RESOLUTION NO. 86/X/2017
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
of May 29th 2017

concerning Report of the Supervisory Board on the assessment of the Company's position, including evaluation of its internal control, risk management and compliance systems as well as the internal audit function in the period January 1st−December 31st 2016

Acting pursuant to Art. 33.1.22 in conjunction with Art. 51.26 of the Company’s Articles of Association, the Supervisory Board resolves as follows:

Section 1
The Supervisory Board approves the Report of the Supervisory Board for the Annual General Meeting on the assessment of the Company's position, including evaluation of its internal control, risk management and compliance systems as well as the internal audit function in the period January 1st–December 31st 2016, as set out in the appendix hereto.

Section 2
The Supervisory Board requests that the Annual General Meeting consider the submitted Report.

Section 3
This Resolution shall become effective as of its date.

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

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

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Marek Grzelaczyk ⁄Chairman of the Supervisory Board/

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Tomasz Karusewicz ⁄Deputy Chairman of the Supervisory Board/

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Zbigniew Paprocki ⁄Secretary of the Supervisory Board/

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Monika Fill

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Robert Kapka

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Artur Kucharski

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Bartłomiej Litwińczuk

........................................
Ireneusz Purgacz

........................................
Roman Romaniszyn
SUPERVISORY BOARD’S REPORT
for the Annual General Meeting
on the assessment of the Company’s position,
including an assessment of its internal control system,
risk management, compliance, and internal audit function
for the period January 1st-December 31st 2016

I. ASSESSMENT OF THE COMPANY’S POSITION


II. ASSESSMENT OF THE INTERNAL AUDIT SYSTEM

Internal control procedures

The internal control procedures are set out in the Organisational Rules, implemented under Internal Order No. 21/2014 of May 16th 2014 (Section V.6 ‘internal audit and control system’), and in the Internal Control Rules (attached as an appendix to Internal Order No. 36/2005 of October 28th 2005).

Pursuant to the Internal Control Rules, internal control covers all aspects of the Company’s activities – all functional and economic areas including technical, production-related, economic, financial, organisational, administrative, HR-related and other aspects of the operation of organisational units, and particularly matters referred to in employee complaints and observations by employees and by persons responsible for internal control.

Information Policy

Issues related to information security are subject to the following internal documents:
- Information Security Policy for the Group - Internal Order No. 8/2012 of February 3rd 2012
- Grupa Azoty Group Information Policy - Internal Order No. 43/2013 of October 21st 2013, as amended by Internal Order No. 24/2016 of July 15th 2016 in connection with the entry into force of the Market Abuse Regulation (MAR)
- Instruction on Compliance with Disclosure Requirements at the Grupa Azoty Group - Internal Order No. 46/2013 of November 12th 2013
- Confidential Information Protection at Grupa Azoty S.A. - Internal Order No. 63/2013 of December 31st 2013
- Rules of Insider List Keeping - Internal Order No. 33/2016 of September 27th 2016

Preparation of financial statements
The internal control of the process of preparing the Company’s financial statements is governed by the applicable procedures and internal orders:

III. ASSESSMENT OF RISK MANAGEMENT

Enterprise risk management


As a result of enlargement of the Committee by virtue of Resolutions No. 99/X/2015 of July 14th 2015 and No. 398/X/2016 of July 1st 2016, the current composition of the Committee is as follows:

- President of the Management Board, Grupa Azoty S.A. – Chairman
- Risk Manager (Grupa Azoty S.A.) - Deputy Chairman
- Risk Management Coordinator (Management Systems Corporate Office - Grupa Azoty S.A.) - Secretary
- Management Board Representative for Management Systems - Head of the Management Systems Corporate Office (Grupa Azoty S.A.) - Committee Mamber
- Head of the Corporate Internal Audit Office, (Grupa Azoty S.A.) – Committee Member

By way of Management Board Resolution No. 816/IX/2015 of January 8th 2015, the management system procedure “PR-1 - Integrated Enterprise Risk Management at Grupa Azoty” was approved, and Management Board Resolution No. 336/X/2016 of May 9th 2016 approved the second edition of this procedure (amended to extend risk management to include GA Siarkopol, GZNf Fosfory Sp. z o.o. and ZA Chorzów S.A.).

The procedure defines the objective, subject matter, and scope of Grupa Azoty’s enterprise risk management regulations, the scope of responsibilities of individual entities participating in risk management processes, and key assumptions underlying the activities performed as part of the process.

Enterprise Risk Management comprises the following:
risk identification and assessment - a process aimed at obtaining and communicating structured information on risks present at the Grupa Azoty Group companies and the extent of threat related to their materialisation. Risk identification and assessment is performed once a year, between September 1st and November 15th, thanks to which up-to-date knowledge of risks can be taken into account in preparing operational plans and budgets for another year, annual internal audit plans, plans and schedules of internal audits of management systems, and information on risks for the purposes of annual Directors’ Reports of the Grupa Azoty companies.

- definition and implementation of risk responses and incident response plans (choice of risk management strategies, preparation of action plans in case of materialisation of a risk);
- monitoring and reporting of risk levels (risk measurement – defining Key Risk Indicators [KRI]) and their thresholds, monitoring of the indicators and communicating them within the organisation);
- use of information on risks in decision-making processes;
- reporting and communication (periodic reporting, ad hoc reporting, information on risks for the purposes of preparation of reports on the operation of the Group companies’ management boards),
- monitoring and evaluation of the risk management system.

As part of implementation of the above procedure, in the period from the beginning of 2016 until the date of this report, the following documents were prepared and approved:

- „Key Risks at the Grupa Azoty Group - Acceptance of the Group Companies’ Scorecards of Key Risks which Are Concurrently Key Risks of the Grupa Azoty Group”, prepared following risk identification and assessment carried out at the key companies of the Grupa Azoty Group between September and November 2015 (Management Board Resolution No. 240/X/2016 of January 19th 2016)
- „Results of the 2016 Review of the Grupa Azoty S.A. Risk Register”, prepared following a risk register review performed at Grupa Azoty S.A. between September and October 2016 (Management Board Resolution No. 473/X/2016 of October 24th 2016)
- „Key Risks of the Grupa Azoty Group – Outcome of Periodic Review (September-November 2016) of Risk Registers at the Grupa Azoty Group Companies (Management Board Resolution No. 530/X/2016 of December 21st 2016)
- „Key Risks at the Grupa Azoty Group - Acceptance of the Group Companies’ Scorecards of Key Risks which Are Concurrently Key Risks of the Grupa Azoty Group” (Management Board Resolution No. 572/X/2017 of January 25th 2017)
- 2016 Risk Management Report for the Supervisory Board (Management Board Resolution No. 643/X/2017 of March 10th 2017)

In 2016, the following key risks were identified for the Grupa Azoty Group:

- risk of higher fertilizer imports (Europe, China, Russia, Africa, America);
- risk of deterioration of the supply-demand balance;
- risk of the need to adapt production processes to new legal requirements, including environmental regulations;
- risk related to price and availability of natural gas;
- risks involved in planning and execution of strategic projects;
- risk of major industrial accidents or technical failures disrupting the continuity of processes and operation of key production units;
- risk of a negative effect of CO₂ trading prices on the financial result;
- currency risk;
- risk related to a structural change on the global market of caprolactam and polyamide 6.

The risk management methodology was the subject of continuous analysis by the Supervisory Board’s Audit Committee, which issued recommendations aimed at improving the efficiency of the process, including changes to the applied risk estimation methodology (introduction of two-
Financial risk management

In 2016, the following documents defined financial risk management procedures:
- Financial (Currency and Interest Rate) Risk Management Policy at Grupa Azoty S.A. - Internal Order No. 40/2014 of November 17th 2014


The document sets out:
- strategy for managing financial risks at the Grupa Azoty Group,
- rules for managing financial risks, including identification, quantification, monitoring, hedging and reporting of financial risks,
- permitted financial risk hedging tools,
- decision-making process related to managing financial risks at the Group,
- general financial risk management standards, tailored to the specific needs of the Group, and their compliance with best practice in the field,
- general rules for organising financial risk-related activities at the Group, including a division of responsibilities that ensures adequate control of the financial risk management activities.

The implemented Financial (Currency and Interest Rate) Risk Management Policy ensures:
- centralised supervision over the financial risk management process,
- monitoring of the Group’s consolidated currency exposure,
- determination of the optimal hedging strategy at the Group level,
- Group-wide uniform currency risk management rules,
- uniform catalogue of acceptable and applied hedging instruments.

A Risk Committee has been set up at the Group to ensure effective implementation of the currency risk and interest rate risk management processes. The Committee analyses and determines the consolidated currency exposure of the Group and its leading companies and recommends target levels and horizons of hedges, type of currency instruments and exchange rates for hedge transactions.

The Risk Committee is composed of:
- Vice President of the Parent’s Management Board for Finance,
- Head of the Corporate Finance Department,
- Head of the Parent’s Treasurer Office,
- Head of the Parent’s Controlling Office,
- Chairman or Deputy Chairman of the Risk Committee and the Treasurer or other designated member of the Risk Committee of each Leading Company.
The credit risk management policy is presented in the Directors’ Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group in the twelve months ended December 31st 2016 (Section 5.10.)

IV
COMPLIANCE ASSESSMENT

Compliance and Internal Audit are governed by Appendix 4 to the internal regulation 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 – process of compliance management at the Grupa Azoty Group focuses on multifaceted compliance and consistency with regulations, standards and rules of procedure, including:
- legal acts,
- rules of procedure developed and generally accepted in commercial transactions (best practices, contract loyalty principle),
- internal standards of an organisation (both of formal and legal nature, such as regulations, procedures, rules of procedure, services books, scope of responsibilities, and general guidelines, such as corporate culture codes, codes of ethics and CSR strategies).

The Compliance and Audit process comprises the following two key sub-processes:
- Compliance management, and
- Internal audit.

The objective of the compliance management sub-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. The Compliance process also supports the Management Board in minimising non-compliance risk and thus minimising legal or regulatory penalties, financial losses or loss of reputation, which the organisation may incur if it fails to comply with the applicable legal regulations, generally accepted practice and ethical standards, as well as internal policies and procedures.

In the Compliance and Audit process, the main 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 Group’s business profile,
- support of the Grupa Azoty Group in the process of ensuring correct and effective functioning of solutions comprising the Group’s corporate governance,
- support of 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,
- planning and implementation of joint audit tasks, including the development of a long-term and annual audit plans for the Grupa Azoty Group,
- development of the methodology and standard/rules of procedure for internal audit at the Group,
- supervision of the implementation of post-audit recommendations,
- cooperation with external control and regulatory authorities, external auditors, including the financial auditor.

The following documents relate to the Compliance and Audit process:
- 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,
- Internal Audit Standards at the Grupa Azoty Group,
- Internal Audit Rules of Procedure for the Group companies,
- Grupa Azoty Group Information Policy,
- Grupa Azoty Group’s Code of Ethical Conduct,
- Grupa Azoty Group Corporate Management Policy.

Under resolution No. 32/X/2015 of April 8th 2015, the Company’s Management Board established the Expert Committee and the Task Team for the preparation of a design of the Compliance process at the Grupa Azoty Group and the Steering Committee for the Compliance and Audit process.

The Steering Committee, jointly with the Task Team, developed milestones for key work on the design for 2016, at the four key companies of the Grupa Azoty Group, including the development and implementation of the “Compliance Management Policy for the Grupa Azoty Group”, Standards and Rules of Procedure relating to the Compliance process, as well as preparation of training materials and trainings for the management personnel of the Grupa Azoty Group’s key companies.

Decisions made in 2016 in the area of Compliance:
- Management Board Resolution No. 231/X/2016 of January 12th 2016 to approve the “Compliance Management Policy for the Grupa Azoty Group”.
- Management Board Resolution No. 351/X/2016 of May 16th 2016 to approve changes in the composition of project structures set up to implement the Compliance Project, and to review and approve the draft of the ‘Compliance Management Policy for the Grupa Azoty Group,’ along with changes in the composition of task structures under Management Board Resolution No. 372/X/2016 of June 9th 2016
- Management Board Resolution No. 425/X/2016 of August 9th 2016 to approve the updated key assumptions for the model of Compliance Management at the Grupa Azoty Group (creation as of September 1st 2016 of the position of Compliance Officer, reporting directly to the President of the Management Board)
- Management Board Resolution No. 462/X/2016 of September 28th 2016 to set up separate Internal Audit and Compliance segments within the organisational structure of Grupa Azoty S.A. as two corporate segments
- Management Board Resolution No. 529/X/2016 of December 21st 2016 to approve the key operating milestones for the ‘Compliance at the Grupa Azoty Group’ project

The above resolution approved the following actions:
1. Review of the Compliance Management model and the key process documents drafted thus far - Q1 2017
2. Drafting of the Compliance Management Rules - Q1/Q2 2017
3. Approval by the Management Board of Grupa Azoty S.A. of the Compliance Management process documents prepared by the Project Structures - Q2 2017
4. Preparation of training material templates and the agenda for Compliance Management training for senior management of the Grupa Azoty Group companies participating in the project - Q2 2017
5. Meetings with the Management Boards of the Grupa Azoty Group companies participating in the project and their management staff to communicate the assumptions and objectives of the ‘Compliance at the Grupa Azoty Group’ project and commence its implementation - Q2 2017

IV
ASSESSMENT OF THE INTERNAL AUDIT FUNCTION

By Internal Order No. 41/2011, an internal audit function was implemented across the Group in December 2011 by establishing the Internal Audit Office, a new organisational unit within the Company’s structure which reports directly to the President of the Management Board.

Internal Order No. 13/2014 of March 17th 2014 served to implement the Grupa Azoty Group Internal Audit Standards, which define the remit of the individual internal audit units at the Group and rules for planning their work, as well as procedures for determining the subject matter of global audit tasks (i.e. tasks carried out at all Group companies) in Annual Audit Plans, procedures for conducting the global audit tasks, time limits for preparing periodic reports, and rules for monitoring and evaluating the progress in implementing audit recommendations.

The purpose of Internal Order No. 14/2014 of March 17th 2014 was to approve Grupa Azoty S.A. Internal Audit Rules, developed on the basis of the International Standards for the Professional Practice of Internal Auditing – IIA and rules contained in the document ‘Exercise of ownership – corporate governance policy’ and Grupa Azoty Group Internal Audit Standards. The Rules lay down audit procedures to be followed by the Corporate Internal Audit Office 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.

In 2016, the following documents were adopted by virtue of resolutions of the Company’s Management Board:
- „Summary of a Joint Audit – Audit of the Group’s Promotional and Advertising Activities in 2011-2014 and their Effectiveness” (Management Board Resolution No. 254/X/2016 of February 16th 2016)
- „Annual Report by the Internal Audit Corporate Office for the Audit Committee of the Supervisory Board of Grupa Azoty S.A. on the Performance of Audit Assignments in 2015” (Management Board Resolution No. 282/X/2016 of March 8th 2016)
- „Summary of a Joint Audit: Audit of the Rail Transport Process, Concerning in Particular Lease of Rail Cars to Transport Selected Products and Raw Materials for the Grupa Azoty Group Companies (Management Board Resolution No. 288/X/2016 of March 15th 2016)
- Annex 1 to the „2016 Internal Audit Plan for Grupa Azoty S.A.” along with the „Long-Term Internal Audit Plan for Grupa Azoty S.A. for 2016-2018” (Management Board Resolution No. 433/X/2016 of August 23rd 2016)
- „Semi-Annual Report by the Corporate Internal Audit Office for the Audit Committee of the Supervisory Board of Grupa Azoty S.A. on the Performance of Assignments between January and June 2016 (Management Board Resolution No. 434/X/2016 of August 23rd 2016)

Decisions made after the end of the reporting period:


By virtue of Resolution No. 626/X/2017 of March 6th 2017, the Company's Management Board approved the composition and tasks of the Working Group for the development of a corporate model to manage the Internal Audit, Compliance Management, Risk Management and Safety/Internal Control processes and to update the process documentation for these areas.

The operation of the Internal Audit Office, the audit plan preparation mechanism and the applied risk assessment methodology are subject to continuous monitoring by the Supervisory Board’s Audit Committee, which submitted certain comments and requests relating to the optimisation of this area in the course of 2016. Further procedures and the schedule for implementing the optimisation measures have been agreed upon with the Company’s Management Board and are being implemented.

V  
EXTERNAL INSPECTIONS AND THEIR RESULTS:

<table>
<thead>
<tr>
<th>Date</th>
<th>Inspecting authority</th>
<th>Organisational unit subject to inspection</th>
<th>Scope</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 27th 2016</td>
<td>County Sanitary Inspector, Tarnów Branch (PPIS)</td>
<td>OHS Office</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>January 29th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Power Centre – Boiler House and Coal Supply Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>February 3rd 2016</td>
<td>Provincial Inspector of Agricultural and Food Quality (WIJHARS)</td>
<td>Fertilizers Business Unit</td>
<td>Proper marketing of fertilizers marked as ‘EC Fertilizer’</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>March 9th - April 4th 2016</td>
<td>National Bank of Poland, Kraków Branch</td>
<td>Grupa Azoty S.A.</td>
<td>Performance of the obligation referred to in Art. 30.1 of the Foreign Exchange Act of July 27th 2002</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>March 14th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment – Lactam Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the</td>
<td>No irregularities were found</td>
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<tr>
<td>Date</td>
<td>Inspecting authority</td>
<td>Organisational unit subject to inspection</td>
<td>Scope</td>
<td>Outcome</td>
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<tr>
<td>March 22nd 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Power Centre - Turbine House Division</td>
<td>sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
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<td></td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
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<tr>
<td>March 29th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment - Casings and Modified Granules Division</td>
<td>Assessment of sanitary and technical condition of the facility</td>
<td>No irregularities were found</td>
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<tr>
<td></td>
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<td></td>
<td>Accuracy of declared taxable income and correctness of calculation and payment of corporate income tax for 2013</td>
<td></td>
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<tr>
<td>March 29th - August 3rd 2016</td>
<td>Tax Audit Office</td>
<td>Grupa Azoty S.A.</td>
<td>Accuracy of declared taxable income and correctness of calculation and payment of corporate income tax for 2013</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>April 8th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment - Production Unit in Tarnów - Sulfuric Acid Production Unit and Hydroxylamine Sulfate Plant Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>April 18th – April 29th 2016</td>
<td>Chief Officer of the Municipal Headquarters of the National Fire Service in Tarnów (KM PSP)</td>
<td>Plastics Segment - Production Unit in Tarnów - Sulfuric Acid Production Unit and Hydroxylamine Sulfate Plant Division</td>
<td>Compliance with fire regulations, evaluation of compliance with safety requirements at an upper-tier establishment</td>
<td>No post-inspection decisions issued</td>
</tr>
<tr>
<td>April 18th 2016</td>
<td>Provincial Inspectorate for Environmental Protection, Tarnów</td>
<td>Plastics Segment - Sulfuric Acid Production Unit and Hydroxylamine Sulfate Plant Division – K-78</td>
<td>Environmental protection regulations</td>
<td>Inspection completed, inspection report was not signed by Grupa Azoty S.A., four decisions were issued following the inspection, with</td>
</tr>
<tr>
<td>Date</td>
<td>Inspecting authority</td>
<td>Organisational unit subject to inspection</td>
<td>Scope</td>
<td>Outcome</td>
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<tr>
<td>April 18th − May 18th 2016</td>
<td>National Labour Inspectorate (PIP)</td>
<td>Plastics Segment − Sulfuric Acid Production Unit and Hydroxylamine Sulfate Plant Division − K-78 and K-78a oleum storage tanks</td>
<td>Compliance with labour laws, including OHS regulations</td>
<td>An inspection report was prepared following the inspection. A post-inspection ruling containing one decision to be implemented by October 31st 2016 and a statement containing four decisions were issued. The statement was implemented in full. The deadline for full implementation of the decision was extended until October 31st 2017.</td>
</tr>
<tr>
<td>April 20th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Catalysts Business Unit</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>May 19th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Water Treatment Station</td>
<td>Inspection of the sanitary and technical condition of the Water Treatment Station at ul. Chemiczna</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>June 1st − June 7th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment − Tarnoform and Formaldehyde Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and</td>
<td>No post-inspection decisions issued</td>
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<tr>
<td>Date</td>
<td>Inspecting authority</td>
<td>Organisational unit subject to inspection</td>
<td>Scope</td>
<td>Outcome</td>
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<tr>
<td>June 7th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment</td>
<td>Follow-up inspection to check the implementation of the County Sanitary Inspector’s decision of January 11th 2016</td>
<td>No reservations</td>
</tr>
<tr>
<td>July 4th 2016</td>
<td>Provincial Inspectorate for Environmental Protection (WIOŚ)</td>
<td>CHP Centre – Corporate Production and Safety Department – Central Wastewater Treatment Plant</td>
<td>Environmental protection regulations</td>
<td>All post-inspection decisions have been implemented</td>
</tr>
<tr>
<td>July 4th – July 8th 2016</td>
<td>Chief Officer of the Municipal Headquarters of the National Fire Service in Tarnów (KM PSP)</td>
<td>Power Centre – Turbine House and Water Management Division</td>
<td>Preliminary identification of the irregularities that contributed to the fire and the circumstances of the fire spread</td>
<td>No post-inspection decisions issued</td>
</tr>
<tr>
<td>July 6th – July 15th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Research Centre</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>All post-inspection decisions have been implemented</td>
</tr>
<tr>
<td>July 26th – July 29th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Fertilizers Business Unit - Nitric Acids Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>September 7th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Fertilizers Business Unit - Ammonia Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and</td>
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<td>No irregularities were found</td>
</tr>
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<tr>
<td>September 15th 2016</td>
<td>Central Anti-Corruption Bureau (Warsaw)</td>
<td>Grupa Azoty S.A.</td>
<td>Inspection relating to contracts for selected services purchased by the Company - contracts for marketing, advisory and similar services effective from December 1st 2015</td>
<td>Documents were submitted to the inspectors; no post-inspection report had been issued by the date of this report</td>
</tr>
<tr>
<td>September 19th - September 30th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Plastics Segment - Production Unit in Tarnów - Casings and Modified Granules Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>October 4th - December 1st 2016</td>
<td>Central Anti-Corruption Bureau, Lublin Office</td>
<td>Grupa Azoty S.A.</td>
<td>Compliance with the procedures set forth in applicable laws for making and implementing decisions relating to contracts for selected services purchased by Grupa Azoty S.A. from December 1st 2015</td>
<td>Irregularities relating to the conclusion and performance of contracts with Tomasz Czech, conducting business activity under the business name of GRUPA TOMAMI of Kraków, were found. In this case, a notification of suspected crime was submitted to the Regional Public Prosecutor’s Office of Tarnów.</td>
</tr>
<tr>
<td>October 4th 2016 (date of inspection notice)</td>
<td>Silesian Field Division of the Organised Crime and Corruption Department of the National Public</td>
<td>Grupa Azoty S.A.</td>
<td>Inspection of contracts concluded by the Company in 2007-2016 with other entities, including ZWRI Sp. z o.o.</td>
<td>Documents were submitted to the inspectors; no post-inspection report had been issued by the date of this report</td>
</tr>
<tr>
<td>Date</td>
<td>Inspecting authority</td>
<td>Organisational unit subject to inspection</td>
<td>Scope</td>
<td>Outcome</td>
</tr>
<tr>
<td>--------------------------</td>
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</tr>
<tr>
<td>October 10th 2016</td>
<td>Prosecutor’s Office</td>
<td>Organisational unit subject to inspection</td>
<td>Placement in service of iron-chromium catalyst plant</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>October 16th 2016 (date of inspection notice)</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Catalyst Business Unit</td>
<td>Placement in service of iron-chromium catalyst plant</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>October 16th 2016 (date of inspection notice)</td>
<td>Central Anti-Corruption Bureau (Warsaw)</td>
<td>Grupa Azoty S.A.</td>
<td>Inspection of all material contracts effective from January 1st 2015 to the end of September 2016</td>
<td>Documents were submitted to the inspectors; no post-inspection report had been issued by the date of this report</td>
</tr>
<tr>
<td>October 24th - October 31st 2016</td>
<td>Provincial Inspectorate for Environmental Protection (WIOŚ)</td>
<td>Catalyst Business Unit - New Catalyst Plant</td>
<td>Inspection on request, in compliance with Art. 76.4 of the Environmental Protection Law</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>October 28th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Research and Analysis Centre</td>
<td>Follow-up inspection to check implementation of the Tarnów County Sanitary Inspector’s decision of August 9th 2016, Section 2</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>November 10th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Power Supply Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>November 16th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Fertilizers Storage and Packing Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>November 18th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Cyclohexanone Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>Date</td>
<td>Inspecting authority</td>
<td>Organisational unit subject to inspection</td>
<td>Scope</td>
<td>Outcome</td>
</tr>
<tr>
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</tr>
<tr>
<td>November 23rd - December 14th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Fertilizers Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
<tr>
<td>December 20th 2016</td>
<td>County Sanitary Inspector (PPIS)</td>
<td>Ammonium Sulfate Division</td>
<td>OHS conditions, compliance with regulations applicable to hazardous substances and mixtures, and assessment of the sanitary and technical condition of the facilities</td>
<td>No irregularities were found</td>
</tr>
</tbody>
</table>

**SUMMARY:**

The Supervisory Board positively assesses the following systems operated by the Company:
- internal control system,
- risk management system,
- compliance,
- internal audit system,
assuming that the solutions applied will be improved based on the experience gathered in the performance of the processes and on the Audit Committee’s recommendations.

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

Marek Grzelaczyk /Chairman of the Supervisory Board/

Tomasz Karusewicz /Deputy Chairman of the Supervisory Board/

Zbigniew Paprocki /Secretary of the Supervisory Board/

Monika Fill

Robert Kapka

Artur Kucharski

Bartłomiej Litwińczuk

Ireneusz Purgacz

Roman Romaniszyn