

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

**United Nations Global Compact Communication on Progress 2022**

Period July 01, 2021 to June 30, 2022

# United Nations Global Compact Communication on Progress Index

<b>Mission statement</b> .....	III
<b>Strategic approach</b> .....	III
<b>United Nations Global Compact Shared Values</b> .....	III
<b>Danieli Group structure</b> .....	VI
<b>Financial highlights of the Danieli Group</b> .....	VII
<b>Director's Report</b> .....	VIII
<b>The steel market</b> .....	VIII
<b>The market for steel making plants</b> .....	IX
<b>Danieli Group operations</b> .....	X
<b>Summary of results by business segment</b> .....	X
<b>Investments and research activities</b> .....	XI
<b>Management of business risks</b> .....	XI
<b>Global Compact Commitment Letter of the Chief Executive Officer</b> .....	XVI
<b>Sustainable Development: Situation, Targets, Actions, Results</b> .....	XVII
<b>Consolidated non-financial statement pursuant to Italian Legislative Decree no. 254/2016</b> .....	49
<i>Table of correlation: GRI, UN Global Compact Principles &amp; SDGs</i> .....	105

## Mission statement

The Danieli group produces special steel and builds and installs machines and plants worldwide for the ferrous and non-ferrous metals industry and the production of energy using innovative technological solutions with low environmental impact. The company's reliability is based on research, know-how and experience. In fact, Danieli not only supplies high-tech plants but also innovative ones with zero emissions, performing highly complex, specialized services of undisputed quality. Research, investment in advanced technologies, and the development of innovative plants is therefore considered a basic prerequisite for maintaining and strengthening the Group's leadership position in the global market.

## Strategic approach

Danieli started operations in 1914 when Timo and Mario Danieli founded Acciaierie Angelini, one of the first production units to use electric arc melting furnaces.

From the outset, Danieli began to develop and produce equipment for the iron and steel industry, such as forges and auxiliary plant for rolling mills, which later gave rise to the motto "We know the Art of Steel".

Continuous efforts to produce innovative, environmentally sustainable plants and an unwavering commitment to quality and on-time delivery have driven the Danieli Group to expand its operations offering an ever more complete range of equipment with multiple production facilities throughout the world, in order to efficiently integrate itself into the international market, effectively applying the concept "We don't shop around for Noble Components" and striving for customer satisfaction as its main objective.

## 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, labor, 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.



Danieli's mottoes are:

- ***“Innovaction to be a step ahead in CapEx and OpEx”***, which aims to enhance the new organizational model adopted by the Group by encouraging multicultural, intellectual growth and developing solutions for the decarbonization of production, in order to meet current market needs more effectively.
- ***“Danieli, the innovative and reliable partner in the steel industry to be front runners”***. The Danieli Group will continue to consolidate and expand its activities to assure better competitiveness in terms of innovation, technology, quality, costs, productivity and customer service.  
Danieli is not just known for its plant engineering capabilities, but also for its manufacturing skills: in Europe, with high-value, high-tech products and in Asia with the design and production of consolidated, proven products with European quality levels.
- ***“Absolute Steel Quality”***, which summarizes the constant commitment of the subsidiary Acciaierie Bertoli Safau S.p.A. to produce steel with a level of finish and customer service always in line with the most demanding expectations and for the most innovative and rigorous industrial applications. Acciaierie Bertoli Safau S.p.A. is internationally recognized as one of the most modern steelworks in the world for the technical properties and quality of its plants that guarantee not only certified products but also maximum production efficiency with very low emissions to guarantee full protection of the ecosystem in which it operates.
- Furthermore, Danieli was among the few Groups worldwide to achieve a ***Net-Zero Standard certification*** by Sbti which validate our target to reduce Scope 1, Scope 2 and Scope 3 emissions by 2050. More precisely, the SBTi had verified Danieli Group's Net-Zero Science-Based Targets. This, a sign of Danieli's strong commitment toward the pursuit of targets to limit global warming, the cause of increased temperatures, natural disasters and resulting economic damage. The Net-Zero Standard reduction target is 97% by 2050 for Scope 1 and 2 and 93% by 2050 for Scope 3, respectively and the baseline for the targets is the 2020/2021 fiscal year.



## Danieli & C. Officine Meccaniche S.p.A Target Validation Report

### Overview of your science-based targets

Danieli & C. Officine Meccaniche S.p.A has submitted two targets for review by the SBTi. As scope 3 accounts for more than 40% of total emissions, both operational scope 1+2 and value chain scope 3 emissions are covered by targets. These targets have been assessed against the SBTi's quantitative and qualitative criteria, and have been validated in accordance with the SBTi validation protocol. For approval, a company's targets must comply with all applicable criteria.

After careful review, the two proposed targets were found to meet all criteria in terms of timeframe, emissions coverage, and ambition. The table below provides an overview of each approved target. Appendix 2 provides the complete assessment of how the targets were validated against all SBTi criteria.

### Scope 1+2 Targets

Target ID	Scope Coverage	Type	Base Year	Target Year	Ambition	Boundary Coverage	Method	Validation Result
ABS1	Scope 1+2	Absolute	FY2017	FY2030	55.0%	100.0%	Absolute Contraction	Approved

### Scope 3 Targets

Target ID	Scope Coverage	Type	Base Year	Target Year	Ambition	Boundary Coverage	Method	Validation Result
INT1	Scope 3	Intensity	FY2021	FY2030	62.0%	99.9%	GEVA	Approved

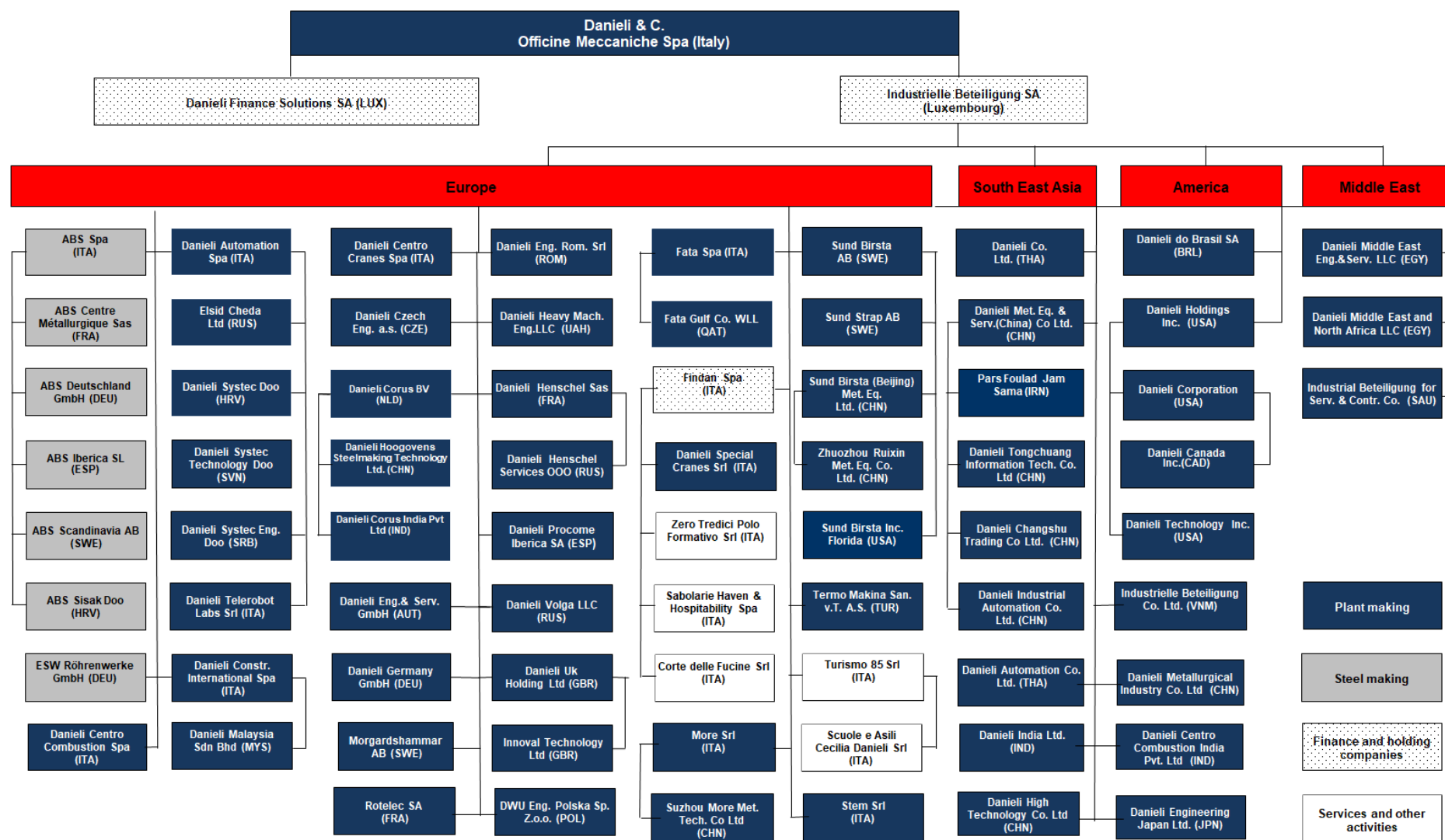
An initiative by



Source: Net-Zero Standard Targets, Target Validation Report by Science Based Target Initiative, 2022.

## Danieli Group structure

(\*)



(\*) the diagram includes only line-by-line consolidated companies as at June 30, 2022



## Financial highlights of the Danieli Group

Danieli Group reporting period is from July 1, 2021, to June 30, 2022 and below are presented the financial results:

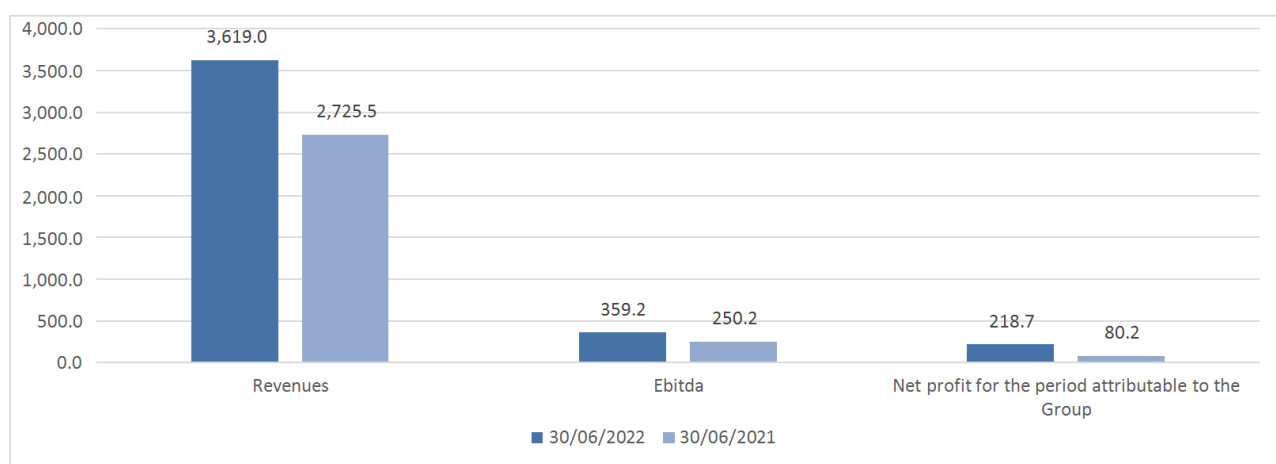
(millions of euro)	30/06/2022	30/06/2021	Variation
Revenues(*)	3,619.0	2,725.5	33%
Gross operating margin (Ebitda)(**)	359.2	250.2	44%
Operating income	209.6	143.9	46%
Net profit from continued operations	227.6	98.0	132%
Net profit for the period attributable to the Group	218.7	80.2	173%

	30/06/2022	30/06/2021
Net invested capital	1,096.9	1,092.1
Investments in tangible and intangible assets	113.0	141.4
Total shareholders' equity	2,223.0	2,016.3
Positive net financial position	1,206.6	1,002.0
Ebitda/Revenues	9.9%	9.2%
Net profit for the period/Revenues	6.0%	2.9%
Number of employees at period end	9,095	8,668
Group order book	5,052	3,534
(of which Steel Making)	430	622

(\*) Revenues would amount to 3,637.0 million euro considering the value of internal constructions developed during the period of 18.0 million euro, which are classified in the financial statements as an adjustment to costs (60.8 million euro as at June 30, 2021).

(\*\*)The Gross Operating Margin (EBITDA) represents the operating profit as in the consolidated income statement, before depreciation, amortisation and write-downs of fixed asset and net write-downs of receivables.



Group personnel	30/06/2022		30/06/2021	
	Plant making	Steel making	Plant making	Steel making
in Danieli & C. Officine Meccaniche S.p.A.	2,297		2,247	
Italian affiliates	853	1,291	848	1,240
Foreign Affiliates	4,452	202	4,145	188
<b>Total</b>	<b>7,602</b>	<b>1,493</b>	<b>7,240</b>	<b>1,428</b>
<b>Group total</b>	<b>9,095</b>		<b>8,668</b>	

## Director's Report

The economic estimates of the International Monetary Fund show an overall growth forecast for 2022 at around 3.2%, positive but down compared to 2021, which was 6.1%, for the most part driven by the general relaunch of the economy associated with emerging from the COVID-19 pandemic. The growth forecasts for 2023 are projected to decrease to 2.9%, where growth will develop in two different blocks: the advanced economies, stable at 1.4%, and the emerging economies, up to 3.9%, as they emerge from the pandemic and internal consumption starts back up. The world economy still shows a positive trend for 2022, with the USA at 2.3% and the EU at 2.6%, while emerging markets will increase by 4.6%, with China positive at 3.3%. However, the European markets show increasing difficulties due to the energy crisis triggered by the sanctions imposed on Russia following the conflict with Ukraine and due to a general industrial slowdown linked to slowed production in the Chinese supply chain blocked by COVID-19 lockdowns. In 2023, the average growth rate forecast for developed countries will also be slowed down by high inflation in the United States due to the lack of balance between supply and demand and in the euro zone caused by the sharp hikes in energy bills. On the other hand, it will increase in emerging markets after the lockdowns in China and India and the completion of vaccinations scheduled to prevent further virus mutations and new waves of the pandemic over time. For the second half of 2022 and throughout 2023, growth periods are still forecast but with increasing difficulties unless government policies are actually implemented to offset energy prices and vaccination programmes to weaken the emergence of new COVID-19 variants. The main central banks raised the interest rates in order to limit the increase in inflation, which is expected to decrease to pre-pandemic levels by the end of 2024, though the general increases in food and energy supplies could lead the EU into a period of stagflation with an economic recession in 2023, accompanied by growing inflation.

In the EU, the growth forecasts for 2022/2023 were revised downward, though a positive boost is expected from the use of the Next Generation EU funds, while Asia is recovering growth thanks to the normalization of production after the shutdowns caused by the pandemic and the USA is fighting high inflation with a structured programme of interest rate increases.

The EU, the USA and China are configuring their economic programmes to heavily reduce the use of fossil fuels and achieve, by 2050, the sustainable development goals indicated by the UN Global Compact and promoted at the recent COP26 climate conference.

The transition towards a decarbonized economy will require many multilateral actions and strong investment plans incentivised by the governments of the world's main economies and supranational financial organizations.

## The steel market

Worldwide steel production reached nearly 950 million tonnes in the first half of 2022 (as indicated by the World Steel Association), down by 5.5% compared to the same period of 2021, which reached approximately a total of 1,950 million tonnes in the 12 months of the calendar year.

Forecasts for the entire 2022 calendar year project an overall decrease of 5-7%, where only India shows growth in production while the rest of the Asian countries will show decreases along with advanced and emerging countries at around 5%.

The plant utilization average coefficient compared to the maximum theoretical level remained stable between 80-85% following the closure in China of the most polluting plants and the launch in India of plants with more modern technologies.

The steel market will still be supported in the second half of 2022 with high and even profitable prices, though possible distortions or slowdowns are forecast especially in Europe due to the effects of the energy crisis triggered by the sanctions against Russia, which could even continue into 2023 (driving the costs of production factors and their CO<sub>2</sub> quotas to very high levels) in the absence of the necessary corrective interventions by European market authorities.

China maintained its leading role in the steel industry in the first half of 2022, covering around 55% of world production in the period and the country continued its transition from primary metallurgy (starting from iron ore) to secondary metallurgy (recycling metal scrap) while progressively increasing electric arc furnace (EAF) steel production and thus reducing direct CO<sub>2</sub> (Scope 1) emissions. The new target presented at the COP26 in Glasgow of zero emissions by 2060 will lead in the coming years to a significant change in the technologies used to produce liquid steel with huge investments expected to reduce the environmental impact of production. Even in Europe, greenhouse gas (GHG) emissions remain very important for steel producers, especially in terms of investments, costs for offsetting and sustainable production, which will most benefit the electric furnace producers with the least impact in terms of emissions compared to traditional production using a blast furnace.



All steel producers are increasingly committed to operating their plants in a sustainable manner by reducing energy consumption by tonne with increasingly more flexible, efficient and highly verticalized plants. These plants use continuous production solutions that minimize the use of coal in the production process by replacing it with gas and/or hydrogen in order to entirely decarbonize production within the next 20-30 years, limiting GHG emissions and making production towards the community and the environment socially sustainable. Production quality with a high-quality finish together with an accurate customer service still remain the most important factors to obtain more remunerative prices from the market and greater continuity in the deliveries to serve customers who tend to reduce minimum stock volumes of warehouses and require more and more “on time” deliveries of customized products.

## **The market for steel making plants**

The maintenance of a constantly high steel consumption in the world and the interest in further developing production in some geographical areas with renewed development prospects and where it may be possible to produce in an innovative, sustainable and efficient manner using the energy factors present, maintain our customers' keen interest in investing in new plants, in addition to technologically upgrading and developing those already existing to increase flexibility and quality while increasing the use of renewable energy and lowering CO<sub>2</sub> emissions with a sustainable use of available resources.

In particular, demand is maintaining appreciable growth in the BRIC and North African countries for new generation, low-emission, large-scale integrated large plants whereas in the USA and EU for mid-sized flexible plants and modernization of existing plants to enable the decarbonization of production with higher quality and high finishes used in mechanical engineering, car making and infrastructure.

The production of low CO<sub>2</sub> green steel has now become central to all investments in the sector, which will require ample availability of electricity from renewable sources and the use of first gas and then hydrogen at competitive economic conditions to allow for a significant reduction in emissions in the production process of liquid steel.

Primary steel production makes up around 7-8% of global CO<sub>2</sub> production from fossil fuels (the steel sector is second only to energy generation) and its transformation in line with the COP26 agreements in Glasgow requires decarbonization that initially improves the efficiency of blast furnaces before gradually replacing them with the use of new iron ore reduction technologies.

The anti-dumping policies now activated by all major steel producing countries and the planned customs barriers (CBAM) against steels produced with high CO<sub>2</sub> emissions have stimulated demand for new plants, which will lead to many investments in innovative plants already during 2022 and in the following years, also supported by government support promoted across the board by the main States to reduce the rise in the average global temperature.

The goal to limit average global temperature growth to no higher than 1.5°C therefore requires heavy investments in the steel sector to use new plants that significantly limit the use of coal in the production process. Danieli has the technological solutions to reduce emissions and is committed to achieving the sustainable development goals (SDGs) promoted by the UN Global Compact. We received validation for our environmental strategies from the Science-Based Targets initiative (SBTi) and our targets in the RACE TO ZERO from the Carbon Disclosure Project (CDP), achieving Leadership A- in Climate Action in 2022.

In order to remain competitive in this market, Danieli invested heavily in innovative technologies that enable green steel production, reaffirming first and foremost the centrality of the customer:

- improving the productivity of the plants and with it the added value per capita;
- reducing GHG emissions per tonne produced by applying innovative and now established low environmental impact technological solutions;
- making the principles of the 4.0 revolution operational in the steel industry by developing the DIGIMET project to ensure total control of production variables at all stages from liquid steel to the final, finished and packaged product and;
- speeding up and streamlining production processes with reduced times and costs and optimizing production efficiency with integration of several thermomechanical processing phases with endless solutions for both long and flat products.

The research and technological development carried out by Danieli over the last ten years have led to an expansion in the range of products offered within the Metal sector (steel, aluminum and other metals), reducing significantly the cost required for the initial investment per individual project (CapEx) and even optimizing operational expenditure (OpEx), by integrating multiple stages of processing in the production process,

widening the target audience of potential investors in the sector thanks to increased economic feasibility of investments, both in countries with mature economies and in those still at the development phase. Maintenance by the Group of a significant order book that includes many innovative plants for green steel production confirms the propensity of our customers to invest in new plants, thanks to the competitiveness and technological solutions proposed by Danieli currently qualified and well-referenced across the entire metal making industry.

## Danieli Group operations

The Danieli Group designs, builds and sells plants for the iron and steel industry, offering a complete range of machines from primary process management to the manufacture of finished goods (essentially from ore to finished product). It also produces and sells special steels for the long products market through its subsidiaries Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o that use secondary metallurgy (electric arc furnaces) for the production of liquid steel.

## Summary of results by business segment

The results discussed above are broken down by business segment in the following table. Plant making is related to machinery and equipment supply to be used for metal production while Steel making is about metal processing and lamination:

<b>Revenues</b>			
(millions of euro)	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>Variation</b>
<b>Plant making (*)</b>	1,940.8	1,788.7	9%
<b>Steel making</b>	1,678.2	936.8	79%
<b>Total</b>	3,619.0	2,725.5	33%
<b>Gross operating margin (Ebitda)</b>			
(millions of euro)	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>Variation</b>
<b>Plant making</b>	166.4	153.2	9%
<b>Steel making</b>	192.8	97.0	99%
<b>Total</b>	359.2	250.2	44%
<b>Operating income</b>			
(millions of euro)	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>Variation</b>
<b>Plant making</b>	93.0	100.7	-8%
<b>Steel making</b>	116.6	43.2	170%
<b>Total</b>	209.6	143.9	46%
<b>Net profit for the period attributable to the Group</b>			
(millions of euro)	<b>30/06/2022</b>	<b>30/06/2021</b>	<b>Variation</b>
<b>Plant making</b>	129.3	62.6	107%
<b>Steel making</b>	89.4	17.6	408%
<b>Total</b>	218.7	80.2	173%

(\*) Revenues would amount to 3,637.0 million euro for the Group and 1,958.8 million euro for the Plant Making segment, considering the value of internal constructions developed of 18 million euro related to the supplies sold to the subsidiary ABS SpA (classified as adjustment to costs).

## Investments and research activities

The main investments in tangible and intangible fixed assets in the period, totalling 113.6 million euro, were as follows:

- 71.4 million euro in the Steel Making segment are mainly related to the completion of the new liquid steel treatment furnace, the new sphere mill and the one for wire rods (QWR) that will guarantee greater flexibility, diversification and efficiency in steel production, by expanding the range of products offered with improvements to their quality, together with a careful environmental management of all phases of production;
- 42.2 million euro in the Plant Making segment for new automatic machine tools installed in Italy and in production facilities abroad, with the aim of improving efficiency and increasing the manufacturing capacity of our plants.

During the period, the Group moved ahead with research programmes initiated in previous years, with a view to providing customers with new-technology plants capable of superior quality output and lower investment (CapEx) and production costs (OpEx). This process involved expenditure of approximately 25 million euro for direct and indirect research activities (almost entirely supported by the Plant Making segment for approximately 2% of the relevant turnover), with the management of a volume of innovative projects of approximately 150 million euro (approximately 8% of the turnover of the Plant Making segment).

## Management of business risks

The Danieli Group carries out a continuous monitoring of business risks for all corporate functions by carefully managing them, in accordance with risk management methodology and principles, in order to identify, reduce and eliminate risks and thereby safeguard shareholders' rights.

Considering the different operations between the Plant Making and Steel Making sectors and the specific risk profiles of the individual production processes, the Board of Directors defines the nature and level of risk compatible with the Group's short and medium/long-term strategic objectives.

The centrally identified guidelines are valid for both business segments of the Danieli Group (Plant Making and Steel Making) and are followed with a view to standardising and coordinating Group policies.

The main industrial risks monitored by the Danieli Group are the following:

- risks related to the general state of the economy;
- risks related to COVID-19;
- risks related to market conditions;
- risks related to commodity prices (energy and raw materials), the cancellation of job orders and relations with suppliers;
- risks related to climate change and the environmental policy adopted;
- risks related to human resources, to Occupational Health and Safety;
- risks related to cybersecurity;
- risks related to compliance, management and taxation.

For information on financial risks, see the section "Management of financial risks" in the "Explanatory notes" to the consolidated financial statements.

Risks		Mitigating Actions
Risks related to the general state of the economy	During the financial year ended as at June 30, 2022 the financial markets were characterised by growing interest rates and a depreciation of the EUR-USD exchange rate of approximately 10% in favour of the latter compared to June 30, 2021. Real economic performance on a global basis was affected from 2022 by high inflation, mainly caused by the increase in the cost of production and energy factors. The monetary policies implemented by the central banks of the main industrialised countries became more restrictive, while maintaining support for the economies most affected by production restrictions, the fall in	The earnings and finances of the Danieli Group continue to remain solid, balanced and diversified with product lines and operating activities present in various sectors (steel, plants, energy and finance), nevertheless affected by the various macroeconomic situations of the markets it serves around the world. This solidity represents an element of mitigation of the risk related to the current macroeconomic context that allows the Group to face with reasonable serenity the challenges that this context entails. The current negative evolution of the macroeconomic environment in 2022 due to the energy crisis in the EU could negatively affect the strategies and outlook of the Danieli Group, in particular for the Steel Making segment, which is more sensitive to short-term changes. The Plant Making segment, on the other hand, which operates in job orders extending over several years, is able to plan production over the long term and thereby reduce the short-term impact of market volatility.

	<p>consumption caused by COVID-19 and the energy crisis caused by the Russian/Ukrainian conflict.</p> <p>The increase in the rates will penalise the trend of sovereign debt in Italy, which nevertheless remains under control essentially due to corrective measures promoted by the European Central Bank. The bank credit market therefore looks to be evolving, especially in the USA and EU, with possible positive developments in the global macroeconomic context with the exception of negative effects (of a yet unforeseeable extent) linked to the ongoing Russian/Ukrainian conflict.</p>	<p>The economic slowdown in recent years related to the pandemic effects of COVID-19 practically disappeared during 2021/2022, with us now seeing for 2022/2023 an economic boost generated by the sustainable development plans launched by the EU, China and the USA to support the decarbonisation of production, generating positive effects for all economic sectors, including steel-related ones over a time horizon of at least two years.</p> <p>As regards the Russian/Ukrainian conflict, refer to the dedicated section in the Directors' Report.</p>
Risks related to COVID-19	<p>The effect of COVID-19 on the Group's results remained limited despite the issues related to increases in costs incurred for the transport of raw materials with longer delivery times.</p>	<p>The Group approached and continues to approach the COVID-19 issue with great care, implementing in Italy (and at all foreign premises) all the necessary measures to limit any negative impact on its employees in accordance with the local regulations of reference.</p> <p>The production sites remained open at all time and we continue to adopt prudent conduct in line with the recommendations defined by best practices.</p> <p>Business trips are limited to those that are strictly necessary and smart working is used where possible and recommended.</p> <p>This made it possible to effectively limit infections during the period, leading to a near normal and regular performance of work activities.</p>
Risks related to market conditions	<p>This risk consists of the possibility that there may be no demand from the market for Danieli products, either for technological reasons or because of financial problems.</p>	<p>The Danieli Group's constant focus on the research and development of new solutions to propose to customers to promote decarbonised and environmentally sustainable production while operating with ever better production efficiency is one of our and our products' major strengths. Group Management continuously monitors these aspects so as to safeguard our leadership position.</p> <p>The Danieli Group operates in the engineering and plant making business and in the special steel making business through its subsidiaries ABS S.p.A. and ABS Sisak d.o.o. Manufacturing operations in the Danieli Group are certified to ISO 140001 and ISO 9001 and involve a continuous process of identifying, managing and mitigating the price risk that might have an impact on the Group's performance:</p> <ul style="list-style-type: none"> <li>• in the Plant Making segment, purchases of the main components used in the facilities due to their nature and/or because of long delivery times are always managed by ordering them as soon as the job orders are effective to fix prices immediately, avoiding unexpected market fluctuations;</li> <li>• in the Steel Making segment, procurement of scrap, ferroalloys and energy is carefully planned to correlate purchases and production with orders received from customers in order to reduce any price imbalances between purchases and sales with the agreed adjustment mechanisms.</li> </ul>
Risks associated with commodity prices, the cancellation of job orders and relations with suppliers	<p>The Danieli Group results can be significantly affected by fluctuations in commodity prices, in particular in the steel making segment, but also in the plant making segment, insofar as they affect the cost of completing job orders.</p>	<p>Management at Group level carries out an ongoing process of identifying, managing and mitigating price, compliance, commercial and reputational risks related to shortcomings in the pre-qualification or performance of technically and qualitatively inadequate suppliers.</p> <p>In the Steel Making segment, purchases of all production components subject to possible unexpected fluctuations (energy, electrodes, etc.) are carefully managed and selling prices include a variable component related to scrap and ferroalloy price trend, which substantially limits commodity price risk.</p> <p>However, the sudden and severe increase in gas prices in recent months and the related cost of energy led to tensions on the market and difficulties in the formation of prices, showing a clear need for coordinated intervention from the European supervisory authorities to define price caps. Demand is nevertheless still good and, albeit with some delays, the higher energy costs are expected to be passed on to selling prices, thus easing pressure on the sales margins.</p> <p>In the Plant Making segment, the management of each project is always structured to align the "expenditure curve" with the</p>

		<p>“receipts curve”, at least to limit financial imbalances in the event a job order is cancelled; in addition, for unusual projects in terms of type or geographical area, suitable insurance or financial coverage is taken out to ensure the continuity of the project at all times.</p> <p>The Danieli Group is active in several markets around the world. Operating mainly to job order, for each individual contract it sets up a policy for the management of subcontract price volatility, negotiating orders with deliveries exceeding six to eight months as soon as job orders are effective and, in any case, being able to count on a significant manufacturing capacity of its own located throughout the world, guaranteed by its factories in Italy, Thailand, India, Russia, Austria and China.</p>
Risks related to climate change and the environmental policy adopted	<p>Countries and companies around the world are being called upon to consciously assess and manage the risks related to climate change. The company's activities are also subject to many national and international environmental protection laws and regulations.</p>	<p>In December 2015, 190 states signed the Paris COP21 treaty with the primary objective of containing the increase in global warming, keeping it below 2°C above pre-industrial levels as a long-term goal. Subsequently, governments agreed to limit the temperature increase to 1.5°C, with a shorter time limit, to curb irreversible consequences on ecosystems. In November 2021, COP26 was held in Glasgow, where, compared to previous meetings, the context widened and the climate emergency became one of the global priorities. Targets were defined to reduce net global emissions to zero by 2050 and limit the temperature increase to 1.5°C. Therefore, there has been decisive determination to invest the necessary resources to revolutionise the entire economic structure.</p> <p>The risk arising from climate change is twofold:</p> <ul style="list-style-type: none"> <li>• a physical risk, namely that the company assets could be affected by natural events (flooding, drought, rising sea levels, fire) generated by the side effects of rising temperatures and</li> <li>• a transition risk, related to the evolution from the current situation to the prospective situation (with consequent impact on technology, market change and reputation).</li> </ul> <p>To mitigate this risk, the Group is working to reduce greenhouse gas (GHG) emissions by supporting the use of renewable energy and developing new technologies to reduce consumption in both the Steel Making and Plant Making segments, where research into new technological solutions is vital in order to be competitive in the market. But, at the same time, the aim is also to adapt to climate change in order to be able to anticipate its negative effects using appropriate measures and to prevent or minimise the damage that may result.</p> <p>Note that for the Steel Making segment, in particular, the adopted environmental policy complies with and often goes beyond the currently required standards. Steel Making produces steel in a sustainable way and works to maintain a constant improvement in the environmental performance of its processes and products while maintaining an important focus on the social aspects of management. The ABS steelworks has received a favourable opinion for the issue of the AIA integrated authorisation, and continues the production of Ecogravel (the EC certified material that — in terms of circular economy — is an excellent substitute for quarry materials used for roadbeds and civil works), confirming the validity of this initiative. Also in the Plant Making segment, developments in environmental policy is seen as an opportunity rather than a risk: it is precisely with the development of more stringent regulations and requirements that concepts such as SustSteel and GreenSteel are being applied, with which the company is exploring new markets by promoting its internally developed technologies and innovative plants using direct reduction technology (DRI) and digital electric furnaces (Digital Melter).</p> <p>Danieli is a world leader in offering plants that produce steel without using coal and with very low CO<sub>2</sub> emissions. The impact is that the ecological transition — now necessary across the globe — represents a market opportunity for Danieli for supplying plants that, thanks in part to new patented technologies, have a low carbon footprint. In 2020, the new Dan Green department was established at the Danieli research centre. It aims to find increasingly more innovative solutions with an extremely low environmental impact. In 2021, alongside the other Danieli product lines, the specialists contributed to the verification and calculation of the Danieli plant emissions, also achieving Scope</p>

		<p>3 certification from an official external assurance body. This helped to offer certified know-how to customers, who can monitor their environmental aspect reliably.</p> <p>Danieli is part of the programme promoted by the Science-Based Targets initiative (SBTi) to identify its targets to reduce short and long-term emissions. In 2019, it had obtained approval of the near-term objectives in line with the Well Below 2°C trajectory. Furthermore, in November 2021, Danieli sent a Net Zero commitment letter to SBTi, namely to reduce CO<sub>2</sub> emissions to zero by 2050 as well as to maintain the trajectory below 1.5°C by 2030. The validation process ended in August 2022 with full recognition of the scientific validity of the process to achieve our targets.</p> <p>In early 2022, Danieli was recognised as a Supplier Engagement Leader (rating A) by the Carbon Disclosure Project (CDP) for its commitment to emission reduction initiatives to offset climate change and move towards a decarbonised economy and sustainable steel production that ethically involves the entire related supply chain in the process. In addition, in late 2021 Danieli entered the Leadership band for Climate Change (rating A-) for the first time thanks to its environmental policies, effective communication of emissions measurements and management strategy for risks and opportunities associated with the effects of climate change.</p> <p>Danieli has been a signatory of the UN Global Compact (UNGC) since 2020, confirming its commitment and shared need to promote and achieve the 17 sustainable development goals (SDGs) promoted by the United Nations.</p> <p>In late 2021, Danieli sent its first Communication on Progress (COP) to the United Nations, obtaining Active Global Compact status and reporting on its policies to pursue the UNGC goals and principles. In 2021, the first certified Non-Financial Statement was prepared on a voluntary basis by the company ABS S.p.A. ABS S.p.A. represents the largest portion of CO<sub>2</sub> emissions of the Danieli Group and is carrying out a life cycle assessment with investments to gradually reduce all GHG emissions.</p>
Risks related to human resources, to Occupational Health and Safety	The Group identified the risk of failing to make the most of human capital and poor management of processes aimed at protecting occupational health and safety.	<p>As part of the human resource department, the Group worked to manage normal turnover (with an improvement in education level and a decrease in average employee age), but also to adapt personnel to market requirements related to the rationalisation of the activities in Italy and in other operating units in Europe and in South-east Asia, keeping production shifts in line with the current demand for plants. Work also continued on training and motivating executive managers to ensure efficiency and continuity of operations, in the context of a difficult market caused by general reduction in consumption. At ABS especially but at all other Group companies as well, measures have been taken to reduce injury risks by implementing adequate policies for the management and preventive maintenance of plants with a view to pursuing safety levels in line with the best industrial practices, and by using the insurance market to make sure our units are well protected even in the event construction is halted, against third-party liability and/or as part of the responsibility of directors towards shareholders/creditors. Health and safety compliance at production units and construction sites are the main operational areas where the company developed procedures and processes for the systematic mitigation of related risks.</p>
Risks related to cybersecurity	The Group has mapped the cybersecurity risks related to the management of computer processes used in operating and management activities.	<p>The topic of IT risks was explored with the help of the external consulting company Accenture, appointed by the Group to implement the cybersecurity programme following a specific assessment, identifying the areas of intervention and defining a roadmap with a time frame of 36 months and the use of around 45 full-time employees dedicated to the prevention of hardware risks within the Group. The intervention times defined in the roadmap developed with the help of Accenture are in line with the risk index for the critical issues detected. Maximum attention is paid to the subject and the cyber risk oversight function operates with great flexibility, with access to a significant annual budget in light of its continuous evolution. The Group uses many tools</p>

		(software and hardware) to mitigate the risks and outsources several activities to third parties specialised in the research, prompt identification and verification of anomalous behaviours. Periodic reports are prepared and submitted to the CEO. In the upcoming months/years, the Group will implement an even more refined Network Access Control (NAC) system to prevent access to the Group's network using external devices.
Risks related to compliance, management and taxation	The Group is subject to the risk of fraud or illegal activities.	<p>As part of corporate governance, the Group adopted protocols, procedures and operating practices to prevent the risk of corruption and anti-money laundering by defining the guidelines of behaviour and the control measures of active and passive processes potentially involved (in the sales process and in procurement) in accordance with international best practices.</p> <p>In the area of tax risks, note that the Parent Company substantially closed with integrated tax returns all findings present in the report (on the 2013/14, 2014/15 and 2015/16 financial years) delivered at the end of December 2018, covering nearly 100% of the findings disputed (initially approximately 2 million euro net of losses that can be carried forward) by the Trieste Revenue Agency. No disputes remain open.</p> <p>The recourse related to the appeal submitted by the Trieste Revenue Agency to the Regional Tax Commission against the judgment of the Provincial Tax Commission totally in favour of the Parent Company, for the only dispute of a significant amount (with a dispute of around 14 million euro) between the Parent Company Danieli &amp; C. Officine Meccaniche S.p.A. and the Trieste Revenue Agency relating to the (alleged) non-existence of some supply costs was still pending as at June 30, 2022. The enacting clause of the judgment of first instance was, however, very clear and pointed out the correct behaviour of the company in this regard and allowed in September 2022 for a conciliative solution to be found with the Agency, closing also this dispute with an expense for the company of around 1 million euro.</p> <p>On February 26, 2021, the Court of Appeal of Trieste ruled that the Chairman and the Manager in charge of the Group had been acquitted "because the fact does not exist" in relation to the allegation of foreign ownership of the Group's Luxembourg companies.</p> <p>The Court of Appeal also confirmed in the second instance the acquittal of the Chairman, the Manager in Charge and other former managers of the Group already obtained in the first instance regarding the allegation of fraud due to the "non-existence" of costs incurred in foreign sites for which the aforementioned tax dispute is now being closed.</p> <p>The judgment reformed what had been previously decided in October 2018 by the Court of Udine, which had instead convicted the defendants with regard to the offence of "esterovestizione" (setting up foreign companies to evade taxes) of the Luxembourg subsidiaries, a case for which the competent tax commission had instead ruled in favour of the company and then definitively closed in part with self-defence (without the payment of taxes) and in part with settlement to the Revenue Agency.</p> <p>On December 20, 2021, the acquittal ruled by the Court of Appeal of Trieste became irrevocable and the case was closed with the final, total and definitive acquittal of the aforementioned defendants.</p>



## 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, Labor and Anti-Corruption, together with its Ten Principles and its 17 Sustainable Development Goals (SDGs).

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

As highlighted during the last COP27 Conference, 3 types of crises must be tackled by collective action today - Climate, Pollution and Biodiversity – addressing financial fund in favor of vulnerable countries affected by Climate disaster and taking active 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 COP27 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 a validated 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 Climate Change questionnaire, Danieli received an "A-" rating from CDP, which represents an improvement compared to the previous year. 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.

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 started to build 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 reflecting 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 COP27 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 with green technologies 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 H<sub>2</sub>, lower content of CO<sub>2</sub> 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 CO<sub>2</sub> 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 guidelines of the last COP2 in Egypt. 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 CO<sub>2</sub> 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 CO<sub>2</sub> into oil pits for enhanced oil recovery (CO<sub>2</sub>-EOR). Besides their low carbon footprint, DRI plants are environmentally compliant also because there are no dioxins, dust or NO<sub>x</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions. Reducing emissions by using H<sub>2</sub> 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 H<sub>2</sub> in any gas mixture as reducing agents. This patented plant called

ENERGIRON, that uses gas and/or H<sub>2</sub> to reduce iron ore, is capable of limiting CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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. The pursue of the new Net-Zero Standard Science-Based Targets for Scope 1, 2, 3 emissions for Danieli Group;
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;
4. To finish by 2024 to construct the New Educational Hub donated to the local community, built in the city center of Udine ex-Dormisch area, with the aim to foster positive social effects in the population, especially for new generations, supporting sustainable development. Three floors subdivided into different areas: High School classrooms (technical sciences), Public Space, Garden Library, Study Rooms, Auditorium, Restaurants, i-Parking (electric vehicles suitable), Workshop, Laboratories, Shops, external green area. Energy: renewable hydroelectric.



## Annex Non-Financial Disclosure

In the following section it is attached the Danieli Non-Financial Disclosure as an extract of the Danieli Consolidated Financials of the Group of the period from the 1<sup>st</sup> July 2021 until the 30<sup>th</sup> of June 2022. Within such Report, particular attention is given to the description of the Actions and Results pursued and achieved throughout the year in relation to the Sustainable Development Goals. A specific Connection Table has been prepared at pages 105-106 which helps the reader to find out where the areas of interest have been in depth explained. It has been used the GRI Standards to report the principal indicators and each standard has been associated to a specific SDG. Moreover, focus boxes has been inserted throughout the text to help the reader to identify the areas of interest.

However, it is important to underline that beyond the report which states Danieli Group achievements, particular proudness is also felt by all Danieli Group community, who also concretely helped the Ukrainian colleagues by not only by donating relevant sums of monetary resources for medical helps but also by welcoming in their own houses the Ukrainian colleagues and their families for a long period of months. The Ukrainian families were brought to safety in Italy thanks to private transfer organized by Danieli Group. It has been given to them hospitality in the Danieli Campus, food, medical care, children care and what most important safety.

The annex which will follow in the next section has been extrapolated by the Danieli Group Annual Report which is possible to find at the following link:

<https://www.danieli.com/en/investors/communication.htm?t=official&lp=i>

Additional information can be requested to following contact:

Investor relations: [investors@danieli.it](mailto:investors@danieli.it)

*Disclaimer: The purpose of this publication is merely to provide information that is up to date and accurate as possible. The following section is an extract of the Not Financial Statement (NFS) of the Danieli Group which is integrated in the 2021-22 Annual Report and which can be found in the above mentioned Danieli Website link. Such re-production of the report is not intended to involve any responsibility by the assurance certificatory which is added for completeness only. Despite the usage of such extraction, the same numeration as the official document is used in order to permit a correct use of the GRI Index that permits to find where each specific indicator is located. The estimates and the opinion expressed in the publication may be subject to change without notice and the author of present publication cannot in any way be held liable or responsible for any loss or damage which any party shall suffer based on the information herein closed.*

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

In the 2021/2022 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.

### ***Letter to stakeholders***

Dear Shareholders, Customers and Colleagues,

Results for the 2021 / 2022 fiscal year, forecasts for 2022 / 2023

- Revenue 3,637.0 million euro<sup>1</sup>
- EBITDA 359.2 million euro
- Net Income 218.7 million euro
- Net cash 1,206.6 million euro
- Order Book 5,052 million euro

### **MARKET FORECAST**

The past 18 months have been the best in recent decades for the steel making industry and saw the United States as its front runners. This led to consistent revenues which are and will be partly invested in revamping and new plants, with positive effects on the order book of the steel plant manufacturers.

Nevertheless, as we know, a cycle of economic recovery is generally followed by a downturn with a reduction in liquidity on the financial markets that also affects investments.

The cyclical economic downturn will have fewer consequences for Danieli's plant making sector thanks to plant innovations in recent years, which are experiencing more and more success on the market. This impact will also be minor for ABS thanks to the recent investments in expanding its range of products and improving its customer services.

And yet, from here on out the cost of energy in Europe will negatively influence the consumption of steel and more.

### **DANIELI PLANT MAKING**

The direct rolling mills developed in the last 10-15 years are gaining ground for both flat and long products. These exclusive technologies are recognised as such by the front runner customers who have purchased them, some for even more than one plant, such as Nucor and CMC in the United States.

These innovative plants, called MIDA QLP and QSP-DUE, were designed with the aim of reducing CapEx and OpEx and have achieved this objective with maximum satisfaction.

---

<sup>1</sup> The turnover includes the amount of 18 million euro for internal constructions developed for Group companies.



There is also an indirect result that was not initially considered: the reduction of CO2 emissions.

As a matter of fact, the cost of steel production is now calculated as CapEx/tonne + OpEx/tonne + CO2 tax/tonne.

So, it could be said that based on our recent experience, when CapEx and OpEx are reduced for steel making plants, CO2 emissions are also automatically reduced.

Another innovation much appreciated by the market is the DigiMelter, which will replace traditional electric arc furnaces. In addition to energy and consumption savings, the benefits of the DigiMelter include the possibility to power it using sustainable solar and wind energy.

Two DigiMelter plants in the USA will be the world's first to smelt steel using also solar energy.

In conclusion, as well as being economically competitive, our MIDA QLP and QSP-DUE plants are also competitive for their environmental impact. This is highly appreciated not only in the classic markets of the United States and China, but also in developing countries like Bangladesh, Egypt and more to come. Furthermore, customers in India and Europe are showing initial signs of interest in these new possibilities.

In addition to the aforementioned economic benefits, there is the ENERGIRON direct reduction (the DRI process technology developed jointly by Tenova and Danieli) capable of being powered up to 95% by hydrogen!

All these innovations, now tested, can achieve the objectives for economic competitiveness and green steel production thanks to:

- The ENERGIRON Direct Reduction process which uses natural gas as a reducing agent, but which is ready to be replaced by up to 95% hydrogen.
- Hot DRI at 600°C loaded into the DigiMelter, which can directly use sustainable solar or wind energy for smelting.
- The liquid steel cast continuously and directly feeds into the rolling mills, including the continuous processes, with savings in energy and CO2 emissions.

In short, steelworks designed with the aforementioned innovations can produce green steel with fewer investments, lower production costs and zero environmental impact.

Therefore, we believe that these products will be the driver of our order intake in upcoming years.

Lastly, alongside our subsidiary FATA, specialised in solar energy production plants, we are fine-tuning photovoltaic systems and heat recovery steam generators for energy production, studied specifically for steel making plants.

To conclude, it is important to note that the existing technological benefits, most of which are patented, and the related know-how should make it easier for us to maintain a good level of orders in the next cyclical downturn of the economy so as to remain front runners in Europe for projects aiming to reduce the number of coal-powered blast furnaces in the steel making industry.

And it is thanks to these innovative industrialised ideas with investments in research that we exceeded the expected order book and revenues despite the high supplementary costs due to the drastic increase in the costs of transport, energy and raw materials.

## ABS STEEL MAKING

ABS not only benefited from the market recovery, but also from the expansion of its range of products, thanks to the new QWRM, which is proving to be a leading technology to manufacture long products of excellent quality with consequent success on the market.

A high-quality ore-grinding sphere production plant was also launched successfully, and its learning curve should be completed by the end of 2022.

ABS will be the only manufacturer of ore-grinding spheres to produce its own steel as a raw material and this will make it easier to adjust the quality of the grinding spheres to the types of ores to be ground.

The general objective of ABS is to produce 2.3 mtpy of types of high-quality “green” steel. In order to succeed, it launched the construction of a new steel plant which includes a DigiMelter with zero CO2 emissions alongside a new series of investments totalling 650 million euro, intended to increase production capacity and to cut production costs.

Additional objectives include the expansion of downstream facilities and service centres and investments in scrap collection.

Since ABS is an energy-intensive company, the upcoming months will be affected by the current increase in energy costs.

## THE GROUP'S VISION

The internationalisation of our service centres and production sites, in combination with *innovaction*, helps to mitigate the highs and lows of the global and regional markets and thus maintain a good average of sales and revenues. Since we believe that this is the right path to take, we will continue to reinforce the international structure of the plant making and steel making sectors and to invest in innovation, in the hopes that more and more new ideas and technologies will emerge.

Our core business remains centred around engineering and the manufacture of steel plants and on the production of quality steels. Diversification is not envisaged, unless there is strong synergy and improvements to our core business.

Based on these considerations and outlook, the objectives for the Danieli Group for the 2022-2023 fiscal year are:

- Revenue 3,500-3,700 million euro
- EBITDA 320-340 million euro
- Net cash 1,200-1,300 million euro
- Order Book 5,400-5,700 million euro

## SOCIAL ASPECTS AND EDUCATION / EMPLOYMENT

Priority is given to education, especially for young technicians and engineers.

The activity of the Zerotredici Educational Hub is well established and this initiative is highly appreciated not only by the families of the Danieli Group, but also by the local neighbouring communities near our office. The high quality of education and schedule flexibility are a great help for families where both parents work. Furthermore, MITS Academy trains mechatronics engineers using study programmes based on AI with robotics and Industry 4.0 technologies plus other disciplines. Its activity is already at an advanced stage and is about to reach the final target of 600 students.

The restoration of historical buildings and art also continues in Friuli-Venezia Giulia. In addition to this, we launched the construction of a new complex in the centre of Udine which will host the MITS Academy for 600 students, in addition to libraries, restaurants and meeting spaces, all mainly intended for students.

Before concluding, we wish to thank our shareholders who have allowed us to reinvest 85-90% of our revenues into the company. This has been perceived as an expression of the trust and esteem the shareholders have for the Danieli team, something 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 the shareholders, special thanks go to the Danieli Group Team who, with passion and professionalism, are fully committed to achieving the agreed objectives for our company's continuous 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. Last but not least, we are grateful for the efforts they have made in bringing about the cultural change required by technological and social trends today and which is essential for maintaining competitiveness and market shares in a highly complex global economy with continuously evolving quality requirements.

Gianpietro Benedetti

CHAIRMAN OF THE BOARD OF DIRECTORS

### ***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 2021/2022 financial year, describing its initiatives and main results in terms of sustainability performance achieved during the period (reporting period: from July 1, 2021, to June 30, 2022).

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 2021/2022 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, while for the standard GRI 306 (Waste), the 2020 version 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 2021/2022, the Group's materiality analysis was updated by sending out the questionnaire prepared for the previous materiality matrix, but to which questions were added related to the topics of cybersecurity, procurement and logistics and supplier sustainability assessment. The addition of these latest topics, in particular cybersecurity and procurement and logistics, was made in consideration of their international relevance in the post-pandemic economic structure. The results of the materiality analysis confirmed the material topics, the results of which are line with those from 2020/2021, including the addition of the 3 new topics mentioned above. The Directors confirmed the findings made in relation to the identification of the material topics and adopted the new ones, despite having already expressed their greater attention towards topics such as health and safety and company welfare, also in light of 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 2021/2022 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, 2022, 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 14, 2022, 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, 2022.

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. The limited examination did not look at the information required by Article 8 of European Regulation 2020/852.

For any information regarding the Non-Financial Statement, please contact the manager in charge at [investors@danieli.it](mailto:investors@danieli.it).

The Non-Financial Statement is also available on the Danieli website [www.danieli.com](http://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, 2022", "Management of business risks" sections), and of the Report on Corporate Governance and Ownership Structure ("Information on ownership structures on June 30, 2022", "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" 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 (UNGC) 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. In December 2021, the first Communication on Progress (COP) was prepared and sent. It is available on the UNGC website including the letter of commitment from the CEO of the Danieli Group. For an analysis of the correlation between SDGs and GRI, refer to the section in this document entitled "United Nations Sustainable Development Goals (UN SDGs)".

The increasingly challenging objectives in the metal industry to make conscious use of resources by reducing emissions of CO<sub>2</sub>, 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 term (within the next year), 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 the context of its plant production, the Danieli Group assesses, monitors and directs actions to minimise non-financial risks with particular attention to those relating to the most important and material topics, namely: Worker safety and product safety, as well as steel production plants.

In particular, during the 2021/2022 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.

Non-financial risk analysis and management is delegated to the company functions specialised in the assessment within their area of remit, identifying a multi-disciplinary process. The Danieli Group offers sustainable solutions on the market for green steel production. For this reason, the process has a broad impact on the company functions which collaborate towards a common goal: to pursue the path of innovation to sell innovative plants for green steel production. With reference to Danieli's main sustainability topics, linked to product quality and safety and workplace health and safety, the monitoring and assessment of risks associated with these topics are delegated to the Quality and Security functions as well as individually by product line. When designing the plants it is compulsory and important to always carry out a risk analysis so as to design and build plants with the highest measures of quality and security. The development of the new Quality Wire Rod (QWR) mill delivered by Danieli for the subsidiary ABS during the 2019/2020 and 2020/2021 fiscal years, and which went into full operation in 2021/2022, is an example of technological innovation with extremely high automation, applying the principles of Industry 4.0 where production is controlled and monitored remotely. It is the first and only rolling mill in the world where management is based on a "zero-man-on-the-floor" approach. The entire process is controlled remotely. This is the benchmark on the market that also aims to maximise quality, duly monitored through KPIs and dashboards that are updated at pre-defined intervals: minimise process costs, such as energy costs and resulting CO2 emissions, and improve operator health and safety. The "Green Mill" concept produced in house is a concrete example of what Danieli offers its customers, thus contributing in the long term to the green ecological transition of the steel industry with the target to gradually decrease Scope 3 CO2 emissions. The InnovAction competition was held also in the 2021/2022 fiscal year. It is a contest for Danieli Group employees who present, individually or in teams, innovative ideas and projects on green topics. During the company's Christmas party, a ceremony is held where the winners of the best projects are commended and given awards. One winning project that was then developed as a pilot was the production of *Arthrospira Spirulina* microalgae in water silos where heat is recovered from steel production, thus promoting the absorption of CO2, the production of oxygen and the production of an ingredient for the food industry and the supplements market.

The Internal Audit & Compliance (IA&C) function confirmed the mapping of business risks already carried out last year alongside the managers of the various product lines and during the year implemented the Audit Plan prepared in line with the international compliance regulatory framework, which was approved by the Board of Directors in late 2021 together with the Compliance Plan. The scheduled checks began during the year and will be completed from 2021 to 2024.

- the strengthening of the Governance of Sustainability within the Group, thanks to several initiatives undertaken by the Group in the 2021/2022 financial year:
  - the CTO (Chief Technology Officer), who has led the Danieli Group's Research Centre for a long time, was appointed director and co-CEO. It is important to note that the new co-CEO has in-depth knowledge of technology and innovation, and so of "green" innovations. Committed to the development and promotion of technically feasible solutions for green steel production, the co-CEO is a member of the Worldwide Sustainability Committee and a partner of the World Steel Association. The new significant figure has specific skills needed for the transition towards decarbonisation of steel, which will be possible by taking efficient measures on energy consumption. Danieli is both a front runner and provider of BAT (Best Available Technology) in terms of green steel production and aims to pursue an ecological transition capable of responding to the requirements shown by the most recent studies on climate science with technologies for CO2 reduction and capture.
  - the ABS Sustainability Committee (made up of the main operational function managers) identified the Sustainability Manager, who from September 1, 2021 assumed the position of 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 also appointed to follow the Non-Financial Statement of ABS, the first edition of which was drawn up on a voluntary basis for the previous 2020/2021 financial year.
  - In the plant making sector, awareness of future sustainability and governance targets was raised across all product lines of the Group, also thanks to the creation of a new division at the Danieli Research Centre: Dan Green, made up of specialised engineers who became fully operational since 2020/2021 financial year. The Dan Green function represents guidance for the Danieli Group's product

lines, who can refer to the specialised skills within the Group's Research Centre. For 2021/2022, Dan Green also involved all product lines in the calculation of the emissions of the plants that began operating during the fiscal year and which represent the main source of Scope 3 emissions. This also shows the Group's commitment to strengthening the governance of sustainability, with specific reference to the activity carried out by the Dan Green Danieli Research Centre, which is essential for fighting climate change. This plant analysis activity allows the executive managers of each product line to gain a reference point on the value of CO2 per tonne produced using the technologies developed by them.

- 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. Please see the following dedicated section for TCFD recommendations.

In this regard, note that the Group implemented the aforementioned recommendations by including information on the main initiatives undertaken so far on environmental management for the performance of its activities in this Non-Financial Statement. For further details, see also the section below, "Commitment to the environment", and the Directors' Report (section "Management of business risks") for an in-depth analysis of the risks associated with climate change, as well as the company policy adopted. Furthermore, the analysis of the risks arising from climate change led to the identification of a market opportunity for the Danieli Group, which has the possibility to make use of the call to action regarding climate change to incentivise the sale of technological solutions to reduce CO2 emissions. The Group offers the possibility to produce green steel. Danieli is a leading company in the offer of innovative solutions for the reduction of emissions, thanks to offers such as Q-ONE, Hybrid MI.DA., DRI (Direct Reduction Iron) and other patented technologies. The Danieli Group aims to reduce emissions overall thanks to innovative green solutions with lower CO2 emissions per tonne of steel produced and to seize the new opportunities offered by a market where the ecological transition becomes more important day by day.

In relation to the adoption of the TCFD recommendations, given the complexity of the quantitative analyses at company level, the Group has suggested carrying out a preliminary analysis, starting from more qualitative considerations as represented in the following section.

### **Task Force Climate Change Financial Disclosure**

In light of the objectives set for the disclosure of information relating to climate change measures, the Danieli Group developed a process of gradual alignment with the reporting recommendations on climate change-related risks prepared by the Task Force on Climate-Related Financial Disclosures (TCFD).

In this regard, this Non-Financial Statement contains an initial analysis of the impacts that climate change might have on its business. This disclosure was developed according to the guidelines of the TCFD (Task Force on Climate-Related Financial Disclosures) adopted by the European Commission in the "Guidelines on non-financial reporting: Supplement on reporting climate-related information". This impact analysis, with resulting report, looked at four thematic areas: Governance, Strategy, Risk Management, and Metrics & Targets.

The Group's analysis initially referred to the IEA 450 transition scenario (International Energy Agency), also aligned with the Science-Based Targets initiative, which used the Below 2 Degrees Scenario (B2DS) to set the targets for reducing greenhouse gases.

Identification of the variables that might influence the business was based on the classification of the risks into physical (acute and chronic) and transition (Regulatory, Market, Reputation, Technology).

Considering the business and the analysis conducted, climate change could represent a market opportunity for the Group, since the transition towards a low-emissions economy could increase demand for green plants. Danieli has developed the necessary technology and skills over the years, but it is only now in this historic moment of transition that it represents an option that was previously not convenient for the market. The increasing urgency to find a response to climate change led to a change in the mix of supplier selection criteria, opting for green characteristics and technologies that Danieli has developed and patented in part thanks to its internal Research Centre. As mentioned, the governance of sustainability-related topics has been strengthened with the assignment of the role of CO-CEO to the CTO, who led the aforesaid Research Centre for years, and has prior experience in the decarbonisation of the steel industry from the perspective of technology and strategy. The management team, on the other hand, is delegated the management of the sale of plants, which, in any case, requires careful analysis of non-financial risks during their design, planning and development.



Event	Risk/opportunity	Management and strategy
<b>TRANSITION RISK: transition of the market towards a green economy</b>	Revenue increase: Market opportunity for the sale of green plants, also supported by macroeconomic incentive policies to speed up the ecological transition.	<p>The market expectation is to propose solutions to improve the environmental footprint.</p> <p>The market is influenced by the government policies needed to promote the ecological transition and to encourage the research and development of solutions that improve the environmental footprint.</p> <p>This factor is relevant from the perspective of climate change since market demand also depends on the macroeconomic policies of the incentives given for ecological transition solutions.</p> <p>Danieli offers the market green solutions that can contribute to the green conversion of the steel industry and to the abatement of CO2 emissions. An increase in demand could lead to an increase in revenue.</p>
<b>TRANSITION RISK: current national and supranational regulation and legislation on decarbonisation</b>	<p>To produce steel, it is necessary to respect the regulations associated with emission limitation and it is necessary to follow best practices.</p> <p>The topic of regulation represents a risk of higher OpEx linked to EU ETS allowances that increase price per unit. Opportunity to sell more green plants thanks to a shift in the demand for plants towards Danieli green solutions that allow for lower costs for quotas of CO2 emissions.</p>	<p>Failure to follow the regulations (e.g. EU ETS) represents for steel making plants a barrier to entry in production. The regulation involves a payment of quotas that increase as the CO2 released into the atmosphere increases.</p> <p>Regarding climate change, Danieli constantly monitors the direct and indirect environmental impacts of its activities, but also of customer activities by collecting specific data such as energy consumption, the consumption of natural gas and the consumption of other fuels. It processes this data to monitor CO2 emissions. Thanks to this monitoring process, we were also able to define an emissions reduction target. We planned to achieve our target by adequately managing the complex environmental regulations, as well as the social responsibilities of each steel manufacturer to bring their plants into compliance with the standards of the countries.</p> <p>This is the experience that guided Danieli in the development of two basic concepts of the Danieli Green Steel vision:</p> <ol style="list-style-type: none"> <li>1) Environmental sustainability;</li> <li>2) Environmental performance.</li> </ol> <p>An increase in costs per individual quota represents a risk but also an opportunity to sell more green plants, chosen over more pollutant solutions that involve higher OpEx linked to the carbon tax.</p>
<b>TRANSITION RISK: Change or introduction of national or supranational</b>	Any new regulations such as a carbon tax on steel from countries that are more polluting poses a barrier to	The carbon border tax could represent a higher cost for producers from countries where there are not as stringent regulations as Europe, for example. This represents a market opportunity for Danieli in terms

<b>regulations or legislation for the transition towards a green economy</b>	the entry for products that do not respect certain thresholds of CO2 per tonne produced. For Danieli, it represents an opportunity because the cost-opportunity ratio of investing in green plants favours the sale of green plants.	of plant making. In terms of steel making, it would represent a strength for ABS because, as it is located in Italy, a European country that already has EU ETS, it would benefit.
<b>TRANSITION RISK: Technological progress</b>	Technological development implies continuous improvement that goes hand in hand with the renewal of infrastructure. This represents an opportunity because, as soon as hydrogen can be transported and supplied in a convenient way, new market opportunities will open for Danieli.	<p>Process owners must develop solutions that keep pace with the technological renewal where a potential plant is located. New infrastructure available for hydrogen for example would lead to a justified increase in R&amp;D costs in order to seize new technological opportunities and develop new solutions to maintain leadership in international supply.</p> <p>It is relevant to the climate because the ecological transition is shifting customer choices towards machines and technological plants with low/zero emissions.</p> <p>Investment decisions on climate change-related topics are made at Board level and managed by the competent managers.</p> <p>An approach to the steel making industry that is respectful of the environment must not only be seen as a compulsory cost required by law, but a new opportunity for investors to make a profit. As a further challenge, the current approach to obtain the relevant authorisations from the statutory authorities in the European Union is not only based on meeting clearly established limits, for example on emissions; rather, it relies more and more on the concept of applying BAT (Best Available Technology) when selecting the least impactful technology to be adopted.</p>
<b>TRANSITION RISK: Change in legal restrictions</b>	Possible higher legal costs due to the management of purchase and sale contracts.	<p>In the context of contracts, it is necessary to follow best practices.</p> <p>In order to maintain high competitive edge, the Financial &amp; Contracting legal experts help the customer to develop strategies and business plans in accordance with the legal restrictions or opportunities of the law (e.g. contributions, subsidies, incentives) and with rules that must be followed.</p>
<b>TRANSITION RISK: Reputation</b>	Climate change represents an opportunity to improve Danieli's reputation, which improves thanks to the green offer developed over the years. At the same time, it	<p>Market reputation to be/remain a leader in the provision of environmental solutions is a key element for the company's reputation. It is important to maintain leadership at international level.</p> <p>It is relevant to the climate because reputation promotes new orders, keeping up new orders from</p>

	represents a cost to keep it as such by continuing to invest in R&D in a process of continuous improvement.	green plants guarantees the possibility to make a tangible contribution to the ecological transition of the steel industry, the reduction of GHG emissions and the reconversion of old plants with high GHG emissions within the steel making industry. Danieli's good reputation could encourage the purchase of green plants to replace older, more polluting ones.
<b>ACUTE PHYSICAL RISK: extreme natural events</b>	Risk of acute catastrophes such as flooding could represent higher operating costs and higher insurance costs.	The risk of flooding that could affect the offices or areas of the structures involves greater costs. The increase in the frequency of these events with climate deterioration and change could involve high insurance costs. The management team therefore hedges risks with insurance policies against these events.
<b>CHRONIC PHYSICAL RISK: long-term change in weather and natural conditions</b>	<p>Global warming and gradual and chronic climate change over the years could drive electricity providers to replace infrastructure in order to have a higher percentage of renewable energy. This involves blocks on production and possible higher operating costs to start plants back up again.</p> <p>Unfortunately, global warming has caused long periods of drought and little rain. Paradoxically, this led to better performance of the Danieli photovoltaic systems which generated higher quantities of renewable energy.</p>	<p>The replacement and renewal of the energy supplier's infrastructure could be slowed down by extreme events cause by long-term climate change. Infrastructure change is necessary for a mix between renewable and non-renewable energy that favours renewable, as this is essential to fight climate change and chronic global warming. ABS offers the possibility to suspend its electricity usage but it receives a fixed contribution from the provider. A variable contribution is received in relation to the duration of the electric freeze. Despite the costs, it is necessary to guarantee an increase in renewable energies, especially with investments in photovoltaic technology to meet up to 20-25% of the requirements of ABS. The energy crisis will probably involve a faster conversion of electricity generators with renewable solutions so it is possible that there will also be interruptions in light of the issues linked to the supply of gas.</p> <p>Global warming, low rainfall and long periods of sun led to better performances by the photovoltaic systems on the roofs of the Danieli structures, which continues its projects involving the installation of new solar panels, electric vehicle charging points and replace the vehicle fleet with hybrid or electric vehicles.</p>

To conclude, Danieli operates by integrating strategies and process management that encourage solutions that could make a positive contribution to the environmental sustainability, and more, of its business activities, including with specific reference to plants sold. Many actions are being implemented, including:

- Investment in research and development in addition to investments that make the Danieli Group's approach to corporate social responsibility a reality;
- Implementing parallel transition plans under multiple operating aspects such as: installation of photovoltaic systems, technology for heat recovery from fumes, production heat recovery systems and reuse through district heating, innovative pilot projects for carbon capture and heat recovery from steel production, a project to replace any coal used for steel refinement with components that can provide the same quality at much lower emissions;
- Periodic meetings and sharing of ideas at Board and Management level;

- Monitoring of regulations and alignment with them;
- Joint ventures with technological partners with which to develop green solutions;
- Agreements and projects that could help to limit emissions (e.g. favouring rail transport, agreements for energy from countries with a low mix of non-renewables).
- Producing and selling plants that can be powered by renewable or hybrid energies, equipped with low heat dispersion and energy saving technologies.
- This corporate culture also brings individual employees together in projects to develop new ideas for the reduction of emissions thanks in part to the company's internal competition, InnovAction.  
Examples: replacement of plastic bottles with water purifiers, dematerialisation and reduction of paper consumption and conscious and responsible use of resources.

In any case, we expect an improvement in the management of climate-related risks and opportunities.

## Stakeholder Engagement and materiality analysis

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, 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.

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:

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

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 did not update its materiality analysis, reconfirming the material topics identified in the previous updated analysis in 2021.

On the other hand, for the plant making segment it was considered necessary to update the materiality analysis prepared during previous financial years, by sending out a questionnaire prepared for the previous materiality matrix, to which questions were added related to the topics of cybersecurity, procurement and logistics and supplier sustainability assessment, and those on biodiversity removed. The addition of these latest topics, in particular cybersecurity and procurement and logistics, was made in consideration of their international relevance in the post-pandemic economic structure.

The material topics were assessed with the involvement of top management, the Internal Audit & Compliance Manager, the main production managers and staff, internal and independent directors and the main suppliers and customers, who completed and returned the questionnaire.

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	Company welfare
Innovation and R&D	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	Cybersecurity	Social and environmental assessment of suppliers
Procurement and Logistics		

Note that the “social and environmental assessment of suppliers” material topic exceeded the materiality threshold, unlike in the previous reporting year, and in this regard is subject to reporting in this document. Furthermore, although the topics of support to local communities 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 Standards indicator, the Group still believed it would be useful to indicate what activities were carried out within these topics. The topic of biodiversity was removed from the materiality questionnaire and therefore removed from the analysis, despite the Group mentioning a number of related activities in this document.

## **GOVERNANCE AND COMPLIANCE**

The Corporate Governance structure adopted by Danieli is indicated in the 2021/2022 Report on Corporate Governance and Ownership Structure (approved by the Board of Directors on September 27, 2022) 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 outlined in the Group’s Code of Ethics, the internal procedures and the protocols that form an integral part of the Organisation, Management and Control Model adopted pursuant to Italian Legislative Decree 231/2001. These are joined by risk management and control tools related to the financial and non-financial issues also monitored by the Internal Audit & Compliance function. The Danieli Group has implemented a global compliance model to promote policies of integrity, respect for ethics and internal regulations. It operates through a document framework based on the distribution at the Group companies of guidelines that make it possible to monitor compliance issues locally, including in accordance with current legal regulations.

### **Code of Ethics**

The Code of Ethics prepared by the parent company Danieli & C. Officine Meccaniche S.p.A. — in its latest version dated March 10, 2022 — was adopted by all Group companies and sets out Danieli’s guiding principles and values. Their observance by the recipients contributes to business development and the growth of a working environment based on ethics and integrity.

The Code of Ethics describes the Group’s business approach, based on innovation and customer satisfaction, and represents an effective tool for the prevention, detection and countering of legal violations. Integrity, protection of human resources, sustainability, safeguarding of company assets and transparency in accounting and financial reporting represent the founding values of the company policies.

The Group companies adopted the new text of the Code of Ethics with minimal adjustments due, only in some cases, to their unique organisational aspects.

The Code of Ethics also contains codes of conduct for relations between the Danieli Group and its stakeholders; 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.

The new version of the Code of Ethics was brought to the attention of employees using ad hoc information campaigns for the different company functions and is available at all times in digital format on the company intranet. New employees, on the other hand, receive the Code of Ethics when they are hired and are specifically trained in the topics covered therein.

### **Organisation, management and control model pursuant to Italian Legislative Decree 231/2001**

The Parent Company Danieli & C. Officine Meccaniche S.p.A. has adopted and implemented its own organisation, management and control model for the prevention of offences pursuant to Italian Legislative Decree 231/2001.

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 organisational model is formed of:

- a General Section, which explains the company's profile, the reference legislation, the recipients, the disciplinary system, training and information methods as well as the whistleblowing channels of the Model; and,
- various Special Sections containing protocols and control measures relating to the risk areas identified within the Company in relation to the type of predicate offences envisaged by the Decree.

The Supervisory Body oversees the updating and verification of compliance of the Model. This body has autonomous powers and consists of internal and external personnel with impartiality and specific skills.

During the 2021/2022 fiscal year, the parent company updated its Model based on the new legislation introduced and the organisational changes made over time.

Danieli Automation S.p.A., Fata S.p.A., Danieli Centro Combustion S.p.A, Danieli Telerobot Labs S.r.l. and ABS S.p.A., subsidiaries with registered offices in Italy, have implemented their own Organisational Model.

The internal regulations aimed at preventing environmental crimes are particularly important, considering that 35% of the Group's production sites with ISO 14001 certification cover 87% 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, the companies ABS S.p.A. and ABS Sisak d.o.o. are members of the ETS (Emission Trading System) for the calculation and certification of direct greenhouse gas emissions.

The 83% of the companies' employees are located in subsidiaries with an occupational health and safety management system certified by international standard ISO 45001. The Parent Company and Danieli Germany GmbH achieved the transition 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) achieved it in the 2020/2021 financial year. The companies Danieli Centro Combustion S.p.A. and Danieli Systec Engineering d.o.o. Smederevo also achieved ISO 45001 certification, completing the transition from the old standard.

### **Compliance programme**

In September 2019, the Parent Company established a unique Internal Audit & Compliance function, assigned to the Group Compliance Officer. This figure must support the various business functions in relation to the adjustment of company processes from the perspective of mitigating possible risks arising from violation of rules on anti-corruption, administrative responsibility of entities, export control, international sanctions and antitrust.

The topics are currently monitored via policies, guidelines and procedures, including:

- the Gift and Hospitality Policy, a Group policy that defines the rules of conduct to be upheld in relation to the receipt and donation of gifts and hospitality and related control measures implemented;
- the Third Party Compliance Management Policy, a policy that defines which control measures are to be implemented in relation to specific commercial counterparties during qualification;
- the Conflict of Interest Policy, a Group policy that defines the rules of conduct and control measures intended to govern the risk of conflicts of interest;
- Controls, Records and Screening over Intermediaries, Agents and Sales Consultants, a procedure that defines the rules of conduct and control measures to be implemented when signing particular types of contracts (intermediation, agency and commercial consulting);
- the "Plant Orders Management" Export Control Procedure, a procedure that defines the rules of conduct and control measures to be implemented in order to guarantee compliance with legislation on export control;
- the Antitrust Policy, a Group policy that governs compliance with antitrust legislation. The policy is inspired by the principle – already expressed in the Code of Ethics – according to which the Group aims for maximum competitiveness on the market and, therefore, its commercial policy is developed in full compliance with all applicable laws and regulations on competition.



During the 2021/2022 fiscal year, the Internal Audit & Compliance function also held internal training courses intended to raise the awareness of employees in the interested departments in relation to anti-bribery, sanctions and export control topics.

### **Whistleblowing**

The Danieli Group promotes the collaboration of workers and third parties for the purposes of detecting illegal, fraudulent or suspicious phenomena, violations of the Code of Ethics and the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 and any other irregularity in the business or conduct in breach of the law and the Group's internal regulatory system. To this end, in March 2022 the Board of Directors of Danieli & C. approved the whistleblowing management guideline and then decided to adopt a whistleblowing platform.

The guideline issued by the Parent Company – adopted by the companies in the plant making sector – illustrates the methods for sending reports, the standards used to protect reporting and reported parties, the related management process as well as any possible action arising from the violations found, all of which also complies with the Directive of the European Parliament and of the Council no. 1937/2019.

In the 2021/2022 fiscal year, the Whistleblowing Committee (formed of the General Counsel, the HR Manager and the IA & Compliance Manager of the Danieli Group) received 2 reports, both unrelated to topics of the Code of Ethics, Italian Legislative Decree 231/2001 or non-compliance with environmental, social and economic issues. Both reports were closed by taking the appropriate measures.

### **Privacy**

During the 2021/2022 fiscal year, the Group's interfunctional privacy committee supported the compliance initiatives and carried out activities in accordance with the plan shared with the Data Protection Officer. Priority was given to the acquisition and implementation of the new whistleblowing system in accordance with the provisions of Directive (EU) 2019/1937 as well as training for Parent Company employees. As regards the whistleblowing system, the activities focused on the analysis of segregation duties and data tracking, including data flows to the supervisory body, with associated anonymisation measures, removal of tracking data and updating of the main policies.

In relation to data protection as a governance process, the green light was given for training sessions focused on third parties, outsourcing contracts and cybersecurity, for the ICT Worldwide, Marketing, Indirect Procurement, Health & Safety, Legal and Internal Audit & Compliance departments.

Lastly, the assessment of the general level of data protection compliance of the subsidiaries was completed and the related improvement actions were planned.

### **Digital documents**

In accordance with the update to the guidelines on training, management and storage of digital documents issued by the Agency for Digital Italy, the company, with support from external consultants, first identified the relevant processes and, following an assessment stage that also looked at third parties, prepared a specific storage manual with related identification of the most adequate organisational model.

### **Internal Audit**

The plant making and steel making divisions each have an Internal Audit function, the purposes of which are:

- to assess the adequacy and efficiency of the systems, processes and procedures;
- to assess that the internal control and risk management system is functioning and adequate;
- to formulate recommendations based on the results of the works carried out in accordance with the audit plan defined and to verify their compliance.

The Internal Audit function also provides support and assistance to management, other control bodies and parties in the internal control and risk management system in order to guarantee the continuous improvement of governance processes in addition to a sound, consistent and correct management of the company with the set goals.

### **Regulation on related-party transactions**

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.

### **Metals Technology Initiative (MTI): anti-corruption initiative for the metals industry**

Danieli & C. Officine Meccaniche S.p.A. is part of the Metals Technology Initiative (MTI), a collective action initiative in the Metal Technologies sector coordinated by the Basel Institute on Governance and intended to maintain fair competition between the main operating competitors in the sector (SMS Group, Primetals Technologies and Tenova). The aim of participation in this initiative is to promote the adoption by all participants of standard internal rules to prevent corruption and other improper practices.

Danieli also adopted the Business Principles for Countering Bribery as its own transparency principles.

### **Environmental policy**

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

- clearly identified the roles, tasks and responsibilities of the management team involved in the management of the two main operating segments: Danieli Plant Making for the production of industrial machines and ABS Steel Making for the production of special steels
- defined the short, mid and long-term 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) the 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) external certification was carried out on the targets to reduce the Scope 1, Scope 2 and Scope 3 emissions of the Danieli Group in FY 19-20. These targets to reduce CO<sub>2</sub> emissions are science-based, namely they are approved by the Science-Based Targets initiative (SBTi), which is also affiliated with international entities and organisations such as the CDP (Carbon Disclosure Project) and the WWF. The targets envisage maintaining global warming at 1.5°C above pre-industrial levels by 2030. The Science-Based Targets initiative (SBTi) also envisages the Net-Zero Standard target by 2050. In any case, please refer to the dedicated paragraph in the section "Commitment to the Environment" for details.

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 CO<sub>2</sub> emissions. Of these innovative products, green steel guarantees less energy expenditure per tonne produced and rolled, thanks to the use of new technologies that reduce the related CO<sub>2</sub> 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. With specific reference to new technologies and being able to act directly on customer plants, it is estimated that the change in CO<sub>2</sub> per tonne of steel produced with traditional blast furnaces would drop from 2,000 to 350 kg if hydrogen-powered direct reduction (DRI) plants and new hybrid smelter systems (DIGIMELTERS) powered by renewable energies and developed by Danieli were used, with an 80% reduction in emissions.

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.

## PEOPLE

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.

In the 2021/2022 fiscal year, Danieli was officially recognised as a "Top Employer" in Italy by the Top Employers Institute.

This certification is the result of various months of analysis and verification by the Top Employers Institute, a global certifying body of corporate excellence in the context of HR.

The assessment looked at six HR macro areas within the entire spectrum of processes related to human resources.

The recognition is the result of Danieli's commitment to the creation of an innovative working environment, aimed at the promotion of personal and professional growth and recognition of merit and excellence.

"To be recognised as a Top Employer is a source of pride for all of us at Danieli. It is the result of the entire Team's commitment and it motivates us to strive even harder for improvement", confirmed Rolando Paolone, co-CEO of Danieli.



Founded more than 30 years ago, the Top Employers Institute has certified over 1857 companies in 123 countries/regions.

Through the Top Employers Institute's certification programme, the participant companies can be validated, certified and recognised as Employers of Choice.

Furthermore, in May 2022, the Danieli Board of Directors approved the Group's Gender Equality Plan (GEP) for the 2022-24 two-year period, which is the formalisation of the strategic actions intended to achieve gender equality, through a concrete commitment and implementation of well defined initiatives.

The approach of the Gender Equality Plan is based on concrete data and measurable objectives, intended to make the progress due to the initiatives implemented and monitored over time objective.

To date, Danieli has already launched the following activities:

- Endorsement of the Women's Empowerment Principles as part of the United Nations Global Compact;
- Monitoring of gender equality indicators within the non-financial statement
- Management of all processes related to human resources in terms of recognition of merit, regardless of other personal factors;
- Projects/actions intended to actively support gender equality: Danieli 0-13 Project, recruiting, communication on social media channels.

The Company also intends to implement the following activities:

- formalisation of the Plan by including new initiatives, with particular attention on communication and training;
- internal and external communication of Danieli's commitment;
- completion of the monitoring system.

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 steel production with zero CO2 emissions).

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	30/06/2022			30/06/2021		
	Male	Female	Total	Male	Female	Total
<b>Europe and Russia</b>						
Fixed-Term contracts	239	55	294	189	35	224
Permanent contracts	4,903	677	5,580	4,844	661	5,505
<b>Total</b>	<b>5,142</b>	<b>732</b>	<b>5,874</b>	<b>5,033</b>	<b>696</b>	<b>5,729</b>
<b>Middle East</b>						
Fixed-Term contracts	55	7	62	31	4	35
Permanent contracts	21		21	11	1	12
<b>Total</b>	<b>76</b>	<b>7</b>	<b>83</b>	<b>42</b>	<b>5</b>	<b>47</b>
<b>Americas</b>						
Fixed-Term contracts	37	3	40			0
Permanent contracts	131	25	156	108	16	124
<b>Total</b>	<b>168</b>	<b>28</b>	<b>196</b>	<b>108</b>	<b>16</b>	<b>124</b>
<b>South East Asia</b>						
Fixed-Term contracts	329	73	402	248	73	321
Permanent contracts	2,262	278	2,540	2,180	267	2,447
<b>Total</b>	<b>2,591</b>	<b>351</b>	<b>2,942</b>	<b>2,428</b>	<b>340</b>	<b>2,768</b>
<b>Total personnel</b>	<b>7,977</b>	<b>1,118</b>	<b>9,095</b>	<b>7,611</b>	<b>1,057</b>	<b>8,668</b>

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	30/06/2022			30/06/2021		
	Male	Female	Total	Male	Female	Total
Full time	7,930	1,049	8,979	7,591	1,000	8,591
Part time	47	69	116	20	57	77
<b>Total personnel</b>	<b>7,977</b>	<b>1,118</b>	<b>9,095</b>	<b>7,611</b>	<b>1,057</b>	<b>8,668</b>

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

GRI 401-1	30/06/2022					30/06/2021				
	Male	%	Female	%	Total	Male	%	Female	%	Total
<b>Europe and Russia</b>										
Under 30 years	346	43%	82	64%	428	229	32%	21	19%	250
30 - 50 years	289	10%	82	18%	371	151	5%	40	9%	191
Over 50 years	47	3%	14	9%	61	49	3%	6	4%	55
<b>Total</b>	<b>682</b>	<b>13%</b>	<b>178</b>	<b>24%</b>	<b>860</b>	<b>429</b>	<b>9%</b>	<b>67</b>	<b>10%</b>	<b>496</b>
<b>Middle East</b>										
Under 30 years	1	50%		0%	1		0%		0%	-
30 - 50 years	33	47%	1	14%	34	2	5%	-	0%	2
Over 50 years		0%		0%	-		0%		0%	-
<b>Total</b>	<b>34</b>	<b>45%</b>	<b>1</b>	<b>14%</b>	<b>35</b>	<b>2</b>	<b>5%</b>	<b>-</b>	<b>0%</b>	<b>2</b>
<b>Americas</b>										
Under 30 years	18	69%	5	63%	23	11	52%		0%	11
30 - 50 years	40	46%	6	46%	46	16	36%	1	11%	17
Over 50 years	14	25%	2	29%	16	8	19%	1	25%	9
<b>Total</b>	<b>72</b>	<b>43%</b>	<b>13</b>	<b>46%</b>	<b>85</b>	<b>35</b>	<b>32%</b>	<b>2</b>	<b>13%</b>	<b>37</b>
<b>South East Asia</b>										
Under 30 years	201	59%	39	55%	240	85	35%	13	24%	98
30 - 50 years	288	14%	29	11%	317	173	9%	39	14%	212
Over 50 years	5	2%	1	8%	6	7	4%	1	10%	8
<b>Total</b>	<b>494</b>	<b>19%</b>	<b>69</b>	<b>20%</b>	<b>563</b>	<b>265</b>	<b>11%</b>	<b>53</b>	<b>16%</b>	<b>318</b>
<b>Total</b>	<b>1,282</b>	<b>16%</b>	<b>261</b>	<b>23%</b>	<b>1,543</b>	<b>731</b>	<b>10%</b>	<b>122</b>	<b>12%</b>	<b>853</b>

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

30/06/2022						30/06/2021				
GRI 401-1	Male	%	Female	%	Total	Male	%	Female	%	Total
Europe and Russia										
Under 30 years	144	18%	38	30%	182	136	19%	23	21%	159
30 - 50 years	289	10%	80	18%	369	306	11%	68	16%	374
Over 50 years	145	10%	17	11%	162	196	13%	23	15%	219
Total	578	11%	135	18%	713	638	13%	114	16%	752
Middle East										
Under 30 years		0%		0%	-		0%		0%	-
30 - 50 years	9	13%	1	14%	10	14	38%	-	0%	14
Over 50 years		0%		0%	-	3	75%		0%	3
Total	9	12%	1	14%	10	17	40%	-	0%	17
Americas										
Under 30 years	4	15%	2	25%	6	5	24%	2	67%	7
30 - 50 years	14	16%	1	8%	15	8	18%	2	22%	10
Over 50 years	3	5%		0%	3	7	16%	4	100%	11
Total	21	13%	3	11%	24	20	19%	8	50%	28
South East Asia										
Under 30 years	65	19%	14	20%	79	94	39%	11	20%	105
30 - 50 years	257	13%	44	16%	301	243	12%	56	20%	299
Over 50 years	14	7%	1	8%	15	39	23%	5	50%	44
Total	336	13%	59	17%	395	376	15%	72	21%	448
Total	944	12%	198	18%	1,142	1,051	14%	194	18%	1,245

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

GRI 405-1		30/06/2022						30/06/2021					
Board of Directors	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%	
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
30 - 50 years	1	16.67%	1	25.00%	2	20.00%	1	20.00%	1	33.33%	2	25.00%	
Over 50 years	5	83.33%	3	75.00%	8	80.00%	4	80.00%	2	66.67%	6	75.00%	
Total	6	60.00%	4	40.00%	10	100.00%	5	62.50%	3	37.50%	8	100.00%	
Board of Statutory Auditors	Maschi		Femmine		Totale	%	Maschi		Femmine		Totale	%	
Under 30 years	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
30 - 50 years	1	50.00%	0	0.00%	1	33.33%	1	50.00%	0	0.00%	1	33.33%	
Over 50 years	1	50.00%	1	100.00%	2	66.67%	1	50.00%	1	100.00%	2	66.67%	
Total	2	66.67%	1	33.33%	3	100.00%	2	66.67%	1	33.33%	3	100.00%	

Note: the figures shown consider the chairperson and the standing auditors.

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

30/06/2022							30/06/2021						
GRI 405-1	Male	%	Female	%	Total	%	Male	%	Female	%	Total	%	
Apprentices	171	2%	29	3%	200	2%	138	2%	23	2%	161	2%	
Blue collars	2,779	35%	71	6%	2,850	32%	2,690	35%	55	5%	2,745	32%	
White collars/ Managers	4,833	61%	1,009	90%	5,842	64%	4,599	60%	968	92%	5,567	64%	
Executives	194	2%	9	1%	203	2%	184	2%	11	1%	195	2%	
Total personnel	7,977	88%	1,118	12%	9,095	100%	7,611	88%	1,057	12%	8,668	100%	

Age of Employees	30/06/2022						30/06/2021					
	Under 30 years	%	30 - 50 years	%	Over 50 years	%	Under 30 years	%	30 - 50 years	%	Over 50 years	%
<b>GRI 405-1</b>												
Apprentices	193	14%	7	0%		0%	158	14%	3	0%		0%
Blue collars	422	30%	1,685	29%	743	38%	375	33%	1,686	30%	678	36%
White collars and middle management	769	56%	3,994	69%	1,079	55%	607	53%	3,903	69%	1,067	57%
Executives		0%	77	1%	126	6%	1	0%	69	1%	121	6%
<b>Total personnel</b>	<b>1,384</b>	<b>15%</b>	<b>5,763</b>	<b>63%</b>	<b>1,948</b>	<b>21%</b>	<b>1,141</b>	<b>13%</b>	<b>5,661</b>	<b>65%</b>	<b>1,866</b>	<b>22%</b>

## 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 was suspended and will resume in 2023 if possible.

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, a company belonging to the Group, following the period in which tourism activities were severely constrained by the limitations imposed by the Covid-19 pandemic, once more offers 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:

- Invitations for employees and family members to concerts, shows and cultural events sponsored by the company;
- 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.

### Health care – Donation of new mobile blood bank to the Italian Blood Donors Association

Once administrative obligations have been fulfilled, and hopefully quickly, the vehicle funded by Danieli will be managed under a convention with the regional health service.



The new mobile blood bank is modern, high-tech and above all useful for improving blood donations. It was delivered to AFDS Udine in 2022 and, once administrative obligations have been fulfilled, can begin to operate in the region. The vehicle was tailor made by a specialist company in Somma Lombardo, not only on the basis of technical requirements that guarantee maximum safety when processing blood, but also by introducing the most recent technological innovations so that the vehicle can carry out its mission properly.



“When Covid-19 restrictions were harming blood collections at normal donation centres in Autumn 2020, it was clear to everyone the importance of being able to rely on a vehicle like the mobile blood bank”, said the president of AFDS.

“So Danieli came up with the idea of providing us with a second unit, an idea reinforced when the numbers confirmed that the mobile blood bank already in use had in the meantime become the second donation point in the province of Udine.

We also studied the best way to meet donors halfway, especially those in employment, who struggled to come to hospitals due to time constraints and the distance from their home. Essentially, we did not wait for the end of the pandemic, but we began to think about the future when it was not yet possible to predict when the pandemic would end”.

The idea was supported immediately by the Danieli Group, which in addition to financing the purchase and outfitting, also provided its technical experts. Just 18 months were needed to commission, design, construct and kit out the mobile blood bank, which is now waiting at a dealership in Pradamano for the definitive go ahead.

The other vehicle, in use for over twenty years, will continue to be operational following a service. In addition to the donation of the new mobile blood bank, Danieli employees continued to donate blood at the office entrance, a simple move in terms of logistics and time constraints.

## 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. In the 2021/2022 fiscal year there was a significant increase in the hours of safety training, because numerous courses were carried out for specific risks that could not be carried out via webinar during the pandemic, such as works on electric material, overhead cranes, etc. Furthermore, in order to preserve the highest number of current employees possible during the pandemic, a decision was made to relocate employees to different functions using internal mobility rather than terminating employment contracts. The role change required more courses for the specific skills required in their new field of work.

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.

As early as December 2019, ABS S.p.A. received the Fire Prevention Certificate of the Cagnacco 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 and 2021/2022, 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.

During 2022 and in line with the law, in order to ensure the most effective and efficient verification of Covid-19 green passes in the workplace, the Company monitored workplace access using a specific function provided by the Italian Ministry of Health on the INPS portal ("GreenPass50+") pursuant to Article 9-*quinquies* and 9-*septies* of Italian Decree Law no. 52 of April 22, 2021, converted with amendments by Law no. 87 of June 17, 2021.

With the reopening of the production sites, we continued to pursue a very prudent approach in 2020, 2021 and 2022, as was already done in the period immediately prior to closing, by checking the temperature of 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 were used, only making minimal use of the ordinary redundancy fund when deemed necessary.

Overall, in a population of almost 9,000 employees, the cases of Covid-19 infection were limited; during the 2021/2022 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, 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. The Danieli Group also used smart working with similar methods during the 2021/2022 financial year, where it proved to be a valid tool to combat the various waves of Covid-19. The workers of the Danieli Group spent 9% of their time during FY2021/2022 working remotely, mainly during winter. Furthermore, the tool was used according to laws and where legislation allowed to reconcile the personal, family and health needs of Danieli employees.

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.

As mentioned, the following companies have an occupational health and safety management system certified by international standard ISO 45001: the Parent Company and Danieli Germany GmbH achieved the transition from OHSAS 18001 certification to ISO 45001 certification in the 2019-20 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) achieved it in the 2020-21 financial year and Danieli Centro Combustion S.p.A. and Danieli Systec Engineering d.o.o. Smederevo achieved ISO 45001 in 2021/2022, replacing the old OHSAS 18001, no longer in use.

The company approach to the prevention of accidents and injuries achieved positive results on average over the years, with only one serious employee accident during the 2021/2022 period which was ultimately resolved and the colleague involved returned to work as normal.

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 2021/2022 Fiscal Year, training activities on safety were carried out totalling approximately 46,015 hours. The increase between 2020/2021 and 2021/2022 is due to the following factors: resumed in-person training courses previously postponed due to Covid-19, with reference to courses that were impossible to carry out remotely (working at height, electric materials)

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.

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 indexes<sup>2</sup>

Work-related injuries - Employees	30/06/2022	30/06/2021
<b>GRI 403-9</b>		
Number of recordable work-related injuries	79	98
of which:		
Total High consequence work related injuries (>180 dd	1	-
Total Work-related fatalities	-	-
Total worked hours by employees (number)	15,063,071	15,842,147
<b>Rate of recordable work-related injuries</b>	<b>5.24</b>	<b>6.19</b>
<b>Rate of high-consequence work-related injuries</b>	<b>0.07</b>	<b>0.00</b>
<b>Rate of fatalities as a result of work-related injuries</b>	<b>0.00</b>	<b>0.00</b>

<sup>2</sup>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. In the table on injuries in the workplace of external workers, the rates of injuries in the workplace with serious consequences and death due to work are not calculated because the data for the hours worked by this category of workers is not available, since the Group has no direct control over the data provided by the employers of these workers, who are not employed by the Group.

<b>Main types of work-related injuries Employees</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
<b>GRI 403-9</b>		
Bruises and lacerations	41	42
Sprains and fractures	24	14
Muscle strains and joint pains	3	28
Others (loss of consciousness, burn, fume inhalation)	11	14
<b>Total Main types of work-related injuries Employees</b>	<b>79</b>	<b>98</b>

<b>Work related injuries - External workers</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
<b>GRI 403-9</b>		
Number of recordable work-related injuries	23	9
of which:		
Total High consequence work-related injuries ( >180dd	1	
Total Work-related fatalities -Externals		

<b>Main types of work-related injuries Externals</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
<b>GRI 403-9</b>		
Bruises and lacerations	16	6
Sprains and fractures	2	1
Muscle strains and joint pains	2	2
Others (loss of consciousness, burn, fume inhalation)	3	
<b>Total Main types of work-related injuries Externals</b>	<b>23</b>	<b>9</b>

The external serious injury involved a contractor, who is not an employee of the Group but whose place of work is controlled by the organisation, and is attributable to a fracture.

## 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 2021/2022, 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 equally determined to contribute to the creation of new development opportunities, with particular reference to technology and employment. In this context, it actively collaborates with the main universities and education bodies of reference by sponsoring innovation projects and offering concrete guidelines to help young people as they venture into the world of work for the first time.

Training by category	30/06/2022		30/06/2021	
	Male	Female	Male	Female
<b>GRI 404-1</b>				
Average hours of apprentice training	86	45	80	50
Average hours of blue-collar training	13	6	12	23
Average hours of staff training	15	12	13	11
Average hours of manager training	25	20	11	12

The refresher and training courses for employees (2,366 courses equal to about 144,840 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. As mentioned, the increase in safety training hours is linked to more courses for specific risks that could be carried out in person post-pandemic.

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 was 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:

1. frontal lessons;
2. organising guided tours in the company;
3. taking part in vocational meetings aimed at student work placement;
4. 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 various classes totalling over 100 students. Furthermore, Danieli is about to invest in redeveloping the areas of the former Dormisch factory in the heart of Udine in order to build a new multi-functional centre open to the local community and younger generations. It will act as a bridge and a point of connection between the historic centre of the city and the new study centre and will be home to the ITS Malignani, alongside a restaurant/bar, an auditorium, a library and various laboratories also open to local businesses as a driver of innovation and research. This investment will provide a strong boost to urban rebirth and regeneration and has been strongly promoted by the chairperson of the Danieli Group, Gianpietro Benedetti, who initially trained at the Malignani technical institute. He now holds an internationally important role. The plan for the rebirth of the Dormisch area therefore represents a strong driver of hope and innovation that will positively influence the Friuli community in a wider sense, from the public with schools and universities, to the private sector and business people, with the aim of innovative and sustainable development. The buildings will be powered by hydroelectric energy recovered from an adjacent waterway using a turbine. The aim is to recover and develop the turbine to make the entire complex independent. Danieli will convert the area into a hub designed for young people, where there will be space for ITS Malignani. Nevertheless, it will be a

space open to the city. Inside, there will be a restaurant, an auditorium, a library and laboratories, one of which open to companies that strive for innovation and research.

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:

1. a highly specialised career, within a multinational context;
2. guarantee of recruitment at the end of the training and work placement course;
3. a remuneration aligned with that of the personnel of the same level from the beginning of the training course;
4. 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. A weekly report is also provided with the Covid-19 cases reported, divided by each company of the Group, each country and region, to inform employees about the spread of Covid-19 in the nearby area, so that they can organise and conduct themselves in such a way as to lower the risk of infection, inside and outside of work.

In 2021/2022, the Danieli web portal was also supplemented with a News section with information about various and interesting items of news, used not only for the spread of Covid-19 but also the weather, climate alerts or real-time traffic conditions on neighbouring roads.

### **IT Security**

Particular attention was paid by the company to protection from cyber risks. In the 2021/2022 fiscal year it launched a programme of initiatives with the aim of continuous improvement, including:

5. security assessments by an external consulting company on the existing architecture, intended to verify the state of the art of the company's security services and confirm any improvement plans;
6. systematic training for personnel hired at all integrated companies of the Group through a multimedia platform and targeted workshops for those in charge of cyber risk;
7. workshops dedicated to increased business management awareness around cybersecurity risks;
8. review of the BIA (Business Impact Analysis) document, qualifying and categorising the IT services of the company based on the Business Impact Reference Table (BIRT) Matrix;
9. creation and maintenance of operating procedures in response to the most common security incidents to ensure their correct management;
10. simulation of external attacks to assess the security procedures and reaction capacity of the company's IT service (so-called “red team activities”);
11. introduction of improved technological services for protection from external threats (identity governance, network access control, next-generation antivirus and vulnerability management).

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.

Danieli adopts measures to ensure the protection of the personal data collected and archived. Danieli's Information Communication Technology (ICT) function manages IT security centrally with a dedicated team. In the 2021/2022 fiscal year, no data leaks, thefts or losses were recorded, therefore the Group did not receive any substantiated complaints concerning breaches of customer privacy and losses of customer data.

## **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;
- GHG emission reduction
- 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 200 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 Danieli Research Centre operates in Italy with 85 people employed directly at the new structure opened in 2017, serving the machinery and plant sector. Since 2021, this site has also included the new Dan Green division, with five R&D employees dedicated specifically to green sustainability topics from an engineering, systems, and technology standpoint. Furthermore, an ABS Research Centre is operational in Metz, France with around 15 employees in the steel sector, to offer customers new alloys for industrial applications. Globally, research activities are carried out within the Group by another 35 employees in the various product lines, giving a total of 140 people dedicated to R&D, equal to 1.5% of the Group's total employees, a sign of strong commitment to this issue. One example is in the UK, where the company Innoval Technology Ltd. operates with its own laboratories. It offers innovative solutions to customers operating in the aluminium sector. 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.

As mentioned, Danieli also defined science-based targets to reduce long-term emissions by 2050, approved by the SBTi, in line with the Net-Zero Standard. The objective is to abate direct and indirect greenhouse gas emissions and those deriving from the value chain, guaranteeing an active contribution for the green conversion of the steel industry, in particular by offering technological solutions for green steel production to its customers. The demand for a concrete and urgent response to climate change represents an opportunity, in part thanks to the Danieli green plants, to invert and slow the trend of gradual global warming over time. Recent climate science studies by the IPCC (Intergovernmental Panel on Climate Change) show that it is still possible to limit the temperature increase to 1.5°C compared to pre-industrial levels, but that we are close to the point of no return.

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.

Moreover, 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 CO<sub>2</sub> 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 and 2021/2022 financial years, albeit operational and functioning, the plant did not work for 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. Therefore, by recovering the heat generated from steel processing, it will be possible to heat surrounding factories and avoid the consumption of methane gas. Renewable heat with district heating offers clear benefits: low or even zero CO2 emissions.

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 was successfully completed in 2021/2022, guaranteeing a useful map to optimise the company's energy consumption.

The Group's energy consumption is presented below:

Energy	30/06/2022	30/06/2021
<b>GRI 302-1</b>		
<b>Energy consumption by type of fuel and process</b>		
<b>LPG (GJ)</b>		
By production process (GJ)	13,199	11,137
<b>Methane Gas (GJ)</b>		
By production process (GJ)	3,096,721	3,364,096
<b>Industrial carbon (GJ)</b>		
By production process (GJ)	686,738	720,435
<b>Diesel (GJ)</b>		
For non-production process (GJ)	15,282	11,755
<b>Petrol and other fuels (GJ)</b>		
For company cars (owned and rented) (GJ)	21,091	16,075
<b>Electricity consumed (GJ), of which</b>	4,204,907	3,818,234
<b>Electricity purchased from the grid (GJ)</b>	4,173,959	3,806,573
<b>Internally produced and self-consumed electricity (GJ), of which</b>	30,948	11,661
produced by photovoltaic plant (GJ)	31,301	11,661
produced by an ORC (Organic Rankine Cycle) (GJ)	0	0
<b>Total energy consumption (GJ)</b>	<b>8,037,939</b>	<b>7,941,731</b>

The conversion factors used are taken from the document “UK Government – GHG Conversion Factors for Company Reporting 2022”. 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. Note that the figure relating to industrial coal consumption has been supplemented. Industrial coal is used as an additive in the production processes and therefore represents an energy carrier; these values were reported in line with the new format of compulsory diagnoses required for steelworks by Italian Legislative Decree no.102/2014, which was amended following a round table led by Federacciai. Furthermore, ABS S.p.A. and ABS Sisak included it in the list of energy carriers that are monitored as part of the ISO 50001 Energy Management certification.

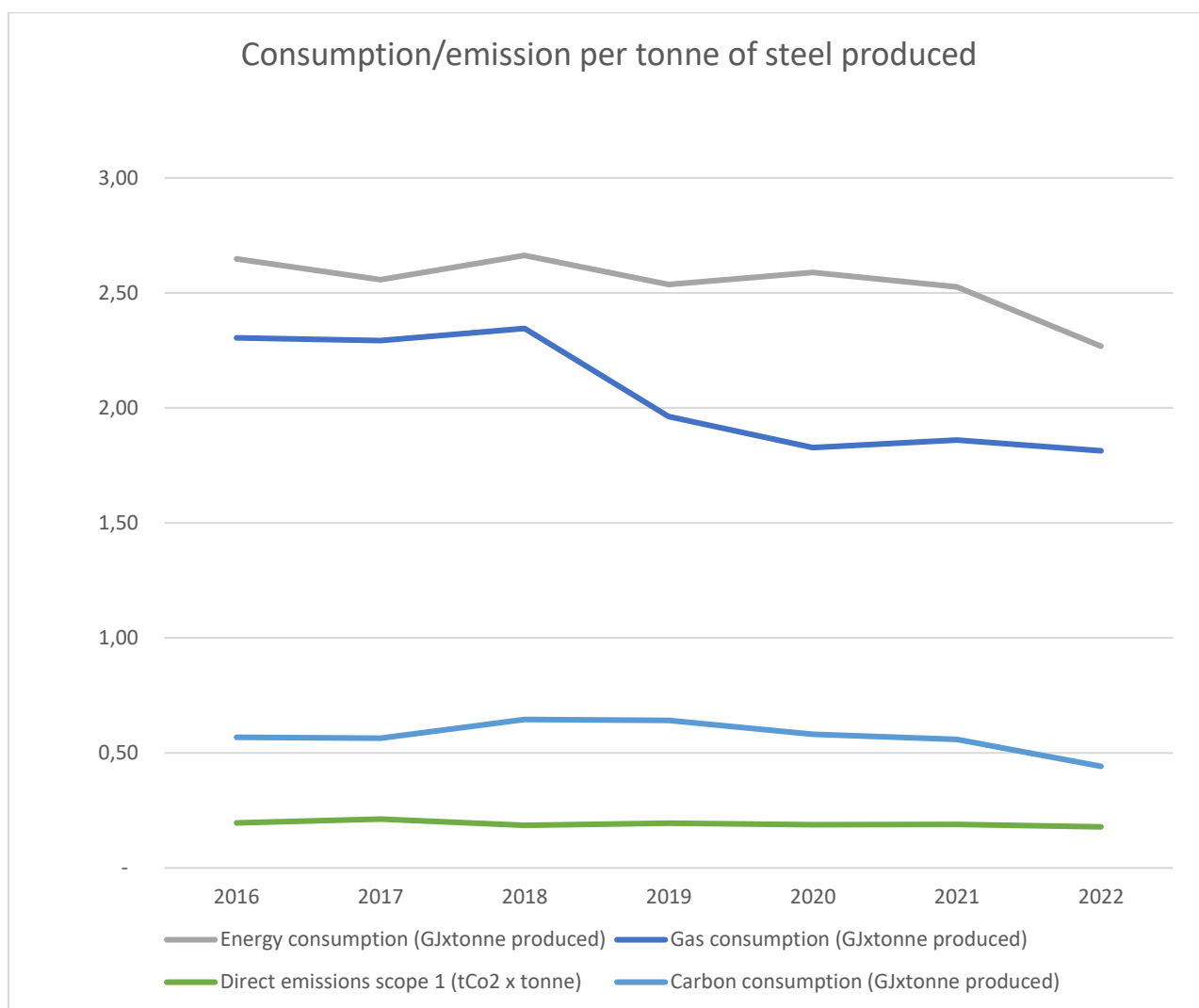
Note that with reference to electricity purchased from the network, 84% (86% in the previous year) of it comes from a supplier that declares that its energy mix used for the production of electricity sold is about 38% from renewable sources (data referring to 2020, latest available).

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 has slightly increased in absolute terms, mainly due to higher production in the steel making sector, though thanks to actions to lower consumption, it decreased in relative terms when considered per tonne of steel produced (as indicated in the following graph).

The launch of the new wire rod mill at ABS S.p.A. led to a decrease in overall gas consumption by the company during the year and a decrease in unit consumption per tonne of steel produced thanks to the greater efficiency associated with the increase of around 20% in total production.

Specific electrical consumption on the other hand decreased significantly thanks to the high load of the steelworks and the efficiency measures on systems and management.



Note: Please note that the graph refers to the Steel Making sector and that the data source is an internal report comparing energy consumption and emissions to tonnes produced. The time series shows the data of tonnes produced understood as tonnes laminated with steel production processes.

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 four years. Furthermore, the figures updated to the 2021/2022 fiscal year include the Sisak information, which previously did not produce at the sustained levels of 2021/2022. Sisak uses a Digimelter powered by Q-ONE which allowed for a decrease in gas and electricity consumed per tonne produced. The effect can be seen in the decline of the curves in the graph. 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)	30/06/2022	30/06/2021
<b>GRI 303-3</b>		
Water withdrawal surface water (ML)	375	283
Water withdrawal groundwater (ML)	1,534	1,389
Water withdrawal third-party water (ML)	393	332
<b>Total water utilisation</b>	<b>2,302</b>	<b>2,003</b>

Note: Data partly estimated, using criteria that can provide as accurate and exhaustive a representation as possible.

The water resources used are almost entirely fresh water. With reference to water withdrawals in areas subject to water stress, the Group uses the Aqueduct Tool developed by the World Resources Institute<sup>3</sup> to identify areas potentially at risk. According to this analysis, no production plant is located in water-stressed areas. Water withdrawals mainly pertain to the steel making sector, primarily ABS S.p.A. with fresh water withdrawal from underground waters. Water withdrawals from surface water sources mainly refer to the company ABS Sisak d.o.o. The 2020/2021 and 2021/2022 fiscal years were characterised by a gradual increase linked to the gradual recovery in production of ABS Sisak d.o.o. following the market crisis associated with Covid-19. Therefore, water withdrawals from underground water sources by ABS S.p.A. show an increase resulting from higher production post-pandemic. At ABS S.p.A., water is mainly withdrawn for make-up of the tanks for the industrial cooling circuits. All the withdrawal points converge in the loop system. Wastewater discharges are authorised in the AIA (Integrated Environmental Authorisation, Italian Decree 4918/2020) and are subject to limits and provisions which ABS S.p.A. controls periodically in order to guarantee compliance. All discharges meet the effluent limits envisaged by Annex B of Italian Decree 4918 and the controls follow the indications of the monitoring and control plan contained in Annex C to the same Decree. At ABS Sisak d.o.o., water withdrawals are taken from the Sava river in full compliance with the regulations and authorisations. After treating the water resource used in the process, it is discharged back into the river following processing at a cleaning station to remove any grease/oil. ABS Sisak d.o.o. is authorised to operate in this sense; it has never received any complaints and is in compliance with the regulations. Furthermore, water quality tests are carried out regularly at an external certified laboratory.

On the other hand, in the plant making sector, a saving was made in water withdrawals for around -7% by Danieli & C. Officine Meccaniche S.p.A. Furthermore, in Asia, specifically at the main companies Danieli Co. Ltd. and Danieli Changsu Metallurgical Equipment & Services Co., there is standardised water management in full respect of local legislation in place in terms of usage and effluents. Lastly, at the Parent Company Danieli & C. Officine Meccaniche S.p.A., the water resources (from third parties) are exclusively for civil use (toilet facilities, showers, company canteen) and consumption is accounted for using dedicated internal use meters for each building, while in production there are small closed-circuit cooling systems (with towers for cooling, heat treatments and chillers for office air conditioning). There is a purification system provided for the treatment of urban water; as often as indicated in the discharge authorisation from the FVG region, analyses are carried out on the legal parameters of the incoming and outgoing water.

Data relating to the Group's atmospheric emissions are shown below:

<sup>3</sup> 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.

<b>Greenhouse gas emissions into the atmosphere</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
<b>GRI 305-1</b>		
Scope 1 CO2 direct emissions tCO2e	285,694	294,061
<b>GRI 305-2</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
Location-based Scope 2 CO2 indirect emissions tCO2	368,436	356,428
Market based Scope 2 CO2 indirect emissions tCO2	520,394	473,683

The emission factors used for calculating direct CO2 emissions - Scope 1 are taken from the document "UK Government - GHG Conversion Factors for Company Reporting 2022", 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 2019), and the residual mixes for Market-based Scope 2 indirect emissions (AIB 22, European Residual Mixes 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. Note that the consolidation approach to emissions for Scope 1 and Scope 2 is the operational control.

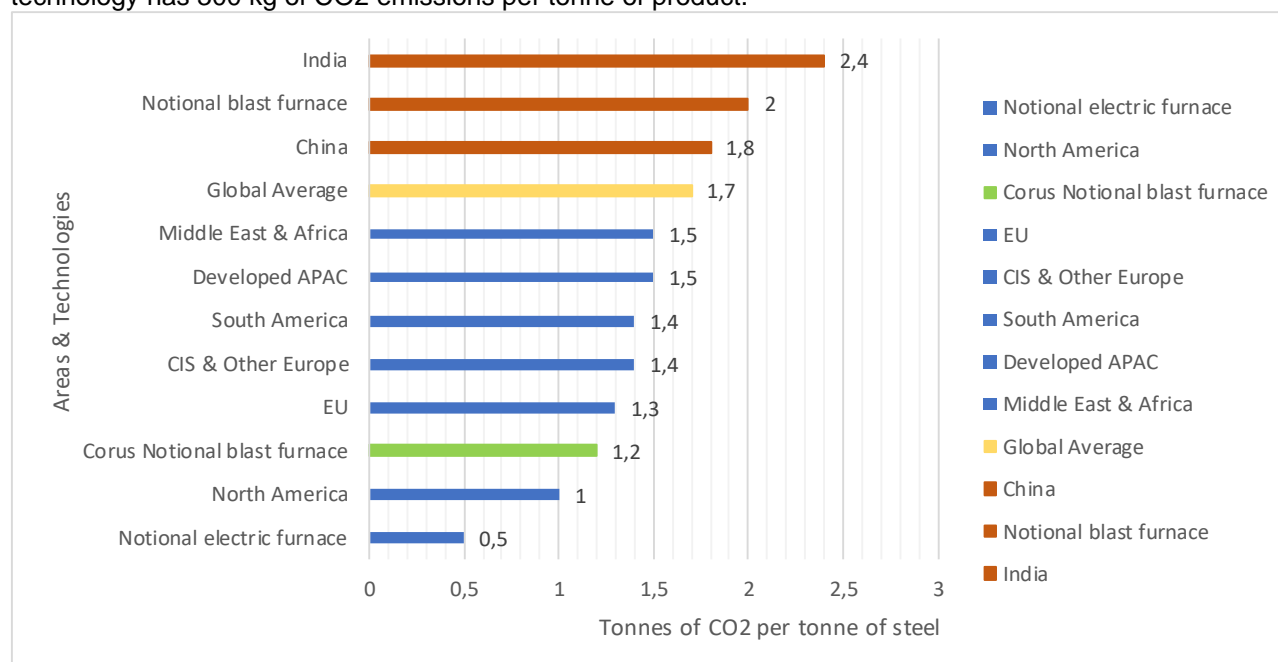
Indirect Scope 3 emissions are counted using the Quantis method, except for CO2 values related to steel production on an annual basis from plants commissioned in the year for use by our customers, specifically counted according to the technologies applied and the production factors used.

Emissions relating to plants sold covered about 88% 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.). In the 2020/2021 financial year, plants were delivered with a theoretical annual production of around 32.5 million tonnes and an average CO2 emissions ratio of around 500 Kg per tonne. In 2021/2022 there was a theoretical annual production of around 17 million tonnes with an average CO2 emissions ratio of around 43Kg per tonne.

<b>Greenhouse gas emissions into the atmosphere</b>	<b>30/06/2022</b>	<b>30/06/2021</b>
<b>GRI 305-3</b>		
Purchased goods and services	1,634,150	1,455,493
Capital goods	63,476	157,838
Fuel and Energy-Related activities not included in Scope 1 or Scope 2	140,385	144,801
Upstream transport	271,206	213,633
Waste generated in operations	24,398	17,253
Business travel	22,922	17,343
Employee commuting	12,750	12,750
Upstream leased assets	62,766	45,398
Downstream transport	79,407	68,066
Use of sold products	16,986,426	304,001,423
EoL of sold products (intermediate product if relevant)	79,941	73,607
Scope 3 CO2 indirect emissions tCO2	19,377,826	306,207,605

The increase in Scope 3 values for 2020/2021 was 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 t CO2/tonne, providing a reduction in the range of 40-50% compared to similar plants in the geographical areas concerned.

The following graph shows the t CO<sub>2</sub> e emissions per tonne of steel produced, by geographical area and by type of plant, in the form of blast furnace or electric arc furnace. In addition, note that the Danieli Digimelter technology has 300 kg of CO<sub>2</sub> emissions per tonne of product.



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

Other pollutant emissions into the atmosphere	30/06/2022	30/06/2021
<b>GRI 305-7</b>		
NOx Nitrogen oxide (t)	439	486
SOx Sulphur oxide (t)	0	0
Dust (t)	25	10
CO (t)	1,408	1,283
Dioxin and furans (PCDD/F) (g)	0	0

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

It can be seen that 95% of energy consumption, 89% of water utilisation and 96% of direct CO<sub>2</sub> - 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:

#### ***B) environmental sustainability***

- reduction of Greenhouse Gas Emissions (GHG);
- reduction of energy consumption;
- efficiency in production;
- environmental protection;

#### ***C) social sustainability***

- safety in production;
- development and training of human capital;

D) 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, an example of circular economy. 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 CO<sub>2</sub> per year.

During the 2021/2022 financial year, measures continued to be 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, production of Ecogravel continued, using the new cooling area built in 2020 with even better mechanical characteristics of the product (EC certified) which, in terms of the circular economy, is an excellent substitute for quarry materials used for roadbeds and/or bituminous conglomerates.

The Parent Company also participated 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. It joins the 19% of companies that achieved Leadership level in the Activity Group, by implementing best practices.



# CDP SCORE REPORT - CLIMATE CHANGE 2021

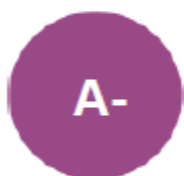


**Danieli & C Officine Meccaniche S.p.A.**

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

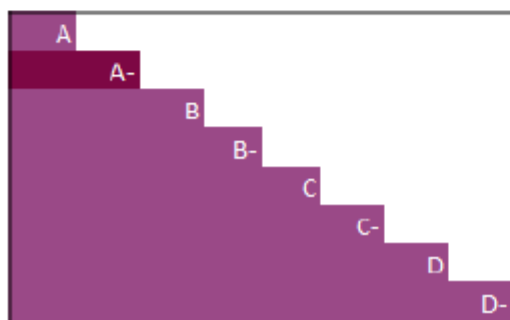


Europe



Global Average

## UNDERSTANDING YOUR SCORE REPORT



Danieli & C Officine Meccaniche S.p.A. received a 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 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*

In 2021, the Parent Company was in an excellent position in the international rankings of the sector, better than the European and world average. This target 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 2021, Danieli also obtained the A rating for “Supplier Engagement”, resulting in a significantly better leadership position than the sector and geographical area average, compared to the Europe and the rest of the world.

# CDP SUPPLIER ENGAGEMENT RATING REPORT 2021



**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**

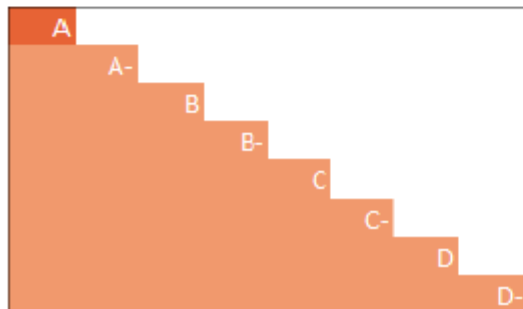


**Europe**



**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. Note that while the Scope 1+2 target refers to absolute targets, in absolute value overall, the Scope 3 target is an intensity target, i.e. related to the dollar value added metric. The calculation method is based on the Quantis standard affiliated with the GHG Protocol.

In 2021/2022, the Scope 1 and Scope 2 targets were also certified to obtain alignment with the more challenging trajectory of 1.5°C compared to pre-industrial levels in a short-term period by 2030. The reduction target is 55% by 2030 for Scope 1 and 2.

Danieli also achieved certification of the targets to reduce long-term emissions by 2050 based on the Net-Zero Standard. These are science-based targets that aim for the reduction of Scope 1, Scope 2 and Scope 3 emissions. The reduction target is 97% by 2050 for Scope 1 and 2 and 93% by 2050 for Scope 3, respectively. The baseline for the targets is the 2020/2021 fiscal year.

Danieli was the very first Group to achieve this, a sign of its strong commitment to the pursuit of targets to limit global warming, the cause of increased temperatures, natural disasters and resulting economic damage.



## SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## THE NET ZERO STANDARD

APPROVED NET-ZERO TARGETS

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. The most recent science-based targets approved by the SBTi are shown below:

### **Overall net-zero target**

*The Danieli Group is committed to achieving net-zero GHG emissions along the value chain by fiscal year 2050.*

### **Near-term targets**

*The Danieli Group is committed to reducing absolute Scope 1 and 2 GHG emissions by 55% before the 2030 fiscal year, compared to the baseline of 2017. The Danieli Group is also committed to reducing Scope 3 greenhouse gas by 62% per dollar added value by the 2030 fiscal year compared to the baseline of 2021.*

### **Long-term targets**

*The Danieli Group is committed to reducing absolute Scope 1 and 2 GHG emissions by 93% before the 2050 fiscal year, compared to the baseline of 2017. The Danieli Group is also committed to reducing absolute Scope 3 GHG emissions by 97% per dollar added value before the 2050 fiscal year, compared to the baseline of the 2021 fiscal year.*

The Science-Based Targets initiative (SBTi) is a global partnership between the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute (WRI) and the WWF which aims to translate an objective to limit global warming into a science-based target to reduce emissions. Its call to action is one of the commitments of the We Mean Business Coalition. The We Mean Business Coalition is a global non-profit organisation that works with the most important and influential businesses to fight climate change. Danieli is proud to have obtained from SBTi the independent validation of its net-zero targets and encourages its business partners to start their own journey with SBTi. Note also that the target to reduce Scope 3 CO<sub>2</sub> emissions has been calculated using an analytical verification of the emissions of the plants sold during the period with a certified calculation based on ISAE3410 certification achieved in July 2021. This is a significant step towards awareness, follow-up and improvement of performance with the objective of providing solutions to help the ecological conversion of the steel sector, confirming the competitive edge of the Danieli Group, recognised for its years and years of R&D, technological development and patents in this field.

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.

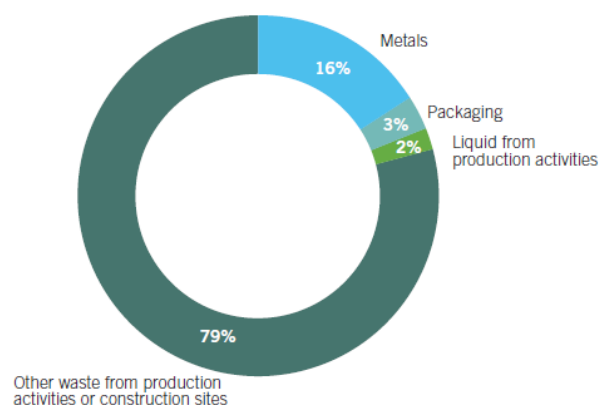
Furthermore, the waste collection and treatment activities are carried out by qualified third-party suppliers in accordance with the local directives of each state in which the Group operates.

The waste generated by the Group is mainly formed of:

- metals
- packaging
- waste from production activities or construction sites.

The following diagram shows the main types of waste produced by the Group as at June 30, 2022:

GRI 306-3 Waste generated by material



Waste (t)	30/06/2022		30/06/2021	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous
<b>GRI 306-2</b>				
Reuse	1,070		122	1,177
Recycling	24,114	60,990	22,176	58,085
Landfill	12,658	56,389	5,050	27,659
Incineration	478	139	148	58
Recovery	5	155	935	606
On-site storage	0	0	449	44
Other	1,371	122	9,737	7,250
<b>Tons of waste production</b>	<b>39,695</b>	<b>117,795</b>	<b>38,617</b>	<b>94,879</b>

This Non-Financial Statement reports the data relating to waste using the new GRI 306 Standard, published by the Global Reporting Initiative (GRI) in 2020, with sole reference to the reporting year 2021/2022, since it was not possible to collect the data relating to FY 20-21 quickly enough. The comparable data from the previous financial year have been shown according to the methodology envisaged by the GRI 306 (2016) indicator and compared with the data relating to FY 21-22.

The following tables show the FY21-22 data according to the new GRI 306, with the separation between on and off premises and separation between sent for recovery and disposal:

<b>Waste (t)</b>	<b>30/06/2022</b>	
<b>GRI 306-4 Waste to recovery</b>	<b>Onsite</b>	<b>Offsite</b>
<b><i>Hazardous</i></b>		
Reuse	15.06	1,055.00
Recycling	821.76	23,357.01
On-site storage		
Other recovery operations		17.85
<b>Hazardous Waste directed to recovery operation (t)</b>	<b>836.82</b>	<b>24,429.86</b>
<b><i>Non-hazardous</i></b>		
Reuse		1,100.00
Recycling	7,047.06	58,764.44
On-site storage		
Other recovery operations	2.80	8.02
<b>Non-hazardous Waste directed to recovery operation (t)</b>	<b>7,049.86</b>	<b>59,872.46</b>
<b>Waste directed to recovery operation (t)</b>	<b>7,886.68</b>	<b>84,302.32</b>
<b>Waste (t)</b>	<b>30/06/2022</b>	
<b>GRI 306-5 Waste to disposal</b>	<b>Onsite</b>	<b>Offsite</b>
<b><i>Hazardous</i></b>		
Incineration		1,643.52
Landfill	75.41	12,551.87
Other disposal operations		1,535.41
<b>Hazardous Waste directed to disposal operation (t)</b>	<b>75.41</b>	<b>15,730.80</b>
<b><i>Non-hazardous</i></b>		
Incineration		834.62
Landfill	246.87	56,146.30
Other disposal operations		288.88
<b>Non-hazardous Waste directed to disposal operation (t)</b>	<b>246.87</b>	<b>57,269.80</b>
<b>Waste directed to disposal operation (t)</b>	<b>322.28</b>	<b>73,000.59</b>

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 company ABS S.p.A. and the entire Steel Making sector are the Group's most impactful companies in terms of raw material consumption, as a result of the nature of the business. 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	30/06/2022	30/06/2021
Gases used in the production process (m3/000)	69,908	86,241
Materials used in production process (t)	449,077	313,336
Scrap and ferrous materials used in the production process (t)	1,636,751	1,526,829

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

## Sustainable projects

### Plastic Free Water

Danieli has implemented a project to remove plastic bottles by replacing the water bottles provided daily to employees with reusable aluminium bottles. Free still and sparkling water dispensers were installed and are available at all times, with dry residue monitoring. This helps the environment and employee health and makes savings on the transport costs of thousands of plastic bottles. The pilot project was developed at D&C.

### Solar energy

Danieli continues development projects for the installation of solar panels. Danieli uses solar energy where possible to power its offices and buildings in order to reduce its reliance on the grid.

There are two main benefits to solar energy:

- a) lower electricity bills (invoices receivable). Sunlight is free, so once the initial installation is paid, electricity costs will be reduced. The payback period for the solar panels installed is around 10 years.
- b) reducing our carbon footprint. Solar electricity is a renewable energy with low carbon emissions. Solar panels were installed above the main production sites in the Plant Making segment in Italy, China and Thailand. They were also installed above the schools and the hotel of the Danieli Group.

### Electric vehicles & company charging points

The use of electric vehicles for short-distance services is promoted and electric vehicle charging points have been installed on company premises. The company also has solar panels to meet energy requirements.

The electricity can be used to power all electric vehicles. These vehicles can be charged by taking electricity directly from the grid and from other external sources of electricity. The use of electricity to power vehicles can have significant benefits in terms of energy security and emissions. The emissions of the life cycle of an electric vehicle depend on the sources of electricity used to charge it. In areas that use relatively clean sources of energy for electricity production (e.g. solar panels), electric vehicles generally have an advantage in terms of life cycle emissions compared to similar conventional vehicles powered by petrol or diesel. Danieli has installed electric vehicle charging points in the car park, which removes the issue of waiting times because charging takes place during working hours. The pilot project was developed at D&C.

### Don't Do List – Employee Empowerment

Teams are formed periodically for specific issues (Tidiness and Cleanliness, Clean Desk, Energy Saving, Be Safe (ICT), etc..) and act as ambassadors for environmental sustainability and corporate social responsibility initiatives. As a result, a policy of awareness and employee empowerment is distributed so that employees can proactively contribute to reducing indirect CO2 emissions by behaving more responsibly and sustainably. Some examples of Don't Do behaviours include:

- leaving the lights on all day;
- leaving the tap running;
- treating all waste the same;
- using multiple paper towels to dry your hands;
- printing emails.

We inform, educate, empower, mobilise and act so that all colleagues can become visionary enablers of sustainable change and positive environmental and social impact.

We inform and educate with the passion to “change the world”. We support environmentally sustainable and socially responsible decisions, practices and actions. We look at facts, promote ethics and assess the office and industrial environment by investigating impact and sharing practices and solutions.

---

We believe that an informed mentality and a conscious and thoughtful perspective are fundamental. We collaborate and create connections between colleagues so that they can consciously choose “connected” products and services relating to the environment. We also provide colleagues with the knowledge, resources and tutoring to lead change on the Danieli campuses and as a result in the local communities and area. This challenge and invitation to action will change the company mentality that resources are infinite and require no management.

The “Green Challenge” plastic free project aims to inform, inspire and mobilise all colleagues of the Danieli Group in Italy on the following topics:

- Energy efficiency;
- Use of renewable energies;
- Tidiness;
- Cleanliness;
- Sense of citizenship;
- Ethics.

The project is advertised on the Synapse intranet and involves the Group. Nevertheless, spot checks are carried out at the head offices for example the application of thermostats in rooms to identify wasteful energy use and to recalibrate radiators.

---

### **Other campaigns**

Also in this FY, all the campaigns that involved giving goods or services to collaborators were carefully designed to have an extremely low impact on the environment. For example, the “Christmas Gift”:

- all levels of “packaging”, from primary to tertiary, were designed and made to be recycled or reusable;
- “zero kilometre” products from local companies;
- assembled internally, “zero transfers”;
- distributed with 90% internal resources (excluding only transfers to subsidiaries not in the FVG region), “zero sub-contracting”;
- and lastly, all waste materials or uncollected gifts were donated to charities in the FVG region.

All the campaigns that involved delivery of PPE associated with the Covid-19 pandemic were designed to prevent impact on the environment and to help local charities. For example, masks, gloves, etc.:

- Products with formal defects (e.g. missing stamp, damaged packaging, etc.) were not returned (lorry, bureaucracy, etc.) but donated to charities in the FVG region;
- New products with an imminent expiry date were not thrown away but donated to charities in the FVG region.

These initiatives took place at the head offices.

---



---

## CO2 offsetting

---

In cooperation with

**LUFTHANSA GROUP**



Danieli is part of the Lufthansa Group's project to promote the purchase of environmentally sustainable fuel for flights. The project, followed by myclimate protection, follows rigorous standards such as CDM, Gold Standard and Plan

Vivo.

In 2021/2022, offsetting was recorded for flights between November 2021 and April 2022 which, given the pandemic, was limited to 25 tCO<sub>2</sub>. However, with resumed travel and international trips following the normalisation of the pandemic, it is expected that this project promoted by Lufthansa in affiliation with myclimate will lead to more significant results in the upcoming years. Myclimate is a leading organisation in consulting for emissions offsetting.

This initiative involves the entire Group because Danieli has a dedicated company called Turismo 85 for central management of all air travel by employees.

---

## SUPPLY CHAIN and LOGISTICS

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 around 3,500 consolidated suppliers for around 500 customers.

Suppliers are subject to pre-qualification to verify their technical capacities, financial stability and integrity.

The Parent Company and the main companies that manage production sites have implemented a specific procedure to guarantee that all suppliers have read the Code of Ethics, which includes the Danieli Group's sustainability topics.

The procedure is implemented within a platform. Within the platform, mapping is carried out for new suppliers and for active ones that accessed the platform after June 4, 2022. Therefore, there is 100% mapping for new and active suppliers in the platform. Those that are not currently in the platform will be migrated over. As things stand, there are 13 thousand main suppliers uploaded into the platform.

Furthermore, as regards the assessment of new suppliers according to social and environmental criteria, in FY 21-22 Danieli Co. Ltd. in Thailand launched a related process by sending an ESG checklist to new suppliers in order to assess their sustainability practices.

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;



- reading the Group's Code of Ethics, which includes the Danieli Group's sustainability issues;
- 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.

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 long-lasting and solid relationships with suppliers, and to bring sustainable long-term added value to the company, a process was developed for the constant qualification, selection and monitoring of supplier performance.

The qualification process involves the assessment of various parameters: economic and financial soundness (immediately and in the medium/long term), technical and quality management requirements, compliance with standards applicable to the sector of reference and sustainability criteria such as protection of the environment and occupational health and safety, energy impact and ethics. The initial assessment of the above parameters is followed by the approval stage which includes verification of the quality of test supplies and the company procedures including through audits at supplier premises.

In addition, as early as last year, the vendor rating process was implemented for all new suppliers, while the revaluation of all existing suppliers is under way and is expected to be completed in the next two financial years.

An integrated approach was adopted in order to guarantee sustainable logistics.

The main areas of intervention were:

- Improvement to the integrated planning process with the production departments;
- Optimisation in the use of the available spaces for sea and road transport;
- Reduced use of packaging materials and their recycling;
- Research and use of transport solutions with a low environmental impact;
- Digitisation of operating processes.

The implementation of the Logistics Planning function allowed for better synchronisation of the flows, guaranteeing a consolidation of shipments with clear benefits in terms of environmental impact, punctuality and reduction of logistics costs.

In the last two years, strategic logistics engineering projects were launched and completed, which led to a general optimisation and improved sustainability of shipments through the development of simulation tools and monitoring of container load factors, the review of machine transport drawings, the review of packaging specifications (increased ability to stack packages, use of recyclable, less bulky and lighter materials) and the use of surface protections with low environmental impact. These actions also made it possible to offset the impact of the notable increase in logistics costs recorded from the start of 2021.

We believe that the digitisation of logistics is necessary in order to obtain better efficiency in the processes, a higher level of customer service and to guarantee better flexibility, agility and capacity for response in contexts that are more and more variable and subject to upheaval. On this front, Danieli has invested and is investing significant resources, for both warehouse and shipment logistics. Automatic warehouses were installed at D&C which guarantee operations at extremely high levels of efficiency. This template will also be replicated within the next two FYs at the Group's other main plants. As regards shipments, implementation of the Transport Management System will be completed at D&C by FY 22/23 and at all the Group's main plants by FY 23/24.

The TMS is a collaborative platform that will make it possible to manage the entire logistics life of a project, from transport costing to execution, and will guarantee a clear jump in quality in terms of planning, efficiency, service level, optimisation and cost monitoring, performance monitoring and governance.

With regard to conflict minerals, ABS is also committed to eliminating supplies of raw materials from Countries involved in conflicts. The Danieli Group does not produce war material and is in line with the most recent measures adopted by the European Union.



Danieli continues to participate in the "Corporate Social Responsibility" qualification procedure on the ECOVADIS platform, having obtained a Silver rating in 2022 with 60% positive parameters and a ranking better than 82% of the companies surveyed in 2022; the result is an improvement compared to 2021 and new targets have already been defined for 2023 to integrate the current profile and further increase the company's ranking in the next 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.

---

### Humanitarian Projects – Ukraine

---

The Company is committed to doing its part for the humanitarian emergency by providing tangible aid to the population involved in the war in Ukraine. Families of the employees at the Danieli Group's technical office in Dnipro (currently closed) were brought to safety in Italy in early March 2022. The Company organised transportation and accommodation for around 100 people at the Danieli Campus in Friuli Venezia-Giulia

All of this was made possible by the support and help from the Danieli Team with donations from colleagues and the company.

Furthermore, the Danieli Group implemented all the necessary measures to bring its activities into compliance with the measures adopted by Italy and the European Union, following the tragic events associated with the ongoing war in Ukraine.

These measures were applied without hesitation to the people, entities and companies subject to the sanctions.

Note that the Group's activity does not involve the direct production of war material in any way.

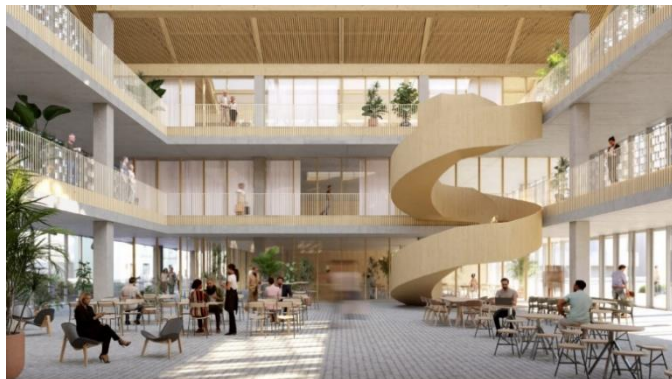
For more details about the conflict and risk management, please refer to the dedicated section in the Financial Report.

The aim of the "**Ukraine Emergency**" project (DHNE) is to help the families of colleagues at our operating affiliate in Ukraine following the war. On March 9, 2022 we welcomed 26 Ukrainian families to the Danieli Factory Campus (DFC): This included 30 babies/children. The very next day, various company teams with different focuses were established. The TDMS team oversaw and continues to oversee accommodation at the DFC, fundraising for families to stay together and the collection of primary needs items.

The numbers at a glance:

- Over 150 days of accommodation;
  - Total of 39 Ukrainian families: Including 44 children;
  - Over €100 K in cash distributed between employee and D&C donations;
  - Over 5,000 days/person of accommodation at the DFC – equivalent to out-of-pocket costs of over €100 K;
  - Over 9,000 lunches/dinners at the company canteen – equivalent to out-of-pocket costs of over €30 K;
  - Medical/dental support – weekly and upon request – equivalent to out-of-pocket costs of around €2K;
-

- 
- Weekly spending – equivalent to out-of-pocket costs of around €5K;
  - Weekly and specific logistics support – equivalent to out-of-pocket costs for around €0.6K);
  - Linguistic, cultural and psychological support with local associations such as the Municipality of Buttrio, sports associations, the Scouts, Udinese Calcio, Gruppo Sportivo, Polo Formativo and more.
- 



During the year, new social initiatives were undertaken with a focus on younger generations and local communities. The Danieli Group will convert the former Dormisch factory in the heart of Udine, currently abandoned and run-down, in order to build a new multi-functional centre open to the community and younger generations. A space will be created for ITS Malignani with a restaurant, an auditorium, a library and various laboratories also open to local companies to enable innovation and research.

*Source: rendering of the environmental redevelopment project promoted by Danieli for the local community and younger generations.*

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.).

To support the fight against Covid-19, Danieli also donated a new ultrasound scanner to Udine Hospital in 2020/2021.

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, it sponsored events linked to the Para Swimming World Series held in Lignano Sabbiadoro before the Tokyo Olympics in Summer 2021, with support of 25 thousand euro. In financial year 2021/2022, the Danieli Group contributed 40 thousand euro to the concert season at the Giovanni da Udine theatre. In 2020/2021, it renewed its sponsorship of the International Symposium of Stone Sculptures in Friuli Venezia Giulia through the acquisition of three sculptures at the Vergnacco cultural association and in 2021/2022 it gave another 30 thousand euro in support of the production of new works of art. Danieli continued its support for the Illegio Exhibition, which has been attracting thousands of people to the small village of Carnia for many years, with a contribution of 7 thousand euro from the Danieli Group. Other economic contributions during the year just ended included donations to the following recipients:

- Casa Cavazzini Civic Museums in Udine;
- Udine Academy of Organ Studies;
- the Ruda Choir;
- the Libertas sports centre in Udine;
- Danieli Group for the Luigi Bon Foundation.

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. Furthermore, a 580,000 euro (five hundred and eighty thousand)

donation was made to the restoration of the Duomo di Tricesimo, one of the main architectural monuments in the FVG region, built in 1771. A donation was also made to the Clarisse di Attimis Monastery (Udine). Over the years, 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 new generations, 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.



In financial year 2020/2021, the project for the redevelopment of the “Locanda alle Officine” area in Buttrio, acquired at the end of 2019, was launched. The activities continued in 2021/2022 and are nearly complete with the total 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, with a focus on sustainability.

In May 2021, the first works were completed and Le Fucine Caffè & Bistrot was opened. This dining area is the result of the redevelopment of a building with great artistic value and used many years ago as a refuelling area. In 2021/2022, Le Fucine became fully operational, serving the local community with the sale and promotion of quality products from local Friuli farms and businesses, with a focus on sustainable development not only in terms of quality products but also customer service, while carefully avoiding the use of plastic.

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 school building), 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".

The Danieli Group seeks to help families and workers to look after their children by providing high-quality education services with economic subsidies as well as flexible working hours, from nursery to middle school.

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.

The Chairman of the Danieli Group, Gianpietro Benedetti, also took up the role of President of the Udine branch of Confindustria in December 2021. He was unanimously elected by the General Meeting of Confindustria Delegates following nomination by the Governing Council. He is the legal representative of the association, he implements its strategic guidelines including through delegation, he coordinates the association's activities, he oversees the performance of the offices and regularly monitors the association's operations, he convenes and chairs the association's decision-making bodies.

## Direct economic value generated and distributed

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		30/06/2022	30/06/2021
A. Directly generated economic value		3,651.1	2,755.4
B. Distributed economic value		3,315.6	2,581.3
<b>(A-B) Economic value retained</b>		<b>335.5</b>	<b>174.1</b>

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	30/06/2022		30/06/2021	
Operating costs	2,783.2	83.9%	2,044.7	79.2%
Personnel remuneration	475.1	14.3%	441.4	17.1%
Public Administration remuneration	76.2	2.3%	40.4	1.6%
Venture capital remuneration	13.5	0.4%	11.1	0.4%
Non controlling interest remuneration	0.4	0.0%	0.1	0.0%
Ancillary components	(37.8)	-1.1%	38.3	1.5%
Lender remuneration	2.9	0.1%	4.0	0.2%
Donations and sponsorships	2.1	0.1%	1.3	0.1%
<b>Total</b>	<b>3,315.6</b>	<b>100.0%</b>	<b>2,581.3</b>	<b>100.0%</b>

## EU Taxonomy

For years, Danieli has followed and aligned with the objectives set out by the European Union in the Paris Climate Accords (COP21), which were signed in 2015 and ratified in 2016. Furthermore, in 2022 it formalised its alignment with the Sustainable Development Goals of the United Nations by subscribing to the UN Global Compact initiative and sending its first Communication on Progress with the results from the 2020/2021 fiscal year. Danieli's targets have short-term time frames by 2030 and long-term ones by 2050 in order to achieve climate neutrality in line with the ambitious expectations of the European Union. In order to achieve these targets and objectives, the EU intends to promote investments in assets and sustainable activities through the use of public and private resources. In this context, the action plan for financing sustainable growth adopted in 2018 by the European Commission established the classification system or "taxonomy" of sustainable activities, as per Regulation (EU) 2020/852 (hereinafter "the Regulation"), which defined the criteria to determine whether an economic activity could be considered environmentally sustainable and thus identify the level of sustainability of an associated investment. In particular, the Taxonomy Regulation classifies the economic activities which could potentially be aligned with the 6 environmental objectives defined by the European Union:

1. Climate change mitigation;
2. Climate change adaptation;
3. The sustainable use and protection of water and marine resources;
4. The transition to a circular economy;
5. Pollution prevention and control;
6. The protection and restoration of biodiversity and ecosystems.

Currently, legislation (Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021) has only defined technical screening criteria for the first two goals and these require an adjustment by the financial and non-financial companies falling within the scope of the Regulation. In order to classify an activity as "environmentally sustainable" pursuant to the Taxonomy, it is first necessary to distinguish between Taxonomy Eligibility and Taxonomy Alignment. In detail,

- Taxonomy-eligible activities are those described in the Delegated Regulations, since only these can be considered taxonomy-eligible.
- Taxonomy-aligned activities are activities carried out by the company, which must meet the technical screening criteria indicated in the delegated acts. They must not harm any of the targets and must be carried out in accordance with the minimum safeguards.

Pursuant to Art. 10 of Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021, as of their 2021 financial statements companies subject to the obligation to prepare a consolidated non-financial statement (NFS) must disclose the proportion of their total revenues, capital expenditure (CapEx) and operational

expenditure (OpEx) which qualifies as potentially environmentally sustainable (“eligible”); this assessment only looks at the economic activities eligible for the climate change mitigation and adaptation objectives, the only ones for which technical screening criteria have been defined to date. The Danieli Group therefore carried out an analysis of the economic activities performed by the Group, in order to identify those considered “eligible” in relation to the aforesaid objectives and to prepare and report on the information required by the legislation of reference. It also considered the clarifications provided by the European Commission in the form of “Q&As” in December 2021 and February 2022. In particular, when conducting the analysis the Management Team adopted a prudential and interpretative approach of the regulations, based on current information and the available publications. In this context, the expected publication of the technical regulations of reference for the additional environmental objectives defined by Art. 9 of the Regulation, as well as intervention on further changes in the interpretation of the legislation, could lead to substantial changes in the assessments and KPI calculation process for the upcoming reporting year.

#### *Interpretation of legislation*

The initial stage of the process made it possible to identify, through an analysis of the activities included in Commission Delegated Regulation (EU) 2021/2139, those applicable to the Danieli Group’s business considering the description provided by the annexes to said Regulation and the potentially applicable NACE codes.

Therefore, the focus was on the Group’s main business, namely the production of steel and plants intended for steel production. Based on the analyses carried out, the activity of the Danieli Group that could contribute to the achievement of the climate change mitigation and adaptation objectives is activity “3.9 Manufacture of iron and steel”.

#### *KPI calculation method*

The indicators were calculated using the economic and financial data from the consolidated financial statements of the Danieli Group as at June 30, 2022. The “Total” column includes the total value of Revenue, CapEx and OpEx of the Danieli Group in millions of euro. In the “% Taxonomy-eligible activity” column, the proportion of value of the taxonomy-eligible activities that could make a substantial contribution to the climate change adaptation and mitigation objectives has been calculated.

- Revenue: the proportion of “eligible” turnover represents the portion of revenues arising from the steel making business
- CapEx: the CapEx KPI was calculated by dividing the value that includes the eligible capital expenditure by the value as the denominator formed of the total capital expenditure. In detail, the numerator of the CapEx calculation refers to the “eligible” tangible and intangible assets during the financial year before amortisation and depreciation and any write-downs, which does not include fair value write-downs. The denominator includes the total capital expenditure and any increases, before amortisation, depreciation or write-downs.
- OpEx: the calculation of the OpEx KPI was measured by dividing the value that includes the portion of “eligible” operational expenditure by the value as the denominator of total operational expenditure. In detail, the numerator for the calculation of the OpEx is represented by the total values of non-capitalised indirect costs for research and development and any other direct cost relating to the maintenance and ordinary repair of property, plant and equipment required to guarantee the continuous and effective function of these assets. The denominator, on the other hand, is formed of the total value of the aforesaid costs.

(in millions of euro)			
KPI	Total	% Taxonomy-eligible activity	% Taxonomy-non-eligible activity
Revenue	3,637 million	50.5%	49.5%
OpEx	3,277 million	50.2%	49.8%
CapEx	133 million	85%	15%

See Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 for the definition of the individual parameters (Revenue, CapEx, OpEx).

As mentioned, the indicators were measured using the figures from the financial statements of the Danieli Group as at June 30, 2022. As regards revenue and operational expenditure, amounts of “eligible” values were identified using detailed granularity deriving from the analyses of the income statement, which makes it possible to analyse the values for each type of plant referring to a specific product line and therefore to a technology that has a certain degree of carbon intensity. The emission intensity is measured in tonnes of CO2 equivalent per tonne of steel produced. This measurement is monitored analytically each year.

As regards CapEx investments, nearly all investments are characterised by the new and innovative sphere mill and the new steel treatment furnace with next-generation technologies, built by Danieli Plant Making and installed at ABS S.p.A., and other investments in the steel making segment for workshop improvements with automated and vertical warehouses, lean management in flame cutting processes, pilot projects for carbon capture and the cultivation of microalgae from the energy generated by steel production, construction of asphalt and roads on company premises (through the circular economy product, Ecogravel, recovered from steel production waste), investments in software and IT tools to guarantee increased efficiency of processes such as the significant reduction of business trips.

Note also that the limited review of this consolidated non-financial statement by the independent auditor Deloitte & Touche S.p.A. does not extend to the information in this section

### **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 organisation, the internal audit officer ensures that all group companies have adequate processes and procedures that make it possible to adopt an integrated tax approach at Group level, in line with the indications of the Board of Directors of the parent company in the context of its powers of coordination and management.

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 operating areas in which they operate;
- they report quarterly to the parent company on any unethical or unlawful behaviours in terms of tax.

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	30/06/2022	30/06/2021
Italy	43.6	16.9
Europe	21.2	9.3
Middle East	0.0	0.0
Americas	1.9	1.0
South East Asia	1.5	7.6
<b>Total</b>	<b>68.1</b>	<b>34.9</b>

The tax performance is directly proportional to the Group's financial result











The growth in volume for taxes during the period is directly correlated to the performance of gross taxable profit on a consolidated basis, which has nearly doubled since the previous financial year. Tax reporting only represents the portion of income tax, specifically direct IRES and IRAP (corporate tax and regional tax, respectively). They represent a portion of the remuneration of the public administration.









For more information about tax, please refer to the dedicated section in the Explanatory Notes to the Consolidated Financial Statements.

## United Nations Sustainable Development Goals (UN SDGs)

To conclude, Danieli's commitment is not limited to the pursuit of best practices within company premises, but extends to the value chain and beyond. The idea is to act as a driver of change so that its mission not only engages with business partners, but all stakeholders who share the same ambitious challenges from the perspective of corporate social responsibility.

**Table of correlation: GRI, UN Global Compact Principles & SDGs**

UNGC Areas	UNGC Principles	Reference to Danieli's non-financial disclosure (NFD)	Related GRI	SDGs (Sustainable Development Goals)
Human rights	1 Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	<b>Related chapter: People</b> - Code of Ethics signed by employees - Danieli's position on human rights refers to the United Nations Guiding Principles on Business and Human Rights, with the commitment to require their adoption by the entire supply chain of sub-contractors; - Danieli protects integrity, dignity, safety and diversity and has endorsed the Women's Empowerment Principles promoted by the United Nations	<b>GRI 405</b> Diversity and equal opportunity  <b>GRI 406</b> Non-discrimination	      
	2 Businesses should make sure that they are not complicit in human rights abuses, even indirectly.	<b>Related chapter: Supply chain and logistic</b> - Classification of suppliers based on sustainability criteria  <b>Related chapter: Commitment to the community</b> - Danieli has built and manages the officially recognised Cecilia Danieli School for families in the local community, guaranteeing children's education from nursery to middle school. - Danieli Academy	<b>GRI 414</b> Supplier social assessment  <b>GRI 404</b> Training and education	
Labour	3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<b>Related chapter: People</b> - Danieli's Italian companies have applied all the provisions of the renewed CCNL (national collective labour agreement) signed on June 1, 2021 - Danieli respects national collective agreements, where present. - Collective labour agreements apply to its staff in Italy, while local laws apply to other countries - Code of Ethics: freedom of association.	<b>GRI 102-41</b> Collective bargaining agreements  <b>GRI 402</b> Labour/Management Relations	
	4 Businesses should uphold the elimination of all forms of forced and compulsory labour;	<b>Related chapter: People</b> - Danieli protects the integrity, dignity and safety of its staff - Staff who work at Danieli factories and worksites are highly specialised, and therefore the risk of using child or forced labour is minimised	<b>GRI 406</b> Non-discrimination  <b>GRI 414</b> Supplier social assessment	 

		- Code of Ethics: against child, irregular, and forced labour.		
	5	<p>Businesses should uphold the effective abolition of child labour;</p> <p><b>Related chapter: Supply chain and logistic</b></p> <p>- Suppliers are subjected to a technical and ethical pre-qualification procedure: Code of Ethics of the Group, anti-corruption measures, interpersonal relations, and privacy management.</p> <p>- Code of Ethics: against child, irregular, and forced labour.</p>	<p><b>GRI 414</b> Supplier social assessment</p>	
	6	<p>Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p> <p><b>Related chapter: People</b></p> <p>- Danieli protects integrity, dignity, safety, and diversity and has endorsed the Women's Empowerment Principles promoted by the United Nations</p> <p>- Code of Ethics: respect for human rights, against workplace discrimination and child, irregular, and forced labour, fostering equal opportunities (in terms of gender, origin, religion, age, political beliefs, sexual orientation, disability), protecting diversity, freedom of association.</p>	<p><b>GRI 102-8</b> Information on employees and other workers</p> <p><b>GRI 401</b> Employment</p> <p><b>GRI 405</b> Diversity and equal opportunity</p> <p><b>GRI 406</b> Non-discrimination</p>	 
Environment	7	<p>Businesses should support a precautionary approach to environmental challenges</p> <p><b>Related chapter: Environmental Commitment</b></p> <p>Danieli has defined objectives to maintain very high environmental protection standards</p>		
	8	<p>Businesses should undertake initiatives to promote greater environmental responsibility</p> <p><b>Related chapter: Research, development and product quality</b></p> <p>Danieli promotes the development of new technologies to improve environmental sustainability with 4 themes: Energy saving, energy recovery, waste reduction, and improving workers' safety.</p>	<p><b>GRI 302</b> Energy</p> <p><b>GRI 303</b> Water and Effluents</p> <p><b>GRI 305</b> Emissions</p>	  
	9	<p>Businesses should encourage the development and diffusion of environmentally friendly technologies.</p> <p><b>Related chapter: Research, development and product quality</b></p> <p>- Danieli announced a tender to gather and develop ideas for energy saving, energy recovery, and waste reduction.</p> <p><b>Related chapter: Environmental sustainability</b></p> <p>- Danieli implemented and revived a global cooperation for sustainable development (like the CDP)</p>	<p><b>GRI 306</b> Waste</p> <p><b>GRI 307</b> Environmental Compliance</p> <p><b>GRI 102-12</b> External initiatives</p>	 
Anti-Corruption	10	<p>Businesses should work against corruption in all its forms, including extortion and bribery.</p> <p><b>Related chapter: Governance and compliance</b></p> <p>Danieli has adopted a Code of Ethics and respects the principles of legality and transparency, and prohibits corruption</p>	<p><b>GRI 205</b> Anti-corruption</p>	

## 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 hazardous materials	306 (2020) Waste	Environmental	Danieli Group	Caused by the Group and directly related to its activities
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
Cybersecurity	418 <i>Customer Privacy</i>	Social work	Danieli Group	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
Procurement and Logistics	n/a		Danieli Group	Caused by the Group and directly related to its activities
Social and environmental assessment of suppliers	n/a	Social and environmental	Danieli Group	Caused by the Group

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
<b>GRI 102: GENERAL DISCLOSURE (2016)</b>			
<b>Organisational profile</b>			
102-1	Name of the organisation	6	
102-2	Activities, brands, products and services	12-13	
102-3	Location of headquarters	14	
102-4	Location of operations	12-14	
102-5	Ownership and legal form	6; Report on Corporate Governance and Ownership Structure, section "Information on ownership structures as at June 30, 2021"	
102-6	Markets served	12-29	
102-7	Scale of the organisation	6, 12-13, 51;54, 66-71	
102-8	Information on employees and other workers	68-69	The indicator is compliant with requirements a, b, c, d, e of the related standard
102-9	Supply chain	95-97	
102-10	Significant changes to the organisation and its supply chain	13-32, 54	During FY 2021-22, no significant changes were found with reference to the organisation and its supply chain
102-11	Precautionary Principle or approach	41-45	
102-12	External initiatives	54-56, 87-90	
102-13	Membership of associations	100	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	49-52	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards and norms of behaviour	62-65	
<b>Governance</b>			
102-18	Governance Structure	34-36, Report on Corporate Governance and Ownership Structure, sections "Board of Directors" and "Internal Board committees"	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	60	
102-41	Collective bargaining agreements		50% of the workforce covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	60	
102-43	Approach to stakeholder engagement	60	
102-44	Key topics and concerns raised		No critical issues and/or significant aspects emerging from stakeholder engagement activities are reported
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	53	
102-46	Defining report content and topic boundaries	53, 107	

102-47	List of material topics	61	
102-48	Restatements of information	53, 86	Any changes from the previous NFD have been indicated in detail in the text or as notes to the tables.
102-49	Changes in reporting	53-56	
102-50	Reporting period	52	
102-51	Date of most recent report	53	
102-52	Reporting cycle	53	
102-53	Contact point for questions regarding the report	54	
102-54	Claims of reporting in accordance with the GRI Standards	52-53	
102-55	GRI content index	107-113	

102-56	External assurance	114-117	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	60-61, 101, 107-108	
103-2	The management approach and its components	100-101	
103-3	Evaluation of the management approach	100-101	
201-1	Direct economic value generated and distributed	100-101	

##### GRI 205: Anti-corruption (2016)

103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	62-64	
103-3	Evaluation of the management approach	62-64	
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	60-61,107-108	
103-2	The management approach and its components	62-64	
103-3	Evaluation of the management approach	62-64	
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	103-104	
207-2	Tax governance, control and risk management	103-104	
207-3	Stakeholder engagement and management of concerns related to tax	103-104	

##### GRI 300: Environmental series (2016)

<b>GRI 302: Energy (2016)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	81-82, 87-90
103-3	Evaluation of the management approach	81-82, 87-90
302-1	Energy consumption within the organisation	82
<b>GRI 303: Water and effluents (2018)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	84
103-3	Evaluation of the management approach	84
303-1	Interactions with water as a shared resource	84
303-2	Management of water discharge-related impacts	84
303-3	Water withdrawal	84
<b>GRI 305: Emissions (2016)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	83-86, 87-90
103-3	Evaluation of the management approach	83-86, 87-90
305-1	Direct (Scope 1) GHG emissions	85
305-2	Energy indirect (Scope 2) GHG emissions	85
305-3	Other indirect (Scope 3) GHG emissions	85
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	86
<b>GRI 306: Waste (2020)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	90-92
103-3	Evaluation of the management approach	90-92
306-1	Waste generation and significant waste-related impacts	91-92
306-2	Management of significant waste-related impacts	91-92
306-3	Waste generated	91
306-4	Waste diverted from disposal	92
306-5	Waste directed to disposal	92
<b>GRI 307: Environmental Compliance (2016)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	62-65
103-3	Evaluation of the management approach	62-65
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.
<b>GRI 400: Social series</b>		
<b>GRI 401: Employment (2016)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	66-68
103-3	Evaluation of the management approach	66-68
401-1	New employee hires and employee turnover	69
<b>GRI 402: Labour/Management Relations (2016)</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	66-68
103-3	Evaluation of the management approach	66-68
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.



<b>GRI 403: Occupational Health and Safety (2018)</b>			
103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	72-75	
103-3	Evaluation of the management approach	72-75	
403-1	Occupational health and safety management system	73	
403-2	Hazard identification, risk assessment, and incident investigation	72-73	
403-4	Worker participation, consultation, and communication on occupational health and safety	74-75	
403-5	Worker training on occupational health and safety	74	
403-6	Promotion of worker health	74-75	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	74-75	
403-9	Work-related injuries	74-75	The indicator is compliant with requirements a, d, e, f, g of the related standard
<b>GRI 404: Training and education (2016)</b>			
103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	75-76	
103-3	Evaluation of the management approach	75-76	
404-1	Average hours of training per year per employee	76	
<b>GRI 405: Diversity and equal opportunity (2016)</b>			
103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	66-68, 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	66-68, 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	70-71, Report on Corporate Governance and Ownership Structure, section "Diversity policies applied in relation to the composition of the governing, management and control bodies"	
<b>GRI 406: Non-discrimination (2016)</b>			
103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	62-64	
103-3	Evaluation of the management approach	62-64	
406-1	Incidents of discrimination and corrective actions taken		During the reporting period, the Group did not record any incidents of discrimination.
<b>GRI 418: Customer Privacy</b>			
103-1	Explanation of the material topic and its Boundary	60-61,107-108	
103-2	The management approach and its components	77-78	

103-3	Evaluation of the management approach	77-78
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	78
<b>Material aspects of Danieli not related to specific Disclosures of GRI Standards</b>		
<b>Innovation / R&amp;D</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	78-79
103-3	Evaluation of the management approach	78-79
<b>Product quality and safety</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	78-79
103-3	Evaluation of the management approach	78-79
<b>Procurement and Logistics</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	95-97
103-3	Evaluation of the management approach	95-97
<b>Social and environmental assessment of suppliers</b>		
103-1	Explanation of the material topic and its Boundary	60-61,107-108
103-2	The management approach and its components	95
103-3	Evaluation of the management approach	95

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT  
PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254/2016  
AND ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 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 been appointed to carry 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") referred to the fiscal year ended on June 30, 2022 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, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "EU Taxonomy" of the NFS.

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

The Directors of Danieli & C. Officine Meccaniche S.p.A. (hereinafter "Company") 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo [www.deloitte.com/about](http://www.deloitte.com/about).

© Deloitte & Touche S.p.A.

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.

### **Auditor's Independence and quality control**

We are independent with respect to the Company in compliance 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 the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria 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 as of June 30, 2022;
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the 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 management and with employees of the Company and of the subsidiaries Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o., 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 Group level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with 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., Acciaierie Bertoli Safau S.p.A. and ABS Sisak d.o.o., 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 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, 2022 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.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph “EU Taxonomy” of the NFS.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Barbara Moscardi**  
Partner

Udine, Italy  
October 6, 2022

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