



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
2016/2017 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 26, 2017

(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 continue 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. Other considerations that at the time influenced this decision:

- the existence of a majority shareholder represented by a Chairman who is also Chief Executive Officer;
- a Board of Directors composed of (then) five members, only one of which was independent;
- the absence of internal committees on the board of directors with the exception of the Executive Committee - which at the time was made up of 3 executive directors - and which meets only in unscheduled cases when urgent decisions need to be made.

The Board of Directors, which today is made up of eight members, confirms the decision not to adhere to the Code and to leave these duties – which could theoretically be assigned to the internal committees – under the coordination of its Chairman (who is also the highest ranking executive in 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, 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 or the Company), 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 – using technologies and products which cover the entire production cycle, from ore processing to finished steel products in a wide range of types and sizes.

Specifically, DANIELI, with more than 90% of its sales in foreign markets, has a workforce of about 2,300 (8,960 for the Group) and is one of the top three manufacturers in the world of plants and machines for the metallurgical industry as well as their design and production; it places particular emphasis on the concepts of sustainability (“SustSteel”) and “Recycling” of steel in the field of EAF-based minimills; it is second in the world in the manufacture of plants for the production of flat products, and world leader in the manufacture of plants for the production of long products.

The Danieli Group is also directly involved in the manufacture of long steel products, through Acciaierie Bertoli Safau S.p.A. (ABS) in Italy, ESW Roehrenwerke GmbH in Germany 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 to deal 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 its organization to comply with standards of efficiency and safety, requiring commitment, responsibility and observance of these principles at all levels.

DANIELI's personnel is obligated to comply with the national and supranational laws and regulations in force in Italy and abroad, with transparency and in observance of the ethical principles according to which the certainty of acting for the benefit of the company cannot in any way justify behavior that is in conflict with these binding regulations.

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 up to June 30, 2017

a) Share Capital Structure

The subscribed and paid-up share capital is euro 81,304,566, and is made up of 40,879,533 ordinary shares and 40,425,033 non-convertible saving shares, all with a par value of 1.00 euro each (see Table 1).

No other financial instruments were issued that confer the right to subscribe to new share issues, nor were share-based incentive plans approved involving increases of share capital, not even free increases.

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

DANIELI's major shareholdings, also according to the documents drawn up pursuant to art. 120 of Legislative Decree n. 58 of February 24, 1998 (hereinafter TUF or Consolidated Law on Finance), are those held by the majority shareholder SIND INTERNATIONAL S.P.A. with headquarters in Milan (jointly held by Mr. Gianpietro Benedetti and the heirs of Cecilia Danieli) and by the company itself, as detailed in Table 1.

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 TUF.

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

There are no major agreements entered into by the company or by one 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 concerning this subject matter.

i) Authorizations to Increase Share Capital and Purchase Own Shares

Pursuant to art. 2443 of the Civil Code, the Board of Directors has the power to increase the 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 the 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 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, 2017, 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, 2016, 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 pursuant to art. 132 of the Consolidated Law on Finance;
- b) considering the number of ordinary and savings shares currently in the portfolio of the company or any shares in the portfolios of 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 ended June 30, 2017, and in any case not after November 30, 2017;
- d) the minimum and maximum purchase prices for both categories of shares will be set at 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 shall not be less than their stock exchange value at the time of the sale;

j) Management and Coordination

Although it is controlled by another company (Sind International S.p.A.), the Company is not subject to management and coordination by this company pursuant to art. 2497 and subsequent articles of the Civil Code; it is in fact DANIELI who manages and coordinates its direct and indirect subsidiaries.

Finally, the following should be noted:

- The information required in art. 123-bis, paragraph one, letter i) of the TUF ("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 the Consolidated Law on Finance;
- The information required in art. 123-bis paragraph one, letter l) of the TUF (the regulations applicable to the appointment and replacement of directors and to changes to the by-laws, if they differ from the legislation and regulations that are additionally applicable") is illustrated in the section of this Report concerning the Board of Directors (Section 4.1).

3. Compliance

The company, as provided for in art. 89-bis of Consob's Issuer Regulation, declares that it does not adhere to a Code of Conduct.

4. Board of Directors

4.1 Appointment and Replacement

During the meeting of October 26, 2015, the shareholders appointed the company boards, taking into account the provisions of Law n. 120 of July 12, 2011, which introduced the concept of gender balance.

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 at company headquarters within a specific period established by law (including by telecommunication), by 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 their number 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 as per art. 148, paragraph 3 of the Consolidated Law on Finance.

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

Together with each list, which must indicate the name of the proposing shareholders and the total amount of shares they hold, 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 Issuer Regulation;
- 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 which obtained the largest number of votes and that is not in any way 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 assembly and numbered progressively, 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 elected 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 Statutory 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 the law on gender balance is complied with.

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.

For further details on the appointment procedure please refer to the by-laws.

Succession Plan

The company does not have a specific succession plan in the case of early replacement of an executive director; the Board of Directors will make a decision on this matter.

In any event, for each “key” role within the corporation, other suitable professional figures have been selected, who could at any time take over from their predecessors.

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; at the general shareholders’ meeting held on October 26, 2015, the company boards were renewed and nine directors were appointed.

The year in question saw the resignation of the director Franco Alzetta (August 24, 2016); on October 28, 2016, the shareholders decided not to replace him and to have a Board with eight directors.

As of June 30, 2017, the incumbent members of the Board of Directors are:

- 1 Gianpietro Benedetti, President and CEO
- 2 Carla de Colle, Vice-president
- 3 Alessandro Trivillin, Chief Executive Officer
- 4 Camilla Benedetti
- 5 Alessandro Brussi
- 6 Augusto Clerici Bagozzi (independent, non-executive director according to law).
- 7 Giacomo Mareschi Danieli
- 8 Chiara Mio (independent, non-executive director according to law)

The directors were elected during the shareholders’ meeting from the only list submitted, by the majority shareholder Sind International S.p.A., with 67.94% of those present voting for the list.

The Board of Directors complies with the *ex lege* requirement of gender balance. Its executive directors include key figures within the Group, who have earned respect by holding more and more important positions with increasing degrees of responsibility; coming from different educational backgrounds they are able to increase efficiency for the purpose of running the company in a profitable manner. The majority shareholder has also taken generational factors into account, bringing in younger Board members with a less traditional and more innovative vision. The Board also includes two independent directors, one with a university background and the other from the field of domestic and international consulting on fiscal and corporate matters.

We feel that these additions will be a valid instrument to face the challenges of the future in the fields of innovation and economics and finance.

The Board of Director’s term in office will expire when the shareholders are called to approve the financial statements for the year ending on June 30, 2018.

Personal and Professional Characteristics of each Director

Gianpietro Benedetti

Born in Udine on May 16, 1942

His first appointment as director of DANIELI dates back to 1985.

1961 Diploma from the Malignani Technical Institute of Udine.

His professional career begins at DANIELI and continues to this day.

1961 Hired as an apprentice designer

1965 Project Manager

1966 Head of plant start-ups

1968 Manager of the Technological and Rolling Process Department

1970 Steel Plant Engineer

1976 Sales Director

1982 Director of Sales, Project Managers, Engineering Departments and Research Center

1985 Chief Executive Officer, Director of Sales & Research Centre

1990 Chief Executive Officer and Managing Director

2003 Chairman and CEO

Chairman of the Executive Committee

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 awarded 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 Crédit Agricole 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

Her first appointment as director of DANIELI dates back to 1999.

1963 She begins her professional career with the Danieli Group, reaching 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 Appointed General Manager of Danieli Natisone – a subsidiary operating in the design and
sale of cold processing plants.

1991 Appointed Vice-General Manager of DANIELI, in charge of production and associated
services such as purchasing, material stores 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 Deputy Chairman of DANIELI.

Alessandro Trivillin

Born in Treviso on October 2, 1968.

His first appointment as director of DANIELI dates back to 2015.

- 1986 Accounting Diploma from ITC "Martini" in Castelfranco Veneto (TV).
- 1992 Degree in Business Economics from the Cà Foscari University in Venice.
- 1992 Administrative employee at SELINA SPA (Treviso) in the clothing sector.
- 1995 Head of Administration, Finance and Personnel at FASSA S.p.A. in Spresiano (TV), in the construction sector
- 2008 Appointed Chief Financial Officer of Acciaierie Bertoli Safau S.p.A. (Danieli Group).
- 2011 Appointed Chief Executive Officer of Acciaierie Bertoli Safau S.p.A.
- 2013 Appointed member of the Board of Directors of Qualisteel Srl (Danieli Group), now sole director.
- 2015 Appointed Member of DANIELI's Board of Directors.
- 2016 Appointed member of DANIELI's Executive Committee
Appointed Chief Executive Officer of DANIELI.

Camilla Benedetti

Born in Udine on June 14, 1980.

Her first appointment as director of DANIELI dates back to 2015.

- 1999 Diploma from the Gaspare Bertoni scientific high school in Udine
- 2004 Degree in Economics and Business at the *Università Cattolica del Sacro Cuore* in Milan
- 2005-2006 Auditor with Ernst&Young in Treviso
- 2006-2008 Auditor with Ernst&Young in Milan
- 2008-2010 Management control: Controller of European/American subsidiaries for the Danieli Group
- 2012-2014 Corporate Governance: Coordinator of Compliance Project pursuant to Law 262/05 for Danieli & C S.p.A.
- 2012-2014 General Accounting: Head of Accounts Payable Department and Head of Cash Office for Danieli & C S.p.A.
- 2015 Appointed Director for DANIELI and Head of Organizational Development for the Danieli Group in the field of Human Resources.
- 2016 Appointed Head of the Human Resources Department for the Danieli Group.
- 2016 Appointed Director on the Board of MIP Politecnico di Milano – Graduate School of Business.
Member of MIP scientific committee, Trieste.

Alessandro Brusi

Born in Gorizia on March 8, 1961

His first appointment as director of DANIELI dates back to 2015.

- 1987 Degree in Economics and Business from the University of Trieste.
- 1990 Degree in Political Science from the University of Trieste
- 1992 Registered with the Association of Certified Public Accountants of the province of Gorizia;
- 1995 Registered with the Association of Financial Auditors (with Decree 12.4.95 G.U.R.I. n. 31 bis IV special series of April 21, 1995)

Distinguishing characteristics:

After working as a researcher for the University of Trieste, he was employed with the auditing company Coopers & Lybrand for a few years, where he performed mandatory certification of financial

statements for companies such as *Assicurazioni Generali* and *Fincantieri*, as well as the duties of senior analyst in both national and international *merger & acquisition* transactions.

Since 1991 he has been working at Danieli & C. Officine Meccaniche S.p.A., where he performs administrative/accounting/fiscal duties, and has been appointed:

- Officer in charge of the corporate accounting documents;
- Office in charge of administrative/financial duties for the parent company Danieli & C Officine Meccaniche SpA;
- Officer in charge of the consolidated financial statements for the Danieli Group, and relations with subsidiaries and affiliates.

He is also Risk Manager and Investor Relator.

He also holds positions in some subsidiaries and affiliates of the Danieli Group

In 2015 he was appointed to Danieli's Board of Directors, vested with administrative and financial powers. He is also on the company's Executive Committee.

Augusto Clerici Bagozzi

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

His first appointment as director of DANIELI dates back to 2003.

Education and work experience: Degree in Economics and Business (Bocconi University)

1966	Registered with the Association of Certified Public Accountants
1972	Registered with the Association 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 on Boards of Directors and Boards of Statutory Auditors. He is currently involved in business, corporate and fiscal consulting, setting up and managing corporate structures and contracts for financial-economic transactions.
1990	Registered with the Association of court-appointed expert witnesses for the Court of Milan.
1995	Registered with the Association of Financial Auditors pursuant to Ministerial Decree of April 12, 1995 12/4/1995.
2002-2017	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 (TUF).

Giacomo Mareschi Danieli

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

His first appointment as director of DANIELI dates back to 2009.

Education and work experience: 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 the subsidiary Danieli Construction International S.p.A. in Ukraine
2008-2016	Member of the Board of Directors of the controlling company Sind International S.p.A.
2009	Appointed Member of DANIELI's Board of Directors without executive powers. In charge of macroplanning for the subsidiary Danieli Co. Ltd. in Thailand. Ltd.
2011	Appointed Member of Danieli Co Ltd.'s Board of Directors. Ltd. Appointed Director of the "Flat Products" Division and CEO of Danieli Co. Ltd.
2015	Appointed Executive Manager of "Sales" and "Danieli Plant Engineering" Member of the Executive Committee

Chiara Mio

Born in Pordenone on November 19, 1964.

Her first appointment as director of DANIELI dates back to 2015.

Full professor for the Department of Management at Cà Foscari University, teaching the following courses: Corporate Reporting (Master's Degree in English), Management Control (Master's Degree in English) and Strategic Planning and Management of Sustainability (Master's Degree).

Director of MUMISS Master, first-level Master's Degree in strategic innovation

She is President of the Academic Board for the Master's Degree in "Economics and Business Management". Vice Dean for Environmental Sustainability and Social Responsibility from 2009 to 2014.

She is specialized in the following fields:

- Management control systems in both the private and public sectors, and in non-profit companies;
- Performance measuring;
- Triple bottom line performance measuring;
- Corporate social responsibility and company governance systems;
- Public company reporting and voluntary, social and environmental activities;
- Asseveration and control of sustainability communication;
- Integrated Reporting.

She works with several magazines such as the *Rivista Italiana Ragioneria ed Economia Aziendale*, *Cultura e contabilità aziendale* and the Social and Environmental Accountability Journal.

Since 2010 she has been a member of the editorial committee and reviewer of the magazine Corporate social responsibility and environmental management.

She is a partner in Aidea — Accademia italiana di economia aziendale.

Since 2015 she has been the Chairwoman of the ESG Task Force in Accountancy Europe, Brussels.

In 2006 she was appointed to the Sustainability Expert Advisory Panel (SEAP), a consulting body of the International Federation of Accountants (IFAC).

She is registered with the Association of Certified Public Accountants of Pordenone and with the Association of Financial Auditors.

For many years she has been President of the committee on "Environmental consulting" of the National council of Certified Public Accountants and Financial Auditors.

President of the scientific committee of GBS *Gruppo Bilancio Sociale*.

Since March 2014 she has been a member of the Board of Directors of Crédit Agricole FriulAdria SpA (Credit Agricole Group Italy), of which she has been President since October 2014.

As of October 26, 2015, she is a member of the Board of Directors of DANIELI, and possesses the requirements of independence set forth in art. 148, paragraph 3 of the Consolidated Law on Finance (TUF).

Positions held in Other Companies

Although the Board of Directors has not established the general criteria concerning the maximum number of administrative and auditing positions that a person can hold in other companies, considered to be incompatible with the effective performance of the position 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 Directors have in the past carried out their duties at Danieli and continue to do so with efficiency and commitment.

As of June 30, 2017, 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 Group subsidiaries (*) or affiliates (**):

Gianpietro Benedetti	Sind International 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
Alessandro Trivillin	*Acciaierie Bertoli Safau SpA	Chief Executive Officer
	*Qualisteel Srl	Sole Director
	*Absolute Scarl	Chairman and CEO
	*ABS Centre Métallurgique Sas	Chairman
	*ABS Sisak d.o.o.	Supervisory Board member
Camilla Benedetti	Sind International SpA	Director
	*Morgardshammar AB	Director
	*Sund Birsa AB	Director
	MIP Politecnico di Milano	Director
	MIP Trieste	Scientific Committee
Alessandro Brussi	*Turismo Srl	Chairman
	*Danieli Automation SpA	Director – V-President
	*Danieli Construction International SpA	Director
	*Fata SpA with sole shareholder	Director
	**Inrail SpA	Standing auditor
	**Interrail SpA	Standing auditor
	**Telefriuli SpA	Standing auditor
	*Danieli Banking Corporation SA	Director
	*Danieli Co. Ltd	Director
	*Danieli Czech Engineering a.s.	Director
	*Danieli Engineering & Services GmbH	Managing director
	*Danieli Engineering Japan Co. Ltd.	Director
	*Danieli Hellas SA	Chairman and CEO
	*Danieli Holdings, Inc.	Chairman
	*Danieli Technology, Inc.	Chairman
	*Danieli Fata Hunter Inc.	Director
	*Danieli International SA	Director
*Danieli Middle East for Eng. Serv. LLC	Director	
*Industrielle Beteiligung SA	Director	
*Rotelec SA	Director	
*Termo Makina AS	Director	
Giacomo Mareschi Danieli	*Acciaierie Bertoli Safau SpA	Director
	*FATA S.p.A. con socio unico	Director
	*Danieli Centro Cranes SpA	Director
	*Danieli Co. Ltd.	Chairman

Augusto Clerici Bagozzi	S.I.O.R.A. Srl - Società Italiana Organizzazioni	Sole director
	Revisioni Aziendali	Chairman of the Board of
	Disano Illuminazione SpA	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	Chairman of the Board of
	Industriali Genova SpA	Statutory Auditors
	FOS NOVA Srl	Chairman of the Board of
	Statutory Auditors	
	SIRIUS SpA	Chairman of the Board of
		Statutory Auditors
Mio Chiara	Crédit Agricole FriulAdria SpA	Chairman
	Eurotech SpA	Director
	McZ Group	Director
	Nice Group Spa	Director
	Bluenergy Group Spa.	Director
	O.V.S. Spa	Director
	CISET	Director
	Anteo Srl	Chief Executive Officer

Induction Program

DANIELI'S executive directors received their professional training at DANIELI, gradually acquiring important skills in the field of business in which the company and its subsidiaries operate; they attend the frequent meetings called by the Chairman who promotes numerous initiatives (events, congresses, management training courses, etc.) in order to enhance and develop corporate dynamics, understand the regulatory framework and observe corporate ethics. The independent directors may also take part in these initiatives.

4.3 Role of the Board of Directors

During the year ended June 30, 2017, the Board of Directors met five times.

The average duration of the meetings was about two hours.

For the current year, considering that the requirement to publish pre-approved interim reports has been repealed, two meetings have been scheduled to approve the financial data, one of which was held on September 26, 2017. However, the Board meets regularly also to examine the interim financial data and any time the Chairman deems it necessary.

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; if the items on the agenda require particular explanations or details, executives from the Parent Company or from Group companies as well as department managers may also be invited to attend the meetings, with sufficient advance notice.

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

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, and ensure they are implemented, as well as establishing a Corporate Governance system for Danieli and organizing the Group under the Parent Company Danieli.

The Board of Directors assesses the suitability of the general organizational, administrative 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 Directors 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, administrative and general 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 supervisory bodies and the Watchdog Committee – when appointed - of the subsidiaries.

This is particularly the case for those subsidiaries which, because of their turnover and equity, 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)
- Industrielle Beteiligung SA (Luxembourg)
- Danieli Banking Corporation SA (Luxembourg)
- Danieli Changshu Metallurgical Equipment & Services Co. Ltd. (China)
- Danieli Corporation (USA)

The Board examines the general performance of operations by considering 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 most significant transactions of the company and its subsidiaries, if these transactions have considerable strategic, economic, capital and financial importance for the company;
- transactions of 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:

At the end of each financial year, the board of directors assesses the size, composition and operation of the Board and the Executive Committee, based on the replies to a questionnaire sent to all the Directors sufficiently in advance. The questionnaire is reformulated annually taking into consideration numerous aspects such as the composition of the board, the professional characteristics of the directors and how long they have held office.

The replies are collected anonymously by the Department of Corporate Affairs and examined and commented on by the Independent Directors; for the year that just ended, the Board assessed their merit 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 2016/2017 as well.

4.4 Delegated Bodies

Executive Directors

Of the eight directors in office, six have executive powers, namely:

- the Chairman and CEO, Mr. Gianpietro Benedetti;
- the Deputy Chairman Carla de Colle, who, in accordance with the by-laws, may exercise her powers if the Chairman is absent or unable to act;
- The Chief Executive Officer, Mr. Alessandro Trivillin, who is responsible for the evolution of management with a view to developing the Group's organization;
- the Head of Administration and Finance, Mr. Alessandro Brussi, who is responsible for the Company's accounting, administration and finance; in operations that financially bind the company; his signature is required together with the signature of other directors and/or attorneys if the limits established by the Board of Directors are exceeded;
- the Head of "Sales" and "Plants", Mr. Giacomo Mareschi Danieli, with powers suited to his duties, and the same limits as above;
- the Head of Human Resources, Ms. Camilla Benedetti, with powers suited to her duties.

Chairman of the Board of Directors

The Chairman is mostly responsible for running the Company (*Chief Executive Officer*) and developing company and Group strategies; he also represents 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, with the obligation of reporting to the Board of Directors.

The Company 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 Deputy 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, decisions by the company boards 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 obligated to report its decisions to the Board of Directors at the first subsequent meeting.

It is made up of four members: The Chairman Gianpietro Benedetti; Alessandro Trivillin, Alessandro Brussi and Giacomo Mareschi Danieli.

The Executive Committee meets to deal with emergencies, which means that its meetings cannot be scheduled; the members of the Board of Legal Auditors are invited to attend these meetings.

No meetings were held during the year ended June 30, 2017.

Reporting to the Board

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

4.5 Other Executive Directors

Mr. Alessandro Trivillin has been Chief Executive Officer of the subsidiary Acciaierie Bertoli Safau S.p.A. (ABS) since 2011 (he previously held the position of Head of Administration and Finance). He has contributed to the growth of this strategically important company in terms of both economics/finance and environmental sustainability (for a company like ABS that makes special steels by processing scrap, environmental protection is a particularly sensitive topic that influences and guides all the company's choices). As of September 2016, Mr. Trivillin is also Chief Executive Officer of the Parent Company with the target of growing the company by implementing management efficiency and development.

4.6 Independent Directors

Of the eight incumbent members of the Board of Directors, Augusto Clerici Bagozzi, director since 2003, and Professor Chiara Mio, who joined the Board of Directors in 2015, possess the requirements of independence – as regards the company, the directors and the management of the company – specified in art. 148, paragraph 3 of the Consolidated Law on Finance. The existence of the above-mentioned prerequisites was examined and confirmed by the Board of Directors, and declared by the two directors themselves during their appointment meeting held on October 26, 2015. The two directors are required to subsequently carry out a yearly self-evaluation during the meeting of the Board of Directors.

As for Augusto Clerici Bagozzi, although he has been on the company's board of directors for over nine years, this does not affect the independence of his opinions or the requirement of independence, because of his professionalism – also proven by the positions he holds in other groups – and because he does not hold any positions in companies that are or could be considered "related parties".

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 and Professor Chiara Mio possess the requirements of independence.

The independent directors regularly take part in board activities.

During the year they met twice as independent directors; if invited by them, other directors also attend these meetings.

5. Handling of Corporate Information

Dealing with corporate information is the responsibility of the Chairman and CEO.

Relations with financial analysts and institutional investors are coordinated by the Chairman and CEO through the "*Investor Relations*" department.

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

Pursuant to art. 115-bis of the TUF, on April 1, 2006, the company set up a "List of people with access to Inside Information", which is periodically updated.

Following the coming into force on July 1, 2016, of the European MAR (EU regulation n. 596/2014), during the year the company drew up and adopted a "Procedure on keeping a list of people with access to inside information", in the format specified in Implementing Regulation (EU) 2016/347 (ITS 347), for the purpose of monitoring the dissemination of sensitive news before it is made public, as well as preventing the crimes stated in Legislative Decree 231/2001.

The list is divided into sections (one for each piece of Inside Information) containing only details on individuals having access to the Inside Information relevant to that section (Individual Section).

The list also contains a "Permanent Insider Section" containing the details of people who because of their function or position have access at all times to all Inside Information within the company or the Group; these people are listed below:

- a) The Chairman of the Board of Directors and the Executive Directors
- b) The Head of Human Resources
- c) The Head of Administration and Finance
- d) those with access to "Macroplanning"
- e) The JAM sales director
- f) The Head of the Legal Department
- g) the Head of "Contracting & Financing"
- h) the Head of Internal Control.

The people included in this list are informed of their inclusion on the list and of the legal and regulatory obligations deriving therefrom, and of the penal and administrative sanctions they are subject to if they break the rules.

In addition to the Designated Officer (Head of Corporate Affairs), the members of the company boards, the heads of Internal Auditing and the members of the Watchdog Committee have access to the list.

The procedure mentioned above is published on the company's web site www.danieli.com, in the *Investors/Communication* section.

6. Board Committees

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

As regards the remuneration of directors vested with particular responsibilities, the Independent Directors make proposals that are in line with market practices, and the decisions are then made collectively with the approval of the Board of Statutory Auditors.

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.

7. Directors' Remuneration

Please refer to the Report on Remuneration published in accordance with art. 123-ter of the Consolidated Law on Finance.

8. Control and Risks

As of September 27, 2010, following the issuing of Legislative Decree 39/2010, the Board of Statutory Auditors has taken on the role of "Internal Control and Auditing Committee", for the purpose of monitoring – among other things - the effectiveness of the internal control and risk management system.

Within the scope of its institutional responsibilities as specified in current legislation, the Board of Statutory Auditors ensures that the accounting principles are used properly and that they are homogeneous for the purposes of drawing up the consolidated financial statements; it expresses opinions and makes proposals on specific aspects concerning the company's main risks, as well as on the design, execution and management of the Internal Control system; it monitors the effectiveness of the auditing process; it assesses the work plan for auditing and the results entered in the external auditor's report and in the letter of suggestions submitted by the external auditor.

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

9. Internal Control and Risk Management System

The Board of Directors has set out the guidelines of the internal control and risk management system (hereinafter the “**System**”), including a system of procedures to ensure proper, efficient management, as well as to prevent and manage (as much 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 operational 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.

The Board of Directors has assigned to the Chairman and CEO the task of establishing the essential key elements of the System within the scope of the guidelines established by the Board.

The Chairman and CEO is also responsible for:

- adapting this system to the operating conditions and to the legislative and regulatory framework; and
- appointing the officers in charge of carrying out Internal Control activities within the Company.

The System is based on four pillars:

- Internal Audit department
- Compliance Manager
- Controllers as per 262/2005
- Watchdog Committee

9.1 Internal Audit

The Internal Audit department is in charge of continuously ensuring, according to specific needs and in compliance with international professional standards, that the internal control and risk management system is operational and suitable.

During the last fiscal year, the Internal Audit department was run by Mr. Fabio Londero until May 22, 2017, following his appointment as head of this department by the Board of Directors on February 27, 2015, on a proposal by the Chairman.

During the last fiscal year, the Internal Audit department pursued the following goals:

- improving job management procedures and pinpointing the risk areas;
- identifying risks and controls to be carried out on external jobsites and in Procurement;
- optimizing controls/audits with the Quality Office and the Information Technology Department for *IT Risk Assessment*.

On May 22, 2017, the Board of Directors appointed Mr. Luca Ferraresi as the new head of this department (he is already Executive Vice President of Auditing and Controlling), assigning him the same function to be performed according to a program drawn up with the Board of Statutory Auditors and approved by the Board of Directors.

In the second part of the year, the Internal Audit Department launched the following activities:

- actions aimed at ensuring compliance with the rules and procedures of the control processes and that all the people involved work in accordance with the set goals;
- providing assistance to other monitoring bodies and with the individuals of the internal control and risk management system to make sure the company is run in a healthy, consistent and proper manner in compliance with the set goals.

Furthermore, the Internal Audit Department took part in various meetings to exchange information and discuss company approaches.

For these activities, the head of the Internal Audit Department does not answer to any operating area but only to the Chairman, as the director in charge of monitoring the operations of the Internal Control System.

The Internal Audit department can rely on sufficient financial resources provided by the Board of Directors for the performance of its duties.

9.2 Compliance Manager

The institutional duties of the Compliance Manager consist in ensuring that company procedures are updated in keeping with new legislation and regulations; wherever necessary, in this respect the Compliance Manager also provides legal assistance to the various company departments in implementing the organizational changes needed to ensure that the company's operations fully comply with legal requirements.

The Compliance Manager operates within the Department of Legal Affairs and hierarchically answers to the Head of this Department, while in terms of operations he answers to the Board of Directors to which he reports every six months.

The Compliance Manager proposes a six-monthly work plan (after hearing the opinion of the Head of the Legal Department) to the Board of Directors, which approves it.

In the last fiscal year, the Compliance Manager dealt with the following activities:

- 1) Export Control: controls on individuals, distribution of guidelines and making sure they are enforced.
- 2) Export Control: controls on individuals, legal assistance to the Export Control Manager, Shipping Department and Product Lines.
- 3) Protection of Personal Data: Legal assistance to the Human Resources Department; *due diligence* on the implementation status of Regulation (EU) 2016/679.
- 4) The Group's Code of Ethics: distribution of the code to the various subsidiaries and assistance in its application.
- 5) Agency and Brokerage Agreements: *due diligence* on the internal regulations of the various Group companies.

9.3 Monitoring body as per law 262/2005

Pursuant to L. 262/2005, DANIELI has set up a body to monitor company functions and ensure compliance with the company procedures used to prepare the book entries. Specifically, each year the monitoring body plans and carries out a series of controls using the following three methods, which can be adopted individually or jointly, depending on the case:

1. Probative investigation (interview with the person in charge of the procedure);
2. Observation (work shadowing of the person as he/she performs the operations being monitored);
3. Examination of the documents gathered after the test.

The monitoring body uses "Tesi GRC" software to record and monitor test results over time.

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

On a yearly basis the Board of Statutory Auditors asks for proof of the results of the controls.

9.4 Watchdog Committee

Pursuant to Legislative Decree 231/2001, in 2005 the company adopted an Organization, Management and Control Model.

The Watchdog Committee - in charge of overseeing the operation of the model and making sure it is being followed – as of October 26, 2015, is made up of the following members: Giuseppe Alessio Verni, Chairman, Professor Chiara Mio and Gianluca Buoro attorney at law.

The Model contains a series of procedures intended to prevent the “underlying offences” stated in the above-mentioned Decree and its additions, that are 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.

During the financial year ended June 30, 2017, the Watchdog Committee performed the following activities:

- I. Specific personnel training;
- II. Model updating;
- III. Drawing up and adoption of a new Protocol to manage relations with partners and other company boards;
- IV. Updating of corporate risk assessment;
- V. Verifying and inspecting certain Protocols adopted by the Company.

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.

9.5 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 EY 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, which together draw up an auditing schedule; the Board of Statutory Auditors periodically 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)

The fees paid to the external auditing company are those decided on October 28, 2010, by the shareholders; only in the case of new purchases or sales can these fees be subject to review.

Group auditing fees for the fiscal year in question amount to Euro 775,000.

9.6 Officer in charge of preparing the company’s accounting documents

The officer in charge of preparing the company’s accounting documents is Mr. Alessandro Brussi. He was appointed (in compliance with the corporate by-laws) by the Board of Directors on October 25, 2012, and his appointment was reconfirmed when the company boards were renewed on October 26, 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 suitable powers and resources for the performance of his task, 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 during board meetings; he also makes sure that information continues to reach the Board of Statutory Auditors and the External Auditing Company.

9.7 Coordination among officers of the Internal Control and Risk Management System

In accordance with art. 19 of Decree Law 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 activities of the Internal Audit Department, expressing an opinion on the yearly Internal Audit program;
- can attend the meetings of the Watchdog Committee, on whose activities it is regularly updated;
- periodically organizes meetings with the Internal Control Officer and with the Officer in charge of drawing up the company's accounting documents, suggesting pinpointed audits, giving advice and assigning special tasks whenever necessary.

10. Directors' Interests and Transactions with Related Parties

Following the renewal of the company boards during the shareholders' meeting of October 26, 2015, out of the eight members of the current Board of Directors, two possess the requirements of independence: since the conditions to appoint a Committee for related-party transactions do not exist (the regulations specify that there must be at least three independent directors), 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 2016/2017 financial year the members of the company boards or representatives of Group companies did not carry out any significant 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 the sectors that are closely related to the company's business are the production and sale 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 an advance notice of at least ten days – 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 other administration and control positions, which together exceed the limits allowed for corporate duties as established by the Consob Issuer Regulation, cannot be appointed as Auditors, and if elected will be required to resign.

Upon the appointment of the auditors 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 are divided into two sections: one for the appointment of the Standing Auditors and the other for the appointment of the alternate auditors – and contain a number of candidates that does not exceed the number of members to be elected; candidates are 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 current 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 stated in the convocation notice for the shareholders' meeting.

Together with each list, which must indicate the names of the shareholders, the following documents have to be submitted, under penalty of 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 Issuer Regulation;
- 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 in current regulations, the requirements of independence as required by law (art. 148, paragraph 3 of the Consolidated Law on Finance) as well as information on administrative 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 on the list which obtains the highest number of votes, and the first candidate on the list with the second highest number of votes; the latter will be the Chairman.

The elected Standing Auditors will be the first two candidates on the list which obtains the highest number of votes, and the first candidate on the list with the second highest number of votes.

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

In case of death, waiver or disqualification of a Standing Auditor, he/she will be replaced by the first candidate on the same list as the Auditor to be replaced, 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 must 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 on the majority list submitted by the shareholders with the highest 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 every 90 days, even in 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.

For further details on the appointment procedure please refer to the by-laws.

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 26, 2015, 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, 2018.

The Board of Statutory Auditors in office at year end is made up of Renato Venturini, Chairman, Vincenza Bellettini and Gaetano Terrin, as Standing Auditors; Giuseppe Alessio-Verni, Laura Piussi 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

Mr. Renato Venturini, Chairman of the Board of Statutory Auditors

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

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

Since 1970, registered with the Institute of Chartered Accountants of the Province of Udine.

Legal Auditor since 1978.

Registered with the Roll of Financial Auditors by Ministerial Decree dated 12.04.1995.

He is specialized in corporate and tax matters.

He has held positions as director and auditor in financial and insurance companies and banks.

Mr. Gaetano Terrin, Standing Auditor

Born in Padua on 16.07.1960.

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

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

Registered with the Association of Financial 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 primary international auditing firm from 1998 to 2003.

He is self-employed as a tax and corporate consultant.

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

He holds and has held the position of Standing Auditor and Chairman on Boards of Statutory Auditors in large insurance, industrial and financial companies, some of which are listed on the stock exchange.

Vincenza Bellettini, Standing Auditor

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

Degree in Economics and Business from the Università degli Studi of Bologna in 1978.

Registered with the Association of Certified Public Accountants of Bologna since 1979.

Registered with the Association of Financial Auditors with the Ministry of Justice, as per Ministerial Decree dated April 12, 1995, G.U. n. 31 bis, April 21, 1995.

Pro tempore President of the Foundation of Certified Public Accountants of Bologna.

She is a practicing Certified Public Accountant in Bologna, with the firm "*Studio di consulenza commerciale e tributaria, Dottori Commercialisti Associati*".

Specialized in business, corporate and fiscal consulting as well as auditing.

She has held and holds the positions of standing auditor and Chairman on Boards of Statutory Auditors of companies of various sizes, including in the banking sector.

She has held the position of trustee in bankruptcy.

She currently holds the position of standing auditor in a bank and other industrial companies.

Mr. Giuseppe Alessio-Vernì, Alternate Auditor

Born in Trieste on October 5, 1964.

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

Registered with the Association of Certified Public Accountants and Auditors of Trieste since 1992; holds the position of Director of the Trieste branch.

He is a practicing certified public accountant in Trieste, with a firm 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.

Registered with the Roll of Financial Auditors by Ministerial Decree dated 26.04.1995.

Registered with the Association 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.

Laura Piussi, Alternate Auditor

Born in Tarvisio (UD) on June 16, 1953.

Degree in Political Science with a specialization in economics from the Università degli studi of Trieste.

Registered with the Association of Certified Public Accountants of the province of Udine since 1984.

Legal auditor since 1995, official auditor since 1991.

Since 1986, tax judge with the tax court of first instance of Tolmezzo (UD), and from 1996 to 1998 with the provincial tax court of Udine.

Certified public accountant with experience in business, tax and administrative matters; expert in auditing and monitoring of operations, and auditing for the region of FVG.

She holds the position of standing auditor in various companies, non-profit organizations and foundations.

Mr. Giuliano Ravasio, Alternate Auditor

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

Certified Public Accountant

Registered with the Association of Certified Public Accountants since 1983.

Registered with the Association of Official Accounting Auditors since 1987, then with the Association of Financial Auditors since 1995.

Since 1993, registered on the List of Experts for Inspections of trust and auditing companies.

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

Member of a tax court of second instance (1978-1996).

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

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

Speaker for ODCEC training courses – Digital preservation according to law – E-invoicing

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

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

Teacher of FSE training courses.

Member of the CNDCEC digital signature task force 2017

The Board of Statutory Auditors meets more frequently than every 90 days as required by law. During the year in question the Board met 10 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 Statutory Auditors 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 same auditing company and the entities 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 their shareholders, so that they can exercise their rights in an informed manner.

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

14. Shareholders' Meetings (as per. Art. 123-bis, paragraph 2, letter c) of the 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 Civil Code – on proposals relating to:

- merger in the cases specified in articles 2505 and 2505 bis of the Civil Code;
- setting up or shutting down secondary offices
- reduction of capital in the case of withdrawal of a partner;

- changes to the by-laws in observance of regulatory provisions;
- national transfer of company headquarters;
- bond issue, with the exception of bonds that can be converted into company shares (which remains the responsibility of the shareholders).

The company has adopted shareholders' meeting regulations, which govern the running of the meetings 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 not less than ten minutes and not 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.

15. Other Corporate Governance Practices

On April 1, 2006, the Board of Directors adopted its own Code of Conduct on *Internal Dealing*, initially for the purposes set forth in art. 114 of the Consolidated Law on Finance, implementing CONSOB resolution n.15233 dated November 29, 2005, to regulate transactions involving the purchase, sale, subscription or swap of Danieli shares or associated financial instruments, carried out by Persons Discharging Managerial Responsibility (PDMRs) or by Persons closely associated with them.

This document then implemented the relevant provisions issued by Consob with resolution 18079 dated January 20, 2012.

With the entering into force throughout the European Union of regulation 596/2014 of April 16, 2014 (MAR regulation) issued by the European Parliament and the Council of the European Union, the code was revised according to art. 19 of the Market Abuse Regulation and of the Delegated Regulations.

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

The board of directors that met on September 26, 2017, made the following resolutions:

- appointment of Mr. Giacomo Mareschi Danieli as Chief Executive Officer of the company with the same powers as the Chief Executive Officer Alessandro Trivillin.
- appointment of Camilla Benedetti as Vice-president of the company.

26.9.2017

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

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

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.

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., Milano	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%

TABLE 2: 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 meeting to approve financial statements</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	26.10.2015	30.6.2018	M	X					4/5		P
Deputy Chairman	de Colle Carla	1943	12.11.1999	26.10.2015	30.6.2018	M	X					4/5		
Chief Executive Office	Trivillin Alessandro	1968	26.10.2015	26.10.2015	30.6.2018	M		X				4/5		M
Director	Benedetti Camilla	1980	26.10.2015	26.10.2015	30.6.2018	M	X					5/5		
Director	Brussi Alessandro	1961	26.10.2015	26.10.2015	30.6.2018	M	X					5/5		M
Director	Clerici Bagozzi Augusto	1940	24.10.2003	26.10.2015	30.6.2018	M		X		X		5/5		
Director	Mareschi Danieli Giacomo	1980	28.10.2009	26.10.2015	30.6.2018	M	X					3/5		M
Director	Mio Chiara	1964	26.10.2015	26.10.2015	30.6.2018	M		X		X		4/5		
Director	Franco Alzetta	1958	24.10.2003	26.10.2015	24.8.2016	M						0		
Number of meetings held during the year in question:		Board of Directors: 5			Executive Committee: 0									

(●) 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 are not enough independent directors, as already mentioned.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Position held	Members	Year of birth	Date of first appointment	In office since	In office until assembly to approve the financial statements	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	26.10.2015	30.6.2018	M		10/10	-
Standing auditor	Terrin Gaetano	1960	27.10.2006	26.10.2015	30.6.2018	M		8/10	-
Standing auditor	Bellettini Vincenza	1954	25.10.2012*	26.10.2015	30.6.2018	M		8/10	-
Alternate auditor	Alessio-Verni Giuseppe	1964	28.10.2009	26.10.2015	30.6.2018	M			1
Alternate auditor	Ravasio Giuliano	1951	24.05.1990	26.10.2015	30.6.2018	M			-
Alternate auditor	Piussi Laura	1953	26.10.2015**	26.10.2015	30.6.2018	M			-
Number of meetings held during the year in question: 10									
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%.									

(*) In 2012 Ms. Bellettini was appointed alternate auditor, since 2015 she has been a standing auditor.

(**) Ms. Piussi had already held the position of alternate auditor. This ended when the board of auditors was renewed in 2012.



Danieli & C. Officine Meccaniche S.p.A.

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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Financial statements and publications are available

at the company's headquarters

on the authorized storage mechanism "eMarket STORAGE"

www.emarketstorage.com

and on the company's Web Site: www.danieli.com, Investors section