

ORLEN GROUP



6. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

6.1. CORPORATE GOVERNANCE RULES

In 2017, PKN ORLEN applied all principles included the code "Best Practice for GPW Listed Companies 2016" ("Code of Best Practice") applicable on the Warsaw Stock Exchange. The code is available on the Stock Exchange website <https://www.gpw.pl/best-practice> and on the PKN ORLEN corporate website www.orklen.pl in the section dedicated to the Company's shareholders <http://www.orklen.pl/EN/InvestorRelations/ShareholderServicesTools/Pages/WSEBestPractice.aspx>

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.orklen.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 periodic reports,
- Presentations concerning the publication of the financial results and other events,
- Multimedia files with teleconferences and videoconferences organized by the Company,
- Interactive charts and grids presenting Company's historical financial data in various periods, with the possibility of export 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, in the "Investor Relations" section, 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". There is also brief information on best practices applied by the Company and other information which are required through "Code of Best Practice".

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

The Company supports its shareholders, investors and analysts to have the knowledge of the sectors, in which it operates, through publications on websites:

- <http://napedzamyprzyszlosc.pl/> - specialized publications and relations from industry conferences.
- <http://napedzamyprzyszlosc.pl/blog> - the blog of PKN ORLEN's Chief Economist with comments on the current market situation.
- Communication through social media: Twitter (https://twitter.com/PKN_ORLEN) and Facebook (<https://www.facebook.com/ORLEN.Official>).

Direct communication with capital market representatives is realised through:

- Individual and group closed meetings, both in the country and abroad, also as teleconferences.
- Open media conferences after each important Company's event, such as publication of quarterly results or publication of the strategy - transmitted live through the Internet, along with a simultaneous translation to English.
- Series of meetings with investors, in-country and abroad (roadshows).
- Meetings of capital market representatives with key Company's managers in the headquarters and places where PKN ORLEN conducts operating activity (so-called site visits).
- The Investor and Analyst Days organised from time to time - workshops concerning various areas of activity of the Company, conducted by the representatives of the Management Board, executive directors and other, selected managers.

Important Company's activities for shareholders and investors realised in 2017:

- Fifth year in a row PKN ORLEN paid dividend at the level of PLN 3 per share – the highest dividend in the Company's history.
- New public bond issue programme directed to the individual investor up to the total amount of PLN 1 bn.
- Quarterly and half-year reports published within 23 days on average following the closing of the relevant periods, and annual reports within 74 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 2017:

- First place in the category "The Best Investor Relations among Institutional Investors" - the assessment of investor relations in WIG 30 Index companies, a joint initiative of "Parkiet" newspaper and of the Chamber of Brokerage Houses.
- Transparent company of the year 2016 – first edition of the ranking, organised by "Parkiet" newspaper and Institute of Accountancy and Taxes under the auspices of the Warsaw Stock Exchange.
- Awards granted by prestige IR Magazine in two categories:
 - Best in Central & Eastern Europe
 - Best ESG communications
- Special award for the best online annual report, special award for integrated report, distinction for the highest quality of financial reporting and Best of the Best title – competition „The Best Annual Report 2016” organised by the Institute of Accounting and Taxes.

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.

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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 2017, PKN ORLEN was realising corporate social responsibility strategy (CSR) for 2015-2017. In the CSR Strategy Company declares goodwill growth in respect with the interest of the stakeholders and responsible use of resources. CSR projects are realised in all Company's areas. Integrated reporting was implemented, PKN ORLEN Supplier Code of Conduct was published, marketing Code of Conduct was established, "Driving to eco" guide for drivers as well as information material regarding PKN ORLEN CSR activities were issued.

The Company took also activities for realisation of Sustainable Development Goals announced by UNO in 2015. PKN ORLEN became one of the signatory of "Partnership initiative for realisation of Sustainable Development Goals (SDGs)", the project announced by the Ministry of Development.

PKN ORLEN regularly verifies the map of its stakeholders. The Company conducts an active dialogue with them in different forms. Among others, in 2017, dialogue session according to AA 1000 SES standard dedicated to integrated reporting and CSR strategy was conducted.

For many years PKN ORLEN has settled rules of conducting social activities. On the Company's website "Rules of sponsoring activities realisation" and "PKN ORLEN charity policy" are available.

6.2. CONTROL, RISK MANAGEMENT AND COMPLIANCE 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.

PKN ORLEN is focusing its sponsoring activities on selected thematic areas, such as: culture and art, Polish economy promotion, popularisation of Poland on international arena, promotion of education and knowledge, social projects, activities from national memory and tradition area. PKN ORLEN is engaged in local communities life. A special attention is paid to Plock, where PKN ORLEN realises cross-sectoral partnerships, charity, sponsoring, voluntary projects and other. An important group of activities are events from social sponsoring. Improvement of quality of citizens life and building of good relations are the aim of social sponsoring. In 2017 PKN ORLEN conducted 92 such projects in Plock.

PKN ORLEN conducts also charity activities. The Company supports partnerships between sectors, health and life protection projects, is engaged in culture, maintaining of national tradition projects and others. These activities are conducted directly or in cooperation with NGO sector. PKN ORLEN is a founder of several foundations including "Grant Fund for Plock" Foundation, "Grow with us" Foundation, Museum of Oil and Gas Industry in Bóbrka Foundation and Polish National Foundation. ORLEN's DAR SERCA Corporate Foundation operates since 2001. It takes care of the children's home, conducts scholarship programs and other activities, mainly relating to safety and health and life protection. It also supports local societies.

In community initiatives of PKN ORLEN and ORLEN's DAR SERCA Foundation also participate PKN ORLEN's clients, the members of the VITAY loyalty program and users of YANOSIK application by forwarding the points gathered in the program to the social purposes.

PKN ORLEN communicates its social initiatives, among others, via the corporate website, in the Responsible business section, as well as in the Integrated report.

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 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 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

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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 Supervisory Board, based on recommendation of Audit Committee and report on tender offer conducted by Audit Committee, appoints qualified auditor to audit financial statements. Deloitte Polska Sp. z o.o. Sp.k. has been appointed as a qualified auditor of PKN ORLEN financial statements for years 2017-2018. Qualified auditor, during audit, makes an independent assessment of reliability and correctness of unconsolidated and consolidated financial statements and confirmation of effectiveness of internal control and risk management system.

The auditor presents the results of the reviews and audits to the Management Board and the Audit Committee of the Supervisory Board.

The Audit Committee is a supervisory body of preparing ORLEN Group financial statements process and the body cooperating with independent auditor.

The Company has certain procedures to authorize the financial statements under which the periodical reports are submitted to the Management Board and to the Supervisory Board Audit Committee for its opinion. Once the financial statements are approved by the Supervisory Board Audit Committee and after finishing of auditor verification the financial statements are approved by PKN ORLEN Management Board for publication and then are forwarded by the Investor Relations Department to public domain.

The annual financial statements are also presented to the Supervisory Board for final opinion and control of financial statement process. The Supervisory Board is an independent body ensuring correctness and reliability of presented information in financial statements of PKN ORLEN and ORLEN Group.

The Company has an Audit, Financial Control 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, Control 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, Financial Control 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, Financial Control 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 realized audit tasks. It monitors also 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, Financial Control and Corporate Risk Management Department has been also conducting consultancy projects.

Procedures and management systems ensuring realization of tasks and processes according to generally applicable law, internal regulations and voluntary accepted standards are implemented in PKN ORLEN. Compliance system in PKN ORLEN includes the process of adapting to legal requirements in the scope of new and changing law and ensuring correct implementation of them. Compliance system is decentralised and managers directly subordinated to Management Board Members are responsible for particular elements.

6.3. SIGNIFICANT STAKE

In 2017 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 2017, 31 December 2017 and the date of the approval of this report.

Shareholder	Number of shares and votes at a general meeting (as at 01.01.2017*)	Share in share capital and in total number of votes at a General Meeting (as at 01.01.2017*)	Number of shares and votes at a general meeting (as at 31.12.2017**)	Share in share capital and in total number of votes at a General Meeting (as at 31.12.2017**)	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	39 785 564	9,30%	33 000 000	7,72%	30 000 000	7,01%
Aviva OFE	31 257 000	7,31%	29 900 000	6,99%	28 300 000	6,62%
Others	238 956 301	55,87%	247 098 865	57,77%	251 698 865	58,85%
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 3 June 2016.

** According to the information from the OGM PKN ORLEN held on 30 June 2017.

*** According to the information from EGM PKN ORLEN held on 2 February 2018.

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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 of Association, 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 Articles of Association 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 Articles of Association. 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 Articles of Association of the Company.

6.5. AMENDMENTS OF ARTICLES OF ASSOCIATION

Any amendment to PKN ORLEN's Articles of Association requires a resolution of the General Meeting and has to be entered in the companies register. The resolution of the General Meeting 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 uniform text of the Articles of Association or make

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

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 Articles of Association 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.

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 are regulated in the Articles of Association and the Rules of Procedure for the General Meeting of PKN ORLEN, 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 General Meetings can be attended by the media representatives.

PKN ORLEN takes relevant measure to ensure that drafts of the resolutions of the General Meeting 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 should be held no later than within six months from the end of every financial year. The Extraordinary General Meeting 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.

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

In accordance with the Rules of Procedure for the General Meeting, the General Meeting may be called off if there are extraordinary impediments to its holding or its holding would be obviously groundless. 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 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,

- conclusion of a group 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 (record date).

The shareholders of the Company may communicate with the Company via the corporate website by using contact form available at:

<http://www.orlen.pl/EN/InvestorRelations/GeneralMeetings/Contact/Pages/default.aspx> or through e-mail (at: walne.zgromadzenie@orlen.pl). 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 includes useful to the shareholders information documents, among others, the guideline "How to participate in General Meeting", 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 and speak, even if they are not shareholders, without any invitations. An Ordinary General Meeting 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.

General Meetings 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 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 2017

In 2017 two General Meetings were held: Extraordinary General Meeting on 24 January 2017 and Ordinary General Meeting on 30 June 2017.

During the Extraordinary General Meeting the Company's shareholders adopted new rules of determining of the PKN ORLEN Management Board and Supervisory Board remuneration, proposed

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by the shareholder State Treasury, complies with the Act on the principles of determining the amount of remuneration for people managing certain companies as of 9 June 2016.

The Ordinary General Meeting held on 30 June 2017 adopted resolutions in following issues:

- approval of the annual reports on the operations of the Company and the ORLEN Group as well as the financial statements for 2016,
- acknowledgement of the fulfilment of duties by all the Supervisory and the Management Boards Members,
- distribution of the net profit for fiscal year 2016 in the following manner:
 - 1) the amount of PLN 1 283 127 183.00 for dividend payment (PLN 3 per share),
 - 2) the remaining amount, i.e. PLN 4 081 328 369.64 for the Company's supplementary capital,
- change of the resolution of the Extraordinary General Meeting dated 24 January 2017 regarding the rules of remuneration for people managing certain companies,

- appointment of Ms Izabela Felczak-Poturnicka and Mr Wojciech Kryński to the composition of the Company's Supervisory Board,
- terms of proceedings regarding conclusions of agreements on legal services, marketing services, public relations and public communication services and management advisory services as well as donation agreements, releasing from the debt or other agreements with similar effect and changes of these agreements,
- obligation of submission to the General Meeting of representative expenditures statements, expenditures on legal services, marketing services, public relations and public communication services and management advisory services,
- terms of sale of fixed assets,
- the determination of requirements for the candidate for a Management Board Member and conducting of a qualification procedure for a Management Board Member.

6.7. MANAGEMENT AND SUPERVISORY BODIES

Apart from generally applicable laws, the rules of conduct for PKN ORLEN 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 Constitutions,

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

TABLE 51. Composition of the PKN ORLEN's Management Board as at 1 January 2017.

Name and surname	Position held in PKN ORLEN Management Board	Supervised divisions
Wojciech Jasiński	President of the Management Board, Chief Executive Officer	audit, control and management of corporate risk, safety, head office, crude oil and gas, trade, innovations, corporate communication, marketing, protection of information, critical infrastructure and defense matters, strategy and project management
Sławomir Jędrzejczyk	Vice – President of the Management Board, Chief Financial Officer	IT, capital investments and divestments, business controlling, planning and reporting, taxes, investor relations, finance management, supply chain management,
Mirosław Kochalski	Vice – President of the Management Board Corporate Affairs	the capital group, human resources, organisation and management systems, legal department, procurement, management of regulatory risk
Piotr Chelmiński	Member of the Management Board, Business Development/Power and Heat Generation Officer	health and safety, power and heat generation, environmental protection, realisation of property investments, development and technology
Zbigniew Leszczyński	Member of the Management Board Sales	efficiency and development of sales, refining products wholesale, petrochemical products wholesale, logistics, retail sale
Krzystian Pater	Member of the Management Board, Production	efficiency and optimisation of production, petrochemical production, refinery production, technology

The Supervisory Board at its meetings on 26 and 29 June 2017 appointed to PKN ORLEN Management Board following persons: Mr Wojciech Jasiński to the position of the President of the Management Board, Mr Mirosław Kochalski to the position of the Vice – President of the Management Board, Mr Krzystian Pater to the position of the Member of the Management Board, Mr Zbigniew

Leszczyński to the position of the Member of the Management Board, Mr Wiesław Protasewicz to the position of the Member of the Management Board, Ms Maria Sosnowska to the position of the Member of the Management Board for a joint three-year term of the Management Board, which started on 1 July 2017.

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TABLE 52. Composition of the PKN ORLEN's Management Board as at 1 July 2017.

Name and surname	Position held in PKN ORLEN Management Board	Supervised divisions
Wojciech Jasiński	President of the Management Board, Chief Executive Officer	audit, control and management of corporate risk, safety, head office, crude oil and gas trade, innovations, human resources, corporate communication, marketing, protection of information, critical infrastructure and defence matters, strategy and project management
Mirosław Kochalski	Vice – President of the Management Board	the capital group, IT, capital investments and divestments, organisation and management systems, legal department, investor relations, supply chain management, management of regulatory risk
Zbigniew Leszczyński	Member of the Management Board (responsible for Sales since 6.07.2017)	efficiency and development of sales, refining products wholesale, petrochemical products wholesale, logistics, retail sale
Krystian Pater	Member of the Management Board (responsible for Production since 6.07.2017)	efficiency and optimisation of production, power and heat generation, water and sewage management, petrochemical production, refinery production, technology
Wiesław Protasewicz	Member of the Management Board (responsible for Finance since 6.07.2017)	business controlling, planning and reporting, taxes, finance management
Maria Sosnowska	Member of the Management Board (responsible for Investments and Procurement since 6.07.2017)	administration, health and safety, environmental protection, realisation of property investments, development and technology, procurement

The Supervisory Board at its meeting on 5 February 2018 dismissed from PKN ORLEN Management Board following persons: Mr Wojciech Jasiński, the President of the Management Board, Mr Mirosław Kochalski, the Vice – President of the Management Board, Ms Maria Sosnowska, the Member of the Management Board responsible for Investment and Procurement.

At the same meeting the Supervisory Board, pursuant to § 9 item 1 point 3 of the Company's Articles of Association, acting on the basis

of the motion of the Minister of Energy as of 5 February 2018, appointed with the effect from 6 February 2018 Mr Daniel Obajtek to the position of the President of the PKN ORLEN Management Board. The Supervisory Board decided also to delegate with the effect from 5 February 2018 Mr Józef Węgrecki for temporary acting as the Member of the PKN ORLEN Management Board, Investments and Procurement by the time of appointment of the Management Board Member for that position, providing that no longer than for three months.

TABLE 53. Composition of the PKN ORLEN's Management Board at the date of authorization of this Management Board Report.

Name and surname	Position held in PKN ORLEN Management Board	Supervised divisions
Daniel Obajtek	President of the Management Board, Chief Executive Officer	audit, financial control and management of corporate risk, head office, the capital group, crude oil and gas trade, human resources, corporate communication, control and safety, marketing, legal department, relations with local communities, strategy, management of regulatory risk
Zbigniew Leszczyński	Member of the Management Board Sales	efficiency and development of sales, refining products wholesale, petrochemical products wholesale, IT, logistics, retail sale
Krystian Pater	Member of the Management Board Production	efficiency and optimisation of production, power and heat generation, water and sewage management, petrochemical production, refinery production, technology
Wiesław Protasewicz	Member of the Management Board Finance	business controlling, supervision of infrastructure safety and information, planning and reporting, taxes, investor relations, finance management, supply chain management
Józef Węgrecki	Supervisory Board Member temporary acting as the Member of the PKN ORLEN Management Board, Investments and Procurement	administration, health and safety, innovations, environmental protection, realisation of property investments, development and technology, procurement

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/ManagementBoard/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

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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.

The Supervisory Board may suspend the President, Vice-Presidents, individual Members of the Management Board and all Management Board in their activities for serious reasons. 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 meetings are included in the Constitution of the 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 procuration, 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".

According to the Constitution of the Management Board, the Management Board Members shall notify the Supervisory Board of any conflict of interest connected with the positions occupied by them, or of any possibilities of such conflict of interest. Should the Company's interest be in conflict with the personal interests of the Management Board Member, the Management Board Member in question should abstain from deciding of such matters and request a proper remark to be made in he minutes of the meeting.

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, among others, 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 heating gas) or energy and any other activities not specified in the Constitution of Management Board. In addition, Management Board consent is not required to perform an action which is integral part of other action, for which the Management Board gave already consent, unless otherwise result from Management Board resolution.

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,
- convene the General Meetings 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),
- 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 division of competences 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.

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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

TABELA 54. Composition of PKN ORLEN's Supervisory Board in 2017.

Name and surname	Position held in PKN ORLEN Supervisory Board
Angelina Sarota	Chairman of the Supervisory Board
Radosław L. Kwaśnicki	Vice – Chairman of the Supervisory Board
Mateusz Henryk Bochacik	Secretary of the Supervisory Board
Adrian Dworzyński	Member of the Supervisory Board (Independent Member of the Supervisory Board)
Agnieszka Krzętowska	Member of the Supervisory Board (Independent Member of the Supervisory Board)
Izabela Felczak-Poturnicka	Member of the Supervisory Board – appointed by OGM on 30 June 2017
Wojciech Kryński	Member of the Supervisory Board (Independent Member of the Supervisory Board)- appointed by OGM on 30 June 2017
Artur Gabor	Member of the Supervisory Board (Independent Member of the Supervisory Board)- resigned from the position from 1 September 2017
Wiesław Protasewicz	Member of the Supervisory Board – resignation as Member of the PKN ORLEN Supervisory Board with effect as of June 29th 2017

In 2017 the Supervisory Board held 14 minuted meetings and adopted 141 resolutions.

Attendance of PKN ORLEN Supervisory Board Members on Supervisory Board meetings was 99%. In the case of absence of Supervisory Board Member on the meeting, the Supervisory Board adopted resolution about its justification.

On 5 January 2018 the Minister of Energy acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Ms Małgorzata Niezgodą to the PKN ORLEN Supervisory Board. On 1 February 2018 Mr Małgorzata Niezgodą resigned from the position of PKN ORLEN Supervisory Board Member.

PKN ORLEN Extraordinary General Meeting on 2 February 2018 dismissed from the Supervisory Board Ms Agnieszka Krzętowska, Ms Angelina Sarota and Mr Adrian Dworzyński and appointed Ms Izabela Felczak-Poturnicka as the Chairman of the Supervisory Board, Ms Agnieszka Biernat-Wiatrak, Ms Jadwiga Lesisz and Ms Małgorzata Niezgodą as Members of the Supervisory Board.

On 5 February 2018 the Minister of Energy acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Mr Józef Węgrecki to the PKN ORLEN Supervisory Board.

TABELA 55. Composition of the PKN ORLEN's Supervisory Board at the date of authorization of this Management Board Report.

Name and surname	Position held in PKN ORLEN Supervisory Board
Izabela Felczak-Poturnicka	Chairman of the Supervisory Board
Radosław L. Kwaśnicki	Vice – Chairman of the Supervisory Board (Independent Member of the Supervisory Board from 14 March 2018)
Mateusz Henryk Bochacik	Secretary of the Supervisory Board (Independent Member of the Supervisory Board from 26 February 2018)
Agnieszka Biernat- Wiatrak	Member of the Supervisory Board
Wojciech Kryński	Member of the Supervisory Board (Independent Member of the Supervisory Board)
Jadwiga Lesisz	Member of the Supervisory Board (Independent Member of the Supervisory Board)
Małgorzata Niezgodą	Member of the Supervisory Board
Józef Węgrecki	Member of the Supervisory Board delegated to temporarily stand in for Management Board Member

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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. 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. 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 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>.

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.

In order to perform their duties the Supervisory Board has the right to inspect all documents of the Company, request reports and explanations from the Management Board and the employees, and review the assets and liabilities of the Company. In order to ensure proper performance of its duties, the Supervisory Board, for its own purposes, has the right to ask the Management Board to draw up expert reports and opinions or to hire an adviser. The costs are borne by the Company.

According to the Constitution of the Supervisory Board, a Supervisory Board Member shall inform the remaining Members of the Supervisory Board of any conflict of interest as well as refraining from participating in discussions and casting votes in the case of voting on the resolution on an issue in which a conflict of interest has arisen. In case of doubt as to whether the conflict of interest exists or not, the matter is resolved by the Supervisory Board in the manner of a resolution.

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.

Additionally, the Ordinary General Meeting held on 30 June 2017 imposed on the Supervisory Board an obligation to evaluate the statements regarding representative expenditures, expenditures on legal services, marketing services, public relations and public communication services and management advisory services as well as to give consent for conclusion of agreements in these matters.

Given the corporate governance 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

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- 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.

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

TABLE 56. Composition of Supervisory Board Committees of PKN ORLEN in 2017.

Name and surname	Position held in PKN ORLEN supervisory board committee
Audit Committee	
Artur Gabor	Committee Chairman, Independent Supervisory Board Member till 31 August 2017
Radosław L. Kwaśnicki	Committee Member
Adrian Dworzyński	Committee Member - Independent Supervisory Board Member
Agnieszka Krzętowska	Committee Member - Independent Supervisory Board Member
Wiesław Protasewicz	Committee Member till 29 June 2017
Wojciech Kryński	Committee Member, Independent Supervisory Board Member from 13 June 2017 Committee Chairman from 12 September 2017
Izabela Felczak- Poturnicka	Committee Member from 12 September 2017
Strategy and Development Committee	
Wiesław Protasewicz	Committee Chairman till 29 June 2017
Radosław L. Kwaśnicki	Committee Chairman from 13 July 2017
Angelina Sarota	Committee Member till 13 July 2017
Adrian Dworzyński	Committee Member, Independent Supervisory Board Member
Agnieszka Krzętowska	Committee Member, Independent Supervisory Board Member
Izabela Felczak- Poturnicka	Committee Member from 13 July 2017
Artur Gabor	Committee Member, Independent Supervisory Board Member till 31 August 2017
Nomination and Remuneration Committee	
Angelina Sarota	Committee Chairman
Mateusz Bochacik	Committee Member
Adrian Dworzyński	Committee Member, Independent Supervisory Board Member
Agnieszka Krzętowska	Committee Member, Independent Supervisory Board Member
Corporate Governance Committee	
Adrian Dworzyński	Committee Chairman, Independent Supervisory Board Member
Angelina Sarota	Committee Member
Mateusz Bochacik	Committee Member
Radosław L. Kwaśnicki	Committee Member
Corporate Social Responsibility Committee	
Agnieszka Krzętowska	Committee Chairman, Independent Supervisory Board Member
Radosław L. Kwaśnicki	Committee Member
Mateusz Bochacik	Committee Member
Izabela Felczak- Poturnicka	Committee Member from 13 July 2017
Artur Gabor	Committee Member, Independent Supervisory Board Member till 31 August 2017

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In 2017 Supervisory Board Committees held 38 minuted meetings.

Due to the changes in the structure of Supervisory Board, introduced on 5 January 2018 and 1, 2 and 5 February 2018, the Supervisory Board established the following Committee Members:

TABLE 57. Composition of Supervisory Board Committees of PKN ORLEN at the date of authorization of this Management Board Report

Name and surname	Position held in PKN ORLEN supervisory board committee
Audit Committee	
Wojciech Kryński	Committee Chairman, Independent Supervisory Board Member
Mateusz Bochacik	Committee Member, Independent Supervisory Board Member
Izabela Felczak-Poturnicka	Committee Member
Radosław L. Kwaśnicki	Committee Member, Independent Supervisory Board Member
Jadwiga Lesisz	Committee Member, Independent Supervisory Board Member
Strategy and Development Committee	
Radosław L. Kwaśnicki	Committee Member, Independent Supervisory Board Member
Agnieszka Biernat-Wiatrak	Committee Member
Izabela Felczak- Poturnicka	Committee Member
Małgorzata Niezgoda	Committee Member
Nomination and Remuneration Committee	
Małgorzata Niezgoda	Committee Chairman
Mateusz Bochacik	Committee Member, Independent Supervisory Board Member
Wojciech Kryński	Committee Member, Independent Supervisory Board Member
Corporate Governance Committee	
Agnieszka Biernat-Wiatrak	Committee Chairman
Mateusz Bochacik	Committee Member, Independent Supervisory Board Member
Radosław L. Kwaśnicki	Committee Member, Independent Supervisory Board Member
Corporate Social Responsibility Committee	
Jadwiga Lesisz	Committee Chairman, Independent Supervisory Board Member
Izabela Felczak- Poturnicka	Committee Member
Radosław L. Kwaśnicki	Committee Member, Independent Supervisory Board Member

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.

Pursuant to the provisions of the Constitution of the Supervisory Board of PKN ORLEN, the Audit Committee consists of at least two independent members and at least one member has qualifications and experience in accounting or finance.

In 2017, the Audit Committee held 14 minuted meetings.

In 2017, the Act of 11 May 2017 on auditors, audit firms and public supervision was implemented, which defined the tasks of the Audit Committee and introduced new requirements for member of the

Audit Committee. The Audit Committee performs all tasks required by this Act. Members of the Audit Committee also meet all conditions provided for in the Act.

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 2017, the Corporate Governance Committee held 4 minuted meetings including 3 shared meetings with the Nomination and

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Remuneration Committee and 1 shared meeting with the Corporate Social Responsibility Committee.

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 2017 the Strategy and Development Committee held 5 minuted meetings.

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,

6.8. REMUNERATION POLICY

Remuneration for Members of the Management Board at PKN ORLEN is determined by the Supervisory Board taking into account the resolution of the General Meeting in relation to the Act on the principles of determining remuneration of managing persons in certain companies and the recommendations of the Nomination and Remuneration Committee. The main 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 and the implementation of possible separate objectives to be determined,
- severance pay for dismissal from the Management Board Member function,
- compensation for non-competition.

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

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

In 2017, the rules for awarding bonuses for PKN ORLEN Members of the Management Board (as well as Management Board Members of ORLEN Group companies) were adjusted to the requirements resulting from the Act on the principles of determining remuneration of managing persons in certain companies as of 9 June 2016.

remuneration schemes and selection of the staff with the skills required to ensure the Company's success.

In 2017, the Nomination and Remuneration Committee held 8 minuted meetings including 3 shared meetings with the Corporate Governance Committee.

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 2017, the Social Responsibility Committee held 4 minuted meetings and 1 shared meeting with the Corporate Governance Committee.

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, based on the general catalogue of Managerial Objectives established by PKN ORLEN General Meeting, appoints each year from four to ten individual bonus tasks that are recorded in Goals Charter of the Board Member. The Supervisory Board may also appoint for a particular year separate objective or objectives conditioning the possibility of receiving a bonus for this year. Assessment of the performance of individual bonus tasks (quantitative and qualitative) by particular Member of the Management Board and separate objectives is made each year by the Supervisory Board on the President of the Management Board's recommendation, which contains assessment of individually performed bonus tasks of all Members of the Management Board, the Management Board's recommendation regarding the implementation of separate objective/objectives, reports on the performance of individual bonus tasks by members of the Management 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 Management Board Member of the annual bonus for the financial year, and its amount, by 30 April of the following year. The resolution is the basis for a payment of the annual bonus if the Company's consolidated financial statements for the financial year will be approved by the General Meeting.

For 2017, the Supervisory Board has set for all Members of the Management Board the following seven quantitative objectives:

- EBIT reported of the Concern,
- EBITDA LIFO of the Concern,
- Maintenance CAPEX of the Concern + general and personnel costs of the Concern,
- Development CAPEX of the Concern,
- Stock exchange ratio (TSR PKN ORLEN relative to the market),
- The Concern's debt ratio (financial gearing),
- Accident rate (the Concern's TRR)

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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.

Additionally, the Supervisory Board in accordance with the resolutions of PKN ORLEN General Meeting – determined the following separate objectives conditioning the possibility of receiving the annual bonus for 2017:

- implementation of the principles of remunerating Members of the Management and Supervisory Bodies in all companies belonging to the Capital Group in accordance with the provisions of the Act on the principles of determining remuneration of managing persons in certain companies until 30 June 2017,
- determining the composition of the Supervisory Boards in all companies belonging to the Capital Group in such a manner that their members hold required qualifications of members of Supervisory Boards, confirmed by a positive result of the examination for candidates for Members of Supervisory Boards or hold qualifications exempting them from the obligation to pass the examination in particular: hold a PhD degree in economic sciences or law, or are entered into the list of legal counsels, attorneys, expert auditors or investment advisers until 31 December 2017,
- realization of duties mentioned in Articles 17-20, Article 22 and Article 23 of the Act as of 16 December 2016 on the state asset management (Journal of Law 2016 item 2259), in the Company's subsidiaries defined in Art. 4 point 3 of Act as of 16 February 2007 on protection of the competition and consumers (Journal of Law 2017 item 229) until 31 December 2017.

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.

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 2017, 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 2017, three 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

The agreements of the Management Boards Members of PKN ORLEN and ORLEN Group companies in 2017 were adjusted to the requirements resulting from the Act on the principles of determining remuneration of managing persons in certain companies as of 9 June 2016.

In accordance with applicable agreements, Members of PKN ORLEN's Management Board are required for a period of 6 months from the date of termination of the contract, to refrain from competitive activities. During this period, the Management Board members are entitled to receive a salary in the amount of 50% of six-month basic salary, paid in 6 equal monthly instalments. Provisions of agreements regarding non-competition clause after termination of Management Board Member function come into force not until 6 months of holding function of Management Board Member.

In addition, the agreements provide for the payment of compensation in case of termination by the Company for reasons other than a breach of primary, essential obligations, under the condition of holding the position of the Management Board Member for a period of at least 12 months. Salary in this case amounts to three basic monthly remuneration.

The same rules regarding non-competition and severance payments apply to Management Board Members of ORLEN Group companies.

Directors directly subordinated to PKN ORLEN Management Board are normally required to refrain from competitive activities for a period of 6 months from the date of termination of the agreement. During this period they receive a salary equal to 50% of six-month basic salary, payable in 6 equal monthly instalments. The severance for termination of contract by the Employer is typically six basic monthly remuneration.

Diversity policy

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

- PKN ORLEN Employment Regulation
- The core values and standards of conduct of PKN ORLEN
- Corporate Collective Labour Agreement of PKN ORLEN
- 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
- The separate internal organizational act on the introduction of the PKN ORLEN the principles of providing support to employees in emergency situations.
- The separate internal organizational act on the Family Friendly Employer project.

The targets of operations connected with diversity management are:

- 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,

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- 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 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 the team coordinating counteracting mobbing (Anti-mobbing Committee appointed by the Employer to consider complaints in the event of mobbing behaviour)
- appointment of the Ethics Ombudsman for reporting violations of "The core values and standards of conduct of PKN ORLEN" (also regarding discrimination and mobbing)
- appointment of Human Capital Committee that issues opinions, approves/submits for approval of PKN ORLEN Management Board and monitors the observance of "The core values and standards of conduct of PKN ORLEN", in particular examines significant violations, takes corrective actions, issues guidelines and also considers important issues regarding ethical matters.

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

As at December 31, 2017, the Management Board consisted of 1 woman and 5 men and the Supervisory Board consisted of 3 women and 4 men. The age structure of Board Members is as follows: 40-50 years old - 2 persons, 50-60 years old - 2 persons, 60-70 old - 2 persons, and the Supervisory Board Members as follows: 30-40 years old - 3 persons, 40-50 years old - 4 persons.