

RESOLUTION NO. 186/X/2018
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
dated May 17th 2018

concerning Report of the Supervisory Board on assessment of the Company's fulfilment of the disclosure obligations relating to compliance with the corporate governance principles adopted by the Company in the period January 1st–December 31st 2017

Acting pursuant to Art. 32.1.19 in conjunction with Art. 50.21 of the Articles of Association of Grupa Azoty S.A., the Supervisory Board resolves as follows:

Section 1

The Supervisory Board authorises the Report of the Supervisory Board of Grupa Azoty S.A. for the Annual General Meeting on the assessment of the Company's fulfilment of the disclosure obligations relating to compliance with the corporate governance principles adopted by the Company in the period January 1st–December 31st 2017, as set out in the appendix hereto.

Section 2

The Supervisory Board requests that the Annual General Meeting consider the report referred to in Section 1.

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.

[illegible signature]
Tomasz Karusewicz
/Chairman of the Supervisory Board/

[illegible signature]
Michał Gabryel
/Deputy Chairman of the Supervisory Board/

[illegible signature]
Zbigniew Paprocki
/Secretary of the Supervisory Board/

[illegible signature]

[illegible signature]

[illegible signature]

Piotr Czajkowski

Monika Fill

Robert Kapka

[illegible signature]
Bartłomiej Litwińczuk

[illegible signature]
Ireneusz Purgacz

[illegible signature]
Roman Romaniszyn

REPORT
of the Supervisory Board of Grupa Azoty S.A. for the Annual General Meeting
on the assessment of the Company's fulfilment of disclosure requirements relating to
compliance with the adopted corporate governance
principles
for the period January 1st–December 31st 2017

In compliance with the Code of Best Practice for WSE Listed Companies 2016 (principle II.Z.10.3.), this report presents an assessment of the Company's fulfilment of the disclosure obligations 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 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.

The Supervisory Board has identified no irregularities and therefore gives a favourable opinion on the Company's compliance with corporate governance standards in 2017, having considered the following:

1.

In 2017, the Company applied the standards set out in the Code of Best Practice for WSE Listed Companies, as declared in its issue prospectuses.

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, the Company's Management Board by way of Resolution No. 210/X/2015 of December 15th 2015 adopted the amended Code of Best Practice for WSE Listed Companies 2016 with effect as of January 1st 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 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,
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 above principles and recommendations are not complied with as neither the Company's Articles of Association nor the Rules of Procedure for the Company's General Meeting 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.

2.

Following the amendment of the Code of Best Practice for WSE Listed Companies (Resolution 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 the same exceptions as those made in Management Board Resolution No. 210/X/2015 of December 15th 2015, namely:

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

In line with the Code of Best Practice for WSE Listed Companies, in 2017 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 of its committees, satisfaction of independence criteria by members of the Supervisory Board, number of meetings of the Supervisory Board and of its committees in the reporting period, and on self-assessment of the Supervisory Board's performance,
- assessment of the Company's fulfilment of the disclosure obligations 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,

- assessment of information on the Company's policies for sponsorship, charitable or similar initiatives, referred to in recommendation I.R.2.

The General Meetings held in 2017 were attended by: the Chairperson of the Supervisory Board, representatives of the Audit Committee, and Supervisory Board members elected by the Company's employees.

In 2017, an Audit Committee acted within the Supervisory Board. At least two of its members met the criteria of being independent of the Company and entities with significant links to the Company. Following a change in the composition of the Audit Committee on August 31st 2017 (for more details, see section 10 of the report on the activities of the Supervisory Board in 2017), as at the date of the report the Audit Committee was composed of three members, of whom two met the criteria of being independent, as set out in Annex II to European Commission 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 Chairperson meets the criteria of being independent, as set out in principle II.Z.4. of the Code of Best Practice for WSE Listed Companies 2016.

At its meeting held on April 27th 2017, the Supervisory Board reviewed the declarations of independence submitted by four Supervisory Board Members and found that no grounds existed to question the declarations. On September 22nd 2017, the Supervisory Board reviewed the declarations of independence submitted by Mr Ireneusz Purgacz and Mr Marek Grzelaczyk, members of the Supervisory Board's Audit Committee. 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. Resolution No. 124/X/2017 was passed to confirm that finding.

Mr Piotr Czajkowski and Mr Michał Gabryel were appointed to the Audit Committee, respectively, on October 26th 2017 and December 21st 2017. On February 1st 2018, the Supervisory Board gave a favourable opinion on the declaration of independence submitted by Mr Michał Gabryel.

3.

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,
- 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 Directors' Report on the operations of the Grupa Azoty Group includes information on all matters specified in Par. 91. 5.4 of the 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;
- Characteristics of applied internal control and risk management systems with regard to the preparation of financial statements and consolidated financial statements;
- A list of shareholders holding, directly or indirectly, major holdings of shares, 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 key 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;
- Description of the diversity policy applied to the administrative, management and supervisory bodies.

4.

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 the highest standards in corporate governance, corporate disclosure discipline, and investor relations, as well as environmental, social, and employee matters. In December 2017, the Company was for the tenth time included in the elite group of companies covered by 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 – in January 2017, Grupa Azoty S.A. was included in the prestigious FTSE4Good Emerging Index, following a thorough assessment of its performance in terms of Environmental, Social and Corporate Governance practices. The assessment was performed by FTSE

Russell in April 2015 and February 2016. On April 10th 2017, Grupa Azoty S.A. earned the prestigious title of 'Transparent Company 2016' in the first edition of a ranking run by the *Parkiet* daily and the Institute of Accountancy and Taxes, with the support of the Warsaw Stock Exchange.

CONCLUSIONS:

The Supervisory Board gives a favourable opinion on the Company's fulfilment in 2017 of the disclosure obligations 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.

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

[illegible signature]
Tomasz Karusewicz
/Chairman of the Supervisory
Board/

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Michał Gabryel
/Deputy Chairman of the
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Robert Kapka

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Bartłomiej Litwińczuk

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