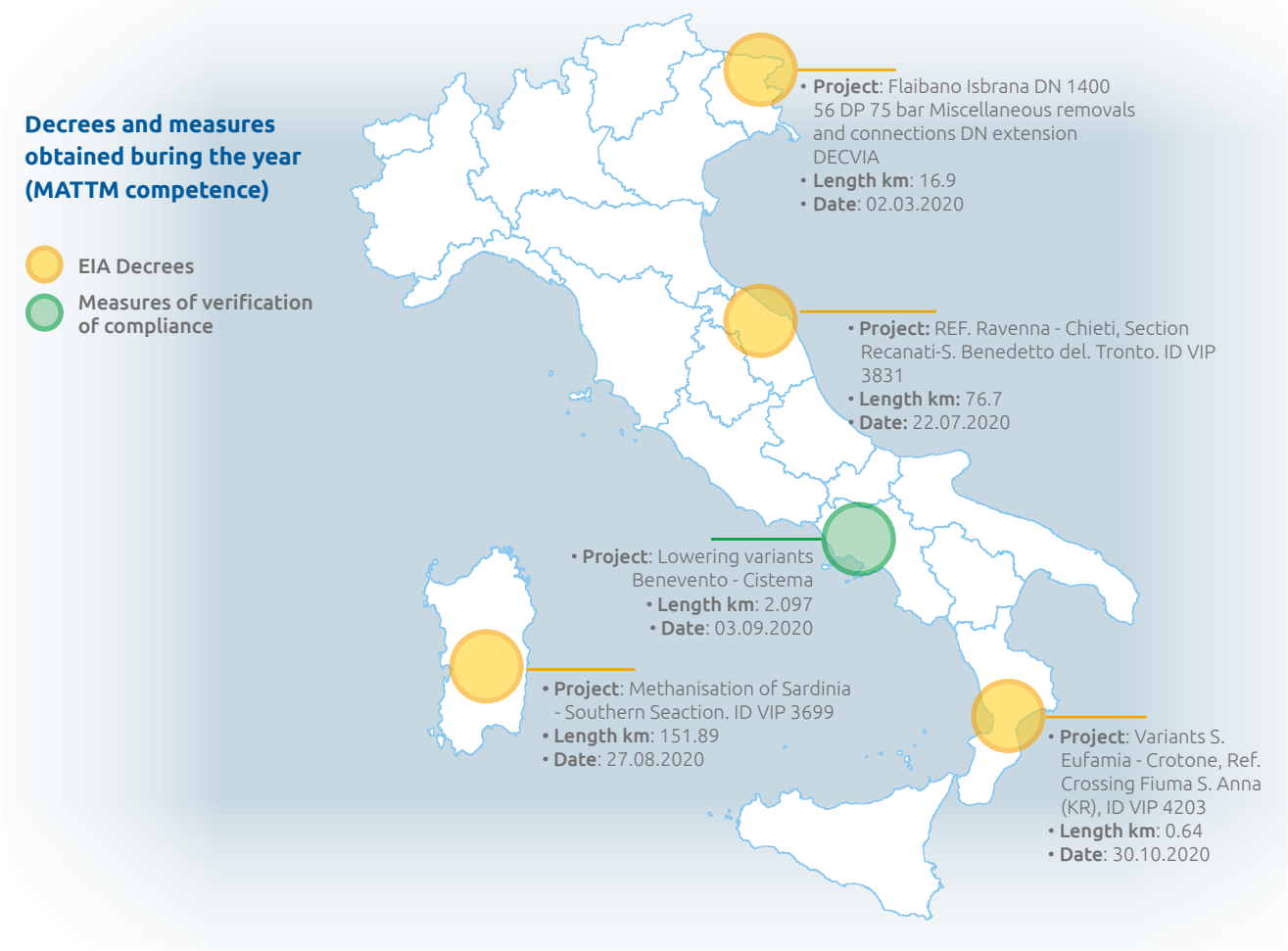
The main investments in new transportation capacity **Development** (265 million euros), for which a **greater return of 1.5%** is planned, mainly involve:

- investments in **development of new transport capacity on the National Network to serve import and export capacity** (182 million euros) in the context of TAP Interconnection methane pipeline construction (156 million euros; 95 million euros in 2019), market supportive initiatives in the north-east of the country and physical inversion of transportation flows in interconnection points with northern Europe in the Po Valley (13 million euros), as well as to strengthen the transportation network at entry points in southern Italy (12 million euros) to continue construction of the Massafra-Biccari methane pipeline reconnections;
- investments to **develop new transportation on the Regional and National Networks** (83 million euros) including: (i) continuation of work to construct methane pipelines and connections associated with the gas conversion initiative in the Calabria Region (21 million euros); (ii) continuation of construction of biomethane connections (13 million euros) and CNG connections (11 million euros); (iii) construction of the methane pipelines Mornico al Serio-Travagliato (8 million euros) and improvement of Boltiere-Bergamo (4 million euros); (iv) completion of complementary construction activities relative to the methane connection of Pietravairano - Pignataro M. (6 million euros); (v) engineering and permit activities to develop the backbone in Sardinia.

Investments for **replacements and other investments** with **base remuneration** (716 million euros), mainly involve: (i) works intended to maintain safety and quality levels for systems (529 million euros), including the "methane pipeline replacement" initiative (238 million euros), especially continuation of materials delivery, construction and partial start up of the Rimini - S. Sepolcro methane pipeline reconstruction; (ii) projects to develop new information systems, as well as to implement existing ones (154 million euros), including the Consumption Cloud - Azure project, development of storage software, adjustment of applications supporting network management and cartography systems; (iii) works charged back to third parties (16 million euros); (iv) acquisitions of key operating assets (16 million euros).

Progress of activities related to obtaining permits

To develop new settlements, in addition to the technical-economic feasibility criteria, Snam adopts procedures that respond to stringent environmental and safety compatibility assessments.
The assessments of environmental effects involve all phases of the work life cycle, site selection, planning, assessments are made within the purview of the Environmental Impact Assessment (EIA) procedure and the procedures of the Integrated Environment Authority (AIA), at the end of which the central and local administrations issue the permits required under current law.



VIA requests presented to the Ministry of Environment and Ministry of Cultural Assets

Name	Length (km)	Regions involved	Decree Date
Methane Pipelines			
Foligno reconstruction (Colfiorito) - Gallese and associated work	109.00	Marche, Umbria and Lazio	06.03.2020
Recanati - Foligno extension of VIA decree	78.00	Marche and Umbria	19.03.2020
Chieti - Rieti reconstruction	134.52	Abruzzo and Lazio	07.04.2020
Gagliano-Termini Imerese reconstruction	60.45	Sicily	09.04.2020
Sansepolcro-Terranuova Bracciolini reconstruction	45.62	Tuscany	27.07.2020

Requests to verify VIA jurisdiction presented to the Ministry of Environment (MATTM)

Name	Length (km)	Regions involved	Date presented
Methane pipeline			
Pisticci - Sant'Eufemia	5.18	Calabria	18.03.2020
IVI Petrolifera S.p.A. connection	4.19	Sardinia	10.04.2020
Systems			
Adjustment of the Gas Compression Station in Malborghetto	/	Friuli Venezia-Giulia	15.04.2020
Reduction system HPRS10 and pipeline variant Melizzano - Afragola	/	Campania	01.06.2020
Variants for pipeline inspection Castelcampagnano - Caserta	/	Campania	22.07.2020

Gas Distribution On The National Transportation Network

Gas volumes are stated in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.575 Kwh/SCM). The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

Gas demand in Italy

(billions of m³)	2018	2019	2020	Change	% change
Residential and tertiary	28.76	28.13	**27.41**	(0.72)	(2.6)
Thermoelectric	24.19	26.65	**25.18**	(1.47)	(5.5)
Industrial (c)	17.39	17.30	**16.39**	(0.91)	(5.3)
Other (d)	2.33	2.4	**2.32**	(0.08)	(3.3)
	72.67	**74.48**	**71.30**	**(3.18)**	**(4.3)**

(a) 2019 figures were definitively updated.
(b) The percentage change is calculated with reference to the figures in cubic metres.
(c) Includes consumption from Industry, Agriculture and Fishing, Chemical Synthesis and Motor Transport sectors.
(d) Consumption and loss mainly relative to the natural gas transportation system, the energy system, up-stream sector, storage and LNG systems.

Gas demand in Italy in 2020 came to **71.30 billion cubic metres**, showing a significant drop with respect to 2019 (of 3.18 billion cubic metres; -4.3%), due a decline in withdrawals in all consumption sectors. More specifically, the drop in gas demand is attributable: (i) to lower consumption in the thermoelectric sector (-1.47 billion cubic metres; -5.5%), following the decrease in electricity demand due to the lockdown measures implemented to contain Covid-19, in particular during the months from May to June, as well as the increase in photovoltaic production, partially compensated for by a significant drop in imports of electricity and a reduction in hydroelectric and wind production; (ii) to lower consumption in the industrial sector (-0.91 billion cubic metres; -5.3%), due to a 12% reduction in industrial production with respect to 2019, intensified by the closure of various productive activities during the lockdown (March/April), followed by a slow recovery in industrial production which has not yet returned to pre-Covid levels.

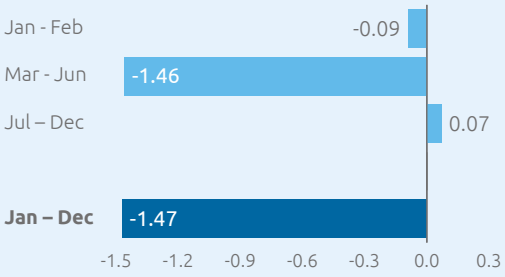
Additionally, the reduction in gas demand was affected by lower consumption in the residential and tertiary sector

Impacts of Covid-19 on gas demand

Thermoelectric sector

The decrease in natural gas demand in the thermoelectric sector peaked from March-June 2020, during the closures implemented for Covid-19.

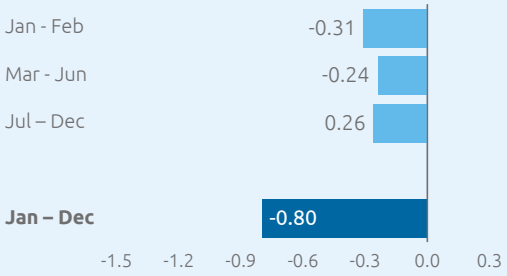
Thermoelectric sector - Consumption change (bcm)



Residential sector

Changes in civil sector consumption after normalisation for January - December is mainly linked to the progressive increase in energy efficiency measures to which can be added, for the months of March and April, the effects of the lockdown on the tertiary sector, which contributed to a reduction in gas demand of approximately 150 million cubic metres.

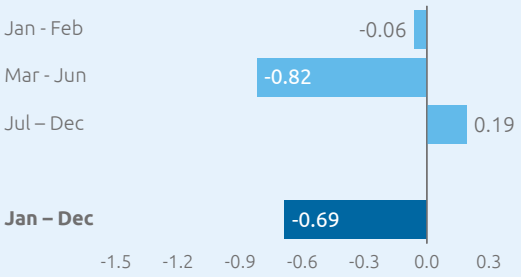
Residential sector - Consumption change (bcm)



Industrial sector

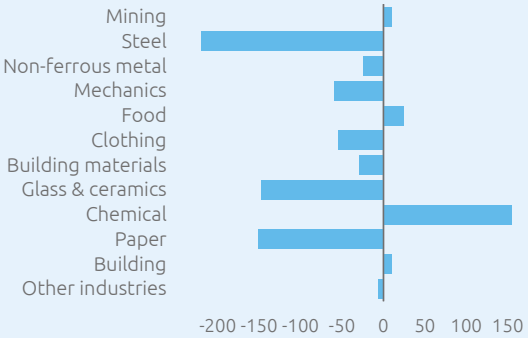
The decrease in natural gas demand in the industrial sector peaked from March-June 2020, during the closures implemented for Covid-19. On the other hand, the period from July - December 2020 saw a positive change, demonstrating a gradual recovery in activities.

Industrial sector - Consumption change (bcm)



The sub-sectors most heavily impacted by the effects of Covid-19 were the glass/ceramics, iron/steel and paper sectors, which account for the entire drop in the industrial sector. The chemicals sector was positive.

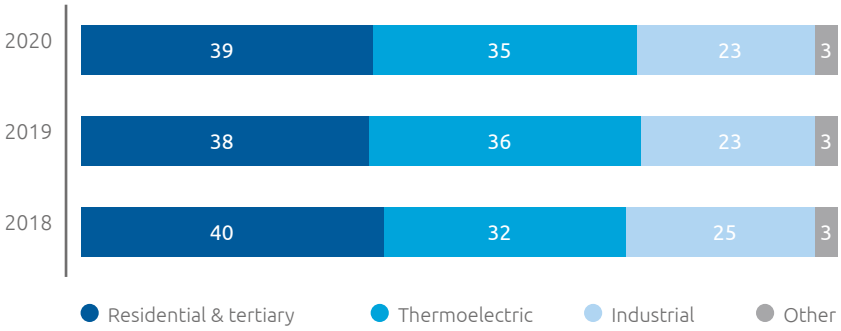
Industrial sector - Consumption change by segment (bcm)



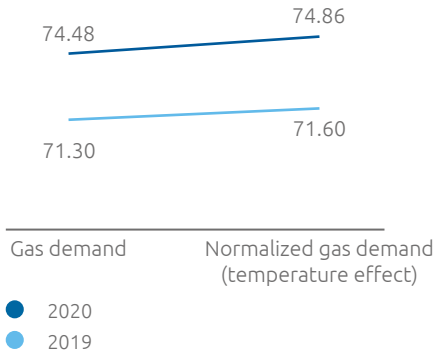
(-0.72 billion cubic metres; -2.6%), essentially due to a progressive increase in energy efficiency measures and modernisation of heating systems with higher efficiency hot water heaters, relative to similar climate conditions in the two periods.

Gas demand adjusted for weather effects, estimated at 71.60 billion cubic metres, fell by 3.26 billion cubic metres (-4.4%) with respect to the corresponding amount in 2019 (74.86 billion cubic metres).

Gas demand by sector (% of total gas demand)



Gas demand (Bcm)



The **availability of natural gas in Italy** (70.90 billion cubic metres) is equal to the sum of gas injected into the National Transportation Network and the net balance of withdrawals from and injections into the storage system, and was down by 3.07 billion cubic metres (-4.2%) compared with 2019. The reduction is in line with the decrease in volumes of gas injected into the network (-4.75 billion cubic metres; -6.7%), as well as the reduction in domestic output (-0.65 billion cubic metres; -14.4%), combined with greater use of supplies from storage (0.93 billion cubic metres, with reference to net provisions).

Availability of natural gas

(billions of m³)	2018	2019	2020	Change	% change
From gas injected into the network by entry point	67.70	70.86	**66.11**	(4.75)	(6.7)
From domestic output	5.12	4.51	**3.86**	(0.65)	(14.4)
Total gas injected into the network	**72.82**	**75.37**	**69.97**	**(5.40)**	**(7.2)**
Net balance storage withdrawals/injections (**)	(0.43)	(1.40)	**0.93**	2.33	
Total availability of natural gas	**72.39**	**73.97**	**70.90**	**(3.07)**	**(4.2)**

(*) 2019 figures were definitively updated.
(**) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.

Injections and gas withdrawals in the transportation network

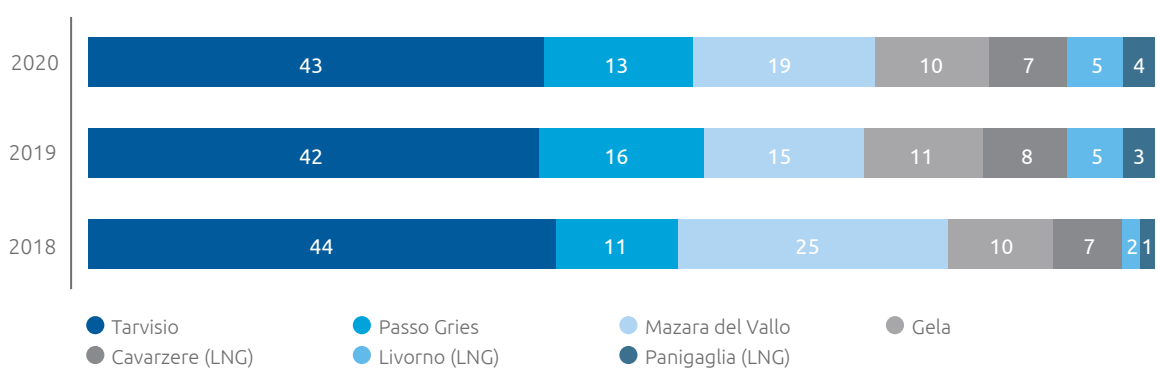
Gas injected into the network (*)

(billions of m³)	2018	2019	2020	Change	% change
Domestic output	5.12	4.51	**3.86**	(0.65)	(14.4)
Entry points (**)	67.70	70.86	**66.11**	(4.75)	(6.7)
Tarvisio	29.69	29.85	**28.43**	(1.42)	(4.8)
Mazara del Vallo	17.09	10.21	**12.02**	1.81	17.7
Gries Pass	7.76	11.13	**8.60**	(2.53)	(22.7)
Cavarzere (LNG)	6.71	7.91	**6.81**	(1.10)	(13.9)
Gela	4.47	5.70	**4.46**	(1.24)	(21.8)
Livorno (LNG)	1.07	3.62	**3.27**	(0.35)	(9.7)
Panigaglia (LNG)	0.88	2.42	**2.51**	0.09	3.7
Melendugno			**0.01**	0.01	
Gorizia	0.03	0.02		(0.02)	(100.0)
	72.82	75.37	**69.97**	(5.40)	(7.2)

(*) The data for 2020 were updated at 14 January 2021. 2019 figures were definitively updated.
(**) Entry points connected with other countries or with LNG regasification plants.

In 2020, a total of 69.97 billion cubic metres of gas was injected into the network, an decrease of 5.40 billion cubic metres (-7.2%) compared with 2019.
Injections into the network from domestic production fields or their collection and treatment centres totalled 3.86 billion cubic metres, down by 0.65 billion cubic metres (-14.4%) compared with 2019.
Volumes injected at entry points connected with other countries and with regasification plants, overall equal to 66.11 billion cubic metres, fell by 4.75 billion cubic metres (-6.7% with respect to 2019), in line with the decline in natural gas demand and the greater use of provisions from storage.
The lesser volumes injected from the LNG regasification terminals (-1.36 billion cubic metres; -9.7%), as well as from the entry points of Passo Gries (-2.53 billion cubic metres; -22.7%), Tarvisio (-1.42 billion cubic metres; -4.8%) and Gela (-1.24 billion cubic metres; -21.8%), were partly offset by the higher volumes injected from the Mazara del Vallo entry point (+1.81 billion cubic metres; -17.7%).

Natural gas injected into the network by import point (% of total gas injected)



Natural gas withdrawals

(billions of m³)	2018	2019	2020	Change	% change
Redelivery to domestic market	71.49	73.04	**70.01**	(3.03)	(4.1)
Exports and transit (*)	0.45	0.37	**0.36**	(0.01)	(2.7)
Consumption and emissions, Snam Rete Gas	0.27	0.23	**0.23**		
Unaccounted for gas and other changes (**)	0.18	0.33	**0.30**	(0.03)	(9.1)
Total natural gas withdrawals	**72.39**	**73.97**	**70.90**	**(3.07)**	**(4.2)**

(*) Includes exports to the Republic of San Marino.
(**) Includes variation from network invasion. In the energy budget prepared by Snam Rete Gas, UFG is conventionally defined as the natural difference between the amounts of gas measured at injection and the amounts of gas measured at withdrawal, deriving from the technical tolerances of the measurement tools.

Natural gas withdrawn from the national transportation network in 2020 (70.90 billion cubic metres; -4.2 with respect to 2019) mainly went to: (i) redelivery to users at network exit points (70.01 billion cubic metres; -4.1%); (ii) exports and transit (0.36 billion cubic metres or -2.7%); and (iii) consumption by the compression stations and gas emissions from the network and from Snam Rete Gas plants (0.23 billion cubic metres, the same as in 2019).

Reconciliation of gas volumes injected into the network and gas demand in Italy

(billions of m³)	2018	2019 (a)	2020	Change	% change (b)
Total gas injected into the network	**72.82**	**75.37**	**69.97**	**(5.40)**	**(7.2)**
Net balance storage withdrawals/injections (c)	(0.43)	(1.40)	**0.93**	2.33	
Total natural gas withdrawals	**72.39**	**73.97**	**70.90**	**(3.07)**	**(4.2)**
Exports (-) (d)	(0.45)	(0.37)	**(0.36)**	0.01	(2.7)
Gas injected in other operator regional network	0.03	0.03	**0.03**		
Other consumption (e)	0.69	0.85	**0.72**	(0.13)	(14.8)
Total demand Italy	**72.67**	**74.48**	**71.30**	**(3.18)**	**(4.3)**

(a) 2019 figures were definitively updated.
(b) The percentage change is calculated with reference to the figures in cubic metres.
(c) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.
(d) Includes transits and exports to the Republic of San Marino.
(e) Includes consumption from LNG regasification terminals, consumption from storage compression stations and from power stations for production treatment.

The transportation capacity of the network again covered all user demand in 2020. Average transportation capacity provided in 2020 at the entry points connected with foreign pipes and at regasification facilities was 363.1 million cubic metres on average per day, 19.1 of which were offered as competing capacities between the Mazara del Vallo and Gela entry points. In addition to the aforementioned capacities which concern the entry points interconnected with foreign countries and the LNG terminals, a transportation capacity is available at the domestic production entry points:

- national production at a total of 22.00 million cubic metres/day.
- the production of biomethane at a total of 0.6 million cubic metres/day.
- production from virtual entry points (PIV) connected to distribution networks/other transportation networks for a total of 0.1 million cubic metres/day.

Transportation capacity

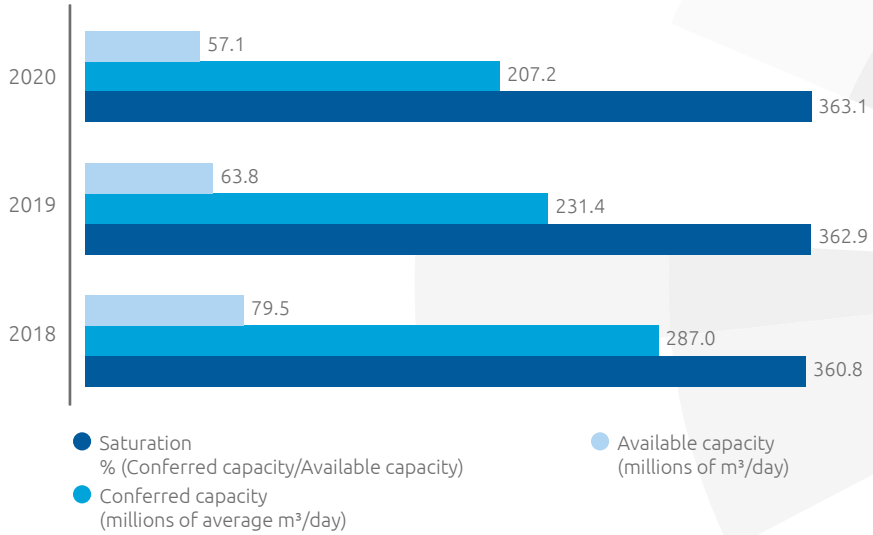
(billions of m³/day)	Calendar year 2018			Calendar year 2019			Calendar year 2020		
Entry points	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)
Tarvisio (**)	111.1	107.4	96.7	110.6	98.3	88.9	**113.0**	**88.5**	**78.3**
Mazara del Vallo (*) (**)	82.0	81.2	99.0	86.7	36.1	41.6	**85.6**	**36.9**	**43.1**
Gries Pass	64.4	34.8	54.0	64.4	31.3	48.6	**64.4**	**23.9**	**37.1**
Cavarzere (LNG)	26.4	24.4	92.4	26.4	24.9	94.3	**26.4**	**22.3**	**84.5**
Gela (*)	20.3	20.1	99.0	22.9	19.0	83.0	**22.4**	**17.2**	**76.7**
Livorno (LNG)	15.0	15.0	100.0	15.0	14.3	95.3	**15.0**	**11.7**	**78.0**
Panigaglia (LNG)	13.0	4.0	30.8	13.0	7.4	56.9	**13.0**	**6.7**	**51.5**
Gorizia	4.2	0.1	2.4	4.0	0.1	2.5	**4.2**		
Competitor Capacity (*)	24.4			19.9			**19.1**		
	360.8	**287.0**	**79.5**	**362.9**	**231.4**	**63.8**	**363.1**	**207.2**	**57.1**

(*) Capacity values at the Mazara del Vallo and Gela Entry Points do not include Competitor Capacity. This capacity, pursuant to Regulation EU 984/2013, in effect as of 1 November 2015, is the transportation capacity available at a Point for which the transfer entirely or partially reduces the capacity available for transfer at another Point on the Transportation System.
(**) Capacity values at the Mazara del Vallo and Tarvisio Entry Points include capacity quotas pursuant to ARERA Resolution 666/2017/R/GAS.

Snam Rete Gas has prepared a long-term plan for available transportation, sent to the Ministry of Economic Development on 28/06/2019 and published on the Snam website at **www.snam.it/en/transportation/index.html** in the online services/capacity section.
The document shows data about capacity at all entry points interconnected with foreign countries and with LNG terminals for the thermal year 2020 - 2021 and subsequent years up to 30 September 2035.
Also shown for the thermal year 2020 - 2021 are the transportation capacities of the interconnected exit points with the foreign countries of Passo Gries, Gorizia, Bizzarone and San Marino at a total of 46 million cubic metres/day.
As a result of all the infrastructures of the "Supporting the north-west market and two-way cross-border flows" project coming into service, a total capacity of 40 million cubic metres/day became available simultaneously at the Passo Gries and Tarvisio exit points. The maximum capacity of the Passo Gries exit point is 40 million cubic metres/day, while the maximum capacity of the Tarvisio exit point is 18 million cubic metres/day, therefore there is a "Competing capacity" pursuant to chapter 5, paragraph 3 of the Network Code available at the two points.
Over the last 15 years transportation operators have been constantly increasing, going from around 30 entities in 2003 to around 213 entities in 2020 (including shippers and traders), with the number of customers (shippers) standing at 145.
The number of PSV traders active in September 2020 (end of thermal year 2019-2020) is 68, compared to 69 PSV traders active in September 2019.

In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.

Transportation and saturation capacity



Organisational Changes

During the course of 2020, the recorded number of personnel in service fell by a total of 35 resources, from 1,945 at 31 December 2019 to 1,910 resources at 31 December 2020.
The organisational structure of group companies operating in the transportation and dispatching business was redesigned with a view to greater consistency with the Snam guidelines of streamlining the organisation and processes, aimed specifically at reducing duplications with Snam units dedicated to commercial and technical activities, and integration of transportation and storage activities. In relation to the opportunity to pursue economies of experience and scope that develop Group best practices, and to the specific requirements of other operating companies, several Snam Rete Gas structures provide technical services (for example, with regard to engineering and project management activities aimed at large investments). In addition, in relation to the organisational changes listed above, Snam Rete Gas also guarantees the supply to Stogit and GNL Italia of the commercial services previously delivery by Snam.

Accidents

In 2020 the number of accidents was 0 for employees and 1 for contractors, tragically fatal (compared with 0 and 5 accidents in 2019).

Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	4	0	**0**
Total contractor accidents	3	5	**1**

Indexes - Accidents

	2018	2019	2020
Employees			
Frequency index (*)	1.29	0.00	**0.00**
Severity index (**)	0.03	0.00	**0.00**
Contractors			
Frequency index (*)	0.46	0.83	**0.16**
Severity index (**)	0.03	0.08	**1.18**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked..
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy Consumption and Emissions

Energy consumption for transport, totalling 6,321 Terajoules (TJ), increased by around 3% with respect to 2019 despite a reduction in gas injected into the network (-7%): the trend in energy consumption for gas transportation is heavily influenced by the use of import backbones and in 2020 more energy intensive pipelines were used (north Africa backbone) with respect to the northern Europe and Russia backbones which use less energy.
In 2020, nitrogen oxide (NOx) emissions totalled around 242 tonnes (-15.4% compared with 2019). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines.

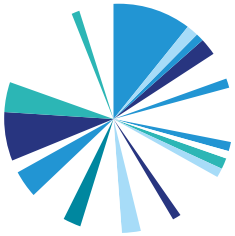
Energy consumption and emissions

	2018	2019	2020
Energy consumption (TJ)	7,463	6,123	**6,321**
Emissions of CO_{2eq} – scope 1 (kt) (*)	982	838	**848**
Natural gas emissions (106 m^3)	32.8	28.7	**28.5**
NOx emissions (t)	305	286	**242**

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

LIQUEFIED NATURAL GAS (LNG) REGASIFICATION

GNL Italia plays a key role in ensuring adequate diversification and flexibility of supplies to the gas system



17,500 m^3

Maximum daily LNG regasification capacity at Panigaglia

2.52 billion m^3

LNG regasified in 2020 at Panigaglia
(+5.0% with respect to 2019)

60

Methane tankers

unloaded

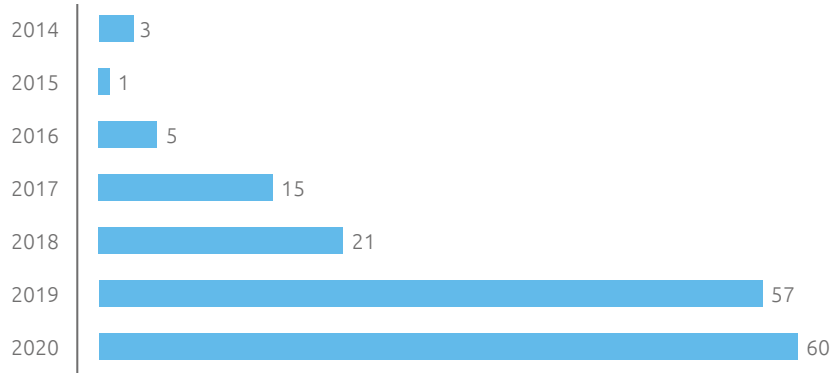
(57 in 2019; +5.3%)

The Panigaglia plant, built in 1971 and owned by GNL Italia, is able to regasify 17,500 m^3 of LNG every day; under conditions of maximum efficiency, it can supply more than 3.5 billion cubic metres of natural gas into the transportation network every year.

The total amount of gas regasified at the Panigaglia plant in 2020 was 2.52 billion m^3 (2.40 billion m^3 in 2019; +5%).
The continued increase in volumes of activities compared with 2018 (0.91 billion m^3 in 2018, more than doubled in 2020) is mainly due to the greater competitiveness of the cost of LNG compared with natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

In 2020, 60 methane tankers were unloaded (+3 with respect to 2019; +5.3%; +39 unloaded with respect to 2018).

Methane ship trends



The capacity allocation mechanisms based on auctions as well as the new businesses in the SSLNG sector, linked specifically to the possible future uses in heavy transportation and maritime transport, will lead to a scenario of further growth in the consumption of LNG in future years.

The regasification service can be continuous for the entire thermal year or the spot type. Moreover, from October 2018 the regasification capacity was awarded through dedicated auctions. Lastly, the regasification service includes the ancillary service, which consists of correcting the heating power of the natural gas to comply with quality requirements for its injection into the transportation network (correction of the Wobbe index).

During the course of 2020, GNL Italia provided regasification services to 5 active customers (6 customers in 2019).

Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a)	24	32	**31**	(1)	(3.1)
Total revenues net of pass- through items (a)	21	22	**23**	1	4.5
- of which regulated revenues (a)	*17*	*17*	***21***	*4*	*23.5*
Operating costs (a)	17	26	**24**	(2)	(7.7)
Operating costs net of pass-through items (a)	14	16	**16**		
EBIT	2	1		(1)	(100.0)
Technical investments (b)	9	19	**20**	1	5.3
Net invested capital at 31 December	86	95	**104**	9	9.5
Volumes of LNG regasified (billion cubic metres) (c) (d)	0.91	2.40	**2.52**	0.12	5.0
Tanker loads (number)	21	57	**60**	3	5.3
Employees in service at 31 December (number)	64	65	**67**	2	3.1

(a) Before consolidation adjustments.
(b) Investments remunerated at a real base pre-tax WACC of 6.8%, both for 2019 and 2020 (6.6% for 2018).
(c) With reference to 2020, gas volumes are expressed in standard cubic metres (Scm) with a conventional average Higher Heating Value (HHV) of 38.1 Mj/Scm (10.575 KWh/Scm).
(d) Regasified amounts are shown including self-consumption and losses (QCP component), equal to 1.7% from January to September and to 1.4% from October to December for the Panigaglia terminal.

RESULTS

Total revenues came to 31 million euros, substantially in line with 2019 (-1 million euros; -3.1%). Excluding the items offset in costs[48], total revenues amounted to 23 million euros, up by 1 million euros or 4.5%.

Regulated revenues, net of components offset in costs, was 21 million euros, up by 4 million euros (or 23.5%) on 2019. The increase is attributable to the introduction, for the fifth regulatory period in force from 1 January 2020, of a variable fee to cover energy costs (electricity and CO_2), against fees for regasification capacity in line with the previous period.

Non-regulated revenues fell by 3 million euros mainly due to lower revenues coming from natural gas sales. This decrease in revenues is also reflected in corresponding lower operating costs associated with the relative warehouse withdrawals.

EBIT fell by 1 million euros with respect to 2019, essentially due to greater depreciation and amortisation related to new capitalised expense.

48 Revenues offset in costs refer to the costs that GNL charges back to its customers for use of the transportation service provided by Snam Rete Gas.

TECHNICAL INVESTMENTS

Technical investments for 2020 stood at 20 million euros, up slightly with respect to 2019 (+1 million euros) and more than double compared to 2018 (9 million euros), including investments in maintenance, aimed at the modernisation, technological adaptation and security of plant systems.

Among these notes: (i) engineering and revamping projects for tanks (7 million euros); (ii) various IT and real estate projects (over 2 million euros).

OPERATING REVIEW

During 2020, 2.52 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (SP) (2.40 billion cubic metres in 2019; +5.0%) with 60 methane tankers unloaded (+3 with respect to 2019; +5.3%).

With reference to the number of employees, this figure stood at 67 resources, essentially in line with the previous year. Under the scope of the process of integrating Snam's Italian assets, the strengthening of the organisational oversight dedicated to operating activities continued in 2020 as well, aimed at upgrading the direct oversight of the core regasification activities, as against the staff processes where activities were provided centrally by Snam.

On 26 February 2020, Snam acquired a 49.07% stake in the share capital of OLT (Offshore LNG Toscana), the company that built and manages the offshore regasification terminal (FSRU - Floating Storage and Regasification Unit) located offshore of the Tuscan coast between Livorno and Pisa. With a maximum annual regasification capacity of 3.75 billion cubic metres, OLT is the second largest Italian liquefied natural gas (LNG) terminal.

Accidents

In 2020, there were no accidents involving either employees or contract workers.

Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	0	0	**0**
Total contractor accidents	0	0	**0**

Indexes - Accidents

	2018	2019	2020
Employees			
Frequency index (*)	0	0	**0**
Severity index (**)	0	0	**0**
Contractors			
Frequency index (*)	0	0	**0**
Severity index (**)	0	0	**0**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy Consumption and Emissions

2020 saw an increase in consumption for the regasification facility (+4% with respect to 2019), due to the rise in the amount of gas regasified. Total nitrogen oxide (NOx) emissions and natural gas emissions in 2020 were in line with 2019 figures, respectively amounting to 48.6 tonnes and 1.3 million m³.

Energy consumption and emissions

	2018	2019	2020
Energy consumption (TJ)	462	1,217	**1,265**
Emissions of CO_{2eq} – Scope1 (kt) (*)	41	83	**88**
Natural gas emissions (106 m³)	1.2	1.3	**1.3**
NOx emissions (t)	22.4	49.8	**48.6**

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

NATURAL GAS STORAGE

The total storage capacity in 2020, including strategic storage, amounts to approximately 17.0 billion cubic metres, continuing again in 2020 to represent the largest capacity at the European level.



9
Oerating concessions

19,60 bcm
Gas moved through the storage system

17,00 bcm
Total storage capacity

The storage system makes it possible to compensate for the different requirements for gas supply and consumption: whilst supply has a substantially constant flow throughout the year, gas demand is concentrated mainly in the winter period. Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-EU supply or crises in the gas system.

The storage business makes use of an integrated group of infrastructure comprising deposits, wells, gas treatment plants, compression plants and the operational dispatching system. Snam has nine storage concessions located in Lombardy (five), Emilia-Romagna (three) and Abruzzo (one). In 2015, the Bordolano site began operating, gradually increasing the capacity offered to a total of 1,050 million SCM.

Stogit provides its storage services (peak modulation, uniform modulation, strategic, transporter balancing, mining, short-term allocation services and, from 2018, the new Fast Cycle[49] service, to 91 operators based on the Storage Code approved by the Italian Regulatory Authority for Energy, Networks and the Environment (hereinafter also ARERA).

In 2020 Snam took action to promote the replenishment of national storage facilities for the purpose of being able to manage seasonal peaks in demand. The replenishment level at the end of the injection campaign (October 2020) was 99.01%, in line with the European average.

The market oriented approach adopted allowed the Company to increase the mix of customers owing a Storage contract (not only shippers serving end users but also traders who maximise revenues from buying and selling gas to the PSV - virtual trading point) as well as attracting major European players.

Total storage capacity at the end of 2020, holding strategic storage equal, came to 17.0 billion cubic metres, thanks to the gradual increase in operations at the Bordolano field.

A result that attests to Stogit's ability to respond to both the needs of the national market as well as the contingent dynamics linked to international markets and policies, which can significantly modify demand by increasing the value of business with policies to support the security of supplies.

49 The storage service involves constant injection services and supply availability.

Key performance indicators

(million euros)	2018	2019	2020	Change	% change
Total revenues (a)	595	591	**689**	98	16.6
Total revenues net of pass- through items (a)	509	508	**504**	(4)	(0.8)
- of which regulated revenue (a)	*505*	*505*	***499***	*(6)*	*(1.2)*
Operating costs (a)	161	149	**263**	114	76.5
Operating costs net of pass-through items (a)	74	66	**78**	12	18.2
EBIT	335	337	**314**	(23)	(6.8)
Technical investments (b)	99	112	**134**	22	19.6
Net invested capital at 31 December	3,397	3,421	**3,460**	39	1.1
Concessions (number)	10	10	**10**		
- of which operational (c)	*9*	*9*	***9***		
Natural gas moved through the storage system (billion cubic metres) (d)	21.07	19.33	**19.60**	0.27	1.4
- of which injected	*10.64*	*10.16*	***9.30***	*(0.86)*	*(8.5)*
- of which withdrawn	*10.43*	*9.17*	***10.30***	*1.13*	*12.3*
Total storage capacity (billion cubic metres)	16.90	17.00	**17.0**		
- of which available (e)	*12.40*	*12.50*	***12.5***		
- of which strategic	*4.5*	*4.5*	***4.5***		
Employees in service at 31 December (number)	59	61	**62**	1	1.6

(a) Before consolidation adjustments.
(b) Investments remunerated at a real base pre-tax WACC of 6.7%, for 2020 and 2019 (6.5% for 2016-2018).
(c) Working gas capacity for modulation services.
(d) Volumes of gas are expressed in Standard cubic metres (SCM) with an average Higher Heating Value (HHV) conventionally set to 39.3 MJ/Scm (10.893 KWh/SCM) for natural gas storage for thermal year 2020- 2021 (approximately 39.3 MJ/SCM, 10.895 KWh/SCM, for the thermal year 2019- 2020).
(e) Working gas capacity for modulation, mining and balancing services. The value shown represents maximum available capacity, entirely awarded for thermal year 2020-2021.

RESULTS

Total revenues amount to 689 million euros, up by 98 million euros or 16.6% with respect to 2019, mainly due to an increase in pass-through items connected with chargebacks to users of charges relative to natural gas transportation services, supplied by Snam Rete Gas S.p.A. (185 million euros; +102 million euros with respect to 2019)[50]. Total revenues, net of cost components, amounted to 504 million euros, down slightly compared to 2019 (-4 million euros; -0.8%).

Regulated revenues, net of components that are offset in costs, amounted to 499 million euros, down by 6 million euros or 1.2% compared with 2019. Lower storage revenues, due to tariff adjustment mechanisms, mainly against

50 Resolution 64/2017/R/gas of 16 February 2017 established that, from 1 April 2017, almost all expenses relating to the natural gas transportation service should no longer be charged to users of the storage service, but settled directly by the CSEA.

lower incentives for new investments, referred to as "input based", were partly absorbed by higher revenues related to the introduction, for the fifth regulatory period in force from 1 January 2020, of a variable fee to cover energy costs, essentially attributable to CO_2 emission rights.

Non-regulated revenues equal to 5 million euros (3 million euros in 2019) mainly refers to income from gas transfers for system balancing purposes.

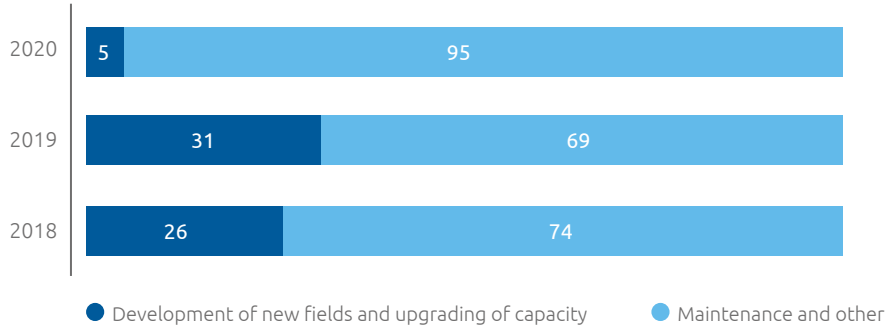
EBIT in 2020 amounted to 314 million euros, down by 23 million euros or 6.8% compared with 2019. This reduction can be attributed to, beyond minor revenues (-4 million euros, net of fees to cover energy costs), to an increase in operating costs (-8 million euros, net of energy costs relative to the purchase of CO_2 emission rights), mainly associated with the trend in provisions for risks and charges. Greater amortisation and depreciation also contributed to the decrease in EBIT (-3 million euros; 2.9%) due to the new entry of infrastructure and greater writedowns (-4 million euros) connected to work over projects for certain wells.

TECHNICAL INVESTMENTS

Technical investments made by the Company in 2020 totalled 134 million euros, an increase of 22 million euros (approximately +19.6%) compared with the previous year and refer to investments to **develop new fields and upgrade capacity** (7 million euros) and investments in **maintenance and sundry** (127 million euros).

These latter mainly refer to: (i) "work over" activities on existing wells, in particular at Cortemaggiore, for the restoration to operation of wells made unavailable due to the loss of mechanical integrity, and in Ripalta; (ii) engineering works on the TC1 plant at Sergnano and the compressor units; (iii) IT projects (16 million euros), mainly for the Consumption Cloud - Azure Credit project and for the purchase of licenses and projects on system renewals.

Investment proportions by type (% of total investments)



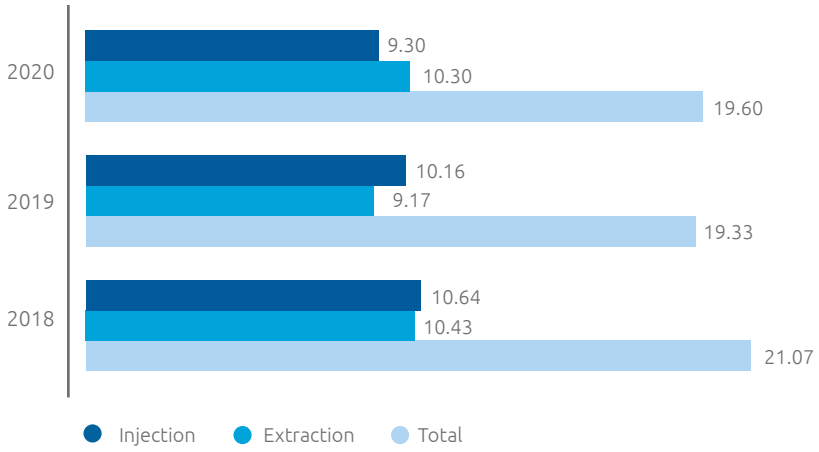
Total storage capacity as at 31 December 2020, including strategic storage, was 17.0 billion cubic metres (unchanged with respect to 2019), of which 12.5 billion cubic metres related to available capacity fully allocated for the thermal year 2020-2021 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2019-2020, as established by the Ministry of Economic Development by means of the notice dated 17 January 2020[51].

OPERATING REVIEW

Gas Moved Through The Storage System

Volumes of gas moved through the storage system in 2020 amounted to 19.60 billion cubic metres, an increase of 0.27 billion cubic metres, or 1.40%, compared with 2019. Greater disbursements to deal with the reduction in injections to the national network were partially compensated for by lower injections in storage.

Gas moved through the storage system (billion cubic metres)



Organisational Changes

At the end of 2020, the number of personnel in service totalled 62, essentially in line compared with 31 December 2019 (61).
Following the conclusion of the integration project, transportation-storage dispatching operations are managed through an integrated procedure.
Under the project for the rationalisation and simplification of the current Snam regulatory framework the process for issuing rules to simplify and standardise operating processes was further integrated, including the document for the management of the availability and traceability of operating personnel.

51 By means of the Decree of 12 February 2021, the Ministry of Economic Development confirmed that the strategic gas storage volume for thermal storage year 2021-2022 (1 April 2021-31 March 2022) would remain at 4.62 billion standard cubic metres, 4.5 billion cubic metres of which was allocated to Stogit. By means of the announcement of 17 January 2020, the Ministry confirmed the strategic gas storage volume for the thermal year 2020-2021 (1 April 2020-31 March 2021) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit

Accidents

In 2020, there were no accidents involving either employees, while there was 1 accident involving a contract worker.

Work-related accidents (no.)

	2018	2019	2020
Total employee accidents	0	0	**0**
Total contractor accidents	0	0	**1**

Indexes - Accidents

	2018	2019	2020
Employees			
Frequency index (*)	0	0	**0**
Severity index (**)	0	0	**0**
Contractors			
Frequency index (*)	0	0	**0.99**
Severity index (**)	0	0	**0.06**

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.
(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy Consumption and Emissions

In 2020 energy consumption for gas storage fell by 6% compared with 2019, in line with the reduction in gas stored. In 2020, nitrogen oxide (NOx) emissions totalled around 111 tonnes (-4.3% compared with 2019). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines installed. In particular, all storage sites operated with low emission units.

Energy consumption and emissions

	2018	2019	2020
Energy consumption (TJ)	5,337	4,784	**4.483**
Emissions of CO_{2eq} – scope1 (kt) (*)	473	424	**336**
Natural gas emissions (106 m^3)	10.5	9.2	**5.2**
NOx emissions (t)	236	116	**111**

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".



OUTLOOK

Achieving global climate goals will lead to significant investments in decarbonising the energy industry over the next thirty years. Numerous countries, representing over 60% of global emissions, have already announced or are preparing climate neutrality goals. There are excellent development prospects for green gases, in particular hydrogen, which could potentially reach over 25% of the global energy mix by 2050. In particular, it is believed that green hydrogen could be competitive in various sectors in a few years, starting with rail and heavy transportation, thanks to the progressive and already clear reduction in the cost of producing renewable energy, combined with a simultaneous decrease in the cost of electrolyzers. Gas infrastructure represents the most efficient method of transporting green hydrogen.

Snam has set itself the goal of achieving carbon neutrality by 2040, in line with the target to limit global warming to within 1.5° C established under the Paris Climate Agreement. Snam's infrastructure is an enabler of the energy transition and will allow the company to contribute to an overall emissions reduction. The company envisages to transport entirely decarbonised gas by 2050, making of Italy a European hub for hydrogen.
Moreover, Snam is committed to establishing a market positioning across the value chain for both hydrogen and biomethane, thereby contributing to the energy transition also through the supply of energy efficiency services to the residential, industrial and public administration sectors as well as promoting sustainable mobility.
In line with this objective, Snam's corporate purpose "Energy to inspire the world", has been introduced in the company Bylaws, to reflect "the company's commitment to supporting the energy transition through resource use and energy sources compatible with protecting the environment and with progressive decarbonisation".
Environment, Social, Governance (ESG) factors will continue to play a central role in defining the company's strategy and in its management. To that end, Snam has prepared and published a "scorecard" for 13 areas, with 22 material and quantitative objectives, to offer stakeholders a holistic view of its commitment and growing sensitivity to ESG issues, while also allowing them to monitor results.

Snam planned a 7.4 billion euros in investments from 2020-2024, an increase of almost 1 billion euros with respect to the 6.5 billion euros set in the previous plan. Growth is seen in both the core business of regulated infrastructure (6.7 billion euros in investments) and in new energy transition businesses (over 0.7 billion euros in investments, almost doubling the figure in the previous plan). 50% of the investments called for in the plan are dedicated to replacing and developing assets with hydrogen-compatible standards.
Snam also plans to strengthen the efficiency plan launched in the second half of 2016, with over 70 million euros savings expected by 2022. Additionally, it is expected that activities to optimise the financial structure implemented over the last five years will lead to a reduction in the average cost of gross debt from 2.4% in 2016 to an average of 1.2% over the time horizon of the plan (compared to 1.4% in the previous plan), thanks to actions implemented to take full advantage of current favourable market conditions and improve the interest rate and credit spread scenario with respect to the previous plan. Further possible savings could derive from treasury optimisation, as well as further diversifying sources and increasing sustainable finance instruments.

With reference to the pandemic, restrictions were introduced in Italy to contain the epidemic, by identifying measures to prevent the spread of the disease, including limitations on productive activities, individual movement and socialising. After a slowdown recorded in the summer, in the second half of 2020 the curve of contagion once again began to rise in several countries, especially in Europe, thereby registering an acceleration during the final weeks of the year due to the spread of variants.
Consequent fears on the level of impact the variants could reach, and uncertainty linked to the schedule for completing the vaccination programme in Europe, as well as in the rest of the countries with which the company interacts, could give rise to further slowdowns in the returning to normal of the domestic and international economic backdrop.

While at present Snam cannot reliably determine the impacts deriving from Covid-19 on its 2021 targets and in subsequent years, the company foresees a limited impact with respect to the targets for the year in course. To that end, Snam has revised upward its guidance on adjusted net profit for 2021, bringing it to 1,170 million euros, compared to the previous figure of approx. 1,130 million euros announced in November 2020.
Any additional further impacts on economic/financial performance and on the Group's equity situation, as well as on business development plans, will be evaluated in the light of the evolution and duration of the pandemic.
The same remarks also apply to possible impacts on development initiatives and on suppliers and clients, as well as for the assets held by the Snam Group outside Italy, specifically in France, Austria, Greece, Albania and the UK.