REPORT FOR THE ANNUAL GENERAL MEETING
ON ASSESSMENT OF THE COMPANY’S FULFILMENT OF DISCLOSURE REQUIREMENTS RELATING TO COMPLIANCE WITH THE ADOPTED CORPORATE GOVERNANCE PRINCIPLES
FOR THE PERIOD JANUARY 1st 2015 TO DECEMBER 31st 2015

In compliance with the Code of Best Practice for WSE Listed Companies 2016, the report presents an assessment of the Company’s fulfilment of the disclosure requirements relating to compliance with corporate governance principles, as set out in the Exchange Rules and the applicable laws on current and periodic information to be published by issuers of securities.

Since the floatation of its shares on the WSE in 2008, the Company’s aim has been to observe best corporate governance practices, as expressed in the declarations of the Company’s Management Board contained in the issue prospectuses in 2008, 2011 and 2012.

The Supervisory Board issues a positive opinion on the Company’s compliance with corporate governance standards in 2015, having considered the following:

1. In 2015, the Company applied the standards set out in the Code of Best Practice for WSE Listed Companies, as declared in its issue prospectuses.

By virtue of Resolution No. 294/IX/2012 of December 3rd 2012, the Company’s Management Board adopted the Code of Best Practice effected by way of Resolution No. 19/1307/2012 of November 21st 2012 of the WSE Supervisory Board, except:

• Part II Section 9a of the Code of Best Practice for WSE Listed Companies on publishing records of General Meetings on the corporate website in audio or video format,

• Part IV Section 10 of the Code of Best Practice for WSE Listed Companies on real-time transmission of General Meetings and real-time two-way communication
where shareholders may take the floor during a General Meeting from a location other than the venue of the General Meeting.

As regards Part II Section 9a of the Code of Best Practice for WSE Listed Companies, in the Company’s view, the way General Meetings have been documented and carried out to date ensures transparency and safeguards the rights of all shareholders. Further, information on passed resolutions is published by the Company in the form of current reports, also on its website. Therefore investors are able to review the matters discussed at General Meetings. The Company may apply this rule in the future.

As regards Part IV Section 10 of the Code of Best Practice for WSE Listed Companies, the Company’s Articles of Association do not provide for an option for shareholders to participate in General Meetings using electronic communications. The large number of shareholders may cause difficulties in ensuring seamless, simultaneous and equal participation of all shareholders in General Meetings. Given the high free float, difficulties may also arise in terms of information security. However, the Company may apply this principle in the future.

Following the amendment of the Code of Best Practice for WSE Listed Companies effected by way of Resolution No. 26/1413/2015 of October 13th 2015 of the WSE Supervisory Board, by way of Resolution No. 210/X/2015 of December 15th 2015, the Company’s Management Board adopted the amended Code of Best Practice for WSE Listed Companies 2016, except for the following recommendations and principles:

1. IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using means of electronic communication, the company should enable its shareholders to participate in a general meeting using such means, in particular through:
   a) real-time broadcast of a general meeting,
   b) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the venue of the general meeting,
   c) exercise of the right to vote during a general meeting either in person or through a proxy.

2. I.Z.1.20 A company should operate a corporate website and publish on it, in a legible form and in a separate section, an audio or video recording of a general meeting.

3. IV.Z.2. If justified by the shareholding structure, a company should ensure publicly available real-time broadcasts of general meetings.
The scope of exceptions therefore is the same as in previous reporting periods.

2.

By virtue of Resolution No. 200/VIII/2012 of December 20th 2012, the Supervisory Board adopted the corporate governance rules set out in Part III (‘Best Practice for Supervisory Board Members’) of the Code of Best Practice for WSE Listed Companies, attached to Resolution No. 19/1307/2012 of the WSE Supervisory Board of November 21st 2012. Following the amendment of the Code of Best Practice for WSE Listed Companies (Resolution No. 26/1413/2015 of October 13th 2015 of the WSE Supervisory Board), on December 21st 2015 the Supervisory Board passed Resolution No. 206/IX/2015 on adoption of the Code of Best Practice for WSE Listed Companies, with exceptions similar to those made in the Management Board Resolution No. 210/X/2015 of December 15th 2015, namely:

- Recommendation IV.R.2. (on shareholders’ participation in a general meeting using means of electronic communication)
- Principle I.Z.1.20. (on publishing an audio or video recording of a general meeting on a corporate website)
- Principle IV.Z.2. (on publicly available real-time broadcasts of general meetings).

Acting in compliance with the Code of Best Practice for WSE Listed Companies, in 2015 the Supervisory Board:
- prepared a report on the assessment of the Company’s position, including evaluation of its internal control and key risk management systems, and submitted the report to the Annual General Meeting,
- reviewed and issued opinions on matters submitted to the General Meeting (including financial statements and Directors’ Reports on the Company’s and the Group’s operations, and a proposal to approve grant of a licence).

General Meetings were attended by the Supervisory Board members elected by the Company’s employees.

In 2015, the Supervisory Board appointed an Audit Committee, with its two members meeting the criteria of being independent of the Company and any entities with significant links to the Company. Following a change in the composition of the Audit Committee in Q1 2016 (for more details, see section 10 of the report on the activities of the Supervisory Board in 2015), the Audit Committee is presently composed of four members, of whom two
meet the criteria of being independent, as set out in Annex II to the European Council Recommendation 2005/162/EC of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In compliance with principle II.Z.8., the Audit Committee Chairman meets the criteria of being independent, set out in principle II.Z.4. of the Code of Best Practice for WSE Listed Companies 2016. At the meeting on April 15th 2016, the Supervisory Board reviewed the declarations of independence submitted by four Supervisory Board Members and found that no grounds existed to question the declarations.

The Supervisory Board recommends that the General Meeting amend Art. 34.3 of the Company’s Articles of Association in order to align it with the requirements of the Act on Qualified Auditors and best practice for WSE listed companies, by reducing the requirement of meeting the criteria of being independent by the Audit Committee Members to at most 50% of the Audit Committee Members.

3. In order to align its internal regulations with the Code of Best Practice for WSE Listed Companies, the Company has implemented the Organisational Rules (Internal Order No. 21/2014 of May 16th 2014) and the Code of Organisational Culture (Internal Order No. 33/2014 of June 30th 2014), reflecting the principles of good corporate governance. At present, work is underway on alignment of the “Exercise of ownership – corporate governance policy” document with the Code of Best Practice for WSE Listed Companies 2016.

4. The corporate governance rules applied by the Company are published on the Company’s website, in the Investor Relations/Corporate Governance section. The website features information on:

- the Company’s Management Board (roles, competences, education and professional experience of the Management Board Members),
- the Supervisory Board (roles, competences, education and professional experience of the Supervisory Board Members, information on the Audit Committee, reports of the Supervisory Board, and information whether Supervisory Board Members meet the independence criteria),
- the General Meeting,
- the qualified auditor,
• compliance with best practice and explanations concerning non-compliance,
• diversity policy,
• reports on compliance with best practice and corporate governance.

The statement of compliance with corporate governance contained in the Directors’ Report on the operations of Grupa Azoty S.A. and the Directors’ Report on the operations of the Grupa Azoty Group, includes information on all the matters specified in Par. 91. 5.4 of Minister of Finance’s Regulation on current and periodic information to be published by issuers of securities of February 19th 2009 (as amended), i.e.:

• Corporate governance code applicable to the Company and availability of the text of the code to the public;
• Nature and degree of Company’s non-compliance with the corporate governance principles, and reasons for such non-compliance;
• Internal control and risk management systems;
• A list of shareholders holding, directly or indirectly, significant holdings, along with information on the number of shares held by such entities, their respective ownership interests, the number of voting rights held, and their share in total voting rights at the General Meeting;
• Special control powers of security holders;
• Restrictions on voting rights;
• Restrictions on the transferability of securities;
• Rules governing appointment and removal of the management staff; powers of the management staff, including in particular the authority to resolve to issue or buy back shares;
• Rules governing amendments to the Company’s Articles of Association;
• Operation and powers of the general meeting, as well as shareholders’ rights and their exercise;
• Composition and operation of management, supervisory or administrative bodies of the issuer, and their appointed committees, and any changes to the composition made within the past financial year.
5.
Since November 19th 2009, Grupa Azoty S.A. has been a constituent of the RESPECT index managed by the Warsaw Stock Exchange. The Company has been appreciated for its engagement in applying corporate social responsibility principles and having highest standards in corporate governance, corporate disclosure discipline, and investor relations, as well as environmental, social, and employee matters. In December 2015, the Company was for the ninth time included in the elite group of companies covered by the RESPECT Index, the first CSR-focused index in Central and Eastern Europe.

SUMMARY:
The Supervisory Board issues a positive opinion on the Company’s compliance with corporate governance standards in 2015.

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

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Przemysław Lis
/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 Board/

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Maciej Baranowski

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Marek Grzelaczyk

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Robert Kapka

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Tomasz Klikowicz

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Artur Kucharski

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Bartłomiej Litwińczuk