



Integrated Report of Grupa Azoty 2020



INTRODUCTION

Letter from the President of the Management Board

[102-12] [102-14]

The twelve months of 2020 were full of new challenges, mainly caused by the COVID-19 pandemic. However, in this strenuous environment we delivered strong financial performance, one contributor being the consistent implementation of our business diversification strategy. At the same time, we continued to face all the previous challenges related to fostering a change in environmental attitudes and the broad climate and energy transition. At the Grupa Azoty Group, we fully understand that changes promoting climate protection require involvement of the business community. Just to give some numbers demonstrating the specific efforts we make towards this goal: in 2020 alone we achieved a year-on-year reduction of 10% in our energy generation fuel requirement, of 20% in emissions of greenhouse gas nitrous oxide, of more than 17% in PM 2.5 emissions, and of 5% in waste volumes.

Reduction of greenhouse gas emissions, implementation of decarbonisation solutions as well as all issues related to the European Green Deal in general require fast and prudent action. Equally important for doing business and communicating with stakeholders is the need to prepare for the new taxonomy requirements. We are facing a difficult but important period of transition and continued value creation in line with the principles of sustainability. We are ready for these changes because we understand that by lowering our emissions we improve our competitive edge and gain new business opportunities. The details of specific projects are presented in the Grupa Azoty Group Strategy for 2021–2030.

The success of the Grupa Azoty Group would not be possible without innovation. We know and understand how much value and market advantage can be derived from research and development. In 2020, we launched the construction of a modern Research and Development Centre in Kędzierzyn - Koźle, as we want to give our experts and scientists access to the best technologies and world class equipment. This is the only way to advance and continue to set trends for the chemical industry.

The Agro Fertilizers segment remains the key business area of the Grupa Azoty Group, and one of the key tasks is education and support for farmers and food producers. We know the opportunities they are presented with. We also know their needs and the challenges posed to farmers, but also to us, by the European Green Deal. Our objective is to introduce fertilizer formulas that will ensure effective achievement of production targets by farmers in compliance with the applicable environmental regulations. One of the key and noteworthy projects completed in 2020 was the successful start-up of a new granulated fertilizer plant at Grupa Azoty Puławy, and specifically the launch of the first mechanical granulation production line, complete with logistics facilities, with an annual production capacity of 400,000 tonnes of ammonium nitrate or, alternatively, 466,000 tonnes of calcium ammonium nitrate. The construction of the second production line with the same capacity is in progress. The two lines can produce more than 800 thousand tonnes of fertilizers per year and are our response to growing demand from large-scale agriculture. The second production line is expected to be commissioned in the first half of 2022. Work is also under way on Polimery Police, the largest chemical industry project in Poland and one of the largest in Europe. It is another initiative intended to bring us closer to the diversification of our business, in this case into the promising polypropylene market. Currently, the project in more than 70% complete, and its commissioning is scheduled for 2023.

All our activities are part of the process of business integration of the Grupa Azoty Group companies we have been pursuing for a few years. While maintaining the separate legal identity of the individual plants, we are building a single brand of Grupa Azoty. The consolidation at the Grupa Azoty Group companies is a continuous process, however, it allows us to develop the Group, which successfully competes on foreign markets.

On behalf of the entire Grupa Azoty S.A. Management Board, I extend my sincere thanks to everyone involved in the preparation of this report, and kindly invite the readers to get acquainted with its contents. I hope that our company's activities described in it will meet with your appreciation.

Yours sincerely, Tomasz Hinc



ABOUT THE GRUPA AZOTY GROUP

Overview of the Group

[102-1] [102-3] [102-4] [IR-Organisational overview and external environment]

The Grupa Azoty Group is Poland's largest manufacturer of chemicals and fertilizer products and one of the most recognisable names in this industry in Europe. In Poland, we are the leading producer of mineral fertilizers, polyamides, OXO alcohols, plasticisers, titanium white and melamine. In the European Union, we rank second in mineral fertilizer production and third in PA6 production.

[102-5]

The strength of our Group is created by 15,000 employees working at more than 50 companies. Our products are appreciated by customers on five continents – the Americas, Asia, Africa and, of course, Europe. Three Group companies – Grupa Azoty S.A., Grupa Azoty Puławy and Grupa Azoty Police – are listed on the Warsaw Stock Exchange.

[102-7]



- South America
- Africa

[102-3] [102-4]

The Parent's registered office is in Tarnów. Most of our production activities are carried out in Poland, but we also operate plants in Germany and Spain. Over more than ten years we have built the value of the Grupa Azoty Group through innovation and skilful acquisitions. We have combined traditions and specialisations of the largest Polish chemical plants under the single brand of Grupa Azoty, creating Poland's largest chemical group and a major industry player in Europe. Our consolidated revenue grew from PLN 1.3bn in 2007 to PLN 10.5bn in 2020. In the 2020 ranking of the most valuable Polish brands compiled by the Rzeczpospolita daily Grupa Azoty ranked first among chemical companies.



Membership of associations and initiatives in 2020					
SP⊛T	FORUM LIDERÓW BEZPECZNUJ PEACY	Č ZPP	UIA		
SPOT System of	Forum of Safe Work	Association of	EPL-European		
Assistance in	Leaders	Entrepreneurs	Petrochemical		
Hazardous	5	and	Luncheon		
Material	Strona www	Employers	International		
Transport		Strona www	Association		
Strona www			Strona www		



Grupa Azoty S.A	A.'s members	hip of organis	ations and	associations in	2020
Chemistry Committee of the Polish Academy of Sciences Strona www	Advanced Technology Centre at the Industrial Chemistry Institute Strona www				

Grupa A	szoty Zakłady	Azotowe "Puławy" S and associations	A.'s membe in 2020	ership of org	ganisations
Stew Stewarzpresent Inspectation Octoary Danych Data Protection Officers' Association – SABI Strona www	['] Green ['] Green Chemistry' West Pomerania Chemical Cluster Strona www	CEFIC - European Chemical Industry Council Strona www	Polish ISO 9000 Forum Strona www	POLLAB Club of Polish Research Laboratories Strona www	Accountant Association i Poland Strona ww Her DODD
International Security Systems Association (ISSA)	PCTA Association of Polish Corporate Treasurers Strona www	EXAMPLE Polish Power Exchange (POLPX) and Gas Market Committee, Electricity Market Committee operating at POLPX Strona www	Azoty- Puławy Sports Club Strona www	ELECTION Lubelski Klaster Biotechnologiczny 'LKBio' Lublin Biotechnology Cluster Strona www	Puławy Puławy Entrepreneurs Centre Strona www

Grupa Azoty Zakłady Chemiczne "Police" S.A.'s membership of organisations and associations in 2020						
POLSKIE FORUM ISO 9000	LAB	PIOIRC	Regionalny Zarząd Gospodarki Wodnej w Szczacinie			
Polish ISO 9000 Forum	POLLAB Club of Polish Research Laboratories	Polish Chamber of Packaging Recovery and Recycling	Council for Water Management in the Lower Oder and Western Coast Water Region)			
Strona www	Strona www	Strona www	Strona www			



Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A.'s membership of organisations and associations in 2020

STATES - VI	I	*
Staszów Chamber of Commerce	Accountants Association in Poland	Staropolska Chamber of Industry and Commerce Strona www

Grupa Azoty Polskie Konsorcjum Chemiczne sp. z o.o's membership of organisations and associations in 2020

Grupa Azoty Polskie Konsorcjum Chemiczne sp. z o.o's membership of organisations and associations in 2020 HTRI Heat Transfer Research INC. (HTRI) Strona www Polish Chamber of Natural Gas Industry, IGG Strona www





Awards and distinctions in 2020

Good business

- First place among chemical industry companies for Grupa Azoty in the ranking of the most valuable Polish brands prepared by the *Rzeczpospolita* daily
- 'Diamond of the Polish Economy' title awarded to Grupa Azoty Police by the European Business Institute based on the company's estimated market value in October 2020
- 'Most Reliable One in the Fuel and Chemical Sector' distinction from ISBnews for Grupa Azoty Police, for the development of the Polimery Police project up until the implementation stage



- Distinction for Grupa Azoty Polyolefins in the 2019 Economic Event category of the 'Pearls of Business' competition for the launch of the Polimery Police project
- Distinction for Grupa Azoty Kędzierzyn at the 'Opole Eagles' gala held by the *Wprost* weekly
- Second place for Grupa Azoty Police in the *Wprost* weekly's 'Polish Cheetahs' ranking of the fastest growing companies
- Third main award for Grupa Azoty S.A.'s 2019 annual report in the Companies category of the 'Best Annual Report' competition organised by the Institute of Accountancy and Taxes
- Distinction for Grupa Azoty S.A. for the best statement of compliance with corporate governance principles for 2019 in the 'Best Annual Report' competition organised by the Institute of Accountancy and Taxes
- First place for Grupa Azoty in the Chemical Industry category of the 'Top Brand' ranking prepared by the *Press* magazine and the PRESS-SERVICE Monitoring Mediów news agency –
- Grupa Azoty Puławy ranked third among all companies from the Lublin region that were awarded this title
- Grupa Azoty Police was awarded Reliability Certificate by Creditreform, an international credit information agency, in recognition of its strong liquidity position



Innovation

• Award for Grupa Azoty in the Innovative Product category at the Polish Potato Days 2020 event, for the 'Grounded in Knowledge' programme

Community involvement and contribution to the Group's environment

- Grupa Azoty Kędzierzyn was among the winners of the prestigious international Responsible Care competition, having won in the Community Support category; it was the first Polish company to have received an award in this category
- Grupa Azoty Puławy made it to the winners list of the first edition of the 'Social Leader of Local Business' competition prepared by the publisher of the *Dziennik Wschodni* daily and the Dajemy Wam Słowo Foundation as part of the National Bank of Poland's Economic Education Programme



Labour practices and decent work

Gold Card of Safe Work Leader (2021–2022) awarded to Grupa Azoty by the Central Institute for Labour Protection – National Research Institute



ABOUT THE GRUPA AZOTY GROUP

Group structure

[IR - Corporate governance]

We operate as a single integrated Grupa Azoty brand. Our management model is based on centralisation as a way to generate synergies. We run our key business processes at the Group level, while maintaining the separate legal identity of the Group companies.

We pursue a corporate management policy which guarantees that the Group companies' strategic goals are achieved in reliance on an integrated management system consistent with international standards.

[403-1]

Our priorities are compliance with high product quality requirements, technological and plant safety, natural environment, process safety, safe and hygienic working conditions for our employees, and energy efficiency improvements. The integrated management system is structured around the principles of giving priority to customers, reducing environmental losses and hazard risks, and working on continuous improvement. The management systems are based on the concept of continuous improvement by:

- establishing a policy;
- action planning to implement the policy;

- creating conditions for the implementation of planned actions;
- verifying the results of the actions taken;
- improvement based on periodic assessments of performance.

The Parent and its subsidiaries as at December 31st 2020



Key information about the Group companies:

Grupa Azoty S.A. is engaged in the manufacturing of and trading in engineering plastics, engineering plastics intermediates and nitrogen fertilizers, as well as related services. It is the Parent of the Grupa Azoty Group, listed on the Warsaw Stock Exchange since 2008. Its stock is a constituent of foreign indices: MSCI Emerging Markets. The Parent's registered office is located in Tarnów (Poland).

Composition of the Group:

 Grupa Azoty Compounding Business areas: the company's business model is based on a portfolio of specialised engineering plastics manufactured through the compounding of plastics with the use of innovative technological solutions 	 Grupa Azoty Polskie Konsorcjum Chemiczne Business areas: end-to-end multi-trade design services for investment projects in the chemical industry 	 Grupa Azoty Koltar Business areas: railway transport services repair of rail car chassis and tanks used in the transport of hazardous materials 	
	Grupa Azoty S.A.'s direct subsidiaries:		
Grupa Azoty Puławy	Grupa Azoty Police	Grupa Azoty Kędzierzyn	
 Business areas: manufacture of mineral fertilizers manufacture of melamine manufacture of caprolactam manufacture of hydrogen peroxide 	 Business areas: manufacture of nitrogen fertilizers manufacture of compound fertilizers manufacture of titanium white Registered in: Police (Poland) 	 Business areas: manufacture of nitrogen fertilizers manufacture of OXO alcohols and plasticizers Registered in: Kędzierzyn-Koźle (Poland) 	

 manufacture of polyethylene products manufacture of industrial gases manufacture of REDNOX products Registered in: Puławy (Poland) 				
 Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Business areas: production and processing of sulfur manufacture of liquid, prilled, insoluble, milled, granulated and flaked sulfur Registered in: Grzybów (Poland) 	Grupa Azoty ATT Polymers Business areas: manufacture of polyamide 6 (PA-6) Registered in: Guben (Germany)	COMPO EXPERT Holding Business areas: • manufacture of speciality fertilizers Registered in: Münster (Germany)		
See the Group structure and ownership changes [102-18] [102-5] [102-10]				

[102-18] [102-5]

Grupa Azoty S.A. organisational chart

GRUPA AZOTY S.A.



[102-10]

Changes in 2020

Below are presented key changes that occurred at our companies in 2020. For more detailed information, please see the Directors' Report on Grupa Azoty S.A.'s and the Grupa Azoty Group's operations in the 12 months ended December 31st 2020, available on the Grupa Azoty website.

- Deregistration of Infrapark Police S.A. w likwidacji (in liquidation)
- Registration of an increase in Grupa Azoty Police's share capital
- Increase in Grupa Azoty Polyolefins S.A.'s share capital
- Registration of the merger of Koncept sp. z o.o. and Prozap sp. z o.o.
- Repurchase of minority interests in Grupa Azoty Siarkopol
- Change of name of Zakłady Azotowe Chorzów S.A. to Grupa Azoty Zakłady Azotowe Chorzów S.A.
- Cancellation of Remzap sp. z o.o. shares

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- Registration of COMPO EXPERT Egypt LLC
- Winding up of Grupa Azoty Folie sp. z o.o. w likwidacji (in liquidation)
- Registration of Grupa Azoty Fosfory sp. z o.o. name change

See our governance structure

[102-18]



As at December 31st 2020, the composition of the Grupa Azoty S.A. Management Board was as follows:

[102-18]



Tomasz Hinc, President of the Management Board

Powers and responsibilities at the Company:

- convening and conducting the Management Board meetings, directing and coordinating the activities of the Standing Committees and the Grupa Azoty Council, and directing and coordinating the day-to-day activities of the Management Board
- submitting reports on behalf of the Management Board and presenting motions and proposals on matters that require resolutions of the Company's other governing bodies
- formulating the strategy and supervising its implementation at the Parent and the Group
- managing the Group and exercising corporate supervision over the Group companies
- supervising the information policy at the Parent and the Group
- supervising implementation of the HR strategy and policy at the Group level

- supervising management, development and optimisation activities at the Parent and the Group levels
- supervising implementation of the corporate social responsibility strategy at the Parent and the Group
- coordinating the internal audit function
- coordinating compliance management activities
- managing and coordinating sponsorship activities at the Parent and the Group
- supervising communication and image building projects of the Parent and the Group
- coordinating legal activities at the Parent and the Group
- representing the Company vis-à-vis its shareholders, governing bodies, state and local government authorities and institutions
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Mariusz Grab, Vice President of the Management Board

Responsible for the logistics, energy and public affairs areas with respect to the processes and areas he supervises; his powers and responsibilities at the Company are as follows:

- formulating and implementing the adopted procurement strategy at the Parent and the Group
- supervising implementation of the Uniform Procurement Rules of the Grupa Azoty Group, including the organisation of tender procedures
- managing the supply of raw materials and semi-finished products to the Parent and other Group companies, and cooperating with the Vice President of the Management Board responsible for the Agro Fertilizers and Plastics segments in arbitrating the allocation of volumes and prices of semi-finished products within those segments
- supervising strategic purchases at the Parent and the Group
- exercising strategic supervision and coordinating raw material and semi-finished product integration at the Group
- supervising the process of selecting suppliers of raw materials, including strategic raw materials, merchandise and semi-finished products, at the Parent and the Group
- supervising the IT area at the Parent and the Group
- managing cyber security at the Parent and the Group
- supervising the personal data protection and processing function
- supervising and coordinating security-related projects, including physical personal and property security
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Filip Grzegorczyk, Vice President of the Management Board¹

Responsible for the logistics, energy and public affairs areas with respect to the processes and areas he supervises; his powers and responsibilities at the Company are as follows:

- managing the logistics of raw material, semi-finished product and product supplies at the Group
- supervising the management and optimisation of warehouse and terminal use at the Parent and the Group
- supervising the process of selecting logistics services providers at the Parent and the Group
- initiating and developing system solutions for the Group
- as part of shared services centres Business services for storage and logistics activities and Infrastructure services for infrastructure and road management
- managing risk processes
- supervising structural and capital transformation processes at the Group and initiating and developing system solutions for the Group with respect to support functions
- formulating and implementing the adopted energy transition strategy at the Group
- exercising strategic supervision and coordinating energy and climate regulatory matters
- exercising strategic supervision and coordinating matters relating to energy, energy service and emissions allowances at the Group
- managing public affairs activities relating to market protection and the legislative area in the interest of the Group
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Witold Szczypiński, Vice President of the Management Board

Responsible for production integration, the Agro Fertilizers segment, the Plastics segment and the infrastructure; his powers and responsibilities at the Company are as follows:

serving as Director General at the Parent

- preparing and implementing long-term production, development and investment plans at the Parent
- managing and coordinating the integration of production processes at the Parent
- supervising and managing the development of individual units and technological processes and initiating measures to improve their efficiency at the Parent
- coordinating the planning of maintenance/overhauls and shutdowns at the Parent
- supervising the Agro Fertilizers segment at the Group in the following areas: coordination of the production and sales of mineral fertilizers, urea solutions and other products of the segment; supervision over securing basic raw materials for nitrogen fertilizers, marketing and transfer prices in the segment, and cooperation with distribution companies in the area of mineral fertilizers
- supervising the Organic Synthesis segment at the Group
- supervising the Plastics segment at the Group, in particular in the following areas: caprolactam, polyamides and compounding, production coordination and development of this area
- initiating development and investment projects in the supervised segments
- supervising and participating in the selection of maintenance service providers
- supervising property and infrastructure (including roads) management at the Parent
- supervising power generation at the Parent
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Grzegorz Kądzielawski, Vice President of the Management Board

Responsible for innovation, R&D programmes and investment project implementation; his powers and responsibilities at the Company are as follows:

- supervising the R&D units at the Parent and the Group
- coordinating the technological innovation area
- coordinating the R&D policy and formulating R&D programmes, including cooperation in research and innovation with colleges, universities and other institutions, at the Parent and the Group
- supervising laboratory analysis services at the Parent
- initiating and developing system solutions for the Group as part of laboratory services
- supervising and developing the 3D Printing area
- initiating and planning key investment projects to improve efficiency at the Parent and the Group
- supervising implementation of investment projects at the Parent and the Group
- initiating and developing system solutions for the Group as part of shared service centres Engineering Support services involving engineering services and investment project implementation
- supervising the process of selecting project and maintenance service providers
- supervising technical purchases at the Parent and the Group
- controlling the budget performance and the scope of individual investment projects at the Parent and the Group

- coordinating and supervising intellectual and industrial property protection and technology transfer at the Parent
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Artur Kopeć, Vice President of the Management Board

Responsible for production assets, security, environmental protection and social dialogue; his powers and responsibilities at the Company are as follows:

- supervising processes designed to ensure plant, fire and environmental safety at the Parent and the Group
- supervising the process of selecting plant safety and environmental protection service providers at the Parent and the Group
- coordinating and managing non-current production assets at the Parent and the Group
- coordinating and managing critical infrastructure at the Parent
- supervising the development and implementation of the social and environmental programme
- environmental protection
- managing cooperation with universities and schools at the Parent and the Group
- managing social dialogue at the Parent and supervising social dialogue at the Group
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above



Tomasz Hryniewicz, Vice President of the Management Board

Responsibility for finance, investor relations and controlling; his powers and responsibilities at the Company are as follows:

monitoring plan performance in terms of volumes and value at the Parent and the Group

- preparing operational, annual and long-term budgets
- managing, coordinating and controlling the planning, budgeting and controlling processes
- exercising financial supervision at the Parent and the Group
- supervising accounting policies at the Parent and the Group
- managing financial and credit risk at the Parent and the Group
- managing the credit policy of the Parent and the Group
- coordinating public reporting and management reporting for the Company's governing bodies
- participating in financial asset sale processes
- supervising relations with stock-exchange investors
- initiating and developing system solutions for the Group as part of shared service centres Business services with respect to accounting, taxes, insurance and other
- supervising and coordinating the market data analysis and consolidation at the Group level
- cooperating with the other Management Board members in the day-to-day operational management of the Parent
- supervising the activities of organisational units in the supervised and managed processes and areas listed above

¹ Vice President of the Company's Management Board since December 15th 2020.

Grupa Azoty Council

The Grupa Azoty S.A. Management Board is supported in its activities by the Grupa Azoty Council, consisting of the Management Boards of the Group key companies. It provides advice and opinions and initiates measures to improve management and key changes at Group. The Council's powers and responsibilities include issuing opinions on company budgets and objectives for long-term plans. The Council also serves as a platform enhancing communication, cooperation and information sharing at the Group.

Grupa Azoty S.A. Supervisory Board

The Supervisory Board is responsible for ongoing supervision of Grupa Azoty S.A.'s operations. Its powers and responsibilities are described in the Company's Articles of Association and include:

- appointing and removing from office Management Board members
- assessing the Management Board's recommendations on the appropriation of profits or coverage of losses
- assessing the Directors' Reports on the operations of Grupa Azoty S.A. and the Grupa Azoty Group
- approving the Company's long-term strategic plans
- ssuing opinions on all matters submitted by the Management Board for consideration by the General Meeting
- granting approval for the Management Board to execute material legal transactions

As at December 31st 2020, the composition of the Grupa Azoty S.A. Supervisory Board was as follows:

- Wojciech Krysztofik, Deputy Chair of the Supervisory Board
- Zbigniew Paprocki, Secretary of the Supervisory Board
- Monika Fill, Member of the Supervisory Board
- Robert Kapka, Member of the Supervisory Board
- Bartłomiej Litwińczuk, Member of the Supervisory Board
- Michał Maziarka, Member of the Supervisory Board
- Roman Romaniszyn, Member of the Supervisory Board
- Marcin Mauer, Member of the Supervisory Board



ABOUT THE GRUPA AZOTY GROUP

The Grupa Azoty Group at the time of the COVID-19 pandemic

In 2020, the activities we engaged in connection with the pandemic focused on three areas: safety of our employees, safe continuity of production, and assistance provided to third parties. In March 2020, i.e. at the very beginning of the epidemic, special teams were established at the Grupa Azoty Group companies to coordinate activities in all areas of response to the effects of the COVID-19 situation.



See what we did to ensure employee safety and continuity of production

Appropriate communication and reliable information:

- coronavirus information and recommendations on employee behaviour prepared by experts were published on the intranet and via company radio;
- we prepared instructions, recommendations and guidance on how to avoid infection.

Safe working conditions at our plants:

- we restricted access to our plants, allowing it only to individuals delivering the necessary raw materials and collecting products;
- we conduct employee temperature checks;

- we installed disinfection points and containers with disinfectant in different parts of the plants;
- we switched to remote work wherever possible;
- internal meetings and meetings with external partners are held using remote communication tools;
- we limited paper document circulation to the necessary minimum.



BEST PRACTICE

We have offered additional benefits to our employees who had to take care of their children at home during the pandemic. Those with children aged eight to twelve (i.e. older than children qualifying for benefits paid by the Social Insurance Institution) could take additional days off for which they received 80% of their regular remuneration.



See what assistance we offered during the pandemic

[203-2]

- The Grupa Azoty Group as a whole donated over PLN 4 million for the fight against coronavirus. The money was spent to support hospitals, healthcare establishments and sanitary services, primarily in those regions where the Group companies operate. The donations were provided either in cash or in kind (and included specialist medical equipment, medicines, and hygiene products).
- In April 2020, we started manufacturing our own original disinfectant based on internally-produced hydrogen peroxide. A new product named PULSEPT, manufactured by Grupa Azoty Puławy, quickly received approval from the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products.
- We joined as a strategic partner the webinar 'Safe Chemical Industry Safety at the Time of the COVID-19 Pandemic' organised by the Polish Chamber of Chemical Industry.
- Grupa Azoty Police supported the Foundation for Polish Values in supplying eight Polish centres in Lithuania with 10,000 surgical masks, 2,000 cloth masks and more than 10,000 litres of hand disinfectants, as well as hand gel for children and sports and educational equipment.



BEST PRACTICE

[203-2]

During the pandemic, the hospital in Kędzierzyn-Koźle operated as an isolation hospital treating only patients infected with or suspected of being infected with SARS-CoV-2. It turned out necessary to decontaminate water that could contain micro-organisms. The problem was solved by Grupa Azoty ZAK by supplying the medical establishment with sodium hypochlorite, which is normally used by the company to condition water in its systems. Sodium hypochlorite is a proven solution that kills bacteria, viruses and fungi, and has been applied to safely treat the hospital effluents.



BEST PRACTICE

[203-2]

The Research and Development Centre of Grupa Azoty in Tarnów began the production of antiviral gloves. The

'safety glove' is impregnated with silver, a material which has been long and widely used to fight viruses and bacteria. The Centre also joined the #DrukarzeDlaSzpitali (#PrintersForHospitals) initiative, donating Tarfuse 3D printing filaments to make protective shields and goggles for hospitals. Filaments were also donated to support the project to build @VentilAid, Poland's first ventilator. This open source project is being carried out by Polish engineers and designers sharing documentation of the ventilator so that it can be made anywhere using a 3D printer and some very basic parts.

The Tarnów-based company also helped secure means of transport for medical facilities in the region by lending seven passenger cars to them.



ABOUT THE GRUPA AZOTY GROUP

Our products



See our product portfolio

The Group's business is focused on three segments: fertilizers, plastics and chemicals. Our products are used in the agriculture, food, automotive, electrotechnical and furniture industries. The chemicals produced by the Grupa Azoty Group also find

applications in the manufacture of household appliances, sports equipment, paints and varnishes.

[102-7]

Contribution to the Grupa Azoty Group's revenue in 2020



[102-2]

Mineral fertilizers

Mineral fertilizers are the most important and the largest area of our business. We provide artificial fertilizers that support effective and environmentally sound cultivation practices, ensuring profitability of the agricultural business and affordable food prices. We take into account the requirements of new plant varieties, changes in soil wealth, the amount and quality of the crops, and their intended use. Our portfolio includes nitrogen, compound and speciality fertilizers. The fertilizer manufacturing activities are conducted by our companies based in Tarnów, Puławy, Kędzierzyn, Police, Gdańsk, Chorzów, as well as in Germany and Spain. We are Poland's largest and European Union's second largest manufacturer of mineral fertilizers.

Nitrogen fertilizers contain nitrogen as the primary plant nutrient. The key feedstock in their production is natural gas. Our portfolio of nitrogen fertilizers includes urea, nitrate fertilizers, nitrogen-sulfur fertilizers and ammonium sulfate.

Revenue

(PLNm)	2019	2020	Y/Y CHANGE
Segment revenue	6,716	6,364	-5%
EBITDA	965	820	-15%
EBITDA margin	14%	13%	-1pp

Mineral fertilizers



Read more about our fertilizers



Urea

a nitrogen fertilizer containing 46% nitrogen; it is produced in Puławy (PULREA®), Police (mocznik), and Kędzierzyn. Urea is a universal fertilizer – it can be used for all crops at various growth stages, both in the granular form and as a solution. Outside agriculture, urea is used for technical purposes, mainly for the manufacturing of adhesive resins, which find application in the chipboard industry. Urea may also be further processed into ureaammonium nitrate solution (UAN – RSM®), a liquid fertilizer, or into melamine.

NH₄NO₃



Nitrate fertilizers

- Ammonium nitrate is a fertilizer which is easily dissolved in water, containing between 30% and 34% of nitrogen.
- Calcium ammonium nitrate (CAN) is a nitrogen fertilizer with a nitrogen content of up to 28%. It is a universal product, suitable for all types of soil, well soluble and easily absorbed by crops.
- Urea-ammonium nitrate solution is a liquid nitrogen fertilizer coming in three varieties: with 32%, 30% and 28% nitrogen content. Thanks to its form, it is easily absorbed by plants. It is also produced with an admixture of sulfur.



Sulfur-nitrogen fertilizers

improve sulfur content in the soil, enhance arable crops' ability to absorb nitrogen, and thus increase the quality and volume of crops.

Compound fertilizers

are universal fertilizers which, depending on composition, can be applied to various types of crops and soil. Apart from the primary components: nitrogen, phosphorus and potassium, these fertilizers contain secondary nutrients such as magnesium, sulfur, and calcium. They may also contain microelements, e.g. boron and zinc. Compound fertilizers may be used to provide nutrients to all types of arable crops. The Group's current portfolio includes more than 40 types of compound fertilizers. We also offer products with formulations meeting specific customer needs.



Plastics

Plastics offered by the Grupa Azoty Group exhibit high thermal resistance and good mechanical properties. They find applications in many industries, including automotive, construction, electrical engineering, household appliances, and the food and textile sectors. Our Group produces polyamide-6 (PA-6) and polyamide 6-based modified plastics as well as other engineering plastics. It also manufactures modified plastics with specific compositions designed to accommodate individual customers' needs.

Revenue

(PLNm)	2019	2020	Y/Y CHANGE
Segment revenue	1,458	1,135	-22%
EBITDA	50	-32	-164%
EBITDA margin	3%	-3%	-qd9-

Poliamid 6



* Integrated manufacturers.



Chemicals

The Grupa Azoty Group's chemical segment comprises OXO products, sulfur, melamine and titanium white.

- OXY alcohols are used in the manufacture of plasticizers, paints and varnishes as well as in the textile industry and oil refining processes. They are also applied as a solvent for vegetable oils, animal fats, resins, waxes and petrochemicals.
- The sulfur offered by the Group is mined sulfur, and its primary application is in the production of sulfuric acid, which is widely used in the chemical sector.
- Melamine is a non-toxic, non-flammable product in the form of a white powder, used, among other things, in the production of synthetic resins, thermosetting plastics, adhesives, paints, varnishes and fire retardants.
- Titanium white is the most widespread category of inorganic pigments characterised by the highest refractive index. Its other properties include the capacity to strongly absorb harmful ultraviolet radiation. Industrial applications of titanium white include the manufacture of paints and varnishes, plastics, paper, synthetic fibres, ceramics, rubber, cosmetics, pharmaceuticals and food products.

Revenue

(PLNm)	2019	2020	Y/Y CHANGE
Segment revenue	2,639	2,552	-4%
EBITDA	208	266	28%
EBITDA margin	8%	11%	Зрр

Plasticizers



OXO



Melamine



See the location of our production plants



To be able to fully utilise our plants' processing capacities and to maintain continuity of production processes, we ensure security of strategic raw material supplies to the Group. We use diversified supply sources, and our experts constantly monitor the market to identify new and alternative suppliers. The Group may also consider establishment of capital links with suppliers of raw materials. Thanks to the integration of its structures Grupa Azoty Group is able to generate economies of scale in negotiations and minimise the raw material procurement costs.

[102-6]

See the markets to which we sell our products

While our products are available in almost every part of the world, Poland is our largest market. Outside Poland, the largest volumes are sold in Germany, the United Kingdom, the Czech Republic, Italy, France and Belgium. Key product groups marketed in Poland are fertilizers and chemicals (urea and OXO alcohols). Products exported to EU countries include mainly fertilizers (such as Saletrosan® 26, Ammonium Sulfate AS21, Salmag®, Pulan®, RSM®, Polifoska®), plastics and OXO alcohols, whereas the main product exported to Asia is polyamide-6. Fertilizers manufactured by the Grupa Azoty Group are also sold in South American markets.

Grupa Azoty Group products present across all markets

[102-7]



Europe - Revenue 2020 (PLNm)

	Grupa Azoty	Compo Expert	Plastics	Chemicals	Energy	Other
Poland (-8%)	3507	0	155	1042	256	218 E
European Union (-13%)	831	725	784	1135	0	26
Other Europe (+63%)	396	75	44	228	0	2

Globally - Revenue 2020 (PLNm)

	Grupa Azoty	Compo Expert	Plastics	Chemicals	Energy	Other
Asia (-8%)	0	232	106	0	0	0
Africa (-13%)	33	29	4	73	0	0
North America (-4%)	Ο	229	30	16	Ο	O TARIF

	Grupa Azoty	Compo Expert	Plastics	Chemicals	Energy	Other
South America (-12%)	47	220	12	7	0	0

Geographic structure 2020




ABOUT THE GRUPA AZOTY GROUP

Logistics and the supply chain

[102-9, 103-2]

In order to operate efficiently, i.e. to be able to produce and deliver its products to the market, the Group needs an efficient supply chain. Given the scale of our operations, every day we transport thousands of tonnes of fertilizers, chemical products and raw materials in Poland and globally. Our logistics and procurement departments work to ensure maximum optimisation of transport services, which translates into financial savings, but also brings tangible benefits to the natural environment. For years now, the Group has been operating a modern TMS SOOT system that facilitates transport processes and, among other things, can be used to communicate with the carriers, report transport events, send delivery notices and notify customers of the shipment dispatch.

We have storage depots across Poland, and we also use warehouses of more than 80 external distributors. We comply with all storage safety standards for our products in accordance with the relevant product data sheets.

Rail transport is the most environmentally friendly and cost effective method of transport for raw materials and products. Its efficient management for the entire Group is the responsibility of Grupa Azoty Koltar, which also owns a modern locomotive repair and maintenance hall.

The Group has its own port assets in Gdynia, Gdańsk and Police. Sea transport of the Group's products involves mainly full-cargo shipments carried by bulk carriers and chemical tankers, but also large volumes of goods transported in intermodal containers. Our cargo is handled by the container terminals in Gdynia and Gdańsk and by most shipowners operating on the market. Sea transport is used for both fertilizers and chemical products that will be further processed by customers.

[103-2] [205-2]

All of the Group's suppliers are required to comply with our Trading Partners Code of Conduct, which expressly prohibits such practices as:

- use of child labour throughout the supply chain;
- use of forced or slave labour;
- any form of corruption 'Zero Tolerance for Corruption';
- financing of political parties;
- money laundering and terrorist financing;
- violations of fundamental labour rights and the law;
- employee discrimination.

The provisions of the Code also oblige contractors to minimise their environmental impacts and to avoid sourcing of raw materials from conflict zones.

At the supplier selection stage, the potential contractors are required to acknowledge having read the Trading Partners Code of Conduct and the Grupa Azoty Group Code of Ethical Conduct, and then, when signing their contracts, they agree to apply and follow the provisions of both documents. In addition, we sign an agreement with each supplier to assist each other in detecting and combating any cases of misconduct and reporting such cases promptly.



[IR - Business model]

Business model and our values

We want Grupa Azoty Group's operations to stimulate growth of the Polish chemical sector and related industries. We are the leader of research and development initiatives in the Polish chemical industry, and our activity is creating opportunities to reduce the trade deficit in chemicals. By harnessing innovation, we are changing the Group's revenue structure by moving towards high-margin and low-tonnage chemicals.

We are building our brand in a balanced way, based on innovation, knowledge, responsibility and professionalism. Our operations in 2020 were underpinned by the business model presented below. In 2021, the business model and the strategy were updated.

Grupa Azoty Group's mission – based on Grupa Azoty Group Strategy for 2013–2020:

Create value for Grupa Azoty and the national economy by delivering safe, useful and innovation-driven chemical products

Grupa Azoty Group's vision – based on Grupa Azoty Group Strategy for 2013–2020:

Deploy state-of-the-art, comprehensive chemical industry solutions that meet stakeholder expectations





We manage the Group conscientiously

Broad product portfolio Grupa Azoty Group's core business areas:

Agro Fertilizers

- Plastics
- Chemicals
- Energy
- Other Activities
- OXO alcohols
- Titanium white
- Melamine
- Speciality low-tonnage products

Products manufactured by the Grupa Azoty Group find their applications in virtually all segments of the economy.



Leader at home

The Grupa Azoty Group is Poland's largest chemical producer.

TOP 1 among:

- manufacturers of mineral fertilizers (No. 1 in Poland, No. 2 in the EU)
- manufacturers of polyamide (No. 1 in Poland, No. 3 in the EU)
- manufacturers of OXO alcohols (No. 1 in Poland, No. 4 in the EU) and plasticisers (No. 1 in Poland, No. 5 in the EU)
- manufacturers of titanium white and melamine (No. 1 in Poland, No. 3 in the EU)

Top EU producer

We are the first CEE company featured in the ICIS Top 40 Power Players 2015, which lists 40 most influential senior executives in the chemical market.

We stand among the top European manufacturers of chemicals and polyamide 6 and belong to the elite group of producers that are fully integrated in terms of raw material supplies.

TOP 2 among:

manufacturers of nitrogen fertilizers

TOP 3 among:

- manufacturers of melamine
- manufacturers of compound fertilizers



Learn about our activities/value creation

[201-4] [203-2] [103-3]

People are the foundation of the Grupa Azoty Group's business, so we invest on an ongoing basis in developing their skills and qualifications and building a working environment conducive to innovation. Our products raise the quality of life, ensure food security, and promote sustainable agricultural production, therefore we see continual improvement of the Group's portfolio as a priority.

We focus on delivering stable and predictable financial performance and managing risks, including non-financial (ESG) risks. The scale of our business gives us potential to have a wide impact on the economic and social environments in which we operate and thus drive their positive and sustainable growth.

We manage our Group conscientiously – our investments and expenditure translate into tangible benefits:

- growth of financial capital,
 - \$
- growth of manufacturing capital



in the form of products, services and high-quality delivery processes,

growth of human capital quality



growth of the organisation's intellectual capital,



growth of natural capital,



growth of social and relationship capital.

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Safe chemicals

Our efforts and expenditure:

Our performance and benefits to the environment:



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Reduction of N2O emissions in the manufacture of nitric acid following upgrade of the catalytic and catchment gauzes: in 2020, the emissions were 0.2 kg N2O/t HNO3 at Grupa Azoty S.A., 0.58 kg N2O/t HNO3 at Grupa Azoty Kędzierzyn, and 0.77 kg N2O/t HNO3 Grupa Azoty Puławy

In 2020, our water abstraction volume decreased by 0.4%, while the product output was on the rise

In 2020, Grupa Azoty Kędzierzyn

worked on implementing the adopted 'steam policy', which will result, among other things, in reducing the steam requirement in technological processes of ammonia and hydrogen production and, as a consequence, lower emissions of pollutants from combustion processes at the company's CHP plant

In

A project was launched to construct a dry slag collection unit at the Grupa Azoty S.A. Power Centre; After it is completed, the hydraulic conveyor system will be decommissioned, the consumption of electricity and water will be reduced, and the Company will be able to discontinue slag storage and to recover dry slag for use in road construction

[103-3]

[<u>]</u>"

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Europe

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Regulation

application

applicable industry systems

Useful chemicals

Our efforts and expenditure:

Our performance and benefits to the environment:

We ensure safety and high quality throughout the production cycle All our

products come with appropriate instruction manuals and data sheets that

•We manage quality, environment and safety based on recognised ISO

In each case we prepare chemical safety reports based on the EU REACH

We operate the Product Stewardship Programme as a member of Fertilizers

We mitigate negative environmental impacts through pro-environmental

investments, including in flue gas desulfurisation, industrial wastewater

treatment, and reduction of water and electricity consumption

standards, including: ISO 9001, ISO 14001, ISO 14004, ISO 45001 and

facilitate identification of the product and the possible hazards related to its

We have launched two new products: NovaTec and Tohumus¹, which not

bring a range of benefits for both plants and the natural environment

message embodied in the slogan 'Abundance is What Matters'

only contribute to the successful development of our sales channel, but also

In 2020, we introduced uniform packaging for our fertilizers, which refers

to elements necessary for sustainable agriculture and adds to our consistent

A

With the use of AgroCares scanners, our representatives can perform quick soil analyses for farmers, thanks to which only the necessary nutrients are supplied to the soil

We have expanded our soil monitoring and analysis services with the SatAgro technology, giving farmers access to satellite tools to perform remote crop

A

Since 2015, we have been running a unique programme 'Grounded in Knowledge', as part of which Grupa Azoty Group has already reached almost 5,000 farms across Poland

Innovation-based growth in 2020	
Our efforts and expenditure:	Our performance and benefits to the environment:
 In 2020, we developed our existing Research and Development Centres, commenced the construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research areas Image: Construction of a new R&D centre in Kedzierzyn - Koźle, and established new units specialising in specific research and Development Centres Image: Construction of a new research and development expenditure represented 0.36% of its revenue 	 Image: Constant of the second s

¹ The installation was opened in 2021.

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Value of the Grupa Azoty Group and its influence on growth of Poland's economy

Our	efforts and expenditure:	Our performance and benefits to the environment:							
	The Group is among the largest consumers of and Eastern Europe: in 2020, we spent PLN 5 materials for production Approximately 60% is capital expenditure r development in 2020 The Group is one of the largest employers – 5,000 jobs We are building relations with our neighbou employee volunteering and scholarships offer [201-4] Significant financial assistance receively the second seco	 \$ Imp the . Co EB Co EB EB Co EB Co	oroved ope Grupa Azo onsolidated ITDA of PLI onsolidated 03-2] Am dget, injecte nks to the o oty Group's	erating perfor ty Group in 2 revenue of P N 1,322m net profit of ounts paid to ed into the ec perations of t key compani 2019 115,011,987	rmance of 2020 2N 10,525 PLN 355m 2010 2020 2020 116,423,2				
		2019	2020	Fo	orestry tax	3,241	3,2 80		
	Government grants to finance property, plant and equipment	71,606,394*	11,839,023	Ta	ax on leans of	32,943	32,6 36		
	State aid related to operation within a special economic zone	41,042,046**	10,652,482	A	gricultural	3,823	4,3 84		
	Other government grants	257,095,444	ta	ix I					

* The high amount of grants for property, plant and equipment received in 2019 was attributable to grants obtained by Grupa Azoty Kędzierzyn for the 'Special Esters Demonstrator' project and energy efficiency certificates.

Tax credits for research and development 1,159,400

projects

3,467,484

** In 2019, the high amount of aid related to operations within a special economic zone followed from improved financial performance generated in the zone by Grupa Azoty Puławy.



STRATEGY

Business strategy

[IR - Strategy and resource allocation]

Between 2013 and 2020, the Grupa Azoty Group grew in four areas representing its key challenges in line with its strategy.

The identified challenges to the Grupa Azoty Group were as follows:

- complete the Group consolidation process;
- reinforce leadership in agricultural solutions in Europe;
- strengthen the second operating pillar by expanding the non-fertilizer business;
- develop and implement innovations to drive growth of the chemical industry;

In 2020, we continued work on a strategy for the next decade. The Grupa Azoty Group Strategy for 2021–2030 was published in November 2021. It reflects changes that occurred at the Group and in its market environment in response to the challenges of today's world, including in the areas of the natural environment, society and its security. The document envisages a number of specific measures driven by the Grupa Azoty Group's climate and energy transition policy.



STRATEGY

Sustainable development strategy

[103-2]

The heavy chemicals sector is a great responsibility – towards people, the natural environment and the future of the planet as a whole. Sustainable development and responsible business are of strategic importance to the Grupa Azoty Group. Their oversight rests with the President of the Management Board and individual Management Board members within their respective areas of responsibility. As the pursuit of sustainable development spans all areas of the Group's activities, employees from various departments and levels of the organisation are involved in the process.

Grupa Azoty is a signatory of the partnership for the United Nations Sustainable Development Goals. Our activities support the following goals:

Pillar 1. Product and production

Our priority: We guarantee efficient, innovative and environmentally-friendly production by:

- ensuring high product quality;
- investing in research and looking for innovative technological solutions, extending the product value chain (chemicals and plastics);

- enhancing the environmental efficiency and cost efficiency of the processes (reduction of emissions and energy and water consumption);
- ensuring safe production, transport and storage;
- ensuring staff safety;
- contributing to the development of circular economy.



Zero hunger: we are aware that the agriculture and food sector plays a crucial role in combatting poverty. Our goal is to increase food production efficiency and volumes, sustain ecosystems, adapt to climate change, and – with our products – gradually improve soil and land quality.



Climate change measures: climate change is felt in every country, across all continents. Excessive greenhouse gas emissions require a coordinated effort and solutions developed at international levels. We want to take joint action to counteract these adverse changes, reducing our environmental footprint.



Clean water and sanitation: in our operations we seek to significantly increase water use efficiency to help solve the problem of water scarcity.



Innovation, industry and infrastructure: with efforts to further this objective underpinned by technological progress. Without technology advances and innovation, the progress of industrialisation will not be possible, and we want to make our contribution to scientific research, raising the technological level of the industrial sector.

Pillar 2. People and relationships

Our priority: We enhance our positive impact on the social and economic environment by:

- promoting the development of sustainable precision agriculture and farmer education;
- improving customer relations;
- supporting the social and economic development of towns, cities and regions in our main facility locations;

- engaging in sponsorships, community outreach initiatives and community dialogue;
- developing the intellectual capital of our current and future employees, who represent our immediate social environment in our main facility locations.



Responsible consumption and production: balanced consumption and production require a systematic approach and cooperation between various actors along the supply chain, from manufacturers to consumers. Therefore, we run a number of training events at the Grupa Azoty Group, e.g. for farmers.



Economic growth and decent work: we are furthering this goal by supporting the socio-economic development of cities and regions at the main locations of our plants.



Innovation, industry and infrastructure: with efforts to further this objective underpinned by technological progress. Without technology advances and innovation, the progress of industrialisation will not be possible, and we want to make our contribution to scientific research, raising the technological level of the industrial sector.



Quality education: we aim to increase the number of young people and adults who have relevant skills (including technical and vocational skills) for employment, finding fair jobs, and entrepreneurship.

Pillar 3. Good governance

Our priority: We strive for operational excellence and manage risks by:

- building good governance and ensuring compliance;
- creating a coherent organisational culture based on a system of values and a code of ethics;
- enhancing employee engagement and innovativeness;
- managing supply chain responsibility;
- ensuring cybersecurity;
- participating in ESG (Environmental, Social and Governance) reviews and ESG initiatives;



Innovation, industry and infrastructure: with efforts to further this objective underpinned by technological progress. Without technology advances and innovation, the progress of industrialisation will not be possible, and we want to make our contribution to scientific research, raising the technological level of the industrial sector.



STRATEGY

Future challenges

[IR - Perspektywy na przyszłość] [201-2] [103-3]

It was with great interest that the Grupa Azoty Group monitored the work on the European Green Deal, adopted in 2019 and representing a set of European Commission policy initiatives whose primary objective is to achieve climate neutrality in Europe by 2050. It includes an action plan towards more efficient use of resources through transition to circular economy, countering biodiversity loss and reducing pollution.

The chemical sector will play a major role in achieving all of the European green goals. Modern manufacturing processes and products are of critical importance to climate improvement. Innovative, environmentally-friendly solutions in the chemical industry affect other industries and thus the entire economy.

The need for pro-environmental changes is no news to the Grupa Azoty Group, or the Polish chemical industry in general. Over the past few years, the Polish chemical sector has made numerous investments, improvements to production processes and innovations to products that reduce environmental impacts. At the same time, we are aware that achieving compliance with the European Green Deal will require much faster and more decisive steps. At the Grupa Azoty Group, we want to use this situation to change our attitude and deal with the climate and environmental challenges as new growth opportunities. One practical implementation of this approach is our proprietary technology for biodegradable polymers (thermoplastic starch), patented in 2020. Biodegradable polymers are plastics with new properties, which we believe will be the future of the packaging industry. Thermoplastic starch, produced at our plants since 2021, is intended to be used in packaging products, films, bags and disposable articles (e.g. catering supplies). It may be an equivalent substitute for conventional plastics such as polyolefins or PVC. An area of particular focus in the context of the European Green Deal will be power generation. We are aware that the chemical industry is the main energy consumer, accounting for about one quarter of the final energy consumption in industry in Europe. At the same time, our products support generation of energy from renewable sources since it is the chemical sector that provides essential elements for the construction of solar panels and wind turbines. At the Grupa Azoty Group, we expect to benefit from hydrogen technologies and their use as a competitive energy carrier. Poland is EU's third largest hydrogen producer, and half of its hydrogen output is generated by the Grupa Azoty Group facilities.

The Grupa Azoty Group carries out economic and technical analyses of renewable energy generation, which is expected reduce the carbon footprint of our production processes and allow us to produce, among other things, green hydrogen. In July 2020, the Group became one of the signatories of the letter of intent to establish a partnership for building Poland's hydrogen economy and to enter into a sectoral hydrogen agreement. As the signatory, we are actively involved in consultations concerning the Polish Hydrogen Strategy. We also joined the European Clean Hydrogen Alliance initiated by the European Commission in July 2020. The Alliance supports the implementation of the European hydrogen strategy. Its main objective is to identify and carry out investment projects involving the hydrogen value chain. The Alliance also seeks to identify barriers in scaling up clean hydrogen and contribute to research and innovation priorities.

With a view to supporting implementation of the European Green Deal, on the one hand we focus on reducing our direct climate and environmental impacts, as described in the TCFD disclosures section (link), while on the other we are looking for and implementing new solutions at the product level. The directions of pro-environmental change at the Grupa Azoty Group driven by the new European regulations are set out in our business strategy, a part of which is the sustainable development strategy until 2030. In line with the adopted objectives, it will be reviewed and updated on a regular basis in order to respond to the changing environment, new challenges or new solutions and tools being developed.

Our activities in the Fertilizers segment

We attach particular importance to the implementation of the EU 'Farm-to-Table' strategy. The objective is to reduce the use of pesticides and fertilisers by 50% by 2030 and increase the area of organic crops. One of the numerous initiatives taken by the Grupa Azoty Group to meet this goal was the acquisition of COMPO EXPERT. The company manufactures speciality fertilizers that reduce nutrient losses, e.g. by using coating techniques, which is in line with the European Green Deal strategy. The efficiency of using these products is 50% higher than that of traditional ones, with fertilizer application reduced by 20%.

Another step towards implementation of the European Green Deal is our launch of the Fosfarm product line – modern and environmentally-friendly NPK fertilizers providing an ample and efficient source of nutrients. Fosfarm is a line of compound fertilizers manufactured in accordance with the principles of sustainable development, including circular (closed-loop) economy. Fosfarm fertilizers are enriched to include calcium, magnesium, sulfur and micronutrients, such as copper and zinc The phosphorus content, as well as the calcium, magnesium and micronutrients, come from regenerative sources only, including sewage sludge incineration ash. In this way we use raw materials remaining after the manufacturing of one product to create another.

Our 'Abundance is What Matters' programme also fits in with the ideas of the European Green Deal. Grupa Azoty representatives can already perform fast soil testing with AgroCares scanners for farmers across Poland. Within minutes, the scanner sends a report about soil status, containing precise nutrient recommendations, to a farmer's smartphone. The use of precision farming ensures than only the necessary nutrients are supplied to the soil.

Our activities in the Plastics segment

Another example of sustainable products manufactured by the Group is polyamide 6 and its compounds. The product is used in many sectors of the economy and significantly reduces human impact on the environment. It finds applications in the manufacture of safe food packaging film, and in the automotive industry, where its use reduces the car weight, translating into fuel consumption savings. Improving the environmental and cost effectiveness of our processes by scaling down the consumption of raw materials, recovering materials and waste recycling helps reduce energy and water consumption and emissions.

Furthermore, we are working on the introduction and sale of a new AdBlue product enriched with an appropriate content of urea, which will bring down emissions of nitrogen oxides in vehicles with diesel engines. The test results obtained at our laboratory indicate that its implementation would result in additional environmental benefits, such as a reduction in the number of solid particles, fuel consumption and carbon dioxide emissions.

Polimery Police is one of the largest projects currently under way in the Polish and European chemical industry, fitting in with the closed-loop climate neutral economy strategy and taking into account the process of decarbonisation of plastics throughout their

life cycle. It will help diversify the Group's business, at the same time improving Poland's position among plastics manufacturers and strengthening its independence in terms of energy and raw material supplies. Its purpose is to build propylene and polypropylene units with auxiliary systems and associated infrastructure, as well as a port terminal with feedstock storage facilities. Polypropylene is a chemical compound that can be used in the chemical, pharmaceutical, textile, food, packaging, electronics and automotive industries. It is characterised by high strength and reusability, so it can replace disposable products.

A noteworthy fact in the context of the European Green Deal is that the Group is the first market player in the CEE region to offer fully biodegradable plastics. The Tarnów-based company launched a pilot line for the production of thermoplastic starch with an annual capacity of 300 tonnes. At the same time, it signed cooperation agreements related to the use of the new product.

Our activities in the Energy area



BEST PRACTICE

The Grupa Azoty Group joined the effort to develop the Polish Hydrogen Agreement. On the initiative of the Ministry of Climate, a letter of intent was signed to establish a partnership for building a hydrogen economy and enter into a sectoral hydrogen agreement.



BEST PRACTICE

Grupa Azoty and the Province of Kraków will closely cooperate to protect air and climate as part of the project 'LIFE EKOMAŁOPOLSKA – Implementation of the Regional Action Plan for Climate and Energy'. The cooperation agreement, in which Grupa Azoty agreed to work towards achieving climate neutrality in its production processes and activities carried out in the Małopolska region by 2050, was signed in February 2021. Grupa Azoty also agreed to implement projects involving the use of renewable energy sources and development of green ammonia and green hydrogen technologies.



BEST PRACTICE

At Grupa Azoty Kędzierzyn, work is under way to deliver a key project aimed at ensuring the company's energy security and good outlook for the future, and at driving down the consumption of primary raw materials, carbon dioxide emissions, and energy intensity of the company's core production. The new power generation concept will be largely based on the use of process heat from chemical installations rather than on investments in new coal-fired boilers.



Financial performance

[IR - Prezentacja wyników]

Despite the challenging market conditions and the need to quickly adapt to the new market reality brought by the coronavirus pandemic, the Grupa Azoty Group was able to deliver good financial performance in 2020.

Our consolidated revenue in 2020 was PLN 10.5bn. Among the key factors driving the revenue were higher sales in the Agro Fertilizers segment and lower demand on the target markets of the Chemicals and Plastics segments.

Consolidated EBITDA came in at PLN 1.3bn in 2020, driven by low gas prices, compensation for higher electricity prices, and support received under the Anti-Crisis Shield .

The Grupa Azoty Group reported consolidated net profit of PLN 355m in 2020.

The full 2020 financial statements of our Group are available on our corporate websites.

¹ Compensation under the Act on the Compensation Scheme for Energy-Intensive Sectors and Subsectors established by the Energy Regulatory Office.

² Funding received under the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Crisis Situations Caused by Them of March 2nd 2020, vrersion 4.0.

- Consolidated revenue amounted to PLN 10,524,527 thousand (down 6.93% year on year).
- EBITDA reached PLN 1,321,547 thousand (down 7.2% year on year).
- Consolidated net profit came in at PLN 355,410 thousand (down 12.82% year on year).



* 2013: adjusted for a gain on the acquisition of Grupa Azoty Puławy, Grupa Azoty Siarkopol and AIG, and for an impairment loss on the POM unit.

2014: adjusted for an impairment loss on the phthalic anhydride unit.

2015: adjusted for an impairment loss on the benzene-derived C-none, fats processing and carbon disulfide units.

2016: adjusted for impairment losses on AIG receivables and deposits and on the fats processing unit.

2017: the fats processing unit.

In 2017, EBITDA and net profit were adjusted for impairment losses on the fats processing unit, AIG, Elektrownia Puławy power plant and sulfur deposits.

In 2018, the results were adjusted for impairment losses on the fat processing unit, and net profit was additionally adjusted for the effect of loss of control over AFRIG S.A.

The 2019 result was adjusted for impairment losses relating to the subsidiary Zakłady Azotowe Chorzów, effect of a temporary plant shutdown at Zakłady Azotowe Police, and impairment losses on some of Siarkopol assets due to the sulfur market collapse.

Financial performance of the Grupa Azoty Group companies in 2020



Consolidated statement of profit or loss and other comprehensive income

Profit/loss	for the period Jan 1– Dec 31 2020	for the period Jan 1– Dec 31 2019	for the period Jan 1– Dec 31 2018	for the period Jan 1 - Dec 31 2017	for the period Jan 1- Dec 31 20
Revenue	10,524,527	11,307,915	9,998,967	9,617,495	8,966,80
Cost of sales	(8,351,020)	(8,833,939)	(8,406,271)	(7,457,734)	(7, 004,4
Gross profit	2,173,507	2,473,976	1,592,696	2,159,761	1,962 ,33
Selling and distribution expenses	(915,699)	(902,195)	(658,602)	(673,555)	(669, 31)
Administrative expenses	(804,475)	(886,734)	(812,368)	(757,767)	(727, 41)
Other income	164,040	65,518	49,604	50,200	48,138
Other expenses	(61,614)	(137,741)	(90,186)	(181,425)	(186 ,128
Operating profit	555,759	612,824	81,144	597,214	427,60
Finance income	36,126	29,407	55,057	32,107	33,7 45
Finance costs	(100,675)	(96,265)	(108,740)	(68,931)	(44,443
Net finance costs	(64,549)	(66,858)	(53,683)	(36,824)	(10,6 98
Share of profit of equity- accounted investees	14,939	12,493	13,092	16,015	15, 170
Profit before tax	506,149	558,459	40,553	576,405	432,07
Income tax	(150,739)	(150,786)	(32,793)	(87,579)	(116,83 3
Net profit	355,410	407,673	7,760	488,826	315,24
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial losses from defined benefit plans	(20,061)	(29,908)	(19,428)	(7,991)	(10,33 3
Tax on items that will not be reclassified to profit or loss	3,404	4,995	3,633	1,510	1,937 1,937 1 1 1 1
Total items that will not be reclassified to profit or loss	(16,657)	(24,913)	(15,795)	(6,481)	(8,3962)S
Items that are or may be reclassified to profit or loss					
Cash flow hedges – effective portion of fair- value change	(67,494)	4,952	(16,724)	27,808	(8,852
Translation reserve	71,541	(11,043)	4,786	1,157	978
Income tax relating to items that are or will be reclassified to profit or loss	12,900	(941)	3,178	(5,296)	1,682

Profit/loss	for the period Jan 1– Dec 31 2020	for the period Jan 1– Dec 31 2019	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017	for the period Jan 1– Dec 31 20
Total items that are or may be reclassified to profit or loss	16,947	(7,032)	(8,760)	23,669	(6, 192)
Total other comprehensive income	290	(31,945)	(24,555)	17,188	(14,588
Comprehensive income for the period	355,700	375,728	(16,795)	506,014	300,65
Net profit /(loss) attributable to:					
Owners of the parent	311,617	372,856	9,869	456,663	301,870
Non-controlling interests	43,793	34,817	(2,109)	32,163	13,373
Comprehensive income for the period attributable to:					
Owners of the parent	314,300	342,337	(13,739)	470,204	289,47
Non-controlling interests	41,400	33,391	(3,056)	35,810	11,180
Earnings per share:					
Basic (PLN)	3,14	3,76	0,10	4,60	3,04
Diluted (PLN)	3,14	3,76	0,10	4,60	3,04

Information on the Grupa Azoty Group's consolidated financial results is accessible to the public. As required by the applicable regulations, we make our accounts available to all stakeholders. Our financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, which are consistent with the interpretations approved by the International Accounting Standards Board. The full consolidated and separate financial statements are available on our website.

See expert comment on the Grupa Azoty Group's financial position in 2020

The revenue was down 6.93% year on year in 2020, and gross profit fell by PLN 300,469 thousand, or 12%, relative to 2019. Total operating profit was PLN 555,759 thousand, down 9.3% year on year.

	Agro F	Agro Fertilizers Plastics		Chemicals		Energy		Other	
	2019	2020	2019	2020	2019	2020	2019	2020	2019
External revenue ['000]	6,716,745	6,364,624	1,458,047	1,135,442	2,638,885	2,522,073	274,660	255,726	221,578 118 VI
EBIT ['000]*	640,069	492,957	17,361	105,245	93,291	157,340	11,007	11,920	92,168 92

	Agro Fe	ertilizers	Plastics		Chemicals		Ene	ergy	Other
EBITDA ['000]**	964,690	820,267	50,053	31,946	207,762	265,665	102,263	98,303	15,706

Źródło: Opracowanie własne

* EBIT is calculated as operating profit/(loss) as disclosed in the statement of profit or loss, adjusted for gain on a bargain purchase.

** EBITDA is calculated as operating profit/(loss) before depreciation and amortisation, adjusted for gain on a bargain purchase.

Operating segments' income, expenses and net profit (loss) for the 12 months ended December 31st 2019





Revenue by segment

In 2020, revenue in the Agro Fertilizers segment was PLN 6,364,624 thousand and accounted for 61% of the Group's total revenue. Year on year, the segment's revenue went down slightly, by 5.2%, and its share in the total revenue rose by 1.1pp. Domestic sales accounted for some 55.4% of sales in the Agro Fertilizers segment. Other segments also reported lower revenues: revenue in the Plastics segment accounted for 11% of the Group's total, having declined by 22% year on year, while in the Chemicals and Energy segments revenue fell by 4.43% and 6.9%, respectively, year on year. In 2020, revenue of the Other Activities segment was PLN 247.7m, up 11.8% on 2019. It represented 2.3% of the Group's total revenue figure.

The segments' respective shares in the revenue structure in 2020 did not change significantly relative to 2019.

EBIT

The Group's EBIT came in at PLN 555,759 thousand in 2020. The Agro Fertilizers, Chemicals and Other Activities segments generated positive EBITs. EBIT margin in 2020 was 5.3% (5.4% in 2019).

EBITDA

In 2020, the Grupa Azoty Group posted a positive EBITDA of PLN 1,321,547 thousand and net profit of PLN 355,410 thousand, down by PLN 102,563 thousand and PLN 52,263 thousand, respectively, on the corresponding period of the previous year. In line with the Grupa Azoty Group's strategy for 2013–2020 revised in May 2017, the Group's strategic target was to achieve EBITDA margin of 14%. In 2020, EBITDA margin was 13%.

Consolidated data

	Note	for the period Jan 1– Dec 31 2020	for the period Jan 1 - Dec 31 2019
Profit/loss			·
Revenue	1	10,524,527	11,307,915
Cost of sales	2	(8,51,020)	(8,833,939)
Gross profit		2,173,507	2,473,976
Selling and distribution expenses	2	(915,699)	(902,195)
Administrative expenses	2	(804,475)	(886,734)
Other income	3	164,040	65,518
Other expenses	4	(61,614)	(137,741)
Operating profit		555,759	612,824
Finance income	5	36,126	29,407
Finance costs	6	(100,675)	(96,265)
Net finance income/(costs)		(64,549)	(66,858)
Share of profit of equity-accounted investees		14,939	12,493
Profit before tax		506,149	558,459
Income tax	7	(150,739)	(150,786)
Net profit		355,410	407,673

Structure of assets

In 2020, the Grupa Azoty Group's assets rose to PLN 18,207,150 thousand, by PLN 2,728,459 thousand relative to the end of 2019. As at December 31st 2020, non-current assets were PLN 13,511,725 thousand, and current assets stood at PLN 4,695,425 thousand.

Year on year, the most significant changes in assets in the reporting period included:

- PLN 2,430,353 thousand increase in property, plant and equipment;
- PLN 42,239 thousand increase in intangible assets;
- PLN 135,798 thousand decrease in inventories;
- PLN 153,241 thousand increase in cash.

Assets	Note	as at Dec 31 2020	as at Dec 31 2019
Non-current assets			
Property, plant and equipment		10,573,104	8,142,751

Assets	Note	as at Dec 31 2020	as at Dec 31 2019
Right-of-use assets	11	834,690	852,075
Investment property	12	57,364	62,014
Intangible assets	13	1,027,310	985,071
Goodwill	13.1	331,683	308,589
Shares	14.1	9,168	9,198
Equity-accounted investees	14.1	91,461	88,909
Other financial assets	14.2	2,484	2,406
Other receivables	17	489,827	156,867
Deferred tax assets	7.4	94,125	97,074
Other non-current assets	19	509	483
Total non-current assets		13,511,725	10,705,437
Current assets			
Inventories	15	1,534,011	1,669,809
Property rights	16	529,199	474,133
Derivative financial instruments	30.5	43,471	5,918
Other financial assets	14.2	-	174,724
Current tax assets		19,621	26,973
Trade and other receivables	17	1,628,244	1,615,486
Cash and cash equivalents	18	923,328	770,087
Other current assets	19	17,456	15,456
Non-current assets held for sale	20	95	20,668
Total current assets		4,695,425	4,773,254
Total assets		18,207,150	15,478,691

The consolidated statement of financial position should be read in conjunction with the notes, which constitute an integral part of the fullyear consolidated financial statements.

Structure of equity and liabilities

Year on year, the most significant changes in equity and liabilities in the reporting period included:

- PLN 594,955 thousand increase in equity;
- PLN 776,317 thousand increase in borrowings;
- PLN 8,643 thousand decrease in trade and other payables;
- PLN 561,081 thousand increase in other financial liabilities.

Equity and liabilities	Note	as at Dec 31 2020	as at Dec 31 2019
Equity			
Share capital	21.1	495,977	495,977
Share premium	21.2	2,418,270	2,418,270

Equity and liabilities	Note	as at Dec 31 2020	as at Dec 31 2019
Hedging reserve	21.3	(48,540)	5,872
Translation reserve		63,311	(8,252)
Other capital reserves	21.7	(17,700)	-
Retained earnings		4,427,756	4,124,507
Equity attributable to owners of the parent		7,339,074	7,036,374
Non-controlling interests	21.4	949,828	657,573
Total equity		8,288,902	7,693,947
Liabilities			
Borrowings	22	3,322,320	2,546,003
Lease liabilities	23	355,774	367,482
Other financial liabilities	24,21.7	579,438	18,357
Employee benefit obligations	26	490,864	469,351
Trade and other payables	27	18,609	27,252
Provisions	28	211,022	204,850
Government grants received	29	196,973	193,963
Deferred tax liabilities	7.4	529,419	461,124
Total non-current liabilities		5,704,419	4,288,382
Borrowings	22	193,443	205,908
Lease liabilities	23	71,422	59,530
Derivative financial instruments	30.5	6,086	15
Other financial liabilities	24	670,459	554,305
Employee benefit obligations	26	54,863	53,270
Current tax liabilities		70,013	44,672
Trade and other payables	27	3,092,693	2,516,567
Provisions	28	40,504	37,113
Government grants received	29	14,346	13,480
Liabilities directly associated with assets available for sale	20	-	11,502
Total current liabilities		4,213,829	3,496,362
Total liabilities		9,918,248	7,784,744
Total equity and liabilities		18,207,150	15,478,691

The consolidated statement of financial position should be read in conjunction with the notes, which constitute an integral part of the fullyear consolidated financial statements.

Consolidated statement of changes in equity

Operating cash flows

In 2020, the Group generated positive net cash from operating activities of PLN 2,705,161 thousand, up by PLN 671,727 thousand on 2019.

Consolidated statement of cash flows (PLN '000)	Nota	za okres od 01.01.2020 do 31.12.2020	za okres od 01.01.2019 do 31.12.2019 przekształcone*
Cash flows from operating activities		506,149	558,459
Profit/(loss) before tax			
Depreciation and amortisation		765,788	811,286
Impairment losses		3,230	50,624
(Gain)/loss from investing activities		(876)	3,872
Gain on disposal of financial assets		(1,879)	(878)
Share of profit of equity-accounted investees		(14,939)	(12,493)
Interest, foreign exchange gains or losses		136,890	77,124
Dividends		(127)	(165)
Fair value (gain) on financial assets at fair value		(29,972)	(4,498)
Increase in trade and other receivables	34	(235,497)	(153,472)
Decrease/(Increase) in inventories and property rights	34	101,940	(386,203)
Increase in trade and other payables	34	1,466,412	976,551
Increase in provisions		9,563	53,766
Increase in employee benefit obligations		23,106	82,314
Increase in government grants		3,876	63,442
Other adjustments		21,037	(3,541)
Income tax paid		(49,540)	(82,754)
Net cash from operating activities		2,705,161	2,033,434
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and investment property		21,267	10,566
Purchase of property, plant and equipment, intangible assets and investment property		(3,002,934)	(1,049,703)
Dividend received		7	17
Purchase of other financial assets		(80,004)	(415,462)
Proceeds from sale of other financial assets		255,289	246,030
Interest received		-	26,014
Government grants received		1,804	753
Repayments of loans		109	109
Other cash provided by (used in) investing activities		(27,031)	(4,813)
Net cash from investing activities		(2,831,493)	(1,186,489)
Cash flows from financing activities			
Net share capital issue proceeds		205,172	-
Dividends paid		(9,447)	(2,695)
Proceeds from borrowings		923,499	217,030

Consolidated statement of cash flows (PLN '000)	Nota	za okres od 01.01.2020 do 31.12.2020	za okres od 01.01.2019 do 31.12.2019 przekształcone*
Repayment of borrowings		(318,054)	(286,477)
Interest paid		(128,627)	(107,629)
Payment of lease liabilities		(64,540)	(56,645)
Repayment of reverse factoring		(954,154)	(695,547)
Other cash provided by (used in) financing activities	34,21.6	600,972	12,024
Net cash from financing activities		254,821	(919,939)
Total net cash flows		128,489	(72,994)
Cash and cash equivalents at beginning of period		770,087	846,532
Effect of exchange rate fluctuations on cash held		24,752	(3,451)
Cash and cash equivalents at end of period		923,328	770,087

* as described in Section 2.2.c.



See how we delivered on our dividend policy objectives

In accordance with the dividend policy resulting from the updated strategy for 2013–2020, the Company decided not to set the lower limit for the dividend payout ratio and to maintain the upper limit at 60%. The strategy also provided that, in justified cases such as implementation of an extensive investment programme or the risk of an economic downturn, the Management Board may recommend against a dividend payment.

No dividend was paid in 2020. On June 30th 2021, the Annual General Meeting resolved to allocate the entire amount of the Company's net profit for the financial year 2020, of PLN 125,627,538.01, to the Company's statutory reserve funds.

Dividends paid out in 2008-2018

Year for which dividend was paid	Dividend record date	Dividend payment date	Profit earned	Total dividend	Dividend per share
2008	lup 26 2000	Instalment 1: Aug 31 2009	PLN 61,935	PLN 39,898,749.42	PLN 1.02
2000	Jun 20 2009	Instalment 2: Nov 6 2009	thousand		
2012	Apr 22 2013	May 24 2013	PLN 250,692 thousand	PLN 148,793,226.00	PLN 1.50
2013	Jun 18 2014	Jul 9 2014	PLN 44,117 thousand	PLN 19,839,096.80	PLN 0.20
2015	Jun 20 2016	Jul 11 2016	PLN 209,055 thousand	PLN 83,324,206.56	PLN 0.84
2016	Aug 4 2017	Aug 23 2017	PLN 224,775 thousand	PLN 78,364,432.36	PLN 0.79

Year for which dividend was paid	Dividend record date	Dividend payment date	Profit earned	Total dividend	Dividend per share
2017	Jul 25 2018	Aug 8 2018	PLN 354,793 thousand	PLN 123,994,355.00	PLN 1.25

source: Company data



See how our shares performed on the stock exchange

Grupa Azoty S.A.

The Grupa Azoty S.A. share price at the close of trading in 2019 was PLN 29.28, and in the first quarter of 2020 it went down, to reach PLN 16.16 on March 16th 2020. In the second quarter the price rose, to PLN 35 at the beginning of June. The closing price at the end of 2020 was slightly lower than the opening price, at PLN 27.45.



Grupa Azoty share price in 2020

Źródło: Own study based on GWP data.

Grupa Azoty Police

At the beginning of 2020, Grupa Azoty Police shares traded at PLN 10.50. In the first month of the year, the price stabilised at approximately PLN 10.00. At the beginning of March it fell to PLN 7.1, which was followed by a gradual increase, until PLN 15.50 per share was reached at the beginning of June. At the end of June, the price fell slightly, to approximately PLN 12m, and remained close to this level, to rise to PLN 12.20 on December 30th 2020.

Grupa Azoty Police share price in 2020



Grupa Azoty Puławy

On December 30th 2019, the share price of Grupa Azoty Zakłady Azotowe Puławy S.A. was PLN 89.20 per share. At the beginning of 2020, it started to decline, reaching the low of PLN 53.6m in mid March, after which it gradually grew, to PLN 98 at the beginning of June. The closing year-end price was PLN 85.8m, a slight decrease compared with the opening price.



Grupa Azoty Puławy share price in 2020







All financial performance figures may also be downloaded from the Grupa Azoty Group's Performance Data Centre. Consolidated financial statements of the Grupa Azoty Group



R I S K

Risk management

[102-11] [102-15] [103-2] [201-2] [IR - Risks and opportunities] [IR - Corporate governance]

At the Grupa Azoty Group, we have adopted an integrated approach to enterprise risk management based on ISO 31000:2018 'Risk Management – Guidelines'. It takes into account our corporate governance solutions, so our management and supervisory bodies and shareholders are provided with up-to-date, reliable and well-structured information on risks related to the Group's business. Risk management is part of a corporate management process geared towards reducing uncertainty and building lasting protections for the Group's value.

To establish a framework for the activities in this area, a management system procedure entitled 'Enterprise Risk Management at Grupa Azoty' has been developed. It identifies the responsibilities of individual entities taking part in the risk management process and the procedures they should follow. Directors involved in risk management are required to communicate the requirements to their subordinate staff, who are obliged to comply with the procedure. Direct supervision of the implementation and contents of the document is exercised by the Head of the Corporate Risk Management Office at Grupa Azoty S.A., while the President of the Grupa Azoty S.A. Management Board is responsible for monitoring the implementation.

Risk identification is a continuous process and involves a great number of people. Its objective is to identify sources of information on threats and opportunities and to define key variables in the internal and external environment. Risk assessment includes qualitative analysis, identification and establishment of the key controls, and quantitative analysis that yields specific quantitative parameters. Risk value is estimated based on a risk map, which specifies the effect and likelihood of the risk. Then, risks are prioritised against the Group's strategic objectives. The risk map is updated on a quarterly basis and all residual risks are assessed annually. This is to help assess the effectiveness of the risk mitigation measures taken. The Group uses a two-tier risk classification in the following six categories: strategy, organisation and management, financial and credit risks, core business risks, social and environmental risks, safety risks, and market and regulatory risks.



RISK

Climate risk management

At the Grupa Azoty Group, we have initiated the process of implementing the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) within our management and reporting framework. The review includes a detailed assessment of the Group's approach to risk identification and management, as well as the opportunities stemming from the low-carbon transition and physical climate change. In our efforts, we seek to integrate the climate change adaptation processes with our systems, procedures and business strategy.

Ujawnienia informacji związanych z klimatem (TCFD)



TCFD was established in 2015 by the Financial Stability Board (FSB) to help identify the information needed by investors, lenders and insurers to properly assess and measure climate risks and opportunities. TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. The areas are interconnected and should operate in conjunction with one another to provide an effective framework for managing the climate change risk.

Governance

Disclosure of governance rules for climate impact risk

We believe that responsible and forward-looking leadership increases the resilience of an organisation and supports long-term value creation. Climate change and the related threats and opportunities play an important role in the Group's development. Therefore, decarbonisation efforts, including with respect to our energy mix and technological processes, are of key importance to us. The chemical industry has a significant impact on greenhouse gas emissions, but is also directly affected by climate change.

Responsibility for supervision over sustainability aspects and determination of relevant frameworks for our Group rests with the President of the Management Board and members of the Management Board within their respective areas of competence. Tomasz Hinc, President of the Management Board, is responsible, among other things, for sponsorship and CSR, compliance, legal support, and representation of the Grupa Azoty Group before stakeholders. The scope of responsibility of Filip Grzegorczyk, Vice President of the Grupa Azoty Management Board, includes issues related to the energy transition and the European Green Deal,

as well as regulations and enterprise risk management. Grzegorz Kądzielawski, Vice President of the Management Board, is responsible for the monitoring of investment project implementation at the Grupa Azoty Group, social dialogue, strategic planning and monitoring of strategy implementation, strategic project management (excluding energy transition), adaptation to the requirements of the New Green Deal and circular economy at the Group. Individual companies have also designated staff members who are responsible for supervising environmental issues. At Grupa Azoty Puławy, it is Head of the Support Division, at Grupa Azoty Police – Head of the Plant Safety Department and Project Manager for GHG Emissions, Technological and Environmental Analysis, at Grupa Azoty Kędzierzyn – Head of the Infrastructure Department, and at Grupa Azoty S.A. – Head of the Corporate Technology and Energy Department (position established in the second half of 2021).

The Group engages in decarbonisation efforts. In this area, the following have been established recently:

- Corporate Technology and Energy Department, whose main responsibility is to ensure energy security, supervise decarbonisation at the Grupa Azoty Group, both in the commercial generation and in the Chemicals segment, and monitor the carbon footprint and set emission reduction targets;
- Energy Transition Committee.

The Grupa Azoty Group also has an EU ETS Management Committee in place, which periodically monitors both the situation on the emission allowances exchange market and the progress of the emission allowance purchasing plan.



Strategy

Approach to the actual and potential impact of climate risks and opportunities on the organisation's business, strategy and financial planning

We have taken steps to assess the risks associated with the environmental impacts of the Group's business in its day-to-day operations, as well as in the medium and long term. We have started a review of the resilience of our business model, taking into account the target benchmarks of emissions and pollutant concentrations. Sustainability-related innovation and development are largely reflected in the Grupa Azoty Group's new strategy for the next decade (until 2030), which provides, among other things, for the launch of low- or zero-carbon heat and power generation projects.

The Grupa Azoty Group indirectly factors in climate risks in its strategy. One category where climate issues have been identified is the regulatory risk connected with climate change as well as the related market, financial, technological, environmental and reputational risks and opportunities.

The Group also takes steps to identify business development opportunities resulting from a change of approach to environmental and climate considerations. The risk identification process has taken into account the opportunities for raising funds for innovative technology projects or development of new environmentally-friendly products, and has identified potential for increasing energy and cost efficiency. Measures have been taken to implement solutions that address the challenges related to the identified risks and opportunities in the light of the upcoming changes and their ultimate integration within the enterprise risk management system.
Climate risk management

Disclosure of how the organisation identifies, assesses and manages climate risks

In the risk management process, climate change is an important factor for the implementation of our growth strategy and building our stakeholders' confidence. Another decisive element is the changing legal requirements, and the need to comply with them and bear the related costs (introduction of new regulatory requirements that are not correlated with the investment plans and the financial capacity of the organisation); the requirements are defined, e.g., in the EU and national laws on trading in CO₂ emission allowances. In order to mitigate its greenhouse gas emission impacts, the Grupa Azoty Group has been taking steps to lower the energy intensity of its processes and bring down GHG emissions.

TCFD has identified two types of climate risks:

- **transition risks** related to the transition to a lower-carbon economy;
- **physical risks** involving the physical effects of climate change.

Since climate risks are strategic risks, the Group has taken steps to integrate climate risk management processes into the enterprise risk management (ERM), so that they form part of the current risk management model and are subject to the same procedures.

The enterprise risk register provides information identifying the key climate and environmental risks directly or indirectly related to climate change (the former being connected with the enterprise itself and the latter involving shocks and disruptions in the supply chain and in the markets), or ESG risks defined in a context broader than climate considerations.

Risks directly affecting the Grupa Azoty Group's business are primarily related to the management of CO₂ emission allowances and other physical and transition factors in the area of regulations, technologies and products/markets:

- risk of extreme weather and natural disasters being physical consequences of climate change;
- regulatory risks arising from the climate transition occurring through implementation of the European Green Deal reforms;
- regulatory risks related to the circular economy and extended producer responsibility concepts;
- regulatory risks arising from the implementation of legislative changes forming the 'Fit for 55' package;
- risks related to the monitoring and consumption of electricity;
- risks related to the monitoring and management of direct and indirect emissions of greenhouse gases and other air pollutants;
- risk of restrictions on fertilizer sales due to physical climate change;
- risk of a decline in sales of selected plastics as a result of increased requirements on plastic recycling;
- risk of production constraints caused by lack of adequate water resources or increased salinity of river water;
- process and technological risks related to the need to adapt to low-carbon economy requirements and achieve decarbonisation targets;
- risk of increased exposure to failures, accidents and stoppages of production facilities and technological constraints due to physical consequences of climate change;
- risk related to the prices and availability of natural gas;
- risk related to the prices and availability of electricity and heat;
- risk related to the prices and availability of coal;
- risk related to the management of CO₂ emission allowances;
- risk of restrictions on sales of fertilizers due to loss of biodiversity, ecosystem changes, major and unforeseeable weather changes and extreme weather;
- risk of restrictions on sales of plastics and chemicals due to market and legislative constraints and changing consumer behaviours.

In addition, the Group identifies risks that are not directly related to climate, such as:

- risk of adopting inappropriate strategy objectives, inconsistent strategy operationalisation, and lack of proper supervision and correct assessment of the delivery of strategic goals;
- risks related to investment project execution;
- risks related to investment project design and development;
- risk related to ineffective financial and economic projections;

- liquidity risk;
- risk related to the availability and effectiveness of capital and other sources of funding;
- risk related to negative impact on the company brand;
- risks related to investor relations and compliance with the disclosure requirements;
- risk of failure to meet expectations of the public;
- reputational risk related to ineffective communication of social initiatives and ESG projects;
- risk related to growing customer requirements concerning fertilizers;
- risk of higher fertilizer imports;
- risk of disruptions in or increased cost of maritime transport;
- risk related to the operation of the in-house power generation system;
- risk related to the prices and availability of propylene and polyethylene;
- risk of major industrial accidents;
- risk of major technical failures disrupting the continuity of processes and operation of key production units;
- risk of trade wars and significant limitation of the free movement of goods and services in the Oxoplast Business Unit;
- risk of substitution of products and production technologies resulting in a deterioration of the Group's competitive position;
- risk of restrictions on sales of plastics due to market constraints and consumer behaviour changes as a result of more widespread adoption of pro-environmental attitudes;
- risk of restrictions on sales of chemicals due to market constraints and consumer behaviour changes as a result of more widespread adoption of pro-environmental attitudes;
- risk related to fire safety;
- risk of violation of law in the context of compliance management;
- regulatory risk related to increasing environmental requirements;
- risk of adverse impacts on biodiversity and wild natural habitats.

Identification of the risks listed above helps us better manage climate risks, including by planning measures to mitigate them.

In 2020, the enterprise risk register of the Grupa Azoty Group was updated. The ESG risks are presented below in the section in the ESG risk map. Work is underway on the identification and preliminary examination of the climate change risks, which will be included in the organisation's overall risk management system in 2021.

Under the risk management model in place at the Grupa Azoty Group, the qualitative risk analysis involves identification of both risks and opportunities associated with a given risk.

Key considerations related to the status and materiality of climate risks at each of the key companies

Grupa Azoty Kędzierzyn:

Because of their significant greenhouse gas emissions and the applicable regulatory requirements, the Grupa Azoty Group companies are subject to the EU Emissions Trading Scheme (EU ETS). As part of the EU ETS, the

company monitors and settles greenhouse gas emissions generated by its facilities. In accordance with the applicable laws, the Group is annually allocated free emission allowances for its designated installations, which it is required to surrender to cover its CO2 emissions. The estimated volume of emission allowances required for 2019–2021 exceeded the free allocation volume. The projected deficit in these years is 370,000–600,000 EUAs per year (in 2021). The company purchased the balance of the allowances for 2020 on the market, in accordance with the emission allowance purchasing plan and the common CO2 emission allowance management model applied by the largest companies of the Grupa Azoty Group, whose main objective is to spread the allowance price risk over time. The emission allowance purchasing plans are made annually for the next three years.

Grupa Azoty Puławy:

The company reduces its GHG emissions on a continuous basis by using high-efficiency catalysts to bring down N2O emissions and increase energy efficiency. Grupa Azoty Puławy is working on solutions to lower its consumption of natural gas (production and energy efficiency improvements) and energy carriers (energy efficiency improvements), especially of high-pressure heating steam and process steam. The activities in this area are monitored and supervised based on the regulations of the energy management system.

Grupa Azoty Police:

In 2020, the company identified no new risks or opportunities arising from climate change or weather patterns. As regards the legal framework for greenhouse gas emissions, the situation is stable. 2013–2020 was the third trading period of the European Emissions Trading Scheme (EU ETS), which covers five of the company's installations. 2020 was the eighth and the last year of the period. As the company participates in the EU ETS and maintained the required level of production, in 2020 three of its process installations and one combustion installation received free emission allowances in such quantities as previously determined by the National Administrator of the Emission Trading Scheme. Due to the shutdown of the only emission source since mid-2016, on CHP I, no free emission allowances were allocated to this installation.

Metrics and targets

Used to assess and manage material climate risks and opportunities

Risk response and mitigation plans, defined by activities, including metrics and targets, are determined in accordance with the principles of the enterprise risk management system.

The Grupa Azoty Group calculates and reports annually a set of performance indicators, including in the natural environment area, such as greenhouse gas emissions, energy, water and materials consumption. They enable the Group to assess its efforts to meet its own emission targets, but also provide a basis and context for an assessment of climate risks and opportunities, mainly with respect to transition risks.

The Grupa Azoty Group identifies greenhouse gas emissions as the key factor of its direct impact on climate and the natural environment. In calculating GHG emissions we use the GHG Protocol, which covers all activities envisaged to monitor them in Scope 1 and 2. Our Scope 1 emissions are emissions from the organisation's direct operations, use of energy, including electricity, heat (steam and frigorie) and energy purchases (Scope 2).

In 2020, the Grupa Azoty Group's carbon footprint was 9.433 million tonnes of CO2 equivalent.

The four key Group companies account for 94% of the Grupa Azoty Group's total greenhouse gas emissions: 8.873 million tonnes of CO2 equivalent.

Direct greenhouse gas emissions (Scope 1)] We constantly work towards reducing our carbon footprint, taking into account changes in our product portfolio.

Chart with a summary of Scope 1 and 2 emissions



Group optity	Greenhouse gas emissions [MgCO ₂ e]				
Group entity	Scope 1	Scope 2	Total Scope 1 and 2		
Grupa Azoty Puławy S.A.	3,407,814	701,361	4,109,174		
Grupa Azoty Police S.A.	1,691,172	230,528	1,921,699		
Grupa Azoty Kędzierzyn S.A.	1,280,946	456,377	1,737,322		
Grupa Azoty S.A.	945,845	159,445	1,105,290		
Other companies	70,223	488,289	559,512		

Scope 1 and 2





Symbol	Туре	Description
EMI	Direct (process) greenhouse gas emissions	Direct emissions of methane and CO2, e.g. in landfill gases, process emissions of methane, nitrous oxide, cooling agents listed in AR5
ENE	Emissions associated with energy imports	Emissions calculated based on indicators provided by electricity and/or heat suppliers, by type of fuel, in accordance with the Regulation of the Minister of Economy (Dz.U. No. 93 of 2007, item 623)
PAL	Emissions from the combustion of fuels	Carbon dioxide from the combustion of coal, liquid and gaseous fuels on the basis of the calculated or measured emission indicator
SUR	Emissions from energy carriers used as feedstock for synthesis	Emissions produced when energy carriers (high-methane and other gases) are used for synthesis (mainly ammonia synthesis)

The changing purchase prices of EUAs are one of the main climate risk factors to be monitored on an ongoing basis. According to the current short- and long-term forecasts, the prices will be on the rise. They are and will continue to be driven by the demand and supply and the global political situation and developments in the power generation industry. Failure to redeem or timely redeem the required allowances is subject to an administrative penalty of EUR 100 per 1 Mg of outstanding CO2. The situation on the emission allowances exchange market and the progress of the allowance purchasing plan designed to secure the necessary allowances to be redeemed for a given year are also monitored periodically by the EU ETS Management Committee of the Grupa Azoty Group. Among the Committee members are authorised representatives of the Company, as documented in the minutes of the Committee meetings.



R I S K

ESG risk map based on the Grupa Azoty Group's enterprise risk register

[103-2] [306] [403-2] [403-7] [413-2]

The business of the Grupa Azoty Group, which comprises chemical plants producing and storing hazardous materials and substances, is a source of potential threat to the local communities, employees and the natural environment. Below are presented the key ESG risks identified in the 2020 enterprise risk register, with an identification of those directly or indirectly related to climate change.

Environmental risks identified at the Grupa Azoty Group

The Grupa Azoty Group's core business creates environmental burdens. The Group companies are subject to various environmental laws, which may entail the need to incur costs to ensure compliance with regulations and regulatory changes or to obtain new environmental permits.

Polish environmental regulations are subject to frequent changes. There can be no assurance that the regulations under Polish and EU laws will not be further tightened in the future. Given the uncertainty regarding future regulatory environment, in the coming years the Group may have to incur significant costs or capital expenditures to ensure environmental compliance of its plants.





directly related to climate



indirectly related to climate

The risk of major industrial accidents or technical accidents in key production plants

The Grupa Azoty Group's operations are directly exposed to the risk of **major industrial accidents or technical accidents in key production plants** due to the need to ensure continuous and smooth production processes and highly effective response to emergencies arising as a result of equipment defects and failures within the Company's facilities.

Risk response

The Grupa Azoty Group companies were classified as upper tier establishments (UTE). The Group has developed and put in place accident prevention programmes, and has monitored and implemented safety regulations, including those arising from the SEVESO III Directive. Detailed contingency analyses are carried out based on the Accident Prevention Manual and the contingency analysis approach. Technical risks are reviewed in the area of operation of production assets and the impact on the thermodynamic status of selected machinery. Contingencies are prevented at the Grupa Azoty Group by ongoing monitoring of hazards in technological processes and operation of machinery and equipment, coupled with monitoring of hazards in storage and transport operations.



Risk related to the production and storage of hazardous chemical substances

The core business of the Grupa Azoty Group involves processing, manufacture, storage and transport of hazardous chemicals, which may affect the natural environment, health or lives of the Group's employees and residents of the adjacent areas.

Risk response

Detailed process risk analyses are carried out at the Grupa Azoty Group on a regular basis under the emergency prevention programme. A safety report is prepared for upper tier chemical plants at least once every five years. The Grupa Azoty Group monitors and responds to regulatory changes in the area of production and storage of hazardous materials on an ongoing basis.



The risk of transport flammable, explosive and toxic hazardous goods

Grupa Azoty Group transports flammable, explosive and toxic hazardous goods, which may pose a risk to the natural environment, to the health or life of employees, and to local communities in the vicinity of the plants.

Risk response

As a result of their activities, state authorities impose additional restrictions on the transport of hazardous substances, which may result in temporary or permanent unavailability of parts of the transport infrastructure used by the company. In order to minimise the risk of adverse events, deliveries of dangerous goods are monitored on an ongoing basis pursuant to an internal regulation governing this aspect. In addition, contracts with companies that rent their rolling stock and with carriers licensed and equipped to carry out transport operations include appropriate provisions on the carriage of dangerous goods.



Risk of failure to meet the requirements for reducing air emissions (including NOx, SOx and particulate matter)

Given the technologies employed by the Group, its operations involve unavoidable releases of CO2, NO2, SO2, NH3, F, particulate matter and other substances to the environment, and are subject to European and Polish laws.

If more stringent regulations are introduced, in particular imposing tighter pollutant emission limits, the Grupa Azoty Group may need to incur significant costs in order to upgrade its plants or replace equipment which does not conform to the new emission standards. Non-compliance entails, among other things, sanctions imposed on individual Grupa Azoty Group companies if the emission limits are exceeded. The environmental protection laws require that BAT conclusions be adopted as a benchmark for defining the technical conditions of the integrated permit and for setting emission limits.

Risk response



The Grupa Azoty Group holds all necessary environmental permits for its operations. It monitors its air emissions on an ongoing basis. Measurements are made at the intervals specified in the relevant integrated permits and they are reflected in the annual pollutant emission measurement schedules. The Grupa Azoty Group regularly monitors and responds to regulatory changes in the area of environmental emissions.



Risk related to the management of CO2 emission allowances

The CO2 emissions trading market is highly unpredictable due to its high volatility and sudden spikes in CO2 emission allowance prices.

Risk response

The management of CO2 emission allowances at the Grupa Azoty Group is supervised by the EU ETS Management Committee and the EU ETS Executive Team, based on the CO2 emission allowance trading policy in place. Allowances are purchased according to an annual purchasing plan, following a recommendation from the EU ETS Committee and the Financial Committee. The EU ETS Management Committee, which supervises the common model for managing CO2 emission allowances at the parent companies, tracks the implementation of purchasing plans and price developments of CO2 emission allowances. In addition, the EU ETS Executive Team monitors the prices of emission allowances on the market on an ongoing basis and analyses price trends in the short and long term.



Risk related to fire safety

The Grupa Azoty Group is exposed to the risk of fire or explosion as a result of which a company's assets may become damaged or destroyed and its operations may be restricted or suspended.

The fire safety risk involves possible injury or death of employees, environmental contamination, considerable material damage from explosion or fire at a production facility, as well as loss of quality or usefulness of products or raw materials due to explosion or fire at a storage facility, fire during transport, and the related, e.g. financial, consequences.

Risk response

The Company Fire Brigade units responsible for the oversight of fire-fighting activities at the Grupa Azoty Group companies have fire-fighting and rescue equipment to extinguish fires and remove other local hazards and effects of natural disasters. The Group operates an automated hazard reporting system, and its fire prevention system provides ongoing fire safety oversight.



Risk of non-compliance with water and wastewater management requirements

In connection with their operations, the Grupa Azoty Group companies abstract water and discharge wastewater. In the event of non-compliance with water and wastewater management regulations, which includes exceeding any parameters set in the applicable decisions, sanctions are imposed. At Grupa Azoty S.A. this is related to the implementation of new projects and expansion of existing units/plants. Substances acting as inhibitors present in effluents from the caprolactam polymerisation unit have an adverse effect on the biological treatment of the effluents, resulting in technical degradation of existing units/plants.

Risk response

The Grupa Azoty Group monitors the Water Law on an ongoing basis for any amendments tightening the existing standards or introducing new requirements applicable to the Company with respect to water abstraction and wastewater discharge. The Grupa Azoty Group holds all relevant legal permits related to water and wastewater management. When designing process units and applying for permits, the Group companies estimate and account for the effect of the unit/equipment on the volume of pollutants emitted into the environment. The volumes and quality of wastewater discharged and water abstracted are analysed on an ongoing basis. The Grupa Azoty Group responds to regulatory changes in the area of water and wastewater management on an ongoing basis.



Risk of land pollution and related costs

An accident occurring on a Grupa Azoty Group company's premises gives rise to a risk of soil contamination and incurring significant costs related to its remediation/reclamation, as well as a risk of administrative decisions being issued against the company, obligating it to clean up legacy contamination.

As a result, a Grupa Azoty company may be required to carry out reclamation work on the affected site and restore it to its original condition. In the case of legacy contamination, the company may be required, by way of an administrative decision, to draw up and deliver a site reclamation plan.

Risk response

The Grupa Azoty Group holds all relevant legal permits regarding soil contamination. To mitigate any possible incidents, groundwater on legacy contamination sites is monitored and the places where hazardous substances are loaded, unloaded and stored are inspected. A detailed risk assessment is carried out based on the type and quantity of substances in the process units as well as evaluation of the measures taken to prevent the substances from contaminating the soil. The Grupa Azoty Group responds to regulatory changes in the area of land pollution requirements on an ongoing basis.



Risk related to the use of radioactive substances

Radioactive substances used by the Grupa Azoty Group may adversely affect the health or life of employees or other persons present in the area of their potential impact. The Group may fail to meet the legal conditions for their use.

There is a risk of leakage from storage containers for radioactive substances, a risk of using defective equipment/apparatus that operates using radioactive substances, or a risk of inappropriate protection of such equipment/apparatus against access by third parties. A loss of a radioactive source due to theft or misplacement, as well as detachment of a radioactive source from its apparatus, are very unlikely as far as the apparatus containing the source is normally operated.

Risk response



In order to eliminate the risks, all radioactive sources in the operating apparatus are placed in transport and work containers with built-in locks preventing easy removal of the source without using special keys. The containers are screwed to the supporting structure. Radioactive sources used in units operating in open space are additionally secured using padlocks with patented lock systems. All apparatus with radioactive sources have output signals incorporated in the units' computer systems. During unit shutdowns or overhaul work in the immediate vicinity of radioactive sources, these sources are placed in transport and work containers in the isotope storage room. Once a year drills are carried out at the Grupa Azoty Group

to review and update the contingency plan for radiological emergencies. Sealed radioactive sources are used during such drills.



Risk of non-compliance with waste management requirements

Manufacturing processes generate waste which is classified in accordance with environmental protections laws as hazardous, non-hazardous and inert waste.

The changing legal requirements make it necessary to adjust and pay the costs of exceeding the waste limits. Failure to comply with the legal requirements may result in fines being imposed on Grupa Azoty by way of administrative decisions. Storage of waste at a place other than that specified in the integrated permit gives rise to a risk of penalties for storage of waste in a place not intended for that purpose.

Riske response

During design work on the Group's units and in applications for integrated permits, the unit's effect on the amount of generated waste is taken into account. The Grupa Azoty Group holds all legal permits related to waste management and responds to regulatory changes in the area of waste management on an ongoing basis.



Risk of exceeding environmental noise limits

If the noise emission limits applicable to the areas adjacent to Grupa Azoty S.A. are tightened, the Company may be subject to penalties by way of administrative decisions and may be required to present a plan of measures to ensure compliance with the limits set out in the relevant regulation. The location of a new investment project is always selected taking into account the project's potential impact on protected areas. During the unit design phase, equipment with appropriate parameters is selected, and the location of the unit takes into account the level of noise emitted.

Risk response

The Group holds all legal permits regarding environmental noise. In the existing units, soundproofing cabins and acoustic silencers have been installed. In accordance with the integrated permits, the Group companies regularly monitor and analyse the measurements of noise emitted to the environment. The Grupa Azoty Group responds to regulatory changes in the area of environmental noise requirements on an ongoing basis.

Social risks identified at the Grupa Azoty Group



Risk of accidents at work, occupational diseases and other threats

[403-7]

The work performed within the Grupa Azoty Group companies entails the risk that the production process may be halted as a result of an accident causing a serious injury or fatality on the premises of a Grupa Azoty Group company.

Risk response



The OHS services at Grupa Azoty carry out regular on-site inspections and participate in accident and emergency teams. Any near-miss incidents reported by employees in electronic and paper form are reviewed by the OHS services. A register of hazards, near-miss incidents and 'STOP Accidents' observations is kept and updated on an ongoing basis in an online database. In order to prevent any dangerous situations, the Grupa Azoty Group companies exchange information by publishing conclusions from investigation of near-miss incidents on an online platform.



Employees of Grupa Azoty Group companies can contract infectious diseases that could result in (potentially considerable) health losses, which may cause a large number of absences leading to a partial or complete shutdown of units.

Risk response

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In connection with the spread of SARS-CoV-2 pandemic in Poland and globally, a number of mitigation measures have been identified and planned. Work organisation has been changed at Grupa Azoty to reduce contact between employees. The measures taken include: ban on meetings, procedures for changing work patterns so that employees working one shift do not contact those working the next, working from home, procedures in the event of a confirmed infection, testing employees for COVID-19. The Grupa Azoty Group has also established a COVID-19 crisis management team to monitor the situation on an ongoing basis, make decisions on preventive measures and issue guidelines on what steps to take. Moreover, epidemiological forecasts issued by central authorities, the National Sanitary Inspectorate, the Ministry of Health and the Sanitary Inspectorate are regularly monitored.



Risk of misalignment between shareholder interests

Risk of misalignment between shareholder interests, which may lead to difficulties and slow down decision-making processes assigned to governing bodies, including the exercise of the right to veto or the right to contest a resolution

Risk response

The Grupa Azoty Group adopted a Declaration of Compliance with Corporate Governance Principles and Best Practice for GPW Listed Companies 2016. A transparent information policy ensures that any strategic intentions are communicated effectively via a website offering open and easy access to any materials placed on the agenda of the General Meeting. Measures have been taken to limit the voting right to one-fifth, except for the State Treasury votes, in line with the provisions of the Grupa Azoty S.A. Articles of Association. In order to minimise this risk, Management Board plans accompanied by relevant reasoning are presented and conferences are held for investors and brokerage houses. In addition, investor presentations and publications of current reports are prepared, and complete information is published on the Company's website.

¹ An updated version of the Best Practice for GPW Listed Companies was published in 2021.



Risk of personal data breach

The Grupa Azoty Group has identified a threat of personal data breach that may potentially lead to an accidental or unlawful destruction, loss, alteration, unauthorised disclosure of and access to personal data (GDPR).

Risk response

The Grupa Azoty Group continuously monitors compliance with the personal data protection rules and the personal data processing safeguards implemented at workstations. Personal data is processed pursuant to outsourcing agreements for data processing, which is the responsibility of the owner of the IT system processing the personal and/or the process. With respect to a joint controllership agreement, the responsibility rests with the owner of the IT system processing the processing the personal data and/or the process by means of which the data is processed, and the data is jointly controlled by two or more operators. The relevant contractual provisions governing personal data processing are based on the Grupa Azoty Group's

manual on contracting and contract performance. GDPR privacy notices, consent clauses and privacy policies are created on an ongoing basis to address the business needs and they satisfy the information requirements under the GDPR. Any arrangements in this respect are made at the level of the Grupa Azoty Group Data Protection Committee.



Risk related to security of information in terms of its confidentiality, availability, non-repudiation and authenticity where employees work remotely outside of the Group's IT infrastructure

Governance risks identified at the Grupa Azoty Group



In connection with the Grupa Azoty Group's operations there may be inconsistencies in the Group companies' documentation, or excessive formal requirements for the communication and decision-making processes.

Risk response

The Group maintains a register of implemented corporate standards, based on information received from its subsidiaries and resolutions adopted on the basis of such information. Reports are submitted on the progress in the implementation of those standards, along with an assessment by a given company's Supervisory Board. Regular contact is maintained with the leaders at the subsidiaries who are responsible for implementing corporate regulations, as well as with Chairs of Supervisory Boards – with respect to assessment of the implementation status of corporate standards.

Risk of violation of laws in the context of compliance management

There is a risk that either national or international law governing compliance management may be violated at the Grupa Azoty Group with regard to corruption, competition protection, embezzlement, prevention of money laundering and terrorist financing, human rights, exports control, or occurrence of a situation caused by acts or omissions by employees, subcontractors acting on behalf of the Company or its subsidiary.

Risk response

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In the event of a breach of law at the Group, penalties may be imposed following inspections by relevant supervisory authorities. Any resulting reputational damage to the Grupa Azoty Group brand may lead to the loss of contracts, customers and trading partners. In connection with adverse occurrences the Group makes provisions for potential damages that may be sought in court or arbitration proceedings. The Grupa Azoty Group monitors draft amendments to the existing laws or new legislation that can affect its business in line with the Grupa Azoty Code of Ethics.



There is a risk of a Grupa Azoty Group company's failure to comply with good corporate governance practices and capital market regulations, including the provision of untrue information outside the Group, delays/errors in the current and periodic reports of a company that is an issuer, due to lack of precision in the company's communication with external stakeholders.



To ensure uniform legal interpretation of disclosure requirements and uniform compliance, the Grupa Azoty Group companies that are issuers use the services of the same legal advisor with respect to their disclosure obligations. A uniform information policy ensures oversight of information flow and communication processes at the Grupa Azoty Group, in line with the adopted management model. To improve the effectiveness of the efforts taken, training on disclosure requirements and information policy is organised and electronic mail is monitored on a continuous basis by persons whose email addresses have been designated for providing notifications with respect to the Group's information policy.



Risk related to corporate social responsibility

A Grupa Azoty Group company may be exposed the risk of negative publicity in connection with improper care for social and public interests, for instance as a result of unintentional cooperation with low-reputation trading partners, the Group's insufficient involvement in implementing its CSR policy, and inappropriate communication of its CSR projects.

Risk response

To mitigate negative activity, the Group has implemented internal rules and regulations governing its social and sponsorship policies as well as a communication policy incorporating the Group's rules on image building. In addition, the contracts and agreements contain appropriate provisions to safeguard the interests of third parties, the parties' representations, and anticorruption and confidentiality rules. Should trading parties fail to comply with their terms and conditions, the following steps can be taken: imposing contractual penalties, taking legal action, terminating cooperation or performing inspections/audits.



Risk related to negative impact on the company's brand

Negative perception of the Grupa Azoty Group by the general public and media, as well as loss of brand reputation caused by deterioration of the Grupa Azoty Group companies' image as a result of negative publicity from competitors, poor quality, service and sales-related activities, may cause customer dissatisfaction.

The reputation of the Grupa Azoty Group's product brands may also be compromised by the presence of counterfeit products on the market, unfair competition or negative opinions about the Company's products in the media, insufficient communication on investment projects between persons responsible for project implementation and employees in the communication area, resulting in inappropriate information flow and negative publicity of a given project, as well as accidents at work involving employees, disasters and failures.

Risk response

- Grupa Azoty S.A. monitors the media, responds to press inquiries, and develops communication concepts for imagebuilding projects (e.g. core business, CSR and sponsorship), taking into account the internal and external communication procedure and the Grupa Azoty Group communication policy.
- In 2021, further work is under way to update the register of enterprise risks, including climate risks.



ETHICS

Diversity at the workplace

All of the Group companies follow clear rules of employment and promotion. We seek to ensure diversity encompassing gender, education, age and professional experience with respect to all our employees with particular regard to the companies' governing bodies and their key managers.

Any form of workplace discrimination, whether direct or indirect, on grounds of gender, age, disability, race, religion, nationality, political views, trade union membership, ethnicity, religious denomination, sexual orientation, or whether an employee is employed under a fixed-term or open-ended, full-time or part-time contract, is prohibited.

The Grupa Azoty Articles of Association define rules for appointment of the Management Board and for election of Management Board members by employees. The Collective Labour Agreement sets forth the employment and promotion criteria for managerial positions, which are based on a competence model and psychological tests verifying candidates' management abilities. Also, the Work Rules of Grupa Azoty contain a section devoted to equal treatment in employment.

We do not apply the principle of parity – each potential new employee is evaluated solely on the basis of their knowledge and skills and never on the basis of sex, background or age criteria. Over the years, the Group has developed rules that support nondiscrimination and diversity, and ensure equal opportunities for professional development of the workforce, and thus contribute to higher work efficiency and the Group's development.



BEST PRACTICE

Grupa Azoty Puławy has in place a Dialogue Forum, i.e. regular meetings between the employer and all trade unions active at the company during which information on key aspects of Grupa Azoty Puławy's operations is presented, and employee-oriented proposals and initiatives are discussed. The company has also established a collective bargaining agreement negotiation team to discuss amendments to the provisions of the collective bargaining agreement and to consult them with trade unions. The negotiations concern proposals put forward by the employer or by the trade unions.

[A400-1]

Total annual contributions to PFRON – the State Fund for the Rehabilitation of the Disabled [PLN]

	2019	2020	Total
Grupa Azoty KĘDZIERZYN	1,409,276.0	1,123,135.0	2,532,411.0
Grupa Azoty POLICE	2,916,429.0	2,803,768.0	5,720,197.0
Grupa Azoty PUŁAWY	3,618,423.0	3,880,515.4	7,498,938.4
Grupa Azoty S.A.	2,618,870.0	2,576,138.0	519,008.0
Grupa Azoty Group (total)	10,562,998.0	10,383,556.4	

[A400-2]

Number of trade unions and operation of the Works Council

	2019	2020
Grupa Azoty KĘDZIERZYN	3	3
Grupa Azoty POLICE	6	6

	2019	2020
Grupa Azoty PUŁAWY	9	9
Grupa Azoty S.A.	5	5

[405-2]

Ratio of average gross pay of women to men (by position) [%]

Structure level	Grupa A	zoty S.A.	Grupa KĘDZI	a Azoty ERZYN	Grupa Azc	oty PUŁAWY	Grupa Azo	oty POLIC
Year	2019	2020	2019	2020	2019	2020	2019	20 20
Position								
Operators	105.32	99.48	103.48	99.18	109.12	105.20	109.66	86.7
Other blue- collar jobs	99.53	96.50	86.50	87.35	84.91	83.91	77.51	80.9
Managing officers	94.45	95.16	93.02	85.86	95.13	93.01	93.54	104.) 104.) 104.)
Laboratory staff	106.50	107.09	112.08	128.38	107.24	105.45	89.55	93.6
Supervisors	95.53	98.79	77.08	79.72	87.89	88.50	82.78	79 .52
Senior staff	92.19	90.61	99.40	123.34	86.27	84.72	64.54	
Specialists	92.07	91.39	88.42	89.64	86.65	90.27	85.83	82.8
Senior management	100.67	94.69	104.84	103.13	113.62	116.43	118.22	116.0
Management Board					109.85	106.96		

*The ratio calculation takes into account bonuses and awards.

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Employees covered by collective bargaining agreements

99% of Grupa Azoty S.A. employees are covered by a collective bargaining agreement. They do not include Management Board members and personnel employed under managerial contracts. At Grupa Azoty Kędzierzyn, a collective bargaining agreement covers nearly 98% of employees, except for Management Board members, management staff, juvenile workers who undergo professional training or who learn to perform specific tasks, and personnel under replacement employment contracts. 100% of Grupa Azoty Puławy and Grupa Azoty Police employees are covered by collective bargaining agreements.



INNOVATION

Our approach to innovation

[IR - Presentation of the results]

Innovation is of strategic importance to us – it is part of the Grupa Azoty Group's mission and future. We want to break new ground and lead the way in innovation. In 2020, we developed our existing R&D centres and established new units specialising in specific research areas. We carry out research and implement innovation to extend our value chain with high-margin low-tonnage speciality products and to adapt new technologies while honing the existing processes.

In 2020, we continued to consolidate R&D activities conducted by individual Group companies. We believe that joint effort of scientists and experts across the Group is a foundation for effective R&D work. One of the key components of the Grupa Azoty Group's comprehensive innovation management model is a project, launched in 2020, to create a repository of R&D work currently in progress or completed in the last 20 years. The repository, created using a self-learning IT system, will help project managers to find reports, results or summaries they are looking for in much less time. The project is being implemented as part of the KPT ScaleUp acceleration programme, one of the Group's two acceleration programmes that are financed by the Polish Agency for Enterprise Development (Polska Agencja Rozwoju Przedsiębiorczości). The purpose of both programmes is the cooperation between large enterprises and innovative start-ups that pursue projects matching the needs of such enterprises.



BEST PRACTICE

[203-2]

We are expanding our services involving agricultural land monitoring and analysis for the purposes of precise fertilizer application by our customers. In 2019, training was held in Łódź, during which the Grupa Azoty Group's field representatives were given the first six soil scanners, while in 2021 all of our field representatives were equipped with such devices. The scanners enable quick on-site soil analysis for the presence of key elements. Based on its results, customers are given fertilizer recommendations based on the Grupa Azoty Group portfolio.

The scanner examines a soil sample in real time and sends the user information about fertilizer recommendations through a dedicated application. The generated report contains information about soil fertility such as pH factor, organic matter content (in per cent), total nitrogen, total phosphorus, interchangeable potassium, clay content and cation exchange capacity.

Such quick analysis allows agricultural producers to act in good time by applying fertilizers with the nutrients that are missing in the soil, which may prevent yield decline if done at the right vegetative phase.

The scanners complement our existing product mix which, in addition to fertilizers, has for three years included a service involving analysis of satellite data to optimise fertilizer consumption. The service, developed in partnership with SatAgro, a Polish start-up, enables farmers to receive via a dedicated application precise up-todate information about the condition of the soil for particular crops in order to optimise fertilizer use and maximise yields. This benefits not only agricultural producers, but also the natural environment.

SatAgro offers access to satellite observations and meteorological data as well as to world-class tools supporting precision agriculture and overall crop management. Satellite data comes from NASA, the European Space Agency, the World Meteorological Organization and from commercial operators (including Planet Labs).

Services offered by SatAgro allow users to constantly monitor crop growth, perform precision treatments, assess the impact of weather conditions and progress of agronomic treatments, as well as analyse historical data and effectiveness of the strategies used. Application maps facilitate precision sowing, fertilizer application and spraying, while automated alerts warn the user about sudden changes in plant condition and the weather.

In 2020, SatAgro sp. z o.o. together with a group of farms worked on a prototype module for precision irrigation. This module is the first of a set of tools developed to support farms in water management.

The module for precise irrigation, and more precisely: sprinkling irrigation, helps optimise water doses by automatic division of technological paths into sections according to the selected dosage strategy. The following three sources of variable water demand can be taken into account: crop condition, water capacity of soil, and topographical runoff rate. The result is presented in the form of an interactive map. It can also be printed as a report for the operator of a sprinkling machine terminal.



[204-1]

Our innovations are highly valued by external experts. Certain projects implemented by Grupa Azoty Group companies were partly financed by the National Centre for Research and Development under the Smart Growth Operational Programme. These include:

- development of a technology for the production of high-purity neopentyl glycol and hydroxipival aldehyde oxime with the use of low-value intermediate product and waste hydrogen stream; project value: PLN 27.40m, financial grant: PLN 11.67m;
- development of an innovative process to obtain a range of esters for ionic liquid catalyst; project value: PLN 5.87m, financial grant: PLN 2.52m;
- new formulations of nitrogen-rich CRF/SRF fertilizers based on ammonium nitrate and biodegradable coatings; project value:
 PLN 5.47m, financial grant: PLN 2.61m.

In 2020, our innovations took us to the 3D dimension. We opened a modern 3D Printing Materials Centre and launched sales of FDM technology products offered under the Tarfuse® brand. The key feedstock is the high-quality polyamide 6 and its modified varieties produced by our Group.

The launch of filament sales came as a result of an R&D programme started in 2017. Work is also under way to develop speciality polymer powders for SLS printing as well as light-curing polymers (photopolymers) for the SLA and DLP technologies. The 3D Printing Materials Centre, engaged in the research into and production of filaments, is located at the Research and Development Centre in Tarnów.

In order to popularise the FDM technology, we have also launched the 3D Printing Academy, and the 3D Printing Materials Centre personnel together with the technology partners provided training in several cities across Poland for scientists, business owners, and enthusiasts of 3D print technologies.



BEST PRACTICE

In 2020, Grupa Azoty Kędzierzyn signed a contract with the general contractor for the Research and Development Centre in Kędzierzyn-Koźle. The Centre will be a continuation of the Application and Development Research Laboratory opened in 2018, which enabled the company to reproduce production processes under laboratory conditions. Launch of the Centre, planned for the first quarter of 2021, will allow Grupa Azoty Kędzierzyn to expand the scale and scope of its current activities, especially in the Oxoplast segment. The project, worth over PLN 40m, will be co-financed with EU funding under the Smart Growth Operational Programme



BEST PRACTICE

[203-2]

We are ready to cooperate with external partners in creating innovations. In 2020, we signed a memorandum of understanding with the AGH University of Science and Technology in Kraków to jointly initiate innovative technology projects, especially ones increasing the energy efficiency of the Grupa Azoty Group units. We also started cooperation with the Maritime University of Szczecin, where a programme will be established in partnership with Grupa Azoty: industrial engineering and offshore wind power plants. Our specialists and academics from the Maritime University will also carry out scientific and research projects.



BEST PRACTICE

Grupa Azoty Zakłady Azotowe Chorzów has developed a range of innovative nitrogen stabilizers that are liquid compositions of urease inhibitor. In addition to improving our competitive position on the market, they will make our urea-based fertilizers compliant with the formal and legal requirements under legislation that will soon be bidding on every fertilizer manufacturer in Poland.

- 1

The urease inhibitor composition may be applied together with liquid nitrogen fertilizers just before their application on the field, which means that it may also be used by retail customers, i.e. farmers who use urea-based liquid fertilizers for soil application.



INNOVATION

Grupa Azoty Group's capex projects in 2020

In 2020, the Grupa Azoty Group's capital expenditure exceeded PLN 2.75bn and was financed with internally generated funds and a set of corporate credit facilities, loans, lease contracts and government grants. Growth capex, of more than PLN 1.74bn, represents the largest portion of our capital expenditure.

Capital expenditure





[203-1]

Structure of the Grupa Azoty Group's capital expenditure in 2020

Growth capex	PLN 1,744,675 thousand
Maintenance capex	PLN 323,542 thousand
Mandatory capex	PLN 449,395 thousand
Purchase of finished goods	PLN 54,520 thousand
Other (components, major overhaul work, other)	PLN 182,592 thousand



Polimery Police

[203-2]

Our key project is Polimery Police. Its purpose is to build propylene and polypropylene units with auxiliary systems and associated infrastructure, as well as a port terminal with feedstock storage facilities. The general contractor for the project is Hyundai. The start of commercial operation is scheduled for 2023.

The Polimery Police project in 2020:

- a project financing agreement between Grupa Azoty, Grupa LOTOS, Hyundai and KIND was signed;
- a credit facility agreement with a bank syndicate and financial institutions was signed;
- all required building permits (22 permits) were secured;
- the foundations for propane and ethylene tanks were laid;
- hydrogen, process steam and natural gas connections were installed;
- station of roof structures on propane and ethylene tanks, pipelines, pumping stations and control rooms continued;
- construction of a furnace for the PDH unit started;
- contracts for the dredging of the port terminal were concluded.

Ranking among the largest chemical industry projects in Poland and Europe, Polimery Police will help diversify our Group's business and strengthen Poland's independence in terms of energy and raw material supplies. The project is in line with the closed-loop climate neutral economy strategy, which defines the process of decarbonisation of plastics throughout their life cycle through the use of four key solutions:

- transition to a circular plastics economy;
- improving energy efficiency in production processes;
- decarbonisation of production;
- partial transition to renewables.

Polypropylene to be produced by Polimery Police is a chemical compound that can be used in the chemical, pharmaceutical, textile, food, packaging, electronics and automotive industries. Advanced production technologies reduce consumption of raw materials and energy, ensure high reliability of the units, and mitigate environmental impacts by lowering emissions of sulphur oxides or carbon dioxide.



The project is also of great importance to the local community. The Police plant is the largest employer in the region. The construction and launch of Polimery Police will increase the county's revenue, stimulate the development of entrepreneurship and encourage local residents to stay in the county. The project may also support local field research, development of higher and vocational education, and the financing of construction of new infrastructure.





BEST PRACTICE

[203-2]

Once the polypropylene plant comes on stream, traffic volumes on the road leading to Grupa Azoty Police will increase significantly. For this reason, our Group cooperated closely in designing the Szczecin western bypass. In 2021, we made available our land which is necessary for the construction of a tunnel that will be a part of the bypass. Thanks to the Group's efforts, its initial route was changed as it was conflicting with the plant's infrastructure. Ultimately, the investor accepted a route that was welcomed by the company, involving the construction of a tunnel which will be some 1.5 km longer than the one originally planned. The rerouting will make it possible for the bypass to be constructed safely and almost without any interference with the Company's infrastructure.

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See other projects implemented by the Group in 2020

Project name	Project budget	Expenditure incurred	Expenditure incurred in 2020	Project purpose	Scheduled completion d
Grupa Azoty POLIC	E				
Making production of demineralised water independent of variable salinity of the Oder River and increasing the ability to produce special waters in the units	108,000	60,172	59,122	Upgrade and expansion of the water treatment and demineralisation station as a means of protection against periodic salinity increases in the Oder river for Grupa Azoty Police companies	2023
Grupa Azoty PUŁAWY					

Project name	Project budget	Expenditure incurred	Expenditure incurred in 2020	Project purpose	Scheduled completion d
Construction of coal-fired power generation unit	1,200,000	412,077	401,382	Adaptation of energy generation units to environmental requirements, while increasing the share of the autoproducer CHP plant in electricity consumption by production units and ensuring continuity of energy supplies	2022
Upgrade of existing nitric acid production units and construction of new nitric acid production and neutralisation units and units for production of new fertilizers based on nitric acid	695,000	352,471	111,479	Increase in the efficiency of nitric acid production and the economics of production of nitric acid-based fertilizers	2028
Facility for production of granulated fertilizers based on ammonium nitrate	430,000	388,365	24,918	Improvement of the quality of fertilizers by applying modern mechanical granulation	2021 Roll Table
Upgrade of steam generator OP-215 No. 2 to reduce NOx emissions	145,000	60,296	29,824	Bringing the steam generator into compliance with new NOx emission standards and restore it to proper working condition	2022

Project name	Project budget	Expenditure incurred	Expenditure incurred in 2020	Project purpose	Scheduled completion d
Replacement of the turbine generator set	85,000	28,591	28,382	Increase in the efficiency of electricity and heat cogeneration by replacing a pass-out and condensing turbine with a new unit	2021
Grupa Azoty KĘDZI	ERZYN				
Upgrade of the synthesis gas compression unit supplying the Ammonia Plant	140,000	66,607	7,284	Rebuilding the synthesis gas compression capacities for the Ammonia Plant through the installation of new compressors	2022
Peak- load/reserve boilers	123,000	9,300	9,201	The peak- load/reserve boiler house functioning as a peak-load source will interoperate with steam generators; in the event of downtime of coal-fired boilers, it will serve as a stand-alone reserve steam generator	2023
Purchase and installation of an oxygen compressor	72,800	34,294	26,819	Replacement of old steam turbine driven oxygen compressors with one electric compressor	2021

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[103-2]

Environmental projects

Our investments and expenditure translate into tangible benefits. Grupa Azoty Group's selected non-financial information (compared with 2019):

- 10% reduction of requirement for energy generation fuels;
- 20% reduction of emissions of the greenhouse gas nitrous oxide;
- over 17% reduction of PM 2.5 emissions;
- 5% reduction of waste volumes;
- over 130 projects supported under the CSR strategy.

Selected environmental projects in 2020:

Grupa Azoty S.A.:

- A project was launched to construct a dry slag collection unit at the Grupa Azoty S.A. Power Centre. After it is completed, the hydraulic conveyor system will be decommissioned and the consumption of electricity and water will be reduced. Furthermore, the project will allow the Company to discontinue slag storage and to recover dry slag for use in road construction.
- Construction of a turbogenerator set using steam from the Sulfuric Acid Department. As a result, waste heat is utilised to generate electricity.
- Adapting the flue gas desulfurisation unit to the new and more stringent EU requirements BAT conclusions.
- Construction of a plant for biological treatment of wastewater from Grupa Azoty S.A. production units. Based on the completed tests, assumptions for the upgrade of the biological wastewater treatment plant will be developed.

Grupa Azoty Kędzierzyn:

In 2020, Grupa Azoty Kędzierzyn worked on implementing the adopted 'steam policy', which will result, among other things, in reducing the steam requirement in technological processes of ammonia and hydrogen production and, as a consequence, lower emissions of pollutants from combustion processes at the company's CHP plant.

Grupa Azoty Puławy:

- Upgrade of steam generator and reduction of NOx emissions.
- Adaptation the flue gas desulfurisation unit to comply with BAT conclusions.
- Expansion of the decarbonisation plant.
- Utilisation of waste gas emissions from the ammonium nitrate solution production hub at the Ammonium Nitrate and UAN Department.
- Construction of a coal-fired power generation unit.
- Work was continued to select a contractor to design and build a central biological industrial wastewater treatment plant. Laboratory and pilot tests were launched on discharged wastewater streams to select an appropriate treatment technology.

Once completed, the project will enable Grupa Azoty Puławy to meet the requirements defined in the BAT conclusions for common wastewater treatment systems.

Grupa Azoty Zakłady Fosforowe Gdańsk:

- Recovery of phosphates from leachate from the phosphogypsum landfill in Wiślinka. Phosphorous recovery accelerates the reclamation of the landfill site, improves the condition of the natural environment and fits into the sustainable development strategy by reducing the use of water and phosphate resources.
- Recovery of sewage sludge incineration ash classified as waste. The waste contains phosphorus, which the European Environment Agency has recognised as a priority raw material. The Agency indicated recycling and recovery of phosphorus from sludge as key ways to balance its consumption. Furthermore, the use of ash as a low-cadmium feedstock helps reduce cadmium content in phosphate fertilizers, which is beneficial for the environment and reduces cadmium accumulation in soil.
- Upgrade of the soda lye handling terminal. The terminal was equipped with environmental protection devices such as drip trays at railcar unloading bays, a reinforced concrete tank at the pump station, and a leachate collection unit. The terminal was also equipped with railcar loading and unloading facilities with emergency disconnect systems protecting against uncontrolled leakage. The upgrade reduced the risk of chemicals handling operations affecting the natural environment.



BEST PRACTICE

[203-2]

We share our best practices and experience during industry meetings, conferences and panels

- In March 2020, the Grupa Azoty Group was the honorary host of the 15th Scientific and Technical Conference

 'Environmental Protection. Electricity. Heat. Industry', organised by BMP. Our representatives took part in
 a panel opening the conference and in workshops on waste. Our experts also presented an emissions reduction
 concept and the role of circular economy as a tool for implementing environmentally-oriented ideas.
- In June 2020, we participated in an online debate prepared by the Polish Chamber of Chemical Industry, entitled 'Green Transition as a Medicine for Economic Recovery? Challenges and Prospects for Poland's Chemical Industry'.
- In October 2020, we attended the debate entitled 'EU Emission Reduction Targets How Is Poland's Chemical Industry to Meet Them?' organised by the Polish Chamber of Chemical Industry.

[307-1]

Monetary value of fines for non-compliance with environmental laws and/or regulations [PLN]

	2019	2020
Grupa Azoty POLICE	46,215	0
Grupa Azoty PUŁAWY	3,276,186	5,573,283
Total	3,322,401	5,573,283

In March 2020 and March 2021, the Lublin Provincial Inspectorate for Environmental Protection imposed a fine on Grupa Azoty Puławy for the release of pollutants (sulfur dioxide, nitrogen oxides and particulate matter) from the Company's CHP plant in 2019 and 2020, in volumes exceeding the set limits.

As Grupa Azoty Puławy initiated projects which, once completed, will ensure that the emission limits are observed, thus removing the grounds for imposing the fines, the company has applied to the Inspectorate for a postponement of the penalties. The penalty payment date was moved to the end of 2022. Upon completion of the necessary work, Grupa Azoty Puławy will apply for a reduction of the postponed penalties by the expenditure made to complete the projects.



Sustainable production

Sustainable production is a pillar of sustainable development of the Grupa Azoty Group. Ensuring the responsibility and safety of operations is a fundamental principle of the Group.

Polyamide-6

An example of sustainable products manufactured by the Group is polyamide 6 and its compounds. Polyamide 6 is an engineering plastic used in many sectors of the economy, which substantially improves or reduces human impact on the environment. In the food industry, it is used in the manufacturing of cling film that significantly extends the shelf-life of food, preventing its waste. In the automotive industry, parts made of polyamide 6 markedly reduce the weight of cars, translating into lower fuel consumption and indirectly protecting the environment. Polyamide 6 is also used in the textile industry as it extends the useful life of clothes and carpets.

The Grupa Azoty Group manufactures polyamide 6 according to state-of-the-art technologies developed by leading Western providers, such as Zimmer and Uhde Inventa-Fischer. In recent years, the production technologies have been modernised and their environmental impact has been materially reduced. The consumption of raw materials and energy has also been lowered.

NO_{X}

To bring down environmental pollution, the European Union has set requirements for exhaust gas emissions from heavy and light goods vehicles powered by diesel engines. One of the methods adopted by car makers to ensure compliance with the EU requirements is SCR (selective catalytic reduction), which chemically reduces NOx emissions by using an additive (urea) in the exhaust system in engines, i.e. AdBlue® (NOXy® manufactured by the Grupa Azoty Group) with an appropriate content of urea. Using the liquid with appropriate content of urea is crucial to maintaining the efficiency and ensuring proper operation of the

system. In 2020, the Grupa Azoty Group carried out research with a view to developing the NOXy product line and supplementing its NOXy offering with additives which will enable:

- higher NOx emissions reduction compared with the traditional AdBlue;
- higher particle number reduction compared with the traditional AdBlue;
- reduction of carbon dioxide emissions;
- reduction of fuel consumption;
- extension of the useful life of SCR catalyst.

As the research results show that the objectives for the new product have been achieved, Grupa Azoty is working to start its mass production and sales. We plan to offer the product to our customers in 2022.

NovaTec

In cooperation with COMPO EXPERT, we added the NovaTec nitrogen stabilizer and granulated nitrogen fertilizer to our product range. They temporarily block the activity of Nitrosomonas bacteria by interrupting the nitrification process for up to three months. The slowing down of nitrogen release triggers a number of positive effects for both plants and the natural environment:

- significant reduction of nitrogen leaching;
- ensuring stable supply of nitrogen to crop plants;
- high efficiency even in light soils;
- reducing the number of runs on the field;
- improving the crop's yield and quality.

Tohumus

[203-2]

To meet the needs of the constantly evolving agricultural sector, Grupa Azoty has expanded its product mix to include an organic and mineral plant growth stimulator derived from a biological, natural raw material. It is manufactured using alkaloid extraction from lignite. Application of humic acids in plant production makes it possible to produce more food of better quality. The results of numerous tests showed that the preparation is highly effective in improving plant productivity (higher yields and higher growth of the above ground weight of plants and of the root system and improved natural resistance). The preparation also enhances soil fertility by:

- increasing water capacity, especially in light soils, which reduces the risk of drought;
- building a soil crumb structure, creating favourable air-water relations;
- increasing the availability of nutrients for plants;
- reducing the leaching of elements and ensuring their retention in the root zone (greater chance of absorption by crop plants);
- maintaining an appropriate content of organic matter;
- improving solar energy absorption efficiency and thus offering better thermal properties (which affects the pace of nutrient release from soil);
- supporting proliferation of useful microorganisms;
- accelerating the decomposition of post harvest (organic) residue the released nutrients become available for plants more quickly.



Circular economy

We want to achieve the highest standards of circular economy. We are aware of the need to reduce the consumption of raw materials, recover materials and recycle waste, and to develop biodegradable plastics. The Grupa Azoty Group is able to meet

the increasingly stringent EU regulations, which point to the need to transform the economy towards the circular model to the widest extent possible.

We want our new products to contribute to economic growth while protecting natural resources and preserving the balance of agroecosystems globally. We focus on rational and efficient use of fertilizer nutrients, which means that we can ensure optimum yields of desired quality while reducing pollution and protecting the production potential of the environment.

An example of a product consistent with the idea of circular economy is Fosfarm fertilizers. They are enriched with calcium, magnesium, sulfur and micro-elements, such as copper and zinc. The phosphorus content, as well as the calcium, magnesium and micronutrients, all come from regenerative sources only, including sewage sludge incineration ash.



Manufacture

The formula of Fosfarm fertilizers has been the product and maximise its effectivene calcium, magnesium, sulfur and micronut which significantly contribute to improvin contain ammoniacal nitrogen, magnesium

facilitating absorption of phosphorus by called synergism between elements. The fertilizers is soluble in ammonium citrate phosphorus is water soluble). Phosphoru substances show comparable effectivene applied, provided they are placed at the



NATURAL ENVIRONMENT

Environmental management

The Grupa Azoty Group companies have in place an integrated environmental management system. Its scope was defined with due regard to the context of the organisation's operations, its business, products and services as well as relevant stakeholder requirements. The system encompasses all of the Group's activities and covers:

- production and sale of nitrogen fertilizers, plastics, plastic products, catalysts, organic and inorganic chemicals, heat and electricity;
- research and development services and laboratory services;
- design and development of chemical products and plastics;
- supervision of the joint activities of the Grupa Azoty Group companies.

The integrated management system is based on the process approach and interaction of processes, in compliance with legal and other requirements. Process management is governed by relevant procedures.

Processes are classified according to two criteria:

1.Impact scale:

corporate – managed at the Group level

- dual
- separate operated only at the company level
- 2. Nature:
- management processes decision-making processes related to the management and supervision of the Group, collection and processing of data needed to make management decisions and supervise their implementation
- business processes product and sales processes that deliver added value to the Group
- support processes processes improving the effectiveness and efficiency of business processes

This approach was the basis for the establishment of a system of responsibility and accountability for the management of the Company's key activities. Process leaders, with responsibility for supervising and coordinating the process operation, and process administrators, providing operational support to the leaders and responsible for direct process supervision, have been appointed. Process administrators are responsible for risk management in the area of their activity. The Grupa Azoty Group's environmental management system complies with the ISO14001:2015 standard: 'Environmental management systems – Requirements with guidance for use'. In addition, it takes into account the requirements of ISO 9001:2015 and the recommendations of ISO 14004:2016-04: 'Environmental management systems – General implementation guidance'.

The process approach to environmental management facilitates oversight of relations and interactions between the identified processes and performance improvement. Those with relate to risks and opportunities have been integrated into the processes included in the environmental management system. Responsibility for environmental matters at the Grupa Azoty Group rests with the Management Board.

The environmental management system is verified by both internal and external auditors. Internal audits are carried out to determine the system's compliance with the requirements of ISO 14001 and corporate arrangements and to verify whether the system is effectively implemented and maintained. Audit planning and administration are governed by a separate procedure.

The audits are carried out by internal auditors, i.e. employees holding relevant authorisations. One condition in selecting members of the audit teams is that they have no organisational connections to the area to be audited. The internal audit planning process is informed by the outcomes of risk analysis. Internal audits include an analysis of information on incidents that may affect the level of specific risks or indicate the emergence of new, previously unidentified risks. The adequacy of risk mitigation efforts is also assessed. The audit results are presented in a report, complemented by lists of irregularities, threats, and opportunities. Any detected irregularities are analysed in accordance with specific procedures, while risks and opportunities are reviewed in terms of need for action. The reports are submitted to the President and selected member of the Management Board as well as other persons.

External audits of the environmental management system are carried out by the certification body. Periodic external audits are performed annually, and a recertification audit is carried out every three years. The recertification audit is followed by extension of the certificate for the environmental management system.


BEST PRACTICE

In 2020, we signed a memorandum of understanding with Air Liquide of France. The memorandum provides for joint analysis of the possibility of implementing a pilot project to produce biomethane from agricultural waste, optimum use of waste and post-absorption gases from Grupa Azoty's industrial units in order to reduce direct emissions, and optimisation of hydrogen and CO2 management. The planned activities also include assessment of the possibility of using Air Liquide's carbon capture technology by Grupa Azoty.

If the assessment findings are positive, the biomethane project will be implemented at Puławy. Air Liquide previously built an air separation facility at the Puławy Subzone of the Starachowice Special Economic Zone, and has supplied oxygen and nitrogen to Grupa Azoty Puławy since 2011. Air Liquide is a global leader in gases, technologies and services for industry and the healthcare sector.

[102-20]

Grupa Azoty S.A.

The company has designated management level positions with responsibility for economic, environmental and social matters:

- environmental matters: Head of the Corporate Technology and Energy Department;
- social matters: Corporate Director for Organisation and Human Resources;
- economic matters: Head of the Corporate Finance Department and Head of the Corporate Controlling Department.

Grupa Azoty KĘDZIERZYN:

The responsibility for economic, environmental and social matters is governed by the IMS Policy of Grupa Azoty Kędzierzyn S.A. – Appendix 1 to the Grupa Azoty Kędzierzyn S.A. Integrated Management System Book, edition 09, in effect since December 10th 2020.

Grupa Azoty PUŁAWY:

In accordance with the company's Articles of Association, in 2020 its structure included designated management level positions with responsibility for:

- economic matters: Head of the Finance Division/Chief Controller;
- environmental matters: Head of the Support Division;
- social matters: Head of the Human Resources Division/ Head of the Corporate Division.

The managers are accountable and report directly to the Company's Management Board.

A person in the position of Chief Controller reports directly to the Head of the Finance Division.

Grupa Azoty POLICE:

The company has designated management level positions with responsibility for:

- economic matters: Head of the Finance Department and Head of the Controlling Department;
- environmental matters: Head of the Plant Safety Department and the Project Manager for GHG Emissions, Technological and Environmental Analysis;

social matters: Head of the Human Resources and Management Department.

Persons employed in the above positions report directly to the Management Board.



Raw materials

Our activities inherently involve consumption of natural resources, both for the purpose of generating energy for the organisation's internal needs and for the core business purposes, that is production of fertilizers and chemicals. For the most part, the Group sources its raw materials, merchandise and services from the domestic and EU markets. Certain raw materials (phosphate rock, slag, potassium chloride) are purchased from non-EU suppliers. Raw materials supplied by the Group companies, i.e. ammonia and to some extent sulfur, account for a significant share of the total raw materials procured by the Group.

[301-1]

Consumption of raw materials and materials, by weight and volume



Strategic raw materials



Consumption of raw materials and energy



Changes in the raw material consumption are related to the production volumes of ammonia and, to a much lesser extent, compound fertilizers and titanium white.



At Grupa Azoty Kędzierzyn, propylene consumption grew year on year, in line with increased production driven by favourable market conditions. On the other hand, a significant increase in liquid ammonia consumption was attributable to a prolonged shutdown in 2020, as well as purchases of this raw material made in anticipation of a possible shutdown in 2021.

In 2020, Grupa Azoty Puławy consumed less benzene and sulfur than a year earlier; the decrease was related to a reduction in the annual output of caprolactam, due to production problems faced by customers in connection with COVID-19.



Waste

[103-2] [306-1] [306-2]

The Grupa Azoty Group operates a programme of selective waste collection on its premises (waste paper, plastics, wood, glass, used batteries, and used electric and electronic equipment). All our contracts with external providers of waste collection services incorporate a clause requiring the providers to reuse or dispose of the waste in accordance with environmental protection laws and the Polish Waste Act. We also work with packaging waste recovery organisations and the Polish Chamber of Commerce, and we meet the appropriate targets applicable to recovery and recycling of packaging waste, including composite and hazardous materials packaging waste.

- In 2020, the main type of waste generated by Grupa Azoty S.A. was fly ash from coal, which was transferred to third parties for commercial use. In terms of volume, the second largest waste type was ash collected using a hydraulic conveyor system. All of the ash is utilised by Grupa Azoty Jednostka Ratownictwa Chemicznego. Sewage sludge is used as an additive for pellet production, while refurbishment and demolition waste finds its application as ballast for ground stabilisation. Used catalysts are sold to be recovered or regenerated. Hazardous product packaging, absorbents, filter materials, and chemical reagents are transferred for disposal.
- Grupa Azoty S.A. handles waste in accordance with the generally applicable laws provided for in EU Directives and the Polish Waste Act with its secondary legislation. The Company uses methods designed to reduce waste generation to the minimum. When a new solution is designed or selected, as early as in the bid selection stage we take into account the technology, raw

materials that could guarantee minimum pollution and contamination, waste generation, and the possibility of environmentally safe processing of the waste. The majority of the raw materials and auxiliary materials used in production processes are supplied by rail cars or road tankers, which reduces the amount of packaging waste. Unit packaging in which production raw materials is supplied is collected and sent for recycling. Grupa Azoty S.A. has joined the packaging collection and recycling system and cooperates with a packaging waste recovery organisation.

- Grupa Azoty Siarkopol generated significantly more waste, including mainly iron and steel, in 2020 compared with 2019, following the decommissioning of the carbon disulfide unit at the Chemical Plant.
- Grupa Azoty Kędzierzyn handed over approximately 99% of the waste it generated in 2020 to waste collection operators for recovery, including selectively collected waste representing secondary raw materials. The main waste type at the company is waste from the fuel combustion unit, i.e. slag, fly ash, ash and slag mixtures, waste from flue gas desulfurisation and waste from industrial wastewater treatment. All types of waste are collected selectively and stored at designated sites.
- At Grupa Azoty Puławy and Grupa Azoty Police, the waste they generate is managed internally or is transferred to authorised third-party operators. Inspections carried out by external authorities, which revealed no irregularities, confirmed that waste is correctly managed by the two companies. Products manufactured at the plants in Puławy and Police are sold in bulk or in packaging, including paper and plastic bags. The companies keep a record of the packaging that is placed on the domestic market or exported outside Poland with their products, and have signed contracts with a packaging waste recovery organisation.

In 2020, all Grupa Azoty Group companies undertook many initiatives of various scale to reduce their waste volumes. These included:

- reclassification of fly ash waste from coal combustion as a by-product;
- reduction of the amounts of landfilled waste by transferring it for commercial use (ash and slag waste is extracted from the landfill site and transferred to third parties);
- active search for waste collection operators that could collect waste for recovery;
- search for solutions enabling commercial use of the currently generated waste and the waste landfilled in previous years (e.g. by-products of combustion, landfilled ash and slag);
- use of by-products of production processes to recover useful components and thereby reduce the waste volumes;
- purchases of raw materials in reusable packaging;
- dewatering of sludge, which can then be transferred to third parties for further use;
- research work to develop technologies for sludge processing into fertilizer products.

[306-3]

Waste generated (2020) [Mg]

		Waste generat	ed (2020) [Mg]									
Year		2020										
Structure level	Grupp Azety S A											
Waste type	Grupa Azoty S.A.	KĘDZIERZYN	Grupa Azoty Poław i	Grupa Azoly POLICE								
Non-hazardous	40,733	86,337	54,867	4,180,914								
Hazardous	119	4,543	500	9,044								

		Waste generate	ed (2020) [Mg]	
Total	40,852	90,880	55,367	4,189,958

* The indicator is reported in accordance with the revised version of the GRI Standard and therefore no comparative data for 2019 is available.

[306-4]

* Hazardous and non-hazardous waste diverted from disposal, by recovery method and waste handling location (2020) [Mg]

		Grupa A	zoty S.A.	Grupa KĘDZII	Azoty ERZYN	Grupa Azo	ty PUŁAWY	Gru
Waste handling location	Waste recovery method	Hazardous waste	Non- hazardous waste	Hazardous waste	Non- hazardous waste	Hazardous waste	Non- hazardous waste	Hazar was
On-site	Other recovery methods	0	0	0	0	0	0	1,13 보 법
	Other recovery methods	20,37	24,574	4,030	532	492	62,894	SCROIL T
Off-site	Directed to reuse	0	0	23	83,718	0	0	
	Directed to processing (recycling)	0	387	0	3,644	0	0	
Total waste disposal	e diverted from	20,37	24,961	4,053	87,984	492	62,894	1,14

* The indicator is reported in accordance with the revised version of the GRI Standard and therefore no comparative data for 2019 is available.

[306-5]

* Hazardous and non-hazardous waste directed to disposal, by disposal method and waste handling location (2020) [Mg]

		Grupa A	zoty S.A.	Grupa KĘDZI	Azoty ERZYN	Grupa Azo	ty PUŁAWY	Grup
Waste handling location	Disposal method	Hazardous waste	Non- hazardous waste	Hazardous waste	Non- hazardous waste	Hazardous waste	Non- hazardous waste	Hazard wast

		Grupa A	zoty S.A.	Grupa KĘDZI	Azoty ERZYN	Grupa Azc	ty PUŁAWY	Grup
On-site	Other waste disposal methods	0	0	0	0	0	10,273	7,89 TTYBRE
	Other waste disposal methods	108	16,975	0	156	6	0	0 SCRO
Off-site	Incineration without energy recovery	0	0	0	0	0	0	
	Incineration with energy recovery	2	16	399	0	0	0	
Grupa Azo (total)	ty Group	110	16,991	399	156	6	10,273	

*The indicator is reported in accordance with the revised version of the GRI Standard and therefore no comparative data for 2019 is available.

[301-3]

Percentage of reclaimed products and their packaging materials (by type of material)[%]

	G K	irupa Azo ĘDZIERZ`	oty YN	Grup	a Azoty F	POLICE	Grupa	a Azoty P	UŁAWY	Gru	ipa Azoty	/S.A.
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	
Wood	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	
Paper and cardboard	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0	61.0	TABLE
Packaging that held hazardous substances				38.9	30.0	52.0	40.1	49.5	52.0	33.1	30.0	SCROIL
Steel and sheet steel	51.0	51.0	51.0	51.6	51.0	51.0	51.0	51.0	51.0	51.0	51.0	
Plastics	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	
Multi-material packaging										21.0	38.0	



Energy

[103-2]

Improvement of energy efficiency in technological processes is among the key challenges faced by the Group companies. We are continuously streamlining our processes and implementing energy saving initiatives.

All heat used by Grupa Azoty S.A. is generated internally. Electricity comes from own generation sources or is purchased from third parties. Compared with 2019, the production of electricity and heat fell slightly due to a change in demand from technological processes.

Grupa Azoty Kędzierzyn uses process steam obtained from fine coal-fired steam generators. Part of electricity for its production plants is generated by turbines, with the balance is purchased from third-party suppliers.





BEST PRACTICE

[103-3]

At Grupa Azoty Kędzierzyn, work is under way to deliver a key project aimed at ensuring the company's energy security and at driving down the consumption of primary raw materials, carbon dioxide emissions, and energy intensity of the company's core production. The new concept is a completely novel approach to in-house power generation, increasing the use of thermal energy from ammonia production processes, which will be harnessed to produce energy carriers and electricity in cogeneration.

The project will ensure steady supply of high-pressure steam from the fertilizer production unit and eliminate the need to build another pulverised-fuel steam generator, driving down CAPEX by nearly PLN 200 million and current operating costs by about PLN 30 million per year. Thus the Company will be able to:

- *improve energy efficiency through lower consumption of raw materials and, indirectly, reduced depletion of the country's natural resources, and will significantly cut down emissions of carbon dioxide and other volatile compounds produced when burning coal;*
- reduce annual coal consumption by approximately 126 tonnes per year, and thus CO₂ emission allowances (by 248 tonnes per year), while electricity consumption will increase, but will ultimately be to a large extent met by energy from renewable sources;
- *adapt its in-house power generation to the requirements of environmental protection and complete the modernisation process, as well as ensure energy security for years to come.*

Implementation of the new concept based on the abovementioned methods designed to reduce raw material consumption and emissions to the environment, including CO_2 emissions, will significantly reduce adverse climate impacts of the Kędzierzyn plant and improve its competitiveness.

In March 2021, an ISO 50001 energy review was carried out. It involved gathering all information on energy consumed by the organisation and confirmed that Grupa Azoty Puławy's total consumption of final energy (electricity and heat), as well as gas for energy generation purposes was 20,247,671 GJ in 2020.

Grupa Azoty Police mainly uses heat (process steam) generated from its own sources (fired with fine coal), purchased from a local supplier, and recovered from technological processes. Electricity consumed by Grupa Azoty Police comes from its own steam turbines or is purchased from an external supplier, as is natural gas.

[302-1]

Energy consumption within the organisation, including information on the type of energy carrier used

Fuels used to generate electricity by category of energy carrier (GJ)

Category of energy	Grupa A	azoty S.A.	Grupa KĘDZII	Azoty ERZYN	Grupa Azo	ty PUŁAWY	Grupa Az	oty POLIC
Carrier	2019	2020	2019	2020	2019	2020	2019	2 02
Steam heat	0	0	0	0	0	0	2,015,947	1,5 17,3
Natural gas and high- methane natural gas	941	14,785	0	0	3,878	4,136	0	TA BI F
MEAK	0	0	0	0	95,971	74,210	0	
Mazut	23,166	0	0	0	0	0	3,806	1,69
Fine coal and thermal coal	3,332,252	2,888,584	1,160,189	952,668	2,844,367	2,440,631	1,711,542	1,23 9,0
Fuel oil	0	11,028	1,601	1,025	0	0	0	
Total	3,356,359	2,914,397	1,161,790	953,693	2,944,216	2,518,977	3,731,295	2,758,

*All categories of fuels used in electricity generation are derived from non-renewable energy sources.

[302-1]

	Grupa A	Azoty S.A.	Grup: KĘDZ	a Azoty IERZYN	Grupa Azo	ty PUŁAWY	Grupa Az	oty POLIC
	2019	2020	2019	2020	2019	2020	2019	20 20
Electricity, heat, cooling and steam purchased for consumption (GJ)	793,497	816,390	1,154,268	1,174,947	3,902,500	3,973,150	1,420,619	1,5 81,4
Electricity, heat, cooling and steam generated by the organisation (GJ)	2,513,441	2,308,762	6,145,491	6,230,807	17,477,677	16,581,682	7,968,229	9,328 9,328 9,328
Electricity, heat, cooling and steam sold by the organisation (GJ)	341,583	325,052	1,730,167	1,496,754	1,336,318	1,266,193	614,380	454,7
Total energy	2,965,355	2,800,100	5,569,592	5,909,000	20,043,859	19,288,639	8,774,468	10,454,0

consumption within the				
organisation				
· /				

[302-3] Energy intensity ratio (EIR)¹ [%]

	Grupa KĘDZ	a Azoty IERZYN	Grup: PC	a Azoty DLICE	Grupa PUŁ	a Azoty AWY	Grupa A	Azoty S
Year	2019	2020	2019	2020	2019	2020	2019	20 -
Total	26.29	33.64	31.01	33.04	42.17	47.51	41.27	50. 50.
Relative to 2019	up b	y 41%	up b	oy 6%	up b	y 13%	up by 22%	

¹ Pursuant to the Regulation of the Minister of Climate on the method of calculating the electricity intensity ratio by industrial consumers, the ratio is defined as cost of electricity used for own needs to gross added value, calculated as the arithmetic mean from the last three years preceding the year in which the obligation is performed.

The increase in the energy intensity ratio at all companies was attributable to:

- growing average cost of electricity consumption, driven by higher prices of raw materials, materials, CO₂ and other emissions;
- a year-on-year decrease in revenue, due to a decline in sales of products and services brought about by the pandemic and other market-related events;
- compensation received under the Act on the Compensation Scheme for Energy-Intensive Sectors and Subsectors of July 19th 2019.

For Grupa Azoty S.A. an additional driver was the amendment to the Regulation of the Minister of Climate on the method of calculating the electricity intensity ratio by industrial consumers, comprising two elements:

- additional cost cogeneration charge;
- change in the amount of excise duty that the consumer would have paid if it had not benefited from the relief (before the
 amendment the regulations required that the calculation used excise duty actually recorded as expense, which was lower).

[302-4]

Total savings from reduced energy consumption and improved energy efficiency [GJ]

Structure level	Grupa KĘDZ	a Azoty IERZYN	Grupa A POLIC	Azoty CE	Grupa PUŁA	Azoty WY	Grupa S./	Azo A. BLE
Year	2019	2020	2019	2020	2019	2020	2019	2 IN IN
Total savings from reduced energy consumption and improved energy efficiency [GJ]	0	8,550	5,547,300	51,001	222,700	74,637	187,914	DS 11,



All Group companies take steps to reduce their energy consumption.

Grupa Azoty S.A.:

- Placing in service the K-6 cooling tower for the Lactam Department
- Expansion of the technical-grade nitric acid storage unit with the unloading/loading station for tanker trucks
- Replacement of a lighting system at the Pompownia T transformer station

Grupa Azoty KĘDZIERZYN:

Thermal upgrading projects in the Oxoplast, Fertilizers and Energy segments, producing annual energy savings of over 8,500
 GJ

Grupa Azoty PUŁAWY:

- Replacement of the regranulate production unit; confirmed effect: savings of approximately 828 GJ
- Upgrade of the unit for CO₂ absorption in potassium carbonate solutions, with savings of approximately 68,700 GJ achieved through reduced steam consumption
- Purchase of a 16 MVA oil transformer with a rated voltage of 30/6 kV, producing savings of approximately 645 GJ
- Purchase and installation of steam generators for the nitric acid unit, reducing partial savings of approximately 4,464 GJ

Grupa Azoty POLICE:

- Revitalisation of heat exchangers;
- Repair of pumping units, changes in the power supply and control systems;
- Regular replacement of luminaires.



Air emissions

[103-2]

In 2020, the Group implemented a number of solutions that reduced air pollutant emissions. The reduction in dust emissions became possible thanks to the use of wet scrubbers, cyclones, multicyclones and electrostatic precipitators. Pollutant emissions were also brought down with the use of absorbers and thermal reducers, as well as denitrification and desulphurisation units.

In order to protect clean air, Grupa Azoty Group key companies regularly monitor air on the premises of their plants. All our companies operate on the basis of appropriate permits and submit their mandatory reports to external supervisory authorities in a timely manner.

Some of the noteworthy initiatives that allowed us to reduce greenhouse gas emissions in 2020:

- at Grupa Azoty S.A., the catalyst baskets of the double-pressure nitric acid unit were sealed, which helped reduce emissions of nitrous oxide;
- in Kędzierzyn-Koźle, in TKIV and TKV units, packages of catalytic gauzes were replaced and the layer of catalyst for reducing nitrous oxide was filled up;
- at Grupa Azoty Puławy, new catalytic and catchment gauze packages were mounted on the nitric acid unit. Moreover, the units for CO₂ absorption in potassium carbonate solutions on lines 2 and 3 of the ammonia 1 unit were upgraded, as was circulation water network for the nitrate and UAN units. The upper part of the boiler and economiser were also replaced at the nitric acid unit.

[305-1]

Total direct greenhouse gas (GHG) emissions and volume expressed as CO_2 equivalent [t] (Scope 1) for the entire Grupa Azoty Group were 7.396 million tonnes of CO_2e . The four key Group companies account for 99% of Scope 1 emissions: 7.326 million tonnes of CO_2e .

Scope 1



Calculation methodology

- The 2020 emissions were calculated using the GHG Protocol. Scope 1 includes: CO2, CH4, N2O, HFC and PFC. There were no emissions of SF6 or NF3. Base year = calculation year 2020
- Biocarbon emissions (wood pellet fuel): 39.3 tonnes of CO2e.
- Global warming potential: according to AR5.
- An integrated approach has been applied interest in capital with corporate supervision.

Carbon dioxide emissions include emissions from coal combustion and from the use of natural gas for heating and technological purposes. These emissions are calculated on the basis of the ETS rules.



- _____
- Grupa Azoty Kędzierzyn S. A. Grupa Azoty S. A.

Other companies

Total direct greenhouse gas (GHG) emissions and volume expressed as CO2 equivalent, by GHG category $[t]^1$

	Kategorie gazu cieplarnianego	2017	2018	2019	2020	Chang from 20 to 202
Grupa Azoty	Carbon dioxide	1,172,569	1,163,313	1,099,624	1,075,602	-2%
KĘDZIERZYN	Nitrous oxide	111,608	116,857	103,923	89,557	-13%
Grupa Azoty	Carbon dioxide	1,653,948	1,450,644	1,204,708	1,701,274	+41%
POLICE	Nitrous oxide	0	0	0	0	- +
Grupa Azoty	Carbon dioxide	3,273,991	3,313,366	3,358,454	3,211,085	-4%L
PUŁAWY	Nitrous oxide	171,882	197,858	211,111	196,206	
	Carbon dioxide	1,053,743	971,748	955,953	928,640	-6%
Grupa Azoty S.A.	Nitrous oxide	106,884	119,626	55,927	20,618	-63%
Trad	Carbon dioxide	7,154,251	6,899,071	6,618,739	6,916,601	+4.59
ιοτάι	Nitrous oxide	390,374	434,341	370,961	306,381	-17%

¹ The increase in carbon dioxide emissions at Grupa Azoty Police is attributable to an over half-year emergency shutdown of ammonia line A and a two-month shutdown of ammonia line B in 2019.

In 2018, catalyst baskets were sealed at the dual-pressure nitric acid unit, which contributed to an over 60% year-on-year decrease in emissions of nitrous oxide at Grupa Azoty S.A. in 2019. Additionally, in 2019, the supplier of catalytic gauzes was changed and catalyst baskets were replaced with new ones. Modernisation consisted in:

- change in the sealing of catalyst baskets in ammonia oxidisers (December 2018);
- mounting of catalyst baskets with upgraded structure and use of a new Low N2O low-emission catalyst (June 2019).

[305-2]

The Group's total indirect greenhouse gas emissions were 2.036 million tonnes of CO_2e . The four key Group companies are responsible for 76% of the Scope 2 emissions: 1.547 million tonnes of CO_2e .

Scope 2



Calculation methodology

The calculation takes into account CO2 from the combustion of purchased fuels for the generation of imported energy. Global warming potential: according to AR5. An integrated approach has been applied – interest in capital with corporate supervision.



[305-4]

Greenhouse gas (GHG) emissions intensity*

 CO_2 and $\mathrm{N}_2\mathrm{O}$ emissions against the ETS benchmark and BAT recommendations [t]

	Grupa Azoty KĘDZIERZYN	Grupa Azoty POLICE	Grupa Azoty PUŁAWY	Grupa Azoty S.A.
	2020	2020	2020	2020
CO_2 emissions intensity ratio [t CO_2 /t NH ₃]	1.62	1.836	1.699	1.861
N_2O emissions intensity ratio [kg N_2O/t HNO ₃]	0.58	Nd	0.767	0.197

* The calculation methodology has been updated so historical data is not included. The intensity ratio refers only to emissions from the ammonia production unit.

Reduction of GHG emissions [MgCO₂e]

	2018	2019	2020
Grupa Azoty KĘDZIERZYN	81,773	44,642	9,556
Grupa Azoty POLICE	2,500	1,066	0
Grupa Azoty S.A.	52,354	63,699 ¹	35,309 ²
Total	136,627	109,407	44,865

¹ Present value.

 2 The value refers to 2019.

[305-7]

Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions, by type of substance (Mg)

	Grupa A	azoty S.A.	Grupa KĘDZIE	Azoty ERZYN	Grupa Azc	oty PUŁAWY	Grupa Az	oty POL
	2019	2020	2019	2020	2019	2020	2019	2 02
Ammonia (NH ₃)	223	249	297	268	1000	984	397	
Sulphur dioxide (SO ₂)	517	409	730	794	1,029	936	2,211	
Carbon dioxide (CO ₂)	991,207	928,640	896,059	874,160	1,847,877	1,696,294	982	1,7 05,
Sulfuric acid (H ₂ SO ₄)	53	79	0	0	0	0	55	
Volatile organic compounds (VOC)	0	0	35	35	33	42	15,036	
Methane (CH ₄)	15	9	158	159	5	6	0	
NO ₂	5,192	4,779	705	693	2,156	2,230	599	ц Ц
Nitrous oxide (N ₂ O)	339	167	349	301	762	779	0	AT LIC
Melamine dust	0	0	0	0	12	6.36	0	
Urea dust	0	0	14	37	26	26	58	
Ammonium nitrate dust	0	0	80	96	349	340	0	
Ammonium sulfate dust	2	2	0	0	8	7	45,323	
Particulate matter	127	101	113	141	0	0	0	

Particulate matter from fuel combustion	14	8	39	44	131	133	29	
Carbon monoxide (CO)	45	49	214	264	180	201	108,311	
Aliphatic hydrocarbons	0	0	15	14	10	41	0	
Fluorine compounds	0	0	9	8	17	0.34	44,201	
Other	2	2 ¹	397	41 ²	83	36.83 ³	0	

¹ Cyclohexanone.

² Chlorine and its inorganic compounds.

³ Sulfur trioxide, hydrogen cyanide, benzene, aromatic hydrocarbons, hydrated lime dust, fertilizer dust, chlorine, mercury, nickel, chromium, lead, zinc, copper, cadmium, arsenic, PCDD/PCDF and PAH.



Water

[103-2] [303-1]

The Grupa Azoty Group companies use water for industrial purposes, as a cooling agent, treat water for drinking purposes, and use water to produce process waters and for fire fighting. We manage water in a rational manner, prevent losses and take measures to prevent plant failures.

[303-3]

- Group Azoty S.A. draws water from two sources: a surface water intake point on the right bank of the Dunajec river and an underground water intake point. The repair work gradually carried out in 2020 helped reduce losses in the drinking water network and remove leaks on outflow sewers at surface water sedimentation tanks, resulting in a 15% year-on-year decrease in the groundwater and surface water withdrawal volumes.
- Grupa Azoty Police draws water from two surface water intake points on the western arm of the Oder river and the Gunica river.
- Grupa Azoty Kedzierzyn draws water from surface water intake points on the Oder river and the Łącza stream, and from deep wells. The company also purchases water obtained from ground dewatering at the Kopalnia Piasku Kotlarnia S.A. sand mine. In order to limit water consumption, Grupa Azoty Kedzierzyn operates a system for diverting water from the stormwater drainage system to be used to produce industrial water. This water, usually together with a portion of treated wastewater, is directed to an industrial water treatment plant. In 2020, the water withdrawal volume fell by 0.4%, despite

a simultaneous increase in production. There was also a favourable change in the water withdrawal structure (a 25% increase in surface water withdrawal, and a 39% decrease in groundwater withdrawal).

Grupa Azoty Puławy draws surface water from the Kurówka and Vistula rivers and underground water from its own intake points. Surface water is used in the production of demineralised and decarbonised water and in open cooling systems, while underground water is used in the production of demineralised water and for social purposes. In order to reduce water withdrawal, Grupa Azoty Puławy operates a system recycling a part (approximately 15–30%) of discharged wastewater for colling purposes. At Grupa Azoty Siarkopol, a closed water circuit is used in the Osiek sulfur mine. The sulfur production process uses spent cooling water from the nearby power plant.

Water consumption at the Grupa Azoty Group is monitored. The integrated permits for the production facilities set the permitted levels of water consumption. As part of the ISO 14001 environmental management system, system documents have been developed which allocate water consumption limits specified in the integrated permits to individual installations.

The Grupa Azoty Group has in place a system for recirculation of treated wastewater and stormwater to be used in the production of industrial water; the Group also reuses condensates in the production of treated water. These solutions reduce the withdrawal of raw water. The Group is also conducting conceptual work to increase the use of treated industrial wastewater and stormwater to produce deeply treated water.

[303-3]

Water withdrawal by source* [m³]

Water source -	Structure level	Grupa A	zoty S.A.	Grupa KĘDZI	Azoty ERZYN	Grupa Azo	ty PUŁAWY	Gr upa A
source	Year	2019	2020	2019	2020	2019	2020	2019
Other gr	roundwater	oundwater 0 0		0	0	0	0 0	
Sweet groundv	vater	461,000	395,000	2,533,259	1,542,174	5,294,268	5,325,331	91E 0
Other internally produced water		0	0	0	0	2	0	CROIL TA
Other se	eawater	0	0	0	0	0	0	125,127,118
Sweet su water	urface	12,707,000	10,770,000	3,924,866	3,747,795	76,995,976	72,987,482	2,053,900
Sweet groundwater from third parties		0	0	1,530,000	1,773,026	0	0	335,043
Total		13,168,000	11,165,000	7,988,125	7,062,995	82,290,246	78,312,813	127,516,063

* The Group does not classify water as low-mineralised water and other water, as such division does not apply to its operations.

[303-4]

Water discharge by discharge point [m³]

Discharge point		Grupa Azoty S.A.	Grupa Azoty KĘDZIERZYN	Grupa Azoty PUŁAWY	Grupa Azo POLICE			
	Year		2020					
Other organisations		0	0	0	116,000			
Third parties excluding other or	ganisations	1,370,000	0	0				
Seawater		0	0	0	110,669,34			
Surface water		3,523,000	6,412,268	68,053,158	142,723 ,63			
Total		4,893,000	6,412,268	68,053,158	253,508,9			

Water discharge in all areas by type of water [m³]

Water type	Grupa Azoty S.A.	Grupa Azoty KĘDZIERZYN	Grupa Azoty PUŁAWY	Grupa Azoty POLICE
Sweet	4,893,000	6,412,268	0	0
Other	0	0	0	110,669,343
Total	4,893,000	6,412,268	0	110,669,343

The Group does not operate in water stress areas.

Water discharge by stage of treatment [m³]

Treatment stage	Grupa Azoty S.A.	Grupa Azoty KĘDZIERZYN	Grupa Azoty PUŁAWY	Grupa Azoty POLICE
No treatment	287,000	0	0	110,669,343
Primary	3,236,000 ¹	2,452,010 ²	1,392,210 ³	32,054,295 ⁴
Secondary ⁵	1,370,000	2,452,010	1,683,820	0
Tertiary	0	6,412,268 ⁶	68,044,158 ⁷	0
Total	4,893,000	11,316,288	71,120,188	142,723,638

1 Central Wastewater Treatment Plant (chemical and mechanical treatment); treated wastewater is discharged directly into receiving waters of the Biała river.

2 The mechanical wastewater treatment process used in the Central Mechanical Wastewater Treatment Plant includes removal of debris, sands and fatty substances from wastewater.

3 Central Industrial Wastewater Treatment Unit (COŚP) – mechanical and chemical treatment plant.

4 Neutralisation, aeration, coagulation, sedimentation, sediment separation, wastewater deeper treatment in pressure-equalising tanks.

5 Mechanical and chemical treatment process.

6 Wastewater treatment processes used at the Piskorzowiec plant: removal of debris and fatty substances from wastewater, and selfpurification in the system of earth sediment tanks and pressure-equalising tanks. 7 Tertiary biological treatment unit (pond) – natural biological and physico-chemical processes of self-purification from nitrogen and organic compounds. Through the discharge channel, wastewater generated by the Company, including that treated on individual treatment units, flows up to the tertiary biological wastewater treatment unit (pond).



Wastewater

[103-2] [303-2]

Production processes run at our plants involve the generation of wastewater, which is classified as the following three types: process wastewater, sanitary sewage and spent cooling water.

At Grupa Azoty S.A., industrial wastewater is routed for treatment via an underground industrial sewer system and sewer lines. Depending on its specific features, industrial wastewater is sent to the Central Wastewater Treatment Plant (process wastewater and sanitary sewage) or Biological Wastewater Treatment Plant (process wastewater containing biologically degradable substances). Stormwater and spent cooling water from Grupa Azoty S.A.'s premises is drained separately, through a collector, and then discharged into the Dunajec river. Relevant parameters of the industrial wastewater are monitored at individual system nodes with remote analysers. Wastewater samples are regularly laboratory-tested for pollutants. The Company has also made risk analyses the purposes of protection of surface and drinking water intake points to determine if there is a need to designate an indirect protection zone for them.





BEST PRACTICE

Group Azoty S.A. is well prepared for any wastewater system failure. In order to prevent wastewater escape, the system can be entirely shut off by closing the storm water outflow valve and pumping all wastewater to the central treatment plant. It is also possible to direct the entire volume of wastewater generated by Grupa Azoty S.A. to the wastewater treatment facility operated by the Tarnów Water and Sewage Utility.

At Grupa Azoty Police, industrial (process) wastewater is treated at the Company Wastewater Treatment Plant. Spent cooling water and stormwater from the plant are discharged directly into the surface waters of the Oder river. Spent cooling water undergoes regular automatic pH monitoring. Industrial wastewater, leachate from the phosphogypsum landfill site, leachate from the iron sulfate landfill site, sanitary sewage, and municipal wastewater from the town of Police are treated at the company's collective mechanical and chemical wastewater treatment plant. Monitoring of the wastewater after treatment is carried out in accordance with the terms of the integrated permit and the quality of discharged wastewater is measured regularly by an accredited laboratory. The Company meets all requirements relating to the discharged wastewater volumes and the pollutant limits.

At Grupa Azoty Kędzierzyn, wastewater is directed to a multi-stage wastewater treatment system consisting of local pretreatment facilities, the Central Mechanical Wastewater Treatment Plant, the Central Mechanical and Biological Wastewater Treatment Plant, and the Piskorzowiec Treatment Plant. The treated wastewater is discharged into the Oder River. The most recent upgrade (completed in 2018) helped improve the nitrification and denitrification process – a unique wastewater heating unit makes it possible to achieve high efficiency of nitrogen removal processes, including in winter. The upgrade also included replacement of the fine bubble submerged aeration system, replacement of air blowers and of the automatic control system for the oxygen dosing process. In Kędzierzyn, wastewater is thoroughly monitored both at the stage of its generation in individual units and at the time of discharge to the receiving waters. In 2020, no wastewater quality parameter was exceeded.

Grupa Azoty Puławy uses significant amounts of water in its production processes, which generate wastewater streams of various quantity and quality, containing industrial wastewater, sanitary sewage and spent cooling water from the CHP plant cooling processes. The company's wastewater system also receives municipal wastewater from the city of Puławy, treated by the Puławy Water and Sewage Utility, as well as wastewater from third parties. The first component of the company's wastewater system is pretreatment facilities located at individual units. The central wastewater treatment system is built as a multi-unit system, which comprises the Biological Blackwater Treatment Unit, the Biological Wastewater Treatment Unit and the Central Industrial Wastewater Treatment Unit. The last element of the system is the tertiary biological treatment unit (pond), where natural biological and physico-chemical processes of self-purification from nitrogen and organic compounds occur. After tertiary treatment, the wastewater is discharged into the Vistula river.

The existing wastewater treatment system does not guarantee compliance with the requirements of the BAT conclusions. Grupa Azoty Puławy commenced work to improve the wastewater treatment system's efficiency by building a new Central Biological Wastewater Treatment Plant. Given the complexity of the project, it could not be completed before the entry into force of the BAT conclusions. The Company has been granted a temporary derogation from BAT conclusions for the purpose of completing the work. The quantity and quality of water withdrawn and discharged is monitored in accordance with the provisions of the integrated permit.



Biodiversity

[103-2] [304-1] [304-2]

Some of our plants ale situated near protected areas. We mitigate our impact on those areas as we can carry out industrial activities in a responsible and environmentally-friendly manner.

Grupa Azoty S.A. leases and manages 4.56 ha of land which is located within a Natura 2000 site in the Dunajec river catchment basin. The operations conducted in this area, which contains surface and underground water intake facilities as well as reservoirs feeding water to an underground municipal water intake point, pose no threat to biodiversity. Water withdrawal is governed by appropriate water-law permits.

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The land owned by Grupa Azoty Police has no significant natural value and is not subject to any national or EU nature protection measures. However, there are such protected areas in the vicinity of the company's site: nature reserves (Białodrzew Kopicki, Olszanka, Uroczysko Święta and Świdwie) and Natura 2000 sites (Police Kanały, Zalew Szczeciński, Ostoja Wkrzańska, Ujście Odry and Zalew Szczeciński).

There are also two active landfills on the company's premises: the iron sulfate landfill and the phosphogypsum landfill. The

company has implemented and observes a strict process regime that minimises the landfills' impact on the environment. In addition, at the phosphogypsum landfill it has used for years a globally unique reclamation technology. Since 1994, efforts have been made to introduce high growing vegetation at the landfill site. It is already covered with trees, including aspens, acacias, hybrid willows, birches and poplars, and has for a number of years been a habitat of numerous animal species, such as beech martens, otters, stoats, foxes, roe deer, boars and about 100 species of birds. Ornithologists from Szczecin University found that the area adjacent to the landfill site (storage reservoirs of the wastewater treatment plant) compares to the Świdwie reserve in terms of the number and diversity of bird species.

In the case of Grupa Azoty Kędzierzyn, there are no forms of nature protection or areas of valuable biodiversity in the immediate or near vicinity of its plants.

Grupa Azoty Puławy is located in an enclave surrounded by the ecological corridors of the Middle Vistula River Valley, Lower Wieprz River Valley and Vistula River Gorge of Lesser Poland. The company's site, as well as its water and wastewater management facilities are located outside areas subject to nature protection. In the vicinity (within a radius of up to 15 km from the centre of the plant), Natura 2000 sites are located.

The companies identified no significant direct or indirect impacts on biodiversity.



OUR EMPLOYEES

About our team

[103-2]

The credit for Grupa Azoty's market success goes to our employees. The position and reputation of our products and brands are owed to the competencies and commitment of several thousand people. We want every employee of the Group's facilities to be satisfied with their jobs, to feel safe, and to know that the Grupa Azoty Group offers the best work environment. Recognising that we are responsible for our crew members, we take care to cater to their needs. We are happy that they are sensitive towards others and we proudly support local volunteering activities in which they engage.



Meet our team

[102-8] [401-1] [405-1]

63%, or most of the Group's total workforce, is employed by one of the four largest companies. We understand the need for stabilisation and job certainty – we do not seek apparent cost savings by exploiting various employment types and we comply with the Labour Code. We hire people under employment contracts, and approximately 90% of our employees have openended contracts. Most of our employees (approximately 75%) are men and people aged 30-50. Women are the majority of laboratory staff.

Total number of employees by gender and type of employment contract (headcount)

		20)19	20	20
		K	М	К	М
	Open-ended contract	412	1,003	406	999
Grupa Azoty KĘDZIERZYN	Fixed-term contract	52	80	49	74
	Total	K M K M 412 1,003 406 999 52 80 49 74 464 1,083 455 1,073 508 1861 499 1841 40 126 28 137 40 126 28 137 730 2 538 729 2 573 730 2 538 729 2 573 76 215 81 222 806 2,753 810 2,799 635 1466 643 1491 23 68 22 62 658 1,534 6655 1,553 2,476 7,357 2,457 7,394	1,073		
	Open-ended contract	508	1 861	499	1 841
Grupa Azoty POLICE	Fixed-term contract	40	126	28	137
	Total	548	1,987	527	1,978
	Open-ended contract	730	2 538	729	2 573
Grupa Azoty PUŁAWY	Fixed-term contract	76	215	81	222
	К М К Open-ended contract 412 1,003 406 Fixed-term contract 52 80 49 Total 464 1,083 455 Open-ended contract 508 1861 499 Fixed-term contract 40 126 28 Open-ended contract 730 2538 729 Open-ended contract 730 2538 729 Open-ended contract 730 2538 729 Open-ended contract 635 1466 643 Open-ended contract 635 1466 643 Open-ended contract 23 68 22 Total 658 1,534 665 Total 658 1,534 655	810	2,795		
	Open-ended contract	635	1466	643	1 4 9 1
Grupa Azoty S.A.	Fixed-term contract	23	68	22	62
	Total	658	1,534	665	1,553
Total		2,476	7,357	2,457	7,399
		9,8	333	9,8	357

Total number of employees by gender and working time arrangement (headcount)

		20)19	20	20	
		К	М	К	М	
	Part-time	1	0	3	0	
Grupa Azoty KĘDZIERZYN Grupa Azoty POLICE Grupa Azoty PUŁAWY Grupa Azoty S.A.	Full-time	463	1,083	452	1,073	
	Total	464	K M K M 1 0 3 0 463 1,083 452 1,073 464 1,083 455 1,073 464 1,083 455 1,073 464 1,083 455 1,073 464 1,083 455 1,073 2 1 2 1 546 1,986 525 1,977 548 1,987 527 1,978 2 2 1 2 2 804 2,751 809 2,793 806 2,753 810 2,793 1 4 4 8 657 1,530 661 1,545 658 1,534 665 1,553 2,476 7,357 2,457 7,399 9,833 9,835 9,856 1,553	1,073		
	Part-time	2	1	2	1	
Grupa Azoty POLICE	Full-time	546	1,986	525	1,977	
	Total	548	1,987	527	1,978	
Grupa Azoty KEDZIERZYN Grupa Azoty POLICE Grupa Azoty PUŁAWY Grupa Azoty S.A. Total	Part-time	2	2	1	2	
	Full-time	804	2,751	809	2,793	
	Total	806	K M K M 1 0 3 0 463 1,083 452 1,073 464 1,083 455 1,073 464 1,083 455 1,073 2 1 2 1 546 1,986 525 1,977 548 1,987 527 1,978 2 2 1 2 804 2,751 809 2,793 806 2,753 810 2,793 1 4 4 8 657 1,530 661 1,545 658 1,534 665 1,553 658 1,534 665 1,553 9,833 9,835 9,855 1,855	2,795		
	Part-time	1	4	4	8	
Grupa Azoty S.A.	Full-time	657	1,530	661	1,545	
	Total	658	1,534	665	1,553	
Total		2,476	7,357	2,457 7,399		
Total		9,8	333	9,856		

[405-1]

Governing bodies and employees by gender and age group

Number of employees by gender and type of position

	Grupa Azoty KĘDZIERZYN				Gr	Grupa Azoty POLICE				Grupa Azoty PUŁAWY			
	2019		2020		2019		2020		2019		2020		20
	М	К	М	К	М	К	М	К	М	К	М	К	М
Operators	650	34	649	33	1,169	9	1,163	8	1,050	15	1,076	15	714
Other blue- collar jobs	109	21	108	19	345	76	341	70	912	110	921	105	339
Managing officers	62	46	62	45	83	25	80	26	120	54	123	56	80
Laboratory staff	13	111	13	112	8	180	9	174	1	174	1	177	11
Supervisors	77	8	75	8	129	17	130	17	235	20	244	20	105

Total	1,55	50	1,53	31	2,5	35	2,5	05	3,5.	59	3,60	05	2,
Tabl	1,086	464	1,076	455	1,987	548	1,978	527	2,753	806	2,795	810	1,534
Management Board	3	0	3	0	0	0	0	0	0	0	0	0	0
Senior management	11	6	10	5	22	6	21	6	46	14	44	18	27
Specialists	124	143	117	138	231	228	234	221	343	305	342	299	168
Senior staff	37	95	39	95	0	7	0	5	46	114	44	120	90

Employees by gender and type of position [%]

	Grupa Azoty KĘDZIERZYN				Grupa Azoty POLICE				Grupa Azoty PUŁAWY				
	2019		20	2020 2019 2020 2019)19	2020						
	М	К	М	К	М	К	М	К	М	К	М	К	
Operators	41.94	2.19	42.39	2.16	46.11	0.36	46.43	0.32	29.50	0.42	29.85	0.42	
Other blue- collar jobs	7.03	1.35	7.05	1.24	13.61	3.00	13.61	2.79	25.63	3.09	25.55	2.91	
Managing officers	4.00	2.97	4.05	2.94	3.27	0.99	3.19	1.04	3.37	1.52	3.41	1.55	TARIE
Laboratory staff	0.84	7.16	0.85	7.32	0.32	7.10	0.36	6.95	0.03	4.89	0.03	4.91	
Supervisors	4.97	0.52	4.90	0.52	5.09	0.67	5.19	0.68	6.60	0.56	6.77	0.55	
Senior staff	2.39	6.13	2.55	6.21	0.00	0.28	0.00	0.20	1.29	3.20	1.22	3.33	
Specialists	8.00	9.23	7.64	9.01	9.11	8.99	9.34	8.82	9.64	8.57	9.49	8.29	
Senior management	0.71	0.39	0.65	0.33	0.87	0.24	0.84	0.24	1.29	0.39	1.22	0.50	
Management Board	0.19	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

Employees by age and type of position [%]

Position	Age	2019	2020	2019	2020	2019	2020	2019	2 02
Operators	30–50	16.61	16.14	21.61	23.58	18.80	17.70	24.85	26.
	50+	12.09	12.62	19.68	18.29	6.43	7.63	13.18	12.4
	<30	5.70	4.91	2.84	2.68	4.69	4.94	8.44	
	30–50	7.12	6.67	4.26	4.51	14.41	13.34	8.13	
Other blue- collar jobs	50+	9.03	9.15	3.74	3.33	10.79	11.82	6.98	
	<30	1.37	1.04	0.39	0.46	3.51	3.30	1.50	
Managing officers	30–50	3.70	3.56	3.61	3.85	2.61	2.11	2.68	2.6
	50+	2.24	2.52	3.29	3.14	2.28	2.86	1.58	1.6
	<30	0.00	0.09	0.06	0.00	0.00	0.00	0.00	
Laboratory staff	30–50	4.47	3.79	3.42	3.66	2.36	2.03	3.67	
	50+	3.79	4.15	3.35	3.00	1.66	2.11	2.45	2.2
	<30	1.64	1.89	1.23	1.50	0.90	0.80	1.30	
	30–50	2.92	2.07	2.19	2.35	4.19	3.83	3.43	
Supervisors	50+	2.24	3.07	3.29	3.07	2.95	3.44	2.29	
	<30	0.14	0.05	0.00	0.00	0.03	0.06	0.04	
	30–50	4.93	4.69	4.58	5.55	2.33	2.30	0.16	
Senior staff	50+	5.34	5.68	1.87	1.44	1.91	2.03	0.08	
	<30	1.60	1.49	2.06	1.76	0.25	0.22	0.04	
	30–50	8.94	9.92	10.26	10.45	11.69	11.26	10.37	
Specialists	50+	4.06	4.73	6.90	6.21	5.25	5.38	6.23	
	<30	0.73	0.63	0.06	0.00	1.26	1.14	1.50	
	30–50	0.78	0.72	0.84	0.72	0.93	0.83	0.83	
Senior management	50+	0.59	0.41	0.26	0.26	0.76	0.89	0.28	
	<30	0	0.00	0.00	0.00	0	0	0	
Management	30–50	0	0	0.06	0.07	0	0	0	
Board									

50+	0	0	0.13	0.13	0	0	0	
<30	0	0	0	0	0	0	0	

[401-1]

Workforce by gender and age group (headcount)

	Year		20)19	2020				
	Gender	K M		1 К		<	N	Μ	
	<30	41	3%	62	4%	42	9%	56	
	30–50	244	16%	592	38%	249	55%	588	
Grupa Azoty KĘDZIERZYN	50+	179	12%	429	28%	164	36%	429	
	Total	464	30%	1,083	70%	455	19%	1,073	15
	<30	59	2%	266	10%	57	11%	261	
	30–50	312	12%	1,058	42%	312	59%	1,103	
Grupa Azoty POLICE	50+	177	7%	663	26%	158	30%	614	
	Total	548	22%	1,987	78%	527	21%	1,978	27
	<30	63	2%	316	9%	57	7%	320	OLL TAB
	30–50	428	12%	1,612	45%	409	50%	1,516	5-SCRO
Grupa Azoty POŁAWY	50+	315	9%	825	23%	344	42%	959	
	Total	806	23%	2,753	77%	810	33%	2,795	38
	<30	62	3%	183	8%	64	10%	160	
	30–50	328	15%	756	34%	315	47%	740	
Grupa Azoty S.A.	50+	268	12%	595	27%	286	43%	653	
	Total	658	30%	1,534	70%	665	27%	1,55 3	21
Total <30		225	2%	827	8%	220	9%	797	
Total 30–50		1,312	13%	4,018	41%	1,285	52%	3,947	
Total 50+		939	10%	2,512	26%	952	39%	2,655	
Total	2,476	25%	7,357	75%	2,457	25%	7,399	75	

New hires by gender and age

	Year		20		2020				
	Gender		K		М	К		Μ	
	<30	13	32%	21	34%	14	54%	16	
	30–50	11	5%	20	3%	12	46%	22	
Grupa Azoty KĘDZIERZYN	50+	0	0%	3	1%	0	0%	1	
	Total	24	5%	44	4%	26	24%	39	129
	<30	14	24%	70	26%	7	54%	54	
	30–50	14	4%	38	4%	6	46%	64	
Grupa Azoty POLICE	50+	2	1%	4	1%	0	0%	1	
	Total	30	5%	112	6%	13	12%	119	36' Щ
	<30	9	14%	62	20%	7	22%	61	OLL TAB
	30–50	20	5%	50	3%	24	75%	44	2080 41S
Grupa Azoty POŁAWY	50+	0	0%	2	0%	1	3%	2	
	Total	29	4%	114	4%	32	29%	107	32
	<30	21	34%	35	19%	15	38%	16	
	30–50	17	5%	52	7%	17	44%	43	
Grupa Azoty S.A.	50+	0	0%	7	1%	7	18%	10	
	Total	38	6%	94	6%	39	35%	69	219
Total <30	23%	25%	188	23%	43	39%	147		
Total 30–50	4%	5%	160	4%	59	54%	173		
Total 50+	1%	0%	16	1%	8	7%	14		
Total	5%	5%	364	5%	110	25%	334	75	
Total number of terminations and employee turnover by gender and age

	Year	2019				2020			
	Gender		К		М		К		М
	<30	4	10%	3	5%	2	6%	3	
	30–50	9	4%	17	3%	7	20%	10	
Grupa Azoty KĘDZIERZYN	50+	18	10%	37	9%	26	74%	39	
	Total	31	7%	57	5%	35	24%	52	179
	<30	4	7%	25	9%	3	8%	20	
	30–50	6	2%	43	4%	8	22%	34	
Grupa Azoty POLICE	50+	16	9%	54	8%	26	70%	89	
	Total	26	5%	122	6%	37	26%	143	46
	<30	1	2%	8	3%	2	5%	4	
	30–50	4	1%	10	1%	11	27%	18	26S
Grupa Azoty PUŁAWY	50+	27	9%	41	5%	28	68%	47	
	Total	32	4%	59	2%	41	28%	69	229
	<30	0	0%	18	10%	3	9%	4	
	30–50	5	2%	55	7%	2	6%	10	
Grupa Azoty S.A.	50+	17	6%	46	8%	27	84%	35	
	Total	22	3%	119	8%	32	22%	49	169
Total <30		9	4%	54	7%	10	7%	31	
Total 30–50		24	2%	125	3%	28	19%	72	
Total 50+		78	8%	178	7%	107	74%	210	
Total		111	4%	357	5%	145	32%	313	68

[401-2] [404-2]

We strive to meet the highest standards in all areas of our business. We offer competitive compensation, attractive training opportunities, and a generous employee benefit package.

The employee benefits include:

- healthcare
- corrective glasses
- protective wear and workwear
- medical and life insurance
- retirement benefits
- social fund
- length-of-service award, annual bonus
- training and courses
- maternity/parenting/paternity leaves
- co-financing of holidays and other forms of leisure

Additionally, the individual companies offer the following:

Grupa Azoty S.A. zapewnia:

- Occupational Pension Scheme
- home loans

Grupa Azoty Kędzierzyn:

- Occupational Pension Scheme
- health care programmes
- partial refund of upskilling expenses
- emergency benefits

Grupa Azoty Puławy:

- emergency cash for employees, pensioners, persons on pre-retirement benefits and children of eligible persons
- home loans
- excursions for employees an employee benefit
- 'Spartakiads' events for employees, pensioners, persons on pre-retirement benefits
- Employee Capital Plans

Grupa Azoty Police:

prophylactic meals for some employees



Each of our largest companies offers upskilling opportunities to its employees at all levels. The training process is embedded in the Integrated Quality, Environment and Safety Management System. All employee groups undergo training. Many courses are provided at the request of employees, who are free to choose their subject matter, form of instruction, and timing, as long as a course is going to improve employees' work-related skills (must be linked to their current or future responsibilities) and there are sufficient funds in the training budget.

Grupa Azoty S.A.:

Management training programme:

- Leadership of the future executives (7 people in 2020)
- Engaging leadership managers (34 people)
- The effective leadership league supervisors (80 people)

Grupa Azoty Kędzierzyn:

In 2020, six agreements were signed for upskilling of Grupa Azoty Kędzierzyn employees

Grupa Azoty Puławy:

- A competency improvement programme as part of the Grupa Azoty Puławy Skills Academy dedicated to white-collar staff; its objective is to promote knowledge-sharing among employees by means of an in-house training system and to improve their social and managerial competencies such as communication, teamwork and team management skills
- A professional skill improvement programme addressed to blue-collar personnel, which describes the principles of mentorships; its introduction was accompanied by the implementation of a qualification management module in the HR system to which information on all blue-collar employee qualifications was migrated

Grupa Azoty Police:

- Development of employee competencies in accordance with the approved training plan of Grupa Azoty Police
- The 'Green Forge' internship programme designed to introduce flexible options for attracting top talents
- The Centre for Vocational and Continuous Education in Police with a mission to promote improvement and acquisition of professional skills
- Agreements on university tuition fee discounts for the company's employees
- Programmes taught under the company's auspices:
 - Chemical engineering technician

Mechatronics technician, automation technician

In 2020, some of our training plans were frustrated by the COVID-19 pandemic and related social distancing requirements. Where possible, training was delivered online. Other trainings were postponed until it is safe to organise them.

[404-1]

Average number of training hours per employee by gender

		Structure level				
Year	Gender	Grupa Azoty S.A.	Grupa Azoty KĘDZIERZYN	Grupa Azoty PUŁAWY	Grupa Azoty POLICE	Average
2019	F	8.8739	4.9289	8.2190	7.3650	7.3467
	М	8.3429	8.3647	6.9984	14.1022	9.4521
2020	F	2.2932	1.7341	4.6074	5.2619	3.4742
	М	2.7882	3.2377	4.3903	13.1026	5.8797

Average number of training hours per employee by type of position

Position	Structure level	Grupa A	zoty S.A.	Grupa Azoty KĘDZIERZYN		Grupa Azoty PUŁAWY		Grupa Aa	
	Year	2019	2020	2019	2020	2019	2020	2019	
Operator	5	7.0186	0.0803	8.1842	3.1554	5.8451	2.3804	15.496	
Other blu jobs	ue-collar	5.0625	0.1765	8.8308	5.3071	4.3444	2.7515	9 .7340	
Managing	g officers	19.800	12.891	11.296	3.3645	15.425	12.397	15 .157	
Laborator	ry staff	1.9908	0.0734	2.3387	1.2800	2.5600	1.3483	6.0053	3LE
Superviso	ors	19.552	18.870	4.6353	2.0000	5.2745	2.7386	11.726	OLL TAE
Senior sta	əff	10.762	2.3650	4.8182	2.3209	5.0344	0.9329	3.5714	SCR
Specialist	S	10.635	1.3451	6.1348	1.5608	12.262	9.4665	9 .8932	
Senior ma	anagement	4.267	25.400	24.824	2.8000	33.300	19.048	22.964	
Managen	nent Board	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	

Position	Structure level	Grupa A	zoty S.A.	Grupa Azoty KĘDZIERZYN		Grupa Azoty PUŁAWY		Grupa Az
Average		9.8860	7.6502	8.8828	2.7236	10.506	6.3829	11.818

[202-1]

Ratios of standard entry level wage by gender compared to local minimum wage *

	Ratio of standard entr compared to loc	y level wages for women al minimum wages	Ratio of standard entry level wages for men compared to local minimum wages		
	2019	2020	2019	2020	
Grupa Azoty KĘDZIERZYN	2.52	2.63	2.18	3.01	
Grupa Azoty POLICE	2.55	2.03	2.20	2.32	
Grupa Azoty PUŁAWY	2.01	2.10	1.31	2.38	
Grupa Azoty S.A.	2.17	2.24	2.45	2.25	

* Ratio calculated as the average entry level wage compared to minimum wage in Poland in 2020.

[404-3]

Given the need to ensure a safe and healthy work environment in connection with the declaration of the state of epidemic in Poland, and in view of the internal regulations in place which required, for instance, that social distancing rules be obeyed and paper work flow be minimised, no interim performance reviews were carried out in 2020, as this would entail evaluation meetings and provision of interim review printouts to the individuals concerned.

However, interim performance reviews were carried out as part of the bonus system. The following employees were covered:

- at Grupa Azoty S.A. all company employees, except Management Board members and persons employed under managerial contracts;
- at Grupa Azoty Kędzierzyn all company employees who had served for more than a year, except Management Board members, delegates to trade unions, the Company Social Labour Inspector, and employee groups with individual bonus objectives assigned in the BSC system;
- at Grupa Azoty S.A. all company employees, except Management Board members, chief accountant, and persons employed under managerial contracts;
- at Grupa Azoty Puławy all company employees, except Management Board members.

Performance reviews under the incentive scheme are carried out as a review of progress against objectives and based on on-thejob assessment criteria. Persons excluded from quarterly interim reviews are assessed according to other rules which are in place.



OUR EMPLOYEES

Occupational safety

[103-2] [403-1] [403-2] [403-3] [403-4] [403-7]

Ensuring occupational safety is a top priority for Grupa Azoty. All our companies have comprehensive occupational health and safety management systems in place. Safety management is based on ISO 45001, which places a strong emphasis on:

- OHS risk assessment;
- preventive health care and prevention of accidents;
- collecting and using information on incidents other than accidents;
- enabling all stakeholders to carry out safety improvement measures, including employees and social partners, in a consultative and participative process.

[403-1] [403-2] [403-5] [403-7]

We at Grupa Azoty strive to ensure that all employees, especially those in blue-collar positions, are aware of the risks posed by working in the chemical industry. Therefore, each of our companies strictly complies with the obligation to provide OHS training. The services responsible for occupational safety carry out regular staff training. Every new hire participates in comprehensive training before starting their job to become aware of all safety considerations and learn about the risks associated with their job and the protection measures in place. OHS training is provided not only to new employees. Persons who have been working at the Grupa Azoty Group for a longer time are regularly invited to refresher trainings on the applicable rules and new safety improvement solutions.

Grupa Azoty S.A.:

- Grupa Azoty S.A. has systemic safety solutions in place based on legislation, long-term experience and PN 18001 and OHSAS 18001 standards, which were implemented in 2011. In 2019, a new OHS management standard conforming to ISO 45001 was formally introduced.
- The performance of the systems is regularly evaluated in external audits, and conformity to standards is confirmed by relevant certificates. An external audit carried out by DNV in 2020 was successful.
- The safety system includes:
 - risk assessment;
 - an extensive system of non-compliance control and response;
 - active participation of employees (risk reporting, social labour inspection);
 - teams (committees) in place, including the OHS Committee, to evaluate projects and place new plants in service;
 - compliance with all necessary legal requirements;
 - Introduction of the STOP™ Safety Training Observation Programme to integrate safe behaviours and working conditions into the corporate culture;
 - regular OHS training for employees, a transparent and clear procedure for third parties working on the premises of Grupa Azoty S.A.

Grupa Azoty Kędzierzyn:

- The safety management system is based on ISO 45001 and covers all activities, employees, and workplaces.
- As a result of upgrading and automation of manufacturing and loading installations, no instances of exceeded energy expenditure limits or excessive hazardous exposures are recorded at the company's facilities.
- Regular OHS training is provided to employees. Grupa Azoty Kędzierzyn has a 5S system in place, which helps create and maintain an ergonomic, clean, and safe workplace.
- The STOP™ Safety Training Observation Programme is in place.
- A 'company' ambulance with a rescue team on board is available to employees on a 24/7 basis.
- The company's key facilities are equipped with 26 portable defibrillators.
- A general obligation to wear eye protection has also been introduced for all employees and visitors at the production facilities.
- Inspections are carried out jointly with officers from the District Police Headquarters, Road Traffic Department in Kędzierzyn-Koźle to verify compliance with road traffic regulations and perform sobriety checks.

Grupa Azoty Puławy:

- Grupa Azoty Puławy has an OHS management system conforming to ISO 45001 in place.
- Current working conditions are inspected by different authorities, including the Fire Control and Technical Committee and the OHS Committee.
- Regular OHS training is provided to employees.
- The STOP[™] Safety Training Observation Programme is in place.
- The integrated management system is subject to internal audits and occupational exposures are measured.
- The machinery is undergoing a gradual upgrade.
- Occupational health and safety enhancements are added on an ongoing basis as part of improvement projects.

Grupa Azoty Police:

- Grupa Azoty Police has implemented an occupational health and safety management system conforming to ISO 45001.
- Investments and upgrades are carried out on almost all production units in order to minimise hazards and nuisance and to improve OHS conditions.
- Regular OHS training is provided to employees.

- System upgrades include successive implementations of advanced process control techniques based on computer systems enabling operators to better control, monitor and respond to disruptions.
- The company has been awarded the Gold Card of Safe Work Leader again.
- The STOP™ Safety Training Observation Programme is in place.



[403-6]

We provide our employees with access to a network of private medical facilities. Regular packages include GP and specialist appointments, specialist examinations and diagnostics. A group medical package is available, covering employees together with their family members.



See our occupational safety performance

[403-9]

[403-9]

Work-related injuries

Number of people injured on the job by gender

			2019		020
	gender	F	М	F	М
Grupa Azoty KĘDZIERZYN		1	6	1	3
Grupa Azoty POLICE		3	24	4	31
Grupa Azoty PUŁAWY		6	30	4	27

Grupa Azoty S.A.	3	12	1	11
Total	13	72	10	72

There were no work-related fatal accidents or occupational diseases among employees of the Grupa Azoty Group in 2020. All accidents were classified as minor accidents according to the legislative definition.



OUR ENVIRONMENT

Sharing know-how

[SDG 8 – Wzrost gospodarczy i godna płaca] [103-2]

Grupa Azoty has unparalleled chemistry expertise in Poland across a range of applications. We employ Poland's and Europe's top specialists and we share our knowledge and experience with scientists from Poland's leading research and science institutions. Our main research partner is the New Chemical Syntheses Institute (INSC), a prestigious institution which has been the research facility of choice for many Group companies for years. Our partnership involves a range of R&D and implementation projects pursued in Poland and abroad, as well as joint development and pilot launches of new products and manufacturing technologies. Together with our partner, we are also working to develop smart fertilizers, that is new formulas tailored to the specific needs of various crops as well as the nutrient content in soils.

For years, we have been a strategic partner of the Polish Chemical Industry Congress – one of the highest-profile industry events in Poland and the key forum for discussion and sharing of expertise in technological solutions, innovative concepts and strategies, implementation of capex projects, process safety, innovation, and the impact of the legal and economic environment on the industry.

We understand the importance of knowledge transfer between the Grupa Azoty Group and food producers, and we share ours with farmers as well as agricultural consultants. We provide multi-dimensional education on sustainable agriculture – we use proven and tested training channels, but also advanced teaching technologies.

Since 2015, we have been running a unique research project under the name 'Grounded in Knowledge', in which we offer soil

testing for nutrient content free of charge. Benefits available to each farmer qualifying for the programme include free examination of 15 soil samples (sufficient for about 50 ha of land). The project is aimed at promoting optimum fertilizer application technologies matching the crop type and nutrient content of soil, as well as fostering the development of new fertilization technologies and fertilizer products that cater to the needs of Polish farmers. As part of the programme the Grupa Azoty Group has already reached almost 5,000 farms across Poland

We also reach farmers by means of the Grupa Azoty Group's own media:

- our YouTube Fertilizers Non Stop channel has more than 23,000 followers; we upload two videos per week and we have reached more than 7 million total views;
- our nawoz.eu website has more than 20,000 registered users and had almost 3.8m views in 2020-2021;
- our AgroLeader magazine is published in 22,000 copies;
- the second season of the 'Agrorewolucje' TV show had 690 thousand views and almost 12,000 subscribers;
- The 'Ambassador' programme, aimed at building the image of a professional employer in the academic community





OUR ENVIRONMENT

Support to local communities

[IR – Presentation of results] [SDG 4 – Quality education] [SDG 9 – Innovation and infrastructure] [103-2]

Despite the scale of our operations and global reach, we do not forget about our roots and close neighbours. The Group's production plants are often the largest employer in the region, which means that they have a considerable impact on everyday life of people who live in a given town or county. Puławy is a perfect example here, as almost 10% of the town's population is employed at Grupa Azoty Puławy, and a lot of Puławy-based businesses exist thanks to the cooperation with the company.

We are aware of the role we play in local communities and are proud to support local projects. In 2020, Grupa Azoty Group companies ran or supported numerous educational, cultural and sports projects for their respective local communities and regions, thus building and promoting the Group's perception as a valued and respected partner and neighbour. Image-building activities with a countrywide and international reach, which boost the perception of the entire Grupa Azoty Group, are carried out by the Group's corporate department in Tarnów. Each of the companies has in place appropriate social, sponsorship, CSR and donation policies.





Grupa Azoty Group companies prepare quarterly reports on the performance of their plans of social and sponsorship activities and submit them to Grupa Azoty S.A., which, at the Supervisory Board's request, presents a report on their implementation. Each company submits to the Supervisory Board a report on the effectiveness of its activities involving sponsorship of professional sports. Following the expiry of a sponsorship agreement, the Supervisory Board issues its opinion on the report summarising sponsorship effectiveness analysis. The information is then published, in accordance with the Articles of Association, in the Directors' Report (sections 8.15 and 8.16)



Objectives of the social and sponsorship activities:

- Building a positive image of the Grupa Azoty Group as a community- and environment-friendly business organisation, the leader of the chemical industry in Poland and Europe
- Building the Group's and its companies' image as socially responsible businesses supporting local initiatives
- Promoting the Grupa Azoty brand by improving its recognition outside the group of its customers and buyers of its products
- Communicating the Grupa Azoty Group's message to stakeholders which are important to the Company, with a focus on the importance of high standards of projects and initiatives implemented by the Group
- Building the Group's and its companies' reputation, recognition and favourable perception among the public, particularly for the positive role the Group plays in solving social and environmental issues of today's world
- Enhancing attractiveness of the regions in which the Group operates as places to live, work, pursue passions and fulfil ambitions, while offering children and young people the best possible education, health and wellbeing opportunities
- Supporting promotional and commercial activities

Community engagement of the Grupa Azoty Group is governed by the Social and Sponsorship Policy, Donation Policy and CSR Policy.

The Social and Sponsorship Policy sets out the rules for fostering the Grupa Azoty Group's reputation of not only a financially successful, but also socially responsible business. As an entity using natural resources, we undertake social and sponsorship activities dedicated primarily to supporting local initiatives and needs. We care in particular about the development of the regions

where our companies operate. At the same time, we seek to ensure that the reach and nature of the projects we choose to sponsor is supra-regional.

Through donations, governed by the **Donation Policy**, we want to respond to the needs of foundations, associations, schools, nonprofit organisations and individuals in difficult circumstances. In particular, we support projects contributing to medical care improvement, social and educational development of children and youth, as well as other initiatives benefiting local communities.



Selected purposes of donations described in the Donation Policy:

- providing social assistance, mainly to families and individuals in difficult circumstances, and promoting equal opportunities for such families and individuals
- supporting activities aimed at social and professional inclusion of individuals who are at risk of social exclusion
- charitable activities
- cultivating and fostering Polish traditions and national identity, strengthening national, civic and cultural awareness
- activities supporting national/ethnic minorities and regional languages
- health protection and promotion
- support for the disabled
- support for equal rights of men and women
- support for the development of technology, inventions and innovation, as well as promotion and implementation of new technological solutions in business
- activities supporting the development of local groups and communities
- science, higher education, schooling, and education systems
- holidays for children and the youth
- culture, arts, and protection of cultural property and national heritage
- support for European integration and fostering international contacts and cooperation

The objective of the **CSR Policy** is to define the principles to be followed in undertaking corporate social responsibility projects. We engage in CSR initiatives with a view to establishing a positive reputation of our brand and building respect and favourable attitude of the public. We want to reach entities and environments that are important to the Grupa Azoty Group, both in Poland and abroad.



Selected CSR policy objectives:

- initiatives of importance to the local community
- projects furthering and promoting the history and tradition of Poland's chemical industry and supporting its development
- scientific and research programmes aimed at protecting the natural environment and preventing the degradation of natural

resources

- building respect for Poland's national and cultural identity
- environmental protection
- promotion of knowledge, in particular by participating in conferences, seminars and congresses concerning broadly-defined chemical industry and agriculture
- amateur sport and recreation, including sports of individual sportsmen, children, youth and disabled persons
- activities supporting economic development, including development of entrepreneurship



BEST PRACTICE

The Grupa Azoty Group lends patronage to nationwide sports events. The best known initiative in this area is the cooperation with the Polish Skiing Association as the Main Partner. Grupa Azoty S.A. has for many years supported, among others, the Polish ski jumping team. Its support for winter sports takes two forms, including sponsoring individual athletes (Piotr Żyła, Jakub Wolny and Aleksander Zniszczoł) and acting as the main sponsor of major sports events in Poland, such as the ski jumping World Cup contests in Wisła and Zakopane.

[203-1] [413-1]



Grupa Azoty S.A. maintains ongoing contact with the local community, keeping it informed about current developments in its operations. It carries out many community-oriented projects to engage with its stakeholders.

Due to the pandemic, these activities were largely limited in 2020. However, among the few events that were organised was the 'Arbour Day with Grupa Azoty S.A.' environmental and educational campaign. During the event, the Company's employees and students from the Tarnów-Mościce Technical School Complex planted several dozen trees around the plant's buildings.

In 2020, Grupa Azoty S.A. supported local communities in five areas: regional development, education, sports, culture and protection of human health and life. Through these activities, the Company can build and consolidate the image of Grupa Azoty as a valued and recognised partner. Thanks to such efforts, the Company also builds stronger and lasting relations with its immediate social environment.

Support to the region:

In 2020, Grupa Azoty S.A. participated in initiatives for the development of the region and its community, supporting such institutions as:

- Polish Tourist Association Branch at Grupa Azoty S.A. in Tarnów-Mościce,
- KANON Association,
- Social Initiatives Association,
 - 'Linking Foundation' for the Support of Local Ties,

 Ignacy Mościcki Foundation of Tarnów,
 - Society of the Friends of Mościce.

Support to education:



Last year, Grupa Azoty S.A. continued partnerships with schools from the Tarnów region, including the Technical School Complex in Tarnów. Grupa Azoty S.A. intends to continue that cooperation on a long-term basis. To this end, it has signed an agreement with the Ignacy Mościcki Technical School Complex, under which the Company is to employ up to ten students yearly, provide apprenticeship opportunities, help prepare classes and organise educational field trips, and offer support in applying for EU funds.

Grupa Azoty S.A. also actively collaborates with scientific institutions and academic centres. For decades, the Company has not only supported research into industrial technologies and techniques, but has also been actively involved in the organisation of educational projects linking students with industry.

Support to sports:



In building the strength of its brand, Grupa Azoty sponsors sports disciplines that enjoy the greatest popularity among Poles, such as ski jumping, volleyball, speedway, football and athletics. In an effort to help satisfy the needs of the local communities, it supports not only professional but also amateur sports people and organisations, which in 2020 included:

- Grupa Azoty Roleski PWSZ Tarnów Club (volleyball),
- Grupa Azoty Tarnów (handball),

- ZKS Unia Tarnów Sports Club (football, futsal);
- Unia Tarnów Żużlowa Sportowa Spółka Akcyjna (speedway).

Support to culture:



Grupa Azoty S.A. assists in the organisation of cultural events promoting respect for the national and cultural identity. We also support cultural projects and programmes promoting both our region and national culture. In 2020, we lent our support to the ArtContest Artistic Association of Tarnów (Grupa Azoty International Jazz Contest) and the Paderewski Centre in Kaśna Dolna.

Support to initiatives for protecting life and health:



Last year, we offered help particularly to those entities that care for the development of others. For this reason, Grupa Azoty supported organisations such as Tytus Chałubiński PCK Blood Donors Club at Grupa Azoty S.A. Understandably, in 2020 our health-oriented initiatives were focused on the coronavirus pandemic. For more details, go here.



Grupa Azoty Police

Grupa Azoty Police builds its community friendly image by providing support to various initiatives, including:

- professional and amateur sports;
- cultural initiatives, including mass cultural events;
- educational institutions for children and youth;
- research programmes;
- regional environmental initiatives;
- social campaigns.

Clubs and athletes supported by Grupa Azoty Police in 2020 included:

- Pogoń Szczecin football team;
- Chemik Police Volleyball Club;
- Marcin Lewandowski, resident of Police and a multiple European champion and bronze medalist of the 2019 World Championships in the 1,500 metre race;
- West Pomeranian Fencing Association;
- Chemik Police Football Club;
- Police Youth Football Academy.



Promoting national traditions and patriotic attitudes plays an important role in Grupa Azoty Police's agenda of social and sponsorship activities. In 2020, the company continued its cooperation with the Foundation for Polish Values, including through the 'Package for the Compatriot and Hero Living in the Eastern Borderlands' campaign, aiming to donate Easter and Christmas gifts for Poles and their families living east of Poland.

Dunant Voluntary Blood Donors Club of Police. In 2020, 175 volunteers donated almost 80 litres of blood during six blood donation drives hosted on the Company's premises. The Association has operated under the company's patronage since 2018. Grupa Azoty Police also commenced cooperation with the 'Useful Ones' Social Cooperative, which works with individuals with disabilities. The cooperative runs two restaurants in which disabled persons can pursue their interests, raise their qualifications and socialise.





For years now, Grupa Azoty Police has been supporting the development of professional and vocational education. By partnering with secondary schools, it ensures that young people, its potential future employees, acquire skills and knowledge needed in the chemical sector. The Company has under its auspices the chemical engineering class at the Ignacy Łukasiewicz School Complex in Police. The students are given the opportunity to complete work placements at the company and apply for scholarships. Grupa Azoty Police has also partnered with a number of schools in Szczecin, including the Electricity and Electronics School Complex, the Władysław Orkan School Complex No. 2 and the Home Army School Complex No. 4. Their students, like their peers from the Police-based school complex, can complete work placements at the company and receive scholarships.

In addition, Grupa Azoty Police continues to work with the West Pomeranian University of Technology, including on R&D projects, implementation-based doctoral programmes, educating technical staff, and organising work placements for students of chemical and process engineering and the Faculty of Mechanical Engineering and Mechatronics.

The initiatives joined by Grupa Azoty Police in 2020 included:

- extension of the playground for children at the Salesian Children's Home in Szczecin;
- support for the Passion of Christ Mystery play;
- support for the Honorary Blood Donors Club in Police;
- support for the Ostoja Teetotal Association;
- support for the organisation of an anniversary event and production of decorations commemorating the 50th anniversary of the December 1970 strikes and bloodshed in Szczecin.



Grupa Azoty Puławy

Support to science:



- patronage agreement with the Technical School Complex in Puławy, under which Grupa Azoty Puławy undertook to hire at least ten of each year's school leavers;
- partnership with the Puławy Branch of the Maria Curie Skłodowska University.



Each month, Grupa Azoty distributes its corporate Grupa Azoty Magazine presenting information on all key areas of the Company's activities.

Support to social campaigns:



- cooperation with the Honorary Blood Donors Club at Grupa Azoty Puławy with respect to blood donation drives and registration of potential marrow donors;
- partnership with the Municipal Social Welfare Centre in organising charitable donations for families in need;
- continued partnership with the County Headquarters of the State Fire Service and Voluntary Fire Brigades under the 'Safety is Our Common Goal' programme.

Support to sports:



Continuation or start of cooperation with:

- Azoty-Puławy Handball Sports Club;
- Wisła Puławy Sports Club;
- Malwina Kopron, a hammer thrower from Puławy who returned with a bronze medal from the Tokyo 2020 Olympic Games;
- Speedway Motor Lublin speedway club;
- MKS Padwa Zamość;
- Azoty Yacht Club;
- 'Powiślak' Końskowola sports club.

Support to culture:



- 'Dom Chemika' Puławy Culture Centre;
- Lublin Music Theatre;
- Vistula Museum in Kazimierz Dolny;
- Radio Lublin.



Grupa Azoty Puławy took part in the celebrations of the 400th anniversary of the church organ in Kazimierz Dolny, which provided an opportunity to organise a number of musical performances. It also became involved in the celebrations of the 40th anniversary of the 1980 Lublin strikes and the 100th anniversary of the Battle of Warsaw. The company was the main strategic sponsor of the 'The Pope and the Primate. Friendship Born in the Lublin Region' television show made to commemorate the 100th anniversary of the birth of Saint John Paul II.



Support to culture:



- Celebrations of the Dutchy of Koźle Days combined with the Cadet Day in Kędzierzyn-Koźle and publication of the 'Koźle. History and Legends' guidebook/bulletin, organised by the Opolskie Orlęta Foundation;
- 25th Kędzierzyn-Koźle Scientific Seminar organised by the Koźle Region Association, with the 21st volume of the Kędzierzyn-Koźle Sketches published by the Institute of Pedagogical Sciences of the University of Opole and the Koźle Region Association;
- 9th edition of the 'Gitariada 40' open air music event in Kędzierzyn-Koźle, organised by the Municipal Cultural Centre;
- 33th 'Wrzosowisko' Nationwide Festival of Tourist Song, Sung Poetry and Various Arts, organised by the Municipal Cultural Centre.

Support to sports:



- Chemik Kędzierzyn-Koźle Football Academy;
- Academic Championships of Poland in Opole, organised by the AZS (University Sports Association) Sports Club at the Opole University of Technology;
- the 'ĆWICZĘSTO Work Out Safely With Us' physical activity project, organised by the Koziołek Sports Club Association



BEST PRACTICE

In 2020, Grupa Azoty Kędzierzyn offered support to Bartłomiej Mróz, a parabadminton player from Kędzierzyn-Koźle, who takes part in international competitions for people with upper extremity disability. Bartłomiej Mróz has set up a foundation of his own name to promote and popularise badminton and parabadminton in Poland.

Support to science:



- 8th 'Chemistry Masterminds' Interschool Chemical Competition at School Complex No. 3 in Kędzierzyn-Koźle;
- summer open air event organised by Radio Opole to promote rural areas and fertilizer production.



Our report

[101] [102-50] [102-51]

This integrated report contains a summary of the Grupa Azoty Group's financial and non-financial performance for 2020. It presents information on the Group's value creation model. The document also includes a section on the Group's response to risks arising from climate change, including its engagement in decarbonisation efforts. In preparing it, we relied on the latest guidelines of the Global Reporting Initiative (GRI Standards). Its content and layout are also based on relevant recommendations of the International Integrated Reporting Council (IIRC). The Grupa Azoty Group 2019 integrated report was published in December 2020.

[102-52] [102-54]

Reports are prepared on an annual basis. This report presents data for 2020 and has been prepared in accordance with the Core option.

Report scope and boundary, applicable standards and guidelines

[102-45] This report describes the non-financial activities and performance of the four key companies of the Grupa Azoty Group:

- Grupa Azoty S.A. of Tarnów (the parent);
- Grupa Azoty Zakłady Azotowe Kędzierzyn of Kędzierzyn-Koźle (Grupa Azoty Kędzierzyn; ZAK);

- Grupa Azoty Zakłady Azotowe Puławy of Puławy (Grupa Azoty Puławy);
- Grupa Azoty Zakłady Chemiczne Police of Police (Grupa Azoty Police).

In addition to the companies mentioned above, the consolidated financial statements include seven more entities (subsidiaries of Grupa Azoty S.A.): COMPO EXPERT Holding GmbH, Grupa Azoty ATT Polymers GmbH (Guben, Germany), Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (Tarnów), Grupa Azoty Koltar Sp. z o.o. (Tarnów), Grupa Azoty Koltar Sp. z o.o. (Tarnów), Grupa Azoty Chemiczne Siarki Siarkopol S.A. (Grzybów), Grupa Azoty Folie Sp. z o.o. w likwidacji (in liquidation) and Grupa Azoty Compounding Sp. z o.o.

The financial data in this report have been taken from the consolidated financial statements of Group companies.

[102-56]

In order to exercise utmost care, we have engaged Deloitte's Sustainability Consulting Central Europe Team to assist in the preparation of this report. The report has been externally assured by KPMG.

Approximately 70 employees of the four key Group companies were involved in the data collection process.

[102-49]

The report scope and boundary, as well as methods of measurement, were not subject to any major changes compared with last year's report.

[102-46]

Report drafting process

In line with the principle of materiality approach, individual items of non-financial information have been presented to the extent necessary to assess the Group's development, performance and standing. In 2018, we conducted an anonymous survey among our employees and a dialogue session with the Group's key external stakeholders, including social institutions, trading partners, farmers and public cultural centres. In 2019, we carried out additional surveys among stakeholders and performed an internal analysis of reports prepared by international rating agencies.

During the dialogue, aspects of low, medium and high relevance were identified. The aspects of low relevance, providing no measurable added value for the organisation and recipients of this report, were disregarded.

To prepare the 2020 report, we used the information from the dialogue session and surveys carried out as part of previous report drafting processes.

[102-47] [103-1]

Material topics for the Grupa Azoty Group

Key aspects	Important aspects
Innovation and challenges for the future	Growing the intellectual capital
Offering safe, premium quality products	Diversity and equal opportunity
Grupa Azoty Group's business results and market position	Engaging in joint projects with schools and universities, educational initiatives
Emissions management and energy efficiency	
Ethics and anti-corruption	

Key aspects	Important aspects
Efficient resource consumption, including water consumption management	
Occupational health and safety	



OUR REPORT

GRI table

[102-55]

GRI table – GRI content index

GRI Standard	Number of the disclosure	Title of the disclosure				
Foundation [2016]						
GRI 101		Reporting principles				
General Disclosures						
Organizational profile [2016]						
GRI 102	102-1	Name of the organization				
GRI 102	102-2	Activities, brands, products, and services				
GRI 102	102-3	Location of headquarters				

GRI Standard	Number of the disclosure	Title of the disclosure
GRI 102	102-4	Location of operations
GRI 102	102-5	Ownership and legal form
GRI 102	102-6	Markets served
GRI 102	102-7	Scale of the organization
GRI 102	102-8	Information on employees and other workers
GRI 102	102-9	Supply chain
GRI 102	102-10	Significant changes to the organization's size, structure, ownership, or supply chain
GRI 102	102-11	Reporting whether and how the organization applies the Precautionary Principle or approach
GRI 102	102-12	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses
GRI 102	102-13	Membership of associations
Strategy	·	
GRI 102	102-14	Statement from senior decision-maker
GRI 102	102-15	Key impacts, risks, and opportunities
Ethics and integrity		
GRI 102	102-16	Values, principles, standards, and norms of behaviour
GRI 102	102-17	Internal and external mechanisms for seeking advice about ethical and lawful behavior, and organizational integrity
Governance		
GRI 102	102-18	Governance structure of the organization, including committees of the highest governance body
Stakeholder engagement		
GRI 102	102-40	A list of stakeholder groups engaged by the organization
GRI 102	102-41	Percentage of total employees covered by collective bargaining agreements
GRI 102	102-42	Basis for identifying and selecting stakeholders with whom to engage

GRI Standard	Number of the disclosure	Title of the disclosure
GRI 102	102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group
GRI 102	102-44	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting
Reporting practice		
GRI 102	102-45	Entities included in the consolidated financial statements
GRI 102	102-46	Defining the report content and topic Boundaries
GRI 102	102-47	List of material topics comment: In 2020, the Group did not identify significant topics.
GRI 102	102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements (e.g. mergers or acquisitions, change of base years or periods, nature of business, measurement methods) comment: Restatements of 2019 data were made based on the following disclosures: 302-1, 302-3, 305-5 and 305-7. Restatements of 2019 data are attributable to the recalculation of disclosures data to verify the input data.
GRI 102	102-49	Changes in reporting comment: The method for reporting OHS, waste and water data was revised following the update of GRI Standard (disclosures: 303, 306, 403). The report scope and boundary have otherwise remained unchanged.
GRI 102	102-50	Reporting period comment: Reporting period: January 1st 2020 – December 31st 2020
GRI 102	102-51	If applicable, the date of most recent previous report comment: The most recent integrated report (for 2019) was published in December 2020.
GRI 102	102-52	Reporting cycle comment: This report presents data for 2020. The previous report covered 2019.

GRI Standard	Number of the disclosure	Title of the disclosure	
GRI 102	102-53	Contact point for questions regarding the report comment: We want to know your opinion about the report and the scope of information you would like us to provide in its next edition. To share your opinion and to request a copy of the report, please send a message to katarzyna.kapustka@grupaazoty.com Media enquiries: Grupa Azoty Press Officer rzecznik@grupaazoty.com Investor enquiries: Investor Relations Team ir.tarnow@grupaazoty.com	
GRI 102	102-54	Claims of reporting in accordance with the GRI Standards, either Core or Comprehensive option comment: This report has been prepared in accordance with the GRI Standards: Core option.	
GRI 102	102-55	GRI content index	
GRI 102	102-56	Policy and current practice with regard to seeking external assurance for the report	
Management approach			
GRI 103	103-1	Explanation of the material topic and its Boundary	
GRI 103	103-2	The management approach and its components	
GRI 103	103-3	Evaluation of the management approach	
Topic-specific Standards			
Economic			
Economic performance [2016]	I		
GRI 201	201-2	Financial implications and other risks and opportunities due to climate change comment: Partially reported	
GRI 201	201-4	Financial assistance received from government comment: Partially reported	
Market presence [2016]			
GRI 202	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	
Indirect economic impacts [2016]			
GRI 203	203-1	Infrastructure investments and services supported	

GRI Standard	Number of the disclosure	Title of the disclosure		
GRI 203	203-2	Significant indirect economic impacts		
Anti-corruption [2016]				
GRI 205	205-2	Communication and training about anti-corruption policies and procedures		
		comment: Partially reported		
GRI 205	205-3	Confirmed incidents of corruption and actions taken		
Anti-competitive behaviour [2016]				
GRI 206	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
Environmental				
Materials[2016]				
CDI 201	2011	Materials used by weight or volume		
GRI 501	501-1	comment: Partially reported		
GRI 301	301-3	Percentage of reclaimed products and their packaging materials for each product category		
Energy [2016]				
GRI 302	302-1	Energy consumption within the organisation, including information on the type of energy carrier used		
		comment: The 2019 data on Grupa Azoty Puławy has been restated.		
GRI 302	302-3	Energy intensity		
		comment: The 2019 data on Grupa Azoty Kędzierzyn and Grupa Azoty Police has been restated.		
GRI 302	302-4	Reduction of energy consumption		
Water and Effluents [2018]				
GRI 303	303-1	Interactions with water as a shared resource		
GRI 303	303-2	Management of water discharge-related impacts		
GRI 303	303-3	Total water withdrawal, by source		
GRI 303	303-4	Water discharge		
Biodiversity [2016]				

GRI Standard	Number of the disclosure	Title of the disclosure	
GRI 304	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
GRI 304	304-2	Significant impacts of activities, products, and services on biodiversity	
Emissions [2016]	·		
GRI 305	305-1	Direct (Scope 1) GHG emissions	
GRI 305	305-4	GHG emissions intensity	
GRI 305	305-5	Reduction of GHG emissions comment: The 2019 data on Grupa Azoty S.A. has been restated.	
GRI 305	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions comment: The 2019 data on Grupa Azoty Puławy and Grupa Azoty S.A. has been restated.	
Waste [2020]			
GRI 306	306-1	Waste generation and significant waste-related impacts	
GRI 306	306-2	Management of significant waste-related impacts	
GRI 306	306-3	Waste generated	
GRI 306	306-4	Waste diverted from disposal comment: Partially reported; a breakdown by waste category was not included	
GRI 306	306-5	Waste directed to disposal	
		comment: Partially reported; a breakdown by waste category was not included	
Environmental compliance [2016]			
GRI 307	307-1	Significant fines and non-monetary sanctions for non- compliance with environmental laws and/or regulations	
Social			
Employment [2016]			
GRI 401	401-1	New employee hires and employee turnover	
GRI 401	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	

GRI Standard	Number of the disclosure	Title of the disclosure		
Occupational health and safety [2018]				
GRI 403	403-1	Occupational health and safety management system		
GRI 403	403-2	Hazard identification, risk assessment, and incident investigation		
GRI 403	403-3	Occupational health services		
GRI 403	403-4	Worker participation, consultation, and communication on occupational health and safety		
GRI 403	403-5	Worker training on occupational health and safety		
GRI 403	403-6	Promotion of worker health		
GRI 403	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
GRI 403	(02.0	Work-related injuries		
	403-7	comment: Partially reported		
Training and education [2016]				
GRI 404	404-1	Average hours of training per year per employee		
GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs		
GRI 404	404-3	Percentage of employees receiving regular performance and career development reviews by gender and by employee category		
Diversity and equal opportunity [2016]				
GRI 405	405-1	Governing bodies and employees by gender, age group, and other diversity indicators		
GRI 405	405-2	Ratio of basic salary and remuneration of women to men for each employee category		
Non-discrimination [2016]				
GRI 406	406-1	Total number of incidents of discrimination and corrective actions taken		
Local communities [2016]				
GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs		
GRI 413	413-2	Operations with significant actual and potential negative impacts on local communities		

GRI Standard	Number of the disclosure	Title of the disclosure		
Public policy [2016]				
GRI 415	415-1	Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country comment: In accordance with the Grupa Azoty Group's Donation Policy, no political contributions were made directly or indirectly in the reporting period.		
Customer health and safety [2016]				
GRI 416	416-1	Assessment of the health and safety impacts of product and service categories		
GRI 416	416-2	Incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services		
Marketing and labeling [2016]				
GRI 417	417-1	Requirements for product and service information and labelling		
GRI 417	417-2	Incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling		
GRI 417	417-3	Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications		
Socioeconomic Compliance [2016]				
GRI 419	419-1	Non-compliance with laws and regulations in the social and economic area		