

# relations with external stakeholders

Dialogue with stakeholders is not just a value, but an essential way of conducting business. A number of specific departments within the company carry out this important role.

## Disclosure on management approach

### The Public Affairs and Communication Manager responds to key questions

#### How is the relationship with external stakeholders changing as a result of the new acquisitions?

The first task that we addressed was to make the experiences and best practices within the new Group common to all, in so doing setting up a process of integration that has characterised the entire acquisition operation. From the “energie” project construction sites, analyses and solutions have emerged that have led to the setting up of a new Department, Public affairs and communication, which will enable us to create integration and economies of scope and scale in the three areas of responsibility, i.e. institutional relations, sustainability, for which we have set up a specific department, and communication. Three activities which we believe, by closely interacting with each other, can create added value to the pursuit of sustainable development.

#### What are the advantages of this organisational solution?

We have centralised three departments that we consider to be very closely interrelated with each other and which up to now were located in different sectors. We've centralised them according to a plan that will enable us to manage these issues more rationally and effectively, especially in the light of the widening of the Group's perimeter. This is a rationalisation in the management of stakeholders, but it is also an approach towards a more qualitative dimension. We must not forget that the new Department will have a responsibility to serve the company internally, by proactively contributing to dialogue and consultation with the stakeholders in the regions together with the people who manage the operations. But it will also serve externally, and here we want to enrich the dialogue with institutions, communities and regions.

### The Construction of Investment Projects Manager responds to key questions

#### On what principles is the relationship with the regions founded, with regard to building new infrastructures?

The essential prerequisite is to carry out every activity in line with our strategic growth plans and with the Sustainable Development Model. To this end we are basing our relations with the region affected by the construction of new works on the principles that have always distinguished our presence: dialogue, transparency, cooperation and concern for the environment. For example, before submitting the first authorisation requests, we present the work to all the town mayors concerned.

#### What is the aim?

We do it in order to put in place a relationship of information and dialogue with the communities. These meetings, of which 132 were held in 2009, have the twofold objective of describing the main characteristics of the project in advance to the local government authorities, as well as the authorization procedure used, and the work phases and morphological and re-vegetation works that are performed; and verifying with the authorities whether the works interfere with any future variations to the government scheme being adopted for the area, or new infrastructures that the authorities have planned or scheduled.

### The Network Manager responds to key questions

#### Managing the network also means dialoguing with the stakeholders. In what way?

In managing the transmission network it is always important to pay attention to maintaining good relations with the stakeholders. First and foremost there are the various bodies, be they public, inspection or controlling bodies, with which the heads of the regional units maintain periodic contact in order to maintain the authorisations to operate. We do this not just to observe the Group's principles of ethical conduct, but also be-

cause cooperating means ensuring a sustainable presence on the country, in terms of natural resources. Other stakeholders are the members of the public through whose property the pipelines pass. In this case too it is essential to have a systematic capacity for dialogue that maximises the technical compatibility of the network with protecting the resources and respecting their needs. In this relationship, a fundamental role is played by our operational personnel who regularly travel the length of the pipeline sections to verify the protection of rights of way and the safety of operations, and who know and dialogue with the owners.

### **Then there are the end customers and the suppliers. Here what does sustainability mean?**

For them, implementing a policy of sustainable development means ensuring quality of service, integrity, transparency and safety. For the suppliers, who provide network maintenance services, we develop relationships that encourage the respectful application of the contractual conditions and techniques in question. At the same time, and this is something that we believe is particularly important, we seek simultaneously to promote the business development of the skills and the management capacities necessary to the network maintenance objectives.

## **The Investor Relations Manager responds to key questions**

### **How is Snam Rete Gas a major industrial group with a growing number of external stakeholders. What initiatives have been implemented for the retail shareholders?**

Drawing on the the experience of last spring capital increase, characterised by a positive relationship with retail shareholders, we strengthened our commitment to make more continuous the contact with this important segment of our shareholding.

#### **How?**

The strategy involves greater attention towards our retail shareholders and, if possible, their deeper involvement, with the aid of new tools aimed at providing more complete information for their specific needs and with better accessibility of the Investor Relations pages on the Company's website.

In addition to the new initiatives introduced to the website in 2009, described in the "Shareholders and Investors" section, the first half of 2010 will see the publication of an online Shareholder's Guide, aimed at encouraging active participation in corporate affairs. In this publication, in addition to the profile of the Group's structure, business performance and strategic objectives, we offer a complete and easy-to-understand picture of the characteristics of the Snam Rete Gas share and of the ways in which the shareholder can perform his role.

## **The Supply Chain Manager responds to key questions**

### **How does the company contribute to the sustainable development of its suppliers?**

The rules and procedures with which we manage the procurement process are based on ethical principles and on the principles of transparency and non-discrimination.

Both the qualification process and subsequent commercial relations include verification of observance of the aforementioned principles through, for example, observing our Code of Ethics and declaring that they do not employ personnel below the minimum legal age, and verifying the correct payment of social insurance and pension contributions.

Becoming a supplier, by means of the qualification process, allows the establishment of a continuous commercial relationship that promotes companies' loyalty building and consequently the chance to develop for suppliers themselves.

### **What are the tools used?**

The objective of transparency has led us towards an increasing use of electronic platforms to manage tenders (in 2009 over 90% of all tenders were managed in this way), while access to the principles and procedures that regulate the relationship between us and our suppliers is provided by the internet website.

We pay special attention to protecting health and safety on the construction sites, and to protecting the environment in all phases of the works, by monitoring the activities of our suppliers not just from a technical point of view, but also by highlighting any forms of conduct that are not in line with our ethical and HSE standards and suggesting improvement actions aimed at a sustainable growth path for each supplier.

## The Business Development and Commercial Manager responds to key questions

### What does giving service to the customer mean in a regulated market?

For us the customers are anyone with whom we stipulate commercial agreements in the activities of transmission, regasification, storage and/or distribution. We do this within a market that is regulated by the Authority, applying very strict quality criteria and ensuring a service that is efficient, continuous and impartial, and which meets the customers' requirements. To improve our service, we maintain a relationship of reciprocal exchange with our customers, which enables us to meet their needs and to put in place efficient operational support. A real-life example of this is the Capacity Portal which has been set up for the customers of the gas transmission service.

### What are the advantages for customers with the Capacity Portal?

A tool is available to the customers that has full legal and contractual value and which simplifies and speeds up the activities necessary for reserving transmission capacity. The most evident benefit is the elimination of the risk of material errors, which is due to the introduction of automatic checks on the data entered. We have met the requirements of our customers right from the beginning of the design process, by consulting them and identifying the various needs concerning the size of the market served, the type of business and the geographic location. In this way we have designed a system that ensures the necessary solidity and safety of operation and which, based on the reports and suggestions that we have received, offers usage methods that are modular and flexible. The experience acquired in implementing and using an integrated tool for managing contractual relationships will enable us to assess extending this way of relating with our customers to other services offered by the Group.

## The Regulatory Affairs Manager responds to key questions

### The Italian Authority for Electricity and Gas is a major stakeholder in Snam Rete Gas. How will the relationship be configured once the process of integration is complete?

Relations with the Authority for Electricity and Gas play a fundamental role for all who operate in the energy business. Our commitment will be to continue maintaining constructive relations with the Authority along with increasingly effective cooperation. The creation of a centralised department will enable us to bring the resources that currently manage regulatory aspects in the different companies of the group under a single function. The objective is to create a skills hub with a complete overview on all the regulated gas activities.

### What are the benefits expected from a new centralised department?

The Regulator will be able to dialogue with one large company that can give responses that are complete, effective and in line with the problems that the energy markets, which are increasingly extended and integrated, will bring in the coming years.



## Customers

We have always devoted particular attention to the relationship with our customers, to satisfy the various requests deriving from the evolution of the gas market. We do this by monitoring the needs and by introducing new tools and procedures to facilitate access to our services.

The operations and commercial activities are carried out using increasingly advanced computer systems, with applications that also run on web-based systems, and these also allow a high degree of automation in managing the various different contracts. These systems are implemented on a case-by-case basis to improve communication with customers. In this way we meet the terms of the resolutions issued by the Italian Electricity and Gas Authority, which regulates our services.

APPLICATION NAME	REFERENCE ACTIVITIES	DESCRIPTION
Virtual Trading Point	Transmission and regasification	Point of contact between demand and supply at the service of the customers, enabling bilateral transactions between trading operators of discrete lots of natural gas. At the close of the daily trading session, it automatically settles the net balance of transactions performed by each customer.
Capacity Portal	Transmission	Management of contractual processes both for booking (effected by Snam Rete Gas to its customers) and for transactions (exchanged between the customers themselves) of transmission capacity.
Allocation and measurement system for provision and injection	Storage	Management of operations and commercial activities. Enables the real-time sharing of gas allocations and of the "warehouse" trends of customers and verification of transactions carried out between customers.
Storage Trading System	Storage	Management of trades of gas and of capacity between customers
Gasoline and Application to Application	Distribution	Communications tools that make it possible for customers to manage distribution service requests and their outcomes.

This year we have made every effort to make available as much transport capacity as possible in order to guarantee allocations to all customers requesting capacity, by building new infrastructure. These works have enabled an increase in transmission capacity at the entry points of around 14%, going from 321 million cubic metres/day at the beginning of the thermal year 2008/2009 to 365 million cubic metres/day at the beginning of the thermal year 2009/2010.

We carried out all requests for connection of new delivery and redelivery points received from consumers of gas for industrial use, distributors of gas in city pipeline networks, automotive, thermoelectric plants, operators of regasification terminals, and producers of gas from fields located in Italy, and we have observed all the conditions specified in the connection contracts stipulated with our customers.

One of our objectives is to support our customers in the careful and rational use of energy, because we believe that energy efficiency is an opportunity to be grasped not only to reduce costs but also to increase environmental sustainability. For this reason, in 2009 we promptly responded to the needs for a flexible gas system in recent winter months by adopting tailor-made procedures in applying emergency measures ordered by the Ministry of Economic Development and the Italian Electricity and Gas Authority in order to cope with emergency weather events. Amongst these are the procedures tied to the curbing of consumption by end industrial customers connected to the transmission and distribution networks. All the related forms are published on the Snam Rete Gas website and all necessary information is provided to the parties involved.

TRANSPORT	REGASIFICATION	STORAGE	DISTRIBUTION
<b>No. Customers</b> <b>70</b>	<b>No. Customers</b> <b>6</b>	<b>No. Customers</b> <b>56</b>	<b>No. Customers</b> <b>138</b>
<b>Gas transmitted</b> <b>76.9 * 10<sup>9</sup> m<sup>3</sup></b>	<b>LNG received</b> <b>2.1 * 10<sup>6</sup> m<sup>3</sup></b>	<b>Gas moved</b> <b>16.52 * 10<sup>9</sup> m<sup>3</sup></b>	<b>Gas distributed</b> <b>7.54 * 10<sup>9</sup> m<sup>3</sup></b>
<b>Transport Capacity</b> <b>365 * 10<sup>6</sup> m<sup>3</sup>/g</b>	<b>Regasification Capacity</b> <b>12 * 10<sup>3</sup> m<sup>3</sup> GNL/g</b>	<b>Storage Capacity</b> <b>8.9 * 10<sup>9</sup> m<sup>3</sup></b>	<b>Nr. Concessions</b> <b>1,441</b>

## Italian Electricity and Gas Authority

The Italian Electricity and Gas Authority is an independent body set up in 1995 to regulate and control the electricity and gas sectors. Its principal task is to promote competition, efficiency and quality of service in these sectors, by acting as a point of reference for all the companies operating in the energy market.

To regulate the business of Snam Rete Gas, the Authority's principal role is to define the criteria (via specific provisions, i.e. "Resolutions") by which the revenues of the regulated activity of transmission are to be calculated along with the tariffs, the principles for access and for providing services, and the standards of quality.

Over the years, Snam Rete Gas has fostered a constructive relationship of effective cooperation with the Authority, continually maintaining a proactive role and providing many elements to support the evolution of the legislative framework in the natural gas sector. In particular, Snam Rete Gas has always made a significant contribution to the consultation processes for drawing up the Resolutions on the transmission activity, supporting the Authority in its every request for information, including by means of roundtable discussions and special-purpose technical meetings.

Through its constant relationship with the Authority, Snam Rete Gas combines the strict application of the standards established by the Regulator with the achievement of the company's objectives. This means moderating the needs of the shareholders, who want an attractive and sustainable return, with those of the Authority and of the Clients, who want price reductions and quality of service.

In this context, particular importance is assumed by the Authority's process of deciding tariff criteria for the subsequent regulation period, which takes place every four years. At the end of 2009, at the conclusion of this process, the Authority issued the Resolution set-

ting out criteria and rules for the third regulation period, confirming a regulatory framework that is transparent, clear and stable for the 2010-2013 four-year period. This is an essential prerequisite to allow the company to maintain a low risk profile and maximise the creation of value for its shareholders. The characteristics of the new regulatory framework, in continuity with those of previous periods, are essential to enabling the company to achieve sustainable growth over time, confirmation of the constructive and cooperative relationship that Snam Rete Gas has succeeded in establishing with the Authority over the years. There are similar systems of standards that oversee the activities of distribution, regasification and storage (this last item is nearing the end of its term and will be renewed in 2010).

Another essential fulcrum in the relationship between the companies of the Group and the Regulator is the Codes, i.e. the contractual documents that define, according to the principles and resolutions drawn up by the Authority, the conditions for accessing and providing the services and which regulate the relationship between each company and its customers. In the process of drawing up and updating the Codes, which also involves all of the interested parties through specially-appointed Committees, constant work is done, in ongoing dialogue with the Authority, to draw up conditions for the offered services that respond as far as possible to the needs of the market and to its future evolutionary changes.

Following the process of acquisition of Italgas and Stogit by Snam Rete Gas, the relationship with the Authority will be further strengthened and still imbued with a spirit of effective cooperation. But this is not all. The corporate reorganisation will make this relationship even more dynamic, since it no longer involves four separate companies (each of which will maintain operational responsibility for its obligations) but instead a single, all-encompassing body which, with its size and repository of inter-sectorial knowledge, will be capable of providing responses that are complete, effective and in line with the problems that the integration of the energy markets will pose in the coming years.

## "Transparency Platform" project

Snam Rete Gas is taking an active part in the "Transparency Platform" project coordinated by the European transporters' association, ENTSOG. The aim of the "Transparency Platform" is to make available a range of information useful for transmitting gas in Europe accessible on a single website, such as the capacities available, their rates, and the

quantities of gas transmitted. Together with Snam Rete Gas, today around 20 leading European transmission operators are involved in the project, and these operators send updated information to the system. The "Transparency Platform" has been accessible to all interested parties since November 2008 by way of the link [www.gas-roads.eu](http://www.gas-roads.eu).

## Shareholders and investors

Ever since it was first listed on the stock market (December 2001), Snam Rete Gas has been committed to building a corporate identity that would express the company's goals and spirit of management in its forms of financial communication as well.

Since then we have been distinguished by transparent relationships with investors and the financial community by means of clear-cut communications of our objectives and our results so that investors and the financial markets can have a full understanding of all our value drivers.

During the year we held around twenty road shows, aimed at meeting with shareholders and institutional investors, in the leading European and North American financial markets. Overall, our management met with about 100 investors in one to one meetings, about 20 of which were held at the Snam Rete Gas headquarters in San Donato Milanese. Another 20 group meetings with several investors at a time were also held. Utilities Conferences also represented additional opportunities for exchanging views.

In particular, in 2009 the implementation of extraordinary operations, i.e. the acquisition of Stogit and Italgas and the increase in share capital in order to partly finance this acquisition, saw our man-

agement involved in special meetings both with the member banks of the underwriting consortium and with investors, in order to delineate the strategic consistency of the acquisition operation as well as consolidate and extend our shareholding structure as part of the operation to increase the share capital.

We also organise conference calls, in which usually around 50 persons participate, including the twenty-six analysts who cover the share, when we present financial results (preliminary annual, half-yearly and quarterly reports). We make the financial statement documents and quarterly/half-yearly reports available (in both Italian and English) immediately after their approval by the management bodies.

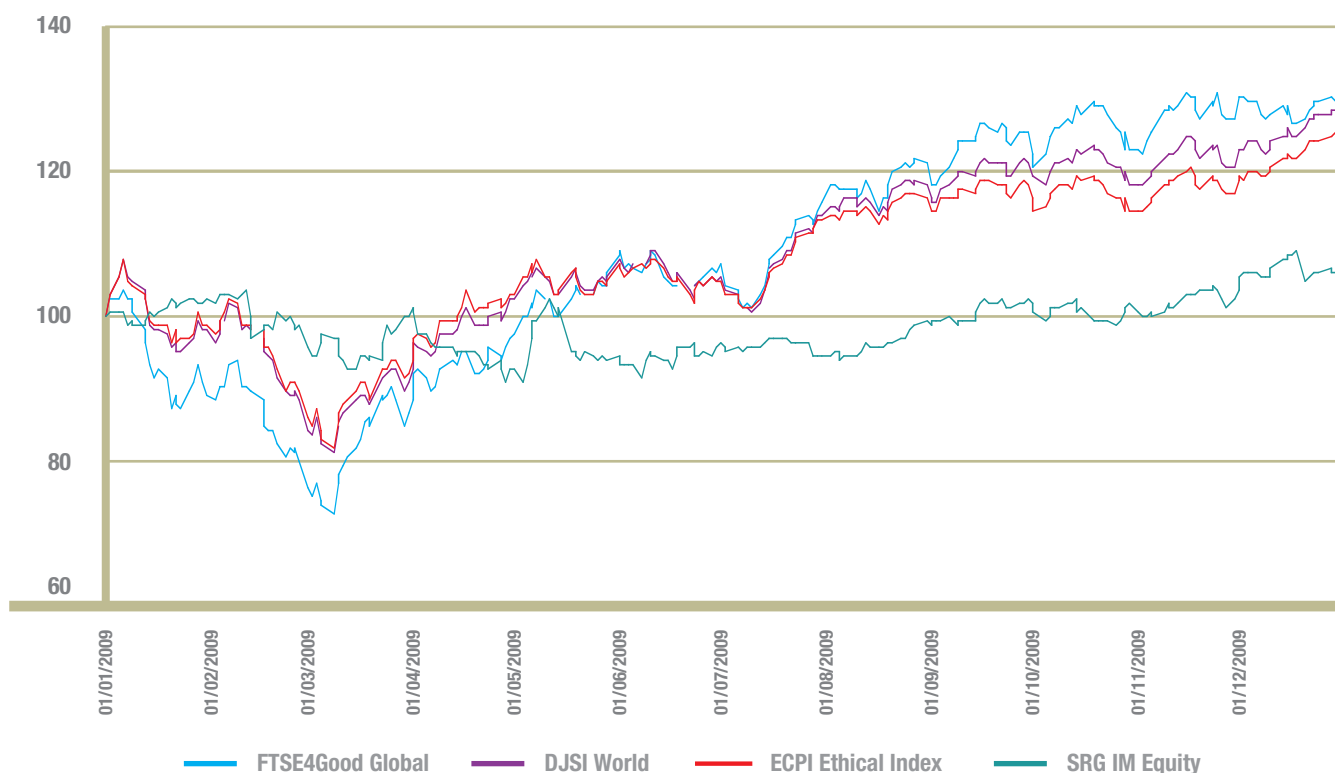
During the year, management took part in roundtable discussions, seminars and conferences on utilities, stock market and corporate governance issues. We prepare special presentations for each meeting, and these are then published in a specific section of the Snam Rete Gas website.

In 2009 we updated and extended the pages on the website in the Investor Relations area, and improved the graphics and charts, in order to be able to provide more effective information and improve site navigation.

Among the new features introduced are the online publication of "Financial Markets Review", which offers a monthly analysis of



## TREND OF THE SRG STOCK AND PRINCIPAL ETHICAL INDICATORS



the financial markets and the stock market trend in the utility sector, of the Snam Rete Gas share, and of the shares of other competitors. To this publication was added, starting in December, "News&Facts", a quarterly publication aimed specifically at individual investors.

In addition, we have devoted special attention to sustainability with further expansion and rationalisation of the area on socially-responsible investors, improving the information and links which an ethical investor, or an ethical ratings company analyst, might need in order to make an assessment of the company. Among the changes and improvements made, in addition to the stock market trends of the international indices, we have also added the trends of the principal sustainability indices to which the company belongs: the Dow Jones Sustainability World Index, the FTSE4Good Europe Index and the FTSE4Good Global Index.

In its half-yearly review of September 2009, FTSE4Good (Financial Times Stock Exchange) Group confirmed the inclusion of Snam Rete Gas in the FTSE4Good sustainability index, for the eighth year in succession. The FTSE4Good index series evaluates our results in attaining sustainable economic development standards on a world level.

In December 2009 Snam Rete Gas was included in ECPI Ethical Index Global, and we also received confirmation of inclusion in the other two indices, ECPI Ethical Index Euro and ECPI Ethical Index

EMU, for which our share had been selected in 2008. The ECPI Ethical Index Global includes 300 companies with high market capitalisations, belonging to the international market and selected using the ECPI methodology. The other two indices both comprise 150 companies belonging to the European market (ECPI Ethical Index Euro) and to the Economic and Monetary Union (ECPI Ethical Index EMU). The new certification was conducted by ECPI, now part of Mittel S.p.A. and listed on the Milan stock exchange, which since 1997 has been a leading company in research, ratings and sustainability indices.

Since 2007 we have participated in the assessment of the Carbon Disclosure Project, one of the most important independent organisations engaged in monitoring the position of major international companies on the issue of climate change and greenhouse gas emissions.

We have been part of the Ethibel Investment Register and Sustainability Indices since 2005. Ethibel is a leading research organisation in Europe in the Corporate Social Responsibility (CSR) sector and sustainable development.

In addition, our commitment to sustainable development has recently been recognised by VIGEO, an environmental and social rating agency, which has found a significant improvement in our overall performance.

## Community and territory

Our relationships with Government Authorities, Regions and local institutions have always been characterised by maximum collaboration and principally tied to the submission of applications for the necessary permits to lay down new pipelines and plants.

As explained in the Disclosure on the management approach, we present projects to the mayors of all the municipalities involved before starting the authorisation process. We also encourage the participation of managers and officers from the institutions in charge of issuing authorisation during inspections of open and restored work sites, in order to improve their knowledge of technical issues and of the results achieved, especially in the case of environmental restoration.

We meet with local farming associations to inform them of the indemnities for easement and crop damage that it intends to pay the owners of land affected by the passage of the pipelines to be laid. When the conditions are met, the meetings end with the parties signing an agreement. During 2009, we held 26 meetings and signed seven agreements.

We highlight the public meetings with the citizens of Cortemaggiore and Besenzone to present and discuss launching the Pilot Project to injected capture and storage of CO<sub>2</sub>.

Our consideration of communities and the territory is demonstrated by some collaborations with local bodies. For example, in 2009, as part of the environmental permit procedure started to upgrade the gas compressor station at Montesano sulla Marcellana (in Salerno

province), we signed an agreement with the Municipality for carrying out environmental rebalancing works.

Concerning the project to modernise the natural gas regasification plant in Panigaglia, begun in 2007, we organised project presentations and a series of meetings and/or guided tours of the plant for institutional contacts, associations and interested public parties.

We made our expertise available to facilitate training and introduction courses. This heading includes supporting and participating in the "Environment, Landscape, Infrastructure" Conference sponsored by CATAP (*Coordinamento delle Associazioni Tecnico Scientifiche per l'Ambiente e il paesaggio*, Co-Ordination of Technical and Scientific Associations for Environment and Landscape), participating in the Italian Gas Safety Forum organised by the CIG (Comitato Italiano Gas, Italian Gas Committee) to make the point about safety in the civilian uses of gas, and supporting the training course, "New principles and experiences on the subject of Environmental Impact Assessment". In addition, the traditional meetings continued with the people, the local institutions and information organisations to illustrate the activity of our industrial plants with the help of specialised technicians. In particular, the compressor station in Messina and the storage facilities at Minerbio, Fiume Treste and Settala held Open Days.

Sponsorships throughout the country are chosen based on our Guidelines for managing philanthropic activity and social initiatives according to various criteria, such as consistency with the overall strategy of the company, the ties to the area, adherence to development objectives and, as a common denominator, consistency with sustainability principles.



Using this approach, in 2009 we continued to sustain initiatives for the land, the environment and culture.

We participated in the improvement of street illumination in Terranuova Bracciolini using solar powered streetlamps.

As GNL Italia, we helped realise a series of events and shows, organised by the Regional National Park of Porto Venere and the City of Porto Venere. This included the shows “Tourism and Environment, Porto Venere 2009”, “The Two-Day Closing of the Canal of Porto Venere”, and other initiatives aimed at spreading awareness of the Protected Area and the city land.

Through donations, we supported various social realities through the country. Among these is the San Vito Foundation Onlus and in particular, the solidarity initiatives planned by the San Vito Foundation Onlus in Mazara del Vallo, committed to charitable projects in the area, and which manages assets confiscated from the mafia, turning them to socially beneficial use. The donations of Italgas including supporting the Theodora Foundation, an organisation working in the field of playtime activities at children’s cancer centres.

Since 2002, we have been supporting Legambiente’s “Puliamo il Mondo” (Let’s clean up the world) project, the world’s biggest international voluntary environmental initiative, under the aegis of the UNEP (the United Nations Environmental Programme), and supported in Italy by the Ministry for the Environment and for the Protection of the Territory and Seas and also by the Ministry for Public Education. The 16th edition took place in 4,500 locations, involved 1,700 municipalities and saw participation from over 700,000 volunteers who helped clean up many deteriorated areas. To promote

“Puliamo il Mondo” within the company, we made available participation kits prepared by the Legambiente. In addition, for each photograph taken by the employees who participated in the initiative, we planted one tree in the planting area of the fluvial Park of the Po and the Orba, in Piemonte, to contributing to CO<sub>2</sub> reduction.

We strengthened our support of the FAI (Fondo per l’Ambiente Italiano, Italian Environment Fund) through which we want to underscore its attention to the country and upgrading the Italian artistic and environmental heritage.

As a corporate member, we have continued to support the activities of the Poldi Pezzoli Museum in Milan, one of the best-known and appreciated museums and cultural institutions in that city.

We completed the movement and reopening of the Italgas Museum, inaugurated on 15 May 2009. This structure has already received about 500 visitors (mainly schools, but also associations, researchers, and Recreational and Welfare Centres for Workers). We also started a project to organise and computerize the documentation held in the archive (more than 1,000 linear meters of documents, 6,000 volumes, brochures and magazines, 35,000 prints, photographs and posters).

## Organisations and Associations

Our staff actively participates in working groups, committees and commissions set up within the framework of Italian and European non-profit associations which carry out studies and research in the gas sector or in sectors with similar interests to those of the company.

### SNAM RETE GAS GROUP PARTICIPATION IN NON-PROFIT ASSOCIATIONS

Associations or Committees	International Associations or Committees (acting as representative for Italian associations/committees)	Industrial and Sector Associations:
<p><b>AEIT</b> - Associazione Elettrotecnica ed Elettronica Italiana  <b>AIEE</b> - Associazione Italiana Economisti dell’Energia  <b>ANIPLA</b> - Associazione Nazionale Italiana per l’Automazione  <b>APCE</b> - Associazione Protezione Corrosioni Elettrolitiche  <b>ASSOCIM</b> - Istituto Certificazione Industriale per la Meccanica  <b>CEI</b> - Comitato Elettrotecnico Italiano  <b>CIG</b> - Comitato Italiano Gas  <b>CONSULTA</b> – Improvement of Artistic and Cultural Assets of Torino  <b>CTI</b> - Comitato Termotecnico Italiano  <b>EASEE-gas</b> - European Association for the Streamlining of Energy-Exchange-Gas  <b>EGIG</b> - European Gas Pipeline Incident Data Group  <b>EPRG</b> - European Pipeline Research Group  <b>FIRE</b> – Federazione Italia per l’uso Razionale dell’Energia  <b>GERG</b> - Groupe Européen de Recherches Gazières  <b>GIE</b> - Gas Infrastructure Europe  <b>GIIGNL</b> - Groupe International Des Importateurs de Gaz Naturel Liquéfié  <b>IATT</b> - Italian Association for Trenchless Technology  <b>UNI</b> - Ente Nazionale di Unificazione  <b>UNICHIM</b> - Associazione per l’Unificazione nel settore dell’Industria Chimica  <b>UNIPLAST</b> - Ente Italiano di Unificazione nelle Materie Plastiche  <b>UNSIDER</b> - Ente Italiano Unificazione Siderurgica</p>	<p><b>CEN</b> - Comitato Europeo di Normazione: representing CIG, UNI and UNSIDER  <b>GENELEC</b> - Comitato Europeo Normalizzazione Elettrica: representing CEI  <b>ECISS</b> - Comitato Europeo Normazione Ferro Acciaio: representing UNSIDER  <b>IGU</b> - International Gas Union: representing CIG  <b>ISO</b> - International Organization for Standardization: representing CIG , UNI and UNSIDER  <b>MARCOGAZ</b> - Technical Association of the European Natural Gas Industry: representing CIG</p>	<p><b>ANIGAS</b> – Associazione Nazionale Industriali Gas  <b>ANFIDA</b> - Associazione Nazionale Industriali Acquedotti  <b>National Manufacturing Associations</b>  <b>ASSOMINERARIA</b>- Associazione Mineraria Italiana  <b>Confindustria Energia</b></p>

We have a significant commitment to developing legislation, technical regulations, studies and projects in relation to scientific and technical problems relating to the gas industry, as well as studies on market regulation, paying particular attention to safety, environmental protection, the increasingly efficient use of energy resources, and the integration of the use of natural gas with renewable energy sources.

About 105 people from Snam Rete Gas Group were involved in the work of the Associations in 2009, both operationally (in around 120 positions of involvement including workgroups, commissions and committees) and, in some cases, taking up office in the management structures.

## Suppliers

After the acquisition, the Company redesigned the procurement process for goods, work and services constituting the Supply Chain Department and centralised the Procurement units into a single organisation.

The system behind this process is aimed at ensuring objecting assessment of suppliers, both in qualification step and in assignment contracts, to assure them a fair opportunity once the required qualitative standards are met. Depending on the critical level of its commercial category, adding a new company to the list of suppliers is subject to a positive assessment of various preliminary, documentary and technical aspects. Suppliers are required to adhere to the “231 model” of Snam Rete Gas, to principles of Codes of Ethics ando also to respect the worksafety criteria, health protection and the international standards on workers’right.

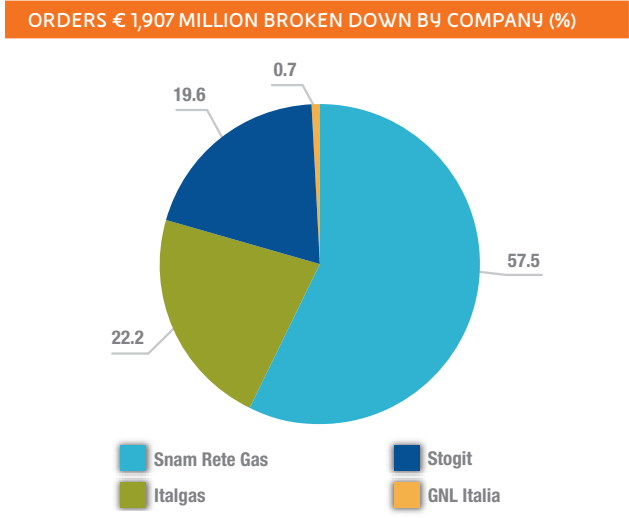
Once a contract is assigned, staying on these lists depends on assessments of the services rendered in terms of product quality, processes and meeting deliveries.

Supplying processes integration and sharing is not a serious obstacle fro Snam Rete Gas Group since the acquired companies already use instruments coherent with the common strategies. The transparency, trackability and confidentiality level toward the suppliers, a fundamental value to maintain a positive relationship, is granted by the use of the most advanced data processing tools for the electronic negotiation managing.

The use of such tools led the value of allocated contracts by means of electronic negotiation to about the 90% of their total number.

Under the new organisational arrangement, about 1,400 suppliers won at least one Group contract in 2009, for a total order of € 1,907 million.

To face the deep and rapid changes in market conditions caused by the global crisis of mid-2008, we used our tools appropriately and modified some purchasing policies, without reducing the order volume among our suppliers.



Snam Rete Gas initiated a project to review commercial categories, with the objective of promoting transparent cooperation, streamlined procedures, and efficient qualification processes. This concluded with the publication of the new commercial product tree on the website ([www.snamretegaz.it/it/lavora\\_con\\_noi/lcn\\_categorie\\_merceologiche.shtml](http://www.snamretegaz.it/it/lavora_con_noi/lcn_categorie_merceologiche.shtml)).

The project was basis to detect new and up-to date criteria for the determination of critical levels to define personalized qualification processes. The aim was to direct the suppliers qualification process inspections according to the productive process importance or according the suppliers features, granting transparency and undiscrimination together with a sufficient evaluation of the applicants quickly and generally more efficiently. At end of 2008, an analysis of commercial goods categories was initiated, involving various company functions that had shown critical issues in terms of supply. When purchasing difficulties were linked to technical aspects, we sought to standardise the product not matching with the offer. In other cases, marketing intelligence analysis was started to identify new suppliers able to increase competitiveness thanks to a greater market.

In the Distribution sector, we launched various European requests for tenders to reach the objective of replacing the meters that were more than 20 years old by the end of the spring of 2011 (about 2,000,000 of the 6,000,000 installed) following the commitment we undertook on this subject with the consumer associations in December 2008.

The Company also issued a request for tenders for contracts to supply measurement and remote reading on all large-size meters, at the request of the AEEG. Finally, it formalised contracts with various sector companies to screen different technologies for remote reading of household meters, to identify the most suitable solutions for applying remote reading to household meters in general.

CONTRACTOR INJURIES			
TRANSPORT	REGASIFICATION	STORAGE	DISTRIBUTION
<b>Injuries</b> <b>49</b> <b>Frequency index*</b> <b>11.21</b> <b>Severity rate**</b> <b>0.35</b>	<b>Injuries</b> <b>0</b>	<b>Injuries</b> <b>14</b> <b>Frequency index*</b> <b>16.04</b> <b>Severity rate**</b> <b>0.84</b>	<b>Injuries</b> <b>25</b> <b>Frequency index*</b> <b>14.86</b> <b>Severity rate**</b> <b>0.41</b>

\* Number of injuries (not including commuting accidents), resulting in an inability to work at least one day, for every million hours worked

\*\* Number of working days lost, from injuries (not including commuting accidents) resulting in inability to work for at least one day, for every thousand hours worked

## Safety in contracted works

In managing suppliers, the Company's businesses focussed on ensuring compliance with legal and procedural prescriptions on the subjects of health and safety.

In the transportation sector, activities continued to qualify new suppliers, issue new technical opinions during contract competition and checking on suppliers during the performance phase. These activities involved 34 assessment procedures of qualifying contractors, 169 technical evaluations during the tender stage and carrying out 20 inspections at the work sites of suppliers, to verify compliance with legal and contractual standards.

Specialised assistance was also provided to contract managers to implement the requirements of current legislation.

In general, safety meetings are held with the suppliers both before the work and during its performance, with periodic progress meetings, paying special attention to the specific risks present, to measures for prevention, protection and emergency response, to measures for coordination and cooperation taken in the places where the suppliers are working and to applicable health and safety procedural provisions.

The Company also continued information activities on providing health and safety in temporary and mobile job sites.

Analysis of the figures for accidents and injuries in contracted-out work shows a frequency index of 12.74 and a severity rate of 0.43. There were 84 accidents in 2009, unfortunately one of which was fatal, caused by a fall from the roof of a Snam Rete Gas building. This accident is still under investigation by the authorities.

In 2009, the accident indexes for transportation and regasification activities posted a frequency of 11.15 (-48% from 2008) and a severity of 0.35 (-35% from 2008).

## External communication

The new shareholder structure brought about the definition of an organisational structure that could respond to the communications needs of stakeholders in a more integrated manner. To this end, we

combined the activities of external communication, relationships with institutions and sustainability under the same department.

This new organisational framework was defined during the second half of 2009. With it, we will respond to the broader range of institutional contacts using a more proactive and synergic model that fits the new business reality.

During the year, we continued to develop the website on the base of the communications needs of the Company towards its stakeholders. In particular, by approaching the shippers' needs more effectively and more rationally, we developed and activated a new portal for managing bookings and transactions of capacities. Regarding external communication, we concluded, with its third edition, the project about Italian landscape and realised the press and online information campaign about the share capital increase operation.

## Share capital increase campaign

Concerning the share capital increase operation to acquire Italgas and Stogit, we realized an informational-advertising campaign that was transparent and in line with the rules of the Italian Stock Exchange, aimed at Snam Rete Gas shareholders and, especially, the retail market. For this purpose we launched an informational campaign in the principal national dailies and their websites. The company website was also a crucial means for publishing the operation and for making information available to investors. We published exhaustively all the information needed to subscribe to the new shares and a toll-free telephone number for private investors to obtain information. The operation closed with all shares offered being subscribed. In particular, the campaign contributed to high subscription levels, not only by institutional investors, but also by individuals, that is, retail shareholders.

## The Italian landscape

We have promoted the "Italian Landscape" project to emphasize areas crossed by the pipeline network. This is an artistic and cultural project, assigned to three major photographers, who have depicted the frontiers of methane importation in their images. In 2009, the ini-

tiative marked its third edition. After Sicily (the arrival point for gas from North Africa) and the Po Valley (strategic junction of the pipeline network), the alpine range has played the starring role in this new photographic journey. Giorgia Fiorio, an internationally renowned photographer, has depicted the snow-covered peaks, glaciers and valleys crossed by pipelines that supply our cities with gas, photographing the frontier where the imports arrive from distant gas fields in Russia and Northern Europe. It was an intense and impassioned work, collected in the book, "*Sotto il Cielo*" (Below the Sky), from

which the 2010 calendar was prepared.

With more than 60,000 copies in print, the calendar was sent as a gift to the local bodies with which we work and to all who asked for a copy through the website.

The calendar also makes it possible to provide contact details for emergency services on the pipeline network as well as points of contact for the Districts and Peripheral Sites distributed throughout the country. It also illustrates the signage used to indicate areas crossed by the pipeline network.

