

# REPORT ON THE ACTIVITY OF THE SUPERVISORY BOARD OF IZOSTAL S.A. IN 2014

## 1. COMPOSITION OF THE SUPERVISORY BOARD IN 2014:

As at December 31<sup>st</sup>, 2014 the composition of the Supervisory Board was as follows:

Jerzy Bernhard	- Chairman of the Supervisory Board
Andrzej Baranek	- Deputy Chairman of the Supervisory Board
Jan Chebda	- Secretary of the Supervisory Board
Jan Kruczak	- Member of the Supervisory Board
Lech Majchrzak	- Member of the Supervisory Board
Adam Matkowski	- Member of the Supervisory Board

## 2. ACTIVITY OF THE SUPERVISORY BOARD:

Members of the Supervisory Board of IZOSTAL S.A. performed their duties based on Corporate Governance Principles, provisions of the Commercial Companies Code, Articles of Association and Regulations of the Supervisory Board, exercising continuous supervision over the Company's activity in all the fields of its operation.

In accordance with the above-mentioned documents, from the moment of achieving by the Company of the status of a public company, Audit Committee functions within the scope of the Supervisory Board that the Supervisory Board has appointed among its members. The composition of the Audit Committee in the financial year 2014 remained unchanged and it was composed of the following members of the Supervisory Board:

Jan Kruczak	- Chairman of the Audit Committee
Adam Matkowski	- Deputy Chairman of the Audit Committee
Andrzej Baranek	- Secretary of the Audit Committee

The Supervisory Board of IZOSTAL S.A. exercised continuous supervision and control over the current operating and financial activity of the Company, making decisions in the form of resolutions, recommendations and arrangements and issuing subject-matter opinions.

Within the period from 01.01.2014 to 31.12.2014 the Supervisory Board had three meetings and issued an opinion and conducted voting over the resolution in a specific mode with the use of means of direct remote communication. The main topic and subject-matter of constant control and supervision activities considered by the Supervisory Board within the reporting period was the analysis of current economic and financial situation of the Company. The Supervisory Board also supervised performance of assumptions adopted for the Company of the Company's Plan approved for implementation in the specific quarters of 2014, including the plans of investment expenditures. The Supervisory Board examined the Company's documents and obliged the Management Board to provide explanations and prepare current analyses and statements. While performing of its statutory obligations, the Supervisory Board issued a positive opinion to the report of the Management Board from the Company's activity for 2013 and financial statement for the financial year 2013 and request of the Management Board within the subject-matter of profit distribution addressed to the General Meeting of Shareholders for its approval.

In 2014 the Supervisory Board also adopted "Report of the Supervisory Board on the results of evaluation of the financial statement for 2013", which was presented to the General Meeting of Shareholders, and which additionally was a basis for request for acknowledgement of fulfilment of duties by the Members of the Management Board in relation to the positive assessment of the work of the Management Board.

The Supervisory Board through the Audit Committee cooperates with the external auditor on a current basis, who conducted the audit and review of the financial statements in 2014.

The Supervisory Board while making evaluation of the risk management significant for the Company and internal control states that the activities undertaken by the Management Board comprising periodical inspection of the principals for risk management and compliance of such a

process with the adopted standards, as well as continuous analysis of risk management in terms of possibility of any improvements within the given field are correct and aim at development of mechanisms eliminating or minimising the existing risks. The identified main risk factors regarding the Company are constantly monitored, so as to establish whether their identification and the measures undertaken for the purpose of minimisation of the specific risk areas are correct and whether the used measures and solutions are adequate.

On the basis of the conducted analyses the Supervisory Board admits that the risk management process in the Company performed by the Management Board within the scope of its operating activity together with the Company's managing personnel participating in the process of risk identification and prevention of its effects is properly conducted. In addition, the Supervisory Board also positively assessed functioning of the internal control within the Company. In Izostal S.A. internal control is conducted by the Management Board, managing personnel and other employees within the scope of entrusted duties. Internal control mechanisms ensure compliance of the conducted activities with principles and procedures developed for the specific fields.

All the material aspects constituting the subject-matter of the agenda of the Supervisory Board, and not requiring adoption of any resolutions were entered into the minutes of the meetings of the Supervisory Board in the form of requests and recommendations.

Zawadzkie 25.03.2015

*Signatures of the Members of the Supervisory Board of IZOSTAL S.A.*

Jerzy Bernhard	- Chairman of the Supervisory Board	.....
Andrzej Baranek	- Deputy Chairman of the Supervisory Board	.....
Jan Chebda	- Secretary of the Supervisory Board	.....
Jan Kruczak	- Member of the Supervisory Board	.....
Lech Majchrzak	- Member of the Supervisory Board	.....
Adam Matkowski	- Member of the Supervisory Board	.....