

Section IX Corporate Governance

I. Corporate Governance

☒ Applicable ☐ Not applicable

The Company has established a corporate governance structure with Baosteel features, in accordance with the characteristics of steel industry to support the strategic development and be adapted to the manufacturing and operation of the Company. Moreover, The Company strictly observed relevant laws and regulations like Company Law, Securities Law, Code of Corporate Governance for Listed Companies and Rules of Shanghai Stock Exchange for Stock Listing, constantly enhanced normalized 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.

During the reporting period, the Company's Board of Directors totals 9 directors, including 4 Independent Directors, accounting for 44%; In addition, Mr. Buck Pei is an Outside Director of China Baowu Steel Group Co., Ltd. appointed by the SASAC and serves as the Company's Director at the same time, this also has greater independence relative to Baosteel.

The Company's Independent Directors actively participate in the construction of the Special Committee of the Board of Directors and has played an important role in the subordinate Special Committee of the Board of Directors. The Company's Board of Directors totals 4 Special Committees, of which the Strategy and Risk Management Committee consists of 6 Directors, Independent Directors account for 1/6; The Audit Committee consists of 4 Directors, Independent Directors account for 3/4; the Independent Director - Accounting Professor; Mr. Huang Yuchang serves as the Committee Chairman; The Remuneration and Appraisal Committee is held by the Outside Director, Independent Directors account for 4/5, the Independent Director, Mr. Xia Dawei serves as the Committee Chairman; The Nomination Committee consists of 5 Directors, Independent Directors account for 4/5, the Independent Director, Ms. Li Li serves as the Committee Chairman; The Audit Committee, Remuneration and Appraisal Committee, Nomination Committee are held by the Independent Directors, which effectively ensures the independence and fairness of the audit, appraisal and appointment of Directors and Senior Executives.

After the approval of the First Temporary Shareholders' Meeting in 2017 convened on Feb. 24, 2017, the approval of the Company's 2017 Congress of Workers and Staff, the Company adjusted the members of the Board of Directors and Board of Supervisors, after the adjustment, the Company's Board of Directors totals 11 Directors, including 5 Independent Directors, accounting for 45%; The Company's Board of Supervisors totals 7 Supervisors, including 3 staff supervisors.

The Company continues to strengthen the information disclosure management, improve and formulate the Baosteel Inside Information Insider Registration Management System, Baosteel Information Disclosure Delay and Exemption Business Management System and other documents, further enhances the information disclosure management specification.

In 2016, the Company won "China's Top-100 Enterprise Award" and China's Innovation Enterprise Award issued by China Business Top 100, and won "The Twelfth 'Gold Prize of Round Table' of Chinese Board of Listed Company" sponsored by the Directors & Boards.

Whether there is a significant difference between corporate governance and relevant requirements of CSRC; In case of any significant differences, the reason shall be explained

☐ Applicable ☒ Not applicable

II. Brief introduction of shareholders' meeting

Session	Date	Reference websites	Disclosure date
First temporary shareholders' meeting in 2016	2016-1-27	http://www.sse.com.cn/	2016-1-28
Annual shareholders' meeting of 2015	2016-4-28	http://www.sse.com.cn/	2016-4-29
Second temporary shareholders' meeting in 2016	2016-8-8	http://www.sse.com.cn/	2016-8-9
Third temporary shareholders' meeting in 2016	2016-10-28	http://www.sse.com.cn/	2016-10-29

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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	10	10	6			No	2	
Dai Zhihao	No	10	10	6			No	3	
Zhao Zhouli	No	5	5	3			No	0	
Zhu Junsheng	No	10	10	6			No	1	
Liu An	No	5	5	3			No	0	
Wang Li	No	5	5	3			No	0	
Buck Pei	No	10	10	6			No	0	
Yuh-Chang Hwang	Yes	10	9	6	1		No	0	
Liu Wenbo	Yes	10	10	6			No	1	
Xia Dawei	Yes	10	10	6			No	0	
Li Li	Yes	10	9	6	1		No	1	
Number of Board Meetings held in the year				10					
Including: number of on-site meetings				4					
Number of meetings in communication mode				6					
Number of on-site meetings combined with other ways of communication				0					

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

☐ Applicable ☒ Not applicable

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

(III) Others

☐ Applicable ☒ Not applicable

IV. Important Opinions and Suggestion Put Forward by the Special Committees Attached to the Board of Directors During the Reporting Period.

☒ Applicable ☐ Not applicable

The Strategy and Risk Management Committee believes that after the Baowu restructuring, the effect of business integration and the degree of cultural fusion are the key to achieve the Baowu restructuring objective. The Company's management shall formulate the integration plan to effectively promote the R&D, purchase, sales and other systems, uniformly optimize the resource allocation, promote the cultural fusion and achieve synergy.

Remuneration and Appraisal Committee recommends that the Company should summarize the experience and insufficiency of the first phase of the restricted stock plan in the design and formulation of the stock incentive plan in the future, further optimize and improve the company index design system, including weight setting for relative index and absolute index while drawing lessons from the foreign steel enterprise design index, so that the stock incentive index design is more scientific and reasonable in order to more objectively reflect the Company's business performance and better play the role of incentive.

The Audit Committee believes that the Company's cost-cutting work in 2016 has a significant effect, the Company shall maintain the sustainability of cost control. Along with the continuous expansion of Ouyeel business scale, the Audit Committee recommends the Company to invest more energy in order to build Ouyeel risk control mechanism and strengthen the internal control system construction.

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

☐ Applicable ☒ Not applicable

VI. Explanation of Independence and Self-Management Inability in Business, Staff, Assets, Organization and Finance of the Company and its Controlling Shareholders

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

The Company enjoyed a well-formed structure of corporate governance, with an assessment and appraisal mechanism for senior executives, which was approved by the Compensation and Performance Evaluation 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. Disclosure of Internal Control Self-Evaluation Report

☒ Applicable ☐ Not applicable

In accordance with Basic Norms of Enterprise Internal Control and Guideline for Enterprise Internal Control Evaluation, the Company develops the internal control evaluation work and prepares the internal control self-evaluation report, the internal control self-evaluation report has been approved by the 17th Session of the 6th Board of Director Meeting and disclosed externally.

Description of the significant defect of internal control during the reporting period

☐ Applicable ☒ Not applicable

No significant defect of internal control was found during the reporting period.

IX. Audit Report for the Company's Internal Control

☒ Applicable ☐ Not applicable

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 the internal control auditing report has been disclosed: yes

X. Others

☐ Applicable ☒ Not applicable