

6. CORPORATE GOVERNANCE

6.1. CORPORATE GOVERNANCE RULES

In 2016, PKN ORLEN applied all principles included the “Code of Best Practice for WSE Companies (“Code of Best Practice”) applicable on the Warsaw Stock Exchange.

The code is available on the website of the Stock Exchange https://www.gpw.pl/regulations_best_practices and on the corporate website of PKN ORLEN www.orlen.pl in the section dedicated to the Company’s shareholders (<http://www.orlen.pl>).

Communication with the capital market

One of the basic tools for the communication with the representatives of the capital market is the Investor Relations section in the corporate website <http://www.orlen.pl>, maintained in both Polish and English. The Investor Relations section gathers information mainly for the investors and analysts. It includes, among others:

- Regulatory announcements and annual reports,
- Presentations concerning the publication of the financial results and other events,
- Multimedia files containing teleconferences and videoconferences organized by the Company,
- Interactive charts and grids presenting Company’s historical financial data in various periods, with the possibility of implementation to Excel,
- Stock-exchange quotations of PKN ORLEN shares and main indexes,
- Contact form,
- Newsletter and RSS channel ,
- Interactive calendar, offering the possibility of setting a reminder, through a short text message or an e-mail, concerning the most important events in the Company,
- Section for Individual investors.

On the website, there is also a tab concerning the corporate governance. One can find there the Company’s annual reports on complying with best practices rules and the “Code of Best Practice” and the “Code of Best Practice”. There is also brief information on best practice applied by the Company and other information which are required through “Code of Best Practice” for the Companies quoted on the Warsaw Stock Exchange.

The General Meeting tab in the „Investor Relations” section contains set of corporate documents, information related to General Meetings including special online contact form.

The Company also supports its shareholders, investors, analysts to have the knowledge of the industries in which it operates. On a web portal of PKN ORLEN <http://napedzamyprzyszosc.pl/> there are placed specialized publications and relations from industry conferences. There is also the blog of PKN ORLEN’s Chief Economist (<http://napedzamyprzyszosc.pl/blog>) on which comments on the current market situation are placed. The Company sends short messages through its account on Twitter (https://twitter.com/ORLEN_FFbK).

As part of the direct contact with the representatives of the capital market, the Company regularly and actively participates in the meetings with investors and analytics, both in the country and abroad. It organizes press conferences open to anyone after each important event for the Company, such as publication of quarterly results or publication of the strategy. The conferences are transmitted live through the Internet, along with a simultaneous translation to English.

On a regular basis the Company actively participates in the meetings with investors and analysts both in Poland and abroad. Conferences, individual and group meetings, and teleconferences are organized with stakeholders on the capital market. The Company’s representatives regularly conduct also roadshows – series of meetings with investors at their work place, in-country and abroad. For the capital market representatives interested in the Company’s operations also so-called site visits are organized, i.e. visits of shareholders or analysts in the production plant and other trade and production activity places, what improves their knowledge about the Company specifics.

From time to time PKN ORLEN organizes the Investor and Analyst Days, including thematic workshops concerning various areas of activity of the Company, conducted by the representatives of the Management Board, executive directors and other, selected managers.

2016 was the fourth year in a row in which PKN ORLEN paid dividend to its shareholders in the amount of PLN 2 per share.

PKN ORLEN makes all efforts to publish periodic reports as soon as possible after the closing of the reporting period. In 2016, we published quarterly and half-year reports within 23 days on average following the closing of the relevant periods, and annual reports within 84 days following the end of the year.

Capital market participants appreciate the Company’s activities, which is confirmed by the awards and other distinctions it won in 2016:

- The “Bulls and Bears” statuette in the WIG20 Index Company of the Year category according to “Parkiet”, a daily newspaper addressed to stock market investors;
- Awards related to the assessment of investor relations in WIG 30 Index companies, a joint initiative of “Parkiet” and of the Chamber of Brokerage Houses:
 - Second place in the “Best Investor Relations among Individual Investors” category,
 - Second place in the “Best Investor Relations among Institutional Investors” category,
- The Company continued to be present in the 10th edition of the Respect Index project,
- For the fourth year in a row, PKN ORLEN obtained the special award called “The Best of The Best” in the competition for The Best Annual Report, organized by the Institute of Accounting and Taxes, and obtained other awards in the same competition for the following:
 - Best Integrated Report,
 - Best IAS/IFRS Application,

- Best Reporting Team

Company's reaction to appearing public opinions and information injuring its reputation

In PKN ORLEN, there is an internal regulation in force, concerning the rules of taking actions which create the image of the Company and contacts with the mass media representatives as well as passing the information, relevant for the PKN ORLEN's image, to the Corporate Communication Department's Executive Director. This regulation obliges to multistage verification of information concerning the Company and its representatives before it's made public.

The above regulation sets also the rules of reaction in a situation, when opinions and information expressed in public by third parties may harm the Company' reputation. The person responsible for the coordination of this process is the Executive Director of the Corporate Communication Department.

Corporate Social Responsibility Activities of PKN ORLEN

In 2015, PKN ORLEN commenced the implementation of its corporate social responsibility strategy (CSR) for 2015-2017. The strategy assumes that goodwill growth should take place in harmony with the interest of the environment and should be based on sustainable and responsible use of resources. This means that corporate social responsibility principles are taken into account in the process of creation of business projects. Defining measurable CSR goals will allow for analysing and assessing the effects derived from these measures in the Concern and its environment. The strategy basing on "Values and principles of conduct adopted by PKN ORLEN S.A." is also to motivate employees to seek new ideas and innovative solutions.

6.2. CONTROL AND RISK MANAGEMENT SYSTEM

The Company's system of internal control and risk management in the process of financial statements preparation is implemented through:

- verification whether a uniform accounting policy is applied by the ORLEN Group companies as regards the recognition, measurement and disclosures in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union,
- following accounting standards and monitoring compliance with them,
- following uniform separate and consolidated financial reporting standards and periodic verification whether these standards are properly applied in the ORLEN Group companies,
- verification of the ORLEN Group companies' financial reports compliance with the data placed into integrated IT system used to prepare the ORLEN Group's consolidated financial statements,
- auditor's review of financial statements published for I quarter, half-year, III quarter and audit of annual financial statements of PKN ORLEN and the ORLEN Group,
- procedures to authorize and give opinions about financial statements before they are published,
- carrying out an independent and objective evaluation of risk management and internal control systems.

In 2016, the CSR strategy was implemented according to the pre-assumed plan. In PKN ORLEN, 16 coordinators have been monitoring works on 55 projects. In the Capital Group, in turn, 488 measures has been implemented in the area. 27 coordinators have been supervising their timely completion. The Management Board of PKN ORLEN and the Supervisory Board CSR Committee periodically review its execution.

PKN ORLEN boasts rich traditions in pro-community initiatives and activities in this area. One of the most important elements of these measures is the ORLEN's Foundation - DAR SERCA established in 2001.

In community initiatives of PKN ORLEN and ORLEN's DAR SERCA Foundation also participate PKN ORLEN's clients and the members of the VITAY loyalty program.

The principles of sponsoring activity conducted by PKN ORLEN are set forth in internal regulations codified in annual marketing plans and in a disposition defining the principles of purchase of sponsoring services. Selecting the projects to carry out, the Concern adheres to ethical principles in force in the company.

The Concern is focusing its sponsoring activities on selected thematic areas, such as: film, theatre, literature, music, education, local projects addressed at communities inhabiting areas of particular interest from the point of view of the activity of the Concern, and social projects. Our initiatives receive vast support on the "Niesamowici Ludzie" fanpage, followed by more than 72 thousand Facebook users.

PKN ORLEN communicates its social initiatives, among others, via the corporate website, in the "Responsible business" bookmark, containing the basic information on the principles of the sponsoring policy adopted by PKN ORLEN, as well as information on the procedure for applying to PKN ORLEN for sponsoring.

Recording of economic events in PKN ORLEN is conducted in an integrated financial - accounting system.

Security and availability of information contained in the financial-accounting system are controlled at all levels of the database, applications and presentations as well as at the level of operating system. System integration is ensured by the data entry control systems (validation, authorization, a list of values) and logs of changes. In case of system failure not completed transactions are withdrawn. Logs of changes give the possibility of path reviews.

In order to ensure that unified accounting standards are applied, the ORLEN Group companies have to follow, for the purpose of preparing the consolidated financial statements, the accounting policy adopted by PKN ORLEN and approved by ORLEN Group companies.

The consolidated financial statements are prepared based on the integrated IT system where consolidation process of entered data from reporting packages provided by the ORLEN Group companies is performed. The system is designed for financial management and reporting purposes. The system enables the unification of financial information. Results budgeted and forecasted data as well as statistics are gathered in one place, what ensures direct control and compatibility of the entered data.

The data is reviewed in terms of their cohesion, completeness and continuity, which is achieved thanks to controls implemented in the

ORLEN GROUP

system, which check the compliance of data entered by the companies.

In order to reduce the risks relating to the process of the financial statements preparation on a current basis, they are quarterly verified by an auditor, i.e. more often than required under the applicable law. The financial statements for the I quarter, the half-year and the III quarter of the year are reviewed by the auditor, whereas the annual financial statements are subject to audit. The auditor presents the results of the reviews and audits to the Management Board and the Audit Committee of the Supervisory Board.

The Company has certain procedures to authorize the financial statements under which the periodical reports before the Management Board approval subject to auditor review and the Supervisory Board Audit Committee opinion. Once the financial statements are approved they are forwarded by the Investor Relations Office to public domain.

The Company has an Audit and Corporate Risk Management Department which has to ensure an independent and objective evaluation of the risk management and internal audit systems, and analyse business processes.

The Department operates basing on the annual audit plans approved by the Management Board and accepted by the Audit Committee of the Supervisory Board and the Supervisory Board. The Audit and Corporate Risk Management Department can also carry out random audits as ordered by the Company's Supervisory Board or the Management Board.

Within the realised tasks and objectives, the Audit and Corporate Risk Management Department provides recommendations as to the implementation of solutions and standards for realised audit tasks, designed to mitigate the risk of PKN ORLEN not meeting the targets set, to improve the effectiveness of the internal control system and to increase the efficiency of business processes.

Twice a year the Audit and Corporate Risk Management Department prepares a report for the Management Board and the Audit Committee of the Supervisory Board on the implementation status of recommendations monitoring, which summarizes the conclusions regarding the audit tasks performed and monitors the realization of the Company's financial statements auditor's recommendations. Adhering to the principles set forth by the Institute of Internal Auditors Research Foundation, the Audit, Control and Corporate Risk Management Office has been also conducting consultancy projects.

6.3. SIGNIFICANT STAKE

In 2016 and until the date of authorization of this Report there was no change in the structure of shareholders with a stake of more than 5% in the PKN ORLEN share capital. The number of shares held by

the shareholders is presented based on the most recent, official information acquired by the Company.

The ownership rights of PKN ORLEN's shares are fully transferable.

TABLE 50. Shareholding structure in PKN ORLEN as at 1 January 2016, 31 December 2016 and the date of the approval of this report.

Shareholder	Number of shares and votes at a general meeting (as at 01.01.2016 [*])	Share in share capital and in total number of votes at a General Meeting (as at 01.01.2016 [*])	Number of shares and votes at a General Meeting (as at 31.12.2016 ^{**})	Share in share capital and in total number of votes at a General Meeting (as at 31.12.2016 ^{**})	Number of shares and votes at a General Meeting (on the date of approval of the report ^{***})	Share in share capital and in total number of votes at a General Meeting (on the date of approval of the report ^{***})
State Treasury	117 710 196	27.52%	117 710 196	27.52%	117 710 196	27.52%
Nationale-Nederlanden OFE	39 000 000	9.12%	39 785 564	9.30%	35 590 112	8.32%
Aviva OFE	34 000 000	7.95%	31 257 000	7.31%	30 000 000	7.01%
Others	236 998 865	55.41%	238 956 301	55.87%	244 408 753	57.15%
Total	427 709 061	100.00%	427 709 061	100.00%	427 709 061	100.00%

^{*} According to the information from the OGM PKN ORLEN held on 28 April 2015.

^{**} According to the information from the OGM PKN ORLEN held on 3 June 2016.

^{***} According to the information from EGM PKN ORLEN held on 24 January 2017.

6.4. SPECIAL CONTROL AND VOTING RIGHTS

The exercise of the voting right and special control have been regulated in detail in PKN ORLEN's Articles of Association. According to the provisions of the Articles, one share of PKN ORLEN entitles to one vote at the Company's General Meeting. The voting right of the shareholders has been restricted in the Statute of the Company to the extent that none of them can exercise more than 10% of the total votes existing in the Company as at the date the General Meeting is held. The restriction of the voting right does not apply to the State Treasury and the depository bank which issued, on the basis of the agreement with the Company, depository receipts in connection with the Company's shares (in case this entity exercises the voting right from the Company's shares).

The shareholders whose votes are subject to accumulation and reduction are jointly referred to as 'the Shareholders Grouping'. The rules of accumulation and reduction are specified in detail in the Statute of the Company. The shareholders being a part of the Shareholders Grouping cannot exercise the voting right from more than 10% of the total votes existing in the Company as at the date the General Meeting is held.

If the cumulated number of shares registered in the General Meeting by the shareholders being a part of the Shareholders Grouping exceeds 10% of the total number of shares of the Company, the votes resulting from the number of held shares are subject to reduction, the rules of which have been specified in detail in the Statute of the Company.

The restriction of the voting right, described above, does not apply to the entities dependent on the State Treasury.

6.5. AMENDMENTS OF ARTICLES OF ASSOCIATION

Any amendment to PKN ORLEN's Articles of Association requires a resolution of the General Meeting of Shareholders and has to be entered in the companies register. The resolution of the General Meeting of Shareholders to amend the Company's Articles of Association is adopted by three quarters of votes. The General Meeting may authorize the Supervisory Board to formulate the

The State Treasury is entitled to appoint and recall one Member of the Supervisory Board. Furthermore, one member of the Management Board of PKN ORLEN is appointed and recalled by the Supervisory Board upon the request of the State Treasury.

Additionally, in accordance with the Statute of the Company, as long as the State Treasury is entitled to appoint a member of the Supervisory Board, a resolution granting approval for activities related to sale or encumbrance in any way of shares or stock in the following companies: Naftoport Sp. z o.o., Inowrocławskie Kopalnie Soli S.A. as well as in the company that will be created in order to operate the pipeline transport of liquid fuels, require a vote in favour of their adoption by the Supervisory Board member appointed by the State Treasury.

Special rights for the State Treasury shareholder can be a result of the commonly applicable provisions of law, i.e.:

- the Act of 18 March 2010 on specific rights vested in the Minister in charge of energy and their execution in certain capital companies or capital groups conducting business activities in the electricity, crude oil and gas fuel factors,
- the Act of 24 July 2015 on the control of certain investments,
- the Act of 16 December 2016 on the rules of managing the national assets.

uniform text of the Articles of Association or make other editorial changes as set out in the resolution passed by the General Meeting.

Once the amendments to the Articles of Association are entered in the companies register, PKN ORLEN publishes a relevant regulatory announcement.

6.6. GENERAL MEETING OF SHAREHOLDERS

Proceedings and powers of PKN ORLEN's General Meeting of Shareholders are regulated in the Articles of Association and the Regulations of PKN ORLEN's General Meeting, available on PKN ORLEN website:

<http://www.orlen.pl/EN/Company/Pages/CorporateBylaws.aspx>

The Company determines the place and date of the General Meeting in a way to enable participation of the largest number of shareholders. The General Meetings of PKN ORLEN are held at the registered office of the Company in Plock, but it can also be held in Warsaw. The meeting of the General Assembly can be attended by the media representatives.

PKN ORLEN takes relevant measure to ensure that drafts of the resolutions of the General Assembly contained a justification facilitating the shareholders adopt resolutions with due discernment. All the materials are available to the shareholders at the Company's headquarters in Plock and office in Warsaw, as well as on the corporate website <http://www.orlen.pl> starting from the date of General Meeting convention.

Convening and calling off PKN ORLEN's General Meeting

The General Meeting is convened through placing an announcement on the Company's website and by delivering a current report to the capital market institutions and public information.

The Ordinary General Meeting of Shareholders should be held no later than within six months from the end of every financial year. The Extraordinary General Meeting of Shareholders is convened by the Management Board on its own initiative, on the motion of the Supervisory Board or on the motion of a shareholder or shareholders representing no less than one twentieth of the Company's share capital, within two weeks from filing the motion. The Supervisory Board may convene the Extraordinary General Meeting if the Supervisory Board recognizes that it is advisable to do so. The Supervisory Board may also convene the Extraordinary General Meeting if the Management Board fails to do so within two weeks following the submission of the relevant request by the Supervisory Board. The Extraordinary General Meeting may also be convened by the shareholders representing at least one half of the share capital or at least one half of the overall number of votes in the Company.

The Company arranges for an Internet broadcast of the Meeting and offers simultaneous translation into English.

In accordance with the General Meeting Regulations the cancellation and the change in the date of the General Meeting should be effected forthwith once the requirement for the cancellation and the change in the date has occurred but no later than seven days prior to the day when the General Meeting is to be held. If the cancellation or change in the date of the General Meeting cannot be effected within the deadline specified above, such a General Meeting should be held. If it is impossible or excessively hindered to hold such a meeting due to the circumstances, the cancellation and change in the date of the General Meeting may be effected at any time prior to the day when the General Meeting is to be held. The cancellation and the change in the date of the General Meeting is effected by announcement placed on the Company's website together with the reasons and complying with other legal requirements. Only the body or the person to have convened the General Meeting is competent to cancel the same. The General Meeting with the agenda containing specific issues put therein at the request of eligible entities, or which was convened at such a request, may be cancelled only with consent of such requesting entities.

Competence of PKN ORLEN's General Meeting

The General Meeting of Shareholders is especially authorized to:

- consider and approve the Company's annual financial statements; the annual report on the Company's business operations; the consolidated financial statements of the ORLEN Group and the report on the ORLEN Group business operations for the previous financial year,
- acknowledge the fulfilment of duties by the Supervisory Board and Management Board Members,
- decide on the allocation of profit and the cover of losses as well as on the use of funds set up from profit,
- appoint the Supervisory Board Members, subject to the provisions of § 8 item 2 of the Articles of Association, and establish principles for their remuneration,
- increase and decrease in the share capital unless otherwise stated in the Commercial Code and the Company's Articles of Association,
- decide on claims for the rectification of damage caused when setting up the Company or exercising supervision or management,
- approve the sale and lease of the company or its organized part and establish a limited property right on such enterprise or an organized part thereof,
- grant consent to the sale of real estate, perpetual usufruct or interest in real estate which net book value exceeds one twentieth of the Company's share capital,
- amend the Company's Articles of Association,
- set up and dissolve reserve capitals and other capitals and the Company's funds,
- resolutions to redeem shares and buy shares to be redeemed and to establish the redemption rules,
- issue convertible bonds or bonds with pre-emptive rights and issue warrants,
- dissolution, liquidation, restructuring of the Company and merger with another company,

- holding contracts within the meaning of article 7 of the Commercial Companies Code.

Participation in PKN ORLEN's General Meetings

In accordance with the Commercial Companies Code, the right to participate in the Company's General Meeting is vested only in the persons that are the Company's shareholders sixteen days before the date of the General Meeting (date of registration in the General Meeting).

The shareholders of the Company may communicate with the Company via the corporate website. This way shareholders can send an electronic notice of proxy or proxy document allowing the identification of the principal and the proxy together with other related documentation. Special section dedicated to the Company's General Meetings is used for this purpose: <http://www.orklen.pl/PL/RelacjeInwestorskie/WalneZgromadzenie/Strony/default.aspx>. The section includes also useful to the shareholders materials, among others, the guideline "How to participate in General Meeting" updated in accordance with changes that occur in the commonly applicable provisions of law, information about the planned shareholders' meetings along with materials relating to such meetings archive materials from the meetings held, including texts of resolutions adopted and video files with internet broadcasts of the General Meeting.

The General Meeting may be attended by the Members of the Management Board and the Supervisory Board, who can participate, even if they are not shareholders, without any invitations. An Ordinary General Meeting of Shareholders can be attended by the Members of the Management Board and the Supervisory Board whose mandates have expired before the date of the General Meeting and who exercised their functions in the financial year for which the Management Board report and the financial statements are to be approved by the Ordinary General Meeting of Shareholders.

General Meetings of Shareholders can also be attended by other persons invited by an authority convening the General Meeting or allowed to enter the meeting room by the Chairman, specifically, certified auditors, legal and financial advisers or the Company's employees. PKN ORLEN under the applicable law and with due consideration of the Company's interests allows media representatives to attend the General Meetings. The Management Board ensures that each General Meeting is attended by an independent expert specialized in commercial law.

Voting at PKN ORLEN's General Meetings

Unless stated otherwise in the Commercial Companies Code and the Articles of Association, resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes cast. One PKN ORLEN share confers the right to one vote at the Company's General Meeting. The limitations of the Company's shareholders voting rights are described in [point 6.4](#).

General Meetings in 2016

In 2016 two General Meetings were held: Extraordinary General Meeting on 29 January 2016 and Ordinary General Meeting on 3 June 2016.

The Extraordinary General Meeting determined the number of Supervisory Board members and adopted resolutions related to amendments in Supervisory Board composition.

During the Ordinary General Meeting the shareholders approved the annual reports on the operations of the Company and the ORLEN Group as well as the financial statements for 2015. They also decided on the fulfilment of duties by all the Supervisory and the Management Boards Members.

The General Meeting, familiarized with the motion of the Management Board and the opinion of the Supervisory Board, decided to distribute the net profit for fiscal year 2015 amounting to PLN 1 047 519 491.84 PLN as follows:

- 1) the sum of PLN 855.418.122,00 dedicated for dividend payment (PLN 2.00 PLN per share)
- 2) the outstanding sum i.e. PLN 192 101 369.84 dedicated for the Company's supplementary capital.

The Ordinary General Meeting set 15 July 2016 as the dividend date and 5 August 2015 as the dividend payment date.

The Ordinary General Meeting also appointed the Supervisory Board Members for a new term of office.

6.7. MANAGEMENT AND SUPERVISORY BODIES

Apart from generally applicable laws, the rules of conduct for PKN ORLEN's Supervisory Board, its Committees and the Management Board are regulated in PKN ORLEN's Articles of Association and the Supervisory Board and the Management Board Regulations,

respectively. The proceedings of the management and supervisory authorities in PKN ORLEN are also subject to the corporate governance principles set out by the Warsaw Stock Exchange.

6.7.1 The Management Board

Composition of the PKN ORLEN's Management Board in 2016

TABLE 51. Composition of the PKN ORLEN's Management Board as at 1 January 2016.

Name and surname	Position held in PKN ORLEN management board
Wojciech Jasiński	President of the Management Board, Chief Executive Officer
Sławomir Jędrzejczyk	Vice – President of the Management Board, Chief Financial Officer
Piotr Chelmiński	Member of the Management Board, Business Development/Power and Heat Generation Officer
Krystian Pater	Member of the Management Board, Production
Marek Podstawa	Member of the Management Board, Sales

The Supervisory Board at its meeting on 8 February 2016, dismissed Mr Marek Podstawa from the Management Board of PKN ORLEN and appointed Mr Mirosław Kochalski to the position of the Vice-President of the Management Board of the Company and Mr

Zbigniew Leszczyński to the Management Board Member of the Company for a joint three-year term of the Management Board, which terminates on the date of the Ordinary General Meeting approving the financial statements of the company for 2016.

TABLE 52. Composition of the PKN ORLEN's Management Board as at 8 February 2016.

Name and surname	Position held in PKN ORLEN management board
Wojciech Jasiński	President of the Management Board, Chief Executive Officer
Sławomir Jędrzejczyk	Vice – President of the Management Board, Chief Financial Officer
Mirosław Kochalski	Vice – President of the Management Board (Corporate Affairs since 12 February 2016)
Piotr Chelmiński	Member of the Management Board, Business Development/Power and Heat Generation Officer
Zbigniew Leszczyński	Member of the Management Board (Sales since 12 February 2016)
Krystian Pater	Member of the Management Board, Production

At the date of authorization of this Management Board Report on the Operations, the composition of Management Board has not changed.

Division of powers of the Company's Management Board

Mr Wojciech Jasiński, President of the Management Board of PKN ORLEN, also serving as the Chief Executive Officer, is in charge of the following areas: strategy and project management, crude oil and gas trade, marketing, corporate communication, audit, control and management of corporate risk, protection of information, critical infrastructure and defense matters, safety and head office.

Mr Sławomir Jędrzejczyk, Vice – President of the Management Board. Chief Financial Officer supervises the following areas: planning and reporting, business controlling, supply chain management, finance management, taxes, investor relations, capital investments and divestments, IT.

Mr Mirosław Kochalski, Vice-President of the Management Board, Corporate Affairs, performs supervision of such areas as: human resources, purchases, legal department, the capital group, management of regulatory risk, organisation and management systems.

Mr Piotr Chelmiński, Member of the Management Board. Business Development/Power and Heat Generation Officer supervises the following areas: implementation of property investments, power and heat generation development, health and safety, environmental protection.

Mr Zbigniew Leszczyński, Member of the Management Board in charge of Sales supervises the following areas: refining and petrochemical products, retail sale, logistics, efficiency and development of sales.

Mr Krystian Pater, Member of the Management Board in charge of Production supervises the following areas: refinery production, petrochemical production, investment and production efficiency, technology.

Responsibility division of Members of the Management Board of PKN ORLEN is available as well on the Company's website <http://www.orklen.pl/EN/Company/ManagmentBoard/AreasOfResponsibility/Pages/default.aspx>

Appointing and recalling PKN ORLEN's Management Board

The Management Board of PKN ORLEN consists of five to nine members, including the President, Vice-Presidents and other members of the Management Board. Members of the Management Board are appointed and recalled by the Supervisory Board. One member of the Management Board is appointed and recalled by the Supervisory Board upon the request of the Minister in charge of the State Treasury.

The term of office of the Management Board members is a joint term of office, ending on the day when the Ordinary General Meeting has been held, approving the financial statements for the whole second financial year of such term of office.

Should the Management Board President be suspended from duty or his/her mandate expires before the end of the term of office, all his/her powers, except for the right to the vote cast referred to in § 9 item 5 point 2 of the Articles of Association. are to be executed by the person appointed by the resolution of the Supervisory Board acting as President of the Management Board until the new

Management Board President is appointed or the current one is restored to his/her position.

Organisation of PKN ORLEN's Management Board activity

Detailed rules for the convening of Management Board are included in Constitution of Management Board, available on Company's website (<http://www.orklen.pl/EN/Company/Pages/CorporateBylaws.aspx>).

Meetings of the Management Board are held when necessary, however, not less frequently than once every two weeks. For an effectiveness of resolution the scheduled meeting has to be notified to all Members of the Management Board and at least one half of the Management Board Members have to be present at the meeting. The Management Board resolutions are passed with a simple majority of votes (in the event of a voting deadlock, the President of the Management Board has the casting vote) provided that for resolutions to grant a procurator, unanimity of all Members of the Management Board is required. A Management Board Member who voted against a resolution that was adopted may communicate his/her dissenting opinion, however, such communication has to be justified.

Resolutions are adopted in an open vote. A secret ballot may be ordered at a request of each Member of the Management Board. Resolutions are signed by all Members of the Management Board who were present at the Management Board meeting on which the resolution was adopted. The resolution is also signed by the Member of the Management Board who filed a dissenting opinion, with a note: "dissenting opinion" or "votum separatum".

Competences of PKN ORLEN's Management Board

All the members of the Management Board are obliged and authorized to handle the issues of PKN ORLEN.

All the matters going beyond the ordinary course of business are subject to resolutions of the Management Board. Activities falling within the scope of the ordinary course of business are activities related to fuels trading within the meaning of the Company's Articles of Association (i.e. crude oil, petroleum products, biocomponents, biofuels and other fuels including natural gas, industrial gas and fuel gas) or energy and any other activities not specified in the Constitution of Management Board.

Resolution of the Management Board is required, among others to:

- adopt and amend the Constitution of Management Board,
- adopt and amend the Organisational Rules and Regulations of PKN ORLEN,
- adopt motions to be submitted to the Supervisory Board and/or to the General Meeting of Shareholders,
- convene the General Meetings of Shareholders and adopt the proposed agenda of the General Meetings,
- approve annual and long-term financial plans as well as the Company's development strategy,
- approve investment tasks and corresponding liabilities if the resulting expenditures and encumbrances exceed PLN 10 000 000,
- incur liabilities, manage the property rights and any form of encumbrance on the Company's property where the total value exceeds PLN 20 000 000 (with certain exceptions to that rule),

ORLEN GROUP

- dispose and purchase real estate, perpetual usufruct or an interest in real estate and to establish a limited property right,
- dispose of, purchase and encumber stakes, shares or other interest in other entities, including shares admitted to public trading,
- issue the Company's securities,
- approve Company's and the ORLEN Group's financial statements,
- adopt and change the Company's employees' remuneration scheme, as well as decisions regarding introduction and fundamentals of the incentive schemes,
- conclude amend and terminate a collective labour agreement applicable in the Company, and other agreements with trade unions,
- establish the principles of granting and revoking powers of attorney,
- formulate the so-called donation policy of the Company,

- grant a procuration,
- establish the internal segregation of duties among the members of the Management Board,
- set up establishments/offices abroad,
- handle other matters which at least one member of the Management Board requests to be handled in the form of a resolution,
- take decisions on the payment of interim dividends

The Management Board has to regularly provide the Supervisory Board with exhaustive information on all aspects of PKN ORLEN's business operations and the risks related to such operations as well as the methods of managing such risks.

6.7.2 The Supervisory Board

TABLE 53. Composition of PKN ORLEN's Supervisory Board in 2016

Name and surname	Position held in PKN ORLEN supervisory board
Angelina Sarota	Chairman of the Supervisory Board
Leszek Pawłowicz	Vice – Chairman of the Supervisory Board from 1 January to 29 January 2016 (Independent Member of the Supervisory Board)
Adam Ambrozik	Secretary of the Supervisory Board from 1 January to 29 January 2016
Grzegorz Borowiec	Member of the Supervisor from 1 January to 29 January 2016
Artur Gabor	Member of the Supervisory Board (Independent Member of the Supervisory Board)
Cezary Banasiński	Member of the Supervisory Board from 1 January to 29 January 2016 (Independent Member of the Supervisory Board)
Cezary Możejki	Member of the Supervisory Board from 1 January to 29 January 2016
Radosław L. Kwaśnicki	Member of the Supervisory Board, Vice – Chairman of the Supervisory Board from 8 February to 3 June 2016 and from 28 June 2016
Remigiusz Nowakowski	Member of the Supervisory Board till 14 September 2016
Mateusz Henryk Bochacik	Member of the Supervisory Board from 29 January 2016 r., Secretary of the Supervisory Board from 8 February to 3 June 2016 and from 28 June 2016
Adrian Dworzyński	Member of the Supervisory Board from 29 January 2016 (Independent Member of the Supervisory Board)
Agnieszka Krzętowska	Member of the Supervisory Board from 29 January 2016 (Independent Member of the Supervisory Board)
Arkadiusz Siwko	Member of the Supervisory Board from 29 January to 3 June 2016
Wiesław Protasewicz	Member of the Supervisory Board from 3 June 2016

Indicated in the above table changes in the composition of the Supervisory Board are the result of a decision of the Extraordinary General Meeting of PKN ORLEN held on 29 January 2016 and the Annual General Meeting held on 3 June 2016 which appointed the Supervisory Board of PKN ORLEN for a new three-year term, as well as the resignation submitted by one of the Supervisory Board Members of PKN ORLEN.

In 2016 the Supervisory Board held 13 minuted meetings and adopted 120 resolutions.

The rules of conduct of PKN ORLEN's Supervisory Board

Appointing and recalling members of PKN ORLEN's Supervisory Board

PKN ORLEN's Supervisory Board is composed of six to nine members. The State Treasury is authorized to appoint and recall one Member of the Supervisory Board, other Members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders. Members of PKN ORLEN's Supervisory Board are appointed for a joint term of office, ending on the day

when the Ordinary General Meeting has been held, approving the financial statements for the whole second financial year of such term of office. Individual Members of the Supervisory Board and the entire Supervisory Board can be recalled at any time before the end of the term of office. The General Meeting of PKN ORLEN appoints the Chairman of the Supervisory Board, whereas the vice-chairman and the secretary are appointed by the Supervisory Board from amongst the other members of the Board. The current term of the Supervisory Board started on 3 June 2016.

At least two Supervisory Board members must meet the independence criteria specified in the PKN ORLEN Articles of Association in accordance with the "Best Practice of GPW Listed Companies", independent Supervisory Board members are not employees of the Company, its subsidiary or affiliate, as well as they are not associated with these entities based on a contract of similar nature, are also not tied to shareholder in a manner that excludes the independence.

Independent members of the Supervisory Board, before being appointed to the Supervisory Board, should submit to the Company a written statement of compliance with above mentioned provisions. The statement of compliance are submitted to remaining Supervisory Board Members and to the Management Board

If the mentioned provisions are not met, a member of the Supervisory Board is obliged to immediately notify the Company thereof. The Company informs the shareholders about the current number of independent members of the Supervisory Board.

If the number of independent members of the Supervisory Board is less than two, the Company's Management Board is obliged to immediately convene a General Meeting of Shareholders and put an issue concerning changes in the composition of the Supervisory Board on the agenda of the General Meeting. The Supervisory Board acts in its current composition until the changes in the composition of the Supervisory Board are made, i.e. the number of independent members is adjusted to the statutory requirements set in the Articles of Association whereas the provisions of § 8 item 9 of the Articles of Association (containing a list of resolutions which must be passed with consent of at least one half of independent Supervisory Board members) do not apply.

Organisation of PKN ORLEN's Supervisory Board's operations

Organisation of the Supervisory Board, in accordance with the principles outlined in the PKN ORLEN Articles of Association and the Constitution of the Supervisory Board, is available on the corporate website:

<http://www.orlen.pl/EN/Company/Pages/CorporateBylaws.aspx>.

6.7.3 Committees of Supervisory Board

The Supervisory Board of PKN ORLEN may elect permanent or ad hoc committees which act as its collective advisory and opinion making bodies.

The following permanent committees operate within the Supervisory Board of PKN ORLEN:

- Audit Committee,
- Strategy and Development Committee,

Meetings of the Supervisory Board are held when necessary, however, not less frequently than once every two months.

The Supervisory Board can pass resolutions if at least half of its members participate in the meeting. Subject to the provisions of the Commercial Code, a resolution of the Supervisory Board can be passed in writing or with the use of direct means of remote communication. Resolutions of the Supervisory Board are passed with an absolute majority of the votes cast in the presence of at least half of the members of the Supervisory Board. This does not apply to any members of the Management Board or the entire Management Board being recalled or suspended during the term of their office when at least two thirds of all the Supervisory Board members have to vote in favour of the resolution.

Passing resolutions on the following matters:

- any contribution to members of the Management Board provided by the Company or any related entities,
 - giving permission to sign any significant agreement by the Company or a subsidiary with an entity related to the Company, a member of the Supervisory Board, or Management Board as well as with their related entities,
 - appointing a certified auditor to audit the financial statements of the Company,
- requires the consent of at least one half of the independent members of the Supervisory Board. Such provisions do not exclude applying art. 15 § 1 and 2 of the Commercial Code.

Competence of PKN ORLEN's Supervisory Board

The Supervisory Board of PKN ORLEN exercises permanent supervision over the Company's operations, in all fields of its activity, specifically, the Supervisory Board is authorized to act as set out in the Commercial Code and the Company's Articles of Association.

Given the best practice standards and in order to enable the shareholders to make a true and fair view of the Company, the Supervisory Board of PKN ORLEN is in charge of the additional duty to submit to the General Meeting of the Company:

- assessment of PKN ORLEN's standing, including internal control, risk management, compliance and internal audit function
- an annual report on its work
- assessment of how the company's disclosure obligations are fulfilled regarding the application of the principles of corporate governance
- assessing the reasonableness of the Company's sponsorship activities and charity.

- Nomination and Remuneration Committee,
- Corporate Governance Committee,
- Corporate Social Responsibility Committee (CSR Committee).

TABLE 54. Composition of Supervisory Board Committees of PKN ORLEN in 2016.

Name and surname	Position held in PKN ORLEN supervisory board committee
Audit Committee	
Artur Gabor	Committee Chairman, Independent Member of the Supervisory Board
Leszek Pawłowicz	Committee Member till 29 January 2016, Independent Member of the Supervisory Board
Grzegorz Borowiec	Committee Member till 29 January 2016
Radosław L. Kwaśnicki	Committee Member from 1 January 2016 to 22 March 2016 and from 27 September 2016
Agnieszka Krzętowska	Committee Member from 8 February 2016, Independent Member of the Supervisory Board from 6 June 2016
Remigiusz Nowakowski	Committee Member from 8 February to 14 September 2016
Angelina Sarota	Committee Member from 8 February to 17 March 2016
Adrian Dworzyński	Committee Member from 8 February 2016, Independent Member of the Supervisory Board
Wiesław Protasewicz	Committee Member from 28 June 2016
Strategy and Development Committee	
Cezary Banasiński	Committee Chairman till 29 January 2016, Independent Member of the Supervisory Board
Leszek Pawłowicz	Committee Member till 29 January 2016, Independent Member of the Supervisory Board
Artur Gabor	Committee Member, Independent Member of the Supervisory Board
Cezary Możejki	Committee Member till 29 January 2016
Remigiusz Nowakowski	Committee Member, Committee Chairman from 8 February to 14 September 2016
Adrian Dworzyński	Committee Member from 8 February 2016, Independent Member of the Supervisory Board
Angelina Sarota	Committee Member from 8 February 2016
Arkadiusz Siwko	Committee Member from 8 February to 3 June 2016
Agnieszka Krzętowska	Committee Member from 28 June 2016, Independent Member of the Supervisory Board from 6 June 2016
Wiesław Protasewicz	Committee Chairman from 27 September 2016
Nomination and Remuneration Committee	
Angelina Sarota	Committee Chairman
Grzegorz Borowiec	Committee Member till 29 January 2016
Adam Ambrozik	Committee Member till 29 January 2016
Cezary Banasiński	Committee Member till 29 January 2016, Independent Member of the Supervisory Board
Mateusz Bochacik	Committee Member from 8 February 2016
Adrian Dworzyński	Committee Member from 8 February 2016, Independent Member of the Supervisory Board
Agnieszka Krzętowska	Committee Member from 8 February 2016, Independent Member of the Supervisory Board from 6 June 2016
Corporate Governance Committee	
Cezary Możejki	Committee Chairman till 29 January 2016
Angelina Sarota	Committee Member
Radosław L. Kwaśnicki	Committee Member
Adrian Dworzyński	Committee Chairman from 8 February 2016, Independent Member of the Supervisory Board

Mateusz Bochacik	Committee Member from 8 February 2016
Wieslaw Protasewicz	Committee Member from 28 June to 27 September 2016
Corporate Social Responsibility Committee	
Artur Gabor	Committee Chairman till 15 December 2016, Independent Member of the Supervisory Board
Adam Ambrozik	Committee Member till 29 January 2016
Radosław L. Kwaśnicki	Committee Member
Mateusz Bochacik	Committee Member from 8 February 2016
Agnieszka Krzętowska	Committee Member from 8 February 2016, Independent Member of the Supervisory Board from 6 June 2016 Committee Chairman from 15 December 2016

Audit Committee

The task of the Audit Committee is to advise the Supervisory Board of PKN ORLEN on the issues related to the proper implementation of budget and financial reporting rules and internal control within the Company and the ORLEN Group, as well as cooperation with the Company's certified auditors. The Audit Committee meetings are held at least once per quarter, each time prior to the publication of the Company's financial statements.

In 2016, the Audit Committee held 11 minuted meetings, including 2 shared meetings with the Strategy and Development Committee.

Corporate Governance Committee

The task of the Corporate Governance Committee is to provide opinions and recommendations to the Supervisory Board on the implementation of corporate governance rules, assessment of reports concerning compliance with the corporate governance principles published by the Company and issuance of opinions on proposed changes to the corporate documents of the Company, as well as monitoring the Company management for compliance with legal and regulatory requirements, including compliance with the PKN ORLEN's Code of Ethics and the corporate governance principles.

In 2016, the Supervisory Committee of Corporate Governance held 3 minuted meetings.

6.8. REMUNERATION POLICY

Remuneration for Members of the Board is determined by the Supervisory Board taking into account the recommendations of the Nomination and Remuneration Committee. The components of the Management Board Members remuneration system include:

- monthly fixed-base pay,
- annual bonus dependent on the accomplishment level of quantitative and qualitative targets,
- severance pay for dismissal from the Management Board Member function,
- compensation for non-competition.

All elements of the remuneration and additional benefits are governed by an agreement between the Member of the Management Board and the Company.

Benefits for Management Board Members at PKN ORLEN may include a company car, life and endowment insurance, private medical insurance for the Management Board Members and for their

Strategy and Development Committee

The task of the Strategy and Development Committee is to issue opinions and submit recommendations to the Supervisory Board on planned investments and divestments which exert a material impact on the Company's assets.

In 2016 the Strategy and Development Committee held 10 meetings including 2 shared meetings with the Audit Committee.

Nomination and Remuneration Committee

The task of the Nomination and Remuneration Committee is to help to attain the strategic goals of the Company by providing the Supervisory Board with opinions and motions on how to shape the management structure, with regard to organisational solutions, remuneration schemes and selection of the staff with the skills required to ensure the Company's success. In 2016 Nomination and Remuneration Committee held 6 minuted meetings.

Corporate Social Responsibility Committee (CSR Committee)

The task of the CSR Committee is to support the Company's strategic objectives by taking into account social, ethical and environmental issues in the Company's operations and in contacts with stakeholders (including employees, customers, shareholders, local communities).

In 2016, the Social Responsibility Committee held three minuted meetings.

closest family members, and potential coverage of reasonable costs of personal and property security.

Benefits for directors reporting to the Management Board at PKN ORLEN may include a company car, coverage of the costs of investment insurance premiums, right to use extra medical service for the directors and their family members, including preventive health care, sports activities and rehabilitation, co-financing of rent if the director is renting a flat, coverage of the costs of moving house during the employment period, possibility of enjoying the benefits described in the Rules of the Company Social Benefits Fund, and the right to participate in the Employee Pension Scheme in accordance with the rules in force at the Company.

The remuneration policy in place at PKN ORLEN supports the achievement of the Company's goals, including in particular the long-term increase of value for shareholders and stability of functioning of the company.

General terms and conditions of the annual bonuses

Members of the Management Board are entitled to an annual bonus on the principles established in the contract, which includes the Bonus System Regulations for the Management Board. The level of annual bonus depends on the performance of individual tasks (qualitative and quantitative), established by the Supervisory Board for the individual Members of the Management Board. The Supervisory Board appoints each year from four to seven individual bonus tasks that are recorded in Goals Charter of the Board Member. Assessment of the performance of individual bonus tasks (quantitative and qualitative) by particular Member of the Management Board is made each year by the Supervisory Board on the Chairman of the Management Board's recommendation, which contains assessment of individually performed bonus tasks of all Members of the Management Board, reports on the performance of bonus tasks by members of the Board, PKN ORLEN's financial statements and other documents the investigation of which the Supervisory Board deems appropriate.

The Supervisory Board adopts a resolution to grant or not the Board Member of the annual bonus for the financial year, and its amount, by 30 April of the following year. The annual bonus will be paid if the Company's consolidated financial statements for the financial year will be approved by the General Meeting.

For 2016, the Supervisory Board has set for all Members of the Management Board the following six quantitative objectives:

- EBIT reported of the Concern,
- EBITDA LIFO of the Concern,
- Maintenance CAPEX of the Concern + overhead and personnel costs of the Concern,
- Development CAPEX of the Concern,
- Stock exchange rate: TSR PKN relative to the market,
- Accident rate: the Concern's TRR.

and attributed to them relevant bonus thresholds. The Supervisory Board for each of the Members of the Management Board also established quality objectives associated with supervised by them unit.

Rules for awarding bonuses for key management personnel (including Members of the Management Board)

The regulations applicable to PKN ORLEN Management Board, directors reporting directly to the Management Board of PKN ORLEN and other key positions have certain common features. Persons covered by the above-mentioned systems are remunerated for the implementation of individual goals set at the beginning of the bonus period by the Supervisory Board for the Management Board and the Management Board for the key executive personnel. The bonus systems are consistent with the Company's Values and promote cooperation between particular employees and motivate them to achieve the best possible results for the PKN ORLEN.

The targets set are qualitative and quantitative, and are settled for after end of the year for which they were set, based on the principles adopted in the applicable Bonus System Regulations. Regulations also gives the possibility to highlight employees who have a significant contribution to the achieved results.

The rules of paying bonuses to Management Boards Members of the ORLEN Group companies in 2017 will be adjusted to the requirements resulting from the Act on the principles of determining remuneration of managing persons in certain companies.

Remuneration of the Members of the Management Board and the Supervisory Board of the Company due to sit on the Management or Supervisory Boards of subsidiaries, jointly controlled entities and associates

Members of the PKN ORLEN's Management Board in 2016, who were acting as the Management or Supervisory Boards Members of subsidiaries, jointly controlled entities and associates of the ORLEN Group did not receive any remuneration, with the exception of Unipetrol a.s. wherein the payments were transferred to ORLEN's Foundation "DAR SERCA". As at 31 December 2016, four members of the Management Board of PKN ORLEN sat on the Supervisory Board of Unipetrol a.s.

The agreements with the Members about non-competition and termination on appeal from the position held

In accordance with applicable agreements, Members of PKN ORLEN's Management Board are required for a period of 6 or 12 months from the date of termination or expiry of the contract, to refrain from competitive activities. During this period, the Management Board members are entitled to receive compensation in the amount of six or twelve monthly basic salary, paid in equal monthly instalments. The Company may waive the President and Members of the Management Board of the non-competition clause applicable after the termination or expiration of the contract or reduce the duration of the ban. In the case of an exemption from the ban of competition, the Company does not pay compensation. If the period of the ban of competition was shortened, compensation shall be in proportion to the duration of non-competition.

In addition, the agreements provide for the payment of compensation in case of termination due to dismissal from the post. Salary in this case amounts to six or twelve basic monthly remuneration. The Supervisory Board may authorize the use of these provisions also in case of resignation from the position of Member of the Management Board as Board Member.

Directors directly subordinated to PKN ORLEN Management Board as well as the Board members of other ORLEN Group companies are normally required to refrain from competitive activities for a period of 6 months from the date of termination or expiry of the agreement. At that time they receive a salary equal to 50% of six-month basic salary, payable in 6 equal monthly instalments. The briefing for termination of contract by the Employer is typically three or six basic monthly remuneration.

The agreements between Members of the Management Boards of the ORLEN Group companies in 2017 will be adjusted to the requirements resulting from the Act on the principles of determining remuneration of managing persons in certain companies.

Diversity policy

In PKN ORLEN S.A. issues related to diversity management are governed by the following documents applicable to the Company:

- The core values and standards of conduct of PKN ORLEN
- Corporate Collective Labour Agreement of PKN ORLEN SA
- Personnel policy of the ORLEN Group for the years 2013-2017.
- CSR Strategy for PKN ORLEN (in the range of development and diversity management).
- The separate internal organizational act on the implementation of policies defining the terms and conditions of work of persons with disabilities in PKN ORLEN SA

ORLEN GROUP

- The separate internal organizational act on the introduction of the PKN ORLEN SA the principles of providing support to employees in emergency situations.
- The separate internal organizational act on the Family Friendly Employer project.

These regulate such issues as:

- equal treatment in employment and the prohibition of discrimination,
- respect for diversity,
- management of cultural differences,
- openness for recruitment of socially excluded or marginalised in the labour market,
- supporting initiatives related to labour equality practices in the company,
- remuneration and bonus policy,
- standards of employment and remuneration of delegated workers, ie. expats and inpats,
- adapting workplace to the needs of employees (e.g. people with disabilities, breastfeeding mothers)
- supporting groups in difficult life situation,
- measures to support the reconciliation of private and professional life (i.e. Work-Life Balance Programs).

In addition, diversity policy in PKN ORLEN SA is also implemented through the following actions:

- organisation of open training courses and workshops for employees on diversity management,

- employee volunteering,
- considering diversity aspects in HR processes and tools (e.g. recruitment, training and development, remuneration) and shaping the organisational culture,
- workshops for expats on the cultural differences management,
- conducting research among employees on job commitment and satisfaction,
- appointment of a person and the team coordinating the fight against discrimination and harassment, and responsible for the management of diversity: Human Capital Committee, Ethics Ombudsman.

The Management Board and the Supervisory Board of PKN ORLEN include members with education in law, economics, chemistry and energy, with diverse work experience.

As at December 31, 2016, the Management Board consisted of six men and the Supervisory Board consisted of 2 women and 5 men. The age structure of Board Members is as follows: 40-50 years old - 2 persons, 50-60 years old - 3 persons, 60-70 old - 1 person, and the Supervisory Board Members as follows: 30-40 years old - 2 persons, 40-50 years old - 3 people , 50 to 60 years old - 1 person, 60-70 years old - 1 person.