



PRINCIPLES OF MODEL 231

## **Foreword**

This document summarizes the content of the ORGANIZATION, MANAGEMENT AND CONTROL MODEL (“MOG”) of Danieli & C. Officine Meccaniche Spa, for the purpose of highlighting its main points and purposes.

This document is therefore understood to be a summary for disclosure purposes; it does not replace the current organizational model.

## **Danieli & C. Officine Meccaniche SpA**

Danieli & C. Officine Meccaniche SpA (hereinafter “Danieli”) is a world leader in the field of metallurgical plants, the parent company that controls operating companies located in various countries on 3 continents. Danieli employs about 9,000 people, mostly outside of Italy, and is listed on the Milan stock exchange.

## **Administrative Liability of Companies**

Legislative Decree 231 of 2001 (hereinafter the “Decree”) - originally issued to implement in Italy the OECD Convention of 1997 on combating bribery of foreign public officials in international business transactions – introduced in the Italian legal system the concept of criminal liability of legal for a series of legal entities, including private companies, for certain offences listed in the Decree (“Predicate Offences”) committed in the interest or for the benefit of the Company by top management members or by personnel of said Company.

If Predicate Offences are committed by its top managers or personnel, the Company can avoid the application of the sanctions (which could be monetary sanctions or restrictive measures) set forth in the Decree if it can prove that it has adopted and effectively applied a control system aimed at preventing Predicate Offences from being committed and has ensured compliance with said control system.

## **Organization, Management and Control Model of Danieli & C. Officine Meccaniche SpA**

The document that outlines the features of the above-mentioned control system for Danieli is the Organization, Management and Control Model (MOG) approved by Danieli’s Board of Directors.

The MOG was drawn up following a risk assessment to identify the risks that Danieli would be exposed to if Predicate Offences were committed; this is therefore a “*tailor-made*” document.

The MOG is made up of two sections:

- > a “General Section” which first of all describes the method applied to identify sensitive activities, secondly it outlines how the company is organized, and lastly establishes the rules concerning the composition and operation of the Watchdog Committee and how communication and reporting is to be carried out;
- > a “Special Section” containing, in the form of management protocols, the controls in place for each activity identified as sensitive.

The MOG is subject to update by the Board of Directors based on a proposal by the Watchdog Committee, in consideration of newly issued legislative and legal requirements, organizational changes within the Company, adaptation of the control system and evolution of the company’s reference market.

## **Recipients of the MOG**

The company's employees, collaborators, directors, auditors and representatives must comply with the provisions set forth in the MOG and ensure that they are complied with (these individuals are referred to as "Recipients").

## **Corporate Management System**

Danieli's corporate management system contains a set of rules laid down in specific documents such as the company's Code of Ethics and company's operating procedures, which describe:

- > the organizational structure and authorization processes (system of proxies and powers);
- > worker health and safety management systems;
- > systems to manage the operating activities of the various company departments;
- > environmental management systems.

The management system also sets forth two important requirements to be complied with, aimed at ensuring that the crime prevention model is working properly, namely (i) clear, efficient communication and (ii) constant training of all Recipients.

## **Sensitive Activities**

Among the sensitive activities that emerged from the risk assessment, the following deserve special mention:

- > workplace safety and health,
- > preparation of the financial statements,
- > selection and management of sales agents and brokers,
- > management of sponsors, gifts and hospitality for third parties,
- > management of public financing.

These activities, together with other activities considered to be relevant, are governed by specific Protocols included in the Special Section of the MOG; these protocols set binding rules for the Recipients regarding roles, responsibilities, prohibitions and obligations of reporting and authorization procedures.

## **The Watchdog Committee**

The focal point of the control system as set forth in the MOG is the Watchdog Committee, whose main duties are:

- > monitoring compliance of the MOG by the Recipients;
- > examining the suitability of the MOG and, if necessary, proposing changes thereto to the company's Board of Directors;
- > educating the Recipients on the content of the MOG.

## **Reporting**

The MOG sets out a series of instructions for reporting to the Watchdog Committee, including a company e-mail account ([organismodivigilanza@danieli.it](mailto:organismodivigilanza@danieli.it)) and a whistle-blowing channel pursuant to Italian Law 179/ 2017, such channel being external to the company's ICT system and managed by an independent third party; in this respect, the MOG complies with the requirements of Italian law, which provides for protection measures in favor of whistle-blowers.

Anonymous reports are taken into account only if they are not blatantly groundless and if they contain enough details so as to allow the Watchdog Committee to look into them properly.

Submitting false reports constitutes a serious disciplinary offence and could amount to a criminal offence.

## **The Disciplinary System**

The provisions of the MOG are binding and all Recipients are required to comply with them, ensure they are complied with and report any type of conduct that is conflicting with them.

The MOG provides for a system of sanctions applicable to any Recipient who violates these rules. These sanctions are proportional to the seriousness of the violation; in the case of sanctions applied to the Company's employees, the legal provisions of law and the provisions of the applicable national collective labor agreement (CCNL) will also be applied.