

The file contains the following files in the following order:

1. Resolution of the Company's Supervisory Board
2. Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2018

**RESOLUTION NO. 339/X/2019 OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
dated May 17th 2019**

on adoption of the “*Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2018*”

Acting pursuant to Art. 32.1.19), 20) and 21) in conjunction with Art. 50.21) of the Articles of Association of Grupa Azoty S.A. (the “Company”), the Supervisory Board resolves as follows:

resolves as follows:

Section 1

The Supervisory Board adopts the “*Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2018,*” comprising:

- a report on the activities of the Supervisory Board, including the activities of the Supervisory Board committees and assessment of the work of the Management Board,
- an assessment of the Company’s position, including evaluation of its internal control, risk management and compliance systems as well as internal audit function,
- an assessment of fulfilment by the Company of its disclosure obligations relating to corporate governance, and of the Company’s compliance with the adopted corporate governance standards in the reporting period,
- an assessment of the reasonableness of the Company’s policy concerning sponsorship, charitable and similar initiatives, as presented in an Appendix to this resolution.

Section 2

The Supervisory Board submits the report referred to in Section 1 to the Annual General Meeting for consideration.

Section 3

This Resolution shall become effective as of its date.

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

Votes in favour:	- 9
Abstentions:	- 0
Votes against:	- 0

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

Michał Gabryel – Deputy Chairman of the Supervisory Board	Zbigniew Paprocki – Secretary of the Supervisory Board	Paweł Bielski
Piotr Czajkowski	Monika Fill	Robert Kapka
Bartłomiej Litwińczuk	Marcin Pawlicki	Roman Romaniszyn



Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2018

Adopted by Resolution No. 339/X/2019 of the Supervisory Board of Grupa Azoty S.A. of the tenth term of office, dated May 17th 2019

Tarnów, May 2019

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1. TERM OF OFFICE AND COMPOSITION OF THE SUPERVISORY BOARD, POSITIONS HELD ON THE SUPERVISORY BOARD, AND CHANGES IN THE SUPERVISORY BOARD COMPOSITION IN THE FINANCIAL YEAR

1.1. SUPERVISORY BOARD'S TERM OF OFFICE

In accordance with the Articles of Association of Grupa Azoty S.A. (the "Company"), members of the Supervisory Board are appointed for a joint three-year term of office. The Supervisory Board's current – tenth – term of office commenced on July 5th 2016.

1.2. COMPOSITION OF THE SUPERVISORY BOARD, POSITIONS HELD ON THE SUPERVISORY BOARD, AND CHANGES IN THE SUPERVISORY BOARD COMPOSITION IN THE FINANCIAL YEAR

In the period from January 1st to December 31st 2018, the composition of the Supervisory Board was as follows:

Item	Name	Position
1.	Tomasz Karusewicz	Chairman of the Supervisory Board
2.	Michał Gabryel	Deputy Chairman of the Supervisory Board
3.	Zbigniew Paprocki	Secretary of the Supervisory Board
4.	Piotr Czajkowski	Member of the Supervisory Board
5.	Monika Fill	Member of the Supervisory Board
6.	Robert Kapka	Member of the Supervisory Board
7.	Bartłomiej Litwińczuk	Member of the Supervisory Board
8.	Ireneusz Purgacz	Member of the Supervisory Board
9.	Roman Romaniszyn	Member of the Supervisory Board

On February 26th 2019, Mr Tomasz Karusewicz tendered his resignation as Chairman and Member of the Company's Supervisory Board. On the same day, by Resolution No. 5 the Extraordinary General Meeting of Grupa Azoty S.A. removed Mr Ireneusz Purgacz from the Company's Supervisory Board. At the same time, by Resolution No. 6 Mr Paweł Bielski and by Resolution No. 7 – Mr Marcin Pawlicki were appointed to the Supervisory Board.

2. ASSESSMENT OF THE SUPERVISORY BOARD MEMBERS' SATISFACTION OF INDEPENDENCE CRITERIA

An independent member of the Supervisory Board is a member who is independent within the meaning of Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC) (the "Recommendation"), with due regard to the provisions of Best Practice for WSE Listed Companies 2016, adopted by WSE Supervisory Board's Resolution of October 13th 2015 (the "Best Practice 2016"). The criteria for being considered independent from the Company and from entities having material links with the Company should be met by at least two members of the Supervisory Board.

Members of the Supervisory Board have delivered declarations as to their compliance with the independence criteria to the Supervisory Board and the Management Board. At its meeting held on February 1st 2018, the Supervisory Board reviewed the declarations of independence submitted by three Supervisory Board Members:

- Ireneusz Purgacz,

- Michał Gabryel, and
- Piotr Czajkowski,

and found no grounds to question the declarations. Following the review, the Supervisory Board found that the Audit Committee Members referred to above met the independence criteria set out in Art. 129 of the Polish Act on Statutory Auditors, Auditing Firms, and Public Oversight of May 11th 2017.

On April 19th 2018, Mr Piotr Czajkowski tendered his resignation as Member of the Audit Committee of the Supervisory Board of Grupa Azoty S.A., in view of his employment at the State Treasury Department of the Chancellery of the Prime Minister and the fact that the Prime Minister took over the exercise of owner's rights attached to the Grupa Azoty S.A. shares held by the State Treasury, resulting in the loss of independence by Mr Czajkowski.

Declarations submitted by Supervisory Board members as to their meeting of the independence criteria as at December 31st 2018

No.	First name and surname	Compliance with the independence criteria
1.	Tomasz Karusewicz	does not meet the independence criteria
2.	Michał Gabryel	meets the independence criteria
3.	Zbigniew Paprocki	does not meet the independence criteria
4.	Piotr Czajkowski	does not meet the independence criteria
5.	Monika Fili	does not meet the independence criteria
6.	Robert Kapka	does not meet the independence criteria
7.	Bartłomiej Litwińczuk	does not meet the independence criteria
8.	Ireneusz Purgacz	meets the independence criteria
9.	Roman Romaniszyn	does not meet the independence criteria

Reasons for not meeting the independence criteria by Supervisory Board members:

- Messrs Robert Kapka, Zbigniew Paprocki and Roman Romaniszyn, representing employees of Grupa Azoty S.A. on the Supervisory Board, did not satisfy criterion b) defined in Annex II to the Recommendation;
- Messrs Tomasz Karusewicz and Bartłomiej Litwińczuk, as members of the Management Board of PZU Życie S.A., a PZU Group company, did not meet the independence criterion set out in Principle II.Z.4 of Best Practice 2016, third sentence, reading as follows: *"A relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total voting rights in the company."*
- Ms Monika Fili did not meet criterion i) set out in Annex II to the Recommendation,
- Mr Piotr Czajkowski does not meet the independence criterion laid down in Principle II.Z.6 of Best Practice 2016 due the fact that he is an employee of the State Treasury Department at the Chancellery of the Prime Minister.

Material events after the reporting period

On February 26th 2019, Mr Marcin Pawlicki submitted his declaration of meeting the independence criteria in accordance with Best Practice 2016, and on March 7th 2019 he submitted his declaration of meeting the independence criteria in accordance with the Act on Statutory Auditors, Audit Firms and Public Supervision of May 11th 2017 (the "Act on Statutory Auditors").

On May 17th 2019, the Supervisory Board passed a resolution on assessment of independence of the Supervisory Board members.

3. ACTIVITIES OF SUPERVISORY BOARD COMMITTEES

3.1. GENERAL

Supervisory Board committees are collective advisory and opinion-giving bodies. Their members are appointed from among the Supervisory Board members. In 2018, the Supervisory Board committees were as follows:

- The Audit Committee,
- The Strategy and Development Committee,
- The Nomination and Remuneration Committee.

The detailed scope of the Committees' work in 2018 has been documented in the minutes of Committee meetings and in Committees' reports, all of which are a part of Supervisory Board's documentation.

3.2. AUDIT COMMITTEE

In the period from January 1st to April 19th 2018, the composition of the Supervisory Board was as follows:

No.	Name	Position
1.	Ireneusz Purgacz	Chairman
2.	Tomasz Karusewicz	Member
3.	Michał Gabryel	Member
4.	Piotr Czajkowski	Member

On April 19th 2018, Mr Piotr Czajkowski tendered his resignation as Member of the Audit Committee of the Supervisory Board of Grupa Azoty S.A. Following his resignation, as at December 31st 2018, the composition of the Audit Committee was as follows:

No.	Name	Position
1.	Ireneusz Purgacz	Chairman
2.	Tomasz Karusewicz	Member
3.	Michał Gabryel	Member

In the period under review, the Audit Committee dealt with:

- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal control, internal audit and risk management systems in place at the Company,
- monitoring of financial audit activities,
- monitoring of the independence of the auditor and the audit firm,
- monitoring of the audit of the full-year separate and consolidated financial statements,
- monitoring of the work and reports of the independent statutory auditor,
- analysing selected economic events relevant to the Company's operations,
- report on the findings of the team appointed to investigate the alleged irregularities at the Grupa Azoty Group reported by the media following detention of former Chair of the Grupa Azoty S.A. Supervisory Board,
- analysing the audit assignments completed in 2018 and the internal audit plan for 2019,

- monitoring of the implementation of post-audit recommendations, including timeliness of the implementation,
- adoption of amendments to the “Policy for the Provision of Additional Services by an Audit Firm” and amendments to the Grupa Azoty Group’s Accounting Policy,
- approval of the audit and non-audit services provided by the entity qualified to audit financial statements, in accordance with the adopted “Policy for the Provision of Additional Services by the Audit Firm.”

The Audit Committee reviewed and adopted amendments to the “*Rules of Procedure for the Audit Committee*.” The Audit Committee’s reports for 2017 and 2018 were presented to the Supervisory Board within the required time limit.

The Audit Committee ensured that the Head of the Internal Audit Corporate Department had unrestrained access to the Committee. In the reporting period, five meetings were held with the Head of the Corporate Internal Audit Department, during which matters related to the operation of the internal audit area were discussed.

The issues debated at the Committee meetings were discussed by the Audit Committee with the Supervisory Board on an ongoing basis.

Material events after the reporting period

On February 26th 2019, Audit Committee member Tomasz Karusewicz, holding at the same time the position of Chairman of the Supervisory Board, resigned from these positions. On the same day, by way of Resolution No. 5 of the Company’s Extraordinary General Meeting, Mr Ireneusz Purgacz, member of the Company’s Supervisory Board and member of the Audit Committee, was removed from the Supervisory Board. As of February 26th 2019, the Committee was composed solely of Michał Gabryel. On March 7th 2019, by Resolution No. 289/X/2019, the Company’s Supervisory Board appointed Mr Marcin Pawlicki and Mr Paweł Bielski to the Audit Committee. Mr Michał Gabryel was appointed as Chairman of the Audit Committee.

3.3. STRATEGY AND DEVELOPMENT COMMITTEE

The Strategy and Development Committee commenced its activity on February 1st 2018. In the period from February 1st to June 20th 2018, the composition of the Strategy and Development Committee was as follows:

Item	Name	Position
1.	Robert Kapka	Chairman
2.	Tomasz Karusewicz	Member
3.	Zbigniew Paprocki	Member

On June 20th 2018, the Supervisory Board changed the composition of the Committee. In the period from June 20th to August 31st 2018, the Strategy and Development Committee was composed of:

Item	Name	Position
1.	Robert Kapka	Chairman
2.	Tomasz Karusewicz	Member
3.	Zbigniew Paprocki	Member
4.	Piotr Czajkowski	Member

On August 31st 2018, Mr Tomasz Karusewicz tendered his resignation as member of the Strategy and Development Committee. Mr Karusewicz confirmed his decision to resign at the Supervisory Board meeting held on September 17th 2018. The reason for the resignation was

excessive workload, as Mr. Karusewicz also served as Chairman of the Supervisory Board and member of the Audit Committee.

Accordingly, between August 31st 2018 and the end of the reporting period, the composition of the Strategy and Development Committee was as follows:

No.	Name	Position
1.	Robert Kapka	Chairman
2.	Zbigniew Paprocki	Member
3.	Piotr Czajkowski	Member

In the period from February 1st to December 31st 2018, the Strategy and Development Committee held three meetings and one teleconference. The Strategy and Development Committee also held meetings after the reporting period.

In the period under review, the Strategy and Development Committee dealt with the following matters:

- monitoring of a strategic investment – acquisition of Goat TopCo GmbH,
- monitoring of the implementation status of strategic investment projects,
- monitoring of the implementation status of the Company’s strategy,
- monitoring of the progress of key growth projects,
- giving opinions on the Management Board’s proposals concerning acquisition of non-current assets,
- monitoring of the implementation status of key items of the ready goods purchase plan,
- review and amendment of the “Rules of Procedure for the Strategy and Development Committee.”

The issues debated at the Committee meetings were discussed by the Strategy and Development Committee with the Supervisory Board on an ongoing basis.

Material events after the reporting period

On March 29th 2019, the Supervisory Board appointed Paweł Bielski to the Strategy and Development Committee.

3.4. THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee commenced its activities on February 1st 2018. The composition of the Nomination and Remuneration Committee in the period from February 1st to June 20th 2018 was as follows:

Item	Name	Position
1.	Bartłomiej Litwińczuk	Chair
2.	Monika Fill	Member
3.	Roman Romaniszyn	Member

On June 20th 2018, the Supervisory Board changed the composition of the Committee. In the period from June 20th 2018 to the end of the reporting period, the Nomination and Remuneration Committee was composed of:

No.	Name	Position
1.	Bartłomiej Litwińczuk	Chair

2.	Monika Fill	Member
3.	Roman Romaniszyn	Member
4.	Piotr Czajkowski	Member

The composition of the Committee did not change until the date of this report. In the period from February 1st to December 31st 2018, the Nomination and Remuneration Committee held three meetings and seven teleconferences. After the reporting period, the Nomination and Remuneration Committee has held four meetings.

In the period under review, the Nomination and Remuneration Committee's dealt with:

- submission to the Supervisory Board of proposed provisions of contracts for the performance of Management Board member's duties,
- submission to the Supervisory Board of proposed wording of management objectives for the Management Board members,
- giving opinion on Arrangements for Managerial Contracts with Management Board members,
- review and amendment of the contents of the Rules of Procedure for the Nomination and Remuneration Committee.

Furthermore, acting under the Supervisory Board's resolution, on April 24th 2018 members of the Nomination and Remuneration Committee opened applications submitted in the recruitment and selection procedure for members of the Management Board of Grupa Azoty S.A. and carried out the initial review of the applications. The Nomination and Remuneration Committee on an ongoing basis discussed with the Supervisory Board the issues raised at the Committee's meetings.

Material events after the reporting period

The Nomination and Remuneration Committee gave its opinion to the Supervisory Board on the amended text of the 'Rules for determining the variable remuneration of members of the Management Board of Grupa Azoty Spółka Akcyjna' and recommended to the Supervisory Board decisions relating to the assessment of achievement of management objectives by the Management Board members.

4. POWERS AND RESPONSIBILITIES OF THE SUPERVISORY BOARD

The powers and responsibilities of the Supervisory Board are stipulated in Art. 32 of the Articles of Association of Grupa Azoty S.A. The Supervisory Board's key powers and responsibilities include:

- appointment and removal from office of Management Board members,
- assessment of the Management Board's recommendations on distribution of profit or coverage of loss,
- assessment of the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, as well as of the Company's separate financial statements and the consolidated financial statements of the Grupa Azoty Group (the "Group"), for their consistency with the accounting books and records, and their accuracy,
- appointment of an audit firm to review and audit the financial statements of the Company and the consolidated financial statements of the Group,
- approval of the Company's long-term strategic plans,

- approval of annual budgets including capital expenditure budgets,
- giving opinions on all matters submitted by the Management Board for consideration to the General Meeting,
- giving the Management Board consent to critical legal transactions.

5. MATERIAL MATTERS DEALT WITH BY THE SUPERVISORY BOARD; NUMBER AND FREQUENCY OF SUPERVISORY BOARD MEETINGS AND ADOPTED RESOLUTIONS

The Supervisory Board exercised ongoing supervision over the Company's operations in each area of its activity. The Supervisory Board collectively supervised the Management Board's activities, exercising its powers and performing its duties laid down in the Commercial Companies Code, the Company's Articles of Association, the Rules of Procedure for the Supervisory Board and other laws and regulations.

In the performance of their duties, Supervisory Board members followed the principles set out in Best Practice 2016.

The Supervisory Board focused on matters with substantial impact on the financial and economic condition of the Company, including in particular:

- spending under the 2018 budget,
- key economic ratios,
- structure and amount of receivables and liabilities,
- structure and levels of inventories of raw materials, intermediate products and finished goods,
- profitability of individual products,
- financial and economic condition of Grupa Azoty Group companies,
- impact of pay increase on the Company's financial position,
- implementation of the Polimery Police project and its impact on the financing of the long-term investment programme,
- acquisition of Goat TopCo GmbH of Münster, Germany,
- synergies achieved in selected areas of the Group operations,
- implementation of the projects and initiatives provided for in the Grupa Azoty Group Strategy for 2013–2020,
- implementation of the multi-annual financial model of the Grupa Azoty Group for 2013–2026,
- implementation of the Group's CSR and sponsorship policy,
- execution of work connected with EU institutions' actions designed to limit cadmium content in fertilizers;
- activities related to the implementation of Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27th 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, "GDPR");
- monitoring of the status of cooperation with social partners at the Grupa Azoty Group companies;

- analysis of long-term financing for the Company's and the Group's operating and investing activities.

The Supervisory Board, assisted by the Nomination and Remuneration Committee, carried out a recruitment and selection procedure for members of the Management Board of Grupa Azoty S.A. and on May 17th 2018 appointed members of the Management Board of Grupa Azoty S.A. for the new – 11th – term of office.

In addition, the Supervisory Board examined and supervised:

- delivery of individual objectives set forth in the Management Board Members' MBO Sheets;
- spending on individual capex and research projects;
- structure and amount of fixed costs at the Grupa Azoty Group, including possibilities for their reduction.

In 2018, the Supervisory Board exercised ongoing supervision over the Company's activities using the following materials:

- monthly, quarterly and half-year financial statements, the Company's 2018 budget and the Group's consolidated 2018 budget;
- the document entitled 'The Operationalisation of the Grupa Azoty Group's Strategy until 2020 (taking into account the developments in utilisation of identified and potential intragroup synergies beyond 2020)';
- strategic investment project delivery reports;
- the Management Board's information on initiatives and documents implemented at the Group;
- post-audit reports;
- other studies and reports requested by the Supervisory Board.

In the financial year 2018, the Company's Supervisory Board held 11 meetings and 14 voting procedures using means of remote communication, passing a total of 120 resolutions. The Supervisory Board's activities and decisions were documented in the resolutions it passed and the minutes of the Supervisory Board meetings held in 2018.

In 2018, there were no unauthorised absences of Supervisory Board members from the meetings.

6. CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD MADE BY THE SUPERVISORY BOARD, SUSPENSION OF MANAGEMENT BOARD MEMBERS FROM DUTIES, AND DELEGATION OF SUPERVISORY BOARD MEMBERS TO SUBSTITUTE FOR MANAGEMENT BOARD MEMBERS

In the period from January 1st to March 4th 2018, the composition of the Company's Management Board was as follows:

Item	Name	Position
1.	Wojciech Wardacki	President of the Management Board
2.	Tomasz Hinc	Vice President of the Management Board
3.	Grzegorz Kądziaławski	Vice President of the Management Board
4.	Paweł Łapiński	Vice President of the Management Board
5.	Józef Rojek	Vice President of the Management Board

6.	Witold Szczypiński	Vice President of the Management Board
7.	Artur Kopeć	Member of the Management Board

On March 4th 2018, Mr Tomasz Hinc tendered his resignation as Vice President of the Management Board, following which the composition of the Company's Management Board in the period from March 4th to May 17th 2018 was as follows:

Item	Name	Position
1.	Wojciech Wardacki	President of the Management Board
2.	Grzegorz Kądziałowski	Vice President of the Management Board
3.	Paweł Łapiński	Vice President of the Management Board
4.	Józef Rojek	Vice President of the Management Board
5.	Witold Szczypiński	Vice President of the Management Board
6.	Artur Kopeć	Member of the Management Board

On May 17th 2018, following a recruitment and selection procedure, the Supervisory Board passed resolutions to appoint members of the Management Board of Grupa Azoty S.A. for the new – 11th – term of office.

In addition, the Supervisory Board validated the election held between March 22nd and April 11th 2018 to elect an employee representative to the Company's Management Board, and confirmed the election of Artur Kopeć as Member of the Management Board for the 11th term of office. (Supervisory Board's Resolution No. 197/X/2018 of May 17th 2018).

Accordingly, as of May 17th 2018, the composition of Grupa Azoty S.A. Management Board of the 11th term of office was as follows:

Item	Name	Position
1.	Wojciech Wardacki	President of the Management Board
2.	Mariusz Grab	Vice President of the Management Board
3.	Grzegorz Kądziałowski	Vice President of the Management Board
4.	Paweł Łapiński	Vice President of the Management Board
5.	Józef Rojek	Vice President of the Management Board (Vice President, under a mandate, until June 28th 2018)
6.	Witold Szczypiński	Vice President of the Management Board
7.	Artur Kopeć	Member of the Management Board

In the period until the end of the financial year 2018 and in 2019 until the date of this report, there were no changes in the composition of the Company's Management Board and as of June 28th 2018 the composition of the Management Board of the 11th term of office was as follows:

Item	Name	Position
1.	Wojciech Wardacki	President of the Management Board
2.	Mariusz Grab	Vice President of the Management Board
3.	Grzegorz Kądziałowski	Vice President of the Management Board
4.	Paweł Łapiński	Vice President of the Management Board
5.	Witold Szczypiński	Vice President of the Management Board
6.	Artur Kopeć	Member of the Management Board

7. IMPLEMENTATION OF A GENERAL MEETING RESOLUTION PERTAINING TO THE ACTIVITIES OF THE SUPERVISORY BOARD

On June 7th 2018, the General Meeting passed Resolution No. 3 under which it authorised the Supervisory Board to prepare a consolidated text of the Company's Articles of Association, incorporating the amendments introduced under that resolution.

In the performance of that resolution, on June 20th 2018 the Supervisory Board passed Resolution No. 210/X/2018 to adopt the consolidated text of the Company's Articles of Association.

8. SUPERVISORY BOARD'S DECISIONS ON APPOINTMENT OF AUDITOR

On March 28th 2017, the Company's Supervisory Board passed a resolution to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. of Warsaw to review and audit the separate and consolidated financial statements for the financial years 2017, 2018 and 2019.

Material events after the reporting period:

On April 25th 2019, the Supervisory Board approved amendments to the 'Policy for the Provision of Additional Services by the Audit Firm at the Grupa Azoty Group' (Supervisory Board Resolution No. 311/X/2019).

9. SELF-ASSESSMENT OF THE SUPERVISORY BOARD'S ACTIVITIES

The Supervisory Board positively assesses the results of its work, as well as the contribution to the work from each Supervisory Board member. In the Supervisory Board's opinion, all members of the Supervisory Board engaged in the Board's activities in line with the defined division of responsibilities, including participation in activities of the Supervisory Board committees.

The Supervisory Board members actively participated in Supervisory Board meetings, analysed documents and information submitted by the Management Board, asked questions and presented conclusions pertaining to various aspects of the Company's activities.

Information on the activities of the Committees is presented in Section 3 above and in the reports of individual Committees submitted to the Supervisory Board.

ASSESSMENT OF THE MANNER OF OPERATION OF THE SUPERVISORY BOARD, ORGANISATION OF ITS MEETINGS, AND EXERCISE OF THE RIGHT TO DELEGATE SUPERVISORY BOARD MEMBERS TO INDIVIDUALLY PERFORM SPECIFIC SUPERVISORY TASKS

In 2018, the Supervisory Board held 11 meetings and 14 votes using means of remote communication. The Supervisory Board meetings were most frequently held in Warsaw. The Supervisory Board members were notified of meetings by the time prescribed.

Material events subsequent to the reporting period: On January 23rd 2019, the Supervisory Board delegated Michał Gabryel and Zbigniew Paprocki to individually perform supervisory tasks designed to ensuring special supervision over the Company's investment area.

ASSESSMENT OF COMMUNICATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Management Board cooperated with the Supervisory Board and submitted the required information and materials, as well as provided the required explanations.

ASSESSMENT OF COMPETENCES OF SUPERVISORY BOARD MEMBERS IN THE LIGHT OF THE OBJECTS AND SCALE OF THE COMPANY'S BUSINESS

Members of the Supervisory Board have high professional qualifications required to serve on the supervisory body of a public company. In 2018, the Supervisory Board was composed of persons holding university degrees in law, economics, finance, accounting, internal audit and control, management, engineering, including environmental engineering, chemical engineering, electrical engineering, and power engineering.

Moreover, most of the Supervisory Board Members completed post-graduate programmes in polymer chemistry and technology, management control, MBA, as well as specialist courses or training, including in power engineering, transport of dangerous materials, management, project management, disclosure requirements applicable to WSE-listed companies, brokerage courses, bankruptcy administrator courses, training in asset management strategy, risk management and corporate governance.

All Supervisory Board members meet the requirements set forth in the Regulation of the Polish Council of Ministers on training and examination for candidates to the supervisory boards, dated September 7th 2004.

Given their extensive competencies, professional experience, and commitment to the work of the Supervisory Board, Members of the Supervisory Board supervised the Company's operations properly and to an appropriate extent.

10. ASSESSMENT OF THE COMPANY'S POSITION, INCLUDING EVALUATION OF ITS INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AS WELL AS INTERNAL AUDIT FUNCTION

10.1. ASSESSMENT OF THE COMPANY'S AND THE GROUP'S POSITION

A detailed assessment of the Company's position as described in the annual statements and reports is included in the 'Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2018: the separate financial statements, the consolidated financial statements, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, the consolidated report on payments to governments, the non-financial statement of the Grupa Azoty Group and the Management Board's proposal on allocation of net profit for 2018'.

10.2. IMPLEMENTATION OF THE STRATEGIC PLAN

In 2018, the Grupa Azoty Group pursued the objectives adopted in 'The Grupa Azoty Group's Strategy for 2013–2020' and in the document entitled 'Operationalisation of the Grupa Azoty Group's updated Strategy until 2020 (taking into account the developments in utilisation of identified and potential intragroup synergies beyond 2020)' of December 18th 2017, which lists 43 strategic initiatives covering the areas of production, internal energy generation, logistics, production assets management, raw material strategy, innovation strategy, operational excellence, financial strategy, corporate management, procurement and CSR.

Key strategic issues addressed by the Supervisory Board in 2018 included:

1. Acquisition of 100% of shares in Goat TopCo of Münster, Germany, whose subsidiaries' business consists in production and sale of speciality compound fertilizers under the Compo Expert brand.

2. Continued preparation of PDH Polska S.A.'s strategic project Polimery Police.

10.3. IMPACT OF PAY INCREASE ON THE COMPANY'S FINANCIAL POSITION

The Supervisory Board monitored the average monthly pay at the Company on an ongoing basis. The table below presents changes in the Company's average monthly salary in 2018 relative to 2017.

Average salary

(all amounts in PLN unless otherwise stated)

	2018	2017	Change 2018/2017	Change 2018/2017 (%)
Average salary (with annual bonus)	6,228.38	5,534.56	693.82	12.5
Average salary (without annual bonus)	5,770.42	5,459.44	310.98	5.7

The increase in the average salary including the annual bonus in 2018 is to a large extent attributable to the higher amount of the annual bonus paid to the employees in 2018 in view of the Company's strong profits for 2017.

The rate of increase in salaries net of the annual bonus was higher than the inflation rate, but it did not significantly differ from salary rises in other sectors of the national economy in 2018.

In the Supervisory Board's opinion, it is reasonable that salary rises should to a larger extent reflect the improvement of the Company's and the Group's performance.

10.4. EVALUATION OF INTERNAL CONTROL, RISK MANAGEMENT AND COMPLIANCE SYSTEMS AS WELL AS INTERNAL AUDIT FUNCTION; INTERNAL CONTROL RULES

With due regard to Best Practice 2016 and the adopted internal control rules, Grupa Azoty S.A. has put in place systems and functions based on the popular three lines of defence model. In this model, the first line is risk management by business units and control mechanisms in the Company's operational processes, the second line is compliance and enterprise risk management, and the third line is internal audit.

The internal control rules are set out in the Company's Organisational Rules (Section V-6 Internal audit and control system). Internal control covers all aspects of the Company's activities: all functional and business areas (technical, production, economic, financial, organisational, administrative, HR) and other aspects of organisational units' operation, in particular any issues raised in employee complaints and observations made by employees and by persons responsible for internal control.

Based on the adopted rules and the internal control system, Grupa Azoty S.A. has established control mechanisms, organisational and hierarchical structures, operating procedures and internal instructions, as well as a division of responsibilities and manner of work which are designed to reduce risk and facilitate achieving objectives.

Grupa Azoty S.A. operates based on the implemented Integrated Management Systems, which rely on the concept of continuous improvement through:

- establishing a policy,
- planning activities designed to implement the policy,
- creating conditions for the implementation of planned activities,

- verifying the results of the activities,
- improvement based on periodic assessments of performance.

The following control mechanisms are in place at Grupa Azoty S.A.:

- system regulations, understood as the policies, rules, procedures and instructions for management systems and other internal regulations which define the rules and regulations governing the procedures to be followed,
- organisational regulations, understood as all other organisational activities which may reduce the risk or maintain it at the desired level, such as the general terms and conditions of contracts, insurance coverage, IT solutions implemented, or maintenance services.

The internal control function is effective if it ensures that the Company's processes effectively achieve their intended objectives. In this respect, internal control functions are performed in the form of:

- self-inspection (verification of one's own work for correctness),
- functional control (verification of correctness of performed operations, both in the course and immediately upon their completion, carried out according to the division of functions at the Company),
- institutional inspections exercised by organisational units authorised to perform control activities/management system audits.

These procedures are designed to confirm the correctness of, or identify any malfunction in, each process within the Company's operations, to identify the causes and sources of malfunction, and to improve the efficiency of the unit's operations by preventing malfunction recurrence.

INFORMATION POLICY

At Grupa Azoty S.A., the basic principles following from the disclosure requirements applicable to WSE-listed companies and from other legal requirements are set forth in the following documents:

1. Information Security Policy for the Grupa Azoty Group;
2. Handling Information Security Incidents;
3. Protection of Classified Information at Grupa Azoty S.A.;
4. Grupa Azoty Group Information Policy;
5. The Rules of Inside Information Flow;
6. Reportable events;
7. Procedure for preparation and publication of current reports;
8. Rules for delayed disclosure of inside information;
9. Notification of insider transactions and restrictions on trading in shares at Grupa Azoty S.A.;
10. Insider List Maintenance Rules;
11. List of related legal acts;
12. Instruction for Reporting on Material and Significant Contracts.

These documents have been implemented in order to:

- ensure solid and lawful fulfilment by Grupa Azoty S.A. of disclosure requirements in connection with the listing of Company securities on the regulated market;
- harmonise the information policy with respect to disclosure requirements and investor relations, based on relevant regulations applicable to the Group;
- ensure proper performance by persons discharging managerial responsibilities of their obligations to notify transactions;
- define rules for the flow and handling of inside information within the meaning of capital market regulations;
- ensure efficient and effective flow of information.

PREPARATION OF FINANCIAL STATEMENTS

Maintenance of accounting books and preparation of the Company's and the Group's financial statements are subject to detailed internal control procedures based on document flow and approval instructions supported by appropriate system solutions, such as secure access, acceptance paths and levels. Employees participate in specialist professional training providing knowledge updates. An additional control mechanism consists in reviews and audits of financial statements by a qualified auditor.

ENTERPRISE RISK MANAGEMENT

The Grupa Azoty Group has established an Enterprise Risk Committee and a Corporate Integration Team for Risk Management Process. The Enterprise Risk Committee is chaired by the President of the Grupa Azoty S.A. Management Board, who is the leader of the risk management process at the Group. The Committee's key tasks include issuing opinions on interdisciplinary and corporate risk management matters and identifying key risks to the Group companies. The Corporate Integration Team for Risk Management Process is chaired by the Head of the Corporate Risk Management Office. The Team also includes Risk Management Coordinators representing Azoty Group S.A.'s key subsidiaries.

Grupa Azoty S.A. and its main subsidiaries have in place management system procedure 'PR-1 – *Enterprise Risk Management at the Grupa Azoty Group*'. The procedure defines the rules and processes for handling the identification, assessment, control and prevention of enterprise risks which may affect the achievement of Grupa Azoty Group's key objectives. The procedure was designed to ensure compliance with the guidance of standard ISO 31000: 2018.

The system procedure is a functional reference framework for the Enterprise Risk Management (ERM) process, which includes the following stages:

1. Identification and classification of risks – this stage is designed to identify sources of information on opportunities and threats and to define the key variables of the internal and external environment which may materially affect the proximity or materialisation of risks at the Grupa Azoty Group.
2. Risk assessment – this stage seeks to understand the nature of the risk and draw up its full profile. As part of risk assessment at the Grupa Azoty Group companies, qualitative and quantitative analyses and control mechanism analyses are performed. Risk mapping and prioritisation are the last stage of risk assessment.
3. Risk handling – the objective of risk handling is to select and implement an optimum response to the risk. Risk handling consists in an iterative process of selecting an optimum risk handling procedure, planning and implementing the selected risk handling procedure, assessing the measures taken and their effectiveness and, should they fail to deliver the expected results, undertaking further actions.

At the Grupa Azoty Group, risk management is designed to ensure continuous control of the risk level and its maintenance within the risk tolerance range in ever changing macroeconomic

and legal environment, as adopted by the Management Boards of Grupa Azoty Group companies and the Management Board of Grupa Azoty S.A. As risk level is an important factor in the planning and decision-making process, the operation of the risk management system is subject to ongoing monitoring and reporting. The Group applies a multi-level reporting system in which the following persons and bodies are involved: Risk owners, ERM coordinators at the Group companies, management boards of the companies, the Corporate Risk Management Office at Grupa Azoty S.A. and the Management Board of Grupa Azoty S.A. Reports are submitted on a monthly, quarterly and annual basis.

In 2018, the following risks were considered as key to the Group:

1. Risks associated with the planning and execution of strategic projects;
2. Risk related to maintaining continuity of production and availability of ammonia at economically viable prices;
3. Risk of major industrial accidents or technical failures disrupting the continuity of processes and operation of key production units;
4. Risk related to price and availability of natural gas;
5. Risk of higher fertilizer imports;
6. Risk associated with new legal requirements relating to production processes, including environmental regulations;
7. Risk of negative impact of CO₂ emissions trading prices;
8. Currency risk;
9. Risk related to a structural change on the global caprolactam and polyamide markets;
10. Risk of implementation/tightening of EU or local regulations restricting the use or application of the Group's products.

In accordance with the enterprise risk management system in place at the Grupa Azoty Group, the Management Board of Grupa Azoty S.A. exercises special supervision over risks considered as key to the Group. This supervision includes risk level monitoring through key risk indicators (KRI) and risk materialisation incidents. Since 2018, the Enterprise Risk Management System has been subject to quarterly reporting, which includes updated risk valuation and accounting for mitigation and enhancement measures taken to manage a given risk.

COMPLIANCE

Compliance and Internal Audit are governed by Appendix 4 to Internal Order No. 46/2014 of December 19th 2014 concerning the Main First- and Second-degree Corporate Business Processes Management Guidelines for Grupa Azoty (VI. Compliance and Audit).

Compliance is the process of managing compliance at the Grupa Azoty Group, designed to ensure multidirectional compliance of the Group's operations with standards and rules of procedure, including:

- statutory laws;
- rules developed and generally accepted in commercial transactions (best practices, contract loyalty principle, etc.);
- internal standards of an organisation (both of formal and legal nature, such as orders, procedures, rules of procedure, services books, scopes of responsibilities, as well as general guidelines, such as corporate culture codes, codes of ethics, and CSR strategies).

The Compliance and Audit process comprises the following two key processes:

- compliance management, and
- internal audit.

The objective of the compliance management process is to mitigate business risk by ensuring compliance of the organisation's activities and operations with the external and internal regulations. The task of the compliance process is to develop a system for managing non-compliance risk.

In the Compliance and Audit process, the main compliance management functions pertaining to corporate management include:

- implementation of corporate tasks relating to the internal audit and compliance process,
- ongoing monitoring and analysis of compliance with legal regulations, industrial standards and best market practices pertaining to the Grupa Azoty Group's business,
- supporting the Group in maintaining an effective system of internal control,
- development and implementation of the Group's compliance policy and plan/programme,
- analysis of internal consistency (compliance) of the corporate organisational documentation,
- ensuring the compliance of organisational changes introduced at the Group companies with external and internal regulations.

The following documents relate to the Compliance and Audit process, where it pertains to compliance management:

- Strategy of the Grupa Azoty Group for 2014–2020;
- Code of Organisational Culture – The Grupa Azoty Group Organisational and Management System;
- Exercise of ownership – corporate governance policy at the Grupa Azoty Group;
- Grupa Azoty Group Information Policy;
- Grupa Azoty Group Code of Ethical Conduct;
- Grupa Azoty Group Enterprise Management Policy;
- Anti-Corruption Code;
- Whistleblowing Policy;
- Conflicts of Interest Policy.

Decisions/changes in compliance management made in 2018:

- appointment of a Compliance Officer in September 2018,
- implementation of the Group's Anti-Corruption Code, Conflicts of Interest Policy and Whistleblowing Policy.

INTERNAL AUDIT

The internal audit function is performed by the Internal Audit Corporate Department whose task is to perform independent and objective assessment of internal audit systems and analyse business processes.

The independence of the Internal Audit Corporate Department is ensured by the Department's reporting, in the Company's organisational structure, to the President of the Management Board and, functionally, to the Supervisory Board's Audit Committee.

The Internal Audit Corporate Department is responsible for the audit tasks based on the Annual Internal Audit Plan adopted by way of resolutions of the Company's authorised corporate bodies, i.e. the Management Board and the Supervisory Board's Audit Committee.

The Department also performs ad-hoc audit tasks not covered by the Annual Internal Audit Plan, according to the needs of the Management Board, the Audit Committee or the Supervisory Board of the Company.

On a case by case basis, following completion of planned or ad hoc audit tasks, the Internal Audit Corporate Department prepares recommendations designed to streamline the Group's business.

The "Grupa Azoty Group Internal Audit Standards" have been implemented at the Group. The standards define the roles of the Grupa Azoty Group's internal audit units, relations between the Internal Audit Corporate Department and the other internal audit units of the Grupa Azoty Group companies, as well as the procedure for planning and performing audit tasks.

A "global" audit task is understood as a task concerning one subject matter, implemented at the same time at all of the Grupa Azoty Group companies and included in the Grupa Azoty Group's "Annual/Semi-Annual Internal Audit Plans". Performance of global audit tasks involves audits of the Grupa Azoty Group's business processes or areas, as well as assessment of applied controls and their effectiveness.

The Internal Audit Corporate Department coordinates the activities of all internal audit units of the Grupa Azoty Group, related to the preparation of Annual Internal Audit Plans with respect to global audit tasks and their implementation.

The key roles of the Grupa Azoty Group's internal audit units are to:

- a) support the organisation in:
 - efficient attainment of its strategic and operating objectives,
 - the process of ensuring correct and effective functioning of organisational and process solutions comprising the organisation's corporate governance framework,
 - maintaining an effective system of internal control and promoting its continuous improvement,
 - providing recommendations with a view to reducing the risk of failure to implement strategic and operational objectives,
- b) contribute to:
 - supporting the risk identification and assessment process,
 - building the Group's organisational culture.

In performing its tasks, each of the Grupa Azoty Group's internal audit units cooperates on an ongoing basis with the Internal Audit Corporate Department and with the Grupa Azoty Group's other internal audit units.

Cooperation between the Grupa Azoty Group's internal audit units focuses on:

- a) defining the key areas of internal audit activity,
- b) developing an internal audit methodology,
- c) planning the topics of global audit tasks,
- d) performing global audit tasks in collaboration with the coordinating auditor,
- e) preparing periodic reports for the Grupa Azoty S.A. Management Board and Audit Committee,

- f) promoting best practice with respect to internal control system solutions, including by formulating recommendations and coordinating or organising internal training.

Grupa Azoty S.A. has in place “Grupa Azoty S.A. Internal Audit Rules”, developed on the basis of International Standards for the Professional Practice of Internal Auditing (IIA Standards), “Exercise of Ownership (Corporate Governance Policy) at the Grupa Azoty Group”, and “Grupa Azoty Group Internal Audit Standards”. The Internal Audit Rules lay down audit procedures to be followed by the Internal Audit Corporate Department in carrying out audit tasks at Grupa Azoty S.A., including the methodology for planning, conducting and reporting audit tasks, and monitoring and evaluating the progress in implementing audit recommendations.

The following documents, which relate to 2018, were adopted by resolutions of the Company’s Management Board:

- The Internal Audit Plan for 2018 and the Long-Term Internal Audit Plan for 2019–2021 for Grupa Azoty S.A.;
- Annual reports on completed audit tasks in 2017;
- Report on notifications received and their resolution, submitted to the Supervisory Board;
- Report of the Internal Audit Corporate Department for the first half of 2018 at the Grupa Azoty Group.

ASSESSMENT

Based on the reports and information presented by the Management Board, the Supervisory Board gives a positive assessment of the Company’s internal control, risk management, compliance and internal audit systems.

The Supervisory Board states that the solutions in place should be continuously improved based on experience gathered in the performance of these processes, Audit Committee’s recommendations, and best practices for these areas.

11. ASSESSMENT OF THE WORK OF THE MANAGEMENT BOARD

The Management Board cooperated with the Supervisory Board and submitted the required information and materials, as well as provided the required explanations. When assessing the work of the Management Board, the Supervisory Board requested that the discharge be granted to all Members of the Management Board.

12. ASSESSMENT OF FULFILMENT BY THE COMPANY OF ITS DISCLOSURE OBLIGATIONS RELATING TO CORPORATE GOVERNANCE AND OF THE COMPANY’S COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS IN THE REPORTING PERIOD

In accordance with Best Practice 2016 (principle II. Z. 10. 3.), the Supervisory Board assessed how the Company fulfilled its disclosure obligations relating to compliance with the corporate governance principles set out in the WSE Rules and the rules on current and periodic information to be published by issuers of securities and the Company’s compliance with the adopted corporate governance standards.

Since the floatation of its shares on the Warsaw Stock Exchange in 2008, the Company’s aim has been to observe best practice in corporate governance, as expressed in the declarations

of the Company's Management Board contained in the issue prospectuses in 2008, 2011 and 2012.

12.1. COMPLIANCE WITH BEST PRACTICE FOR WSE LISTED COMPANIES

In 2018, the Company applied those Best Practice principles which it chose to comply with in the prospectuses, except for the following recommendations and principles, in accordance with Management Board's Resolution No. 210/X/2015 of December 15th 2015:

“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 electronic communication means, 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. [...]*

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. [...]

IV.I.2. If justified by the shareholding structure, a company should ensure publicly available real-time broadcasts of general meetings.”

The Company's Articles of Association and the Rules of Procedure for the Company's General Meeting do not provide for real-time broadcasting of General Meetings. The Company believes that the way General Meetings have been documented and carried out to date ensures transparency and safeguards the rights of all shareholders. Information on resolutions passed is also published by the Company in the form of current reports, as well as on its website. Therefore, investors are able to review the matters discussed at General Meetings. However, the Company does not rule out applying these principles and recommendations in the future.

In the event of an incidental breach of Best Practice 2016, the Company publishes, in accordance with Section 29.3 of the WSE Rules, a current report in the EBI system with information on the breach as well as on ceasing to breach a principle.

12.2. SUPERVISORY BOARD REPORTING IN CONNECTION WITH BEST PRACTICE FOR WSE LISTED COMPANIES

In connection with the requirements laid down in Best Practice 2016, on December 21st 2015 the Company's Supervisory Board passed Resolution No. 206/IX/2015 on adoption of Best Practice 2016, with the following exceptions reflecting the provisions of Management Board Resolution No. 210/X/2015 of December 15th 2015:

- Recommendation IV.R.2.,
- Principle I. Z.1.20.
- Principle IV. Z.2.

In line with Best Practice 2016, in 2018 the Supervisory Board prepared and presented to the Annual General Meeting the following documents:

- assessment of the Company's position, including evaluation of its internal control, risk management and compliance systems as well as internal audit function;
- report on the activities of the Supervisory Board, including information on the composition of the Supervisory Board and its committees, satisfaction of independence criteria by members of the Supervisory Board, number of meetings of the Supervisory

Board and its committees in the reporting period, and on self-assessment of the Supervisory Board's performance,

- assessment of how the Company fulfilled its disclosure obligations relating to compliance with the corporate governance principles set out in the WSE Rules and the rules on current and periodic information to be published by issuers of securities;
- assessment of information on the Company's policies for sponsorship, charitable and similar initiatives, referred to in recommendation I.R.2.

The General Meetings held in 2018 were attended by representatives of the Supervisory Board, representatives of the Audit Committee, members of the Supervisory Board elected by the Company's employees, and the qualified auditor selected to audit the Company's and the Group's financial statements.

12.3. COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The corporate governance principles applied by the Company are published on the Company's website, in the Investor Relations/Corporate Governance section. The section 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;
- The Company's compliance with best practice and explanations concerning the principles the Company does not observe;
- Diversity policy;
- Corporate documents (Articles of Association, Rules of Procedure for the Management Board, Rules of Procedure for the Supervisory Board, Rules of Procedure for the General Meeting);
- 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 Grupa Azoty Group in 2018* contains information on all matters specified in Par. 70.6.5) of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757), in particular by specifying the corporate governance principles applicable to the Company and providing information on their application.

12.4. GRUPA AZOTY S.A. IN THE RESPECT INDEX

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 as one of the companies having the highest standards in corporate governance, corporate disclosure discipline and investor relations, as well as in environmental, social, and employee matters. In December 2018, the Company was for the eleventh time included in the elite group of companies comprised in the RESPECT Index, the first CSR-focused index in Central and Eastern Europe.

The Company's ESG reporting transparency was also appreciated by foreign institutions – since January 2018, Grupa Azoty S.A. has been included in the FTSE4Good Emerging Index of the London Stock Exchange, following a thorough assessment of its performance in terms of Environmental, Social and Corporate Governance practices.

On April 26th 2018, Grupa Azoty S.A. was awarded the prestigious title of 'Transparent Company 2017' in the second edition of an event run by the *Parkiet* daily and the Institute of Accountancy and Taxes, with the support of the Warsaw Stock Exchange.

12.5. CONCLUSIONS

The Supervisory Board gives a favourable assessment of the Company's fulfilment in 2018 of the disclosure obligations relating to compliance with corporate governance principles, as set out in the WSE Rules and the applicable laws on current and periodic information to be published by issuers of securities.

The Supervisory Board also favourably assesses compliance with the corporate governance standards adopted by the Company with respect to its governing bodies and organisational units in terms of compliance with the applicable laws, best practice and internal regulations, in particular those contained in the document "Exercise of Ownership (Corporate Governance Policy) at the Grupa Azoty Group".

13. ASSESSMENT OF THE REASONABLENESS OF THE COMPANY'S SPONSORSHIP AND CHARITY POLICY

13.1. RULES AND DOCUMENTS

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

1. Grupa Azoty Group's policy on CSR 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;

The Supervisory Board gives a favourable assessment of the initiatives designed to ensure uniform application of the above rules and policies at the Grupa Azoty Group.

13.2. REVIEW AND EVALUATION OF SPONSORSHIP ACTIVITIES

Grupa Azoty S.A. undertakes central-level activities aimed at promoting and advertising the entire Group (financed by companies using the Grupa Azoty brand) and also pursues local projects promoting Grupa Azoty S.A., the parent of the Group.

The central-level activities included:

1. Cooperation with the Polish Skiing Association, guaranteeing Grupa Azoty advertising using the ski jumping, cross-country skiing, Nordic combined and snowboard national teams.
2. Support for sports events - the Grupa Azoty logotype was displayed at numerous sporting events, including the World Ski Jumping World Cup in Wisła and Zakopane.
3. Support for sports CSR activities - the Grupa Azoty Group is the Main Partner of the National Programme for the Development of Cross-Country Skiing, supported the 13th Winter Polonia Games, and was the title partner of Grupa Azoty

PRZEDSZKOLIADA TOUR, Europe's largest series of sport events for pre-schoolers.

4. Support for cultural projects – among other projects, on the 100th anniversary of Poland regaining independence Grupa Azoty supported the Wawel at Dusk Festival, which presented Polish music all the way from Bartłomiej Pękiel to Krzysztof Penderecki.
5. Other initiatives related to environmental protection and safety, including the “Environmental Sustainability Trends in the Chemical Industry” conference and the “Polish Chemical Industry 2018” congress. In addition, Grupa Azoty was a partner of the Safe Chemicals Programme, run by the Polish Chamber of Chemical Industry.

Local activities included cooperation with local clubs and sports associations, industry organisations, schools and cultural institutions. The Company also provided assistance to charitable institutions.

Michał Gabryel – Deputy Chairman of the Supervisory Board

Zbigniew Paprocki – Secretary of the Supervisory Board

Paweł Bielski – Member of the Supervisory Board

Piotr Czajkowski – Member of the Supervisory Board

Monika Fill – Member of the Supervisory Board

Robert Kapka – Member of the Supervisory Board

Bartłomiej Litwińczuk – Member of the Supervisory Board

Marcin Pawlicki – Member of the Supervisory Board

Roman Romaniszyn – Member of the Supervisory Board.