

Giacomo Mareschi Danieli
Chief Executive Officer
Danieli & C. S.p.A.
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RE: Danieli & C. S.p.A.'s business operations in Russia

December 19, 2023

Dear Mr. Danieli and Danieli & C. S.p.A. leadership team,

We write to follow up on our previous correspondence with Danieli, dated February 22, 2023, regarding potential inconsistencies between Danieli's obligations, as articulated in the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the internationally recognised standards on business and human rights, as well as the company's own Code of Ethics, and Danieli's ongoing business operations in Russia that may contribute to, or be linked with, human rights harm and Russia's war efforts.

In your response to our letter, dated March 24, 2023, Danieli declared that it "bases its professional activities on respect of the laws, applicable thereto and recognizes the importance of protecting human rights complying with standards, imbedded in the most important instruments of international law, adopted in this field." The letter continued to claim that its Volga site reduced its operations by more than 70%, commented on the delivery of spare parts to JSC Corporatsiya Krasnyi Oktybar, refuted allegations of the transfer of a rolling mill product to Severstal, confirmed that there are no agreements in force with Kamensk-Uralsky Metallurgical Works, and that it has suspended its agreement with Magnitogorsk Iron & Steel Works. The response concluded by stating that, apart from ongoing contractual obligations with non-sanctioned Russian entities, Danieli has suspended any further activity for new projects in Russia and decided to sell its Russian industrial activities.¹

However, a [report by Follow the Money](#), published on December 14th, alleges that Danieli is continuing to power Putin's war machine, supplying at least fourteen major metal companies since the Russian annexation of Crimea.² The report alleges that Danieli has continued business ties with "companies that manufacture steel for weapons, such as Kalashnikov rifles, VOG-25 cluster grenades, T14 Armata Tanks, and Kalibr guided missiles," that are used in civilian attacks in Ukraine. These companies include Severstal, a confirmed supplier to the Russian arms industry,³ and Magnitogorsk, both of whose owners are sanctioned individuals. According to the report, "six of these fourteen clients have contributed to Russian military production since the Russian annexation of Crimea by

¹ B4Ukraine, "Business Outreach – Danieli," https://b4ukraine.org/pdf/Danieli_2023.pdf (accessed December 14, 2023).

² Krijn Schramade, "Putin's war machine powered by Italian steel conglomerate," *Follow the Money*, December 14, 2023, https://www.ftm.eu/articles/russian-steel-of-dutch-and-italian-origin?utm_source=nieuwsbrief&utm_medium=email&utm_campaign=steelRussia (accessed December 14, 2023).

³ Proekt, "Who worked for the war," <https://war-proekt.media/spisok-oligarkhov/provider/aleksey-mordashov/> (accessed December 14, 2023).

supplying, among other things, steel products. These are Severstal, Magnitogorsk Iron and Steel Plant (MMK), Evraz, Krasny Oktyabr, Kamensky (KUMZ) and Rusal.”⁴

Despite announcing its departure from Russia in May, 2023,⁵ [Danieli](#) has decided to stay and continue its operations in Russia.⁶ As mentioned in our first letter, Danieli is allegedly working with companies that are actively cooperating with the Russian military-industrial complex. This has been confirmed in detail by various investigations conducted by Follow the Money, Kyiv Independent, The New York Times, and Projekt, which found evidence that Danieli’s clients supply, among others: steel for the VOG-25 grenades and Kalashnikov rifles used in the occupied Bucha to commit war crimes, steel for the GP-34, a grenade launcher, missiles that were used to attack civilian targets in Ukraine, and rolled steel to produce Kalibr missiles.⁷

Trade data shows that the Dutch Danieli Corus supplied a cooling element for a Severstal blast furnace. Following this, Dutch authorities responsible for checking the export of prohibited goods visited Danieli’s Dutch subsidiary to discuss the company’s business ties with Severstal.⁸ Further, and in contradiction to some of the statements from Danieli’s response to B4Ukraine, the company “continued to generate revenue on projects for Severstal, MMK and Krasny Oktyaber during the second half of 2022.”

We understand that Danieli insists on being compliant with sanctions. Additionally, the company states that it does “not have the means to control the use of the raw and semi-finished products that Severstal makes and sells to third parties.” We disagree considering that a company has obligations to conduct enhanced due diligence and know-your-customer policies.⁹ By failing to do this, Danieli is potentially undermining sanctions placed on Russia and contributing to gross violations of human rights and humanitarian law.

We are once again seeking to confirm whether these allegations are correct, whether Danieli is continuously profiting from its Russian business, whether it continues to conduct business with sanctioned enterprises and individuals and support the Russian war machine. Which enhanced due diligence and know-your-customer policies has Danieli enacted to prevent the provision of goods and services to clients that are directly contributing to Russian weaponry and machinery?

Due to these developments, **we are requesting a clarification from Danieli on whether it intends to follow through on its commitments and leave the Russian market and what further actions it will undertake to ensure it is not complicit in the gross violations of human rights and humanitarian law by Russian forces in Ukraine.** The company’s activities risk enabling and financing Russia’s violations of international humanitarian and human rights law during the ongoing invasion and occupation of Ukraine and violating Danieli’s Human Rights policies and the company’s commitment to abiding by the UNGPs.

⁴ Ibid.

⁵ The Moscow Times, “One of the largest manufacturers of equipment for metallurgy announced its departure from Russia,” May 2, 2023, <https://www.moscowtimes.ru/2023/05/02/odin-iz-krupneishih-proizvoditelei-oborudovaniya-dlya-metallurgii-obyavil-ob-uhode-iz-rossii-a41876> (accessed December 14, 2023).

⁶ KSE, Leave Russia, “Danieli,” <https://leave-russia.org/danieli-group> (accessed December 14, 2023).

⁷ Ibid.

⁸ Schramade (n 2).

⁹ OSJI, RUSI, NAKO, Heartland Initiative, “Managing risks created by Russia’s invasion of Ukraine: Enhanced due diligence and know-your-customer policies,” https://b4ukraine.org/pdf/Recommendations_on_due_diligence.pdf (accessed December 14, 2023).

In consideration of the above points, we request an urgent dialogue with Danieli's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine, and potential steps to mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, December 29, 2023.

Sincerely,

The B4Ukraine Coalition

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To: The B4Ukraine Coalition

Via e-mail: contact@b4ukraine.org

24rd of March, 2023

Dear Sirs,

We acknowledge the receipt of your letter, dated 22.02.2023 and would like to provide you with a reply, which could help you to better understand both the principles, guiding the activities of Danieli Group, commitments, which have been taken thereby, as well as actions and activities, which have already been taken and are continuously being taken by Danieli Group as to provide help to refugees from Ukraine being either its employees, members of their families or general public, affected by this one of the largest humanitarian crises of modern times.

As rightly underlined in your letter, Danieli both declares and bases its professional activities on respect of the laws, applicable thereto and recognizes the importance of protecting human rights complying with standards, imbedded in the most important instruments of international law, adopted in this field.

In accordance with Group Code of Ethics, we believe that it's our duty to protect the human rights of all Danieli's employees around the world, without distinction. For this reason, after the Russian invasion of Ukraine, Danieli Group carried out a complex and very risky operation to safeguard and protect the lives of Ukrainian colleagues (and their relatives) working in our Dnipropetrovsk premises¹. Those men, women, and children since last April are hosted here in Friuli Venezia Giulia region². Therefore, the interruption of activities at Danieli Heavy Machinery LLC headquarters was a sorrowful choice due to the dramatic situation that was involving and still involves the city.

At the same time, accordingly with Danieli's Principles and Values we are committed to take care of the employment protection of our Danieli Volga's colleagues; those people cannot be held responsible for Russian government decisions, and they should not suffer for something that they could not

¹ [Salvi i dipendenti Danieli che lavorano in Ucraina](https://www.ilfriuli.it/articolo/cronaca/salvi-i-dipendenti-danieli-che-lavorano-in-ucraina/2/261780)

<https://www.ilfriuli.it/articolo/cronaca/salvi-i-dipendenti-danieli-che-lavorano-in-ucraina/2/261780>

² [Arrivati in Friuli i dipendenti Danieli in fuga dall'Ucraina](https://www.ilfriuli.it/articolo/cronaca/arrivati-in-friuli-i-dipendenti-danieli-in-fuga-dall'ucraina)

<https://www.ilfriuli.it/articolo/cronaca/arrivati-in-friuli-i-dipendenti-danieli-in-fuga-dall'E2%80%99ucraina/2/262097>

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influence in any way. Furthermore, we point out that during 2022 the Danieli Volga site has reduced its operations by more than 70%.

Going through your requests for clarification, please find below our answers:

- concerning JSC "Corporatsiya Krasnyi Oktyabr", in March 2022, Danieli Volga performed a spare part supply, necessary to avoid the possibility of incident and injuries to local workers; the supply did not involve any other Group company. No other business relationship with JSC "Corporatsiya Krasnyi Oktyabr" had been moved forward since March 2022;
- regarding the supposed transfer of a rolling mill product by Danieli Co. Ltd. to Severstal PJSC, we can confirm that the news is devoid of any foundation;
- regarding services that the Group would have been provided in favour of the company Viksun Metallurgical Plant, we point out that the last business transaction with the counterparty was performed in 2019; no agreements are in force up to date. In addition, we highlight that no agreements are in force with the company Kamensk-Uralsky Metallurgical Works (last supply was performed in 2018);
- relating to the 5-years MOU with the company Magnitogorsk Iron & Steel Works, we can confirm that the agreement signed before February 2022 was immediately suspended and no equipment or services have been provided to the counterparty.

We would like to bring to your attention that, except for ongoing contractual obligations with non-sanctioned Russian entities, Danieli Group has suspended any further activity for new projects in the territory of the Russian Federation and decided to sale the Russian industrial activities³.

Finally, we underline to be involved in several projects in Ukraine and with Ukrainian companies duly known by the Ukrainian government.

Yours faithfully.

Fabio Londero
Group General Counsel

³ <https://www.danieli.com/en/investors/communication.htm?lp=e>

Giacomo Mareschi Danieli
Chief Executive Officer
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RE: Danieli & C. S.p.A.'s business operations in Russia

February 22, 2023

Dear Mr. Danieli and Danieli & C. S.p.A. leadership team,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. We expect companies to demonstrate opposition to Russia's war of aggression, public support for the people, democracy, and territorial integrity of Ukraine, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs). At stake is not only the sovereignty and territorial integrity of a democratic Ukraine, but also the continuity of the rules-based international order and the prosperity of the global economy.

We request an urgent dialogue regarding potential inconsistencies between Danieli & C. S.p.A. (Danieli) stated policies on human rights and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms.

We acknowledge that Danieli has policies in place to guide the company toward ethical behaviour. According to Danieli's Code of Ethics, the company:

"Complies with the laws in force - and makes sure they are complied with internally - in the countries where it does business and with the ethical principles that are commonly accepted according to international business standards."¹

Danieli also states that it complies with the UN Global Compact and the UN Guiding Principles on Business and Human Rights:

"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)... 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."²

¹ Danieli Group, "Code of Ethics," https://www.danieli.com/media/download/img_5913.pdf (accessed February 21, 2023).

² United Nations Global Compact, "United Nations Global Compact Communication on Progress of Danieli 2022/2023," <https://www.danieli.com/en/investors/communication.htm?t=corporate&lp=e> (accessed February 21, 2023).

The company further notes that it will “avoid any illegal or, however, improper conduct in order to achieve its business and other purposes.”³

It has been almost one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, and forcible transfer of civilians). More than 18,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern times.

On September 21, President Vladimir Putin escalated the war by announcing a “partial mobilisation” of the Russian population. The accompanying legislation ([Article 9 of Federal Law No. 31-FZ](#)) mandates all organisations, including the 1,500 international companies that are currently operating on a full or limited scale in Russia, to conduct military registration of the staff if at least one of the employees is eligible for military service.⁴ They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

This legislation entails new and significant legal risks for companies remaining in Russia, including potential civil and criminal liability under comprehensive sanctions regimes and recent international jurisprudence holding corporations and their officers responsible for human rights abuses abroad.⁵ Companies may be exposed to financially material risks through operational restrictions, such as limitations of future government contracts.⁶

³ Danieli Group, “Code of Ethics,” https://www.danieli.com/media/download/img_5719.pdf (accessed February 21, 2023).

⁴ Federal Law No. 31-FZ of February 26, 1997 “On mobilization training and mobilization in the Russian Federation” (as amended), <https://base.garant.ru/136945/> (accessed January 2, 2022).

⁵ International companies remaining in Russia are now at a greater risk of violating sanctions regimes as implementation of the legislation will likely involve transacting with sanctioned individuals or entities. Furthermore, new domestic civil and criminal cases against companies involved in violations of international law demonstrate the risk of significant liability for facilitating state-sponsored human rights abuses abroad (e.g., Lafarge case, Lundin case, Castel Group indictment, Nevsun holding, and Dassault Aviation, Thales, and MBDA France criminal complaint.) Victoria Riello and Larissa Furtwengler, “Corporate Criminal Liability for International Crimes: France and Sweden Are Poised To Take Historic Steps Forward,” September 6, 2021, <https://www.justsecurity.org/78097/corporate-criminal-liability-for-human-rights-violations-france-and-sweden-are-poised-to-take-historic-steps-forward/> (accessed January 2, 2022); The Sentry, “Breaking: France Opens War Crimes Inquiry Focused on Iconic Food and Beverage Conglomerate,” July 1, 2022, <https://thesentry.org/2022/07/01/7216/breaking-france-opens-war-crimes-inquiry-focused-iconic-food-beverage-conglomerate/> (accessed January 2, 2022); Rfi, “French technology firm charged over Libya cyber-spying,” July 2, 2022, <https://www.rfi.fr/en/business-and-tech/20210701-french-tech-firm-charged-over-libya-cyber-spying> (accessed January 2, 2022); Preston Lim, “Canadian Supreme Court Allows Corporate Liability for International Law Violations,” Lawfare, March 12, 2022, <https://www.lawfareblog.com/canadian-supreme-court-allows-corporate-liability-international-law-violations> (accessed January 2, 2022); Sherpa, “Aiding and abetting war crimes in Yemen: Criminal complaint submitted against French arms companies,” June 2, 2022, <https://www.asso-sherpa.org/aiding-and-abetting-war-crimes-in-yemen-criminal-complaint-submitted-against-french-arms-companies> (accessed January 2, 2022).

⁶ Venable LLP, “Do You Contract with State Governments? If So, Beware of Emerging State Sanctions’ Obligations Related to Russia and Belarus,” *JD Supra*, June 3, 2022,

In response to this unprovoked and unjustified war⁷ many companies have left Russia. According to the Kyiv School of Economics Institute's (KSE) #LeaveRussia [company tracker](#), Danieli has decided to stay and continue its operations in Russia.⁸ Prior to the invasion, Danieli's business operations in Russia accounted for 5-6% of the company's global profit, and some reports show the Russian segment accounts for about 30% of Danieli's business.⁹ The company has a main office in Moscow, representative offices in Dzerzhinsk, Chelyabinsk, and Novokuznetsk, and a specialized Danieli Volga factory in Russia.¹⁰ Danieli is also continuing to recruit employees in Russia.¹¹ While the Russian business is ongoing, the Ukrainian operations have stopped.¹²

Following the invasion of Ukraine, Danieli has not announced an exit from the Russian market, termination of investment or new projects, limitation of business activity, or any other form of reduction of presence in Russia. The company has continued to conduct business in Russia, and is allegedly working with sanctioned companies, companies that actively cooperate with the Russian military-industrial complex, and has deepened cooperation with numerous Russian clients, including JSC "Corporatsya "Krasny Oktyabr", one of the largest Russian producers of special steel, producing pressure hulls for the nuclear reactors of Russian submarines and protection for the advanced Russian T-14 Armata tanks.¹³ Danieli continued its business with JSC "Corporatsya "Krasny Oktyabr", a company involved in the production of tanks and submarines and did so in light of the Bucha massacre and the siege of Mariupol.

On June 10, 2022, Danieli Co., LTD transferred the rolling mill to the Russian company Severstal PJSC, a company that was, already at the time, under US sanctions. Thus, the above deliveries were made to an enterprise already under US sanctions.¹⁴

On June 20, 2022, the Ukrainian Ministry of Defence accused Danieli of collaborating with Russian plants, supplying equipment to produce nuclear submarines and tank armour, supporting the Russian military effort.¹⁵

Danieli is also said to provide its services to the Viksun Metallurgical Plant, which manufactures pipes for Nord Stream II, and the Kamensk-Uralsky Metallurgical Works, which produces specific parts for Russian aircraft, and is owned by a Russian tycoon Viktor Vekselberg, an individual under sanctions.¹⁶

<https://www.jdsupra.com/legalnews/do-you-contract-with-state-governments-6537229/> (accessed January 2, 2022).

⁷ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

⁸ KSE, Leave Russia, "Danieli," <https://leave-russia.org/danieli-group> (accessed February 21, 2023).

⁹ Ruby Schultz, "Danieli responds to the Ukrainian Defense Ministry: "We do not support the Russian war industry," *The News Dept*, June 22, 2022 <https://thenewsdept.com/economy/104504.html> (accessed February 7, 2023); Don't Fund, "Russia is still killing Ukrainians. Danieli AG is still doing business in Russia," <https://dont-fund-russian.army/danieli.html> (accessed February 21, 2023).

¹⁰ Ibid.

¹¹ Danieli Volga, <https://hh.ru/employer/996953> (accessed February 21, 2023).

¹² Ruby Schultz (n 9).

¹³ Don't Fund (n 9).

¹⁴ Ibid.

¹⁵ Tiziano Grottole, "The Italian Danieli continues to supply the Russian army", the accusations of Kiev against the steel multinational," *Il Dolomiti*, June 21, 2022, <https://www.ildolomiti.it/esteri/2022/litaliana-danieli-continua-a-rifornire-lesercito-russo-le-accuse-di-kiev-alla-multinazionale-del-settore-siderurgico> (accessed February 21, 2023).

¹⁶ Anton Shvets, "Savior on the blood. How the Danieli company in Italy helps Putin to construct nuclear submarines and attacks Ukrainian volunteers," April 19, 2022, <https://en.thepage.ua/experts/italian-danieli-helps-putin-build-nuclear-submarine-and-attacks-ukrainian-volunteers> (accessed February 21, 2023).

In November 2021, Danieli reportedly signed a five-year MOU with Magnitogorsk Iron and Steel Works, whose owner is EU and U.S. sanctioned Viktor Rashnikov. The management of the plant is also holding joint actions with the Union of Volunteers of Donbas, an organization of Russian mercenaries close to Wagner Group, a Russian paramilitary organisation.¹⁷

We are seeking to confirm whether these allegations are correct, whether Danieli is continuously profiting from its Russian business, and whether it continues to conduct business with sanctioned enterprises and individuals.

In response to these activities, the Ukrainian National Agency for Prevention of Corruption (NACP) included Danieli in the list of international sponsors of the war.¹⁸ The basis for this decision was the information provided by the Economic Security Council of Ukraine, which notes that Danieli helps Russia in producing nuclear reactors and tanks.¹⁹

Likewise, Antonello Colussi, the President of Danieli Russia and Chairman of the Board of Directors of Danieli Volga, is personally listed as an individual sponsor of war.²⁰

Due to these developments, we are requesting a clarification from Danieli on whether it intends to follow through on its commitments and leave the Russian market. The company's activities risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine and violating Danieli's Human Rights policies and the company's commitment to abiding by the UNGPs. It remains to be seen how directly Danieli will be impacted by the partial mobilisation and the heightened legal, regulatory, operational, and financial risks associated with companies being required to provide direct support to the internationally sanctioned Russian military.

We seek to understand how Danieli has conducted and continues to conduct heightened human rights due diligence and how the findings of such a process has resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's Declaration,²¹ we request an urgent dialogue with Danieli's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia, associated risks to the people of Ukraine and the company, and potential

¹⁷ Lucas Durden, "Danieli designated an international sponsor of war," *Chicago Morning Star*, <https://chicagomorningstar.com/danieli-designated-an-international-sponsor-of-war> (accessed February 21, 2023).

¹⁸ NACP, "International Sponsor of War – Danieli," <https://sanctions.nazk.gov.ua/en/boycott/9/> (accessed February 21, 2023).

¹⁹ Economic Security Council of Ukraine, "The Economic Security Council reveals how Danieli helps Russia to produce nuclear reactors and tanks," June 6, 2022, <https://reb.org.ua/en/reporting/rada-ekonomichnoyi-bezpeki-ukrayini-zyasuvala-yak-danieli-dopomagaje-rosiyi-viroblyati-yaderni-reaktori-i-tanki-md20gy> (accessed February 21, 2023).

²⁰ NACP, "International Sponsors of War – Individuals," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 21, 2023).

²¹ B4Ukraine, "About," <https://businessforukraine.info/about> (accessed January 2, 2022).

steps to mitigate these risks. Please contact B4Ukraine at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, March 8, 2023.

Sincerely,

The B4Ukraine Coalition