

**RESOLUTION NO. 87/X/2017
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
of May 29th 2017**

concerning Report of the Supervisory Board on assessment of reasonableness of the Company's sponsorship, charitable and similar initiatives in the period January 1st-December 31st 2016, as set out in the appendix hereto

Acting pursuant to Art. 32 of the Company's Articles of Association in conjunction with principle II.Z.10.4. of the Code of Best Practice for WSE Listed Companies 2016, the Supervisory Board resolves as follows:

Section 1

The Supervisory Board approves the Report of the Supervisory Board for the Annual General Meeting on assessment of reasonableness of the Company's sponsorship, charitable and similar initiatives in the period January 1st-December 31st 2016, as set out in the appendix hereto.

Section 2

The Supervisory Board requests that the Annual General Meeting consider the submitted Report.

Section 3

This Resolution shall become effective as of its date.

This Resolution has been passed by open ballot, in the presence of nine Supervisory Board Members.

Votes in favour: 9

Abstentions: 0

Votes against: 0.

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Marek Grzelaczyk /Chairman of
the Supervisory Board/

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Tomasz Karusewicz
/Deputy Chairman of the
Supervisory Board/

.....
Zbigniew Paprocki
/Secretary of the Supervisory
Board/

.....
Monika Fill

.....
Robert Kapka

.....
Artur Kucharski

.....
Bartłomiej Litwińczuk

.....
Ireneusz Purgacz

.....
Roman Romaniszyn

REPORT
**of the Supervisory Board of Grupa Azoty S.A. for the Annual General Meeting
on assessment of reasonableness of the Company's sponsorship, charitable and
similar initiatives in the period January 1st-December 31st 2016**

PRINCIPLES AND DOCUMENTS

The rules governing the Company's sponsorship, charity and similar initiatives are set forth in the following documents:

1. 'Grupa Azoty Group's policy on social and sponsorship activities and its operation at the Group',
2. 'Grupa Azoty Group's donation policy',
3. 'Grupa Azoty S.A.'s donation rules'
4. 'Grupa Azoty Group's scholarship policy'

1.
'Grupa Azoty Group's policy on social and sponsorship activities and its operation at the Group' was approved by resolution of the Company's Management Board No. 530/IX/2013 of November 25th 2013 and received a positive opinion from the Supervisory Board expressed in resolution No. 47/IX/2013 of December 10th 2013. The document was implemented by internal regulation No. 58/IX/2013 of December 9th 2013.

The document sets forth:

- the following directions for the social and sponsorship activities:
 - investments benefiting the local community, measures aimed at solving social issues, charitable assistance in the form of cash and non-cash donations and services, addressed directly to the communities or to charitable organisations, NGOs and non-profit organisations,
 - social and sponsorship projects relating to local initiatives, often with regional, supraregional and international media coverage, pursued by individual companies of the Grupa Azoty Group,
 - social and sponsorship projects relating to nationwide or international initiatives, beyond the framework of local initiatives, will be undertaken by the Group's Parent, Grupa Azoty S.A., acting for the entire Grupa Azoty Group;
- groups of stakeholders covered by *the Policy*, i.e. entities involved in the following activities:
 - education of children and the youth
 - cultural projects

- regional promotion
 - science and research projects supporting the development of Poland's chemical industry
 - environmental protection
 - protection of human health and life
 - sports
 - charitable, social or religious worship activities;
- objectives in the area of social and sponsorship activities (including building positive image of the Group as a whole and its individual companies, promoting the Grupa Azoty brand, enhancing attractiveness of the regions in which the Grupa Azoty Group operates, and supporting promotional and commercial activities).

The document also sets out the rules of operation of the Grupa Azoty Group's policy on social and sponsorship activities across the Group, including:

- the scope, plan and terms of social and sponsorship activities,
- the budgeting rules,
- the rules for supervision, evaluation and monitoring of implementation of the 'Plan of sponsorship activities'.

2.

The Grupa Azoty Group's donation policy was approved by resolution of the Management Board No. 520/IX/2013 of November 19th 2013 and implemented by internal regulation No. 58/IX/2013 of December 9th 2013.

The document sets forth:

- the rules of granting donations by the Grupa Azoty Group,
- the objectives of donations, such as:
 - 1) providing social assistance to families and individuals in difficult life circumstances and promoting equal opportunities among such families and individuals;
 - 2) activities aimed at social and professional integration and reintegration of individuals at risk of social exclusion;
 - 3) charity;
 - 4) cultivation and fostering of Polish traditions and national identity, strengthening of national, civic and cultural awareness;
 - 5) activities supporting national and ethnic minorities and regional languages;
 - 6) health protection and promotion;
 - 7) support for the disabled;
 - 8) promotion of employment and professional activity among individuals at risk of unemployment or dismissal from work;
 - 9) support for equal rights of men and women;
 - 10) support for people at retirement age;
 - 11) support of economic growth, including development of entrepreneurship;
 - 12) support for the development of technology, inventions and innovation, as well as promotion and implementation of new technological solutions in economic practice;
 - 13) support for the development of local groups and communities;
 - 14) science, higher education, schooling, and education systems;
 - 15) holidays for children and the youth;

- 16) culture, arts, and protection of cultural property and national heritage;
- 17) supporting and promoting physical education;
- 18) ecology, animal welfare and protection of natural heritage;
- 19) tourism and sightseeing;
- 20) public safety and order;
- 21) the country's defence and activities of the Polish Armed Forces;
- 22) promotion and protection of human rights and freedoms as well as civil liberties, and activities supporting the development of democracy;
- 23) public rescue and safeguarding;
- 24) provision of assistance to victims of natural disasters, military conflicts and wars in Poland and abroad;
- 25) promotion and protection of consumer rights;
- 26) support for European integration and development of international ties;
- 27) promotion and organisation of volunteer work;
- 28) assistance to Polish communities and Poles living abroad;
- 29) support for veterans and victims of repression;
- 30) promotion of Poland abroad;
- 31) supporting families, motherhood and parenthood, promotion and protection of children's rights;
- 32) preventing addiction and social pathologies;
- 33) support for NGOs, the entities referred to in Art. 3.3 of the Act on Public Benefit and Volunteer Work, as well as legal persons and organisational units acting in accordance with the regulations governing the relationship between the State and the Catholic Church in the Republic of Poland, the relationship between the State and other churches and religious organisations, as well as the guarantees of freedom of conscience and religion, provided that their core objectives laid down in their charters include public benefit activities; associations of local government units; social co-operatives, joint-stock companies and limited-liability companies, as well as sport clubs incorporated as companies and operating under the Act on Sports of June 25th 2010 (Dz.U. No. 127, item 857 and No. 151, item 1014), which operate on a non-profit basis, allocate all their income towards the achievement of objectives laid down in their charters, and do not distribute their profits among their members, shareholders, and employees;
- 34) religious organisations.

3.

The document 'Grupa Azoty S.A.'s donation rules' was approved by resolution of the Management Board No. 511/IX/2013 of October 29th 2013 and by resolution of the Supervisory Board No. 48/IX/2013 of December 10th 2013, and implemented by internal regulation No. 53/2013 of December 2nd 2013 (along with Annex 1 implemented pursuant to internal regulation No. 17/2016 of May 24th 2016).

The document was developed based on Grupa Azoty S.A.'s Articles of Association, 'Grupa Azoty Group's policy on social and sponsorship activities', and applicable laws (including the Polish Civil Code and the Act on Public Benefit and Volunteer Work), and defines the rules for applying for donations, eligibility criteria, as well as the decision-making process. The document is related to the Grupa Azoty Group's 'Donation policy', which sets forth the objectives and principles of charitable activities across the Group.

Annex 1 to Grupa Azoty S.A.'s donation rules concerns the donee's obligation to properly announce donations received from Grupa Azoty S.A. for repair / modernisation / construction or purchase of permanent tangible goods (in-kind donations).

4.

The Grupa Azoty Group's scholarship policy was approved by resolution of the Management Board No. 492/IX/2013 of September 25th 2013 and implemented by internal regulation No. 51/2013 of December 2nd 2013.

The objective of the document is to provide a framework for all scholarship-related activities at the Grupa Azoty Group by adopting uniform rules to be followed across the Group for all scholarship programmes, subject to the principles of corporate social responsibility and the principles of:

- efficiency (all amounts allocated to scholarship programmes must be reasonably justified on merit, and the total amount per single scholarship programme in a given year must not exceed PLN 100 thousand),
- equal access (information on scholarships and forms of documents required for the participants of scholarship programmes to take part in the recruitment process must be published by the Group companies in such a way as to ensure that the Grupa Azoty Group's scholarship offering reaches the greatest possible number of potential beneficiaries),
- transparency (scholarships must be granted based on a scholarship programme established by a company acting as the organiser and founder of a given scholarship, and the programme must specify: objectives of the programme, terms of participation, qualification criteria, rules of granting, disbursement and course of the scholarship, and document forms).

ANALYSIS AND EVALUATION OF SPONSORSHIP ACTIVITIES

In 2016, the Supervisory Board monitored the Company's social and sponsorship activities on an on-going basis.

The Company's social and sponsorship initiatives in sport included:

- the Grupa Azoty START Programme, launched in 2015 as a long-term umbrella project for the Climbing Development Programme, Basketball Development Programme, Speedway Development Programme, Handball Development Programme, or Cross-Country Skiing Development Programme.
- patronage of nationwide and local sports events (ski jumping, volleyball, speedway, handball, football).

In addition, following a review of sponsorship spending at individual Grupa Azoty Group companies in 2013-2015 and an analysis of the document 'Concept for sponsorship activities aimed at enhancing the achievement of the Group's targets, centralisation of activities and decision-making processes, financing methods and redistribution of spending across the Group companies' (preparation of the document was one of the individual tasks included in the Goal Sheet of Paweł Jarczewski, President of the Management Board, who remained in office until February 19th 2016), the Supervisory Board requested the Management Board to draft Sponsorship Rules, including a mechanism for implementing the Rules at Group companies.

According to the Supervisory Board's recommendations, the Rules should define the principal criteria for implementing the sponsorship policy (e.g. supporting businesses, building and maintaining good relations with employees, customers and local communities), including prioritisation of individual activities (strategic/local). Due to changes in the composition of the Management Board during the financial year, the drafting of the Rules was put on hold. As at now, the Supervisory Board has obliged the Management Board to develop a final framework of sponsorship activities.

ANALYSIS AND EVALUATION OF THE GROUP'S CHARITBLE ACTIVITIES

Pursuant to the Articles of Association of Grupa Azoty S.A., the Supervisory Board's powers and responsibilities include:

- approval of the rules on donations (§ 33.1.18 of the Articles of Association),
- approval of the execution by the Company of an agreement concerning a donation or cancellation of debt with a value exceeding PLN 30,000 (thirty thousand złoty). If the total amount of donations granted or debts cancelled by the Company in a year exceeds PLN 500,000 (five hundred thousand złoty), any further donation or cancellation of debt above PLN 20,000 (twenty thousand złoty) requires approval of the Supervisory Board (§ 33.2.9 of the Articles of Association),
- approval of the formation or co-financing by the Company of foundations or other organisations other than commercial-law companies (§ 33.2.10 of the Articles of Association).

In view of the foregoing, in 2016 the Supervisory Board monitored the Group's charitable activities on an on-going basis, including through analysis of the Management Board's resolutions on donations.

In 2016, financial donations to other entities amounted to PLN 229,000 from Grupa Azoty S.A.'s budget and to PLN 132,000 from the corporate budget.

The donees included the Parish of St. Nicholas and St. Mary of the Snows in Kotliska, the Roman Catholic Parish of Most Holy Mary Queen of Poland in Tarnów-Mościce, Grupa Azoty S.A. branch of the Polish Tourist and Sightseeing Society (PTTK), the Social Welfare Centre for Children, Youth and Adults of the Congregation of the Sisters of St. Elizabeth in Kędzierzyn-Koźle, the Municipal Fire Department in Tarnów, Ludwig Rydygier Hospital in Kraków, and the KANON Association (donation for the continuation of activities of the Mościce Training and Therapeutic Centre in 2016).

In the performance of the provisions of Art. 33.2.9) and 10) of the Company's Articles of Association, in 2016 the Supervisory Board passed the following resolutions:

- No. 210/IX/2016 of January 15th 2016 on consent to an in-kind donation of an ultrasound machine (with a VAT-inclusive value of PLN 145,000 divided equally into fifths between the following Grupa Azoty Group companies: Grupa Azoty S.A., Grupa Azoty POLICE, Grupa Azoty PUŁAWY, Grupa Azoty Kędzierzyn S.A., and Grupa Azoty Siarkopol);
- No. 216/IX/2016 of February 19th 2016 on consent to an in-kind donation of laboratory equipment with a value of PLN 66,834.25;

- No. 237/IX/2016 of April 15th 2016 on consent to provide financial assistance to the Ignacy Mościcki Foundation at the Ignacy Mościcki Technical School Complex in Tarnów-Mościce (PLN 50,000)
- No. 9/X/2016 of August 1st 2016 on consent to the establishment and co-financing of the Polish National Foundation by the Company.

In the opinion of the Supervisory Board, the donation policy pursued by the Management Board in 2016 was well-grounded and in keeping with the Company's guidelines contained in the '*Grupa Azoty Group's donation policy*' and '*Grupa Azoty S.A.'s donation rules*'.

As in the case of sponsorship activities, due to the changes made in the composition of the Management Board during the financial year, the Supervisory Board has obliged the Management Board to develop a target model for charity activities.

Signatures of the members of the Supervisory Board of Grupa Azoty S.A.

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Marek Grzelaczyk /Chairman of
the Supervisory Board/

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Tomasz Karusewicz
/Deputy Chairman of the
Supervisory Board/

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Zbigniew Paprocki
/Secretary of the Supervisory
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Roman Romaniszyn