

Declaration on compliance with principles of corporate governance by Stalprodukt S.A.

This declaration on compliance with principles of corporate governance by Stalprodukt S.A. was made in 2017 pertaining to § 91 sec. 5 point 4 of the Regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information disclosed by issuers of securities and conditions, on which information required in compliance with provisions of a non-EU member state is considered equivalent (consolidated text in Journal of Laws 2014, item 133, as amended).

a) specification

- **of corporate governance principles, to which an issuer is subject and a place, where the contents of such principles are publicly accessible**

The Company is governed by the corporate governance principles presented in document entitled "Good Practices of Companies Listed on Warsaw Stock Exchange 2016". The contents of such document is available on the Company's website (www.stalprodukt.com.pl), section of "Investor Relationships" and "Corporate Governance" tag.

- **of corporate governance principles, which an issuer could decide to follow on voluntary basis and a place, where the contents of such principles are publicly accessible**

The Company did not decide to adopt any other corporate governance principles than presented above.

- **all respective information on the issuer's compliance with practices related to corporate governance beyond requirements defined in the national legislation, together with information on corporate governance practices applied by the issuer,**

The Company does not apply corporate governance practices beyond requirements defined in the national legislation.

b) information on the issuer's non-conformance with the corporate governance provisions referred to in letter "a" indent one and two, specification of such provisions and explanations of such non-conformance,

The Company did not broadcast the general shareholder meeting via the Internet, did not register it and did not publish it on its website.

In the future the Management Board intends to register its general meetings and broadcast them via the Internet.

c) description of main features of the internal control and risk management systems used in the issuer's enterprise in relation to the process of preparation of financial statements and consolidated financial statements,

Financial statements are prepared by the Manager of the Accounting and Tax Department on the basis of financial data from IFS financial and accounting system, and in compliance with

the principles defined in the documentation of adopted accounting principles (policy) in force in the Company.

Since 1 January 2005 Stalprodukt S.A. prepares financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, and in the scopes that are not subject to the above standards - with the requirements of the Polish Accountancy Act.

The content-related supervision over the process of preparation of the Company's financial statements and periodical reports is exercised by the Financial Director, who performs the initial control of a financial statement, and then submits it for final verification to the Management Board.

The Office for Corporate Issues and Special Projects in the sector of the General Director is responsible for organisation of works related to preparation of annual and interim financial statements.

d) specification of shareholders who directly or indirectly hold significant packages of shares together with specification of a number of share held by such entities, their percentage share in share capital, total number of votes resulting from them and their percentage share in the total general number of votes at the general meeting of shareholders,

As at submission of this report, there are the following shareholders, who have at least 5 % of the total number of shares in the general meeting of shareholders:

- STP Investment S.A. holding 1 829 319 shares accounting for 32.78 % share in the capital and 5 875 691 votes, accounting for 48.17 % of the total number of votes at the general meeting of shareholders.
- Stalprodukt Profil S.A. holding 579 652 shares accounting for 10.39 % share in the capital and 1 095 488 votes, accounting for 8.98 % of the total number of votes at the general meeting of shareholders.
- ArcelorMittal Sourcing a société en commandite par actions shares accounting for 1 066 100 shares accounting for 19.10 % share in the capital and 1 066 100 votes, accounting for 8.74 % of the total number of votes at the general meeting of shareholders.

Moreover, on 30 June 2016 an agreement was concluded on purchase of the Company's shares and uniform voting on the Company's general meetings of shareholders, and on uniform policy to be enforced in relation to the Company. Below there is a list of shareholders bound with such agreement and information on the amounts of shares held currently by them and votes on the general meeting of Shareholders:

- STP Investment S.A. holding 1 829 319 shares entitling to 5 875 691 votes on the general meeting of shareholders,
- Stalprodukt Profil S.A. holding 579 652 shares entitling to 1 095 488 votes on the general meeting of shareholders,
- Stalnet Sp. z o.o. holding 135 564 shares entitling to 383 572 votes on the general meeting of shareholders,
- Mr Piotr Janeczek holding 115 053 shares entitling to 574 913 votes on the general meeting of shareholders.

At the date of submission of this report the shareholders, which entered into that agreement, held altogether 2 659 588 share accounting to 47.66 % share in the capital and 7 929 664 votes accounting for 65.01 % of the total number of votes at the general meeting of shareholder.

e) specification of holders of all securities entitling to special rights of control, together with description of such rights,

There are no securities entitling to special rights of control.

f) specification of all restrictions related to exercising of the voting rights, such as limitation of exercising of voting rights by holders of a specific part of or a number of votes, time limitations of exercising of voting rights or provisions, according to which, in cooperation with the company, the capital rights related to securities are separated from possession of securities,

At the moment there are no restrictions related to exercising of voting rights under the Company's shares.

g) specification of all restrictions referring to assignment of ownership rights to the issuer's securities,

A, B and E series of shares issued by the Company are registered shares privileged in respect to voting. Pertaining to § 12 sec. 1 of Stalprodukt S.A.'s Articles of Association: *disposal of registered shares requires written consent of the Management Board. A decision of the Management Board about consent or no consent should be given within 7 days as from the date of submission of a respective request.*

If no consent is given, the Management Board shall appoint a purchaser within 7 days. A purchaser will purchase the shares concerned for cash within 7 days in the Company's registered office.

Remaining shares of the Company, that is C, D, F and G series, are bearer shares listed on the Warsaw Stock Exchange. There are no limitation in trading with those shares.

h) descriptions of principles concerning appointment and dismissal of members of management and their rights, in particular the right to decide about an issue or redemption of shares,

The Company's Management Board operates on the basis of the provisions of the Code of Commercial Companies and the Company's Articles of Association. According to the Company's Articles of Association, the Management Board consists of two to four members appointed for a period of three years by the Supervisory Board in the following manner: the President of the Management Board is appointed by the Supervisory Board from candidates appointed by the Members of the Supervisory Board, the other Members of the Management Board are appointed by the Supervisory Board at a request of the President of the Management Board. The Supervisory Board dismisses Members of the Management Board, save for the President of the Management Board.

The President and Members of the Management Board may be also appointed from outside the group of shareholders. An agreement with the President and Members of the Management

Board is concluded on behalf of the Company by the President of the Supervisory Board or another its representative appointed among its Members.

The Management Board represents the Company outside in relations with authorities, third parties, in court of law and outside.

The President of the Management Board individually or two Members of the Management Board together or one Member of the Management Board together with a Proxy are authorised to make declaration of will and affix signatures on the Company's behalf.

The Management Board is responsible for the Company's ongoing activities. Detailed manner of operation of the Management Board and issues that require a resolution of the Management Board, and issues that may be arranged by individual Members of the Management Board on its behalf are defined in the Regulation of the Management Board.

The Regulation is adopted by the Management Board on request of the President of the Management Board and it is then approved by the Supervisory Board.

i) description of the diversity policy applied to the issuer's administration, management and supervisory bodies

Stalprodukt S.A. does not have a formalised diversity policy in relation to the Company's administration, management and supervisory bodies. In respect to the Members of the Management Board and the Supervisory Board such persons are selected by the Supervisory Board and shareholders. Thus, the Company has no impact on shaping of the diversity policy in respect to these bodies.

In case of other positions specified in the Company's structure, the Company endeavours to ensure diversity in respect to gender, education and professional experience despite no document on diversity policy has been adopted. The deciding criteria of employee selection consists mainly of high qualifications and substantial preparation for specified function and position.

j) description of principles of amending the Issuer's Articles of Association and agreement,

An amendment of the Company's Articles of Association shall be approved by the General Meeting of Shareholders. Resolutions of the General Meeting of Shareholders on amendment of the Articles of Association require 3/4 of cast votes.

k) manner of operation of the general meeting of shareholders and its major rights and description of the rights of shareholders and the manner of their exercising, in particular the principles resulting from the regulation of the general meeting of shareholders, if such regulation has been adopted, unless such information result directly from legal provisions,

The Company's General Meeting of Shareholders acts on the basis of regulations defined in the code of Commercial Companies and the Company's Articles of Association. The manner of operation of the general meeting of shareholders and its major rights are defined in the Regulation of the General Meeting of Shareholders of Stalprodukt S.A., which has been approved with Resolution no XXVI/16/2010 of the General Meeting of Shareholders of 25.06.2010.

According to the Company's Articles of Association:

1. An ordinary or extraordinary General Meeting of Shareholders may be convened.
2. The ordinary General Meeting of Shareholders is convened by the Company's Management Board within 6 months from an end of every financial year.
3. The extraordinary General Meeting of Shareholders is convened by the Company's Management Board on its own initiative or on request of a shareholder or shareholders representing at least 1/20 of the share capital. A request for convening of the extraordinary General Meeting must be submitted by a shareholder or shareholders in writing or in an electronic form.
4. The General Meeting referred to in sec. 3 adopts a resolution on whether costs of convening and organisation of the General Meeting are to be borne by the Company. The shareholders, on whose request the General Meeting is convened, may apply to the registration court for release from an obligation of payment of costs imposed under a resolution of the General Meeting.
5. The Supervisory Board may convene the ordinary General Meeting, if it has not been convened by the Company's Management Board in a period defined in the provisions of the Code of Commercial Companies or within 2 weeks from a respective request of the Supervisory Board, and it may convene the extraordinary General Meeting, if believes it is advisable.
6. Shareholders representing at least a half of the share capital or a half of total votes in the Company may convene the Extraordinary General Meeting. Shareholders appoint a chairperson of the General Meeting.

The General Meeting may adopt resolutions only on issues included in an agenda. The agenda is determined by the Company's Management Board. A shareholder or shareholders representing at least 1/20 of the share capital may demand that specified issues are included in the agenda of the next General Meeting. Such request should be submitted to the Management Board no later than 21 days before a specified date of the General Meeting. A request should contain an explanation and draft resolution on the proposed item of the agenda. A demand may be submitted in an electronic form.

Before a date of the General Meeting, a shareholder or shareholders representing at least 1/20 of the share capital may submit - in writing or via electronic communication means - draft resolutions on issues introduced to the agenda or issues that are to be introduced to the agenda. The Company shall publish promptly the draft resolutions on its website.

During the General Meeting, every shareholder may submit draft resolutions in issues in the agenda.

The General Meeting may adopt resolutions regardless of the number of present shareholders and represented shares, provided that an adoption of resolution of the General Meeting on increase of the share capital including subscription of new shares through private subscription or an open subscription by a specified addressee requires presence of shareholders representing at least one third of the share capital.

If the General Meeting convened for adoption of such resolution is not held because no quorum is present, another General Meeting may be convened, when the resolution may be adopted regardless of the number of shareholders present at the General Meeting.

Shareholders may participate in the General Meeting personally or through plenipotentiaries.

A power of attorney for participation in the General Meeting and exercising voting rights must be granted in writing or in an electronic form. If a power of attorney is granted in an

electronic form, it does not need a safe electronic signature verified by means of a valid qualified certificate. The Regulation of the General Meeting defines the manner of notification on granted power of attorney.

Resolutions of the General Meeting are adopted with majority of cast votes, provided that a resolution on change of the subject of the Company's enterprise requires 2/3 of cast votes, while resolutions on amendment of Articles or Association, change of share capital or merger or liquidation of the Company require the majority equal to 3/4 of cast votes.

Resolutions are voted in open voting. Secret ballots are arranged in case of elections or request for dismissal of members of bodies or the Company's or resolutions on their liability. Moreover, secret voting is organised if it is requested by at least one person entitled to vote.

According to § 36 of the Company's Articles of Association, competences of the General Meeting of Shareholders include:

- Dismissal of the President of the Management Board.
- Examination and approval of the Company's annual financial statement, annual report of the Management Board on the activities of the Company and consolidated financial statement of the Capital Group.
- Decisions on the split of profits or coverage of losses.
- Acknowledgement of fulfilment of obligations by the Company's authorities.
- Amendments of the Company's Articles of Association.
- Increase or reduction of the Company's share capital.
- Change of the subject of the Company's enterprise.
- Merger of the Company or transformation of the Company.
- Liquidation of the Company, selection of liquidators and decision on the distribution of the Company's assets after liquidation.
- Issue of bonds.
- Decisions on claims for recovery of damages caused upon establishment of the Company and its management or supervision.
- Decisions on use of the supplementary capital and decisions on establishment and appropriation of capital reserves.
- Determining the profit share ratio for the Management Board and the manners of its payment.
- Other competences belonging to the scope of exclusive competence of the meeting of shareholders according to the Code of Commercial Companies, except consent for purchase or sales of real property, usufruct right or share in real property, which was left in the scope of competence of the Supervisory Board

l) members and changes that took place during the last financial year and description of operation of management, supervisory and administrative bodies of the issuer and their committees.

Members of the Management Board

In the period from 1.01.2017 to 31.12.2017 the Management Board consisted of:

Piotr Janeczek	- President of the Management Board,
Józef Ryszka	- Member of the Management Board,
Łukasz Mentel	- Member of the Management Board.

Members of the Supervisory Board

In the period from 1.01.2017 to 19.10.2017 the Supervisory Board consisted of:

Stanisław Kurnik	- Chairperson
Maria Sierpińska	- Deputy Chairperson
Kazimierz Szydłowski	- Secretary
Janusz Bodek	- Member
Magdalena Janeczek	- Member
Sanjay Samaddar	- Member
Tomasz Plaskura	- Member

In the period from 19.10.2017 to 30.11.2017 the Supervisory Board consisted of:

Janusz Bodek	- Chairperson
Sanjay Samaddar	- Deputy Chairperson
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Stanisław Stańdo	- Member

In the period from 30.11.2017 to 31.12.2017 the Supervisory Board consisted of:

Janusz Bodek	- Chairperson
Sanjay Samaddar	- Deputy Chairperson
Magdalena Janeczek	- Secretary
Agata Sierpińska-Sawicz	- Member
Romuald Talarek	- Member

Audit Committee

The Audit Committee consists now of the following persons:

- 1) Agata Sierpińska-Sawicz – Chairperson
- 2) Romuald Talarek – Deputy
- 3) Magdalena Janeczek – Member