

The file contains:

1. Resolution of the Company's Supervisory Board
2. Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2020.

**RESOLUTION NO. 169/XI/2021
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
dated May 31st 2021**

to adopt the “*Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2020*”

Acting pursuant to (i) Art. 32.1.20, Art. 32.1.21 and Art. 32.1.22 in conjunction with Art. 50.25 of the Articles of Association of Grupa Azoty S.A. (the “Company”), (ii) Section 1.2, Section 1.3 and Section 2.5 of the Rules of Procedure for the Company’s Supervisory Board, and (iii) Principle II.Z.10. of the Best Practice for GPW Listed Companies 2016 in conjunction with Art. 395.5 of the Commercial Companies Code, the Supervisory Board

resolves as follows:

Section 1

The Supervisory Board adopts the “*Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2020,*” 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 the Company’s compliance in the reporting period with corporate governance disclosure obligations as specified in the Warsaw Stock Exchange Rules and legal regulations concerning disclosure of current and periodic information by issuers of securities, and an assessment 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 resolves to submit to the Annual General Meeting, and request that it consider, the Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2020 as referred to in Section 1 hereof.

Section 3

This Resolution shall become effective as of its date.



Report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2020

Adopted by Resolution No. 169/XI/2021 of the Grupa Azoty S.A. Supervisory Board of the 11th term of office, dated May 31st 2021

Tarnów, May 2021

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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 11th term of office commenced on June 29th 2020.

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 June 29th 2020, the composition of the Supervisory Board of the 10th term of office was as follows:

No.	Name	Position
1.	Marcin Pawlicki	Chairperson of the Supervisory Board
2.	Michał Gabryel	Deputy Chairperson of the Supervisory Board
3.	Zbigniew Paprocki	Secretary of the Supervisory Board
4.	Paweł Bielski	Member of the Supervisory Board
5.	Piotr Czajkowski	Member of the Supervisory Board
6.	Monika Fill	Member of the Supervisory Board
7.	Robert Kapka	Member of the Supervisory Board
8.	Bartłomiej Litwińczuk	Member of the Supervisory Board
9.	Roman Romaniszyn	Member of the Supervisory Board

On June 29th 2020, the Annual General Meeting appointed the Supervisory Board of the 11th term of office, composed of:

No.	Name	Position
1.	Marcin Pawlicki	Chairperson of the Supervisory Board
2.	Monika Fill	Member of the Supervisory Board
3.	Robert Kapka	Member of the Supervisory Board
4.	Wojciech Krysztofik	Member of the Supervisory Board
5.	Bartłomiej Litwińczuk	Member of the Supervisory Board
6.	Michał Maziarka	Member of the Supervisory Board
7.	Zbigniew Paprocki	Member of the Supervisory Board
8.	Roman Romaniszyn	Member of the Supervisory Board

On July 23rd 2020, the Supervisory Board appointed Wojciech Krysztofik and Zbigniew Paprocki as Deputy Chairperson and Secretary of the Supervisory Board, respectively. As a result, in the period from July 23rd to November 11th 2020, the composition of the Supervisory Board was as follows:

No.	Name	Position
1.	Marcin Pawlicki	Chairperson of the Supervisory Board
2.	Wojciech Krysztofik	Deputy Chairperson of the Supervisory Board
3.	Zbigniew Paprocki	Secretary of the Supervisory Board
4.	Monika Fill	Member of the Supervisory Board
5.	Robert Kapka	Member of the Supervisory Board
6.	Bartłomiej Litwińczuk	Member of the Supervisory Board
7.	Michał Maziarka	Member of the Supervisory Board
8.	Roman Romaniszyn	Member of the Supervisory Board

On November 30th 2020, Marcin Pawlicki tendered his resignation from the Supervisory Board. Then, on December 28th 2020, the Minister of State Assets, acting pursuant to Art. 16.2 of the Company's Articles of Association, appointed Marcin Mauer to the Supervisory Board.

As a result, in the period from December 28th to December 31st 2020, the composition of the Supervisory Board was as follows:

No.	Name	Position
1.	Wojciech Krysztofik	Deputy Chairperson of the Supervisory Board
2.	Zbigniew Paprocki	Secretary of the Supervisory Board
3.	Monika Fill	Member of the Supervisory Board
4.	Robert Kapka	Member of the Supervisory Board
5.	Bartłomiej Litwińczuk	Member of the Supervisory Board
6.	Michał Maziarka	Member of the Supervisory Board
7.	Marcin Mauer	Member of the Supervisory Board
8.	Roman Romaniszyn	Member of the Supervisory Board

Subsequent to the reporting period, on January 8th 2021, the Extraordinary General Meeting appointed Magdalena Butrymowicz as Chairperson of the Supervisory Board.

As a result, in the period from January 8th to May 13th 2021, the composition of the Supervisory Board was as follows:

No.	Name	Position
1.	Magdalena Butrymowicz	Chair of the Supervisory Board
2.	Wojciech Krysztofik	Deputy Chairperson of the Supervisory Board
3.	Zbigniew Paprocki	Secretary of the Supervisory Board
4.	Monika Fill	Member of the Supervisory Board
5.	Robert Kapka	Member of the Supervisory Board
6.	Bartłomiej Litwińczuk	Member of the Supervisory Board
7.	Michał Maziarka	Member of the Supervisory Board
8.	Marcin Mauer	Member of the Supervisory Board
9.	Roman Romaniszyn	Member of the Supervisory Board

At the Supervisory Board meeting held on May 13th 2021, as a result of the Supervisory Board's resolution to approve the results of the election of a candidate for the position of member of the Company's Management Board of the 12th term of office elected by Company employees, whereby the election of Zbigniew Paprocki, Secretary of the Supervisory Board, to that position was confirmed, Zbigniew Paprocki tendered his resignation as Member and Secretary of the Supervisory Board. On the same day, the Supervisory Board resolved to appoint Robert Kapka as Secretary of the Supervisory Board of the 11th term of office.

As a result, as at the date of this Report, the composition of the Supervisory Board was as follows:

No.	Name	Position
1.	Magdalena Butrymowicz	Chair of the Supervisory Board
2.	Wojciech Krysztofik	Deputy Chairperson of the Supervisory Board
3.	Robert Kapka	Secretary of the Supervisory Board
4.	Monika Fill	Member of the Supervisory Board
5.	Bartłomiej Litwińczuk	Member of the Supervisory Board
6.	Michał Maziarka	Member of the Supervisory Board
7.	Marcin Mauer	Member of the Supervisory Board
8.	Roman Romaniszyn	Member of the Supervisory Board

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

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 the Best Practice for GPW Listed Companies 2016, adopted by the 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 satisfied by at least two members of the Supervisory Board.

Members of the Supervisory Board have delivered declarations of satisfying the independence criteria to the Supervisory Board and the Management Board. At its meeting held on July 23rd 2020, the Supervisory Board reviewed the declarations submitted by three Supervisory Board Members, namely:

- Mr Marcin Pawlicki,
- Ms Monika Fill,
- Mr Michał Maziarka,

and found no grounds to question the declarations. Following the review, the Supervisory Board concluded that these persons satisfied the independence criteria under Principle II. Z.4 in conjunction with Principle II.Z.3 of the Best Practice 2016. Marcin Pawlicki and Michał Maziarka also satisfied the independence criteria under Art. 129.3 of the Act of May 11th 2017 on Statutory Auditors, Audit Firms, and Public Oversight.

On January 4th 2021, following an assessment of the independence of Marcin Mauer, the Supervisory Board found that he satisfied the independence criteria under Art. 129.3 of the Act of May 11th 2017 on Statutory Auditors, Audit Firms, and Public Oversight as well as under Principle II. Z.4 in conjunction with Principle II.Z.3 of the Best Practice 2016.

At its meeting held on March 8th 2021, the Supervisory Board, following a review of the declaration submitted by Monika Fill, Member of the Audit Committee, on satisfaction of the independence criteria against available relevant materials and information from independent sources, found no grounds to question the declaration and, therefore, concluded that Monika Fill, Member of the Audit Committee, satisfied the independence criteria under Art. 129.3 of the Act of May 11th 2017 on Statutory Auditors, Audit Firms, and Public Oversight.

At its meeting held on May 31st 2021, the Supervisory Board re-reviewed and re-assessed the declarations submitted by:

- Ms Monika Fill, and
- Mr Michał Maziarka,

and found no grounds to question the declarations. Following the review, the Supervisory Board concluded that these persons satisfied the independence criteria under Principle II. Z.4 in conjunction with Principle II.Z.3 of the Best Practice 2016.

Declarations of satisfying the independence criteria as at the date of this Report submitted by Supervisory Board members:

No.	Name	Satisfaction of independence criteria
1.	Magdalena Butrymowicz	does not satisfy the independence criteria
2.	Wojciech Krysztofik	does not satisfy the independence criteria
3.	Monika Fill	satisfies the independence criteria
4.	Robert Kapka	does not satisfy the independence criteria
5.	Bartłomiej Litwińczuk	does not satisfy the independence criteria
6.	Michał Maziarka	satisfies the independence criteria
7.	Marcin Mauer	satisfies the independence criteria
8.	Roman Romaniszyn	does not meet the independence criteria

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

- Mr Robert Kapka and Mr Roman Romaniszyn, who represent employees of Grupa Azoty S.A. on the Supervisory Board, did not satisfy criterion b) set out in Annex II to the Recommendation;
- Mr Bartłomiej Litwińczuk, being a member of the Management Board of PZU Życie S.A., a PZU Group company, did not satisfy 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.”
- Mr Wojciech Krysztofik, having been appointed to the Supervisory Board by the State Treasury represented by the Ministry of State Assets, does not satisfy criterion d) set out in Annex II to the Recommendation;
- Ms Magdalena Butrymowicz, having been employed by Grupa Azoty S.A. in 2016-2018, including as Head of the Legal Department of Grupa Azoty S.A. in 2018, does not satisfy criterion b) set out in Annex II to the Recommendation.

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 2020, 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 2020 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

Composition of the Audit Committee as at January 1st 2020:

No.	Name	Position
1.	Michał Gabryel	Chairperson
2.	Marcin Pawlicki	Member
3.	Paweł Bielski	Member

Following the appointment of the Supervisory Board of the 11th term of office and in connection with the resultant need to determine the composition of the Audit Committee, on July 23rd 2020 the Supervisory Board appointed the following persons to the Audit Committee:

No.	Name	Position
1.	Marcin Pawlicki	Chairperson
2.	Zbigniew Paprocki	Member
3.	Michał Maziarka	Member

Following Marcin Pawlicki's resignation from the Supervisory Board, tendered on November 30th 2020, the composition of the Audit Committee in the period from November 30th to December 31st 2020 was as follows:

No.	Name	Position
1.	Michał Maziarka	Member
2.	Zbigniew Paprocki	Member

Subsequent to the reporting period, on January 4th 2021, the Supervisory Board appointed Marcin Mauer as Chairperson of the Audit Committee, and on February 1st 2021 the Supervisory Board appointed Monika Fill to the Audit Committee. As a result, in the period from February 1st to May 13th 2021, the composition of the Audit Committee was as follows:

No.	Name	Position
1.	Marcin Mauer	Chairperson
2.	Michał Maziarka	Member
3.	Zbigniew Paprocki	Member
4.	Monika Fill	Member

Following Zbigniew Paprocki's resignation from the Supervisory Board, on May 13th 2021 the Supervisory Board resolved to fill the vacancy on the Audit Committee, whereby Robert Kapka was appointed thereto. As a result, in the period from May 13th 2021 to the date of this Report, the composition of the Audit Committee was as follows:

No.	Name	Position
1.	Marcin Mauer	Chairperson
2.	Michał Maziarka	Member
3.	Monika Fill	Member
4.	Robert Kapka	Member

In the period from January 1st to December 31st 2020, the Audit Committee met four times, held three votes using means of remote communication, and passed a total of 15 resolutions. Subsequent to the reporting period, the Audit Committee met eight times, held two votes using means of remote communication, and held one teleconference.

The tasks of the Audit Committee in the reporting period included:

- monitoring the financial reporting process,
- monitoring the effectiveness of the internal control, internal audit and risk management systems in place at the Company,
- monitoring the financial auditing processes - review and audit of the separate and consolidated financial statements,
- monitoring the independence of the auditor and the audit firm,

- monitoring the work and analysing the reports of the independent auditor,
- investigating selected economic events relevant to the operations of Grupa Azoty S.A. and its Group (the “Grupa Azoty Group” or the “Group”).
- reviewing the Internal Audit Plan for 2020 and the Long-Term Internal Audit Plan for 2021-2023 for Grupa Azoty S.A.,
- monitoring the implementation of post-audit recommendations, including timeliness of the implementation,
- approval of the audit and non-audit services provided by the entities qualified to audit financial statements, in accordance with the adopted “Policy for the Provision of Additional Services by the Audit Firm”,
- issuing an opinion on proposed amendments to the Rules of Procedure for the Audit Committee.

The Audit Committee’s report for 2020 was presented to the Supervisory Board within the required time limit.

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

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

3.3. STRATEGY AND DEVELOPMENT COMMITTEE

In the period from January 1st to June 29th 2020, the composition of the Strategy and Development Committee was as follows:

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

4.	Paweł Bielski	Member
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Following appointment of the Supervisory Board of 11th term of office on June 29th 2020, on July 23rd 2020 the Supervisory Board appointed the Strategy and Development Committee, composed of:

No.	Name	Position
1.	Robert Kapka	Chairperson
2.	Zbigniew Paprocki	Member
3.	Wojciech Krysztofik	Member

Subsequent to the reporting period, following Robert Kapka's resignation as Chairperson of Strategy and Development Committee tendered on February 1st 2021, on the same date the Supervisory Board appointed Wojciech Krysztofik and Bartłomiej Litwińczuk as Chairperson and Member of the Strategy and Development Committee, respectively. As a result, in the period from February 1st to May 13th 2021, the composition of the Strategy and Development Committee was as follows:

No.	Name	Position
1.	Wojciech Krysztofik	Chairperson
2.	Zbigniew Paprocki	Member
3.	Robert Kapka	Member
4.	Bartłomiej Litwińczuk	Member

Following Zbigniew Paprocki's resignation from the Supervisory Board tendered on May 13th 2021, in the period from that date to the date of this Report the composition of the Strategy and Development Committee was as follows:

No.	Name	Position
1.	Wojciech Krysztofik	Chairperson
2.	Robert Kapka	Member
3.	Bartłomiej Litwińczuk	Member

In the period from January 1st to December 31st 2020, the Strategy and Development Committee held five meetings. After the end of the reporting period and until the date of this report, there were six meetings of the Committee.

The tasks of the Strategy and Development Committee in the reporting period included:

- monitoring the implementation of the strategic Polimery Police project,
- monitoring the implementation of other strategic projects,
- monitoring the implementation of the operationalisation of the Company's and the Group's strategy,

- monitoring the progress of key growth projects,
- monitoring the implementation status of the finished goods purchase plan with respect to its key items.

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

3.4. THE NOMINATION AND REMUNERATION COMMITTEE

In the period from January 1st to June 29th 2020, the composition of the Nominations and Remuneration Committee was as follows:

Item	Name	Position
1.	Bartłomiej Litwińczuk	Chairperson
2.	Monika Fill	Member
3.	Roman Romaniszyn	Member
4.	Piotr Czajkowski	Member

Following appointment of the Supervisory Board of 11th term of office on June 29th 2020, on July 23rd 2020 the Supervisory Board appointed the Nomination and Remuneration Committee, composed of:

Item	Name	Position
1.	Michał Maziarka	Chairperson
2.	Wojciech Krysztofik	Member
3.	Roman Romaniszyn	Member

On February 1st 2021, the Supervisory Board appointed Magdalena Butrymowicz to the Nomination and Remuneration Committee. As a result, in the period from February 1st 2021 to the date of this Report, the composition of the Nomination and Remuneration Committee was as follows:

No.	Name	Position
1.	Michał Maziarka	Chairperson
2.	Magdalena Butrymowicz	Member
3.	Wojciech Krysztofik	Member
4.	Roman Romaniszyn	Member

In the financial year 2020, the Nomination and Remuneration Committee met eight times. Eight meetings of the Nomination and Remuneration Committee took place after the reporting period, by the date of this report.

The tasks of the Nomination and Remuneration Committee in the reporting period included:

- issuing an opinion on proposed amendments to the “*Rules for determining the variable remuneration of members of the Management Board of Grupa Azoty Spółka Akcyjna*”,
- performing initial verification of candidates in the process to recruit and select members of the Grupa Azoty S.A. Management Board,
- submitting to the Supervisory Board the proposed wording of management objectives for the Management Board members,
- issuing a recommendation to the Supervisory Board on the approval of the achievement the Management Board members’ objectives for 2020.

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:

- appointing and removing from office Management Board members,
- assessing the Management Board’s proposals on distribution of profit or coverage of loss,
- assessing the Directors’ Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, as well as of the separate financial statements of the Company and the consolidated financial statements of the Grupa Azoty Group for their consistency with the accounting records and supporting documents and their accuracy,
- appointing an audit firm to review and audit the financial statements of the Company and the consolidated financial statements of the Group,
- approving the Company’s long-term strategic plans,
- approving annual budgets including capital expenditure budgets,
- issuing opinions on all matters submitted by the Management Board for consideration to the General Meeting,
- granting approval for the Management Board to execute material legal transactions.

5. MATERIAL ISSUES 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.

When performing their duties, the Supervisory Board members followed the principles set out in the Best Practice 2016.

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

- performance of the 2020 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 the Grupa Azoty Group companies,
- impact of pay increase on the financial position of the Company and its material subsidiaries,
- implementation of the strategic Polimery police project,
- achievement of synergies in selected areas of the Group’s 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,
- activities connected with EU institutions’ measures designed to limit cadmium content in fertilizers,
- monitoring of the status of cooperation with social partners at the Grupa Azoty Group companies,
- long-term financing for the Company’s and the Group’s operating and investing activities,
- issuing an opinion on the subscription by Grupa Azoty S.A. for shares issued as part of share capital increase at Grupa Azoty Polyolefins S.A.

In the reporting period, the Supervisory Board dealt with matters related to:

- acquisition of new Series F shares in Grupa Azoty Polyolefins S.A.,
- securing financing for the Police Polymers project,
- execution of a multi-purpose credit facility agreement between Grupa Azoty Group companies,
- execution of cash or in-kind donation agreements with institutions and other entities active in combating the spread of COVID-19 infectious disease.

Subsequent the reporting period, the Supervisory Board called the election of a candidate for the position of a Management Board member elected by employees of Grupa Azoty S.A. for the next term of office and appointed the Central Election Committee, as well as carried out the process to recruit and select members of the Management Board of the new (12th) term of office and appointed the Management Board of the new (12th) 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, and possible options for their reduction,
- ownership structure of subsidiaries,
- implementation and financing of the Polimery Police project.

In 2020, the Supervisory Board exercised ongoing supervision over the Company's activities using the following materials:

- financial statements - monthly, quarterly and half-yearly,
- annual budget and the Group's consolidated budget for 2020,
- the document: *'Operationalisation of the Grupa Azoty Group's revised 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 information, studies and reports prepared at the request of the Supervisory Board or provided in connection with matters submitted to it for consideration or for opinion.

In the financial year 2020, the Supervisory Board met ten times, held six teleconferences, held 18 votes using means of remote communication, and passed 113 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 2020.

In 2020, there were no unexcused 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 October 22nd 2020, the composition of the Company's Management Board was as follows:

No.	Name	Position
1.	Wojciech Wardacki	President of the Management Board
2.	Mariusz Grab	Vice-President of the Management Board
3.	Tomasz Hryniewicz	Vice-President of the Management Board
4.	Grzegorz Kądziaławski	Vice-President of the Management Board
5.	Paweł Łapiński	Vice-President of the Management Board
6.	Witold Szczypiński	Vice-President of the Management Board
7.	Artur Kopeć	Member of the Management Board

On November 22nd 2020, the Supervisory Board resolved to remove Wojciech Wardacki and Paweł Łapiński from the Management Board. On the same day, the Supervisory Board appointed Mariusz Grab as acting President of the Management Board. As a result, in the period from October 22nd to December 1st 2020, the composition of the Company's Management Board was as follows:

No.	Name	Position
1.	Mariusz Grab	President of the Management Board
2.	Tomasz Hryniewicz	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.	Witold Szczypiński	Vice-President of the Management Board
6.	Artur Kopeć	Member of the Management Board

The Supervisory Board carried out two processes to recruit and select members of the Management Board, whereby:

- on November 13th 2020 Tomasz Hinc was appointed as President of the Management Board, with effect from December 1st 2020;
- on December 4th 2020 Filip Grzegorzczuk was appointed as Vice President of the Management Board, with effect from December 15th 2020;

As a result, until April 19th 2021 the composition of the Management Board was as follows:

No.	Name	Position
1.	Tomasz Hinc	President of the Management Board
2.	Mariusz Grab	Vice-President of the Management Board
3.	Filip Grzegorzczuk	Vice-President of the Management Board
4.	Tomasz Hryniewicz	Vice-President of the Management Board
5.	Grzegorz Kądziaławski	Vice-President of the Management Board
6.	Witold Szczypiński	Vice-President of the Management Board
7.	Artur Kopeć	Member of the Management Board

On completion of two processes to recruit and select members of the Management Board of the new 12th term of office, on April 19th 2021 the Supervisory Board resolved to appoint, with effect from May 18th 2021, Tomasz Hinc as President of the Management Board and Filip Grzegorzczuk, Mariusz Grab, Tomasz Hryniewicz and Grzegorz Kądziaławski as Vice Presidents of the Management Board. On May 13th 2021, the Supervisory Board resolved to appoint, with effect from May 18th 2021, Marek Wadowski as Vice President of the Management Board and to approve the results of the election of a candidate for the position of member of the Company's Management Board of the 12th term of office elected by Company employees, whereby the election of Zbigniew Paprocki to that position was confirmed. On May 13th 2021, the Supervisory Board resolved to remove from office Witold Szczypiński, Vice President of the Management Board, and Artur Kopeć, Member of the Management Board, with effect from May 17th 2021. Accordingly, as at the date of this Report, the composition of the Management Board of the 12th term of office was as follows:

No.	Name	Position
1.	Tomasz Hinc	President of the Management Board
2.	Mariusz Grab	Vice-President of the Management Board
3.	Filip Grzegorzczak	Vice-President of the Management Board
4.	Tomasz Hryniewicz	Vice-President of the Management Board
5.	Grzegorz Kądziałowski	Vice-President of the Management Board
6.	Marek Wadowski	Vice-President of the Management Board
7.	Zbigniew Paprocki	Member of the Management Board

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

On April 7th 2021, in compliance with the instructions of the Extraordinary General Meeting under Section 2 of General Meeting Resolution No. 7 of February 17th 2020, the Supervisory Board consented to the acquisition of new Series F shares in Grupa Azoty Polyolefins S.A.

8. SUPERVISORY BOARD'S DECISIONS ON APPOINTMENT OF THE AUDITOR

On April 25th 2019, the Supervisory Board made 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).

On September 12th 2019, the Supervisory Board resolved to elect BDO Spółka z ograniczoną odpowiedzialnością spółka komandytowa of Warsaw to audit and review the Company's separate financial statements and the Grupa Azoty Group's consolidated financial statements for 2020-2021.

9. SELF-ASSESSMENT OF THE SUPERVISORY BOARD

OPERATIONS OF THE SUPERVISORY BOARD

The Supervisory Board positively assesses the results of its work, as well as the contribution from each Supervisory Board member. In the Supervisory Board's opinion, all members of the Supervisory Board engaged in its 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 the financial year 2020, the Supervisory Board met ten times, held six teleconferences, held 18 votes using means of remote communication, and passed 113 resolutions.

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 2020, the Supervisory Board consisted of persons holding university degrees in law, economics, finance, accounting, sales and marketing, 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 plastics chemistry and technology, management and control, MBA, as well as specialist courses or training, including in power engineering, transport of hazardous materials, project management, disclosure requirements applicable to WSE-listed companies, brokerage activities, 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 standing as described in the full-year financial statements is presented in the *Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2020: Separate financial statements of Grupa Azoty S.A., consolidated*



financial statements of the Grupa Azoty Group, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, consolidated report on payments to governments of the Grupa Azoty Group, non-financial statement of the Grupa Azoty Group, and the Management Board's proposal on the allocation of net profit for 2020.

10.2. IMPLEMENTATION OF THE STRATEGIC PLAN

In 2020, the Grupa Azoty Group worked towards the objectives set out in the *Grupa Azoty Group Strategy for 2013-2020* and in the document *Operationalisation of the Grupa Azoty Group's revised 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.

The key strategic projects that the Supervisory Board monitored and worked on in 2020 included:

1. Development and integration of the group of companies of COMPO EXPERT of Münster, Germany, whose subsidiaries operate in the area of production and sale of specialty compound fertilizers in many countries in Europe, Asia, North America and South America.
2. Continuation of the process to arrange financing and implement the strategic Polimery Police project carried out by Grupa Azoty Polyolefins S.A. (formerly: PDH Polska S.A.)

Throughout 2020, strategic documentation for 2021-2030 was also developed on a bottom-up basis, including various diagnoses, reviews and projections, strategic options, recommended strategy for the Group in each area of its business, and supporting guidelines for the implementation of the future strategy.

The Supervisory Board also reviewed the purchase of analyses necessary for the development of such documentation for 2021-2030 from third-party providers.

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

The Supervisory Board monitored the average monthly pay at the Company. The table below presents changes in the Company's average monthly pay in 2020 relative to 2019.

Average pay

	(all amounts in PLN unless otherwise stated)			
	2020	2019	Change 2020/2019	Change 2020/2019 (%)
Average salary (with annual bonus)	6,907.29	6,461.89	445.40	6.9
Average salary (without annual bonus)	6,375.65	6,011.70	363.95	6.1

In 2020, base pay increased on average by PLN 400 per employee from March 1st 2020, and shift-work

allowance rose by PLN 30 per entitled employee from March 1st 2020.

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

INTERNAL CONTROL PROCEDURES

With due regard to Best Practice for WSE Listed Companies 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 procedures 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.

At the Grupa Azoty Group, the risk control mechanisms are divided into five categories:

- **System regulations**, understood as the policies, rules, procedures and instructions for normalised management systems and other internal regulations at the Group companies, which define the rules and procedures to be followed with respect to a specific risk area.
- **Organisational measures**, understood as other organisational activities which may reduce risk or maintain it at the desired level, and which are not part of the system regulations. They may include general terms and conditions of contracts, insurance coverage, IT solutions implemented, or maintenance services.
- **Functional and project-based risk control solutions**, understood as committees, risk monitoring and/or control teams for specific risks, whose operation may facilitate effective risk identification and management of risk-related events. This category also includes project-

based activities relating to a specific risk area.

- **Preventive measures**, which significantly contribute to the prevention of adverse events. This group includes all proactive measures oriented towards reducing the likelihood of a risk materialising. Preventive measures may involve training and building awareness to eliminate undesirable behaviours or to introduce additional control measures that change the organisational culture from reactive to proactive. It is a good risk management practice to plan and implement preventive measures based on predictive analysis.
- **Predictive measures** refer to any analyses carried out in a given area, which enable the most objective prediction of future events. Such activities include collection of data for the purposes of forecasting, identifying trends, preparing scenario analyses which will enable early application of preventive measures.

The purpose of this type of analysis is, on the one hand, to fully identify the risk and, on the other hand, to reduce the risks through the quantitative assessment process. Cause and effect analyses are also predictive measures.

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 forming part of 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 main 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. Current Report Drafting and Publication Procedure;
8. Rules for Delayed Disclosure of Inside Information;
9. Notification of Insider Transactions and Trading Restrictions Applicable to Grupa Azoty S.A.

Shares;

10. Insider List Maintenance Rules;

11. List of related legal acts;

12. Significant Contracts Reporting Instruction.

In 2020, in compliance with the relevant resolution of the Grupa Azoty S.A. Management Board, documents governing the Grupa Azoty Group Information Policy were updated, following amendments to the Polish and EU legal regime governing the capital market with respect to obligations imposed on companies listed on the Warsaw Stock Exchange, and considering the need to align Group-wide regulations with the existing structure of the Grupa Azoty Group so as to maintain uniform information disclosure and confidentiality protection policies within the Group.

The above 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 shares 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 who are involved in finance and accounting processes take part in professional training programmes that offer access to up-to-date knowledge. In the case of complex and non-standard matters, the Company uses the support of reputable consultancies, in particular tax advisory services. An additional control mechanism consists in reviews and audits of financial statements by a qualified auditor.

ENTERPRISE RISK MANAGEMENT

The Grupa Azoty Group has in place an enterprise risk management system which is compliant with ISO 31000:2018 'Risk Management - Guidelines'. The system framework for the process is defined in the corporate procedure 'Enterprise Risk Management at Grupa Azoty'. The system is integrated across the corporation through the Risk Management Process Corporate Integration Team.

The system procedure provides a functional reference framework for the enterprise risk management 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 Grupa Azoty S.A., enterprise risk management is designed to ensure continuous control of the risk level and its maintenance within the risk tolerance range in the ever changing macroeconomic and legal environment, as adopted by 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 persons responsible for managing identified risks are risk owners, who are tasked with managing their respective risks effectively, including by taking action to improve the understanding of the causes and implications of the risks, and implementing appropriate control and mitigation measures.

Grupa Azoty applies a multi-level reporting system in which the following persons and bodies are involved: Risk owners, risk management coordinators at the Group companies, Management Boards of the Group 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. The Management Board of Grupa Azoty S.A. exercises special supervision over risks considered as key to the Group. This supervision includes monitoring of the risk level through key risk indicators (KRI) and of incidents.

In 2020, the following risks were identified as key to the Group:

1. Risks associated with the execution of investment projects,
2. Risk related to the price and availability of key raw materials (coal, natural gas, ammonia, phenol, propylene),
3. Risk of major industrial accidents or technical failures disrupting the continuity of processes and operation of key production units.,
4. Risk of reduced sales of nitrogen fertilizers owing to tighter emission limits for greenhouse gases, ammonia and nitrates from nitrogen fertilizers,
5. Risk of an increase in fertilizer imports,

6. Risk of lower nitrogen fertilizer sales as a result of uncontrolled supply increase,
7. Risk of more stringent EU regulations on the content of heavy metals in fertilizer products,
8. Risk of lower sales of selected plastics as a result of increased requirements on plastic recycling,
9. Risk of deteriorated supply-demand balance for polyamide PA6.
10. Risk of adverse impact for CO₂ emissions trading prices,
11. Currency risk,
12. Liquidity risk,
13. Interest rate risk,
14. Compliance risk,
15. Risk to the security of information on the use of ICT tools and systems,
16. Risk of unauthorised access to OT systems.

The above risk areas were analysed and verified in the first quarter of 2020 in connection with the COVID-19 pandemic. The analysis did not reveal any irregularities in identifying risks and the accepted risk management principles.

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 conformity 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/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,
- Gift Policy,
- Trading Partners Code of Conduct,
- Rules to be Followed in Case of Inspection (Search) by the President of the Office for Competition and Consumer Protection or the European Commission,
- Anti-Money Laundering and Terrorist Financing Instruction,

Decisions/changes in compliance management made in 2020:

1. Development of the Social Media Policy for Grupa Azoty Group Employees (implemented);
2. Update of the Whistleblowing Policy of Grupa Azoty S.A. (implemented);
3. Development of compliance management training for new hires, covering: the Code of Ethics, Anti-Corruption Code, Gift Policy, and Conflicts-of-Interest Policy of the Grupa Azoty Group (implementation underway);
4. Development of the Rules of Audits Conducted by Members of the Sejm or Senate of the Republic of Poland at Grupa Azoty S.A. (implementation underway);
5. Development of draft Compliance Management Procedure and Compliance Management Policy at the Grupa Azoty Group.

INTERNAL AUDIT

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

The independence of the Internal Audit Corporate Department is ensured in the Company's organisational structure by the Department's reporting at the administrative level 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, as needed by 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 Company's and 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 global 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:
 - attaining its strategic and operating objectives,
 - 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, for instance by formulating recommendations and coordinating or organising internal training sessions.

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), and “*Exercise of Ownership (Corporate Governance Policy) at the Grupa Azoty Group*”. 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 and reporting audit tasks, and monitoring and evaluating the progress in implementing audit recommendations.

The following documents, which relate to 2020, were adopted by resolutions of the Company’s Management Board:

- The Internal Audit Plan for 2020 and the Long-Term Internal Audit Plan for 2021-2023 for Grupa Azoty S.A.,
- Annual reports on audit tasks completed in 2019,
- Report of the Internal Audit Corporate Department for the first half of 2020 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 course 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 proposed that all Members of the Management Board be granted discharge from liability.

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 for WSE Listed Companies 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.

Following the assessment, the Supervisory Board did not identify any instances of non-compliance with corporate governance standards.

12.1. COMPLIANCE WITH BEST PRACTICE FOR WSE LISTED COMPANIES

In 2020, the Company applied those principles of Best Practice for WSE Listed Companies 2016 which had been specified in its prospectuses as the principles it would follow, 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.Z.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 2020, there were no incidental violations of Best Practice 2016 as a result of which the Company would be obliged to publish a current report in the EIB system pursuant to Section 29.3 of the WSE Rules.

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 2020 the Supervisory Board prepared and presented to the Annual General Meeting the report of the Supervisory Board of Grupa Azoty S.A. on its activities in 2019, including information on:

1. The 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,
2. Assessment of the satisfaction of independence criteria by the Supervisory Board Members,
3. Activities of the Supervisory Board committees,
4. Powers and responsibilities of the Supervisory Board,
5. Material issues dealt with by the Supervisory Board; number and frequency of Supervisory Board meetings and adopted resolutions,
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,
7. Implementation of a General Meeting resolution pertaining to the activities of the Supervisory Board,
8. Supervisory Board's decisions on appointment of the auditor,
9. Self-assessment of the Supervisory Board,
10. Assessment of the Company's position, including evaluation of internal control, risk management and compliance systems as well as internal audit function,

11. Assessment of the work 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,
13. Assessment of the reasonableness of the Company's sponsorship and charity policy.

The General Meetings held in 2020 were attended by representatives of the Supervisory Board - members of the Supervisory Board elected by the Company's employees.

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 section of the Corporate Governance tab. 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, the Nomination and Remuneration Committee, and the Strategy and Development Committee, reports of the Supervisory Board, and satisfaction of the independence criteria by the Supervisory Board members),
- The General Meeting,
- The 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 principles contained in the *Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group in the 12 months ended December 31st 2020* includes all elements listed in Section 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 reference to the corporate governance principles applicable to the Company and providing information on their application.

12.4. ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) REPORTING

Grupa Azoty S.A., as a company listed on the Warsaw Stock Exchange, was a constituent of the RESPECT



INDEX from its establishment on November 19th 2009 until it was terminated on December 31st 2019. Inclusion in the RESPECT Index depended, first and foremost, on demonstrating excellence in communication with the market through current and periodic reports and through websites, as well as socially responsible conduct vis-à-vis the environment, communities and employees. Since September 3rd 2019, the Company has been included in WIG-ESG, an index based on the evaluation of ESG reporting by companies listed in the WIG20 and mWIG40 indices, i.e. the blue chips of the WSE. WIG-ESG reflects the value of a shares in socially responsible companies, i.e. those that adhere to the principles of corporate social responsibility, in particular with respect to environmental, social, economic and corporate governance matters.

In 2020, in compliance with the Regulation on Current and Periodic Information, Grupa Azoty S.A., as the parent of the Grupa Azoty Group, released a non-financial report for 2019, containing data and metrics concerning the Grupa Azoty Group and its key subsidiaries. The non-financial report was prepared in accordance with the guidelines contained in Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and in the Accounting Act, concerning disclosure of non-financial information.

The Grupa Azoty Group also published an integrated report for 2019, containing detailed ESG information.

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. The Company's ESG reporting transparency was also appreciated by foreign institutions - Grupa Azoty S.A. has been included in the MSCI ESG index, following a thorough assessment of its performance in terms of environmental, social and corporate governance practices.

Grupa Azoty's IR efforts were also recognised by the Institute of Accountancy and Taxes, as confirmed by a distinction in The Best Annual Report competition, received in 2020:

- The Company was presented with the third main award in the 'Businesses' category for its 2019 Annual Report."

The Judging Panel highly rated both the Annual Report and the presentation of the Grupa Azoty Group's strategy, also praising the Company's report on compliance with the Code of Best Practice for WSE Listed Companies as exemplary.

- a distinction for the best corporate governance statement.

The Judging Panel selected Grupa Azoty S.A.'s Statement of Compliance with Corporate Governance Standards as the best corporate governance compliance statement published by a business organisation, containing a full reference to the recommendations set out in the Code of Best Practice for WSE Listed Companies.

Grupa Azoty S.A. has been recognised in this prestigious competition before, winning a distinction in The Best Annual Report 2016 edition.

12.5. CONCLUSIONS

The Supervisory Board gives a favourable opinion on the Company's fulfilment in 2020 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.

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. CSR Policy for Grupa Azoty Group companies,
3. Grupa Azoty Group's Donation Policy,
4. Grupa Azoty S.A.'s Donation Rules,
5. Grupa Azoty Group's Scholarship Policy.

The Supervisory Board gives a positive 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 Grupa Azoty Group, financed by all 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 CSR initiatives in sports - the Grupa Azoty Group is the Main Partner of the National Cross-Country Skiing Development Programme;
4. Other initiatives related to environmental protection and safety, including the 2020 'Polish Chemical Industry' congress.

In addition, Grupa Azoty was the Strategic 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.

To combat the spread of SARS-CoV-2, Grupa Azoty S.A. donated a total of PLN 950,000.00 to support the following organisations:

1. Healthcare Complex in Dąbrowa Tarnowska - in-kind donation (protective equipment);
2. Edward Szczeklik Specialist Hospital in Tarnów - two financial donations for the purchase of medical and protective equipment;
3. Independent Public Healthcare Complex in Brzesko - financial donation for the purchase of medical equipment;
4. Edmund Biernacki Specialist Hospital in Mielec - financial donation for the purchase of medical equipment;
5. Independent Public Healthcare Centre in Bochnia - Blessed Marta Wiecka County Hospital - financial donation for the purchase of medical equipment.