

**REPORT FOR THE ANNUAL GENERAL MEETING
ON THE ACTIVITIES OF THE SUPERVISORY BOARD
FOR THE PERIOD JANUARY 1st 2015 TO DECEMBER 31st 2015,
INCLUDING THE ACTIVITIES OF THE SUPERVISORY BOARD COMMITTEES
AND ASSESSMENT OF THE WORK OF THE MANAGEMENT BOARD**

1.

Term of office and year of the term

The year 2015 was the third and the last year of the Supervisory Board's 9th term of office (commenced on April 17th 2013).

2.

Composition of the Supervisory Board, positions held on the Supervisory Board, and changes in the Supervisory Board composition in the financial year

From January 1st 2015 to December 22nd 2015, the Supervisory Board consisted of:

1. Monika Kacprzyk-Wojdyga - Chairwoman,
2. Jacek Obłəkowski - Deputy Chairman,
3. Ewa Lis - Secretary,
4. Robert Kapka - Member,
5. Tomasz Klikowicz - Member,
6. Artur Kucharski - Member,
7. Marek Mroczkowski - Member,
8. Zbigniew Paprocki - Member,
9. Ryszard Trepczyński - Member.

On December 22nd 2015, by virtue of a letter from the Minister of State Treasury, Ms Ewa Lis was removed from the Supervisory Board pursuant to Art. 16.2 of the Company's Articles of Association, and Mr Przemysław Lis was appointed in her place.

At the meeting held on January 15th 2016, the Supervisory Board appointed Mr Zbigniew Paprocki as Secretary of the Supervisory Board.

Accordingly, as at January 1st 2016 the composition of the Supervisory Board was as follows:

1. Monika Kacprzyk-Wojdyga - Chairwoman,
2. Jacek Obłəkowski - Vice-Chairperson,
3. Zbigniew Paprocki - Secretary,
4. Robert Kapka - Member,
5. Tomasz Klikowicz - Member,
6. Artur Kucharski - Member,
7. Przemysław Lis - Member,
8. Marek Mroczkowski - Member,
9. Ryszard Trepczyński - Member.

On January 29th 2016, by virtue of a letter from the Minister of State Treasury, Mr Przemysław Lis was removed from the Supervisory Board, and Mr Marek Grzelaczyk was appointed in his place.

On February 1st 2016, by way of resolutions of the Company's Extraordinary General Meeting, Ms Monika Kacprzyk-Wojdyga and Messrs Marek Mroczkowski, Jacek Obłąkowski and Ryszard Trepczyński were removed from the Company's Supervisory Board, while Messrs Maciej Baranowski, Tomasz Karusewicz, Przemysław Lis and Bartłomiej Litwińczuk were appointed as new members (Mr Przemysław Lis was appointed as Chairman of the Supervisory Board).

On February 19th 2016, the Supervisory Board appointed Marek Grzelaczyk as Deputy Chairman of the Supervisory Board of the 9th term of office.

As a result of the above changes, the composition of the Supervisory Board was as follows:

1. Przemysław Lis - Chairman,
2. Marek Grzelaczyk - Deputy Chairman,
3. Zbigniew Paprocki - Secretary,
4. Maciej Baranowski - Member,
5. Robert Kapka - Member,
6. Tomasz Karusewicz - Member,
7. Tomasz Klikowicz - Member,
8. Artur Kucharski - Member,
9. Bartłomiej Litwińczuk - Member.

On March 31st 2016, Mr Marek Grzelaczyk tendered his resignation as Deputy Chairman. At its meeting held on April 15th 2016, the Supervisory Board appointed Mr Tomasz Karusewicz as Deputy Chairman.

3.

Number and frequency of meetings held by the Supervisory Board; number of adopted resolutions

In the financial year 2015, the Supervisory Board held ten traditional meetings and three voting procedures using means of remote communication, and passed 68 resolutions.

Resolutions adopted by the Supervisory Board in 2015:

Resolution No.	Date	Subject matter
126/IX/2015	2015/01/09	Determination of the number of members of the Company's Management Board
127/IX/2015	2015/01/09	Appointment of President of the Management Board of Grupa Azoty S.A. of the 10th term of office
128/IX/2015	2015/01/09	Appointment of Vice-President of the Management Board of Grupa Azoty S.A. of the 10th term of office [K. Jałosiński]
129/IX/2015	2015/01/09	Appointment of Vice-President of the Management Board of Grupa Azoty S.A. of the 10th term of office [M. Kaptucha]
130/IX/2015	2015/01/09	Appointment of Vice-President of the Management Board of

Resolution No.	Date	Subject matter
		Grupa Azoty S.A. of the 10th term of office [M. Rybak]
131/IX/2015	2015/01/09	Appointment of Vice-President of the Management Board of Grupa Azoty S.A. of the 10th term of office [A. Skolmowski]
132/IX/2015	2015/01/09	Appointment of Vice-President of the Management Board of Grupa Azoty S.A. of the 10th term of office [W. Szczypiński]
133/IX/2015	2015/01/09	Grant of consent for President of the Management Board to serve on governing bodies of other companies
134/IX/2015	2015/01/09	Grant of consent for Mr Krzysztof Jałosiński, Vice-President of the Management Board, to serve on governing bodies of other companies
135/IX/2015	2015/01/09	Grant of consent for Mr Marek Kaptucha, Vice-President of the Management Board, to serve on governing bodies of other companies
136/IX/2015	2015/01/09	Grant of consent for Mr Marian Rybak, Vice-President of the Management Board, to serve on governing bodies of other companies
137/IX/2015	2015/01/09	Grant of consent for Mr Andrzej Skolmowski, Vice-President of the Management Board, to serve on governing bodies of other companies
138/IX/2015	2015/01/09	Grant of consent for Mr Witold Szczypiński, Vice-President of the Management Board, to serve on governing bodies of other companies
139/IX/2015	2015/01/09	Approval of the Rules of procedure for the appointment and removal from office of Management Board Members elected by employees of Grupa Azoty S.A.
140/IX/2015	2015/01/09	Ordering the election of a Management Board Member by employees of Grupa Azoty S.A. and appointment of the Central Election Committee
141/IX/2015	2015/01/09	Determining the manner in which shares in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. should be voted at its General Meeting in a vote on amendments to the company's Articles of Association
142/IX/2015	2015/02/26	Grant of consent to acquire CO ₂ emission allowances (EUA)
143/IX/2015	2015/02/26	Grant of consent for Mr Krzysztof Jałosiński, Vice-President of the Company's Management Board, to receive remuneration for serving on governing bodies of other companies
144/IX/2015	2015/02/26	Grant of consent for Mr Marian Rybak, Vice-President of the Company's Management Board, to receive remuneration for serving on governing bodies of other companies
145/IX/2015	2015/02/26	Grant of consent for Mr Andrzej Skolmowski, Vice-President of the Company's Management Board, to receive remuneration for serving on governing bodies of other companies
146/IX/2015	2015/02/26	Grant of consent for Mr Witold Szczypiński, Vice-President of the Company's Management Board, to receive remuneration for serving on governing bodies of other companies

Resolution No.	Date	Subject matter
147/IX/2015	2015/02/26	Appointment of the Management Board Member elected by employees of Grupa Azoty S.A.
148/IX/2015	2015/03/13	Approval of the results of election of the Company's Management Board Member by employees of Grupa Azoty S.A.
149/IX/2015	2015/03/13	Approval of Grupa Azoty S.A.'s budget for 2015
150/IX/2015	2015/03/23	Approval of the Goal Sheets for members of the Company's Management Board for 2015
151/IX/2015	2015/04/16	Assessment of the separate financial statements of Grupa Azoty S.A. for the financial year 2014
152/IX/2015	2015/04/16	Assessment of the Directors' Report on the Company's operations in 2014
153/IX/2015	2015/04/16	Opinion on the Management Board's proposal on the distribution of net profit for 2014
154/IX/2015	2015/04/16	Grant of discharge to Mr Paweł Jarczewski, President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
155/IX/2015	2015/04/16	Grant of discharge to Mr Krzysztof Jałosiński, Vice-President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
156/IX/2015	2015/04/16	Grant of discharge to Mr Marek Kapłucha, Vice-President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
157/IX/2015	2015/04/16	Grant of discharge to Mr Marian Rybak, Vice-President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
158/IX/2015	2015/04/16	Grant of discharge to Mr Andrzej Skolmowski, Vice-President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
159/IX/2015	2015/04/16	Grant of discharge to Mr Witold Szczypiński, Vice-President of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
160/IX/2015	2015/04/16	Grant of discharge to Mr Artur Kopeć, Member of the Management Board of Grupa Azoty S.A., in respect of performance of his duties in the period January 1st–December 31st 2014
161/IX/2015	2015/04/16	Supervisory Board's report on assessment of the financial statements of Grupa Azoty S.A. for the period January 1st–December 31st 2014 and the Directors' Report on the Company's operations in 2014
162/IX/2015	2015/04/16	Assessment of the consolidated financial statements of the

Resolution No.	Date	Subject matter
		Grupa Azoty Group and the Directors' Report on the Group's operations in 2014
163/IX/2015	2015/04/16	Supervisory Board's report on assessment of the consolidated financial statements of the Grupa Azoty Group for the period January 1st–December 31st 2014 and the Directors' Report on the Group's operations in 2014
164/IX/2015	2015/04/16	Supervisory Board's 2014 report for the Annual General Meeting prepared in accordance with Art. 33.1.20 of the Company's Articles of Association
165/IX/2015	2015/04/16	Approval of the report on activities of the Supervisory Board's Audit Committee
166/IX/2015	2015/04/16	Supervisory Board's 2014 report for the Annual General Meeting prepared in accordance with Art. 33.1.22 of the Company's Articles of Association
167/IX/2015	2015/04/16	Supervisory Board's 2014 report for the Annual General Meeting prepared in accordance with Art. 33.1.21 of the Company's Articles of Association
168/IX/2015	2015/04/16	Grant of consent for Grupa Azoty S.A. to incur a liability under a promissory note towards the National Fund for Environmental Protection and Water Management, in the form of a blank promissory note to secure a potential obligation to repay a grant received to co-finance the 'Flue gas treatment unit at Grupa Azoty S.A.' project
169/IX/2015	2015/04/16	Grant of consent for Grupa Azoty Spółka Akcyjna (the "Company") to enter into certain agreements to acquire financing for the Company's and the Group companies' general corporate needs (the "Group"), refinancing of the Company's debt and indirect refinancing of the Group companies' debt, and signing documents related to those agreements
170/IX/2015	2015/04/16	Determining the manner in which shares in Grupa Azoty ZAK S.A. should be voted at its General Meeting in a vote on amendments to the company's Articles of Association
171/IX/2015	2015/04/16	Determining the manner in which shares in Grupa Azoty Zakłady Azotowe Puławy S.A. should be voted at its General Meeting in a vote on amendments to the company's Articles of Association
172/IX/2015	2015/04/16	Approval of Annexes to non-compete agreements with President and Vice-Presidents of the Company's Management Board, and delegating the Chairwoman of the Supervisory Board to execute the Annexes
173/IX/2015	2015/04/16	Grant of consent to provide financial assistance to the Ignacy Mościcki Foundation at the Ignacy Mościcki Technical School Complex in Tarnów-Mościce
174/IX/2015	2015/05/26	Grant of consent for Grupa Azoty Spółka Akcyjna (the "Company") to enter into certain agreements to acquire financing for the Company's and the Group companies'

Resolution No.	Date	Subject matter
		general corporate needs (the "Group"), including in particular financing of the Group's Investment Programme, and signing documents related to those agreements.
175/IX/2015	2015/05/26	Grant of consent to acquire non-current assets under the 'New N1 Draft Cooling Tower' project
176/IX/2015	2015/05/26	Grant of consent to acquire non-current assets under the 'Installation of a line for Tarnamid surface modification' project
177/IX/2015	2015/05/26	Grant of consent to acquire non-current assets under the 'Construction of a new technical-grade nitric acid storage unit - Phase 1' project
178/IX/2015	2015/05/26	Grant of consent to enter into a temporary agreement for lease of property with ZWRI Sp. z o.o. S.K.A.
179/IX/2015	2015/05/26	Grant of consent to disposes of ownership rights and perpetual usufruct rights to Grupa Azoty S.A.'s non-core land
180/IX/2015	2015/05/26	Opinion on a request for the General Meeting to approve grant of licence
181/IX/2015	2015/05/26	Grant of consent for Mr Marian Rybak, Vice-President of the Company's Management Board, to serve on the supervisory board of Elektrownia Puławy Sp. z o.o.
182/IX/2015	2015/05/26	Grant of consent for Mr Witold Szczypiński, Vice-President of the Company's Management Board, to serve on the supervisory board of Grupa Azoty ATT Polymers GmbH
183/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Paweł Jarczewski, President of the Company's Management Board
184/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Andrzej Skolmowski, Vice-President of the Company's Management Board
185/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Witold Szczypiński, Vice-President of the Company's Management Board
186/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Krzysztof Jałosiński, Vice-President of the Company's Management Board
187/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Marian Rybak, Vice-President of the Company's Management Board
188/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Marek Kapłucha, Vice-President of the Company's Management Board
189/IX/2015	2015/05/26	Determination of the annual bonus for 2014 for Mr Artur Kopeć, Member of the Company's Management Board
190/IX/2015	2015/06/25	Grant of consent to enter into insurance agreements renewing the Grupa Azoty Consolidated Insurance Programme for a three-year period, i.e. from July 1st 2015 to June 30th 2018.
191/IX/2015	2015/06/25	Special award for 2014 for Mr Paweł Jarczewski, President of

Resolution No.	Date	Subject matter
		the Company's Management Board.
192/IX/2015	2015/06/25	Special award for 2014 for Mr Witold Szczypiński, Vice-President of the Company's Management Board.
193/IX/2015	2015/06/25	Special award for 2014 for Mr Andrzej Skolmowski, Vice-President of the Company's Management Board.
194/IX/2015	2015/06/25	Grant of consent to disburse donation for the Bronisław Geremek Centre Foundation
195/IX/2015	2015/09/03	Grant of consent to execute Annex 1 to the "Agreement on sale of shares in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarkopol S.A., dated September 25th 2013"
196/IX/2015	2015/09/03	Grant of consent for Mr Krzysztof Jałosiński, Vice-President of the Company's Management Board, to serve as Chairman of the supervisory board of PDH Polska Spółka Akcyjna.
197/IX/2015	2015/09/03	Determining the manner in which shares in Grupa Azoty Folie Sp. z o.o. should be voted at its General Meeting
198/IX/2015	2015/09/23	Grant of consent to disburse donation for the 'Pomoc Polakom na Wschodzie' Foundation
199/IX/2015	2015/10/27	Grant of consent to exchange real property with the Municipality of Tarnów.
200/IX/2015	2015/11/24	Justification of absence of Mr Artur Kucharski, Member of the Supervisory Board
201/IX/2015	2015/11/24	Grant of consent to purchase shares in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarkopol S.A. from the company employees and from the State Treasury.
202/IX/2015	2015/11/24	Grant of consent for to acquire non-current assets under the 'Upgrade of the cooling ammonia network' project
203/IX/2015	2015/11/24	Grant of consent to acquire non-current assets under the 'Upgrade of the mechanical granulation product distribution and packing (Big-Bag)' project.
204/IX/2015	2015/11/24	Determining the manner in which shares in Grupa Azoty Zakłady Chemiczne Police S.A. should be voted at its General Meeting in a vote on amendments to the company's Articles of Association.
205/IX/2015	2015/12/21	Justification of absence of Mr Ryszard Trepczyński, Member of the Supervisory Board
206/IX/2015	2015/12/21	Adoption of the Code of Best Practice for WSE Listed Companies.
207/IX/2015	2015/12/21	Commissioning of external audit.

4.

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.

As at January 1st 2015, the composition of the Company's Management Board was as follows:

Paweł Jarczewski - President of the Management Board
Krzysztof Jałosiński - Vice-President of the Management Board
Marek Kapłucha - Vice-President of the Management Board
Marian Rybak - Vice-President of the Management Board
Andrzej Skolmowski - Vice-President of the Management Board
Witold Szczypiński - Vice-President of the Management Board
Artur Kopec - Member of the Management Board (elected by employees).

Following the expiry of the Management Board's 9th term of office, the Supervisory Board resolved to appoint the following persons as members of the Management Board for a new term, with effect from February 20th 2015:

Paweł Jarczewski - President of the Management Board
Krzysztof Jałosiński - Vice-President of the Management Board
Marek Kapłucha - Vice-President of the Management Board
Marian Rybak - Vice-President of the Management Board
Andrzej Skolmowski - Vice-President of the Management Board
Witold Szczypiński - Vice-President of the Management Board.

By a resolution of January 9th 2015, the Supervisory Board also ordered election of a Management Board member by the employees. In the election held on January 27th-February 11th 2015 r. (first round) and February 13th-February 23rd 2015 (second round), Mr Artur Kopec received a majority of the votes (51.01%) and was appointed to the Management Board by virtue of a Supervisory Board resolution of February 26th 2015.

On February 19th 2016, the Supervisory Board passed resolutions on the following matters:

- setting the number of members of the Company's Management Board of the 10th term of office at from three to seven
- removing the following members of the Management Board:
 - Paweł Jarczewski, President of the Management Board,
 - Krzysztof Jałosiński, Vice-President of the Management Board,
 - Marek Kapłucha, Vice-President of the Management Board,
 - Marian Rybak, Vice-President of the Management Board,
- appointing Mariusz Bober as President of the Management Board of Grupa Azoty S.A. of the 10th term of office.

On March 14th 2016, the Supervisory Board passed resolutions to appoint Józef Rojek and Tomasz Hinc as Members of the Management Board.

Accordingly, as at the date of this report, the composition of the Management Board was as follows:

Mariusz Bober - President of the Management Board

Andrzej Skolmowski - Vice-President of the Management Board
Witold Szczypiński - Vice-President of the Management Board
Józef Rojek - Member of the Management Board
Tomasz Hinc - Member of the Management Board
Artur Kopeć - Member of the Management Board.

5.

Execution of General Meeting resolutions pertaining to the activities of the Supervisory Board

No resolutions were passed by the General Meeting in 2015 that would pertain to the Supervisory Board's activities.

6.

Impact of pay increase on the Company's financial position

The Supervisory Board monitored average monthly pay at the Company on an ongoing basis. In 2015, average pay at the Company, net of annual bonuses for 2014 performance, stood at PLN 5,182.36, and was higher by PLN 120.02, i.e. 2.4%, year on year. Taking into account annual bonuses, average monthly pay at the Company in 2015 was PLN 5,543.56, up PLN 141.81 compared with 2014. In 2015, pay rates were increased with effect as of April 1st 2015. As a result, salaries and wages at the Company grew by 2.6%. The rules of remuneration and payment of bonuses, including the award of annual bonuses, are set out in the Collective Bargaining Agreement.

7.

Implementation of strategic or recovery plans

2015 saw continued implementation of the *Strategy of the Grupa Azoty Group for 2014-2020*, whose key objectives are:

- to deliver industry-leading returns to shareholders, and
- to maintain the Company's top-3 position in the European fertilizer market.

To achieve those objectives, three key action areas were identified:

- organic growth - to be achieved through implementation of corporate projects across the operating segments, including investment projects. Key investment projects in 2015 included:
 - at Grupa Azoty S.A.: Polyamide Plant II 80,000 t/y, Granulation Plant II, 20 MW pass-out and condensing turbine generator set at the CHP Plant;
 - at Grupa Azoty ZAK S.A.: new CHP Plant, launch of continuous production of Oxoviflex®;
 - at Grupa Azoty Police: propane dehydrogenation (PDH) unit and related infrastructure, flue gas treatment unit, and upgrade of the EC II CHP plant, upgrade of the ammonia unit;
 - at Grupa Azoty Puławy: construction of the Puławy Power Plant, modernisation of the nitric acid unit and construction of new nitric acid units for neutralisation and production of new nitric acid-based fertilizers,

- facility for production of granulated fertilizers based on ammonium nitrate, production of solid fertilizers based on urea and ammonium sulfate;
- operational excellence programme, through: seeking to achieve process improvements, implement efficient organisational structures and incentive schemes, enhance work efficiency and productivity, promote HR development, increase employee commitment, exchange experience, and explore innovative business solutions. As part of Azoty PRO, the Grupa Azoty Group's operational excellence programme, operationalisation of 25 initiatives was approved. Financial effects of the programme as the end of 2015 amounted to PLN 220m; planned financial benefits of Azoty PRO to total PLN 440m by the end of 2017;
- efficiency enhancement, to be achieved through mergers and acquisitions.

8.

Supervisory Board's decisions on appointment of auditor, commissioning of expert reports, etc.

On November 6th 2014, the Supervisory Board passed resolution No. 114/IX/2014 whereby it appointed KPMG Audyt Sp. z o.o. as the auditor of the separate financial statements of Grupa Azoty S.A. and consolidated financial statements of the Grupa Azoty Group for the financial years 2015 and 2016.

On December 21st 2015, the Supervisory Board passed a resolution to retain Kancelaria Crido Taxand Sp. z o.o. of Warsaw to perform external audit of purchase of potassium sulfate Zakłady Azotowe Chorzów S.A. from Amron in March 2014.

9.

Powers and responsibilities of the Supervisory Board

Pursuant to Art. 33 of the Company's Articles of Association, the Supervisory Board's powers and responsibilities include:

- appointment and removal from office of Management Board members,
- determination of the rules and amounts of remuneration of Management Board members,
- suspension from duties, for a good reason, of individual or all Management Board members,
- delegation of Supervisory Board members to temporarily replace Management Board members who are unable to perform their duties,
- Grant of consent for Management Board members to serve on governing bodies of other companies,
- assessment of the Directors' Report on the Company's operations and the financial statements for the previous financial year for consistency with the accounting records, documents, and the actual state of affairs, assessment of the Management Board's proposals on the allocation of profit or coverage of loss, and submission of written reports on the results of the assessment to the General Meeting,
- assessment of the Directors' Report on the Group's operations and the Group's consolidated financial statements for the previous financial year for consistency with the accounting records, documents, and the actual state of affairs, and submission of a written report on the results of the assessment to the General Meeting,

- appointment of the auditor to perform the review and audit of the financial statements of the Company and the consolidated financial statements of the Group,
- determination of the scope and submission dates of annual budgets as well as long-term strategic plans,
- approval of the Company's long-term strategic plans,
- approval of annual budgets including capital expenditure budgets,
- adoption of detailed rules governing the Supervisory Board's operation,
- adoption of the consolidated text of the Company's Articles of Association prepared by the Management Board,
- approval of the rules of procedure for the Company's Management Board,
- approval of the rules on donations,
- giving opinions on all matters submitted by the Management Board for consideration to the General Meeting,
- preparation of a report on the assessment of the Company's compliance with the adopted corporate governance standards in the reporting period, to be submitted to the Annual General Meeting,
- preparation of 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, to be submitted to the Annual General Meeting,
- preparation of a report on the assessment of the Company's condition, including evaluation of its internal control and risk management systems, to be submitted to the Annual General Meeting.
- granting authority to the Management Board for:
 - o acquisition of real property, perpetual usufruct right or interest in real property, with a market value of up to PLN 10,000,000 (ten million złoty),
 - o disposal or encumbrance with limited property rights of real property, perpetual usufruct right or interest in real property,
 - o acquisition of non-current assets other than real property, perpetual usufruct right or interest in real property, with a market value of more than PLN 2,000,000 (two million złoty),
 - o disposal or encumbrance with limited property rights of non-current assets other than real property, perpetual usufruct right or interest in real property, with a market value of more than PLN 2,000,000 (two million złoty),
 - o assumption of contingent liabilities, including issuance by the Company of financial guarantees and sureties, or assumption of liability for third-party debt, with a value exceeding PLN 2,000,000 (two million złoty),
 - o issue, acceptance, and grant of avals, and endorsement of promissory notes, with a value exceeding PLN 2,000,000 (two million złoty),
 - o contracting a loan and/or credit facility or issue of bonds, where the Company's outstanding debt under loans and borrowings including the proposed loan and/or credit facility would exceed PLN 40,000,000 (forty million złoty),
 - o assumption of any other liability or disposal of an asset, where the value of such liability or asset, either in a single transaction or a series of related transactions, excluding transactions falling within the scope of current operations or maintenance and investments included in the annual budgets for the current year, exceeds PLN 6,000,000 (six million złoty),
 - o execution by the Company of an agreement concerning a donation or cancellation of debt with a value exceeding PLN 30,000 (thirty thousand

złoty). If the total amount of donations granted or debts cancelled by the Company in a year exceeds PLN 500,000 (five hundred thousand złoty), any further donation or cancellation of debt above PLN 20,000 (twenty thousand złoty) requires approval of the Supervisory Board,

- formation or co-financing by the Company of foundations or other organisations other than commercial-law companies,
- formation of the Company's establishments, offices, branches or representative offices abroad,
- exercising voting rights at the general meetings of companies in which the Company holds at least a 50% interest where the voting concerns any of the following issues:
 - amendments to the company's articles of association,
 - increase in or reduction of the company's share capital,
 - merger, transformation or demerger of the company,
 - disposal of the company shares,
 - disposal or lease of the company's business or its organised part, or establishment of limited property rights in the company's business or its organised part, or acquisition or disposal of real property, perpetual usufruct right or interest in real property, if the market value of the asset exceeds PLN 200,000 (two hundred thousand złoty),
 - dissolution and liquidation of the company,
- establishment of another company or joining of another company by the Company,
- execution of a material agreement with a related party, excluding standard agreements concluded on an arm's length basis in the ordinary course of business.

10

Activities of the Audit Committee

In 2015, the Supervisory Board's Audit Committee consisted of:

- Jacek Obłękowski (Chair)
- Marek Mroczkowski
- Tomasz Klikowicz.

Following the removal of Jacek Obłękowski and Marek Mroczkowski from the Supervisory Board by virtue of resolutions of the Company's General Meeting of February 1st 2016, on February 19th 2016 the Supervisory Board appointed the following persons to the Audit Committee: Tomasz Karusewicz, Maciej Baranowski and Artur Kucharski (as Chairman of the Audit Committee). Following Tomasz Karusewicz's resignation from the Audit Committee tendered on March 8th 2016, on March 14th 2016 the Supervisory Board resolved to appoint Marek Grzelaczyk to the Committee.

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

- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal control, internal audit and risk management systems in place at the Company,
- monitoring of financial audit activities,

- monitoring of the independence of the auditor and the auditing firm,
- monitoring of the audit of the annual separate and consolidated financial statements,
- monitoring of the work and reports of the independent statutory auditor,
- auditing selected economic events relevant to the Company's operations, i.e. ZA Chorzów's purchase of potassium sulfate from Amron in 2014.

From the beginning of 2015 to the date of this *Report*, the Audit Committee held five meetings, on:

March 2nd 2015,
 December 20th 2015,
 February 29th 2016,
 March 9th 2016,
 May 16th 2016.

The activities of the Audit Committee are presented in detail in the Audit Committee's Report, which is included in the records of the Supervisory Board.

The Audit Committee was involved in finalisation of the financial statements for 2015 and performed their assessment. The Audit Committee's recommendation for the Supervisory Board was to approve the Company's and the Group's financial statements for 2015.

11.

Assessment of the Supervisory Board Members' compliance with independence criteria:

From among Supervisory Board Members active in 2015, the following submitted statements of independence:

- Artur Kucharski,
- Marek Mroczkowski,
- Jacek Obłękowski,
- Przemysław Lis.

The remaining Supervisory Board Members did not satisfy the independence criteria because:

- Monika Kacprzyk-Wojdyga and Ewa Lis represented a controlling shareholder, which means they did not satisfy criterion d) defined in Annex II to 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,
- until June 30th 2015 Ryszard Trepczyński served on the Management Board of Powszechny Zakłady Ubezpieczeń which owns TFI PZU, an investment fund company holding a 8.60% interest in Grupa Azoty S.A.,
- Robert Kapka, Tomasz Klikowicz and Zbigniew Paprocki, representing employees of Grupa Azoty S.A. on the Supervisory Board, failed to satisfy criterion b) defined in Annex II to the Commission Recommendation.

From among Supervisory Board Members appointed on February 1st 2016, the following submitted statements of independence:

- Marek Grzelaczyk,
- Bartłomiej Litwińczuk.

Mr Tomasz Karusewicz does not satisfy the independence criteria as his current position is similar to that of Mr Ryszard Treczyński in 2015, and Mr Maciej Baranowski has a contract with PDH Polska S.A., a subsidiary of GA Police (non-compliance with criterion b) as defined in Annex II) and, until January 2015, was an employee of Deloitte Polska Sp. z o.o. S.k. (non-compliance with criterion f) of Annex II).

12.

Assessment of the work of the Management Board

The Supervisory Board issues a positive opinion on the Management Board's activities in 2015, including in particular:

- leveraging the synergies from the Group's consolidation,
- delivering the objectives set forth in the *Operationalisation of the Grupa Azoty Group's Strategy for 2014-2020*,
- implementation of the Azoty PRO Operational Excellence Programme, which seeks to deliver long-term efficiency improvements in the areas of production, power generation, maintenance, procurement, logistics and support functions.

13.

Self-assessment of the Supervisory Board

1) Supervisory Board's activities

The Supervisory Board discharged its responsibilities provided for in the Company's Articles of Association, as well as requested the Management Board to present additional information and documents relating to the Company's day-to-day operations and the implementation of the Long-Term Strategy.

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

- spending under the 2015 budget,
- key economic ratios,
- structure and amount of receivables and liabilities,
- structure and levels of inventories of raw materials, intermediate products and finished goods,
- assessment of investment activities,
- market situation with respect to raw material prices and sales of products,
- profitability of individual products,
- financial and economic standing of Grupa Azoty Group companies,
- impact of pay increase on the Company's financial position,
- synergies achieved in selected areas of the Group operations,
- implementation of measures under the *Grupa Azoty Group's Strategy for 2014-2020*, including the Azoty PRO programme,
- implementation of the Group's long-term financial model for 2014-2020,
- implementation of the Group's social and sponsorship policy,

In addition, the Supervisory Board also examined and supervised:

- implementation of the objectives set forth in the individual Management Board members' Goal Sheets, in line with the Rules of the Annual Bonus Scheme for Members of the Company's Management Board, as approved by the Supervisory Board, such as:
 - concept of sponsorship activities at the Group (centralisation of decision-making processes and activities, rules for redistributing funds among the Group companies),
 - implementation of an ownership action programme with regard to logistics, production support and non-core companies,
 - R&D management model for Grupa Azoty,
 - implementation of strategic projects (Phosphoric Acid in Senegal, Construction of Polyamide Plant 80,000 tt/y, Construction of Fertilizer Mechanical Granulation Unit II, Construction of a Bulk Storage Facility at Grupa Azoty S.A., Construction of Fertilizer Mechanical Granulation Unit - Line I in Puławy),
 - implementation of operating initiatives undertaken in line with the Operational Excellence Programme (Azoty PRO),
 - centralisation of procurement functions at the Group level,
 - optimisation of the rolling stock and reducing the cost of railway siding services,
 - optimisation of the logistics functions at the Grupa Azoty Group, contributing to the reduction of logistics cost,
 - implementation of a transfer price policy at the Grupa Azoty Group,
 - organisation of new financing for the Grupa Azoty Group,
 - implementation of the 'I Have an Idea' initiative at the Parent, designed to engage the employees in efficiency and performance improvement initiatives,
- spending under the ongoing projects,
- structure and amount of fixed costs at the Grupa Azoty Group, including possibilities for their reduction.

In 2015, the Supervisory Board exercised ongoing supervision over the Company's activities using the following materials:

- monthly, quarterly and half-year financial statements,
- the Company's 2014 budget and the Group's consolidated 2015 budget,
- *Grupa Azoty Group's Strategy for 2014-2020 - Operationalisation*,
- reports on performance of strategic investment projects,
- the Management Board's information on initiatives implemented at the Grupa Azoty Group, including:
 - Strategy of Technical Maintenance and Asset Life Cycle Management at the Grupa Azoty Group,
 - Joint management model for CO₂ emission allowances,
 - Financing and Liquidity Management Policy for the Grupa Azoty Group,
 - Internal Audit Standards at the Grupa Azoty Group.
- reports on specific matters prepared by the Management Board at the Supervisory Board's request (spending on advertising, sponsoring, cultural, social and charitable initiatives at the Grupa Azoty Group in 2013-2015, effectiveness of advertising activities at Grupa Azoty in 2015, material decisions at the key companies of the Grupa Azoty Group).
- source materials relevant to the matters reviewed by the Supervisory Board,
- information provided by the Management Board at Supervisory Board meetings,

- requested expert reports prepared by internal and external auditors (ZA Chorzów's purchase of potassium sulfate from Amron in 2014),

2) Participation of individual members of the Supervisory Board, including in particular its Chair, in the activities of the Board and its committees.

In the Supervisory Board's assessment, all Board Members were involved in its activities, as confirmed by the high attendance at the Supervisory Board meetings (at the ten meetings of the Board, as few as two absences were recorded and the Board found them justified). As part of her responsibilities, the Chairwoman of the Supervisory Board:

- opened and closed Board meetings,
- initiated and moderated discussions on items included in the agenda of Supervisory Board meetings,
- ordered voting on individual resolutions, including by means of remote communication,
- invited guests to the Board meetings,
- approved contents of letters to the Management Board containing Supervisory Board's decisions and requests.

The members of the Supervisory Board actively participated in 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, including:

- operating and financial performance (Marek Mroczkowski, Jacek Obłəkowski, Artur Kucharski and Ryszard Trepczyński),
- timetable of initiatives relating to non-core companies (Monika Kacprzyk-Wojdyga, Marek Mroczkowski and Artur Kucharski),
- execution and effectiveness of the sponsorship policy (all members of the Supervisory Board),
- upgrade and investment projects provided for in the long-term strategy (Robert Kapka, Tomasz Klikowicz, Zbigniew Paprocki, Marek Mroczkowski and Artur Kucharski),
- policy of managing the Company's real property (Monika Kacprzyk-Wojdyga and Ewa Lis),
- procurement of key raw materials (Robert Kapka, Tomasz Klikowicz, Zbigniew Paprocki and Marek Mroczkowski).

Information on the activities of the Audit Committee is presented in section 10 above and in the Audit Committee's report submitted to the Supervisory Board.

3) Assessment of the manner of operation of the Supervisory Board, organisation of its meetings, and exercise of the right to delegate Board members to individually perform specific supervisory tasks

In 2015, the Supervisory Board held ten traditional meetings and three voting procedures using means of remote communication. Thus the frequency of meetings of the Supervisory Board was higher than required under Art. 38.1 of the Company's Articles of Association ("The Supervisory Board shall meet at least once every two months"). The Supervisory Board meetings were most often held in Warsaw, where the majority of Board members and persons invited to Board meetings reside. Members of the Supervisory Board received notices of Board meetings and materials covered by the agenda within in due time enabling the members to analyse the documents and prepare to discuss the

matters on the agenda. In 2015, the Supervisory Board did not delegate its members to individually perform specific supervisory tasks, with the exception of the provisions of the Board's Resolution No. 207/IX/2015 of December 21st 2015 concerning mandating an external audit; the resolution took effect on the date on which the Company agreed with the Contractor on price terms approved by the Audit Committee and the Chairperson of the Board.

4) Assessment of communication between the Supervisory Board and the Management Board

In the opinion of the Supervisory Board, in the reporting period the communication between the Supervisory Board and the Management Board was correct. This assessment concerns the aspects of cooperation between the two bodies provided for in the Company's Articles of Association and the Commercial Companies Code, i.e.:

- timely submission of materials related to the matters addressed at Supervisory Board meetings and completeness of such materials,
- observance of the Supervisory Board's recommendations,
- provision of current information on the Company's operations.

5) Assessment of competences of Supervisory Board members in the light of the profile and scale of the Company's business.

In 2015, the Supervisory Board was composed of persons holding university degrees in law, economics, environmental engineering, as well as chemical engineering and technology.

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

The majority of the Supervisory Board members have also passed the examination for candidates for supervisory boards of state-owned companies.

Given their vast competences and professional experience, including experience in serving on supervisory bodies of chemical or financial companies, members of the Supervisory Board supervised the Company's operations properly and to a sufficient degree.

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

.....
Przemysław Lis
/Chairman of the
Supervisory Board/

.....
Tomasz Karusewicz
/Deputy Chairman of the
Supervisory Board/

.....
Zbigniew Paprocki
/Secretary of the
Supervisory Board/

.....
Maciej Baranowski

.....
Marek Grzelaczyk

.....
Robert Kapka

.....
Tomasz Klikowicz

.....
Artur Kucharski

.....
Bartłomiej Litwińczuk