



DANIEMI & 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 REMUNERATION

(Year 2016/2017)

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

approved by the Board of Directors on September 26, 2017

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1. Report on Remuneration (Schedule 7-bis)

Preamble and Regulatory Framework

The Danieli Group is a world leader in the manufacture and sale of plants for the steelmaking industry (*Plant Making*) and one of the major producers of special steels in Europe (*Steel Making*).

On September 26, 2017, the Board of Directors of the parent company Danieli & C. Officine Meccaniche S.p.A. approved this Report on Remuneration drawn up in accordance with art. 123-ter of Legislative Decree n.58 of February 24, 1998, (Consolidated Law on Finance), with art. 84-ter of the Consob Issuer Regulation, and with art. 2389 of the Civil Code.

This document sets out the Group's policy on this subject, with the aim of pursuing the following main targets:

- Aligning the remuneration system with market requirements;
- Ensuring the company's competitiveness through suitable remuneration policies;
- Attracting and keeping highly professional resources to ensure the company's growth.

The report is divided into two sections:

- the first section explains the company's policy concerning the remuneration of the members of the Board of Directors and executives with strategic responsibilities, as well as the procedures applied to adopt and implement this policy; These policies and procedures will be submitted for review at the next shareholders meeting;
- the second section is made up of two parts: the first part lists the single elements making up the fees paid during the year to each member of the administrative and auditing bodies and to executives with strategic responsibilities, verifying their consistency with the policy adopted in this respect by the company and its subsidiaries; the second part analytically shows all the payments made to these individuals for whatever reason or purpose by the company and its subsidiaries and affiliates during the year in question (2016/2017).

Finally, the last table (Schedule 7-ter) shows the number of shares held - in the company and in companies it controls - by the members of the administrative and auditing boards and by executives with strategic responsibilities, as well as by subjects closely related to them, with reference to the fiscal year ended on June 30, 2017.

It should be noted that for the year ended June 30, 2017, there was a change in the company's current organizational and management structure following the departure of the executive director Franco Alzetta, who held the position of *Chief Operating Officer* of the Plant Making segment.

There is no one holding the position of chief operating officer in our organization, nor are there any executives with strategic responsibilities as defined by the Consob Regulation.

The adoption of a Remuneration Policy subject to the approval of the shareholders exonerates the company from applying the provisions of the Consob Regulation and of the Internal Regulations on transactions with related parties as regards the remuneration of directors vested with particular responsibilities and executives with strategic responsibilities, if any.

At the meeting called to approve the financial report for the 2016/2017 tax year, the shareholders are asked to express an opinion, in a non-binding resolution, on the first section of this report (art. 123-ter paragraph 6 of Legislative Decree n. 58/1998).

The outcome of the vote will be made public in the manner specified in current regulations.

SECTION I

Remuneration policy for fiscal 2017/2018 and procedures used to adopt and implement the policy.

The remuneration policy that the Board of Directors submits to the shareholders at the annual meeting is the result of collective action involving the manager of Human Resources and the Chairman and Chief Executive Officer. Gianpietro Benedetti (who represents the majority shareholder), for the purpose of bringing transparency to the various types of remuneration and simplifying their application.

The total remuneration of the directors is determined by the shareholders, and the Board of Directors establishes how this remuneration is to be distributed as well as the remuneration of the Chairman and CEO and of the other members of the board.

The remuneration for the members of DANIELI's Board of Directors is a fixed amount and is not linked to the company's financial performance or to the achievement of specific targets;

the company's policy concerning the remuneration of board members, which is periodically reviewed, has not undergone any significant changes over the years and is expected to be confirmed for next year as well.

As for directors with particular responsibilities:

- the remuneration of the CEO, who is also the Chairman of the Board, is included in the total remuneration established by the shareholders for the board of directors, and is decided by the Board of Directors (after being examined by the independent directors, who are also responsible for "monitoring" transactions between related parties) and in any case with the approval of the Board of Statutory Auditors; the current remuneration of the Chairman and CEO, set at Euro 650,000 per annum by the Board of Directors on October 26, 2015, is based on and consistent with his commitment, availability and competence; the Board of Directors, with the approval of the Board of Statutory Auditors, has the power to grant the Chairman and CEO a one-time bonus, in appreciation of his substantial commitment; his remuneration and any bonuses are subject to the approval of the shareholders; for the year just ended, the Board of Directors did not make any changes to the remuneration of its directors, nor did it decide to pay any bonuses;
- the Board of Directors decided not to pay any specific fees to Alessandro Trivillin for his appointment as Chief Executive Officer nor to the other members of the Executive Committee (the only committee on the Board of Directors).

The Board of Directors – whose Chairman and CEO represents the majority shareholder – did not feel the need to set up a Remuneration Committee, nor to avail itself of independent experts to draw up a

remuneration policy. It is the Chairman and CEO – with the assistance of the Human Resources Department - who is authorized to award monetary bonuses to executives, which are based on merit and aimed at rewarding both commitment and results obtained.

The remuneration of personnel holding positions with greater responsibility is generally subject to review according to shared objectives (*Management by Objectives*) and a work plan, every three years, both of which are verified periodically to ensure that they are in line with the market situation and with the remuneration policy implemented by companies of comparable size operating in the same field.

The current remuneration policy regarding the company's personnel uses management development methods that apply the Hoshin method, which tends to bring out the qualities and potential of each person. The variable element of the remuneration of management is therefore linked to the achievement of set targets (total company targets and/or those of a single product line), compared to budget figures; in any event it does not exceed 30% of the remuneration. Any exception is subject to deliberation by the Board of Directors.

There is no remuneration policy that provides for non-monetary benefits.

There are no incentive plans based on shares or other financial instruments in favor of directors (including executive directors) or executives.

There are no vesting periods or deferred payment mechanisms or ex post correction mechanisms; there are no clauses to keep financial instruments in the portfolio after they are purchased by directors or executives.

There are no collective agreements or *erga omnes* practices requiring that executives who have ceased to hold office automatically receive compensation in exchange for non-competition or other commitments.

The remuneration policy does not provide for additional pay for directors or executives in case of cessation of office, resignation, dismissal or early termination of employment; only the provisions of the National Employment Agreement for Industry Executives are applicable.

Other than the mandatory coverage or the coverage specified in the National Employment Agreement for Industry Executives, there is no additional insurance, social security or pension coverage for directors and executives, with the exception of insurance to cover accidents resulting in death and/or permanent disability, the "D&O" (Directors and Officers) professional liability insurance and insurance against business travel risks.

No reference whatsoever is made to the policies of others in determining the company's remuneration policy.

SECTION II

Part One

BOARD OF DIRECTORS

Fees

The fees to be paid to members of administrative bodies were determined by the shareholders during the meeting of October 26, 2015, and set at a total amount of Euro 760,000, to be distributed among the members of the board, including the fees for particular responsibilities to be determined independently by the Board of Directors.

The decision to reduce the number of directors from nine to eight, made at the annual meeting of October 28, 2016, also reduced the total remuneration paid to the board of directors from 760,000 to 750,000 euro (decided during the meeting of October 28, 2016).

Remuneration

The remuneration for the CEO Gianpietro Benedetti is included in the total amount of 750,000 euro established by the shareholders; on October 26, 2015, the Board of Directors passed the following resolutions:

- for the CEO (who is also Chairman of the Board of Directors) a gross yearly remuneration of 650,000 euro;
- for each of the two independent directors an annual fee of 20,000 euro;
- for each of the other directors an annual fee of 10,000 euro.

The amount paid to the Chief Executive Officer Alessandro Trivillin is the same as the amount paid to the other board members; his remuneration is based on the activities he performs (as Chief Executive Officer and employee) for Acciaierie Bertoli Safau S.p.A. (operating in the field of special steelmaking), and like the remuneration of the other executives, is based on the National Employment Agreement for Industry Executives.

The total remuneration of the Deputy Chairman Carla de Colle (who holds the position of Chief Operating Officer for the *Steel Making* segment) includes, in addition to the fixed sum established for Danieli board members, the fees received as Chairman of the Board of Directors of Acciaierie Bertoli Safau S.p.A.

The total amount of fees paid to the other executive directors includes, in addition to the fixed amount, the remuneration for being employed as executives with the company.

No additional remuneration is paid to the directors on the Executive Committee.

Extra Bonuses

The Board of Directors did not pay out any additional bonuses to the CEOs.

Non-monetary Benefits

An insurance policy has been taken out to cover accidents resulting in death and/or permanent disability for members of the Board of Directors, as well as a “D&O” (Directors and Officers) professional liability insurance policy.

Cessation of Office or Termination of Employment

Notwithstanding the provisions of the national collective bargaining system (National Collective Employment Agreement for the Metalworking and Mechanical Engineering Industry, and National Collective Employment Agreement for Industry Executives), DANIELI has not entered into any collective agreements or company practices that provide for additional compensation in case of cessation of office, termination of employment or dismissal without just cause.

The amount of compensation is proportional to the person’s seniority within the company and the position he/she holds.

EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Apart from the executive directors, the company does not employ executives with strategic responsibilities, as defined in the Consob Regulation.

However, the salary of the company’s executives is in line with market figures; the variable element, if any, of the above-mentioned remuneration (only for short periods) is linked to the achievement of results (total company results or the results of a single product line, compared to budget figures) and does not exceed 30% of the remuneration. The decision to award bonuses for particular commitments or results achieved is made by the Chairman and CEO.

Tables: Table I shows the items making up the fees paid to directors and auditors during the year in question, for whatever reason or purpose, by the company or its subsidiaries or affiliates; the amount of the fees confirms the continuity and consistency of the company's remuneration policy (which is also applied by its subsidiaries and affiliates), according to the indications approved by the shareholders on October 28, 2016; Table II shows the shares held by these directors and auditors in the company.

Part two

TABLE 1: AMOUNTS PAID TO THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES, BY DANIELI & C. OFFICINE MECCANICHE SPA AND ITS SUBSIDIARIES UP TO 30.6.2017

(Amounts in thousands of Euro)

First name and surname	Office held	Period in Office	Expiry of Term	Fixed remuneration	Committee membership remuneration	Variable non-equity remuneration		Non-monetary benefits	Other compensation	Total	Fair value of equity remuneration	Indemnity for termination of office or termination of employment
						Bonuses and other incentives	Profit sharing					
Directors												
GIANPIETRO BENEDETTI	Chairman	01.07.2016 - 30.06.2017	30.06.2018									
	Chief Executive Officer											
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders				10						10	
- remuneration for the position of CEO				650						650		
Total				660	0	0	0	0	0	660		
CARLA DE COLLE	Vice-Chairman and Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders				10					10		
	Remuneration from subsidiaries and affiliates					70			305	375		
Total				10	70			305	385			
ALESSANDRO TRIVILLIN	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											4
	- remuneration decided by the shareholders				10					10		
	- employment income				10	60		3	280	353		
Total				20	60	0	3	280	363			
CAMILLA BENEDETTI	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:								1		1	
	- remuneration decided by the shareholders				10					10		
	- employment income				108					108		
Total				118	0	0	1	0	119			
ALESSANDRO BRUSSI	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											10
	- remuneration decided by the shareholders				10					10		
	- employment income				195	18		5		218		
Remuneration from subsidiaries and affiliates								72	72			
Total				205	18		5	72	300			

(Amounts in thousands of Euro)

First name and surname	Office held	Period in Office	Expiry of Term	Fixed remuneration	Committee member-ship remuneration	Variable non-equity remuneration		Non-monetary benefits	Other compensation	Total	Fair value of equity remuneration	Indemnity for termination of office or termination of employment
						Bonuses and other incentives	Profit sharing					
AUGUSTO CLERICI BAGOZZI	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders			20						20		
	Total			20	0	0	0	0	0	20		
GIACOMO MARESCHI DANIELI	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders			10						10		
	- employment income			118				1		119		
	Remuneration from subsidiaries and affiliates			5					0	5		
	Total			133		0	0	1	0	134		
MIO CHIARA	Director	01.07.2016 - 30.06.2017	30.06.2018									
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders			20					15	15		
	Total			20	0	0	0	0	15	35		
FRANCO ALZETTA	Director	01.07.2016 - 24.08.2016										
	Remuneration from the company drawing up the financial statements:											
	- remuneration decided by the shareholders			2					3	2		
	Remuneration from subsidiaries and affiliates			124						124		
	Total			126	0	0	0	3	0	129		
Total remuneration				1312	0	148	0	13	672	2145		
Statutory Auditors												
RENATO VENTURINI	Chairman	01.07.2016 - 30.06.2017	30.6.2018									
	Remuneration from the company drawing up the financial statements:											
	Remuneration from subsidiaries and affiliates			55					57	57		
	Total			55					57	112		
GAETANO TERRIN	Standing auditor	01.07.2016 - 30.06.2017	30.6.2018	35						35		
VINCENZA BELLETTINI	Standing auditor	01.07.2016 - 30.06.2017	30.6.2018	35						35		
Total remuneration				125					57	182		

There are no managers with strategic responsibilities.

2. Information on shares held by members of administrative and auditing bodies, general managers and other executives with strategic responsibilities for the year ended June 30, 2017 (Schedule 7-ter)

TABLE 1: Shares held by members of administrative and auditing boards

Surname and Name	Position held	Company in which shares are held	Number of shares held at the end of the previous tax year (30.6.2016)	Number of shares purchased	Number of shares sold	Number of shares held at the end of the tax year (1.7.2016-30.6.2017)
Sind International SpA (*)	Controlling company	DANIELI & C.SpA				
		Ordinary	27,461,013			27,461,013
		Savings				
Benedetti Gianpietro	Chairman and CEO	DANIELI & C.SpA				
		Ordinary	68,537			68,537
		Savings	17,000			17,000
De Colle Carla	Deputy Chairman	DANIELI & C.SpA				
		Ordinary				
		Savings	7,000			7,000
Alzetta Franco (**)	Director	DANIELI & C.SpA				
		Ordinary	32,000			
		Savings				
Mareschi Danieli Giacomo	Director	DANIELI & C.SpA				
		Ordinary	3,900		3,900	0
		Savings				
Ravasio Giuliano	Alternate auditor	DANIELI & C.SpA				
		Ordinary	1,000			1,000
		Savings				
Laura Piusi	Alternate auditor	DANIELI & C.SpA				
		Ordinary	10			10
		Savings				

(*) Company controlled jointly by Gianpietro Benedetti and the heirs of Cecilia Danieli.

(**) Ceased to hold office on August 24, 2016; up to this date the number of shares held was unchanged from the previous year.

The people indicated above are owners of their shares.



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Financial statements and publications are available
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on the authorized storage mechanism eMarket STORAGE www.emarketstorage.com
and on the company's Web Site: www.danieli.com, Investors section