



# 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 CO<sub>2</sub> 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


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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 CO<sub>2</sub> 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 CO<sub>2</sub>.

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 adherence to the principles of the Global Compact and the sustainable development goals (SDGs) 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 Iniziativa 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


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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.

17 March 2021

for the Board of Directors

**Chairman**

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.

**Chief Executive Officer**