REPORT
of the Supervisory Board of Grupa Azoty S.A. based on assessment of reasonableness of the Company’s sponsoring, charitable and similar initiatives in the period January 1st 2015 - December 31st 2015.

PRINCIPLES AND DOCUMENTS

The rules governing the Company’s sponsoring, 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
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.


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.

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 2015, the Supervisory Board monitored the Company’s social and sponsorship activities on an on-going basis.

At the meeting held on March 13th 2015, the Supervisory Board reviewed the Report on the effectiveness of the Grupa Azoty Group’s sport sponsorship activities (support for winter sports, speedway, football, handball, volleyball) by the Group’s key companies (Grupa Azoty S.A., GA KĘDZIERZYN, GA PUŁAWY, GA POLICE) in 2014.

The Supervisory Board also reviewed the Report on the corporate brand image survey for 2013-2014. The key objectives of the project were:
- to monitor the brand capital among the Grupa Azoty Group’s stakeholders, including brand awareness, type and strength of brand associations, effectiveness of communication with the Group’s stakeholders through various communication channels, and sponsorship activities,
- to monitor changes of the brand capital as benchmarked against results of the 2013 survey.

Conclusions of the Report:
- Grupa Azoty is a recognisable brand associated by respondents with sport sponsorship,
- nationwide recognition of the corporate brand was enhanced,
- the Grupa Azoty Group is increasingly recognised as the leader of the chemical industry.

At the same meeting, the Supervisory Board analysed Grupa Azoty Group’s 2015 plan of social and sponsorship activities.

Based on the findings of the analysis, the Supervisory Board recommended that a concept of sponsorship activities be developed and implemented across the Group to further optimise the effectiveness of the Group’s promotional initiatives. The new concept should provide for centralisation of the budget, decision-making process and activities,
and outline the rules for the division of funds and redistribution of costs among the Group companies.

Development of the new Group-wide sponsorship framework was included in the 2015 Goal Sheet for the President of the Management Board, approved by the Supervisory Board on March 20th 2015.

At the meeting held on November 24th 2015, the ‘Grupa Azoty Group’s Sponsorship Concept and Strategy for 2016-2020’ - which outlines the activities and tasks defined as targets for the President of the Management Board - was evaluated by the Supervisory Board. (‘Development of the 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’).

The document presents:
- Main directions for the social and sponsorship activities;
- Review and analysis of the current ‘Grupa Azoty Group’s policy on social and sponsorship activities’, and recommendations for future actions (focus on the key platform - volleyball, supported by handball, winter sports and football; abandoning the sponsorship of less popular or less successful sport disciplines);
- Planned management of the sponsoring process (development of a comprehensive action plan for 2016-2020, centralisation of sponsoring-related communications across the Grupa Azoty Group, defining the level of sport sponsorship in the Group’s structure - i.e. Group-wide corporate sponsorship and sponsorship activities undertaken by individual Group companies);
- Financing of sponsorship activities

During the discussion it was noted that the document focused exclusively on sports, which does not exhaust the scope of the tasks specified for the President of the Management Board in the Goal Sheet for 2015. The Supervisory Board pointed out that the document should refer both to the overall scope of sponsorship-related activities as well as to individual activities targeted at specific groups (local community, product consumers - with a special focus on end customers, and Company shareholders). The document should contain clearly defined targets, ways of achieving the targets and their financing, as well as expected deliverables. In the Supervisory Board’s opinion, revision of the ‘Grupa Azoty Group’s policy on social and sponsorship activities’, implemented by internal regulation in 2013, should also be considered in light of the above comments.

At the meeting held on December 21st 2015, the Supervisory Board reviewed the ‘Concept for sponsorship activities at the Group’ (...) which had been extended to include the following elements:
- clearly defined goals of the Group’s sponsorship activities,
- methods of implementing and financing sponsorship activities,
- rules for developing sponsorship action plans and budgets,
- rules of reporting on sponsorship activities.

At the close of the discussion, the Supervisory Board approved the contents of the document. The Supervisory Board recognises the need to adopt a well-structured framework for the Group’s sponsorship activities, in the form of Sponsorship Rules and a set of implementation tools for the entire Grupa Azoty Group; the Sponsorship Rules are
to be developed by the Management Board, as provided for in the Supervisory Board’s position of December 12th 2015.

ANALYSIS AND EVALUATION OF THE GROUP’S CHARITABLE 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 2015 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 2015, donations to third-party beneficiaries amounted to PLN 368,300.

In 2015, costs of the performance of agreements for co-financing of events organised by third parties totalled PLN 2,186,500. Beneficiaries included: KANA Catholic Youth Education Centre (Katolickie Centrum Edukacji Młodzieży KANA), Ich Lepsze Jutro Association (Stowarzyszenie Ich Lepsze Jutro), the Grupa Azoty S.A.’s Branch of the Polish Tourism and Sightseeing Society (Oddział Polskiego Towarzystwa Turystycznokrajoznawczego Grupa Azoty S.A.), Zbylitowska Góra Centre for Children with Special Educational Needs (Specjalny Ośrodek Szkolno-Wychowawczy w Zbylitowskiej Górze), the Creative Brains Association of Graduates and Friends of the Faculty of Mechatronics (Stowarzyszenie Absolwentów i Przyjaciół Wydziału Mechatroniki Creative Brains), Main Committee of the Chemistry National Contest (Komitet Główny Olimpiady Chemicznej), SIEMACHA Association (Stowarzyszenie SIEMACHA), and the Copernicus Science Centre (Centrum Nauki Kopernik).

In the performance of the provisions of § 33.2.9) and 10) of the Company’s Articles of Association, in 2015 the Supervisory Board passed the following resolutions:

- Resolution No. 173/IX/2015 of April 16th 2015, to grant consent to provide financial assistance to the Ignacy Mościcki Foundation at the Ignacy Mościcki Technical School Complex in Tarnów-Mościce (PLN 50,000)
- Resolution No. 194/IX/2015 of June 25th 2015, to grant consent to disburse donation for the Bronislaw Geremek Centre Foundation (PLN 15,000)
- Resolution No. 198/IX/2015 of September 23rd 2015, to grant consent to disburse donation for the ‘Pomoc Polakom na Wschodzie’ Foundation (PLN 100,000).
In the opinion of the Supervisory Board, the donation policy pursued by the Management Board in 2015 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’.

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

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Przemysław Lis                  Tomasz Karusewicz             Zbigniew Paprocki
/Chairman of the               /Deputy Chairman of the      /Secretary of the
Supervisory Board/            Supervisory Board/            Supervisory Board/

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Maciej Baranowski              Marek Grzelaczyk              Robert Kapka

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Tomasz Klikowicz               Artur Kucharski              Bartłomiej Litwińczuk