

EXTRAORDINARY PART

Item 10 of the Agenda

Explanatory report of the Board of Auditors

Amendment to article 7 of the Company Charter concerning the introduction of an increase in the voting right assigned to ordinary shares as provided and allowed by Article 127-*quinquies* of Legislative Decree 58 of 24 February 1998. Related and consequent resolutions.

Dear Shareholders,

you have been called to this Extraordinary Meeting of Danieli & C. S.p.A. (the “**Company**” or “**Danieli**”), to approve, *inter alia*, the proposal to amend article 7 of the Company Charter and the relevant and consequent resolutions.

This proposal concerns:

- (i) the introduction in the Company Charter of an increase in the voting right assigned to the ordinary shares of the Company as provided and allowed by Article 127-*quinquies* of Legislative Decree 58 of 24 February 1998 (“**TUF**”), i.e. the possibility for a shareholder – after continuously holding ordinary shares of the Company for 24 months – to be entitled to two votes per each share, instead of just one; and
- (ii) the consequent amendment of article 7 of the Company Charter in the terms specified in paragraph II.

This report has been drafted for the purpose of illustrating the proposed resolution relevant to this item of the agenda, pursuant to Article 125-*ter* del TUF and to the provisions under Article 72 and Annex 3A, Scheme 3, of the Issuers’ Regulation approved by Consob by resolution no. 11971 of 14 May 1999 as subsequently amended (the “**Issuers’ Regulation**”).

I. Reasons of the proposal

Introduction

Article 127-*quinquies* of the TUF introduces the possibility for companies listed on a regulated market to assign, through an amendment brought to the company charter for that purpose, a vote increased “*up to two votes maximum, per each share that has been owned by the same person continuously for no less than twenty-four months, starting from the date of registration*” in a specific list held by the Company.

This legal provision, introduced by Decree-Law no. 91 of 24 June 2014 (converted by Law 116 of 30 August 2014), aims to allow listed companies to adopt, if they so deem appropriate, an incentive tool for those shareholders who have chosen to favor a long-term investment in the listed company, by reinforcing their role in the governance through an increased voting right. The introduction of the “increased vote” is therefore intended as a reward and an incentive to make long-term investments in the company’s share capital.

In this regard, and also with a view to the contemporary Mandatory Conversion proposal,

which will result in an increase in the number of ordinary shares, the Board of Directors deems it advisable to privilege a long-term approach in investments, by providing those shareholders who intend to be a stable part of the company's ownership structure with greater weight in the decisions of the company.

The Board of Directors, moreover, considers shareholding stability a value for the Company, as it allows the management to pursue long-period objectives as well.

For such purpose, the Board of Directors intends to submit to your decision the introduction in the Company Charter of an increase in the voting right assigned to the Company's ordinary shares as provided and allowed by Article 127-*quinquies* del TUF, and the consequent amendment to article 7 of the Company Charter.

Increase coefficient and accrual period

Art. 127-*quinquies*, para. 1 of the TUF leaves the company free to define in its charter the entity of the increase of the voting rights (within the maximum limit of two votes per each share) and the duration of the minimum period for which the shares must be owned to qualify for the vote increase (however not below the minimum period of 24 months).

As regards the minimum period for which the shares must be owned in order to qualify for the increase of the voting right, the Board of Directors suggests that the increase of the voting right be acquired after the minimum period of 24 months required by the law.

Likewise, as regards the entity of the increase of the voting right, the Board of Directors has deemed it appropriate to suggest that the increase be equal to the maximum, i.e. two votes per each share, as provided for in the same Article 127-*quinquies* of the TUF.

Special list: registration and waiver

Under Article 127-*quinquies*, para. 2, of the TUF, in order to qualify for the increased vote benefit, the shareholders who intend to obtain such increase need to register in a specific list, the contents of which is regulated by Article 143-*quater* of the Issuers' Regulation.

This list is not an additional corporate book, but it complements the shareholder register and is therefore subject to the disclosure rules prescribed for the shareholder register, including the right of inspection of the shareholders under article 2422 of the Italian Civil Code.

Therefore, the Board of Directors invites you to establish such special list at the Company's registered office, and to confer on the same Board of Directors an assignment, inclusive of all related powers, to:

- (i) define the storage methods in accordance with the applicable legislation, and in particular with the provisions of Article 143-*quater* of the Issuers' Regulation; and
- (ii) appoint the person in charge of keeping the special list.

In addition, the Board of Directors recommends that the following be specified in the Company Charter:

- (i) a shareholder who intends to obtain the increased vote benefit shall request the registration in the special list and shall accompany their request with:
 - a) the indication of the number of shares for which the registration is requested (which may be limited to only part of the shares owned);

- b) a notice from the intermediary, on whose accounts the shares for which the registration is requested are registered, certifying that such shares are owned by the person who is submitting the request;
- c) if the applicant is not a natural person, the indication of whether the same is subject to control, whether direct or indirect, of third parties, together, in this case, with the identification data of the parent company; and
- d) all and any other documents as may be required by applicable laws;
- (ii) further to the registration in the special list, the registered party may at any time request from the Company, in writing, the deletion from such special list for all or part of the registered shares, thus losing the right to the increased vote, and, in any event, irrevocably waive the vote increase already accrued, by notifying the Company thereof in writing;
- (iii) the acquisition of the increased vote benefit becomes effective on the earlier between: (a) the third trading day of the calendar month following the month in which the conditions required by the Charter for the vote increase have been met; or (b) the so-called record date of a possible meeting, defined in accordance with the laws *pro tempore* in force and effect, following the date on which the conditions required by the Charter for the vote increase have been met;
- (iv) the Company shall update the special list within the third day of open market from the end of each calendar month and, in any event, within the so-called record date indicated by the laws in force and effect at the time with respect to the right to attend and vote at meetings (i.e., at present, at the close of the accounting day on the seventh trading day prior to the date set for the Company's Meeting under the current Art. 83-*sexies* of the TUF), so as to be able to comply with the requirements regarding disclosure to Consob and to the public of the total amount of the voting rights, in accordance with the procedures and the time limits under Article 85-*bis*, para. 4-*bis* of the Issuers' Regulation; and
- (v) the Company shall proceed to delete from the Special List any shareholder who previously requested registration in such list: (a) upon a prior notice from the same shareholder, stating that they waive the increased vote benefit; (b) upon a prior notice from the relevant shareholder or from the intermediary showing that the preconditions for the qualification to the vote increase are no longer met or showing the loss of the qualifying real right and/or of the relevant voting right; or (c) of its own motion, when the Company becomes aware of events occurred that cause the preconditions for the voting right to be no longer met, or result in the loss of the qualifying real right and/or of the relevant voting right.

Qualifying real right and provisions for the case of transfer

The Board of Directors recommends that you specify in the Company Charter that for the purpose of the assignment of an increased voting right, the circumstance that the “*share [has been] owned by the same person*” as per Art. 127-*quinquies* of the TUF should be intended to refer to the transfer of those shares, the voting right of which has been owned by the same person by virtue of a qualifying real right, such as: (i) full ownership of the share with the right to vote; (ii) bare ownership of the share with the right to vote; or (iii) usufruct of the share with the right to vote.

Under Art. 127-*quinquies*, para. 3 of the TUF, the increased vote right is lost:

- (i) in case of assignment of the share, either with or without consideration, it being understood that the word “assignment” includes the establishment of a pledge, usufruct or any other lien on the share if the same results in the loss of the shareholder’s right to vote. In case of assignment, with or without consideration, concerning only part of the shares with increased vote, the assignor will maintain their right to the increased vote on the shares other than the assigned ones; and
- (ii) in case of direct or indirect assignment of controlling interests in companies or entities that hold a number of shares with increased voting rights in excess of the threshold indicated by Art. 120, para. 2 of the TUF (i.e., 3% of the share capital).

In this regard, the Board of Directors recommends that it be specified in the Company Charter that the following will not result in the loss of qualification for the purpose of the increased vote, nor in a restart of the ownership period required for the assignment of such right:

- (i) succession due to death of the person registered in the special list, in which case, the vote increase right is maintained in favor of the heir and/or legatee;
- (ii) establishment, by the person registered in the special list, of a pledge or usufruct on the shares (until the voting right remains assigned to the person that has created the pledge or granted the usufruct);
- (iii) transfer, from one portfolio to another, of the UCI managed by the same person;
- (iv) transfer, without consideration, to an entity such as, without limitation, a trust, estate or foundation, of which the same assignor or their heirs are the beneficiaries; and
- (v) if the shareholding is held by or on behalf of a trust, in case of a change of the trustee.

Preservation and extension of the increased voting right

The Board of Directors suggests to specify in the Charter that:

- (i) the increased vote benefit extends to any new shares that may be issued upon the capital increase, whether this latter is made free of charge or through new contributions made upon exercising the option right;
- (ii) in case of mergers or demergers of the Company in accordance with the provisions of Art. 127-*quinquies*, para. 4, of the TUF, the increased voting right will also be granted on the shares assigned in consideration of those entitled to the increased vote, if it is so indicated in the relevant merger or demerger plan;
- (iii) the new shares issued within the transactions mentioned in items (i) and (ii) above will acquire the increased vote benefit: (a) as to the newly-issued shares to be assigned to the owner in relation to shares that already enjoy the increased vote benefit, from the moment of the registration in the Special List, with no need for a new period of continuous possession; (b) as to the newly-issued shares to be assigned to the owner in relation to shares, for which the increased vote benefit has not accrued yet (but is accruing), from the moment that the period of continuous possession is completed, as calculated starting from the original registration in the Special List.

Calculation of the meeting quorum

Pursuant to Art. 127-*quinquies*, para. 8, of the TUF, the Board of Directors suggests that the voting right increase be taken into account when calculating the quorum both for the valid formation and for passing resolutions of shareholders’ meetings that refer to percentages of

the share capital. However, it shall not affect the other rights, different from the vote, granted by reason of the percentages held in the share capital.

Effects that the introduction of the increased vote would have on the company's ownership structure

As illustrated above, the Board of Directors recommends that you amend the Company Charter in order to provide for a double vote right to be granted per each share that has been owned by the same person for a continuous period of no less than 24 months, starting from the registration in a special list to be established by the Company.

At the date of this Report, Sind International S.r.l., owner of a shareholding representing 67,175%, of the ordinary shares, is the majority shareholder of Danieli.

In the event that Sind International S.r.l. requests the increase in its voting rights in relation to the entire shareholding held by the same, and no other shareholder request a voting right increase, at the end of the 24 months period for which the shares must be owned, it would be entitled to exercise a total percentage of the voting rights equal to (i) 58,047% in the event that the resolution of Mandatory Conversion of savings shares takes effect and equal to (ii) 80,365%, in the event that the resolution of Mandatory Conversion of savings shares takes not-effect (item 9 of the agenda).

II. Amendments to the Company Charter – Comparison Table

If the proposal illustrated above is approved, it will be necessary to amend article 7 of the Company Charter.

The following table presents a comparison between the current text of article 7 of the Company Charter, and the proposed amended text.

Current text	Proposed amendments
<p>ART.7) – Ordinary shares are registered and are indivisible. Each ordinary share has the right to one vote.</p> <p><i>(not present)</i></p>	<p><i>(unchanged)</i></p> <p>Notwithstanding the provisions of the preceding paragraph, each share shall give right to a double vote (i.e. two votes per each share) provided that both of the following conditions are met: (a) the share has been held by the same person, pursuant to a real right qualifying to exercise the voting right (full ownership with right to vote or bare ownership or usufruct with right to vote) for a continuous period of at least twenty-four months; (b) the existence of the precondition under letter (a) is proven by the inclusion, for a period of at least twenty-four months, in the special list</p>

	<p>established for such purpose, pursuant to this article (the “Special List”).</p> <p>The acquisition of the increased vote benefit shall become effective on the earlier between: (a) the third trading day of the month following the month in which the conditions required by the Charter for the vote increase have been met; or (b) the so-called record date of a possible Meeting, defined in accordance with the laws in force and effect at the time, following the date on which the conditions required by the Charter for the vote increase have been met.</p> <p>The Company shall establish and maintain, at its registered office, in accordance with the forms and contents under the applicable laws, the Special List in which the shareholders who intend to benefit from the vote increase must be registered. In order to obtain registration in the Special List, a person qualified in accordance with this article must submit a specific application, accompanied by a notice certifying their title to the shares – which may concern all or part of the shares held by the owner – issued by the intermediary, with whom the shares are deposited pursuant to the applicable laws. The increase may be requested for all or part of the shares held by the owner. If the applicant is not a natural person, the application must indicate whether the same is subject to control, whether direct or indirect, of third parties, together, in this case, with the identification data of the parent company.</p> <p>The Special List under this article is subject to the provisions relevant to the shareholder register and all other provisions in this matter, insofar as compatible, including as regards disclosure of information and the</p>
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	<p>shareholders' right of inspection.</p> <p>The Special List shall be updated by the Company within the third trading day from the end of each calendar month, and in any event, within the so-called record date set by the applicable laws concerning the right to attend and vote at meetings.</p> <p>The company shall proceed to deletion from the Special List in the following cases:</p> <ul style="list-style-type: none"> (i) waiver of the interested party; (ii) notice of the interested party or of the intermediary showing that the preconditions for the qualification to the vote increase are no longer met or showing the loss of the qualifying real right and/or of the relevant voting right; (iii) of its own motion, when the Company becomes aware of events occurred, which cause the preconditions for the voting right to be no longer met or result in the loss of the qualifying real right and/or of the relevant voting right. <p>The voting right increase is lost:</p> <ul style="list-style-type: none"> (i) in case of assignment of the share, either with or without consideration, it being understood that the word "assignment" includes the establishment of a pledge, usufruct or any other lien on the share if the same results in the loss of the shareholder's right to vote; (ii) in case of direct or indirect assignment of controlling interests in companies or entities that hold a number of shares with increased voting rights in excess of the threshold indicated by Art. 120, para. 2 of the TUF. <p>The vote increase:</p> <ul style="list-style-type: none"> (i) is maintained, in case of
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	<p>succession due to death, in favor of the heir and/or legatee, meaning that the vote increase right is maintained in favor of the heir and/or legatee;</p> <p>(ii) is maintained in case of establishment, by the person registered in the special list, of a pledge or usufruct on the shares (until the voting right remains assigned to the person that has created the pledge or granted the usufruct);</p> <p>(iii) is maintained in case of transfer, from one portfolio to another, of the UCI managed by the same person;</p> <p>(iv) is maintained in case of transfer, without consideration, to an entity such as, without limitation, a trust, estate or foundation, of which the same assignor or their heirs are the beneficiaries;</p> <p>(v) if the shareholding is held by or on behalf of a trust, it is maintained in case of a change of the trustee;</p> <p>(vi) proportionally extends to newly-issued shares in case of a capital increase under Art. 2442 of the It. Civil Code and of a capital increase by new contributions made in the exercise of an option right; and</p> <p>(vii) will also be granted on the shares assigned in exchange for those entitled to the increased vote, if it is so indicated in the relevant merger or demerger plan;</p> <p>In the cases under items (vi) and (vii) of the preceding paragraph, the new shares will acquire the increased vote benefit: (a) as to the newly-issued shares to be assigned to the owner in relation to shares that already enjoy the increased vote benefit, from the moment of the registration in the Special List, with no need for a new period of continuous possession; and (b) as to the newly-issued shares to be</p>
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	<p>assigned to the owner in relation to shares, for which the increased vote benefit has not accrued yet (but is accruing), from the moment that the period of continuous possession is completed, as calculated starting from the original registration in the Special List.</p> <p>The person entitled to the increased vote has the right at any time to irrevocably waive (all or part of) the vote increase already accrued, by notifying the Company thereof in writing. It is provided that the voting right increase may be acquired again for the shares for which it was waived, by means of a new registration in the Special List and a new full period of ownership of no less than 24 months.</p> <p>The voting right increase shall be taken into account when calculating the quorum both for the valid formation and for passing resolutions of shareholders' meetings that refer to percentages of the share capital. However, it shall not affect the other rights, different from the vote, granted by reason of the percentages held in the share capital.</p> <p>For the purposes of this article, the definition of control is as provided in the laws governing listed issuers.</p>
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III. Right of withdrawal

Under Article 127-*quinquies*, para. 6, of the TUF, the proposed amendment of art. 7 of the charter as illustrated above does not give rise to the right of withdrawal under Art. 2437 of the It. Civil Code for those shareholders who have not participated in the relevant resolution.

IV. Decision-making procedure followed in submitting the proposed charter amendments

The charter amendment proposals contained in this Report have been approved by the Board of Directors on September 24, 2020. The decision was taken unanimously. The reasons for this favorable opinion are illustrated in the preceding paragraphs of this Report.

The decision has been directly taken by the Board of Directors, as this matter falls within those excluded from the responsibilities of internal committees.

V. Disclosure to the public

This report is available to the public, in accordance with the applicable laws, on the Company's website, www.danieli.it, and on the authorized stockage system "Sdir & Storage" at the address www.emarketstorage.com, as well as at the Company's Registered Office and on the website of the market management company Borsa Italiana S.p.A. at the address www.borsaitaliana.it.

VI. Proposed Resolution

In light of the above presentation, we submit the following resolution proposal to your approval:

"The Extraordinary Meeting of the Shareholders of Danieli & C. S.p.A.; after examining the Explanatory Report prepared by the Board of Directors pursuant to article 72 and in accordance with Annex 3, Scheme 3, of the CONSOB Regulation no. 11971 of 14 May 1999 on item 11 of the agenda for the extraordinary part and the proposal contained therein;

resolves

1. To amend article 7 of the Company Charter as follows:

ART.7)

From the second to the last paragraph – new text

"Notwithstanding the provisions of the preceding paragraph, each share shall give right to a double vote (i.e. two votes per each share) provided that both of the following conditions are met (a) the share has been held by the same person, pursuant to a real right qualifying to exercise the voting right (full ownership with right to vote or bare ownership or usufruct with right to vote) for a continuous period of at least twenty-four months; (b) the existence of the precondition under letter (a) is proven by the inclusion for a period of at least twenty-four months in the special list established for such purpose, pursuant to this article (the "Special List").

The acquisition of the increased vote benefit shall become effective on the earlier between: (a) the third trading day of the month following the month in which the conditions required by the Charter for the vote increase have been met; or (b) the so-called record date of a possible Meeting, defined in accordance with the laws in force and effect at the time, following the date on which the conditions required by the Charter for the vote increase have been met.

The Company shall establish and maintain, at its registered office, in accordance with the forms and contents under the applicable laws, the Special List in which the shareholders who intend to benefit from the vote increase must be registered. In order to obtain registration in the Special List, a person qualified in accordance with this article must submit a specific application, accompanied by a notice certifying their title to the shares – which may concern all or part of the shares held by the owner – issued by the

intermediary, with whom the shares are deposited pursuant to the applicable laws. The increase may be requested for all or part of the shares held by the owner. If the applicant is not a natural person, the application must indicate whether the same is subject to control, whether direct or indirect, of third parties, together, in this case, with the identification data of the parent company.

The Special List under this article is subject to the provisions relevant to the shareholder register and all other provisions in this matter, insofar as compatible, including as regards disclosure of information and the shareholders' right of inspection.

The Special List shall be updated by the Company within the third trading day from the end of each calendar month, and in any event, within the so-called record date set by the applicable laws concerning the right to attend and vote at meetings.

The company shall proceed to deletion from the Special List in the following cases:

- (i) waiver of the interested party;*
- (ii) notice of the interested party or of the intermediary showing that the preconditions for the qualification to the vote increase are no longer met or showing the loss of the qualifying real right and/ or of the relevant voting right;*
- (iii) of its own motion, when the Company becomes aware of events occurred, which cause the preconditions for the voting right to be no longer met or result in the loss of the qualifying real right and/ or of the relevant voting right.*

The voting right increase is lost:

- (i) in case of assignment of the share, either with or without consideration, it being understood that the word "assignment" includes the establishment of a pledge, usufruct or any other lien on the share if the same results in the loss of the shareholder's right to vote.*
- (ii) in case of direct or indirect assignment of controlling interests in companies or entities that hold a number of shares with increased voting rights in excess of the threshold indicated by Art. 120, para. 2 of the TUF (i.e., 3% of the share capital).*

The vote increase:

- (i) is maintained, in case of succession due to death, in favor of the heir and/ or legatee, meaning that the vote increase right is maintained in favor of the heir and/ or legatee;*
- (ii) is maintained, in case of establishment, by the person registered in the special list, of a pledge or usufruct on the shares (until the voting right remains assigned to the person that has created the pledge or granted the usufruct);*
- (iii) is maintained in case of transfer, from one portfolio to another, of the UCI managed by the same person;*
- (iv) is maintained in case of transfer, without consideration, to an entity such as, without limitation, a trust, estate or foundation, of which the same assignor or their heirs are the beneficiaries;*
- (v) if the shareholding is held by or on behalf of a trust, it is maintained in case of a change of the trustee;*
- (vi) proportionally extends to newly-issued shares in case of a capital increase under Art. 2442 of the It. Civil Code and of a capital increase by new contributions made in the exercise of an option right; and*
- (vii) will also be granted on the shares assigned in exchange for those entitled to the increased vote, if it is*

so indicated in the relevant merger or demerger plan;

In the cases under items (vi) and (vii) of the preceding paragraph, the new shares will acquire the increased vote benefit: (a) as to the newly-issued shares to be assigned to the owner in relation to shares that already enjoy the increased vote benefit, from the moment of the registration in the Special List, with no need for a new period of continuous possession; (b) as to the newly-issued shares to be assigned to the owner in relation to shares, for which the increased vote benefit has not accrued yet (but is accruing), from the moment that the period of continuous possession is completed, as calculated starting from the original registration in the Special List.

The person entitled to vote has the right at any time to irrevocably waive (all or part of) the vote increase already accrued, by notifying the Company thereof in writing. It is provided that the voting right increase may be acquired again for the shares for which it was waived, by means of a new registration in the Special List and a new full period of ownership of no less than 24 months.

The voting right increase shall be taken into account when calculating the quorum both for the valid formation and for passing resolutions of shareholders' meetings that refer to percentages of the share capital. However, it shall not affect the other rights, different from the vote, granted by reason of the percentages held in the share capital.

For the purposes of this article, the definition of control is as provided in the laws governing listed issuers."

2. *to entrust the Board of Directors, with the permission to appoint substitutes, with adopting a regulation, where necessary, for the management of the special list under art. 143-quater of the Issuers' Regulation, laying down the registration, keeping and update procedures in compliance with all applicable legislation, including regulations, and however such as to ensure timely exchanges of information between the shareholders, the issuer and the intermediary and with appointing the person in charge of keeping the Special List; and*
3. *to entrust the Board of Directors, with permission to appoint substitutes, with all powers and authorities that are necessary and expedient to carry out the above resolutions and to take all actions and enter into all transactions that are necessary or expedient for such purpose, including, without limitation, those relating to:*
 - (i) *managing the relationships with all competent Bodies and/or Authorities; and*
 - (ii) *obtaining the legal approval for the above resolutions, with the authority to bring any changes as may be requested by the competent Authorities and/or by the Companies Register upon registration of the same."*

This is an English courtesy translation of the original documentation prepared in Italian language. Please consider that only the original version in Italian language has legal value

September 24, 2020

on behalf of the Boards of Directors:

The Chairman (signed)

