

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

United Nations Global Compact Communication on Progress 2021

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Letter to stakeholders

Dear Shareholders, Customers and Colleagues,

Results for the 2020 / 2021 fiscal year, forecasts for 2021 / 2022

- Revenue 2,786.3 million euro¹
- EBITDA 250.2 million euro
- Net Income 80.2 million euro
- Net cash 1,002.0 million euro
- Order Book 3,534 million euro

Market Forecast

Last year we predicted strong growth in steel consumption for 2022 and that in 2020/21 it would return to the levels recorded at the end of 2019. As a matter of fact, we are seeing steel consumption in the second part of 2021 already rising to a more than excellent level.

Steel producers report good production volumes and margins despite a sharp rise in the cost of raw materials.

Most probably in the next two years steel consumption will be positively influenced by investments scheduled in numerous countries under their respective recovery plans, which also will require steelmakers to implement more sustainable production methods and lower emissions towards zero.

This scenario will impact our two principal operating segments –Plantmaking and Steelmaking– at different times.

Over the next two years the Plantmaking sector will benefit from the large profits that our customers are accumulating now, and that they will be investing in order to become more competitive and to reduce CO₂ emissions, in line with the principles of the European *Fit for 55* (Green Steel) program.

On the other hand, the Steelmaking sector will immediately benefit from this positive trend.

¹ Turnover includes the amount of 60.8 million euro (classified in the financial statements as an adjustment to costs) for internal construction relating to the new Quality Wire Rod Mill developed by the parent company for ABS.

Danieli Plantmaking

The effect of Covid-19 on our results was contained in spite of the problems related to fluctuations in the costs of transport and raw materials and to lead times, which will continue throughout the Danieli 2021/22 fiscal year.

Here is a summary of Plantmaking achievements registered during 2020/21:

- **Leadership**

Danieli continues to maintain world leadership in supplying *direct and non-direct rolling mills* for long products, and for 2021/22 has set a goal of definitively securing a leading position in the flat-product sector as well, thanks primarily to the innovative, patented technology of Danieli's continuous casters. Octocaster technology allows operational casting speed of 8 m/min for long products, with the target of 10 m/min. This makes it possible to produce - as of now - more than one million tpy on a single continuous casting strand and in *endless direct rolling* mode.

Likewise in the case of flat products, a casting speed of 6 m/min and our *thin slab caster* enable us to produce up to 4/4.5 million tpy on just one strand thanks to Dysencaster technology.

Let us emphasize that because of the *direct rolling* process a reheating furnace is not required, so CO₂ emissions are significantly decreased.

- **DUE – Danieli Universal Endless for flat products**

Thanks to the remarkable results by the DUE plant at SGJT, China, the first plant of this new generation to obtain a Final Acceptance Certificate, Danieli has an excellent chance to become a leader in direct rolling for flat products as well.

- **Innovation**

The fully sealed Digimelter –with its innovative melting system and close-to-zero emissions– is stirring considerable interest worldwide, and with the start-up of a green Digimelter at CMC Steel in the USA and one in Europe, which also uses alternative energy generated by solar panels, it will become a benchmark for steelmakers, and gradually replace the traditional electric arc furnace.

- **QWRM - Quality WireRod Mill**

During the last fiscal year we started up our first QWRM plant equipped with world-class technology for the production of high-quality wirerod in small lots, at ABS.

And this is also the first plant in operation with I-4.0 and artificial intelligence functions.

- **Front Running Projects**

The erection of the DUE thin-slab rolling mill and the plate mill at Nucor Steel, USA, is progressing.

The DUE project is expected to go on stream at the beginning of 2022. The plate mill, which will

produce material for demanding applications, including plates for energy-producing wind towers, will be the most modern in the USA, and not only there.

In addition, we are consolidating our leadership in the supply of PLTCM Pickling Line/Tandem Cold Mills, and after the successful start-ups at Yildiz and Tatmetal in Turkey, Metinvest also has confirmed its trust in Danieli by ordering a complete cold-mill complex in Ukraine, which will include a tandem mill and processing lines.

- Green Steel

We have developed in-house Green Steel technology that includes, in collaboration with Tenova, the Energiron direct-reduction plants. These can be powered by hydrogen also, with almost zero emissions, proceeding to a system that hot-charges DRI into the Digimelter, followed by direct rolling. Danieli MIDA plants produce Green Steel with a 90% decrease in CO₂ emissions compared to current integrated plants, and a 35% reduction over conventional minimills.

We also are studying how to recover the CO₂ that is still generated by steelmaking. At ABS, for example, we have the first prototype producing microalgae food by using, thus reducing, the CO₂ emissions generated by the gas-fired reheating furnace.

And finally, again at ABS, the slag recovery and processing system has been in operation for some time now and the concept will be extended to include other residues with the goal of creating a total circular-economy steelmaking plant.

More generally, the theme of the CO₂ tax will have an impact on the competition between integrated steel mills using coke and electric steel mills using recycled scrap steel.

Electric minimills produce 20-25 times lower CO₂ emissions than coke-based integrated steel mills, and with the new DigiMelter technologies their emissions are close to zero.

For integrated steelmaking we will develop technologies aimed at reducing the CO₂ emissions of blast furnaces by 25 to 50%.

Some of the integrated steel mills may use up to 30% scrap charge, with a resulting proportional decrease in emissions, but this will depend on the cost incidence of the CO₂ taxation.

It should be noted that using scrap in the converters will drastically reduce the availability of scrap as raw material for electric steelmaking.

To control the price of scrap, which will tend to rise because of its limited availability, DRI will be used wherever possible. Therefore, an increase in the number of direct reduction plants is expected in those countries where gas is available at low cost, while waiting for green hydrogen - produced by using the wind and solar energies - to be available at competitive costs.

At the moment it is difficult to determine the trends according to which the steelmaking industry will reorganize itself, as this will depend significantly on local conditions and resources, as well as on the impact of the CO₂ taxation. However, in addition to a foreseeable competition between coke-based integrated steel plants, which are at a disadvantage due to high CO₂ emissions, and electric

steelmaking, we can expect that a number of integrated steel mills will be practically converted to the use of electric arc furnaces.

The approach of Danieli to the issue of CO₂ emissions consists of innovating the technology of blast furnaces to reduce the use of coke, while the target for electric steelmaking is near-zero emissions. An additional alternative is the use of hot-charged DRI (600 °C) into the Danieli DigiMelter, or a mix of hot metal coming from blast furnace and electrical melting.

In the next 15 years we therefore expect a 20-30% decrease in the production of steel from coke, which will be replaced by the use of hydrogen-based DRI and scrap.

In conclusion, considering the innovations we are pursuing, we can affirm that also for 2020/21 we have again honoured our motto: *Danieli, the innovative and reliable partner to be front runners in CapEx, OpEx –adding now– in low carbon taxes.*

ABS Steelmaking

As already mentioned, the scenario for ABS at this moment is splendid, although the splendour is mitigated by the high cost of raw materials.

However, as we know, this optimal period will be temporary and it is difficult to say whether it will last for one or two years, or even a little more, after which it will return to normal.

It follows that today we have to prepare for tomorrow and make significant investments to continuously improve our competitiveness, quality and range of products, so that we can cover various sectors of consumer goods: automotive, mechanics, oil and gas, wind energy, drawn products, etc. This is an advantage that allows us to compensate for market highs and lows in the various areas of utilization where consumption cycles never coincide, and therefore, we have to optimize plant utilization.

And it is with and because of this concept that we have invested in ABS, allowing us to produce quality steel long products ranging from 5.5 to 500 mm dia, as well as forgings and continuously cast blooms up to 850 mm dia and ingots up to 1400 mm dia, in more than 600 steel grades. We believe that today this is the only quality steelmaking plant in Europe that covers such a vast range of products.

To realize this vision, in the last 15 years we have invested 980 M Euro and plan to invest some 200 M Euro more in the next two/three years.

In addition to the start-up of the Quality WireRod Mill producing steel in coils from 5.5 to 26 mm dia, in October 2021 we will begin to produce high-quality ore-grinding balls.

Finally, ABS has initiated Vision 2000, which also has been made possible by our latest investments, a vision that aims to produce 2 million tpy of quality liquid steel in a green way.

Group Vision

The excellent results achieved with the start-up of innovative plants open new prospects for growth in both Plantmaking and Steelmaking.

The service department will be expanded further, not only at Danieli but also at ABS which has set up ABS Service Systems.

We are committed to reduce the CO₂ emissions costs in all steelmaking phases by proposing technological solutions that make it possible, both for integrated and electric steelmaking.

The Danieli Plantmaking target is to achieve a 15% increase in sales thanks to innovative products, and particularly with the MIDA and Digimelter plants, which are unique and perfect for producing green steel. In fact, we underline again that, going forward, competitiveness per ton will be calculated as CapEx + OpEx + CO₂ tax/ton.

Based on these considerations, the targets for the Danieli fiscal year 2021/22 are:

- Revenue 3,200 – 3,300 million euro
- EBITDA 310 - 340 million euro
- Order Backlog 3,500 – 3,800 million euro

Social Aspects and Education / Employment

Socially, we continue to support the restoration of works of art in the Friuli Venezia Giulia region and to promote cultural events for the community.

In terms of schooling, based on the belief that *education and employment* are a single word, we have expanded the ZEROTREDICI school complex while maintaining a pronounced orientation towards technological culture combined with humanistic and international studies, and continuing to provide a useful service for families with both parents working. Currently, there are about 300 students enrolled in the school complex.

And, we are contributing to the expansion of MITS Academy (Higher Technological Institute), which aims to establish a diploma in mechatronics engineering, automation, Industry 4.0, and other specialties, by teaming up with the University of Udine and the manufacturing sector of Friuli Venezia Giulia.

Before concluding, we wish to thank our shareholders who have allowed us to invest 85-90% of our profits back into the company. This is perceived as an expression of the shareholders' trust and esteem for the Danieli team, which we intend to honour to the best of our abilities.

It is a trust which, in any case, has been repaid by the fact that the acquisition of Danieli shares has been confirmed to be a good, long-term investment.

On behalf of the Board of Directors and of the shareholders, special thanks go to the Danieli Group Team who, with passion and professionalism, are strongly committed to achieving the agreed objectives for our company's continuing improvement, and to honour the motto "Danieli, the reliable and innovative partner to be a step ahead in CapEx and OpEx", for the satisfaction of our business partners. And last, but not least, we express thanks for their efforts in bringing about the cultural change that today's technological and social trends call for, which is essential to maintaining market shares and competitiveness in a highly challenging global economy with constantly evolving quality requirements.

Gianpietro Benedetti

CHAIRMAN OF THE BOARD OF DIRECTORS

Global Compact Commitment Letter of the Chief Executive Officer

Dear Stakeholders,

It is with gratitude and pleasure that I confirm the Danieli Group's support for the United Nations Global Compact in the areas of Environment, Human Rights, Labour and Anti-Corruption, together with its Ten Principles and its 17 Sustainable Development Goals (SDGs).

This letter is our first annual Communication on Progress submitted to the United Nations.

As highlighted during the COP26 Conference in Glasgow, 3 types of crises must be tackled by collective action today - Climate, Pollution and Biodiversity - and we are now taking part in a global collective action to help the world reach new challenging goals.

Since it was founded, Danieli has been transforming *green Ambition* into *green Action*:

- by supporting environmentally friendly innovation across the world;
- by being a pioneer in the use of Electric Arc Furnaces (EAF) in steelmaking and in the industrial application of the minimill concept.

Danieli's origins date back to 1914, a time when it was purely a meltshop producing liquid steel in EAFs (the two brothers Mario and Timo Danieli acquired Angelini Steelworks) using recycled metal scrap. These are furnaces that work with electricity and generate very low CO₂ emissions. Over the years, Danieli developed new solutions and today Danieli *InnovAction* is working towards reducing emissions to zero by 2050 and keeping global warming to under 1.5°C.

According to the COP26 talks, the biggest portion of a company's GHG emissions are Scope 3 and this is the most difficult target to reduce to zero. In its virtuous progress, Danieli has been measuring its Scope 3 evolution using an approved Science-Based Target (SBTi certified) since 2019. In terms of supply chain, Danieli has been given an "A" rating by the Carbon Disclosure Project (CDP) since it is a leader in engaging suppliers to take the sustainable development route. As regards its customers, Danieli received a "B" rating from CDP. Danieli also contributes to the de-carbonization of the steel industry through its internal division Dan Green. On a yearly basis, Danieli monitors the emissions of the plants it sells and is designing new green equipment that keeps both emissions and energy consumption low, with better OpEx and faster return on investment.

Danieli aims to cut GHG emissions with a Race-to-Zero attitude by improving the balance between CO₂ emissions and absorption. One example of this is Danieli's innovative pilot project for Microalgae grown using CO₂ and heated water from steel production, which absorbs emissions at a higher rate per square meter than forests.

Our main target is to engage and commit to the objectives that will benefit the world, communities, population, nations, companies and investors, and it is for this reason that Danieli is committed to the Global Compact for a sustainable economy based on 17 Sustainable Development Goals (SDGs).

However, Danieli is also committed to social and human rights initiatives and has recently invested in building a new Educational Hub in downtown Udine, Italy, aiming to foster education, collaboration and health for

students. It will physically and substantially act as a bridge between tradition and innovation, the old and the new, historical heritage and the modern design of new buildings, the older population and the young. It will be an area where the community can meet and have easy access to recreational services in an attempt to fight poverty and hunger while pursuing good health, well-being, education, equality, decent work and economic growth (SDGs).

Our Communication on Progress describes our actions to integrate the Global Compact and its principles into a business strategy, culture and daily operations. We are also committed to sharing this information with our stakeholders through this first COP communication, which reflects our social responsibility that is part of Danieli's corporate culture. The COP represents a step forward on a target-based route, concrete actions, measurement of performance and those achievements that create value from wider overall Social Responsibility that is in accordance with international Global Reporting Initiative (GRI) standards.

Throughout the years, Danieli's Corporate Responsibility has grown thanks to greater interaction among all the stakeholders. We reward our stakeholders by promoting their development and contributing to their welfare but we also reward our customers by supplying them with innovative products, protecting the environment and committing ourselves to building reliable plants in a sustainable way.

The keys to success:

- Strengthening the Governance of Sustainability within the Group to develop green projects and have strategic control over them;
- Working in line with the Paris and Glasgow Climate Agreements to achieve the 17 Sustainable Development Goals set forth by the United Nations in the 2030 and 2050 Agendas;
- Implementing European Commission guidelines on the disclosure of non-financial information such as climate change measures and climate impacts of and on business activities;
- Empowering people, the company's main asset, with courage and creativity to improve technical solutions in an environmentally friendly way, consolidating corporate responsibility and sustainable values;
- Fostering Danieli's values as a legacy of skills, knowledge and processes for the creation of value for long-term sustainability and safety in the workplace.

The Group is committed to increasingly bringing its Corporate Responsibility to the global community, by directly and indirectly promoting research and development of equipment and machines to produce steel with Green Steel and Sustainable Steel solutions, improving efficiency and safety, reducing waste and the impact of Greenhouse Gas emissions (GHG) to protect the environment.

Danieli is firmly committed to designing and building steelmaking plants as clean operations, providing employment through sustainable centers of activity that are integrated into the local environment and able to repurpose waste materials into resources, such as eco-gravel for civil construction or low-cost hot water for district heating.

Indeed, staying a step ahead is a challenge that requires not only a constant input of effort and resources but also strong determination and a clear vision of future objectives, as well as ideas to achieve them in a spirit of cooperation with customers, who are the real front runners to produce green steel in a win-win partnership.

In conclusion, Danieli is making an effort to tackle global challenges, support a worldwide ecological transition, foster sustainability partnerships and pursue what seems impossible until it is accomplished, by engaging our most valuable internal expertise and collaborating with the most powerful companies to mobilize industry resources in order to forge transition and green jobs in the future for sustainable long-term growth.

Giacomo Mareschi Danieli

CHIEF EXECUTIVE OFFICER

Sustainable Development: Situation, Targets, Actions, Results

Danieli's latest actual Sustainable Development actions & results can be summarized in two pillars:

1. The Plant Making division of the Group sells environmentally friendly technological solutions to produce steel and foster ecological conversion throughout the value chain, primarily by offering green plants to replace older polluting ones. Each of these existing plants has a lifecycle of about 15-20 years, which means that by 2050 Danieli could replace them with newer, more efficient ones, thereby substantially contributing to the Race-to-Zero emission challenge on a global scale. By offering its green technologies, Danieli will be one of the main change agents to benefit from the new worldwide green guidelines, the need for energy transition and green investments in the industry. Green action pursued today can provide unexpected value in the future to all the stakeholders that embark on Danieli's route towards sustainable development. Danieli encourages collaboration and action and is open to new opportunities in teamwork. Case studies of virtuous management are:
 - a. Hybrid Mi.Da. Plant in the US, which combines different sources of renewable energy;
 - b. Joint Venture with the high-tech companies Saipem and Leonardo to convert the highest polluting steel plant in Italy;
 - c. Memorandum signed with MMK to work together to reduce carbon dioxide emissions and improve environmental conditions in the next 5 years;
 - d. Round table with the Italian Minister of Economic Development to describe Danieli's active green contribution at a macroeconomic level;
 - e. Development and installation of solar panels and solar power concentration plants and proposing similar solutions to clients.
2. Danieli's Steel Making division has progressively reduced the CO₂ emissions per ton of its steel, as detailed in the paragraph "Commitment to the Environment". In periods of low order backlog, the company took advantage of the situation to invest in production improvements without stopping in the face of challenging times, even taking advantage of them. This is one of the examples of the strong attitude that characterizes Danieli *InnovAction*. ABS S.p.A., Danieli's primary steelmaking facility, achieved its highest levels of production efficiency in terms of main consumption and emission indexes per ton of steel produced. Specifically, a significant investment amounting to about 200 million Euro was made to build the new Quality Wire Rod Mill at ABS S.p.A. that will produce savings in GHG emissions per ton of produced steel. Case studies of virtuous management:
 - a. Construction of a Microalgae cultivation plant that uses heat and cleaned fumes from steel production. It absorbs CO₂ at a rate per square meter that is higher than that of forests, and the product is then used to supply the food market;
 - b. The use of alternative plastic materials to replace the use of carbon to oxide liquid steel. These polymers made from recycled plastic have a high content of H₂, lower content of CO₂ with the same characteristics as carbon;
 - c. InterRail S.p.A., a transport company which substitutes high polluting road transport with greener transportation by railways built right inside the steel facility;
 - d. Acquisition of shares in Metal Interconnector Italia S.C.p.A., which is expected to supply a higher portion of renewable electricity;
 - e. The patented technology Q-ONE installed at the subsidiary ABS Sisak, which reduces electricity consumption as explained in this document.

Danieli is truly one of the principal innovative companies in the world to offer upstream equipment that improves steel production efficiency and energy cost saving while reducing CO₂ emissions. Climate change is not only an internal regulatory matter but also a business opportunity to promote our products. Our sustainable development attitude is embedded in strategy and corporate behaviour. We help our customers and support them in increasing their efficiency and reducing emissions during steel production so that they are in line with the Paris Agreement and the guidelines of COP26 in Glasgow. The ecological transition accelerated by Covid-19 has created a market opportunity for Danieli by leveraging the green innovations that we developed throughout the years with R&D and by extending the created value to all of the stakeholders

that collaborate with Danieli. Danieli has a chance to contribute to the green conversion of the industry, and the main worldwide sustainable development goal that Danieli is contributing to is the Race to Zero emissions.

Danieli's Current Sustainable Projects:

1. New generation high-productivity MI.DA. (Danieli MiniMill, patented), increasingly appreciated worldwide for its reduced environmental impact, among other things. MI.DA's (Danieli Minimill) proven success is further consolidated by the installation of a Hybrid MI.DA. in the USA, the first to operate with alternative renewable energy (solar panels, wind, own energy production with gas, water, etc.).
2. Danieli Universal Endless (DUE) project for Quality Strip Production (QSP) via thin slab rolling. Our objective is to become leaders in the market of thin slab rolling plants for flat products. In addition, like the MI.DA., the QSP also has a reduced environmental impact with low CO₂ emissions. In ironmaking, we offer the ENERGIRON process for direct reduction of iron ore (DRI), a ready-to-use technology to replace carbon-based ironmaking (Blast Furnace route) with a hydrogen-based process. Showcasing our latest achievement is the natural gas-based ENERGIRON plant in Abu Dhabi which already implements the Carbon Capture and Storage (CCS) concept, injecting CO₂ into oil pits for enhanced oil recovery (CO₂-EOR). Besides their low carbon footprint, DRI plants are environmentally compliant also because there are no dioxins, dust or NO_x emissions. The "green steel" production process is among Danieli's major financial priorities for the coming years (long-term 5-15 years) and includes the sale of scrap recycling plants and DR plants that use hydrogen instead of gas to reduce CO₂ emissions to zero. Moreover, Danieli's direct reduction process produces steel by converting iron ore pellets into DRI pellets using gas instead of carbon coke, thereby substantially lowering CO₂ emissions. Reducing emissions by using H₂ and Hydro Methane as iron ore reducing agents in steel production converts the industry from a primary process (use of coke) to a secondary process (without coke). Danieli has developed a new technology to produce steel from iron ore without using carbon coke but using natural gas and/or H₂ in any gas mixture as reducing agents. This patented plant called ENERGIRON, that uses gas and/or H₂ to reduce iron ore, is capable of limiting CO₂ emissions by about 60% - 80% compared to standard blast furnace operations.
3. The Danieli Digital Melter, which has replaced the traditional EAF (Electric Arc Furnace), is increasingly appreciated on the market. The innovative technological solution is "Q-ONE", which acts as a digital power distributor capable of equalizing electrical grid interference. This patented technology was developed by our Research Team entirely in-house. A pilot plant was then installed at ABS Sisak, our Croatian subsidiary, and showed extraordinary energy savings coupled with cost savings. The plant piqued our clients' interest and this then materialized into orders for the new Q-ONE, which requires less electricity to melt metal scrap while generating less emissions. Q-ONE provides two major benefits in terms of sustainability: Lower energy consumption during melting (less Scope 2 CO₂ emissions) for energy users, and no emission of reactive power in the electric grid, with increased efficiency of power plants in maintaining network tension (resulting in more sustainable electricity production) for energy producers. This translates into a return on investment resulting from energy savings in Danieli's facilities and in the sold Q-ONE. This innovative idea materialized thanks to management's forward-looking attitude and ability to forecast demand. Our customers find this solution interesting because it is highly innovative and some governments provide incentives to invest in green solutions. Energy savings are between 20-30% or 8-15 euro per ton of steel produced. Q-ONE can handle irregular power loads with high flexibility and reliability thanks to power semiconductor devices. It replaces traditional furnace transformers and does not require any disturbance compensation systems like SVC. Q-ONE reduces EAF overall electric power consumption with a shorter power-on time and no generation of reactive power. Q-ONE is natively ready for direct feeding of energy coming from renewable sources generated on the site.
4. Leadership in Endless Casting Rolling. Endless technology does not require a reheating furnace, resulting in a huge reduction in gas utilization and zero CO₂ emissions. New fast casting and rolling technologies keep the billet at the required temperature, thus eliminating the need to reheat it. Danieli's

DUE – Danieli Universal Endless at SGJT in China will be the first thin slab casting and rolling plant in the world able to reach all the niches of the flat product market.

5. The DIGI&Met project is moving ahead. With Q-Melt, the EAF can always operate with the most optimized process under any operating conditions and in fully automatic mode. The core of the Q-Melt automatic furnace is the Melt-Model. It interacts continuously with the Q-Reg electrode regulator and the LINDARC gas analyzer to control operating conditions. By processing chemical and/or electrical profiles, the Melt-Model makes the necessary process adjustments, dynamically and automatically, according to the best possible practice. The impact on both productivity and energy consumption results in higher productivity and lower operating costs (OpEx).
6. Danieli's Zero Bucket EAF is the most environmentally friendly melting technology with a low CO₂ footprint. Characterized by a highly flexible use of raw materials, low energy consumption, very high reliability and utilization factor, low noise and pollution emissions, Danieli FastArc Zero Bucket with ECS horizontal continuous charging system is the perfect answer to the latest needs of the steelmaking market. A very stable and smooth process allows operators to easily bring the system to optimum operating conditions, reducing the risks of delays and providing an extremely fast learning curve.
7. Q-Jenius is the new Danieli Automation overall energy management system that dynamically handles the energy generated in-house from renewable sources, and automatically controls their distribution via the Q-Jenius system, thus reducing the amount of energy acquired from the power grid. Q3-Jenius allows least-cost production by maximizing the usage of self-produced renewable energy, promoting "energy-aware" production scheduling and enabling proactive negotiations with the grid energy supplier. Q3-Jenius automatically exploits available energy storage systems, recharging them whenever convenient and dynamically using the accumulated energy for best load management ("peak shaving" and other energy cost optimization strategies). Finally, based on the accurate tracking of the energy mix used (self-produced "green" energy portion vs. power grid portion), Q3-Jenius also generates "carbon footprint" reports quantifying and certifying the reduced CO₂ emissions for the steel produced.
8. In both new projects and revamps, the use of innovative design, logistics and plant layout using "Best Available Technologies" (BAT) make production more efficient and cleaner, especially by reducing energy consumption. Efficient air pollution control cannot be based only on the fume volume capacity of the plant because over-engineering leads to unnecessary additional capital cost and excessive energy consumption by the fans used to collect and treat the fumes. Therefore, Danieli has come up with a layout that simplifies the control of secondary fumes and noise, designing the so-called "Green Steel Layout", a process that helps capture the secondary fumes and reduce noise diffusion. Danieli Environment has access to a vast range of proprietary equipment that is already in operation in numerous successful plants, thus minimizing the risk of failure due to unproven technologies. In other areas, air contaminants are reduced at the source, which makes it unnecessary to use expensive abatement technologies.
9. ESED 4.0 improves extrusion presses/metal-forming machines. It enables efficient utilization of motors/drives, thereby reducing the number of installed pumps during dead-cycle time, when a massive quantity of oil at low pressure is required. On the other hand, during the extrusion stroke that significantly influences 80% of total cycle time, quite often only a few pumps are needed. This basically means switching off one or more pumps during the extrusion cycle and starting them up again immediately before dead cycle time. It is a well-proven and reliable technical solution that offers both savings in power and low investment costs, proof that Danieli Breda is on its way to becoming the "greenest" and most advanced market supplier.

The new targets for the future are:

1. 15% increase in Plant Making revenues from the sale of innovative green plants such as Mi.Da. and DigiMelter;
2. Continued pursuit of Science-Based Targets to reach a figure well below 2 degrees. Cutting Scope 1 emissions by 50% within 3 years and using at least 50% renewable electricity. Concretely upgrade targets to meet the commitment of Net-Zero Standard of the SBTi (Science Based Target Initiative);
3. Continue with R&D and develop new green innovations also with the new Dan Green division of the Danieli Research Center, on a path of continuous improvement.

United Nations Global Compact Shared Values











The Danieli Group shares the commitment to reach the Sustainable Development Goals of the UN 2030 Agenda for Sustainable Development.










The Global Compact is an initiative of the United Nations that promotes a global sustainable economy based on integrating the 10 Principles on human rights, labour, environment and anticorruption in business strategies, culture and operations. It also encourages companies to contribute to achieve the 17 Sustainable Development Goals:

1. End poverty;
2. End hunger, achieve food security, improve nutrition, promote sustainable agriculture;
3. Ensure healthy lives, promote well-being for all at all ages;
4. Ensure inclusive and equitable quality education and promote lifelong learning;
5. Achieve gender equality and empower all women;
6. Ensure availability and sustainable management of water and sanitation;
7. Ensure access to affordable, reliable, sustainable and modern energy;
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
10. Reduce inequality within and among countries;
11. Make cities and human settlements inclusive, safe, resilient and sustainable;
12. Ensure sustainable consumption and production patterns;
13. Take urgent action to combat climate change and its impacts;
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore, promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss;
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice and build effective, accountable and inclusive institutions at all levels;
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.



Connection Table: GRI, UN Global Compact Principles & SDGs

UNGC Areas	UNGC Principles	Reference to Danieli's Non-Financial Disclosure (NFD)	GRI Reference	SDGs
Human Rights	1 Businesses should support and respect the protection of internationally proclaimed human rights within the scope of their spheres of influence	Ref. Chapter: Human Capital - Code of Ethics signed by employees' - Danieli's position on human rights refers to the principles promoted by the United Nations Guiding Principles on Business and Human Rights, with the commitment to require the entire chain of subcontractors to adopt them as well; - Danieli protects integrity, dignity, safety but also diversity and has embraced the UN Women's Empowerment Principles.	GRI 405 Diversity and Equal opportunity	   
	2 Businesses should make sure that they are not complicit, even indirectly, in human rights abuses	Ref. Chapter: Supply Chain - Vendor rating in terms of sustainability criteria Ref. Chapter: Community Commitment - Danieli has built and manages the officially recognized "Cecilia Danieli" school for the families of the local community, educating children from nursery school all the way to middle school. - Danieli Academy	GRI 406 Non-discrimination GRI 414 Supplier Social Assessment GRI 404 Training and Education	  
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Ref. Chapter: Human Capital - Danieli's Italian companies have fully implemented the requirements of the renewed CCNL (National Collective Labour Agreement) signed on June 01, 2021. - Danieli is compliant with national collective agreements where present. - its workforce in Italy is covered by collective bargaining agreements while in other countries local laws are applicable. - Code of Ethics: freedom of association.	GRI 102-41 Collective bargaining agreements GRI 402 Labor / Management Relations	
	4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	Ref. Chapter: Human Capital - Danieli protects integrity, dignity, safety of the workforce. - Danieli's workforce in factories and on construction sites is highly specialized, therefore the risk of using child labour or forced labour is minimal. - Code of Ethics: against child, irregular or forced labour.	GRI 406 Non-discrimination GRI 414 Supplier Social Assessment	 

	5	Businesses should uphold the effective abolition of child labour	Ref. Chapter: Supply Chain - Suppliers are subject to technical and ethical prequalification: Group Code of Ethics, anti-corruption directives, relations between individuals and the management of privacy. - Code of Ethics: against child, irregular or forced labour.	GRI 414 Supplier Social Assessment	
	6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	Ref. Chapter: Human Capital - Danieli protects integrity, dignity, safety but also diversity and has embraced the UN Women's Empowerment Principles - Code of Ethics: respect human rights, against discrimination in the workplace and child, irregular or forced labour by promoting equal opportunities (in terms of gender, origin, religion, age, political orientation, sexual orientation, disability), protection of diversity, freedom of association.	GRI 102-8 Information on employees and other workers GRI 401 Employment GRI 405 Diversity and equal opportunity GRI 406 Non-discrimination	 
Environment	7	Businesses should support a precautionary approach to environmental challenges	Ref. Chapter: Commitment to the Environment Danieli has established targets to maintain high environmental protection standards.	GRI 302 Energy	
	8	Businesses should undertake initiatives to promote greater environmental responsibility	Ref. Chapter: Research, Development and Product Quality Danieli fosters the development of new technologies to improve environmental sustainability with 4 themes: Energy saving, Energy Recovery, Waste reduction, improvements in Worker safety.	GRI 303 Water GRI 305 Emission	
	9	Businesses should encourage the development and diffusion of environmentally-friendly technologies	Ref. Chapter: Research, Development and Product Quality - Danieli has created a competition to gather and develop ideas for energy saving & recovery, waste reduction. Ref. Chapter: Environmental sustainability Danieli implements and revitalizes global partnership for sustainable development (e.g. CDP).	GRI 306 (2016) Effluents and Waste GRI 307 Environmental Compliance GRI 102-12 External Initiatives	   
Anti-Corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery	Ref. Chapter: Governance and compliance Danieli has adopted a Code of Ethics and complies with the principles of legality and transparency, prohibiting corruption.	GRI 205 Anti-Corruption	

Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016.

In the 2020/2021 financial year, the Danieli Group presented its "Consolidated non-financial statement" as required by Italian Legislative Decree no. 254/2016.

This document describes the performance and management of the non-financial topics of the Group, which in more than one hundred years of international activity developed a modern business model with the aim of creating economic value for shareholders, investors and customers, generating at the same time social and environmental value shared with the community of the territories in which the Group operates.

Methodological note

This document represents the Consolidated Non-financial Statement (hereinafter also referred to as "NFS" or "Non-financial statement"), prepared in accordance with Articles 3 and 4 of Italian Legislative Decree 254/2016 and the amendments required by Italian Law no. 145 of December 30, 2018, implementing Directive 2014/95/EU, of the companies belonging to the Group consisting of Danieli & C. Officine Meccaniche S.p.A. (hereinafter also referred to as the "company" or "parent company") and its subsidiaries (hereinafter also referred to as "Danieli", the "Danieli Group" or the "Group").

The purpose of this document is to provide a representation of the Group's business, performance, results and its impact in relation to the main sustainability issues relating to the 2020/2021 financial year, describing its initiatives and main results in terms of sustainability performance achieved during the period (reporting period: from July 1, 2020, to June 30, 2021).

This document describes the main policies applied, the management models and the results achieved by the Group during the reporting year in relation to the issues expressly referred to by Italian Legislative Decree 254/2016 (environmental, social, relevant to personnel, respect for human rights, fight against corruption), as well as the main risks identified in relation to these issues and the related management methods.

Consistently with one of the two options provided for by Article 5 of Italian Legislative Decree 254/2016, the Non-Financial Statement was integrated into the Directors' Report. While ensuring that the Group's activities are understood, some of the contents of the NFS expressly required by Italian Legislative Decree 254/2016 are present in specific dedicated sections of the Directors' Report, as well as in the "Report on Corporate Governance and Ownership Structure".

The 2020/2021 Non-Financial Statement was prepared mainly with reference to the **"GRI Sustainability Reporting Standards"** published in 2016 by the Global Reporting Initiative (GRI), while for the specific GRI 403 standard (Occupational health and safety) and GRI 303 (Water and effluents) reference is made to the updates published in 2018. For the specific standard GRI 207 (Tax), the version published in 2019 was used. These disclosures are detailed in the appendix to the document in a table that serves as a compass for readers ("GRI Content Index").

The contents of the report were identified on the basis of the results of the materiality analysis, which made it possible to identify and assess the material aspects for the Group and its stakeholders (described in the section "Stakeholder engagement and Materiality Analysis"). In this regard and in line with last year, note that the Directors did not deem it necessary to update the surveys previously carried out there with regard to the identification of material issues, having already expressed their greater attention to issues such as health and safety and company welfare, highlighted by the Covid-19 emergency.

The process of defining the contents of the Non-Financial Statement was based on the principles of materiality, stakeholder inclusion, completeness of data and the context in which the Group operates.

The main phases of the process followed involved the identification of possible non-financial topics relevant to the Group (essentially within the main ESG - Environmental, Social, Governance issues), the prioritisation of the topics identified (with the main internal and external stakeholders) and their relative approval by the company's management.

Based on the reporting process already in place, the company set up an internal procedure to formalise the structured process of collecting quantitative data and non-financial qualitative information using the Talentia reporting software, common to all Group companies, indicating the methods of collection, the timing and the figures responsible for the data and information collected and included in the Non-Financial Statement. The aim is to ensure the adoption of standardised methods for reporting and implementing an adequate internal control system with the Parent Company and its subsidiaries for the reporting year and future years.

The principles of balance, accuracy, verifiability and comparability were followed with reference to the quality of the reported information.

The **scope** of the economic data is the same as that of the 2020/2021 Consolidated Financial Statements of the Danieli Group.

The **scope** of social and environmental data and information is made up of the companies belonging to the Danieli Group as at June 30, 2021, consolidated on a line-by-line basis within the Group Consolidated Financial Statements. Note that some Group companies that are not productive or operational have not been included solely in relation to the reporting of data relating, in whole or in part, to energy consumption, emissions, water consumption and waste, because the relevant parameters cannot be measured since they are very small units: any exceptions are expressly indicated in the text.

In order to allow the data to be compared over time and to assess the performance of the Group's activities, a comparison with the previous year was proposed. Any restatements of previously published comparative data (as an indication, where it has been possible to improve the accuracy or completeness of the surveys or methods of calculating the reported data) are clearly indicated as such.

Moreover, for the purposes of a correct representation of the Group's performance and to ensure the data reliability, the use of estimates was limited as much as possible. The estimates, if any, are based on the best available and duly reported methods.

Note that there were no significant changes in the corporate reporting boundary compared to the previous period; in any case, refer to the "Danieli Group Structure" section of this Directors' Report for details of changes within Group companies.

The **frequency** of the publication of the Non-Financial Statement is set on an annual basis.

The analysis updated with the results of the materiality and the identification of the material topics was confirmed by the Executive Committee of the Parent Company on September 15, 2021, and subsequently submitted to the attention of the Board of Directors of Danieli & C. Officine Meccaniche S.p.A. at the same time as approving this Non-Financial Statement on September 27, 2021.

This document was submitted to compliance opinion ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) by Deloitte & Touche S.p.A., which expresses, in a separate report, a certificate of compliance of the information provided pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016. The audit was carried out in accordance with the procedures indicated in the "Independent Auditors' Report", included in this document.

For any information regarding the Non-Financial Statement, please contact the manager in charge at investors@danieli.it.

The Non-Financial Statement is also available on the Danieli website www.danieli.com, in the Investors section.

THE GROUP

For information on the Group's structure and Governance system, the significant changes that have taken place since the previous reporting year, the geographical areas of operation and the main markets, the main trademarks, products and services and the management of business risks, refer to the specific sections of this Directors' Report ("The steel market", "The market for steel making plants", "Danieli Group operations", "Danieli Group structure", "Highlights of the consolidated income statement as at June 30, 2021", "Management of business risks" sections), and of the Report on Corporate Governance and Ownership Structure ("Information on ownership structures on June 30, 2021", "Board of Directors", "Internal board committees", "Diversity policies applied in relation to the composition of the governing, management and control bodies", "Control and Risk Management System" sections).

The Group's approach to Corporate Social Responsibility

The Chairman of the Board of Directors of the company and his Directors confirm the commitment of the Group to increasingly promote its role of Corporate Responsibility towards the global community not only directly but also indirectly promoting the research and development of equipment and machines for producing steel with *Green Steel* and *Sustainable Steel* solutions, improving efficiency, safety and reducing waste and the impact of Green House Gas emissions (GHG) to protect the environment.

Danieli has always considered as a priority the issue of protecting human health and the environment, accompanied by a commitment to research, innovation and social responsibility.

Today, it is necessary to operate in a complex global context, with the Group aimed at consolidating its reputation by carrying out business activities increasingly integrating industrial strategies with sustainability issues.

As a further guarantee of the commitments made by the Group, Danieli & C. Officine Meccaniche S.p.A. signed up to the United Nations Global Compact programme at the end of 2020, confirming its commitment and shared need to promote and achieve the sustainability goals (SDGs) promoted by the United Nations.

The increasingly challenging objectives in the metal industry to make conscious use of resources by reducing emissions of CO₂, noise and waste production required, and still require, a great commitment from Danieli to develop new technological solutions that guarantee customers sustainable production and, at the same time, a competitive OPEX in plant management. Therefore, on the basis of what has been achieved so far and with a view to continuous improvement, the path taken by the Group in the field of sustainability is based on a continuous implementation of the values and operating practices in implementation of the principles of the Code of Ethics, which inspires the Group, and the main compliance models (primarily the Organisational Model pursuant to Italian Legislative Decree 231/01).

In this context, the Group has set itself some specific objectives for the short to medium term (within the next two years), including:

- The monitoring and assessment of non-financial risks, related to the Group's main sustainability issues, and their integration into the business risk management process. In particular, during the 2020/2021 financial year, the Executive Committee, set up within the Board of Directors of the Parent Company, reviewed the material topics previously identified, also to update, where necessary, the monitoring and assessment procedures for non-financial risks, linked to the main sustainability issues of the Group, as already identified in the Risk Assessment phase.

The IA&C (Internal Audit & Compliance) function updated the mapping of business risks involving the persons in charge of the various product lines and prepared the Audit plan. It also collaborated with operational functions in the analysis of Compliance risks in relation to commercial operations carrying out a detailed check of the identity of third parties in contact with the Danieli Group in line with the international compliance Regulatory framework). On 14 May 2021, the Board of Directors approved the new Internal Audit plan and a *Compliance* plan for diversified audit activities with specific levels of detail to be carried out in the three-year period from 2021 to 2024.

- the strengthening of the *Governance* of Sustainability within the Group.

With reference to the initiatives undertaken in this perspective by the Group in the 2020/2021 financial year, the Sustainability Committee (made up of the main operational function managers) was centralised in the figure of Sustainability Manager, who from September 1, 2021, has evolved into Sustainability & Innovation Manager. This responsibility was entrusted to this single person reporting directly to the Chief Executive Officer of the company. The Sustainability & Innovation Manager was appointed also to follow the new Non-Financial Statement of ABS S.p.A., which was drawn up on a voluntary basis for the 2020/2021 financial year. In the Plant Making segment, awareness of future sustainability and governance objectives has been spread across all the Group's product lines, also thanks to the new division of the Danieli Research Centre, Dan Green, made up of specialised engineers who became fully operational in the 2020/2021 financial year.

- The implementation of the new guidelines published on June 20, 2019, by the European Commission on integrating the disclosure of non-financial information with specific information on the control measures adopted in relation to climate change, as well as on the effect of business activities on climate and the impacts of climate change on business activities.

In this regard, note that the Group begun the process of implementing the aforementioned recommendations by including information on the main initiatives undertaken so far on environmental management for the carrying-on of its activities in this Non-Financial Statement. For further details, please refer to the paragraph "Commitment to the environment" below and to the Directors' Report (section "Management of business risks") for an in-depth analysis of the risks related to climate change as well as the adopted company policy. Moreover, the analysis of risks arising from climate change has led to the identification of a market opportunity for the Danieli Group, which has the possibility of exploiting the call to action on the subject of Climate Change to encourage the sale of technological solutions to reduce CO₂ emissions. In fact, the Group offers the possibility of producing green steel. Danieli is a leader in offering innovative solutions for reducing emissions, thanks to offers such as Q-ONE, Hybrid MI.DA., DRI (Direct Reduced Iron) and other patented technologies. The Danieli Group aims to reduce emissions globally through innovative green solutions with low CO₂ emissions per tonne of steel produced, and to take advantage of the new opportunities offered by a market in which the ecological transition is becoming increasingly important.

Within this path of sustainability, the communication of non-financial information thus represents a further step in the Group's commitment to work in line with the provisions of the Paris Climate Agreement and to achieve the most strategic objectives (Sustainable Development Goals) for the Group among those defined by the United Nations with Agenda 2030 for Sustainable Development, promoting all ESG issues as well.

The result of the company is not limited to management profits but should be understood also considering the capital strength, the international reputation, the propensity to innovation and protection of the personnel by promoting professional growth and safety in the workplace together with support to local communities in Italy and abroad and attention to culture and youth.

Therefore, Danieli's values for future generations represent an important legacy of skills, knowledge and processes for the creation of value that form a heritage to be preserved and further developed in a logic of long term and continuous improvement.

Given the above, Danieli defined the relevant material topics to be reported in this Non-Financial Statement, reconfirming those of the previous year, taking into account the reference context, the specific nature of the operating sector and the indications received from stakeholders.

The macro areas covered by this statement are:

- Governance and Compliance
- Human capital
- Research, development and product quality
- Commitment to the Environment
- Supply chain
- Community commitment.

Stakeholder Engagement and materiality analysis

Danieli mapped the stakeholders present in the geographical contexts in which it operates, by identifying the most important ones on the basis of the interactions existing with the two main operating sectors of the Group. The Group adopted flexible and diversified practices of dialogue and involvement in order to share present and future development strategies and objectives with the main stakeholders.

No critical issues and/or significant aspects emerging from stakeholder engagement activities carried out by Group companies are reported. The main stakeholders recognised by the Danieli Group are:

Environment	Trade associations	Local authorities
Customers	Local communities	Employees
Suppliers and Business Partners	Future generations	Investors and financial analysts
Public bodies	Media	Non-governmental organisations
Trade unions	Universities and Research Centres	

The Danieli Group operates in two substantially different industrial sectors:

- Steel production with Acciaierie Bertoli Safau S.p.A. (hereinafter also referred to as "ABS S.p.A.") and affiliates (Steel Making segment), which use secondary metallurgy (electric arc furnaces) for the production of liquid steel;
- Production of machines to produce steel with Danieli & C. Officine Meccaniche S.p.A. and affiliates (Plant Making segment), by offering a complete range of machines from primary process management to the manufacture of finished goods (essentially from ore to finished product).

The Group has always addressed in a more structured and careful way the management in the territory of issues related to the steel sector in consideration of the greater significance of the social and environmental impacts related to this specific activity.

The process followed by the Group was based on the preparation of questionnaires submitted to the main stakeholders to collect information in an independent manner and across the board.

Note that during the year ABS S.p.A. updated its materiality analysis, reconfirming the material topics identified in the previous analysis in 2019. On the Plant Making side, it was not deemed necessary to update the materiality analysis prepared in previous years, considering it still in line with what emerged from the stakeholder engagement, also in the light of the Covid-19 emergency, which did not have a significant impact on the Group's material topics.

For the Plant Making segment, the assessments of the top management and the main function managers also include the assessments of the main suppliers and customers.

The Steel Making segment has also carried out an internal and external stakeholder engagement, involving the people who determine the organisation's strategy as well as customers, employees, shareholders, suppliers and business partners, environmental associations, the scientific community, trade associations and the local community.

The materiality analyses of each sector were weighted and integrated with each other, identifying a set of common material topics.

The analysis with the materiality results and the identification of the material topics of the Group was then confirmed by the Executive Committee of the Parent Company, which absorbed the main ones considering that the Board of Directors had already previously absorbed as its own the most strategic topics for the Group among the "Sustainable Development Goals" (SDGs) defined by the United Nations.

Material aspects of the Danieli Group

Anti-Corruption	Business ethics and integrity	Governance and management of sustainability
Relations with stakeholders	Creation of economic value	Presence on the market and indirect economic impacts
Occupational health and safety	Training and Development	Protection of human rights
<i>Diversity</i>	Industrial relations	<i>Company welfare</i>
<i>Innovation and R&D</i>	Product quality and safety	Environmental impact of products
Management of energy consumption	Greenhouse Gas Production	Water resource management and quality of wastewater discharges
Waste management and hazardous materials		

Some topics, including the social and environmental assessment of suppliers, support to local communities, biodiversity and the conscious consumption of raw materials, were found to be below the materiality threshold established, and are therefore not linked to a specific GRI Standard indicator, however, the Group believes that it indicates what activities are carried out within these topics.

GOVERNANCE AND COMPLIANCE

The Corporate Governance structure adopted by Danieli is indicated in the 2020/2021 Report on Corporate Governance and Ownership Structure (approved by the Board of Directors on September 27, 2021) and envisages a Board of Directors, an Executive Committee, in addition to the Board of Statutory Auditors and the Supervisory Body.

The company adopts a corporate management model based on a system of principles and rules of behaviour (collected in a Code of Ethics and in the protocols developed pursuant to Italian Legislative Decree 231/2001) and by Risk Management and control tools for both financial and non-financial issues under the supervision of Internal Audit and Compliance.

Danieli adopted and implemented a Code of Ethics (adopted by all the Companies of the Group with very small changes required by organisational characteristics of some subsidiaries) to identify and promote homogeneous behaviour standards for those who work with and for Danieli and complying with the principles of legality and transparency. In this context, special emphasis is placed on the rules aimed at prohibiting acts of corruption, private or otherwise, and the provisions on the prevention of conflicts of interest.

During 2018, the general census of the active employees to whom the Code of Ethics was sent was conducted. A very large percentage of employees replied that they had examined and read it. For all Group employees and in particular for new employees, the Code of Ethics is available on the company portal and is also included in the "welcome kit" the new employees are provided with. Therefore, all new employees since 2019 have reviewed and complied with the Company's Code of Ethics.

Over the year, Danieli developed and applied its own Organisation, Management and Control Model for the prevention of crimes pursuant to Italian legislative decree no. 231 of 2001, hereinafter also referred to as "Model 231" adopted today by the Parent Company, Danieli Automation S.p.A., Fata S.p.A. and ABS S.p.A., by progressively expanding it with new protocols to gradually cover all the sensitive operating areas of the company and changing its contents in accordance with legislative innovations and organisational changes in time.

The internal regulations aimed at preventing environmental crimes are particularly important in this area: although 35% of the Group's production sites with ISO 14001 certification cover 65% of the volumes produced. In addition to the Parent Company, the most significant production sites are also ISO 14001 certified: ABS S.p.A., Danieli Met. Equipment & Service (China) Co. Ltd., Danieli Co. Ltd and Danieli India Ltd.

Moreover, 80% of the companies' employees are located in subsidiaries with an occupational health and safety management system certified by international standards ISO 45001 and OHSAS 18001. The Parent Company and Danieli Germany GmbH achieved the transition from OHSAS 18001 certification to ISO 45001 certification in the 2019/2020 financial year, while the companies ABS S.p.A., Danieli Met. Equipment & Service Co. Ltd., Danieli Automation S.p.A., Danieli India Ltd., Danieli Co. Ltd, Danieli Corporation (a US company following the local market) obtained it in the 2020/2021 financial year. The company Danieli Centro Combustion S.p.A. is in the process of obtaining ISO 45001 to replace the OHSAS 18001 it already holds.

The Supervisory Body oversees the updating and verification of compliance of the above-mentioned Model. This body has autonomous powers and consists of internal and external personnel with impartiality and specific skills. Moreover, in the area of environmental issues, the companies ABS S.p.A. and ABS Sisak d.o.o. are members of the ETS system (Emission Trading System) for the calculation and certification of direct greenhouse gas emissions.

Training programmes are planned and implemented on a regular basis aimed at disseminating a culture of corporate responsibility and business legality as outlined in the internal regulations, first of all the Code of Ethics. In particular, new hires at the Parent Company and at the Buttrio production centre will follow a work placement path within the company's organisation.

The main companies of the Group asked their employees to confirm that they have read the Code of Ethics, which was sent to all in order to inform them of the zero tolerance position and the practices adopted by the company to prevent corruption, export control and the security of financial transactions.

In September 2019, it was decided to set up a single Compliance & Internal Audit function headed by a single manager. The Group Compliance Officer has the mandate to support the various business functions in adapting business processes to the main legislative changes. The Group Compliance Officer, in the performance of his functions continued to plan a series of courses for senior employees on Anti Bribery practices to mitigate the risk of corruption towards agents and suppliers, on antitrust matters and on international sanctions.

In March 2019, this function developed two policies approved by the Parent Company's Board of Directors and valid for the entire Group: the "Gift and Hospitality Policy" and the "Third Parties Compliance Management Policy", to which a Group policy on "Conflict of Interest" and a guideline on "Controls, Records and Screening over intermediaries and agents" were added in the 2020/2021 financial year. These documents were communicated to the top management of the Group companies and published on the company portal Danieli Synapse, to which reference is made in the following pages. During the 2020/2021 financial year, an activity was carried out to share the new policies that employees are asked to view and whose acceptance must be confirmed.

In each company of the Group, a whistleblowing system is being implemented through dedicated channels and independent control authorities to report violations of the Code of Ethics or Model 231. Some of them have already implemented the whistle-blowing platform (Digital PA), which will subsequently be adopted by all companies.

The parent company set up an internal control and risk management system consisting of a set of rules, procedures and organisational structures that allow the identification, measurement and management of the main business risks in order to protect the correct management of the company's operating activities with:

- orderly management of powers and decision-making;
- segmentation of activities separating operational and control activities;
- traceability of the choices and decisions taken;

the whole thing maintaining confidentiality and compliance with the regulations for the protection of privacy.

The Group's interfunctional privacy committee continued to implement the organisational privacy model. The training activities are underway in order to ensure compliance with the GDPR (EU Regulation 2016/679) for all Group companies in Europe.

The Parent Company and some Italian companies of the Group (ABS S.p.A. and Danieli Automation S.p.A.) have an Internal Audit function in charge of verifying - on a continuous basis and in relation to specific

requirements and in accordance with international professional standards - that the internal control and risk management system is functioning and adequate, taking into account the development of business operations and the context of reference as well as existing best practices for:

- carrying out interventions aimed at checking that the rules and procedures of the control processes are observed and that all the subjects involved work in compliance with the set objectives;
- ensuring support to the other Control Bodies and with the players of the Internal Control and Risk Management System in order to ensure a sound, consistent and correct management of the company with the set goals.

Preliminary due diligence procedures were implemented and are regularly applied to the main contractual partners of the company, which envisage the use of software systems that allow to carry out analytical checks (as defined by the transparency principles issued by the World Bank) in order to preventively monitor the presence of any risk areas.

The applicable CONSOB regulations were adopted and, in particular, the CONSOB regulation on related-party transactions is implemented, with the obligation of reporting by senior management of each company of the group any commercial/financial transaction with related parties of significant value.

Danieli is committed to complying with the anti-corruption laws in force in all the countries in which it operates, adopting a "zero tolerance" approach to all forms of corruption and spreading a culture of compliance to its personnel so as to always operate with honesty and integrity in line with the relevant international best practices.

In the field of competitive practices, as formalised in the Code of Ethics, the company is inclined to ensure maximum competitiveness on the market and, therefore, its commercial policy is developed in full compliance with all applicable laws and regulations on competition.

The monitoring activity carried out by the Compliance & Internal Audit pursues the objective of preventing and minimising the risk of active and passive corruption by carrying out a specific Risk Assessment process where necessary and providing for conservative penalties, termination of employment and actions for damages against employees and collaborators who have committed these serious contractual violations.

Moreover, Danieli adopted as its own the principles of transparency of the International's Business Principles for Countering Bribery and also takes part in a Collective Action in the Metal Technologies segment under the coordination of the Basel Institute on Governance, aimed at maintaining a "fair competition" among the key competitors operating in the segment (SMS Group, Primetals and Tenova), through the adoption of similar internal rules for all participants, aimed at preventing corruption and other improper practices.

In the 2020/2021 Fiscal Year, the Group Compliance Officer did not receive reports.

The company maintains its "zero tolerance" policy in the face of situations of non-transparency and confirms its position of firm and harsh action against those who do not comply with the indications of the company's code of ethics.

With reference to environmental topics, the Group's organisational model:

- clearly identified the roles, tasks and responsibilities of the management involved in managing the two main operating sectors: Danieli Plant Making for the production of industrial machinery and ABS Steel Making for the production of special steels
- defined the objectives to be achieved related to environmental topics for both operating sectors:
 - a) the development and marketing of new technological solutions to produce steel with lower environmental impact for the Danieli Plant Making sector (DRI, MIDA, DUE and Q1 HYBRID technologies);
 - b) obtain a reduction in the average energy consumed per tonne of steel produced in the ABS Steel Making sector using the latest generation plants to increase production with a very limited environmental impact;

c) the Scope 1, Scope 2 and Scope 3 emission reduction achievement targets approved by the Science Based Target Initiative in 2019.

With regard to the process of identifying and assessing risks related to climate change, the Group is developing an important action towards the market to promote new technologically advanced products to produce liquid steel with low environmental impact and lower CO₂ emissions, innovative products to produce Green Steel with less energy expenditure per tonne produced and rolled but also using new technologies that reduce the related CO₂ emissions in other phases of production. The improvements resulting from the green management of Danieli's direct production activities will in any case not be very significant in view of the high operating standard already present in the group in both the Steel Making and Plant Making sectors, while the overall improvements that can be achieved by modifying our customers' plants are, on the other hand, very significant, going from about 2,000 kg of CO₂ per tonne of steel produced with traditional blast furnaces to about 350 kg of CO₂ per tonne if produced with new hydrogen-based direct reduction plants (DRI) and the new hybrid fusion system developed (DIGIMELTER) by Danieli with an 80% reduction in emissions.

HUMAN CAPITAL

Human resources, prime origin and driving force behind all innovation, are in Danieli the central pivot of the organisation of the work that aims to ensure excellence and quality in customer service. Consistently with this concept, they are always the subject of constant attention: from enhancing the individual employees' potential and aptitudes, to promoting the professional development of teams and individuals, with instruments and initiatives to improve and enrich managerial skills, technical and specialist competencies, ethics and dedication to perform.

With a structured simplification, the values with which it is desirable for the Danieli Team to identify itself were identified:

- customer-oriented approach;
- passion;
- team spirit;
- respect for people, health and safety;
- consistency and reliability;
- excellence;
- sustainability.

These values are built every day with concrete actions and are transmitted by setting an example with transparency and trust.

Personnel management is developed in accordance with the principles included in the Code of Ethics and in compliance with the laws and regulations applicable in the countries in which the Danieli Group operates.

The approach of the company with regard to the personnel aimed at:

- attracting talented people through scouting activities and in particular graduates also with the collaboration of the best educational institutions;
- enhancing individual skills through development and training programmes by supporting an extensive and shared culture that also allows the consolidation and transfer of skills between employees;
- promoting a culture of safety at all levels of the organisation and always maintaining the highest level of health and safety protection for workers by using appropriate measures for the protection and prevention of occupational risks;
- motivating and retaining professional resources with an incentive and fair remuneration system based on meritocracy following market best practice.

Danieli operates on a worldwide basis and the planning of human resource requirements (according to a standardised process for defining organic plans) is carried out centrally in coordination with the production units, while selection, recruitment and contracting are then managed independently by the individual Group companies, also taking into account the different national legislations applicable on site.

The recruitment process also uses a computer tool that allows an initial evaluation of *soft and hard skills*.

Danieli's remuneration policy follows:

- all practices and procedures necessary to comply with the provisions on minimum wages where required by applicable local regulations;
- a careful management of remuneration in order to obtain the loyalty of key figures, encouraging them to remain and stabilising collaboration in the medium to long term in the interests of the company and its stakeholders.

In particular, during the 2020/2021 Fiscal Year, the Italian companies fully implemented what was envisaged by the renewal of the CCNL (National Collective Labour Agreement) signed on June 01, 2021, both in terms of salary, with the payment of the one-off bonus and the increases of the minimum amounts according to the pay-scale - and in terms of supplementary health care.

The Group adopts a remuneration policy with incentive systems: the remuneration of personnel holding positions of greater responsibility is subject to assessment based on shared objectives with personal plans every three years (Management by Objectives of a financial nature but also sustainability with the development of plants for CO₂-free steel production).

Therefore, the variable component of remuneration, which usually never exceeds 30% of remuneration, is related to the achievement of the set objectives (of the company as a whole and/or of individual product lines) compared to the budget values.

In the Steel Making segment, environmental objectives are assigned for some positions that result in the achievement of production efficiency while at the same time improving environmental impact.

The Group also uses a management application called MET YOU to assess performance, the progressive development of skills and to have a complete view of the resources used by the Group ensuring transparency and traceability of what has been done.

The objective is to fill all company positions with qualified and back-up profiles so as to always guarantee the continuity of operations, always taking into account the induction period necessary for the assimilation of company policies and procedures and the need for training for specific technical alignment.

The Group points out that the workforce used in its factories and construction sites is highly specialised and that the risk of using child labour or the risk of forced labour is minimal.

For all employees, projects were started in the business and staff areas through the Hoshin method to disclose and measure the application of Danieli's values with continuity.

As explained in the Code of Ethics, Danieli also confirms its commitment to respect human rights, against discrimination in the workplace and child, irregular or forced labour by promoting equal opportunities (in terms of gender, origin, religion, age, political orientation, sexual orientation, disability), protection of diversity, freedom of association and the development of knowledge and professionalism of its own employees to better express their talents and the responsiveness to problem solving.

Danieli's position on human rights refers to the principles promoted by the United Nations (United Nations Guiding Principles on Business and Human Rights), fully in line with the Universal Declaration of Human Rights, with the commitment to require the entire chain of subcontractors used to be treated equally in their structures.

Danieli protects the integrity of its personnel by protecting workers from acts of physical, psychological or mobbing violence and by guaranteeing working conditions that respect the dignity of the person in compliance with the labour laws applicable in the countries in which it operates and with national collective agreements where present.

The company deals, where applicable, with organisations representing workers with an attitude that is always open and constructive where required.

The working conditions, working hours and economic treatment of employment relationships are established on the basis of the national rules envisaged with the aim of ensuring compliance with the applicable legislation in each country ensuring full transparency of information on contractual terms and conditions of employment for candidates.

Danieli never received any reports from employees or third parties in charge for well-founded violations of working conditions, not even through national or foreign trade unions.

In this context, Danieli joined the *UN Women's Empowerment Principles* initiative in 2021 to confirm its commitment to ensuring equal employment opportunities for all its employees.

There are no significant risks in terms of personnel management and in relation to the protection of diversity, duly referred to in the Company's Code of Ethics and in the Report on Corporate Governance and Ownership Structure regarding the composition of the board and the independent control bodies.

This continuous investment, together with the constant offer of career opportunities and prospects tied to merit, engenders a strong pride of place among our personnel, stimulating all of them to do their part in maintaining their companies' efficiency, effectiveness and competitiveness.

Total number of employees by contract category (fixed-term and permanent), gender and geographical area

GRI 102-8	30/06/2021			30/06/2020		
	Male	Female	Total	Male	Female	Total
Europe and Russia						
Fixed-Term contracts	189	35	224	124	36	160
Permanent contracts	4,844	661	5,505	5,120	707	5,827
Total	5,033	696	5,729	5,244	743	5,987
Middle East						
Fixed-Term contracts	31	4	35	44	7	51
Permanent contracts	11	1	12	11		11
Total	42	5	47	55	7	62
Americas						
Fixed-Term contracts			0	2	1	3
Permanent contracts	108	16	124	91	20	111
Total	108	16	124	93	21	114
South East Asia						
Fixed-Term contracts	248	73	321	446	97	543
Permanent contracts	2,180	267	2,447	2,092	262	2,354
Total	2,428	340	2,768	2,538	359	2,897
Total personnel	7,611	1,057	8,668	7,930	1,130	9,060

The figures include only internal employees of the Danieli Group and not external workers.

The Group makes use of an external workforce for certain specific activities, such as the installation of special equipment at foreign sites.

The figure for female personnel accounts for about 12% of the total at Group level and is influenced by the characteristics of work in the steel and metalworking sectors (historically dominated by men) without, however, showing significant deviations in the average ratio of women's remuneration to that of men for similar functions and levels of seniority.

Total number of employees by type of employment (full time, part time), by gender

GRI 102-8	30/06/2021			30/06/2020		
	Male	Female	Total	Male	Female	Total
Full time	7,591	1,000	8,591	7,889	1,075	8,964
Part time	20	57	77	41	55	96
Total personnel	7,611	1,057	8,668	7,930	1,130	9,060

Total number of employees entering the Group and the entry rate by age group, gender and geographical area

GRI 401-1	30/06/2021					30/06/2020				
	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	229	32%	21	19%	250	197	27%	53	41%	250
30 - 50 years	151	5%	40	9%	191	270	9%	48	10%	318
Over 50 years	49	3%	6	4%	55	77	5%	7	5%	84
Total	429	9%	67	10%	496	544	10%	108	15%	652
Middle East										
Under 30 years		0%		0%	-		0%		0%	-
30 - 50 years	2	5%	-	0%	2	-	0%	-	0%	-
Over 50 years		0%		0%	-		0%		0%	-
Total	2	5%	-	0%	2	-	0%	-	0%	-
Americas										
Under 30 years	11	52%		0%	11	7	47%	2	40%	9
30 - 50 years	16	36%	1	11%	17	18	45%	3	33%	21
Over 50 years	8	19%	1	25%	9	12	32%	2	25%	14
Total	35	32%	2	13%	37	37	40%	7	32%	44
South East Asia										
Under 30 years	85	35%	13	24%	98	89	27%	17	24%	106
30 - 50 years	173	9%	39	14%	212	142	7%	26	9%	168
Over 50 years	7	4%	1	10%	8	15	9%	3	25%	18
Total	265	11%	53	16%	318	246	10%	46	13%	292
Total	731	10%	122	12%	853	827	10%	161	14%	988

Total number of outgoing employees and exit rate by age group, gender and geographical area

30/06/2021						30/06/2020				
GRI 401-1	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	136	19%	23	21%	159	144	20%	31	24%	175
30 - 50 years	306	11%	68	16%	374	437	14%	65	14%	502
Over 50 years	196	13%	23	15%	219	319	22%	26	18%	345
Total	638	13%	114	16%	752	900	17%	122	16%	1,022
Middle East										
Under 30 years		0%		0%	-	7	233%		0%	7
30 - 50 years	14	38%	-	0%	14	14	34%	6	600%	20
Over 50 years	3	75%		0%	3	1	9%		0%	1
Total	17	40%	-	0%	17	22	40%	6	86%	28
Americas										
Under 30 years	5	24%	2	67%	7	1	7%	2	40%	3
30 - 50 years	8	18%	2	22%	10	11	28%	2	22%	13
Over 50 years	7	16%	4	100%	11	10	27%	4	50%	14
Total	20	19%	8	50%	28	22	24%	8	36%	30
South East Asia										
Under 30 years	94	39%	11	20%	105	86	26%	12	17%	98
30 - 50 years	243	12%	56	20%	299	216	11%	27	10%	243
Over 50 years	39	23%	5	50%	44	26	16%	2	17%	28
Total	376	15%	72	21%	448	328	13%	41	11%	369
Total	1,051	14%	194	18%	1,245	1,272	16%	177	16%	1,449

Note: the data shown does not take intercompany steps into account.

Percentage breakdown of effective members of corporate governance bodies by age group and gender

30/06/2021						30/06/2020					
GRI 405-1	Male	%	Female	%	Total	Male	%	Female	%	Total	%
Board of Directors											
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0.00%
30 - 50 years	1	20.00%	1	33.33%	2	25.00%	1	25.00%	1	33.33%	28.57%
Over 50 years	4	80.00%	2	66.67%	6	75.00%	3	75.00%	2	66.67%	71.43%
Total	5	62.50%	3	37.50%	8	100.00%	4	57.14%	3	42.86%	100.00%
Board of Statutory Auditors											
	Maschi		Femmine		Totale					Totale	
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0.00%
30 - 50 years	1	50.00%	0	0.00%	1	33.33%	1	50.00%	0	0.00%	33.33%
Over 50 years	1	50.00%	1	100.00%	2	66.67%	1	50.00%	1	100.00%	66.67%
Total	2	66.67%	1	33.33%	3	100.00%	2	66.67%	1	33.33%	100.00%

Note: the figures shown take into account the chairman and the statutory auditors.

Percentage breakdown of employees by category and gender and by age group.

GRI 405-1	30/06/2021						30/06/2020					
	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%
Apprentices	138	2%	23	2%	161	2%	161	2%	39	3%	200	2%
Blue collars	2,690	35%	55	5%	2,745	32%	2,780	35%	62	5%	2,842	32%
White collars/ Managers	4,599	60%	968	92%	5,567	64%	4,797	60%	1,018	89%	5,815	64%
Executives	184	2%	11	1%	195	2%	192	2%	11	1%	203	2%
Total personnel	7,611	88%	1,057	12%	8,668	100%	7,930	88%	1,130	12%	9,060	100%

Age of Employees	30/06/2021						30/06/2020					
	Under 30 years	%	30 - 50 years	%	Over 50 years	%	Under 30 years	%	30 - 50 years	%	Over 50 years	%
GRI 405-1												
Apprentices	158	14%	3	0%		0%	195	15%	5	0%		0%
Blue collars	375	33%	1,686	30%	678	36%	373	29%	1,852	31%	653	36%
White collars and middle managers	607	53%	3,903	69%	1,067	57%	710	55%	4,029	67%	1,030	57%
Executives	1	0%	69	1%	121	6%	1	0%	89	1%	123	7%
Total personnel	1,141	13%	5,661	65%	1,866	22%	1,279	14%	5,975	66%	1,806	20%

Company welfare

The development and expansion of the welfare platform dedicated to all Italian employees and other similar formulas for other employees abroad continued where required by current local regulations.

Specifically, the Group signed an agreement with a number of specialised operators for the management of the flexible benefits provided for in the trade contract of Italian companies, which envisage the use of these portions for the purchase of goods and services or the reimbursement of health or education-related expenses. The personnel are covered by an insurance programme against accidents, travel and reimbursement of medical expenses in case of business trips to mitigate the risks of these events.

Moreover, both the Metasalute Fund for health care and a general coverage programme against accidents of the working personnel operate whereas the Danieli Foundation provides support to former employees in case of any situation of emergency. The Steel Making sector was characterised by a number of initiatives that were carried out at the ABS plants, such as the "heart of steel" initiative (free annual cardiology check-up for employees over 50) and the management of company uniforms (the cleaning of which is taken care of directly by the company, guaranteeing employees savings on washing and at the same time providing them with a garment that is always clean and in line with safety standards).

In order to protect the health of employees and prevent the spread of seasonal epidemics, the flu vaccine is given free of charge each year to employees who request it, however due to Covid-19, it has been suspended in 2020/2021. However, in Friuli, the administration of the vaccine against Covid-19 was organised to a specific selection of employees, over 40 as per contingent governmental indications, chosen equally within the workforce. In Friuli and Piedmont, an occupational health specialist was assigned to administer free swabs. In Lombardy, due to a different regional regulation, swabs were reimbursed to employees.

The Danieli Foundation provides support and assistance in the event of mournful events or serious needs to former employees and their families.

The Turismo 85 S.r.l. travel agency, company belonging to the Group, although severely constrained by the limitations imposed by the Covid-19 pandemic, continued to offer attractive prices to employees, proposing monthly tourist destinations that can be reached at discounted prices and day trips, thus promoting, when possible, co-worker socialisation outside working hours.

Many initiatives have been developed in the past by Danieli for its employees and will be proposed again within the current limitations:

- Concerts organised for employees and family members;
- MetYou project for the management of Soft and Hard Skills of personnel;
- "Pink" (gender) parking (at the Parent Company and in ABS S.p.A.);
- Family party and open factory in ABS S.p.A.;
- Parent company Christmas party and lottery;

- Blood donation with mobile blood bank;
- Support activities for personnel employed in operating units in Thailand, China and India.

Occupational health and safety

Danieli defined a company management model identifying the roles, operational responsibilities and methods for carrying out the main production processes, paying the utmost attention to the health and safety of workers. In particular, specific guidelines and company procedures were prepared for each operating unit and the activities carried out by them in order to:

- identify and assess any possible exposure to the hazard;
- use the prevention and protection systems made available by the company;
- identify potentially exposed persons;
- implement risk mitigation measures and control their application;

by training personnel at the time of recruitment and with subsequent periodic updates by making available to them (for easier consultation and use) on the company website all the safety and prevention documentation to avoid dangerous situations at work. Moreover, continuous awareness-raising is carried out with information campaigns and specific communications to alert and remind people of the need to comply with safety protocols.

Employers and Safety Managers are responsible for the implementation of health prevention activities and the implementation of safety in the workplace using specialist personnel who devote particular attention to the training and education of personnel assigned to specific operational tasks.

Risk Assessment Documents are prepared and coordination meetings are held between third-party companies and site managers, verifying the health and safety issues of external workers.

The health of workers is guaranteed in the workplace also with the help of an internal Company Health Service present in all production units that carries out a health surveillance program with prevention and control procedures, information campaigns and periodic inspections.

In ABS S.p.A., an important activity was completed already in December 2019 with the obtaining of the Fire Prevention Certificate of the Cargnacco Plant, which represented the crowning achievement of 6 years of work and over 7.5 million euro of investments, broken down in 340 detailed projects, positively passing 6 inspections by the Fire Brigade and making it possible to affirm that ABS is one of the safest steelworks in Italy.

During 2020/2021, the company approached the Covid-19 issue with great care, promptly implementing in Italy (and at all foreign premises) all the necessary measures to limit any negative impact on its employees.

Comprehensive information on the Covid-19 infection situation was immediately made available on the company's intranet system to update all employees in real time for the entire group and in full transparency.

The Group's Italian plants were completely closed for only two weeks in March 2020, completing only urgent activities, while the Russian and Indian plants carried out limited closures in April and June of the same year; the Chinese plants (although far from the Wuhan area) were also closed for only two weeks in February 2020 to coincide with the New Year holidays.

The Italian companies remained in constant contact in the initial period of the pandemic with the Prefect of Udine from whom the authorisations to continue the most delicate activities considered of strategic importance for the national economy were obtained, as envisaged by Article 1, par. 1, letter h) of the Italian Decree of the President of the Council of Ministers of March 22, 2020.

With the subsequent opening of the production sites in 2020 and during 2021, we continued to pursue a very prudent approach, as was already done in the period immediately prior to closing, by checking the temperature of the personnel before each entrance, equipping them with medical safety devices and re-launching the work stations in a distanced and protected manner, installing hand sanitisation stations in the offices, prohibiting physical meetings and closing the canteen and refreshment points.

Smart working was activated in all possible cases while, in other cases, the available hours of leave have been used up to the request of the ordinary redundancy fund if deemed necessary.

Overall, in a population of almost 9,000 employees, the cases of Covid-19 infection were limited; in the 2020-21 financial year there were no serious Covid-19 cases in the company and in the case of hospitalisation they always ended in recovery.

By April 2020, Smart Working had been used for 50% of our employees' working hours. These then gradually returned in person until they reached a smart work rate of around 35% in June 2020. In the 2020/2021 financial

year, from July 2020 to June 2021, work activities returned to full capacity with an attendance rate of 80% and during the year 8% of the employees' working hours were carried out in Smart Working. Work was therefore mainly in person and the Smart Working tool was essentially used to preserve the health of employees, especially in the case of fragile subjects, paternity or maternity, where this method of working was allowed in an extended form. The remaining 12% of the hours refers to other types of absence, mainly holidays, while only 1% refers to the CIG (income support fund), which was anyway closed in June 2021.

Similar safety and control procedures were applied to workers of subcontractors who work on sites for which the Group implements the same procedures for monitoring the risks of employees and checks and controls the technical and professional requirements of the operating companies.

The following companies have an occupational health and safety management system certified by international standards ISO 45001 and OHSAS 18001: the Parent Company and Danieli Germany GmbH achieved the transition from OHSAS 18001 certification to ISO 45001 certification in the 2019/2020 financial year, while the companies ABS S.p.A., Danieli Met. Equipment & Service Co. Ltd., Danieli Automation S.p.A., Danieli India Ltd., Danieli Co. Ltd, Danieli Corporation (a US company following the local market) obtained it in the 2020/2021 financial year. The company Danieli Centro Combustion S.p.A. is in the process of obtaining ISO 45001 to replace the OHSAS 18001 it already holds, which has been slightly delayed due to delays by the relevant public bodies. In December 2019, the inspection was carried out at the subsidiary ABS S.p.A. during which non-compliance was not found.

The company approach for the prevention of accidents and injuries achieved positive results on average over the years.

ABS S.p.A. maintained in 2021 the reduction obtained in 2020 of the INAIL Premium for interventions to improve prevention conditions and to protect health and safety in the workplace.

Note that data relating to injuries recorded during the reporting year and in the previous year was shown by indicating all of them, thus also considering injury cases with days lost of less than 3 days.

The injury indexes are calculated in accordance with the procedures established by UNI 7249: 2007 "Statistics on injuries at work", indicating the number of injuries that occurred per million hours worked.

The positive results, which improved slightly, were achieved also thanks to the pursuit of the project entitled "Alcohol and the workplace", directed at contrasting alcohol abuse in the company, which is often a contributing cause in unacceptable accident situations both from the viewpoint of the frequency of events, and of their severity.

During the 2020/2021 Fiscal Year, training activities on safety were carried out totalling approximately 35,503 hours.

The company provides education, information and training courses with the aim of educating all employees on issues related to occupational health and safety, correct emergency management practices and the use of equipment in the company. In view of the situation related to the pandemic, SPP (Health Prevention and Protection) in collaboration with Danieli Academy used the e-learning/webinar tool to provide important training/information on the Covid-19 issue, in order to disseminate the company directives and the correct behaviour required by the mandatory regulations. A special focus is also placed on regular training for workshop technicians on the procedures to be used in their daily work.

The company continuously ensures that personnel are trained in accordance with safety regulations by constantly surveying the training requirements of employees, e.g. when changing jobs. Therefore, during the year, the activity related to the five-year compulsory retraining of the basic training for all workers continued.

The personnel are covered by an insurance programme against injuries, covering travel and reimbursement of medical expenses in case of business trips, to mitigate the risks of these events. In 2020, employees were guaranteed insurance cover in the event of Covid-19 infection with hospitalisation. On December 31, 2020, it was decided not to renew the policy thanks to the success of the vaccination campaign against Covid-19 in Italy.

If local needs require a special control unit, the company equips foreign sites with a Security structure with specialised personnel that:

- develops an action plan to protect the job order,
- operates in line with local regulations and standards,

in order to guarantee the continuity of operations, the integrity of personnel and that of the company assets used, operating in compliance with the company's Code of Ethics.

Number of injuries in the workplace, occupational diseases, fatalities and main injury indexes²

Work-related injuries - Employees GRI 403-9	30/06/2021	30/06/2020
Number of recordable work-related injuries	98	97
of which:		
Total High consequence work related injuries (>180 dd)	-	2
Total Work-related fatalities	-	-
Total worked hours by employees (number)	15,842,147	15,255,642
Rate of recordable work-related injuries	6.19	6.36
Rate of high-consequence work-related injuries	0.00	0.13
Rate of fatalities as a result of work-related injuries	0.00	0.00

Main types of work-related injuries Employees GRI 403-9	30/06/2021	30/06/2020
Bruises and lacerations	42	63
Sprains and fractures	14	20
Muscle strains and joint pains	28	4
Others (loss of consciousness, burn, fume inhalation)	14	10
Total Main types of work-related injuries Employees	98	97

Work related injuries - External workers GRI 403-9	30/06/2021	30/06/2020
Number of recordable work-related injuries	9	10
of which:		
Total High consequence work-related injuries (>180dd)		
Total Work-related fatalities -Externals		

Main types of work-related injuries Externals GRI 403-9	30/06/2021	30/06/2020
Bruises and lacerations	6	9
Sprains and fractures	1	
Muscle strains and joint pains	2	1
Others (loss of consciousness, burn, fume inhalation)		
Total Main types of work-related injuries Externals	9	10

² The data include internal employees of the Danieli Group and external workers who are not employees but whose work and/or workplace is under the control of the Danieli organisation where it is possible to monitor at the main production sites.

The Rate of work-related injuries represents the ratio between the total number of injuries and the total number of hours worked in the same period, multiplied by 1,000,000; injuries while travelling to/from work are included only when transport was organised by the organisation.

The Rate of high-consequence work-related injuries represents the ratio between the total number of injuries that have caused more than 180 days of absence and the total number of hours worked in the same period, multiplied by 1,000,000.

The Rate of fatalities as a result of work-related injury represents the ratio between the total number of fatalities and the total number of hours worked in the same period, multiplied by 1,000,000.

Training

The “Danieli Academy” is the kingpin and the organisational centre of the corporate training system and it pursues the dual objective of promoting and improving the growth and development of human resources and of fostering and consolidating corporate vision and values.

The “Danieli Academy” is a business school in the company to support both the process of change and the organisational development, as well as a place of learning where resources are enhanced through professional consolidation and team work with the support of Universities and of local High Schools.

Danieli Academy maintains lasting and fruitful collaborations with Italian and foreign Higher Technical Institutes and Universities thanks to the Talents area. Internships are promoted and organised with a view to alternating schoolwork both within the Academy and at the various product lines. During the curricular internships, trainees are followed daily by the company tutors in a constant training activity alongside and "on the job" which involves thousands of hours of personnel dedicated to the training of the new generations. Thanks to these activities, the hosted students develop school projects or thesis in the company.

Also in 2020/2021, such initiatives have been carried out with schools, technical and industrial high schools. In continuity with the past, the Danieli Academy continued the INDE18 programme for hired trainees, young newly-qualified students from technical and industrial high schools and post-secondary schools, and new graduates. This is a dedicated training course lasting 8 months, from September to April.

The Danieli Globe project was launched to allow talented young people to follow a project abroad, which was temporarily suspended due to the restrictions and constraints on international mobility linked to the pandemic situation.

The Talents area of Danieli Academy also deals with the recruitment, selection, management and development of young graduates and new graduates in the company. At Schools and Universities, company presentations, lectures and Career Days are organised with the aim of attracting the best talents within the Danieli company organisation.

Abroad, the Group is also determined to create new development opportunities, with particular reference to technology and employment, and it actively cooperates with major Universities and Education Institutions, sponsoring innovation projects and offering concrete suggestions to promote youth employment.

Training by category GRI 404-1	30/06/2021		30/06/2020	
	Male	Female	Male	Female
Average hours of apprentice training	80	50	82	65
Average hours of blue-collar training	12	23	9	15
Average hours of staff training	13	11	13	12
Average hours of manager training	11	12	11	20

The refresher and training courses for employees (2,302 courses equal to about 120,687 hours) represent a company investment and are of different types with multiple goals:

- sharing the basic technical and technological knowledge that constitute the company's value and uniqueness today, and will increasingly do so in the future;
- development of specific technical – specialist knowledge and skills, including managerial ones, both general and running across the entire organisation, and tied to a specific role/function;
- consolidation of language skills;
- training and updating of workers on rules of behaviour and company procedures related to safety.

In addition to the security measures put in place to counter Covid-19, a blended mode of training was adopted, reducing the physical load of attendance and providing remote activities.

In March 2021, a training project (MET3) was started, targeting managers and executives and aimed at fostering entrepreneurship, work culture, exploration of new areas related to digitalisation and organisational strategy. The initiative will be continued with a 2021/2022 horizon.

New resources are introduced through an onboarding process that includes in-person and online training on the specific role and company policies. In continuation of what has been done in the past, training was provided on travel security, cybersecurity, company policies, code of ethics, model 231, Gift and Hospitality policy, specific security measures related to Covid-19 prevention.

Collaboration with institutions for school and university education

The Parent company constantly collaborates with high schools, post-secondary schools and Italian and foreign Universities, organising and managing each year approximately 100 work-related learning projects and about thirty curricular internships with related thesis.

Moreover, the company actively takes part in the study programmes of high schools, post-secondary schools and Universities as follows:

- frontal lessons;
- organising guided tours in the company;
- taking part in vocational meetings aimed at student work placement;
- taking part in career days.

The Parent Company is a founding member of the Fondazione ITS Malignani of Udine and sponsors each year the Mechatronic Course that has 2 classes totalling 50 students.

Each year, approximately 100 newly-qualified students and new graduates are hired by Danieli & C. Officine Meccaniche S.p.A. with a professionalising training contract.

This initiative focuses on young people to stimulate them in a training course that essentially gives them four perspective elements of development, which are of crucial importance today:

- a highly specialised career, within a multinational context;
- guarantee of recruitment at the end of the training and work placement course;
- a remuneration aligned with that of the personnel of the same level from the beginning of the training course;
- the possibility of taking a highly specialising training course thanks to the support of expert business tutors (training on the job) and to the participation in training courses (Danieli Academy).

The focus on young talents is also emphasised by the annual sponsoring of scholarships and graduation awards for worthy newly-qualified students and new graduates in technical and scientific branches.

The Group actively participates in the organisation of specific Masters courses for the metallurgical sector and economically supports Masters courses in economic/administrative subjects in which some employees take part at advantageous economic conditions.

Company Portal

In addition to the company website, the Danieli Synapse company portal is also available for each employee, allowing immediate interaction with the company, guaranteeing up-to-date information on topics of specific interest, as well as services and assistance on safety and governance in the broadest sense.

Each employee can customise the service that is continuously updated and guaranteed even on smartphones. The "Danieli Synapse" portal during the Covid-19 emergency and the simultaneous lockdown were particularly important, allowing Group companies to inform their employees about the various activities and tools put in place to combat the effects of the virus and to keep employees up to date with the effects of the epidemic in the various countries in which the group operates.

IT Security

A special attention was paid to the company for business protection concerning Cyber Risks operating on several fronts:

- systematically mapping all procedures subject to IT risk and identifying those with more sensitive characteristics;
- dedicated personnel training on a worldwide basis to promptly assist Group employees;
- carrying out specific interactive courses for all Danieli personnel on the main IT risk issues;
- cognitive analysis of system, network and user behaviour to reduce the time required for accident interception;
- BIA (Business Impact Analysis) revision, gap identification and application of corrections to machines and software;
- revising and publishing safety policies;
- accident management standardisation.

All the above-mentioned activities are covered by a dedicated budget and personnel training beyond the high standard of our systems (as Danieli is a world leader in the development of Hi Tech technologies) and updating existing firewalls has prevented any intrusion into the internal network to date.

RESEARCH, DEVELOPMENT AND PRODUCT QUALITY

Danieli concentrates its research and development activities exclusively in the technological areas falling within the Group's operating sector (metal production and production of machinery for the metal working industry), starting with the development of the primary process and ending with the finished product (in practice, from ore to finished product).

In summary, the following process areas are covered:

- reduction of iron ore;
- melting;
- casting;
- rolling;
- finishing;
- management of non-ferrous metals.

The ability to develop new technologies and technological packages in the sectors indicated above is for the Danieli Group a fundamental ability to maintain competitiveness in the steel and aluminium market.

The research process usually develops in an orderly manner:

- starting from the collection and analysis of data from existing plants;
- then developing studies on the physics, chemistry and mechanics of products validating the conclusions with mathematical models and laboratory tests;
- continuing with the 3D engineering of the plants (operating them also in a virtual manner);
- and completing with the implementation of prototypes and/or industrial equipment in the laboratory or at customers where to carry out tests of production and performance.

Research results in the form of ideas, concepts, technological approaches and operational capabilities represent an important intangible asset to ensure Danieli's technological leadership in the market. To this end, the Group created the Danieli Innov-Action Award, a competition open to all employees and collaborators to stimulate and encourage the development of new technologies, applications or processes to improve environmental sustainability with four main themes:

- Energy saving;
- Energy recovery;

- Waste reduction;
- Improving workers' safety.

The proposed innovations, after examination by a technical commission, are tested in the research laboratories and, if they are considered valid, applied to the plants in production. The "innovators" (teams or individuals) are awarded during the company's annual meeting with employees and families around the Christmas holidays.

Again with a view to research and development, Danieli Digi&Met Lab continued its activity (inaugurated in February 2020) at the University of Udine (Uniud Village Labs), the first private laboratory set up at a university centre with the aim of stimulating the interest of students, researchers and professors in the search for concrete innovative solutions in the field of metallurgical production.

The protection of intellectual property plays a strategic role for the company that every year invests countless resources to develop new products and new technologies to be applied in industrial solutions offered to customers.

The maintenance of know-how and existing patents requires a constant updating activity that is also carried out with dedicated projects and with the involvement of the main local universities.

The total annual expenditure of about 230 million euro includes both prototype and direct research and related expenditure for innovative projects without margins and the first industrial applications that require a strong commitment for the company in start-ups and performance tests.

A Research Centre with 81 employees operates in Italy, with a new facility opened in 2017 to serve the machinery and plant sector. In the same location, the new Dan Green division was also opened at the beginning of the 2020/2021 financial year, with four R&D resources dedicated specifically to green sustainability issues from the engineering, plant engineering and technological point of view. Moreover, there is a Research Centre in France with around 20 employees serving the steel sector to propose new alloys for industrial applications to customers. Overall, there are research activities carried out by an additional 68 employees, bringing the total to 169 resources dedicated to R&D, representing almost 2% of the total group employees, a sign of strong commitment in this area. A concrete example is in the UK where Innoval Technology Ltd. operates with its own laboratories offering innovative solutions to customers in the aluminium industry.

In France, ABS Centre Métallurgique ACM obtained accreditation according to the international standard ISO 17025 (General requirements for the competence of testing and calibration laboratories).

Product quality

Meeting deadlines and quality of the products supplied in line with the obligations contracted towards the customer is the main objective of the company and of its employees to obtain customer satisfaction.

To achieve these results, the Group adopted a Corporate Quality Policy based on company values and culture that defines construction methods, quality standards and performance indicators to be followed in order to prevent product non-conformities and provide quality goods and services contractually required.

Therefore, the Danieli quality system operates in compliance with the standards required by the certifications:

- ISO 9001:2015
- ISO 3834-2:2005
- EN 1090-1:2009 + A1:2011

ensuring that the products supplied are manufactured in accordance with the customer's expectations and in compliance with contractual, safety, statutory or regulatory obligations.

The standardised application of rules and processes across all Group units represents company know-how available to all employees to identify best practices to be followed in all Group factories, always guaranteeing the same level of quality and safety.

The production of machinery for the metal industry and the production of steel both require compliance with regulations, laws and requirements issued by national and international directives whose observance is required and regulated by the production specifications envisaged by the company and ABS S.p.A. that envisage the use of technical personnel trained and aware of the limits envisaged and imposed by applicable standards and regulations.

Finally, the company's quality system envisages verification plans and controls to ensure compliance with the followed production standards.

To ensure the prevention and mitigation of health and safety risks to which customers are exposed, the Group obtained certifications attesting to compliance with the required standards on product quality (the company ABS S.p.A. obtained the ZF certificate), prepares accurate manuals for the use and maintenance of the plants, organises training courses for customers' personnel who will work on the plants built by the Group.

Moreover, note that ABS S.p.A., which represents the main operating site of the Group's Steel Making sector, checks compliance with legal requirements for incoming and outgoing materials and has undertaken to purchase material that does not contain minerals from conflict zones.

COMMITMENT TO THE ENVIRONMENT

Environmental protection is not only a priority for the Group in relation to the production activities directly carried out in both the Steel Making and Plant Making sectors, but also an opportunity for the latter to be promoted to customers to enable them to comply with applicable legal requirements, and a conscious use of resources as part of a continuous improvement process in line with best practices.

Danieli is an active participant in the ClimateNeutralEU process to achieve a substantial reduction in GHG emissions in 2030, raising the awareness of European authorities on the need to achieve these objectives promoted by the general commitment of the main European companies.

The Group's environmental protection approach is aimed primarily at ensuring compliance with the legal requirements applicable to its own production activities by identifying, monitoring and mitigating all related environmental aspects:

- using appropriate safety procedures and efficient technical prevention systems;
- developing new technologies (also with Hoshin projects) that allow a rational use of natural resources (raw materials, energy, water and waste management);
- achieving an increasingly effective mitigation of pollution, GHG emissions, waste, noise and any inconvenience to the local communities concerned;
- by raising personnel awareness through specific training and education.

The Danieli Group defined reference targets in order to maintain high environmental protection standards:

- promoting a culture of health and environmental protection in all workers and their families;
- designing plants with ever better performance from the viewpoint of the environment and workers' health and safety;
- constantly informing and training workers on general and specific risks, on rules of behaviour and company procedures;
- investments of economic, technical and human resources to achieve environmental protection goals for Danieli and for customers;
- promoting knowledge of environmental regulations and generating widespread awareness of their importance, by example and through systematic oversight of their compliance also along the supply chain used by the group;
- improving waste management by providing specific labelled containers and dedicated areas bearing appropriate signs, and through more accurate separation of waste for disposal;
- improving hazardous materials management by identifying and labelling all containers, providing containment basins and suitable absorbing materials in case of spills, conducting practical emergency simulation exercises.

In the production of metals, the "green technologies" are those that allow to limit waste and emissions with lower consumption of raw materials in the production process, resulting not only in benefits for producers but also in reductions in the use of water and GHG emissions.

In new projects and in the modernisation of existing ones, the use of innovative design, logistics and plant layout using "Best Available Technologies" (BAT) make production more efficient and cleaner, above all by reducing energy consumption, which is one of the main sources of CO₂ emissions.

Products such as the Q-ONE, which allow to digitally power the electric furnaces preventing disturbances on the network will allow their better sizing at the service of the whole community reducing consumption, waste and Flicker disturbances and allowing the direct connection of the systems with renewable energy sources.

The development of processes that continuously manage the casting and rolling phase for long and flat products (MI.DA and QSP-DUE) and the rolling of semi-finished products at lower temperatures with quick induction heating systems (QHEAT) already allow us to obtain quality products with a substantial increase in efficiency compared to the past.

The lower consumption of natural gas with the use of controlled flame burners and the use of hydrogen in direct reduction plants will lead to steel production with a very significant reduction in CO₂ emissions (to almost zero).

The future will be even better thanks to "green" research using predictive models and artificial intelligence, transferring the know-how developed through Danieli's research to the service of customer plants for highly efficient production and low waste.

In this context, a new DanGreen product line has been launched with three main objectives:

- develop and market machines and plants that will allow a significant reduction in CO₂ related to steel production by 2030 and a cancellation of CO₂ produced by 2050;
- build steel plants with HYBRID technologies that allow the use of renewable energy;
- use new Green technologies within the steel production cycle reducing the environmental impact of the production itself by recovering the related GHGs.

During the launch of new projects (especially in the Plant Making segment), the company always carries out a risk assessment, which also identifies significant environmental issues related to the development of the job order at its customers' production sites, and identifies the measures needed to mitigate the impact on local communities, which in most projects are manageable and extremely limited.

The Parent Company (which covers both the operating unit at the head office and the headquarters of the Research Centre), ABS S.p.A., Danieli Met. Equipment & Service (China) Co. Ltd., Danieli Co.Ltd and Danieli India Ltd developed an ISO 14001 certified Environmental Management System. The subsidiary ABS S.p.A., whose business activities are highly energy-intensive, also implemented an ISO 50001 certified energy management system in which an energy audit is carried out every 4 years. ISO 50001 certification was also obtained by Danieli Germany GmbH for its three premises.

Energy consumption, emissions and water withdrawals are the main indicators of the environmental impact of the Group's production processes. In particular, as part of energy efficiency initiatives, the Parent Company and Danieli Automation S.p.A. installed some photovoltaic systems covering the roofs of industrial buildings and the company ABS S.p.A. installed an ORC (*Organic Rankine Cycle*) system to produce energy using the heat from the fumes of electric furnaces used in the production of steel. For the 2020/2021 financial year, the plant, although operational and functioning, did not work due to production requirements. Also in ABS S.p.A., a district heating system was built to recover heat from hot fumes from the Rotoforgia's Walking Beam oven to heat some buildings, including the office building, canteen and dressing room. It is planned to extend this plant to other buildings on the Pozzuolo site.

ABS continued during the year with the development of the LCA (Life Cycle Assessment) project to measure and validate the impacts of its processes/products from birth to end of life, since sustainability must necessarily be a supply chain sustainability, and attention to the environmental and social performance of suppliers is therefore fundamental.

The purposes of the project aim to:

- identify areas for improvement on the technical, management and logistics level;
- compare the environmental loads related to the processes;
- study alternative technical solutions to help reduce the environmental footprint throughout the supply chain;

- guide the re-design of products and processes in order to minimise their impact through efficient consumption of natural resources.

The project is expected to be completed within the 2021 solar year.
The Group's energy consumption is presented below:

Energy GRI 302-1	30/06/2021	30/06/2020
Energy consumption by type of fuel and process		
LPG (GJ)		
By production process (GJ)	11,137	10,959
Methane Gas (GJ)		
By production process (GJ)	3,364,096	2,148,108
Industrial carbon (GJ)		
By production process (GJ)	720,435	616,097
Diesel (GJ)		
For non-production process (GJ)	11,755	29,127
Petrol and other fuels (GJ)		
For company cars (owned and rented) (GJ)	16,075	18,509
Electricity consumed (GJ), of which	3,818,234	3,059,049
Electricity purchased from the grid (GJ)	3,806,573	3,053,670
Internally produced and self-consumed electricity (GJ), of which	11,661	5,378
produced by photovoltaic plant (GJ)	11,661	4,432
produced by an ORC (Organic Rankine Cycle) (GJ)	0	947
Total energy consumption (GJ)	7,941,731	5,881,849

The conversion factors used are taken from the document "UK Government – GHG Conversion Factors for Company Reporting 2021". Some items that contribute to the determination of the Group's energy consumption were partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible. The figures of the previous fiscal year have been restated with a refinement of the information derived from electricity certified according to ISAE 3410 and with a refinement of the diesel figure. The consumption of industrial carbon, which is used as an additive in production processes and is therefore an energy carrier, has been included; these values were reported in line with the new format of the mandatory diagnostics required for steel mills by Italian Legislative Decree 102/2014, which was amended following a round table led by Federacciai. Moreover, at the end of 2020, ABS S.p.A. included it in the list of energy carriers that are monitored as part of the ISO 50001 Energy Management certification.

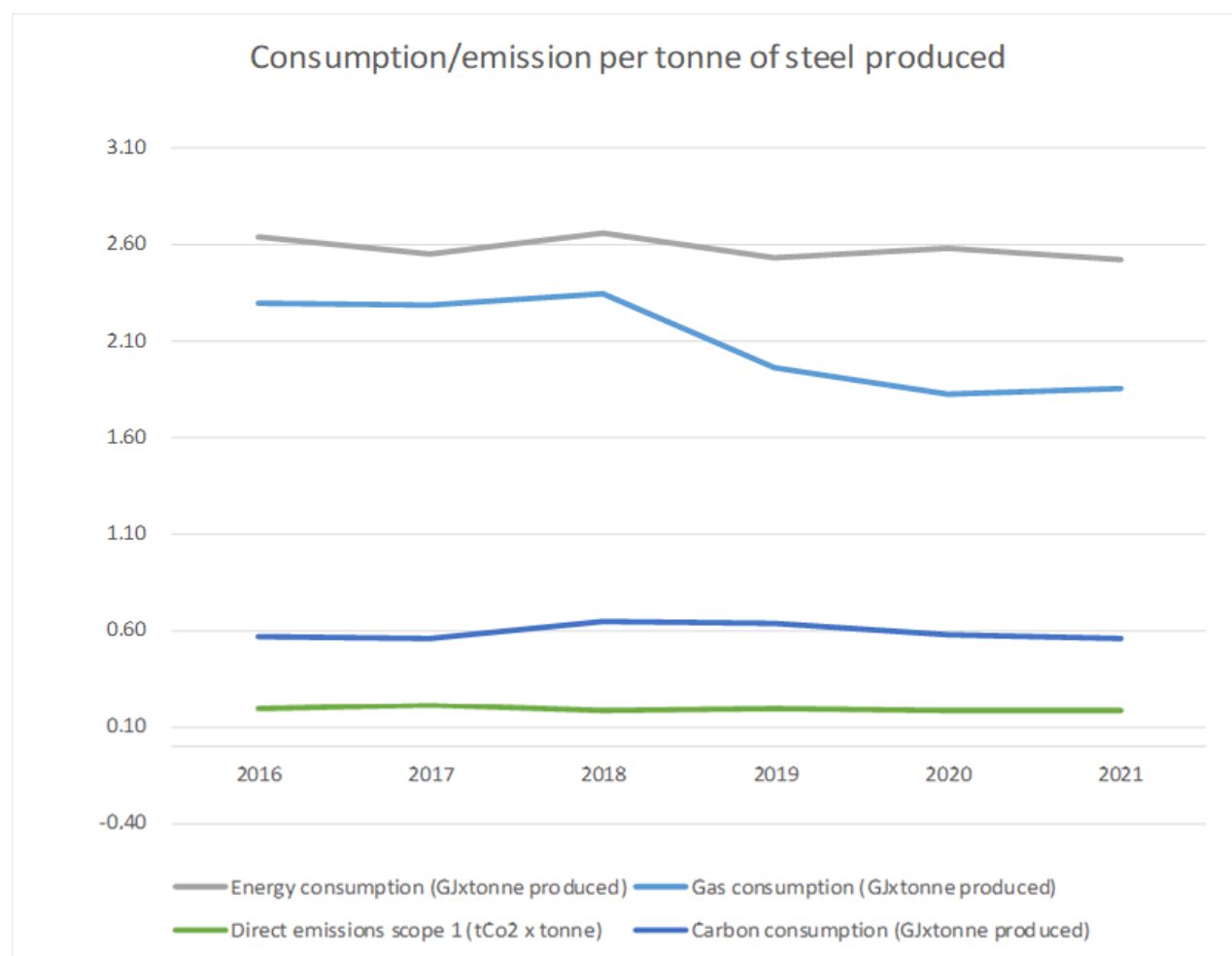
Note that with reference to electricity purchased from the network, 86% (90% in the previous year) of it comes from a supplier that declares that its energy mix used for the production of electricity sold is about 38% from renewable sources (data referring to 2019, latest available).

Environmental data refers to the Danieli Group. As regards the Parent Company, in addition to its head office, the main Italian local units are also included.

The group's energy consumption increased in absolute terms mainly due to higher production in the Steel Making segment, although thanks to the efficiencies achieved in reducing consumption, it decreased in relative terms per tonne of steel produced (as shown in the graph below).

The start-up of the new wire rod mill at ABS S.p.A. led to a slight increase in gas consumption in the 2020/2021 financial year due to the still inefficient use of the new reheating furnace and the still limited rolling due to the learning curve of the plants.

On the other hand, the specific electricity consumption significantly decreased thanks to the high load of the steel mill and to the actions taken to improve plant and management efficiency.



Note: Please note that the graph refers to the Steel Making sector and that the data source is an internal processing comparing energy consumption and emissions to tonnes produced. The historical series is compared with tonnes produced instead of tonnes shipped.

The Steel Making continues its course of improvement in the main consumption and emission indexes per tonne of steel produced thanks to the investments made to increase production efficiency, always applying the best available technology. In particular, the decrease in energy consumption per tonne is due to the improvement in efficiency in scrap casting and liquid steel treatment over the last three years. Due to the specific nature of its activities, this sector uses a series of procedures to identify all the environmental topics that may suffer a beneficial or negative impact as a result of interaction with the production activities of the plants:

- Under normal operating conditions;
- In abnormal or extraordinary operating conditions;
- In case of emergency

and manage any substantial changes to the internal and external context of the factories, in particular with regard to the quality of environmental components and compliance requirements.

The identification of environmental topics and the assessment of their significance is carried out by following a matrix assessment methodological approach, identifying both direct (compliance with laws/regulations and impacts on all parties involved) and indirect (regulatory, economic based on the influence related to Danieli's activities) environmental topics.

Procedures and assessments are periodically updated and every time interventions are made on the plants that modify their characteristics and performance.

The Group's water withdrawals are presented below:

Water withdrawal by source (Megaliters ML)	30/06/2021	30/06/2020
GRI 303-3		
Water withdrawal surface water (ML)	283	149
Water withdrawal groundwater (ML)	1,389	1,192
Water withdrawal third-party water (ML)	332	399
Total water utilisation	2,003	1,740

Note: Data partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible. Starting from this NFS, the reporting of water withdrawal data has been adopted using the new GRI Standard 303, published by the Global Reporting Initiative (GRI) in 2018 to replace the version used to date, published in 2016.

The water resources used are almost entirely freshwater. With reference to water withdrawals in areas subject to water stress, the Group uses the Aqueduct Tool developed by the World Resources Institute ³ to identify areas potentially at risk. According to this analysis, no production plant is located in water-stressed areas. Water withdrawals mainly refer to the Steel Making segment, primarily ABS S.p.A. with freshwater withdrawals from groundwater. Water withdrawals from surface water sources mainly refer to the company ABS Sisak d.o.o.; the reduction found during 2019/2020 was attributable to the production down-time of this company, which affected almost the entire duration of the year. Therefore, the 2020/2021 fiscal year is characterised by an increase due to the resumption of production at ABS Sisak d.o.o. Moreover, albeit by a smaller order of magnitude, ABS S.p.A.'s groundwater withdrawals also showed an increase due to increased production post-Covid-19. At ABS S.p.A., the main water withdrawal is for making up the tanks of industrial cooling circuits. All withdrawal points are connected to the loop pipe. Water discharges are authorised in the AIA (Integrated Environmental Authorization, Italian Decree 4918/2020) and are subject to limits and requirements that ABS S.p.A. periodically monitors to ensure compliance. All discharges follow the discharge limits set out in Annexe B of Decree 4918 and controls follow the Monitoring and Control Plan contained in Annexe C of the same Decree. In ABS Sisak d.o.o., water withdrawals are carried out from the Sava River in full compliance with regulations and authorisations. After treating the water resource for use in the process, it is discharged back into the river after passing through a grease/oil cleaning station. ABS Sisak d.o.o. has the authorisations to work in this way, no complaints have ever been received, it is in compliance with the rules. Moreover, regular water quality tests are carried out by a certified external laboratory.

On the other hand, in the Plant Making segment, there was a saving of -25% in water withdrawal, of which -23% came from Danieli & C. Officine Meccaniche S.p.A. and Danieli Co. Ltd. In Asia, specifically in the main companies Danieli Co. Ltd. and Danieli Changsu Metallurgical Equipment & Service Co., there is homogeneous water management with full compliance with current local regulations in terms of use and discharge. Finally, in the Parent Company Danieli & C. Officine Meccaniche S.p.A., water resources (from third parties) are used exclusively for civil purposes (toilets, showers, company canteen) and consumption is recognised by meters for internal use dedicated to each building, while in production there are small closed-

³ The WRI tool is available online at the webpage: <https://www.wri.org/our-work/project/aqueduct>. For the analyses, the results in the "baseline water stress" column and the "high stress" and "extremely high stress" levels were taken into account. Moreover, note that the main portion of withdrawal is freshwater, where ABS accounts for almost all water use.

circuit company cooling plants (with evaporative towers for cooling heat treatments and chillers for air-conditioning offices). There is a treatment plant designed to treat water classified as urban; at the intervals indicated in the discharge authorisation by the FVG Region, analyses of the legal parameters of incoming and outgoing water are carried out.

The data on the Group's atmospheric emissions are presented below:

Greenhouse gas emissions into the atmosphere	30/06/2021	30/06/2020
GRI 305-1		
Scope 1 CO ₂ direct emissions tCO ₂ e	294,061	211,231
GRI 305-2	30/06/2021	30/06/2020
Location-based Scope 2 CO ₂ indirect emissions tCO ₂	356,428	306,182
Market based Scope 2 CO ₂ indirect emissions tCO ₂	473,683	381,410

The emission factors used for calculating direct CO₂ emissions - Scope 1 are taken from the document "UK Government - GHG Conversion Factors for Company Reporting 2021", with the exception of those relating to ABS S.p.A. and ABS Sisak d.o.o., the calculation of which was estimated based on the certification issued by the Emission Trading System (ETS).

The emission factors used for the calculation of indirect emissions are those proposed by Terna for Location-based Scope 2 indirect emissions (Terna, International Comparisons 2018), and the residual mixes for Market-based Scope 2 indirect emissions (AIB, European Residual Mixes 2020, Vers. 1.0 of May 31, 2021).

Emissions of Scope 2 are expressed in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalent) as can be inferred from the technical literature of reference. The figures of the previous Fiscal Year have been restated with a refinement of Scope 2 information certified according to ISAE 3410.

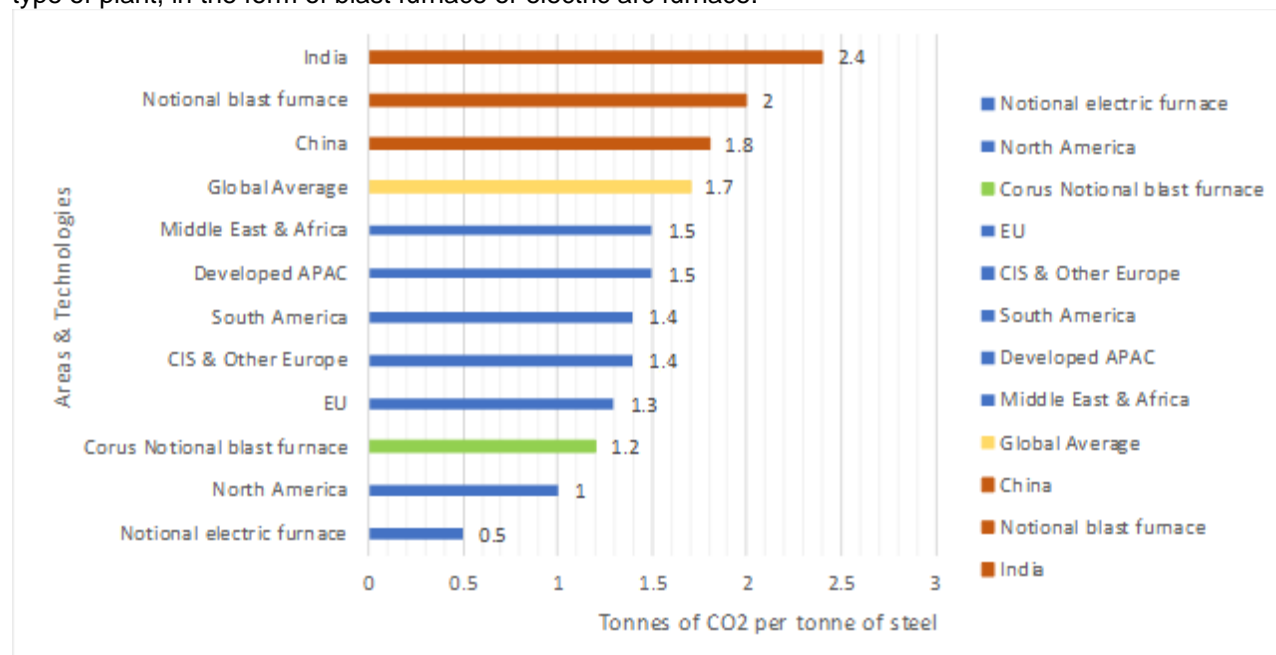
Indirect Scope 3 emissions are counted using the Quantis method, except for CO₂ values related to steel production on an annual basis from plants commissioned in the year for use by our customers, specifically counted according to the technologies applied and the production factors used.

Emissions relating to plants sold covered about 95% of the value indicated in Scope 3 and were directly affected by the type of plants sold by Danieli's various product lines and used in different phases of the steel industry (production of liquid steel from ore or scrap, direct reduction and/or rolling plants, etc.) and in the 2020/2021 financial year, plants were delivered with a theoretical annual production of about 32.5 million tonnes and an average CO₂ emission ratio of about 500 kg per tonne (in 2019/20, it was a theoretical annual production of about 26 million tonnes with an average CO₂ emission ratio of about 100 kg per tonne).

Greenhouse gas emissions into the atmosphere	30/06/2021	30/06/2020
GRI 305-3		
Purchased goods and services	1,455,493	1,394,659
Capital goods	157,838	38,999
Fuel and Energy-Related activities not included in Scope 1 or Scope 2	144,801	114,044
Upstream transport	213,633	189,618
Waste generated in operations	17,253	14,151
Business travel	17,343	35,901
Employee commuting	12,750	12,750
Upstream leased assets	45,398	43,698
Downstream transport	68,066	59,525
Use of sold products	304,001,423	38,259,987
EoL of sold products (intermediate product if relevant)	73,607	61,580
Scope 3 CO ₂ indirect emissions tCO ₂	306,867,211	40,225,552

The increase in Scope 3 values for 2020/2021 is affected by the deliveries started by the Danieli Corus product line for 6 new blast furnaces for customers in Asia used in the primary metallurgy sector (where steel production takes place with the use of coke) and thanks to Danieli technologies they can operate with emissions per tonne of liquid steel produced well below the world average of plants operating today. The commissioning of these plants resulted in an increase in the Group's Scope 3 in the 2020/2021 financial year compared to the previous year. However, the emissions per tonne of steel produced by these plants are significantly lower than the same type of blast furnace in India and China. As a result, Corus achieved average emissions of 1.2 tCO₂/tonne, providing a reduction in the range of 40-50% compared to similar plants in the geographical areas concerned.

The following graph shows the tCO₂e emissions per tonne of steel produced, by geographical area and by type of plant, in the form of blast furnace or electric arc furnace.



Source: internal processing by Danieli Corus from data published by BHP, J.P. Morgan Estimates, 2021, Asia Pacific Equity Research.

Other pollutant emissions into the atmosphere	30/06/2021	30/06/2020
GRI 305-7		
NOx Nitrogen oxide (t)	503	653
SOx Sulphur oxide (t)	7	1
Dust (t)	10	41
CO (t)	957	1,400
Dioxin and furans (PCDD/F) (g)	0	1

Note: The data for other pollutant emissions into the atmosphere was estimated based on the measurements and analyses carried out at the emission points. Data from the previous Fiscal Year have been restated with a refinement of the information.

It can be seen that 95% of energy consumption, 87% of water utilisation and 97% of direct CO₂ - Scope 1 emissions are related to the Danieli Group's Steel Making segment, while the residual portion is related to the Plant Making segment, which has a much lower environmental impact than the steel making segment, which requires careful and continuous assessment of all the environmental parameters associated with production.

Environmental sustainability

The steel industry accompanies the economic growth of the world community contributing to social welfare with an increasing respect for the environment following the guidelines defined by the United Nations (UN-SDGs) and in line with the commitments undertaken with the COP21 Paris Treaty.

The World Steel Association identified eight main parameters to measure the sustainable performance of steel production divided into three families:

- A) environmental sustainability
 - reduction of Greenhouse Gas Emissions (GHG);
 - reduction of energy consumption;
 - efficiency in production;
 - environmental protection;
- B) social sustainability
 - safety in production;
 - development and training of human capital;
- C) economic sustainability
 - innovation in new technologies;
 - equitable distribution of value added.

The trend of these indicators in the past years shows a progress related to constant commitment in the protection of the environment and in social responsibility with an improvement in economic sustainability thanks to increased investments in new technologies with an increased value added distributed to the community.

Danieli became an integral part of these results by accompanying (with the equipment supplied) customers in the process of technological and productive improvement with innovative and sustainable solutions.

In the construction of plants, Danieli guarantees the principles described above also to customers by implementing technical solutions in line with the contractual obligations undertaken and with those envisaged by the various regulations in force, both in terms of energy performance and in terms of reduction in emissions, in order to minimise their environmental impact.

Also in the Steel Making sector of the group, the ABS S.p.A. subsidiary has built, as part of the protection of biodiversity and to mitigate the environmental impact of the steelworks, about 2 kilometres of mitigation hills over the last two years, natural noise barriers and visual filters towards the industrial core. The hills were made using Ecogravel, i.e. the inert slag resulting from the production process. The ABS Forest, with an extension of more than 13 hectares and with the presence of more than 10,000 medium-sized and tall trees, has been for years a green area at the disposal of the community and an oasis of conservation of the local biodiversity, ideal refuge for the small local fauna. The piezometric tower, converted to a vertical wood, with the presence of ornamental plants and plants typical of the Friulian countryside also contributes to creating an oasis of refuge, especially for birds.

These measures actively contribute to improving air quality, absorbing around 200 tonnes of CO₂ per year. During the 2020/2021 financial year, further measures were implemented to improve the acoustic impact caused by production activities on the surrounding area, with a view to meeting the needs of the inhabitants of neighbouring municipalities and the commitment, which over the years has always distinguished ABS, towards the territory that hosts it.

Moreover, as part of the reuse of processing stocks, the cooling area of the slag at Acciaieria has been rebuilt starting from 2020 in order to obtain better mechanical characteristics of the Ecogravel - the EC certified material that - in terms of circular economy - is an excellent substitute for quarry materials used for roadbeds and/or bituminous conglomerates.

CDP SCORE REPORT - CLIMATE CHANGE 2020



Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	Capital goods
Activity Group	Powered machinery

The CDP Score Report allows companies to understand their score and indicate which categories require attention to reach higher scoring levels. This enables companies to progress towards environmental stewardship through benchmarking and comparison with peers, in order to continuously improve their climate governance. Investors will additionally receive a copy of the CDP Score Report upon request. For further feedback please contact your account manager or your key CDP contact.

Your CDP score



Average performance



Powered machinery

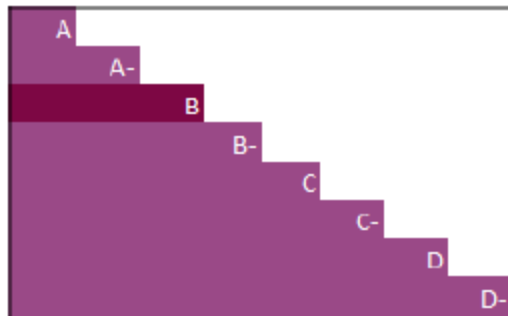


Europe



Global Average

UNDERSTANDING YOUR SCORE REPORT



Danieli & C Officine Meccaniche S.p.A. received a B which is in the Management band. This is higher than the Europe regional average of C, and higher than the Powered machinery sector average of C.

Leadership (A/A-): Implementing current best practices

Management (B/B-): Taking coordinated action on climate issues

Awareness (C/C-): Knowledge of impacts on, and of, climate issues

Disclosure (D/D-): Transparent about climate issues

The Parent Company participated also in the Climate Change Program of the Carbon Disclosure Project, a programme that aims to monitor the reduction of greenhouse gas emissions and involves both the public sector and private companies with the ultimate aim of mitigating the risk of climate change. In 2020, the Parent Company was in a good position in the international rankings of the sector, better than the European average. This excellent goal was achieved thanks to our commitment to developing SusSteel (increasing efficiency in steel production) and Green Steel (minimising environmental impacts in steel production) solutions for the Group and our customers.

For 2020, Danieli also obtained the A rating for "Supplier Engagement", resulting in a significantly better leadership position than the sector and geographical area average.

CDP SUPPLIER ENGAGEMENT RATING REPORT 2020



Danieli & C Officine Meccaniche S.p.A.

Region	Europe
Country	Italy
Questionnaire	Capital goods
Activity Group	Powered machinery

CDP evaluates organizations engagement with their suppliers on climate change. Purchasing organizations have the potential to incentivize significant environmental changes through engagement with their suppliers. By evaluating supplier engagement and recognizing best practice, CDP aims to accelerate global action on supply chain emissions. This document presents your supplier engagement rating and helps you benchmark against your peers.

YOUR SER



Average performance



**Powered
machinery**

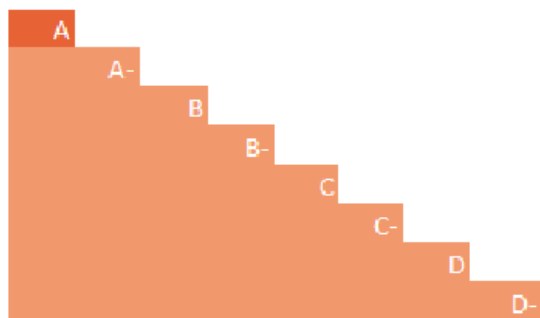


Europe



**Global
Average**

UNDERSTANDING YOUR SCORE REPORT



Danieli & C Officine Meccaniche S.p.A. received a A which is in the Leadership band. This is higher than the Europe regional average of B-, and higher than the Powered machinery sector average of B-.

Leadership (A/A-): Implementing current best practices

Management (B/B-): Taking coordinated action on supplier engagement

Awareness (C/C-): Knowledge of impacts of supplier engagement

Disclosure (D/D-): Transparent about supplier engagement

In June 2019, Danieli already obtained confirmation from SBTi (Science Based Targets Initiative) that its GHG emission reduction targets by 2030 fell within the global "well-below 2°C trajectory" decarbonisation target, i.e. in line with the level of decarbonisation required to keep the global temperature increase below 2 degrees compared to pre-industrial temperatures. This certification was obtained on the company's 2030 objectives of reducing emissions related to Scope 1 and Scope 2 by 36% compared to 2017 levels and by 62% per dollar value added compared to 2017 for indirect emissions related to Scope 3. It is specified that while the *Scope 1+2* target refers to absolute targets as a whole, the *Scope 3* target is an intensity target, i.e. related to the dollar value added metric; the calculation method was based on the Quantis standard affiliated to the GHG Protocol.



The use of specific parameters prepared by Quantis Evaluator guaranteed a refining of data entered for the completion of the CDP questionnaire, above all in defining the information related to indirect emissions (Scope 3), by obtaining a better quality of data presented; moreover, by joining the Science Based Initiative, Danieli received further validation for long-term targets for Scope 1 and 2 emissions related to direct and/or directly manageable activities. The achievement of emission targets results in the objective of reducing greenhouse gas emissions to keep the global temperature increase below 2 degrees compared to pre-industrial temperatures. The definition and achievement of Science Based Targets allow, on the one hand, to make a contribution to the challenge against climate change and, on the other, to stimulate innovation and increase competitiveness.

Waste management is carried out in compliance with the regulations in force, following their methods of disposal and destination envisaged by the law classification for each specific category of waste.

Disposal activities are carried out by certified external companies where permitted by the relevant regulations and with the use of the most up-to-date and efficient technological solutions on the market.

Waste (t)	30/06/2021		30/06/2020	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous
GRI 306-2				
Reuse	122	1,177	70	210
Recycling	22,176	58,085	18,136	96,883
Landfill	5,050	27,659	982	33,757
Incineration	148	58	692	5
Recovery	935	606	1,094	5,365
On-site storage	449	44	1	386
Other	9,737	7,250	8,171	4,825
Tons of waste production	38,617	94,879	29,145	141,431

Note: Hazardous and non-hazardous waste disposal operations listed under "Other" concern physical-chemical treatment (D9) or preliminary storage (D15) in authorised plants.

Over the years, the Danieli Group implemented a policy of reducing the consumption of raw materials that enabled it to optimise them; last year, heat treatment activities increased and improved product quality by using the plants efficiently with integrated and waste-free production cycles.

In particular, the ABS S.p.A. company and the entire Steel-making sector are the Group's most impactful companies in terms of raw material consumption. The following table shows the materials used during the year by the Group's main production companies. Specifically, materials included in the production process include, under the first heading, gases such as oxygen and nitrogen, under the second heading, refractory materials, steel plant machinery and other consumables, while the last heading includes scrap metal and metal machine parts used in the production process.

Materials used in the Group production process	30/06/2021	30/06/2020
Gases used in the production process (m3/000)	86,241	52,432
Materials used in production process (t)	313,336	434,993
Scrap and ferrous materials used in the production process (t)	1,526,829	1,104,495

Note: Methane has not been taken into account for data related to the used Gases.

SUPPLY CHAIN

The quality of the supply is a key element for Danieli and the supplier is an important asset with which to build relationships based on principles of transparency, integrity and trust that can last in the long term.

The Group manages its activities with suppliers selecting them correctly and impartially based on quality/competitiveness checking of the offers and without taking advantage of any situations of weakness or dependence.

In the Plant and Steel sectors, the Danieli Group uses a total of around 3,700 suppliers to service its activities and factories in the West and the East:

- in the steel sector, there are about 200 important strategic suppliers for about 1,000 customers;
- in the machinery sector, there are about 3,500 strategic suppliers for about 500 customers.

The suppliers are subject to technical and ethical prequalification according to the Group Code of Ethics, company anti-corruption directives and relations between individuals and the management of privacy.

The Parent Company and the main companies that manage production workshops implemented a specific procedure to obtain acceptance of the Code of Ethics by all active suppliers to achieve 100% coverage.

Danieli invested significant resources to use only technically and ethically qualified operators in the supply chain to prevent procurement risks and to ensure their compliance with applicable environmental and social regulations.

The choice and management of Group suppliers for the Plant Making segment follows a guideline that envisages:

- *segregation of duties*;
- the use of a Vendor list managed by a computer system;
- acceptance of general conditions of supply including security, environment and human rights issues;
- acceptance of the provisions of the Danieli Code of Ethics;
- getting through a Supplier Quality Development (SQD).

Danieli is increasingly using qualified and certified suppliers to limit the occurrence of technical, qualitative, environmental and safety problems in its supplies, reducing commercial and reputational risks for the company.

The qualification process of strategic suppliers is managed by the Parent Company's Procurement Department and envisages:

- the completion of questionnaires to identify their company structure, governance and financial data, certifications, environment and safety and human rights;
- specific in-depth sessions with visits to the production units to assess the technical and operational capacities and quality procedures followed in general and specifically for the types of products and services of interest to the Danieli Group;
- scheduled Quality Audit and Verification Sessions at suppliers even without prior notice to the latter.

Specific clauses are included in contracts with suppliers who undertake to accept and comply with the Code of Ethics, in addition to the requirements of Model 231 and the requirements of quality, health and safety.

Supplier performance and compliance monitoring activities are carried out by Danieli personnel during the order Expediting sessions.

In the Plant Making segment, there is a high presence of high-tech knowledge-intensive suppliers that are part of a “make or buy” strategy with an impact on noble components and on solutions offered to customers.

In the Steel Making sector, suppliers are mainly engaged in continuous deliveries and large handling volumes where the quality and punctuality of the service are crucial to ensure a rational and efficient production process. In order to maintain stable, lasting relations with our suppliers and generate sustainable added value for the company in the long term, we have developed a process for the constant qualification, selection and monitoring of supplier performance.

The qualification process involves evaluating various parameters: economic and financial solidity (current and medium-long term), technical and quality management requirements, compliance with standards applicable to the sector in question and sustainability criteria such as protection of the environment and the health and safety of workers, energy impact and ethics. The initial assessment of the above-mentioned parameters is followed by the approval stage that includes determining the quality of trial supplies and company procedures, including by means of audits on the supplier's premises.

In addition, as of the last financial year, a Vendor Rating process was implemented for all suppliers, while a reassessment of all existing suppliers is currently under way, a process we expect to complete within the next two financial years.

With regard to conflict minerals, ABS is also committed to eliminating supplies of raw materials from Countries involved in conflicts.

Danieli continues to participate in the "Corporate Social Responsibility" qualification procedure on the ECOVADIS platform, having obtained a Silver rating in 2020 with 56% positive parameters and a ranking better than 79% of the companies surveyed in 2020; the result is an improvement compared to 2019 and new targets have already been defined for 2021 to integrate the current profile and further improve the company's ranking in the 2021-22 financial year.



COMMUNITY COMMITMENT

The Danieli Group believes in its social role within the complex systems in which it operates at a global level and contributes to the development of the areas in which it is involved with projects in favour of the social communities present there (social initiatives, sponsorships and philanthropic donations) by following the guidelines and counterparty checks and with budgets approved by company management.

Most of the actions carried out can be classified into 3 macro areas of intervention:

- social and charitable;
- culture, art and education;
- sports and entertainment.

Danieli takes an active role in the development of positive relations with local communities, defining and managing initiatives in their favour (including initiatives to restore the historical and architectural heritage on buildings of public interest in the city of Udine, participation in the Telethon marathon in Udine, several charitable initiatives to support local communities and medical research, contributions to local music events, support for schools through grants to expand classrooms/improve learning tools, etc.).

Also in support of Covid-19, Danieli donated a new ultrasound scanner to the Hospital of Udine.

During the 2019/2020 financial year, Danieli signed several sponsorship contracts for cultural and sporting events that unfortunately had to be postponed or cancelled due to Covid-19. Some of these were recovered and took place in the 2020/2021 financial year. In particular, the events related to the Paralympic Swimming World Series held in Lignano Sabbiadoro before the Tokyo Olympics in the summer of 2021 were sponsored, while other sponsored events, including the production of the opera "Le Nozze di Figaro" at the Giovanni da Udine Theatre, are still suspended. Sponsorship of the Friuli-Venezia Giulia International Symposium of Stone Sculptures was recovered through the purchase of three sculptures from the Vergnacco Cultural Club. Danieli continued its support for the Illegio Exhibition, which has been attracting thousands of people to the small village of Carnia for many years.

During the period, Danieli continued its work to promote architectural restoration in the main sites of cultural and historical interest of Udine.

The support guaranteed was of particular significance in terms of entity and destination with a donation to the municipality of Udine for the conservative restoration of the covering of the municipal Castle of Udine, which began in 2019 and was completed in 2021. Moreover, a donation of approximately 580,000 euro was made to contribute to the restoration of the Tricesimo Cathedral, which is one of the main assets of architectural interest in the FVG region and was built in 1771. A donation was also made to the Clarisse Monastery in Attimis (UD).

During the year, the Parent Company, together with Confindustria Udine, supported the Sa.Pr.Emo - Salute Protagonisti Emozioni Project, an initiative consisting of various coordinated actions for the prevention of the distress and illegality of narcotic substances. The activity was aimed at high school students, teachers and more generally young citizens and families in the area. Various initiatives have been put in place, including meetings to promote informed choices on health, legality and the fulfilment of individuals, with the participation of qualified speakers, and a competition to stimulate the imagination and the involvement of young people through cooperative learning with the aim of overcoming the challenges they face.

During the previous year, the project for the redevelopment of the "Locanda alle Officine" area in Buttrio, acquired at the end of last year, was launched and will continue in the coming years with the renewal of the hotel and restaurant structure, the renovation of the existing sports facilities and the construction of other accommodation facilities that will also be available to the local community. In May 2021, Le Fucine Caffè & Bistrot was opened.

The company Telefriuli S.p.A. is part of the Danieli Group and working in the region for more than 20 years with the aim of providing the community with local television and news report highly dedicated to and rooted in the territory, while the weekly magazine "Il Friuli", also related to the same publisher, is distributed free of charge in the region and also made available to Parent Company employees.

As part of the support to local communities, Danieli participates in the "Think Tank Fvg >2030" project, an initiative that aims to be a fundamental contribution to the need for modernisation in Friuli-Venezia Giulia, with the aim of envisaging actions to adequately manage the socio-economic developments and changes taking place, with a time horizon of 2030. The objectives are:

- Foresee possible scenarios between now and 2030 in relation to the actions that will be implemented to maintain and improve the current per capita income level, development and social services;
- Identify the factors that currently delay the development process;
- Present the results to the Regional Government to share the implementation of improvement actions in the fields of education, family, environment and energy;
- Configure the "optimal system" for the FVG Region and then carry out a further optimisation in the North-East context (Veneto and Trentino Alto Adige), creating a favourable environment for investments in logistics and especially for start-up projects with high added value.

Danieli provides the children of its employees and of contractor workers with the support of the company nursery school, accommodating family needs through work schedule flexibility and opening days, and kindergartens, providing the possibility of caring for children from 3 to 6 years of age with the same flexibility of working hours and hospitality. The traditional training offer is supplemented by permanent English language labs, outdoor activities of contact with nature, the weekly proposal of psychomotor practice sessions according to the Aucouturier method, music sessions with a *maestro* and only for kindergarten children, an annual course that provides a day every other week to spend at a teaching farm in the area.

The officially recognised primary school "Cecilia Danieli" (now with a new accommodation facility), both for the families of the employees and for the families of the local community, where the Italian tradition blends with

an innovative approach to the English language and to new technologies was opened in September 2016. An innovative teaching path based on lectures with mother-tongue teachers and on the laboratory approach to science and new computer technologies.

The English Plus course envisages 5 hours of weekly English Language from the first class and modules of Science, Geography, Art and Computing (3 to 5 hours a week) with mother-tongue teachers (CLIL - Content and Language Integrated Learning method).

The Tech Plus course consists of specific programming and educational robotics (Scratch and Lego Wedo) enabling the approach of the child to "coding" and to technology through the construction of animated objects. It ensures a certification of skills released by Eipass Junior (European Informatics Pass).

In June 2019, the Primary School was certified as a "Cambridge Exam Preparation Centre". The recognition means that the prestigious English institution recognises the specialisation of the language preparation of the students thanks to the quality of the training offer and to the structured approach to the learning of the English language.

During the year, the Group continued with the construction of the new structure that will house the Middle School, as a natural development of the teaching path already created, which will come into operation with the 2021/2022 school year. Precisely on September 16, 2021, the Middle School welcomed its first students. Therefore, the Danieli Group completed the training offer identified in a process called "Educational Hub *ZERO TREDICI*".

In addition to direct sponsorship of Group companies with a number of local sports teams, the Danieli Sports Group has also been operating in Italy for over 40 years. It is an association open to the community (with more than 2,000 members) founded to promote aggregation, physical fitness and Group spirit, while maintaining a healthy sense of sporting competition. The latter has also promoted a series of agreements with various commercial and service operators in the area to ensure favourable conditions for its members (employees and non-employees).

Participation in trade associations

The Italian companies of the Group are registered with Confindustria in their own local areas whereas Danieli is also registered with the World Steel Association with headquarters in Brussels, Belgium and with the European Engineering Industries Association with headquarters in Brussels, Belgium, while the subsidiary ABS S.p.A. is registered with the Italian association METALFER.

Directly generated and distributed economic value

The following tables show the distribution of economic value among stakeholders through the reclassification of the figures of the consolidated income statement. In particular, the determination of the generated value added shows the wealth created by the Group and its method for distributing it to the identified stakeholders.

(millions of euro)			
Directly generated and distributed economic value		30/06/2021	30/06/2020
A. Directly generated economic value		2,755.4	2,695.8
B. Distributed economic value		2,581.3	2,540.6
(A-B) Economic value retained		174.1	155.2

Note: The economic value retained includes the values related to the assets held for sale.

The distributed economic value is divided among the following beneficiaries: personnel (direct remuneration consisting of wages, salaries, employee severance indemnity and indirect remuneration consisting of social security contributions); Public Administration (income taxes and other taxes and duties); venture capital (dividend distribution); third parties (non-controlling interests); remuneration to lenders (interest on loans) and donations and sponsorships (sponsorships, donations and other forms of contribution), suppliers (operating costs).

Non recurring ancillary components derive from net financial income and expenses (excluding the expenses relating to payables to banks), gains and losses from foreign currency transactions and income and expenses on equity investments.

(millions of euro)

Analysis of the distributed economic value	30/06/2021		30/06/2020	
Operating costs	2,044.7	79.2%	2,041.7	80.4%
Personnel remuneration	441.4	17.1%	453.8	17.9%
Public Administration remuneration	40.4	1.6%	27.6	1.1%
Venture capital remuneration	11.1	0.4%	11.9	0.5%
Non controlling interest remuneration	0.1	0.0%	(0.5)	0.0%
Ancillary components	38.3	1.5%	(0.5)	0.0%
Lender remuneration	4.0	0.2%	5.2	0.2%
Donations and sponsorships	1.3	0.1%	1.4	0.1%
Total	2,581.3	100.0%	2,540.6	100.0%

Group taxation

Within the framework of corporate governance, the parent company Danieli and all subsidiaries adopted internal guidelines and protocols for making tax choices in compliance with applicable laws with the objective of:

- ensuring proper taxation for all companies included in the Danieli Group globally;
- ensuring timely discharge of tax obligations under the various applicable regulations;
- monitoring and mitigating tax risk.

Within the company's organisation, the audit supervisor ensures that all group companies have adequate processes and procedures in place to adopt an integrated group tax approach in line with the instructions of the parent company's board of directors within the scope of its coordination and control powers.

All strategic decisions are made always taking into account the related tax aspects, whether favourable or burdensome, always considering:

- transparency (towards the tax authorities of the countries involved);
- compliance with the law and tax regulations in all countries in which the Danieli Group operates, always operating in line with company values, in the interests of all stakeholders involved and considering taxes as a cost of doing business to be managed efficiently and in compliance with regulations.

All the companies in the group also operate in different and distant geographical areas:

- they independently follow the case studies for all categories of taxes (direct income tax, indirect taxes on the production of goods and services, property tax and labour tax where applicable);
- they are equipped with their own facilities to ensure timely compliance with the main local tax obligations;
- they use professional external support or support from the parent company in the case of significant or strategically important issues;
- they identify the tax risks present in the geographical and operational realities in which they operate;
- they report on a quarterly basis any unethical or illegal behaviour in tax matters to the parent company.

Taxes related to the economic value generated during the year are shown below, broken down by the main geographical areas covered by the group:

(millions of euro)

Income taxes by geographical areas	30/06/2021	30/06/2020
Italy	16.9	9.3
Europe and Russia	9.3	6.7
Middle East	0.0	0.1
Americas	1.0	0.7
South East Asia	7.6	5.5
Total	34.9	22.3

Tax reporting represents the portion of income taxes only, specifically direct IRES and IRAP taxes. These represent a portion of Public Administration Remuneration.

GRI content index

The following table shows the sustainability aspects considered material for the Danieli Group, related to the related "GRI Sustainability Reporting Standards" that have been reported in this document, as well as the issues referred to in Italian Legislative Decree 254/16. For these aspects, the column called "Boundary of material aspects" shows the subjects that can generate an impact with respect to each aspect, both internally and externally to the Group. Moreover, the column called "Type of impact" also indicates Danieli's role in relation to the impact generated with respect to each material aspect.

Material aspects of the Danieli Group	Correlation with GRI Standards	Correlation with Issues referred to by Italian Legislative Decree 254/2016	Boundary of material aspects	Type of impact
Governance and management of sustainability	102 General disclosure		Danieli Group	Caused by the Group
Relations with stakeholders	102 General disclosure		Danieli Group, all stakeholders	Caused by the Group
Business ethics and integrity	206 Anti-competitive behaviour	Fight against active and passive corruption	Danieli Group	Caused by the Group
Anti-corruption	205 Anti-corruption	Fight against active and passive corruption	Danieli Group	Caused by the Group
Occupational health and safety	403 Occupational health and safety	Personnel-related	Danieli Group, suppliers and third-party companies	Caused by the Group and directly related to its activities
Company welfare	401 Employment	Personnel-related	Danieli Group	Caused by the Group
Industrial relations	402 Labour/Management Relations	Personnel-related	Danieli Group	Caused by the Group
Training and Development	404 Training and education	Personnel-related	Danieli Group	Caused by the Group
Diversity	405 Diversity and equal opportunity	Personnel-related	Danieli Group	Caused by the Group
Protection of human rights	406 Non-discrimination	Human rights	Danieli Group, suppliers and third-party companies	Caused by the Group and directly related to its activities
Management of energy consumption	302 Energy	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Water resource management and quality of wastewater discharges	303 Water and effluents	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Greenhouse Gas Production	305 Emissions	Environmental	Danieli Group	Caused by the Group and directly related to its activities
Waste management and	306 Effluents and waste	Environmental	Danieli Group	Caused by the Group and directly related to its activities

hazardous materials				
Environmental impact of products	307 Environmental compliance	Environmental	Danieli Group	Caused by the Group
Creation of economic value	201 Economic performance; 207 Taxes	Social work	Danieli Group	Caused by the Group
Presence on the market and indirect economic impacts	201 Economic performance	Social work	Danieli Group, Local communities	Caused by the Group
Innovation and R&D	n/a		Danieli Group	Caused by the Group
Product quality and safety	n/a		Danieli Group	Caused by the Group and directly related to its activities

Each indicator is provided with a reference to the section of the Non-Financial Statement in which the indicator can be found or to other publicly available sources to be referred to. This material refers to the following Disclosures:

GRI Standards	Disclosure	Page number	Notes/ Omissions
GRI 102: GENERAL DISCLOSURE (2016)			
Organisational profile			
102-1	Name of the organisation	Annual Report as at June 30, 2021, p. 6	
102-2	Activities, brands, products and services	Annual Report as at June 30, 2021, pp. 12-13	
102-3	Location of headquarters	Annual Report as at June 30, 2021, pp. 14, 251	
102-4	Location of operations	Annual Report as at June 30, 2021, pp. 12-13, 38	
102-5	Ownership and legal form	Annual Report as at June 30, 2021, p. 6; Report on Corporate Governance and Ownership Structure, section "Information on ownership structures as at June 30, 2021"	
102-6	Markets served	Annual Report as at June 30, 2021, pp. 12-30	
102-7	Scale of the organisation	2-7; Annual Report as at June 30, 2021, pp. 7, 12-13, 32-34	
102-8	Information on employees and other workers	25-26	
102-9	Supply chain	47-48	
102-10	Significant changes to the organisation and its supply chain	15; Annual Report as at June 30, 2021, pp. 14-32	
102-11	Precautionary Principle or approach	Annual Report as at June 30, 2021, pp. 42-45	
102-12	External initiatives	19, 44-45	
102-13	Membership of associations	36, 50	
Strategy			
102-14	Statement from senior decision-maker	2-7	
Ethics and integrity			
102-16	Values, principles, standards and norms of behaviour	20-23	
Governance			
102-18	Governance Structure	46-47, Report on Corporate Governance and Ownership Structure, sections "Board of Directors" and "Internal Board committees"	
Stakeholder engagement			
102-40	List of stakeholder groups	19	
102-41	Collective bargaining agreements		53% of the workforce covered by collective bargaining agreements

102-42	Identifying and selecting stakeholders	19	
102-43	Approach to stakeholder engagement	19	
102-44	Key topics and concerns raised	No critical issues and/or significant aspects emerging from stakeholder engagement activities are reported	
Reporting practice			
102-45	Entities included in the consolidated financial statements	15	
102-46	Defining report content and topic boundaries	15-16, 53-54	
102-47	List of material topics	20	
102-48	Restatements of information	16	
102-49	Changes in reporting	15-16, 20	
102-50	Reporting period	15	
102-51	Date of most recent report	16	
102-52	Reporting cycle	16	
102-53	Contact point for questions regarding the report	16	
102-54	Claims of reporting in accordance with the GRI Standards	15	
102-55	GRI content index	55-60	
102-56	External assurance	61-63	This Non-Financial Statement was submitted to external assurance
TOPIC-SPECIFIC STANDARDS			
GRI 200: Economic series			
GRI 201: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	19-20, 53-54	
103-2	The management approach and its components	20-21	
103-3	Evaluation of the management approach	20-21	
201-1	Direct economic value generated and distributed	21	
GRI 205 Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	19-20, 53-54	
103-2	The management approach and its components	20-23	

103-3	Evaluation of the management approach	20-23
205-3	Confirmed incidents of corruption and actions taken	During the reporting period, the Group did not record any incidents of corruption.
GRI 206: Anti-competitive behaviour (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	20-23
103-3	Evaluation of the management approach	20-23
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	During the reporting period, the Group did not record any anti-competitive behaviour.
GRI 207: Tax (2019)		
207-1	Approach to tax	51-52
207-2	Tax governance, control and risk management	51-52
207-3	Stakeholder engagement and management of concerns related to tax	51-52
GRI 300: Environmental series (2016)		
GRI 302: Energy (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	36-39, 43-46
103-3	Evaluation of the management approach	36-39, 43-46
302-1	Energy consumption within the organisation	38-39
GRI 303: Water and effluents (2018)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	36-38, 43-46
103-3	Evaluation of the management approach	36-38, 43-46
303-1	Interactions with water as a shared resource	40-41

303-2	Management of water discharge-related impacts	40-41
303-3	Water withdrawal	40
GRI 305: Emissions (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	36-38, 43-46
103-3	Evaluation of the management approach	36-38, 43-46
305-1	Direct (Scope 1) GHG emissions	41
305-2	Energy indirect (Scope 2) GHG emissions	41
305-3	Other indirect (Scope 3) GHG emissions	42
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	43
GRI 306: Effluents and waste (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	36-38, 43-46
103-3	Evaluation of the management approach	36-38, 43-46
306-2	Waste by type and disposal method	46
GRI 307: Environmental Compliance (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	20-23, 36-38
103-3	Evaluation of the management approach	20-23, 36-38
307-1	Non-compliance with environmental laws and regulations	During the reporting period, the Group did not receive significant fines or non-monetary penalties for non-compliance with environmental laws and regulations.
GRI 400: Social series		
GRI 401: Employment (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	23-27

103-3	Evaluation of the management approach	23-27
401-1	New employee hires and employee turnover	26-27
GRI 402: Labour/Management Relations (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	23-25
103-3	Evaluation of the management approach	23-25
402-1	Minimum notice periods regarding operational changes	The minimum notice period is defined in the National Collective Labour Agreements, where applicable, and by the laws in force in the countries where the Group operates.
GRI 403: Occupational Health and Safety (2018)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	29-32
103-3	Evaluation of the management approach	29-32
403-1	Occupational health and safety management system	30
403-2	Hazard identification, risk assessment, and incident investigation	29-30
403-3	Occupational health services	29-31
403-4	Worker participation, consultation, and communication on occupational health and safety	29-31
403-5	Worker training on occupational health and safety	29-31
403-6	Promotion of worker health	29-31
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	29-31
403-9	Work-related injuries	31-32
GRI 404: Training and education (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54

103-2	The management approach and its components	32-33
103-3	Evaluation of the management approach	32-33
404-1	Average hours of training per year per employee	32
GRI 405: Diversity and equal opportunity (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	63-68, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"
103-3	Evaluation of the management approach	63-68, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"
405-1	Diversity of governance bodies and employees	67-68, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"
GRI 406: Non-discrimination (2016)		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	20-23
103-3	Evaluation of the management approach	20-23
406-1	Incidents of discrimination and corrective actions taken	During the reporting period, the Group did not record any incidents of discrimination.
Material aspects of Danieli not related to specific Disclosures of GRI Standards		
Innovation / R&D		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	34-35
103-3	Evaluation of the management approach	34-35
Product quality and safety		
103-1	Explanation of the material topic and its Boundary	19-20, 53-54
103-2	The management approach and its components	35-36
103-3	Evaluation of the management approach	35-36



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

To the Board of Directors of
Danieli & C. Officine Meccaniche S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Danieli & C. Officine Meccaniche S.p.A. and its subsidiaries (hereinafter "Danieli Group" or "Group") as of June 30, 2021 prepared on the basis of art. 4 of the Decree, presented in the specific section of the report on operations and approved by the Board of Directors on September 27, 2021 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – *Global Reporting Initiative* ("GRI Standards"), with reference to the selection of GRI Standards, which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place, in light of provisions included in art.3 of the Decree and taking into account the reporting standard adopted;
2. Analysis and assessment of criteria for the identification of the consolidation area, in order to assess its compliance with the Decree;
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Danieli Group at June 30, 2021;
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point [5], letter a) of this report;

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Danieli & C. Officine Meccaniche S.p.A. and with the employees of its subsidiaries Acciaierie Bertoli Safau S.p.A., Danieli Systec Doo., Danieli Met. Equipment & Service (China) Co. Ltd., Fata S.p.A. and Danieli Co. Ltd. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the companies Danieli & C. Officine Meccaniche S.p.A. and Acciaierie Bertoli Safau S.p.A., which we selected based on their activities, their contribution to the performance indicators at consolidated level and their location, we carried out site visits, during which we have met management and gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Danieli Group as of June 30, 2021 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards, with reference to the selection of GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Barbara Moscardi
Partner

Udine, Italy
October 6, 2021

This report has been translated into the English language solely for the convenience of international readers.