

REPORT
ON OPERATIONS OF THE SUPERVISORY BOARD OF IZOSTAL S.A.
IN THE YEAR 2016

1. MEMBERS OF THE SUPERVISORY BOARD IN 2016:

The Supervisory Board of Izostal S.A. of the 8th term of office in 2016 worked in unchanged composition which is as follows:

Jerzy Bernhard	- Chairman of the Supervisory Board
Andrzej Baranek	- Deputy Chairman of the Supervisory Board
Jan Chebda	- Registrar 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

The composition of the Supervisory Board remained unchanged until 31.12.2016.

Within the Supervisory Board of Izostal S.A. there is one Audit Committee, which consists of 3 members appointed by the Supervisory Board from its members. The Audit Committee of the 8th term of office in 2016 was composed as follows:

Jan Kruczak	– Chairman of the Audit Committee
Adam Matkowski	– Deputy Chairman of the Audit Committee
Andrzej Baranek	– Registrar of the Audit Committee

The composition of the Audit Committee remained unchanged until 31.12.2016.

Pursuant to declarations of the Supervisory Board members, 4 of the 6 Supervisory Board members, including the Chairman of the Audit Committee, meet the criteria of independence referred to in principle II.Z.4. document "Best Practice of GPW Listed Companies 2016".

2. ACTIVITIES AND SELF-ASSESSMENT OF THE SUPERVISORY BOARD

The members of the Supervisory Board at Izostal S.A. performed their duties on the basis of the regulations of the Polish Code of Commercial Companies, the Company's Statute, the Rules of the Supervisory Board as well as "Best Practice of GPW Listed Companies 2016". The Supervisory Board exercised constant supervision over the company's current operating activities, participated in developing and supervising the execution of the Company's strategic objectives and assessed the method of management of significant risk for the Company as well as the internal control system. The Board performed its duties during meetings which were held four times in 2016 as well as during the Audit Committee's work which organized three meetings. The members of the Supervisory Board participated in meetings of the Audit Committee. In 2016 the Supervisory Board exercised constant supervision and control over the Company's operating and financial activities, making decisions in the form of resolutions, recommendations and arrangements as well as issuing opinions.

The main topic and object of permanent control and supervisory actions examined by the Supervisory Board in the reporting period was the analysis of the Company's current economic and financial situation as well as key decisions made in the field of the Company's business activities in 2016. According to its statutory competences, in 2016 the Supervisory Board appointed the Company's Management for another 3-year period of a joint 9th term. The resolution on appointing the Management became effective as at holding the General Meeting approving the Company's financial statement for 2015, namely on April 21, 2016. The Supervisory Board selected an entity authorized to examine and review the Company's financial statements, according to a recommendation from the Audit Committee, selecting Kancelaria Porad Finansowo-Księgowych dr Piotr Rojek Sp. z o.o. [Piotr Rojek, PhD, Office for Financial and Accounting Counsel] based in Katowice, to examine the financial statement for the years 2016-2018 along with a

semiannual review of the financial statement drawn up as at June 30, 2016 and, accordingly, June 30, 2017 and June 30, 2018.

The Supervisory Board monitored the implementation of the assumptions of the Company Plan approved for implementation adopted for the Company as well as investment outlays plans from the quarterly, semiannual and annual perspective. The Supervisory Board examined the Company's documents as well as obliged the Management to submit explanations and to draw up current analyses and statements. By pursuing its code duties, the Supervisory Board expressed a positive opinion on the Management's report from the Company's activities for 2015 and the financial statement for the financial year 2015 as well as the Management's motion regarding the division of profit, proposing the General Meeting approve them. In the adopted "Report of the Supervisory Board on the results of the assessment of the financial statement for the year 2015", the Supervisory Board expressed a positive opinion on the Management's work which was the basis to propose a motion to grant a vote of acceptance for members of the Management. The Supervisory Board examined and expressed opinions on matters being the object of resolutions of the Ordinary General Meeting. The Supervisory Board controlled the financial reporting process in the Company as well as the independence of the auditor via the Audit Committee which cooperates on a current basis with the external auditor examining and reviewing the financial statements in 2016. All important issues being the object of meetings of the Supervisory Board and not requiring resolutions were included in the minutes from the Board's meetings assuming the form of conclusions and recommendations.

In the opinion of the Supervisory Board, the Board performed its duties with all due diligence and exercised its statutory competences.

3. ASSESSMENT OF THE METHOD IN WHICH THE COMPANY MET ITS INFORMATION OBLIGATIONS RELATED TO USING CORPORATE GOVERNANCE.

The Company has been using a new set of principles of corporate governance from January 1, 2016, adopted by the Board of the Warsaw Stock Exchange by a resolution dated October 13, 2015, named "Best Practice of GPW Listed Companies 2016" (hereinafter referred to as: Best Practice). On the basis of the provisions of paragraph 29(3) of the GPW Rules, on January 1, 2016 the Company published current report no 1/2016 in the EIB system. The content of this report indicated which principles are not applied along with a commentary indicating the reasons they are not applied. The entire content of the published report, according to Detailed Principle I.Z.1.13 of the Best Practice, was included in the appendix to report no 1/2016 and was made available on the Company's website in the tab Reports as well as in the tab Corporate Governance.

In 2016 Izostal S.A. withdrew from using one recommendation: IV.R.2 as well as two detailed principles: I.Z.1.20, IV.I.Z.2 listed in the set "Best Practice of GPW Listed Companies 2016".

When analyzing the above actions as well as when assessing the Management's Report, according to the Management's Statement on using the principles of corporate governance, the Supervisory Board expresses a positive opinion on the method in which the Company meets its information obligations related to using corporate governance.

4. ASSESSMENT OF RATIONALITY OF THE POLICY ON SPONSORSHIP, CHARITY OR OTHER SIMILAR ACTIVITY APPLIED BY THE COMPANY.

The Company, feeling part of the local community, supports the region where it performs its activities and realizes social objectives through its commitment to initiatives aiming at support of education, sport and culture, as well as aid to those in need.

The Company's objectives regarding its charity and sponsorship activities are the following:

- building strong relations with the community which help the Company to win trust and recognition as both the company responsible for the local community and a reliable employer;
- creating best possible learning conditions for children and youths from Kolonowskie and neighbouring areas;
- support of lonely and disabled persons.

The Supervisory Board claims that Company's commitment in social matters and ethical way of its activity is beneficial to both the society and the Company. Therefore the Supervisory Board issued a positive opinion on rationality of the policy on sponsorship and charity activity applied by the company.

Kolonowskie, 23.03.2017

Signatures of IZOSTAL S.A. Supervisory Board members

Jerzy Bernhard - Chairman of the Supervisory Board

Andrzej Baranek - Deputy Chairman of the Supervisory Board

Jan Chebda - Registrar 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