



DANIELI & C. – OFFICINE MECCANICHE S.p.A.

Headquarters: Buttrio (UD), via Nazionale 41

Fully paid-up share capital of euro 81,304,566

Tax and Registration Number with the Register of Companies of Udine: 00167460302.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE
2014/2015 FINANCIAL YEAR

In accordance with article 123-bis of Legislative Decree n.58 dated February 24, 1998

Approved by the Board of Directors on September 24, 2015

(traditional model of administration and control)

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Foreword

In 2010, after examining its *governance* system, the company's board of directors decided not to adhere to the Self-Regulatory Code for Listed Companies issued by the Italian Stock Exchange "Borsa Italiana S.p.A." This decision was due primarily to the need to have a basic, dynamic structure that is better suited to the market in which the company operates, strengthening efficiency by assigning the task of Corporate Governance to the executive directors, and monitoring, control and assistance to the non-executive directors and to the board of statutory auditors, while increasing and improving the existing control and auditing procedures.

Other considerations that influenced this decision are:

- the existence of a majority shareholder represented by a Chairman who is also Chief Executive Officer;
- an incumbent Board of Directors composed of five members, of which only one is an independent director;
- the absence of internal committees on the board of directors, with the exception of the Executive Committee, which is made up of 3 executive directors and meets only to make urgent decisions.

The duties of the committees of the board of directors are therefore borne by the entire board, under the coordination of the Chairman of the Board, who is also the highest ranking executive in charge of running the company.

However, in sharing the spirit of transparency and fairness that characterizes the provisions of the Self-Regulatory Code, the Board of Directors has drawn up this report on corporate governance, which summarizes the practices that the company actually follows, and which are in accordance with current legislation and regulations.

1. Issuer's Profile

The Danieli Group, whose parent company is Danieli & C. – Officine Meccaniche S.p.A. (hereinafter referred to as DANIELI), has its main operating companies in Italy, the United States, Russia, The Netherlands, Germany, Sweden, the United Kingdom, France, Spain, India, Thailand, China, Vietnam, Austria and Japan. It designs, manufactures and installs machines and plants for the metallurgical industry – including “turnkey” plants – with technologies and products that cover the entire production cycle, from ore processing to finished steel products in a wide range of types and sizes.

DANIELI is one of the top three manufacturers in the world of plants and machines for the metallurgical industry and applies the concepts of sustainability (“SustSteel”) and “Recycling” of steel in the field of EAF-based minimills; it is world leader in plants for the production of long products, and second manufacturer in the world of plants for the production of flat products.

The Group employs approximately 11,000 people, and over 90% of its sales are to foreign markets.

The Danieli Group is also directly involved in the manufacture of long steel products, through Acciaierie Bertoli Safau S.p.A. (ABS) in Italy and ABS Sisak d.o.o. in Croatia (special steels for the following industries: automotive, heavy equipment, mechanical engineering, energy and petroleum).

DANIELI has implemented a *Governance* and Internal Control System that is capable of dealing with complex business situations both domestically and internationally, in the interest of the stakeholders and the communities in which the company operates.

The company encourages compliance with standards of quality, efficiency and safety, requiring commitment, responsibility and observance of these principles at all levels and in all departments of its organization.

DANIELI's personnel is obliged to comply with the national and supranational laws and regulations applicable to its conduct in Italy and abroad, with transparency and in observance of the ethical principles according to which the conviction of acting for the benefit of the company cannot in any way justify behavior that is in conflict with these essential values.

DANIELI has adopted a traditional administration and control system and is therefore governed by a Board of Directors, whose Chairman and CEO also represents the majority shareholder (Sind International S.p.A.).

2. Information on ownership structure (to June 30, 2015)

a) **Share capital structure**

The subscribed and paid-up share capital is euro 81,304,566, divided as follows:

Fully-paid share capital of euro 81,304,566				
	Number of shares	% of share capital	Listed	Rights and obligations
Ordinary shares	40,879,533	50.28%	Milan	Voting rights
Non-convertible savings shares (without voting rights)	40,425,033	49.72%	Milan	Without voting rights, but preferred as regards profit distribution and capital repayment.

b) **Restrictions on the transfer of securities**

There are no restrictions on the transfer of securities - except those provided for by law.

c) Major shareholdings in share capital

Major shareholdings in share capital (art. 120 of the Consolidated Law on Finance)			
Declarant	Direct Shareholder	% of Ordinary Capital	% of Voting Capital
Sind International S.p.A.	Sind International S.p.A., Milan	67.175%	67.175%
Danieli & C. Officine Meccaniche S.p.A. (own shares without voting rights)	Danieli & C. Officine Meccaniche S.p.A., Buttrio (UD)	7.24%	7.24%

d) Securities that confer special rights

The company has not issued any securities that confer special rights of control.

e) Employee shareholding: Mechanism for the exercise of voting rights

The corporate by-laws do not provide for any employee shareholding programs.

f) Restrictions on voting rights

There are no restrictions on voting rights - except those provided for by law.

g) Agreements between shareholders

To the company's knowledge, there are no agreements between shareholders pursuant to art. 122 of the Consolidated Law on Finance.

h) Change-of-control clauses and by-law provisions regulating takeover bids

There are no major agreements entered into by the company or by any of its subsidiaries with third parties, which will become effective, be modified or cancelled if there is a change in control of the contracting company.

The by-laws do not contain any provisions referring to takeover bids, in which case reference must be made to the provisions contained in the Civil Code and in the special laws on this subject matter.

i) Authorizations to increase share capital and to purchase own shares

Pursuant to art. 2443 of the Civil Code, the Board of Directors has the power to increase share capital, either all at once or gradually, up to a total maximum amount of euro 100,000,000 through the issue of ordinary and/or savings shares to be allocated free of charge to the assignees and/or to be offered as a payment option, with the right to set aside - within the limits of the law - a part of the issued shares for directors and employees of the company and/or its subsidiaries. Pursuant to art. 2420 ter of the Civil Code, the Board of

Directors also has the power to issue bonds – including convertible bonds – up to a maximum amount of 150,000,000 euro.

These powers, which expired in 2014, were renewed for an additional five-year term by the shareholders during the extraordinary meeting held on October 28, 2014.

As far as own shares are concerned, for the year ended June 30, 2015, the company held 2,961,213 ordinary shares equivalent to 7.24% of ordinary share capital, and 3,945,363 savings shares equivalent to 9.76% of savings share capital.

During the shareholders' meeting held on October 28, 2014, the Board of Directors was authorized to purchase and sell the company's ordinary and savings shares in compliance with current regulations and according to the following conditions:

- a) except in very unusual cases, the purchase and sale of shares are subject to a Board of Directors' resolution and must fall within the limits allowed by the current pro tempore rules; they must take place in regulated markets based on their quotations in these markets, according to the terms agreed with the market management company and in compliance with the principle of equal treatment of shareholders as per the provisions of art. 132 of Legislative Decree n.58 - Consolidated Law on Finance, dated February 24, 1998;
- b) considering the number of ordinary and savings shares currently in the portfolio of the company or its subsidiaries, under no circumstances shall the nominal value of the purchased shares exceed one fifth of the share capital at nominal value, subject to the provisions of paragraph 3, art. 2357 of the Civil Code;
- c) the authorization will be valid until the shareholders' meeting to approve the financial statements for the year ending June 30, 2015, and in any case not after November 30, 2015;
- d) the minimum and maximum purchase prices for both categories of shares will be a unit price between +20% and -20% of the official stock exchange price on the day preceding the one on which the transaction takes place;
- e) the sale price of the shares in item d) and of those currently in the portfolio will not be less than their stock exchange value at the time of the sale;
- f) among the available reserves, the "extraordinary" reserve is to be used for the purchase of own shares.

j) Management and coordination

Although it is controlled by another company, the Company is not subject to management and coordination pursuant to art. 2497 and subsequent articles of the Civil Code, since the controlling company - Sind International S.p.A. - is not an operating company; DANIELI does, however, manage and coordinate its direct and indirect subsidiaries.

Finally, the following should be noted:

- the information required in art. 123-bis paragraph one, letter i) ("agreements between the company and the directors ... that provide for compensation in the case of resignation or dismissal without just cause, or if the employment relationship ceases following a takeover bid"), is included in the Remuneration Report published in compliance with art. 123-ter of Legislative Decree n.58 of February 24, 1998 (Consolidated Law on Finance);
- the information required in art. 123-bis paragraph one, letter l) (the standards applicable to the appointment and replacement of directors and to changes to the by-laws, other than the legislative and regulatory ones additionally applicable") is illustrated in the Board of Directors' section (Section 4.1) of this Report.

3. Compliance

The company, as provided for in art. 89-bis of the Consob Issuers' Regulations, declares that it has not adopted a Code of Conduct.

4. Board of Directors

4.1 Appointment and Replacement

In the meeting of October 25, 2012, the shareholders renewed the company boards, taking into account the provisions of Law n. 120 of July 12, 2011, which introduced the concept of gender balance. After three years in office, these boards are now up for renewal. Therefore the meeting to be convened to approve the financial statements to June 30, 2015, will also be called upon to renew the boards.

Directors are appointed – as per art. 15 of the corporate by-laws requiring that their number be between five and eleven - from lists which have to be submitted within a specific period established by law (including by telecommunication), at the headquarters of the shareholders who alone or together with other shareholders constitute the percentage of ordinary share capital specified in statutory provisions (Consob has set a threshold of 2.5%), with the following distinctions:

Each shareholder is allowed to submit one list.

The lists must indicate the names of the candidates numbered progressively, and cannot exceed the maximum number of members to be elected; they must also indicate the directors who possess the independence requirements established by law and the by-laws. If the names of at least three candidates are submitted, the number of candidates of the gender that is inferior in number on the list must comply with the minimum quota established by current legislation on gender balance.

Each candidate can only appear on one list, under penalty of being declared ineligible.

At least one of the members of the Board of Directors, or two if the Board is made up of more than 7 members, must possess the requirements of independence established by law for auditors in art. 148, paragraph 3 of Legislative Decree n.58 of February 24, 1998.

Furthermore, pursuant to art. 147-quinquies of Legislative Decree n.58 of February 24, 1998, individuals performing administrative and managerial duties must possess the same good standing as the members of the board of auditors, in compliance with the Regulations issued by the Ministry of Justice pursuant to art. 148 paragraph 4 of Legislative Decree n.58 of February 24, 1998, under penalty of forfeiting their position.

Together with each list, which must indicate the names of the shareholders and the amount of shares held by each one, the following documents must be submitted, or the list will not be accepted:

- a statement from the shareholders, other than those who alone or jointly hold a controlling interest or relative majority, declaring that no relationships of affiliation exist between the former and the latter, as per art. 144-quinquies of the Consob Issuers' Regulations;
- declarations in which each candidate accepts the candidacy, describes his/her personal and professional characteristics, stating, under his/her own responsibility, that there are no reasons for ineligibility or incompatibility, that he/she possesses the necessary requirements of good standing and – if necessary – of independence, as provided for in current regulations, as well as providing information on positions of administration and control held in other companies;

One of the members of the Board of Directors is from the list of minority shareholders that obtained the largest number of votes and that is not connected, not even indirectly, with shareholders who have submitted or voted for the list which received the highest number of votes.

Each shareholder has the right to vote for only one list.

Depending on the number of members established by the shareholders and their numerical order, the candidates on the list which receives the highest number of votes will be elected, with the exception of one, who will be the first candidate in numerical order from the list that received the second highest number of votes.

If the procedure described above does not comply with the law on gender balance, instead of the last candidate of the gender that is superior in number on the list of the majority shareholder, the next candidate elected will be of the gender that is inferior in number from the same list.

If only one or no list is submitted, and to appoint the directors required to complete the Board of Directors, the shareholders will deliberate by relative majority, provided they comply with the law on gender balance.

The directors will hold office for three years, they can be re-elected and their term in office will expire on the date of the meeting called to approve the annual report for the last financial year in which they were in office.

In the case of resignation, revocation or dismissal of the majority of directors appointed to office, the entire board will be dismissed.

If during the year one or more directors pass away, the board will temporarily replace them by passing a resolution approved by the board of auditors, provided that the majority continues to be made up of directors appointed by the shareholders as per art. 2386 of the Civil Code, and provided that it is in compliance with the law on gender balance.

If directors from the minority list need to be replaced, the board – if possible - will co-opt the candidates listed in numerical order on the same list as the director to be replaced, in compliance with the law on gender balance; these candidates will renew the acceptance of their candidacy in writing, and submit it together with the declarations stating that they possess the requirements to hold office as specified in current regulations and in the corporate by-laws.

The company is not subject to further provisions in this respect.

Succession Plan

The company does not have a specific succession plan in the case of early expiry of a director's term of office. In any event, for each "key" role within the corporation, other high-level professional figures have been selected who are ready to take over from their predecessors at any time.

In any event, it will be the board of directors who will make a decision on this matter.

4.2 Composition

The by-laws state that the Company must be governed by a Board of Directors made up of a minimum of five and a maximum of eleven members.

As of June 30, 2015, there are six (5) incumbent members of the Board of Directors appointed by the general shareholders' meeting on October 25, 2012, namely:

- 1 Gianpietro Benedetti, President and CEO
- 2 Carla de Colle, Vice-president
- 3 Franco Alzetta, Chief Operating Officer
- 4 Giacomo Mareschi Danieli, Director (non-executive)
- 5 Augusto Clerici Bagozzi, Director (Independent according to law, Non-executive).

The directors were elected from the only list submitted, by the majority shareholder Sind International S.p.A. during the shareholders' meeting, with 89.759% of those present voting for the list.

Between their appointment and now there have been no changes in the composition of the board; its term in office will expire at the shareholders' meeting called to approve the annual report for the year ending June 30, 2015.

Personal and Professional Characteristics of each Director

Gianpietro Benedetti

Born in Udine on May 16, 1942

Education and work experience: Diploma from the Malignani Technical Institute of Udine (1961)

He began and continues his professional career with DANIELI (first appointed director in 1985):

- 1961 Hired as an apprentice designer
- 1965 Project Manager
- 1966 Commissioning Manager
- 1968 Manager of the Rolling Process and Technological Department
- 1970 Steel Plant Engineer
- 1976 Sales Director
- 1982 Manager of Sales, Project Managers, Engineering Departments and Research Center

- 1983 Chief Executive Officer, Management of Sales & Research Centre
- 1990 Chief Executive Officer and Managing Director
- 2003 Chairman and Chief Executive Officer

And also:

- 1999-2004 Member of the Board of Directors of Banca Popolare Friuladria S.p.A. (Banca Intesa)
- 2000 Honorary degree in Mechanical Engineering awarded by the Università degli Studi of Trieste
- 2002 “Federico Giolitti” prize at the 7th European Steelmaking Conference
- 2004 “Premio del Lavoro e del Progresso Economico” awarded by the Executive Committee of the Chamber of Commerce of Udine at the 51st prize-giving ceremony
- 2006 Honorary degree in Industrial Engineering awarded by the Università degli Studi of Udine
- 2006 Awarded the “*Cavaliere del Lavoro della Repubblica Italiana*”
- 2009-2009 Member of the Board of Directors of Cassa di Risparmio del Friuli Venezia Giulia S.p.A. (Intesa Group).
- 2010 President of the foundation “*ITS – Istituto Tecnico Superiore nuove tecnologie per il made in Italy, indirizzo per l’industria meccanica ed aeronautica*” of Udine.
- 2013 Member of the Board of Directors of Banca Popolare Friuladria S.p.A. (Crédit Agricole Group).
Owner of various patents for steelmaking machines and processes.

Carla de Colle

Born in Udine on April 14, 1943

First appointed director in 1999.

- 1963 Began her professional experience with the Danieli Group where she reached the position of Head of Cost Accounting and Management Control for the Parent Company.
- 1981 In charge of setting up and starting up Danieli’s Production Planning system.
- 1982 Appointed company executive.
- 1984 General Manager of Danieli Natisone – a subsidiary operating in the design and sale of cold processing plants.
- 1991 Vice-General Manager of DANIELI responsible for production and associated services, such as purchasing, warehouse and related activities.
- 1999 Appointed Member of DANIELI’s Board of Directors with executive powers.
- 2003 Appointed Chairman of Acciaierie Bertoli Safau SpA – Company of the Danieli Group.
- 2003 Appointed Executive Vice-Chairman of DANIELI.

Franco Alzetta

Born in Trieste on September 6, 1958

First appointed director in 2003.

Education: Degree in Mechanical Engineering (University of Trieste)

- 1985 Began his professional career at Danieli in the field of project management. He then moved on to sales engineering, where he progressively held the positions of Proposal Engineer, Area Manager and Sales Manager of Danieli Morgårdshammar, the product line of the Group dedicated to rolling mills for long products.
- 2001 Appointed Co-General Manager of Danieli Centro Maskin, the Group product line which supplies cold finishing plants for long products and billet/slab grinding plants.
Appointed General Manager of Danieli Centro Met, the Group product line for steelmaking plants.
- 2003 Appointed Executive Director of DANIELI and Head of the Long Products Division.
- 2006 Appointed Chairman of Danieli Metallurgical Equipment (Beijing) Co. Ltd., a subsidiary with headquarters in Beijing, operating on the Chinese market.
- 2008 Appointed Chairman of the subsidiary Danieli Changshu Metallurgical Equipment & Services Co. Ltd., located in Changshu, China.
- 2008 Appointed Chief Operating Officer of DANIELI.

Giacomo Mareschi Danieli

Born in Latisana (UD) on November 4, 1980.

First appointed director in 2009.

Education: Degree in Electrical Engineering from the Politecnico di Milano.

- 2005 Practical training at Acciaierie Bertoli Safau S.p.A. on "Development and maintenance of Level 1 automation software for a casting and rolling plant".
- 2006 Project Coordinator on the E.S.I. jobsite in Abu Dhabi (UAE)
- 2008 Site Manager for Danieli Construction International S.p.A. in Ukraine
Appointed member of the Board of Directors of Sind International S.p.A.
- 2009 Appointed non-executive director of the DANIELI Board of Directors.
In charge of macroplanning for Danieli Co. Ltd. in Thailand.
- 2011 Appointed Member of the Board of Directors of Danieli Co. Ltd.
Appointed Manager of the "Flat Products" Division and CEO of Danieli Co. Ltd.
- 2015 Appointed Executive Manager of Danieli (Sales); Danieli Plant Engineering Director

Augusto Clerici Bagozzi

Born in Asola (MN) on July 14, 1940.

First appointed director in 2003.

Education: Degree in Economics and Business (Bocconi University)

- 1966 Registered as a Certified Public Accountant
- 1971-1981: Active in the field of financial auditing and certification and Chairman of the Board of Statutory Auditors of *Revisori Internazionali Associati S.p.A.* and of *MC Lintock Main Lafrents S.r.L.* as a member of the Tax Committee registered with the *National Association of Accountants* of New York.
- 1972 Entered in the Register of Financial Auditors
- 1981 Main activities include management, tax and corporate consultancy in the industrial, commercial, financial and real estate sectors, in addition to holding numerous positions as member of Boards of Directors and Boards of Statutory Auditors.
He has also held numerous positions as a trustee in bankruptcy, judicial liquidator of administrative receiverships and of arrangements with creditors.
Currently, he is primarily involved in setting up and managing corporate structures and contracts for financial-economic transactions.
- 1990 Registered with the Court of Milan as a court-appointed expert witness.
- 1995 Entered in the Register of Accounting Auditors pursuant to Ministerial Decree of April 12, 1995
- 2002 Appointed member of the Board of Directors of CASSALOMBARDA S.p.A.
- 2003 Appointed member of DANIELI's Board of Directors with the requirements of independence specified in art. 148, paragraph 3 of the Consolidated Law on Finance.
- 2010-2011 Appointed Member of the Board of Directors and Member of the Internal Control Committee of the listed company ACTELIOS S.p.A. (subsequently FALCK RENEWABLES S.p.A.)
- 2014 Appointed member of the Executive Committee of CASSA LOMBARDA S.p.A.

Positions held in other companies

Although the Board of Directors has not established the general criteria concerning the maximum number of governing and control positions that a person can hold in other companies, considered to be incompatible with the role of director in this company, it has made the following observations; most of the positions held by the executive directors are within the Danieli Group; the Independent Director has in the past performed and continues to perform his duties at Danieli with efficiency and commitment.

As of June 30, 2015, the Directors of Danieli & C. Officine Meccaniche S.p.A. hold the following positions as Directors or Statutory Auditors in other companies listed on regulated markets (including foreign markets), in financial, banking and insurance companies or large companies, as well as in companies belonging to the group (marked with an asterisk):

Gianpietro Benedetti	Sind International SpA	Chairman
	*Danieli Co. Ltd.	Chairman
	*Danieli Automation SpA	Chairman
	*Acciaierie Bertoli Safau SpA	Director
	Banca Popolare FriulAdria SpA	Director
Carla de Colle	*Acciaierie Bertoli Safau SpA	Chairman
	*ABS Sisak d.o.o.	Supervisory Board member
Franco Alzetta	*Danieli Metallurgical Equipment (Beijing) Co. Ltd.	Chairman
	*Danieli Changshu Metallurgical Equipment and Service Co. Ltd.	
	*Danieli Centro Combustion SpA	Director
	*Stem Srl	Director
	*Morgardshammar AB	Director
	*Sund Birsta AB	Director
Giacomo Mareschi Danieli	Sind International SpA	Director
	*Danieli Co. Ltd.	C.E.O.
Augusto Clerici Bagozzi	Cassa Lombarda SpA	Director/Member of the Executive Committee
	S.I.O.R.A. Srl - Società Italiana Organizzazioni	Sole Director
	Revisioni Aziendali	Chairman of the Board of Statutory Auditors
	Disano Illuminazione SpA	Chairman of the Board of Statutory Auditors
	Lamplast Finanziaria SpA	Chairman of the Board of Statutory Auditors
	SG Factoring SpA	Chairman of the Board of Statutory Auditors
	O.R.M.I.G. Officine Riunite Macchine Industriali Genova SpA	Chairman of the Board of Statutory Auditors
	FOS NOVA Srl	Chairman of the Board of Statutory Auditors
	SIRIUS SpA	Chairman of the Board of Statutory Auditors

Induction Program

Four of the five members of the Board of Directors received their professional training at DANIELI, gradually gaining important skills in the field of business in which the company and its subsidiaries operate. The CEO has always promoted numerous initiatives (meetings, congresses, management training courses) in order to enhance corporate dynamics, their evolution, the regulatory framework and corporate ethics.

4.3 Role of the Board of Directors

During the year ended June 30, 2015, the Board of Directors met 5 times.

The average duration of the meetings was two hours.

Five meetings have been scheduled for the current financial year, one of which was already held on September 24, 2015.

The Chairman of the Board of Directors ensures that well in advance of the meeting all the Directors and Statutory Auditors receive the necessary documentation and information required for informed decision-making; executives from the Parent Company or from Group companies, as well as department managers knowledgeable on the items on the agenda, may also be invited to attend the meetings, for any detailed discussions that may be required.

Rarely during the meetings are topics discussed without having first provided the pertinent documentation.

According to the by-laws, the Board of Directors must examine and approve the strategic, industrial and financial plans of the company and the Group, as well as establishing a Corporate Governance system for Danieli and for the organization of the Group under the Parent Company Danieli.

The Board of Directors assesses the suitability of the general organizational, governing and accounting structure of the company set up by the executives, with particular reference to the internal control and risk management system. Major transactions pointed out by the *Internal Auditors* are examined by the Board of Statutory Auditors, the Independent Director or the Watchdog Committee, as the case may be.

In performing the control and coordination of the subsidiary companies' operations, the Board of Directors also assesses the suitability of the organizational, governing and accounting systems set up by the Executive Directors, with particular reference to the internal control and risk management system. This is then verified by the monitoring bodies and the Watchdog Committee – when appointed - of the subsidiaries.

This is particularly the case for those subsidiaries which, because of their turnover, are considered to be functionally important, i.e.:

- Acciaierie Bertoli Safau S.p.A. (Italy)
- Danieli Automation S.p.A. (Italy)
- Danieli Co. Ltd. (Thailand)

The Board examines the general performance of the company by considering, in particular, the information provided by the delegated bodies, and by periodically comparing actual and planned results, with the possibility of requesting additional information or clarifications in order to properly evaluate the facts submitted to the board for discussion.

According to the Code for Transactions with Related Parties (approved by the Board of Directors on November 12, 2010, and subsequently modified on November 14, 2012) the Board of Directors is responsible for first examining and approving:

- the major transactions performed by the company and its subsidiaries, if these transactions have considerable strategic, economic, capital and financial importance for the company;
- transactions by the company and its subsidiaries in which one or more directors has an interest, either for himself or on behalf of third parties.

The Board has established the general criteria to identify related-party transactions, setting a threshold of 0.5 million euro for each minor transaction.

All extraordinary financial transactions are explained by the Chairman and examined and commented on at each meeting of the Board of Directors.

The shareholders have not authorized any exceptions to the non-competition clause for directors, either for themselves or on behalf of third parties, pursuant to art. 2390 of the Civil Code.

Self-assessment:

The board of directors has assessed the size, composition and operation of the board and its committees, based on the replies to a questionnaire – reformulated annually – sent to all the Directors. The replies were first examined by the Independent Director and then by the Board after hearing the opinion of the Board of Statutory Auditors. In conclusion, the assessment on the suitability, efficiency and operation of the board was positive for fiscal 2014/2015 as well.

4.4 Delegated Bodies

Executive Directors

Of the five directors in office, three have management powers, namely:

- the Chairman and CEO, Mr. Gianpietro Benedetti;

- the Vice-chairman Carla de Colle, who, in accordance with the by-laws, exercises her powers if the Chairman is absent or unable to act;
- the *Chief Operating Officer*, Mr. Franco Alzetta, who manages the operations of the plantmaking segment.

Chairman of the Board of Directors

The Chairman is mostly responsible for running the company (*Chief Executive Officer*) and developing company strategies; he is also the controlling shareholder.

All the powers of the Board of Directors have been conferred on the Chairman and CEO, with the exception of: those that cannot be delegated by law, and those concerning safety, environmental protection and administration; the Chairman and CEO is obliged to report to the Board of Directors.

The Corporate by-laws assign signing power and the role of representative for legal and other matters to the Chairman of the Board of Directors, and to the Vice-Chairman if the former is absent or unable to act.

Because of the demands of the international steelmaking plant market, which require rapid decision-making, no power limitations have been set for the Chairman and CEO, with the exception of those required by law.

Nonetheless, collective decisions are preferred whenever possible.

Executive Committee

The Executive Committee has all the powers of the Board of Directors, with the exception of those that cannot be delegated by law or by the corporate by-laws, and is obliged to report its decisions to the Board of Directors at the first subsequent meeting.

The Executive Committee meets to deal with unforeseeable operating emergencies; the members of the Board of Legal Auditors are invited to attend these meetings.

Four meetings were held during the year ended June 30, 2015.

Reporting to the Board

At each meeting of the Board of Directors, the executive directors report on the major transactions carried out or to be carried out by virtue of their powers.

4.5 Other Executive Directors

The executive director Mr. Franco Alzetta – who has a thorough knowledge of corporate operations, having gained decades-long experience in the field – holds the position of *Chief Operating Officer* whose powers cover the “*Plant Making*” business segment. He is also on the company’s Executive Committee and is a member of the Board of Directors of some of the Group’s operating companies.

Limits have been set on his powers, beyond which any decisions must be made collectively.

4.6 Independent Directors

Of the five incumbent members of the Board of Directors, Augusto Clerici Bagozzi is a non-executive director who since 2003 has possessed the requirements of independence – as regards the company, the directors and the management of the company - as specified in art. 148 paragraph 3 of Legislative Decree 58/98 (Consolidated Law on Finance).

The existence of the above-mentioned prerequisites has been examined and confirmed by the board of directors, and declared by Mr. Bagozzi himself.

Moreover, the Board of Statutory Auditors, which ensures that the rules of corporate governance are properly implemented, has verified that the criteria and procedures used by the Board of Directors to assess the independence of its members were properly applied, and has confirmed that Mr. Augusto Clerici Bagozzi possesses the requirements of independence.

5. Handling of corporate information

Dealing with insider information is the responsibility of the Chairman and CEO; information of a *price-sensitive* nature is divulged by the Chairman and CEO to the head of *Investor Relations* and to the Department of Corporate Affairs, for subsequent release to markets.

All relationships with financial analysts and institutional investors, in turn, are coordinated by the Chairman and CEO through the "*Investor Relations*" department.

Press releases concerning resolutions approving the quarterly, half-yearly and yearly results, as well as any extraordinary transactions, must first be approved by the Board of Directors.

Personnel of the Danieli Group who through their work are privy to confidential information, have been warned by the company not to divulge this information outside the company or use it for personal gain.

On April 1, 2006, the company set up a "Register of people with access to insider information", which is periodically updated.

6. Board committees

With the exception of the Executive Committee, the Board of Directors did not deem it necessary to set up other board committees.

In particular, the duties of the Appointments Committee and the Remuneration Committee are the responsibility of the entire Board of Directors under the coordination of the Chairman; as regards the remuneration of directors with special responsibilities, the Independent Director makes proposals that are in line with market practices, and the decisions are then made by the company boards with the approval of the Board of Statutory Auditors.

7. Directors' remuneration

Please refer to the Report on Remuneration published in accordance with art. 123-ter of Legislative Decree 58/98 (Consolidated Law on Finance).

8. Control and risks

As of September 27, 2010, following the issuing of Legislative Decree 30/2010, the Board of Statutory Auditors has taken on the role of "Internal Control Committee", for the purpose of monitoring the effectiveness of the internal control and risk management system. In this capacity the Board of Statutory Auditors is assisted by an internal body (made up of an Internal Control Officer and two *Internal Auditors*, all appointed by the Board of Directors), to ensure that the internal control and risk management system is operating properly.

Together with the Officer in Charge of Preparing the Company's Accounting Documents and the External Auditors, the Board of Statutory Auditors determines whether or not the accounting principles are being applied properly and consistently in preparing the consolidated financial statements; it expresses opinions and makes proposals on specific aspects concerning the identification of the company's main risks, as well as on the design, execution and management of the Internal Control system; it contributes to drawing up and approving the work plan prepared by the Internal Control Officer; it acknowledges the periodical reports prepared by the latter; it assesses the work plan for the external audit and the results presented in the report and in the suggestion letter, if any; it monitors the effectiveness of the auditing process.

No exclusions from the operating scope of the Board of Statutory Auditors have been envisaged.

In carrying out their duties, the Board of Statutory Auditors, the Internal Control Officer and the *Internal Auditors* have access to the correspondence and documentation filed at the parent company and at Group subsidiaries.

9. Internal control and risk management system

The Board of Directors has verified the guidelines of the internal control and risk management system, including a system of procedures to ensure proper, efficient management, as well as to prevent and manage (as far as possible) risks of a financial and operational nature, which could be detrimental to either the company or its subsidiaries, for the purpose of:

- identifying, preventing, managing and monitoring risks of a financial and operating nature, including fraud, which could be detrimental to the Company;
- ascertaining, for each operating area, the suitability of the processes and procedures in order to ensure compliance with company directives and guidelines;
- ensuring that company assets are safeguarded;
- ensuring compliance with current regulations;
- ensuring trustworthiness, thoroughness, reliability and promptness in financial reporting.

The Board of Directors continues to strengthen the internal control and risk management system to ensure, on the one hand, that company processes run efficiently, and on the other hand, to prevent abuses that are detrimental to the company and its shareholders, by adopting criteria of transparency and legality.

This system is based on:

- checking the efficiency of the procedures used to draw up the accounting documents and making sure they are actually applied (as per L. 262/2005), carried out by the person appointed by the officer in charge of drawing up the corporate accounting documents;
- *Internal Audits*, involving spot checks to verify the fairness and legality of a series of company processes, either directly or indirectly correlated to the preparation of book entries by the *Internal Auditors* as instructed by the Board of Statutory Auditors (which acts as the Internal Control Committee);
- *Internal Audits* by the Internal Control Officer to check, in particular, the level of efficiency of company processes, reporting to the necessary departments and making proposals for improvement;
- checks pursuant to Legislative Decree 231/2001, as instructed and initiated by the Watchdog Committee.

The processes concerning the design, implementation, monitoring and updating of the System are based on the reference model "CoSO Report" (chosen by the company as a valid guide for the establishment and proper operation of the system), as well as taking into account the document "*internal control over financial reporting – Guidance for Smaller Public Companies*", both drawn up by the Committee of Sponsoring Organizations of the Treadway Commission, that constitute a generally-accepted international reference framework.

With reference to the management of operations, the System assesses the following risks:

- *market risk:*

Danieli, as well as the Danieli Group, continues to focus on research and development so as to provide its customers with the best solutions for efficient production; this constitutes a strong point that allows it to maintain a firm leading market position, in the challenge against its competitors.

- *exchange rate risk*

The Danieli Group has pursued a policy of minimizing financial risks associated with foreign exchange rate fluctuations, particularly in reference to movements in US dollar rates.

The Group's *policy* on this matter is that contracts with significant exposure of cash flows and payments to exchange rate fluctuations should be monitored in order to determine the best hedging policy (which could consist in using derivative contracts or managing purchases in foreign currencies in order to create a "*natural hedging effect*").

- *credit and country risks*

Credit risk is the Group's exposure to potential losses arising from the failure of counterparties to meet their obligations; this activity is monitored continuously by the Group's administrative-financial

and operations management teams as part of routine management activities. The risk is minimized by using insurance coverage to protect against the insolvency of customers or the countries in which they operate.

The ways in which risks were actually faced and areas were monitored are described in detail in the Directors' Report which deals with this subject extensively.

The Chairman and CEO is informed of Control System operations during the meetings with the Internal Control Officer and through periodical relations and specific reports prepared by the *Internal Auditors*, which also come under the heading of reporting to directors; the controls are carried out according to a work plan drawn up by the Internal Control Officer, as agreed with the Board of Statutory Auditors and the Chairman and CEO.

During the financial year, the Board assessed and approved the suitability and effectiveness of the company's internal control and risk management system, based on the company's characteristics and risk profile.

9.1 Director of the internal control and risk management system

The Board of Directors has delegated the Chairman and CEO to supervise the operations of the internal control system, identifying the main risks for the company (strategic, operating, financial and *compliance* risks), by taking into account the type of activities carried out by the company and its subsidiaries, and periodically submitting them to the Board for review.

The internal control system was designed, set up and managed, and its overall suitability, effectiveness and efficiency subsequently verified, according to the guidelines decided by the Board.

The Chairman and CEO is responsible for adapting this system to the dynamics of the operating conditions and of the legislative and regulatory systems; he was the one to propose to the Board to appoint an Internal Control Officer and *Internal Auditors*, with the additional task of carrying out audits on specific operating areas and ensuring compliance with internal regulations and procedures in performing corporate transactions.

9.2 Internal control bodies

The company's internal control system is divided into four sections:

- (1) An *Internal Auditing* section, which now has two more officers, monitors company processes, particularly job execution efficiency.

The *Internal Auditors* report to the Board of Directors; the *Internal Auditing* program is shared with the Board of Statutory Auditors which is kept informed on all *Internal Auditing* activities.

All the members of the *Internal Auditing* section have direct access to all the information they require to perform their work.

For the just-ended financial year, the principal activities carried out by the *Internal Auditing* section were:

- improving job management procedures and pinpointing the risk areas;
- identifying risks and controls on external jobsites;
- identifying risks and controls in procurement;
- optimizing controls/audits with the Quality Office and the Information Technology Department for IT risk assessment;
- setting up the control programs for each product line, visits to risky jobsites, and drawing up of audit protocols for Group subsidiaries.

- (2) A *Compliance Manager*, operating within the Department of Legal Affairs, ensures that company processes are in compliance with new laws and regulations, especially as regards national and supranational regulations requiring limitations on exports by the various company departments.

The *Compliance Manager* reports to the head of the Department of Legal Affairs.

The two sections mentioned above have a broad range of autonomy within the scope of the directives issued by the head of the Department of Legal Affairs, who is also the Internal Control Officer and a member of the company's Executive Management team; in this capacity he reports to the Board of Directors.

The Internal Control Officer can rely on sufficient financial resources provided by the Board of Directors for the performance of his duties.

(3) Pursuant to L. 262/2005, the Company has set up a section to monitor company functions and ensure compliance of company procedures related to the preparation of book entries.

Like other Italian companies operating in the field of industrial plants, the monitoring body reports to the officer in charge of preparing the book entries.

(4) In addition to the above, in accordance with Legislative Decree 231/2001, in 2005 the company created a Watchdog Committee described in the following paragraph.

9.3 Organization Model according to Legislative Decree 231/2001

The company has adopted an organizational, management and control model in accordance with Legislative Decree n. 231/2001.

The Watchdog Committee in charge of overseeing the operations of the model and making sure it is being followed is made up of the following members: Giuseppe Alessio Verni, Chairman, Gianluca Buoro – Attorney-at-law, and Davide Galantini – Attorney-at-law.

The Model contains a series of procedures intended to prevent the “underlying offences” stated in the above-mentioned Decree, considered to be significant with respect to the company's business and organization. The adoption of these procedures is the responsibility of the Board of Directors on a proposal from the Watchdog Committee.

The Watchdog Committee has unlimited access to company documentation and meets on a regular basis; the Board of Statutory Auditors is regularly invited to attend its meetings.

During the financial year ended June 30, 2015, the Watchdog Committee performed the following activities:

- (i) Instruction of employees on the content of Model 231
- (ii) Auditing and inspection, with particular attention to the compliance of company procedures relating to broker management
- (iii) Model updating, and drawing up of a protocol on gratuities and hospitality, adopted by the Board of Directors, and the drawing up of an implementing regulation currently under examination.

The Model, with the e-mail address of the Watchdog Committee, is available on *intranet* and on the company's internet site www.danieli.com.

9.4 External auditing company

The external auditing company in charge of financial auditing for the nine years from July 1, 2010 to June 30, 2019 is Reconta Ernst & Young S.p.A., appointed by the shareholders during the meeting held on October 28, 2010.

Auditing is performed according to criteria of transparency and independence, the latter backed by an exchange of information between the auditing company and the board of statutory auditors, with which an auditing schedule is agreed, and which on a yearly basis receives information concerning any services other than auditing rendered to group companies, even if they are rendered by a firm belonging to its network, as well as a report on the activities performed and any reprehensible facts encountered (as per 153 of the Consolidated Law on Finance)

9.5 Officer in charge of preparing the company's accounting documents

The officer in charge of preparing the company's accounting documents is Alessandro Brussi. He was appointed (in compliance with the corporate by-laws) by the Board of Directors on October 25, 2012, and his three-year term is about to expire together with those of the incumbent directors, i.e. during the meeting that will be called to approve the financial statements to June 30, 2015.

This officer also holds the position of Chief Administrative Officer within the same company.

Mr. Alessandro Brussi possesses the professional qualifications specified in the by-laws, namely:

- he has a university degree in economics;
- he has at least three years' experience as a financial and accounting manager;
- he possesses the requirements of good standing expected of directors.

The Board of Directors has resolved that this appointed officer be granted the necessary powers and resources for the performance of his tasks, which are clearly stated in the document "Operating Guidelines for the Officer in Charge of Preparing the Company's Accounting Documents".

This officer reports to the Board of Directors and personally attends the board meetings; he also makes sure that information continues to reach the board of statutory auditors and the auditing company.

9.6 Coordination among officers of the internal control and risk management system

In accordance with art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors acts as Internal Control Committee for the company, and in this capacity checks and monitors the effectiveness of the internal control and internal auditing system.

To this end, the Board of Statutory Auditors:

- is kept informed as to the monitoring of Internal Audits, expressing an opinion on the yearly Internal Audit program;
- can attend the meetings of the Watchdog Committee, on whose activities he is regularly updated;
- periodically plans meetings with the Internal Control Officer, the Internal Auditors and the officer in charge of drawing up the accounting documents, suggesting specific audits, giving advice and assigning special tasks when necessary.

10. Directors' interests and transactions with related parties

Following the renewal of the company boards decided during the shareholders' meeting of October 25, 2012, out of the five members of the board of directors, only one possesses the requirements of independence: therefore the minimum conditions to appoint a Committee for Related-Party Transactions no longer exist. Consequently on November 14, 2012, the board of directors modified the regulations by introducing – as provided for by law - the use of "equivalent internal controls" as specified in articles 7 and 8 of Consob Regulation 17221 of March 12, 2010.

The "Procedure for Related-Party Transactions" – exhaustive in identifying transactions defined as such, and modified as indicated above - is published on the company's website www.danieli.com, "Investors" section.

During the 2014/2015 financial year the members of the company boards or representatives of Group companies did not carry out any major transactions of an "atypical" nature with related parties (not even indirectly).

11. Appointment of statutory auditors

The appointment of the board of statutory auditors is governed by art. 22 of the corporate by-laws.

The board of statutory auditors is made up of three standing auditors and three alternate auditors, with the genders evenly balanced.

The statutory auditors are chosen from candidates who possess the requirements set forth in the applicable regulations, and particularly in Decree n.162 of March 30, 2000, issued by the Ministry of Justice.

The statutory auditors must therefore possess the requirements of good standing and professionalism set forth in the applicable regulations, under penalty of being disqualified from holding office, and – in order to

evaluate their experience – it is established that they must have experience in the production and marketing of durable goods.

Their obligations, duties and length of term in office are those established by law.

By means of a written notification to the Chairman of the Board at least 40 days prior to the date set for the meeting, the board of statutory auditors – or at least two of the auditors – can call the meeting; they also have the right – following a 10-day advance notice – to call a meeting of the board of directors or the executive committee.

Those who are found to be incompatible according to the law and those who hold office in other governing and control boards, which together exceed the limits allowed for corporate duties as established by the Consob Issuers' Regulations, cannot be appointed as auditors, and if elected will be required to resign.

When the auditors are appointed the shareholders determine their yearly salary. They are also entitled to be reimbursed for the expenses they incur in the performance of their duties.

The statutory auditors are appointed from lists according to the procedure described below, for the purpose of ensuring that the minority shareholder can appoint one standing auditor and one alternate auditor.

Candidate lists must have two sections: one for the appointment of the standing auditors and the other for the appointment of the alternate auditors – and must contain a number of candidates that does not exceed the number of members to be elected; candidates must be listed in numerical order.

Each of the two sections on the lists – with the exception of the lists with less than three candidates – must include at least one candidate of another gender.

Each candidate can only appear on one list, under penalty of being declared ineligible.

The shareholders entitled to submit a list are those who alone or together with other shareholders represent at least the percentage of ordinary share capital established by current regulatory provisions and stated in the meeting convocation notice.

The lists must be submitted at the registered offices of the company by the deadline specified in the regulations.

If by the deadline only one list has been submitted or only lists by shareholders who are affiliated to each other have been submitted, additional lists can be submitted up to the third day following this date, and the minimum shareholding percentage specified in the convocation notice will be reduced to half.

In order to submit a list, the ownership of the shareholding must be proven according to the procedures set forth in the applicable regulations, provided that this is done by the date set for the publication of the lists by the company.

The lists can also be submitted via remote means of communication, according to the procedures made known in the convocation notice for the shareholders' meeting.

Together with each list, which must show the names of the shareholders, the following documents have to be submitted, under penalty of the list being disqualified:

- - a statement from the shareholders, other than those who alone or jointly hold a controlling interest or relative majority, declaring that no relationships of affiliation exist between the former and the latter, as per art. 144-quinquies of the Consob Issuers' Regulations;

- - the statements in which each candidate accepts his/her candidacy, listing their personal and professional characteristics, certifying, under their own responsibility, the non-existence of reasons of ineligibility, disqualification and/or incompatibility, and the existence of the requirements of good standing and professionalism prescribed by current regulations, the requirements of independence as required by law (art. 148, paragraph 3 of Legislative Decree n.58 dated 24.2.1998) as well as information on governing and control positions the candidates hold in other companies.

Each shareholder may submit one list; submitting more than one list will result in none of the lists being accepted.

Each shareholder has the right to vote for only one list.

The elected standing auditors will be the first two candidates from the list which obtains the highest number of votes, and the first candidate from the list which has the second highest number of votes; the latter shall be the Chairman.

The elected standing auditors will be the first two candidates from the list which obtains the highest number of votes, and the first candidate from the list which has the second highest number of votes.

If the procedure described above does not comply with the law on gender balance, instead of the last candidate of the gender that is superior in number on the list of the majority shareholder, the next candidate elected will be of the gender that is inferior in number from the same list.

In case of death, waiver or disqualification of a standing auditor, he/she will be replaced by the first unelected candidate from the same list as the replaced auditor, unless another alternate auditor has to be selected from the same list for the purpose of balancing the genders.

If the gender quota is still not filled, a meeting of the shareholders will be called as soon as possible to ensure that the composition of the Board of Statutory Auditors complies with the law on gender balance.

If only one or no list is submitted, and for the purpose of appointing the required standing and alternate auditors for the Board of Statutory Auditors, the shareholders will decide by relative majority in observance of current regulations on gender balance.

If two or more lists submitted by the majority shareholder receive the same number of votes, the candidates from the majority list submitted by the shareholders with the largest shareholding will be elected.

If two or more lists – other than the one which received the highest number of votes - receive the same number of votes, the youngest candidates on the minority lists will be elected until all the positions to be assigned have been filled.

If only one list is submitted all the auditors will be elected from this list.

The outgoing auditors can be re-elected.

The board of Statutory Auditors meets at least once every 90 days, including by audio or videoconference, provided that all the participants can be identified and are able to follow the discussion, examine, receive and send documents and take part in real time in the discussion of the matters at hand.

The venue for the meeting of the board of statutory auditors is considered to be wherever the Chairman of the board of Statutory Auditors is found.

12. Composition and operation of the Board of Statutory Auditors

The Board of Statutory Auditors - made up of three Standing Auditors and three Alternate Auditors – was appointed by the shareholders on October 25, 2012, taking into account the provisions of Law n.120 of July 12, 2011, on gender balance; the three-year term will expire at the meeting called to approve the financial statements for the year ended June 30, 2015.

The Board of Auditors in office at year end is made up of Renato Venturini as Chairman, Gaetano Terrin and Chiara Mio as standing auditors, Giuseppe Alessio-Verni, Vincenza Bellettini and Giuliano Ravasio as alternate auditors, appointed from the single list submitted by the majority shareholder.

The Statutory Auditors possess the requirements of good standing and professionalism set forth in the applicable regulations and particularly in Decree n.162 dated March 30, 2000, issued by the Ministry of Justice.

The Board of Statutory Auditors ascertained the independence of its members during the first meeting held following the appointments; during the year it also made sure that these requirements were maintained.

Personal and Professional Characteristics of the Members of the Board of Statutory Auditors

Renato Venturini, Chairman of the Board of Statutory Auditors

Born in Postumia Grotte (TS) on September 25, 1942.

Degree in Economics and Commerce at the Università degli Studi of Trieste in 1969.

Since 1970, registered as a Certified Public Accountant for the Province of Udine.

Official Accounting Auditor since 1978.

Entered in the Register of Accounting Auditors as per Ministerial Decree dated April 12, 1995.

He has a private practice which specializes in corporate and tax matters.

He has held positions as Director and Legal Auditor in financial and insurance companies and banks.

Gaetano Terrin, Standing Auditor

Born in Padua on July 16, 1960.

Degree in Business Economics from Ca' Foscari University in Venice in 1985.

Appointed Official Accounting Auditor as per Ministerial Decree dated April 24, 1992.

Entered in the Register of Accounting Auditors as per Ministerial Decree dated April 12, 1995.

Since 1988, a close collaborator of Giulio Tremonti and head of the firm Tremonti e Associati of Padua until

1998.

Partner in a leading international auditing firm from 1998 to 2003.

His firm provides tax and corporate consulting services.

He has contributed to tax and corporate magazines as a freelance journalist.

He holds the position of Standing Auditor in various insurance, industrial and financial companies.

Prof. Chiara Mio, Standing Auditor

Born in Pordenone on November 19, 1964.

Degree in Business Economics from a Venetian university in July 1987.

Registered as a Certified Public Accountant in Pordenone.

Entered in the Register of Accounting Auditors.

President of the commission on “Environmental Consultancy” of the National Committee of Certified Public Accountants.

Full professor at the Department of Management at the Ca’ Foscari University in Venice, where she was already an associate professor - and prior to that – a researcher.

Member of the teaching college for the Master’s Degree in “Business Economics and Management”

Vice-dean for Environmental Sustainability and Social Responsibility since 2009.

Director of Master Mega, Level 1 Master’s Degree in ethical business management.

Member of Aidea – Italian Academy for Business Economics.

Writes for various publications specialized in business economics and social responsibility.

Member of various international associations and institutes.

She holds the position of member of the board of directors in various companies, two of which are listed.

Giuseppe Alessio-Verni, Alternate Auditor

Born in Trieste on October 5, 1964.

Degree in Economics and Commerce at the Università degli Studi of Trieste in 1989.

Registered as a Certified Public Accountant in Trieste since 1992; holds the position of Director of the Association.

He is a practicing certified public accountant with a firm in Trieste, where he has gained experience in accounting, administration, finance, tax and taxation matters, dealing in complex corporate transactions.

He has also been a trustee in bankruptcy with the Court of Trieste since 1993.

Entered in the Register of Accounting Auditors as per Ministerial Decree dated April 26, 1995.

Entered in the Register of Court-appointed Assessors and Technical Consultants of the Court of Trieste.

He holds the position of standing auditor in various insurance, banking and financial companies.

Vincenza Bellettini, Alternate Auditor

Born in Fanano (MO) on March 31, 1954.

Degree in Economics and Commerce from the Università degli Studi di Bologna in 1978.

Registered as a Certified Public Accountant in Bologna since 1979.

Entered in the Register of Accounting Auditors with the Ministry of Justice (1992)

Member of the Managing Board of the Association of Certified Public Accountants of Bologna.

Member of the Committee for Equal Opportunity in Bologna

She is a practicing Certified Public Accountant with the firm of Bellettini Manzoni e Associati in Bologna.

Specialized in corporate consulting, corporate and tax matters and auditing.

Has held the positions of standing auditor and Chairman of the Board of Statutory Auditors in large corporations, some of which are listed on the stock exchange.

Has also held the position of trustee in bankruptcy.

She currently holds the position of standing auditor in a bank.

Giuliano Ravasio, Alternate Auditor

Born in Carrara (MS) on January 31, 1951.

Certified Public Accountant.

Registered as a Certified Public Accountant since 1983.

Entered in the Register of Official Accounting Auditors since 1987, then in the Register of Accounting Auditors since 1995.

Since 1993 has been on the List of Experts for Inspections of trust and auditing companies.

On the list of "Corce" experts (Master's Degree in International Marketing) at the Ministry of Foreign Trade.

Member of a provincial tax commission (1978-1996).

Member of the Board of his professional order (1995-2007).

Owner of a certified public accounting firm specialized in corporate consultancy.

Holds the position of director and standing auditor in various companies.

University professor of marketing and business administration (1975-1977).

Teacher of training courses for the European Social Fund.

The Board of Statutory Auditors met more frequently than the required once every 90 days, at times in audio or video-conference. During the reference year the Board met 14 times. The average duration of the meetings was three hours.

If an auditor is interested in a particular corporate transaction for himself or on behalf of third parties, he must promptly provide the other auditors and the Chairman of the Board of Directors with exhaustive information as to the type, terms, origin and scope of his interest.

The Board of Legal Auditors has also monitored the independence of the auditing company, ensuring that it complies with the applicable regulations, in terms of both type and extent of the services other than auditing services rendered for the company or its subsidiaries by the auditing company itself and by institutions belonging to its network.

13. Relations with shareholders

On its website www.danieli.com, the company has set up an *INVESTORS* section, where information can be found concerning the companies that are significant to shareholders, so that they can exercise their rights.

Mr. Alessandro Brussi is the officer in charge of handling relations with shareholders, with the assistance of the Department of Corporate Affairs. The company will ensure that information important to shareholders is promptly available on its website.

14. Shareholders' Meetings (as per. Art. 123-bis, paragraph 2, letter c), Consolidated Law on Finance)

No additional operating mechanisms have been contemplated for the shareholders' meetings, other than those additionally provided for in the applicable legislative provisions and regulations.

As for the powers of the shareholders, the corporate by-laws state that the Board of Directors has the authority to make decisions – pursuant to art. 2436 of the Italian Civil Code – on proposals relating to:

- mergers in the cases specified in articles 2505 and 2505 bis of the Civil Code;
- setting up or shutting down of secondary offices;
- reduction of capital in the case of withdrawal of a partner;
- changes to the by-laws based on regulatory provisions;
- national transfer of company headquarters;
- bond issue, with the exception of bonds that can be converted into company shares (which is the responsibility of the shareholders).

The company has adopted shareholders' meeting regulations, which govern the running of the meeting and are an integral part of the by-laws; these regulations are available on the company's website www.danieli.com, *Investors* section.

These regulations set out the conditions which during the meetings guarantee the right of each shareholder to take the floor on each of the matters on the agenda, to make observations and come up with proposals.

Those who intend to take the floor must submit a written request to the Chairman indicating the matter they wish to discuss; requests can be submitted after the items on the agenda have been read out and until the Chairman declares the discussion of the matter closed.

The Chairman and those he has invited to assist him reply to the speakers after each one has spoken, or once they have all spoken.

Depending on the subject-matter and importance of each item on the agenda, the Chairman decides how much time – usually no less than ten minutes and no more than twenty – each speaker has to state his/her case. After this period, the Chairman may grant the speaker another 5 minutes.

Those who have already taken part in the discussion may request the floor a second time to discuss the same subject-matter, usually for five minutes, and to declare how they intend to vote.

The by-laws do not provide for voting by correspondence or by audiovisual means.

During the meeting, the board reports on both performed and scheduled activities, ensuring that the shareholders have the necessary information to make decisions with full knowledge of the facts.

During the year there were no significant changes in the composition of the corporate structure.

15. Other corporate governance practices

The Board of Directors has adopted a Code of Conduct on *Internal Dealing* in accordance with the provisions of Consob Issuers' Regulation no. 11971/99, which came into force on April 1, 2006. This document contains the new provisions on this matter, as set forth in Consob resolution n. 18079 dated January 20, 2012.

The Code of Conduct is available on the company's website www.danieli.com, *Investors* section.

16. Changes since the end of the reference year

Since the end of the reference year no changes have been made to the corporate governance structure.

24.9.2015

DANIELI & C. OFFICINE MECCANICHE S.P.A.

TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES

BOARD OF DIRECTORS													EXECUTIVE COMMITTEE		
<i>Position held</i>	<i>Members</i>	<i>Year of Birth</i>	<i>Date of first appointment</i>	<i>In office since</i>	<i>In office until</i>	<i>List</i>	<i>Exec.</i>	<i>Non-exec.</i>	<i>Indep. as per Code</i>	<i>Indep. as per TUF</i>	<i>Number of other positions held</i>	<i>(*)</i>	<i>(*)</i>	<i>(**)</i>	
Chairman and Chief Executive Office (●◇)	Benedetti Gianpietro	1942	5.10.1985	25.10.2012	26.10.2015	M	X					3/5	4/4	P	
Vice-Chairman	de Colle Carla	1943	12.11.1999	25.10.2012	26.10.2015	M	X					5/5	3/4	M	
Director	Alzetta Franco	1958	24.10.2003	25.10.2012	26.10.2015	M	X					5/5	4/4	M	
Director	Clerici Bagozzi Augusto	1940	24.10.2003	25.10.2012	26.10.2015	M				X		5/5			
Director	Mareschi Danieli Giacomo	1980	28.10.2009	25.10.2012	26.10.2015	M		X				5/5			
Number of meetings held during the year in question:		Board of Directors: 5			Executive Committee: 4										

(●) Officer in charge of the internal control and risk management system.

(◇) In charge of managing the Issuer.

(*) Attendance of directors at the meetings of the board of directors and committees.

(**) Title of the director on the Committee (“P” = President; “M” = member)

Quorum needed for the minority shareholders to submit lists for the election of one or more members (as per art. 147-ter of the Consolidated Law on Finance) 2.5%.

The company has decided to set up an equivalent internal control (as provided for in the applicable regulations) to replace the Committee for Transactions with Related Parties, considering that there is only one independent director, as already mentioned.

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position held	Members	Year of birth	Date of first appointment	In office since	In office until	List	Indep. as per self-regulatory code	Attendance at board meetings	Number of other positions held in listed companies
Chairman	Venturini Renato	1942	22.10.1988	25.10.2012	26.10.2015	M		14/14	
Standing auditor	Terrin Gaetano	1960	27.10.2006	25.10.2012	26.10.2015	M		14/14	
Standing auditor	Mio Chiara	1964	25.10.2012	25.10.2012	26.10.2015	M		12/14	2
Alternate auditor	Alessio-Vernì Giuseppe	1964	28.10.2009	25.10.2012	26.10.2015	M			
Alternate auditor	Bellettini Vincenza	1954	25.20.2012	25.10.2012	26.10.2015	M			
Alternate auditor	Ravasio Giuliano	1951	24.05.1990	25.10.2012	26.10.2015	M			
Number of meetings held during the year in question: 14									
Quorum needed for the minority shareholders to submit lists for the election of one or more members (as per art. 148 of the Consolidated Law on Finance): 2.5%.									



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Via Nazionale, 41 – 33042 Buttrio (UD)

Fully paid-up share capital of euro 81,304,566

Tax number, VAT registration number and number of registration with the Register of Companies of Udine: 00167460302

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on the authorized storage mechanism SDIR&STORAGE www.emarketstorage.com
and on the company's Web Site: www.danieli.com, *Investors* section