

Section IX Corporate Governance

I. Corporate Governance

The Company has established a management structure with Baosteel features, in accordance with characterizations of iron and steel industry to support the strategic development and adapt to the manufacturing and operation. Moreover, the Company strictly stuck to relevant laws and regulations like Corporation Law, Securities Law, Code of Corporate Governance for Listed Companies in China and Rules Governing the Listing of Stocks on Shanghai Stock Exchange Declaration, constantly enhanced standard operation, strengthened scientific management, innovated interaction and communication channels, maintained good investor relationship, kept perfecting internal control system and overall risk management, and rigorously performed the obligation of information disclosure in an effort to improve the quality of operation and running.

10 members of sixth BOD were elected on 2014 annual general shareholders' meeting held on Apr. 24, 2015, including 4 independent directors, accounting for 40%; In addition to that, Mr. Buck Pei remains as an outside director designated by SASAC and a director of the Company, which means his in-dependency.

Special committees are set up and perfected to promote the structure of corporate governance, which enhanced the Company's professional operation and boosted the scientific decision of BOD. During the reporting period, in order to further improve the generation procedures of directors and senior management, optimize BOD member structure, constantly perfect legal person governance structure and level up corporate governance, the Company set up Nomination Committee of BOD.

As of now, 4 special committees have been set up for BOD, of which Strategy and Risk Management Committee consists 7 directors, independent directors accounting for 1/7, with Mr. Chen Derong, the Chairman, as Director; Audit Committee consists of 4 directors, independent directors accounting for 3/4, with Mr. Yuh-Chang Hwang, the independent director and professor of accounting, as Director; Remuneration and Appraisal Committee consists of outside directors, independent directors accounting for 4/5, with Mr Xia Dawei, the independent director, as Director; Nomination Committee consists of 5 directors, independent directors accounting for 4/5, with Ms. Li Li, the independent director, as the Director. Directors of Audit Committee, Remuneration and Appraisal Committee and Nomination Committee shall be independent, which guarantees in-dependency and fair in auditing and appraisal, as well as appointment of directors and senior executives.

In addition, during the reporting period, in order to adapt to the change of the Company's business development and production scale, the Company optimized and improved the examination and approval authority of fixed-asset investment, foreign long-term investment and other major matters, and conducted timely revision of the Company's Articles of Association, making the duty and authority of Company's management and decision-making level more clear, decision-making process more scientific, and the decision-making efficiency further improved.

In the year of 2015, the Company won awards, including "2015 Most Admired Listed Companies Top 100 by Investors" by China Association for Public Companies, 11th Public Company Board of Director Round Table Top 100 sponsored by *Boards & Directors*, "Great China Best Investor Relations (Material Industry)" by IR Magazine.

Reasons should be clarified if corporate governance has significant difference against relevant rules of China Securities Regulatory Commission.

None.

II. Profile of shareholders' general meeting

Session	Date of the meeting	Designated web disclosure of the resolutions	Disclosure date
2015 first extraordinary general meeting	Jan. 26, 2015	http://www.sse.com.cn	Jan. 27, 2015
2014 annual general meeting	Apr. 24, 2015	http://www.sse.com.cn	Apr. 25, 2015
2015 second extraordinary general meeting	Nov. 18, 2015	http://www.sse.com.cn	Nov. 19, 2015

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III. Directors' Duty Fulfillment

(I) Directors' Attendance of the board meetings and the shareholders' meetings

Director name	Independent Director or not	Attendance of the board meetings						Attendance of the shareholders' meetings
		Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Entrusting a representative	Absence	Two successive absence	Times of attendance of the meetings
Chen Derong	No	8	8	2			No	2
Dai Zhihao	No	8	8	2			No	2
Zhao Zhouli	No	8	8	2			No	1
Zhu Junsheng	No	8	8	2			No	1
Wang Li	No	8	8	2			No	1
Buck Pei	No	8	7	2	1		No	
Wong Pick Kuen	Yes	4	4	1			No	
Yuh-Chang Hwang	Yes	8	7	2	1		No	1
Liu Wenbo	Yes	8	8	2			No	1
Xia Dawei	Yes	8	8	2			No	1
Li Li	Yes	4	4	1			No	1

Number of Board Meetings held in the year	8
Including: number of on-site meetings	6
Number of meetings in communication mode	2
Number of on-site meetings combined with other ways of communication	0

(II) Dissents from Independent Directors to Relevant Matters of the Company

Notes for dissents from independent directors to relevant matters of the Company

No independent director has voiced their dissents on proposals of the Board of Directors and other proposals in the reporting year.

IV. Important Opinions and Suggestion Put Forward by the Special Committees Attached to the Board of Directors during the Reporting Period (details shall be disclosed if any dissent).

In the opinion of the Committee for Strategic Development and Risk Management, successful R&D and industrialization production of significant products contributed a lot to the state and society when replacing imports, reducing imported products price and others. It is suggested that the Company, when investing projects, shall consider proper use of green loan and reducing financing cost.

In the opinion of the Remuneration and Appraisal Committee, performance evaluation system of management shall be constantly optimized and adjusted, whose criteria shall be accordingly adjusted based on strategic objectives, problems and disadvantages in last year, difficulty of the work after internal and external environment changes, thus allowing performance evaluation and appraisal more reasonable and achieving a better motivation.

In light of strategic transformation from manufacturing to service and for the sake of speeding up steel e-commerce business expansion, the Company established Ouyeel Commerce Co., Ltd. in Feb 2015. It is suggested by Audit Committee that risk prevention and internal control system (especially related to finance business) shall be established and perfected as soon as possible, which benefits Ouyeel business features. In the meantime, in the opinion of Audit Committee, under the background of more market-oriented RMB exchange rate regime, exchange rate risk tends to be more severe and liability structure is subject to more impact from exchange rate risk. Therefore, more professional evaluation system and management regime shall be taken into consideration to effectively respond and control exchange rate risk.

V. Notes of the Board of Supervisors on Risks for the Company

The Board of Supervisors held no objection to all aspects under the supervision during the reporting period.

VI. Notes for the Company and Its Controlling Shareholders Unable to Guarantee Independency and Hold Independent Operation in Business, Personnel, Asset, Institution, Finance and Others

None.

VII. Establishment and Implementation of the Examination Mechanisms and the Incentive Mechanism for Senior Executives during the Reporting Period

The Company enjoyed a well-formed structure of corporate governance, with an assessment and appraisal mechanism for senior executives, which was approved by the Remuneration and Appraisal Committee and the Board of Directors. The compensation of senior executives depended on the performances of the Company as a whole and of themselves, and normative procedures have been well established with regards to their targets, daily compensation management, achievements, assessments and achievement-assessment relationship.

VIII. Disclose Internal Control Self-assessment Report

Applicable Not applicable

The Company carried out the internal control evaluation work according to the Basic Standard for Enterprise Internal Control and Guide for Enterprise Internal Control Evaluation and formed the internal control evaluation report. Evaluation Report has been approved by the 6th session of the 6th Board Meeting of the Company and disclosed to the public, with disclosure information available at: www.sse.com.cn.

Notes for major flaw in internal control during the reporting period

Applicable Not applicable

IX. Audit Report for the Company's Internal Control

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) conducted the internal control audit and gave its audit report for the Company, and the content of the report was disclosed at www.sse.com.cn.

If disclose internal control auditing report: yes

X. Miscellaneous

None.