



**REPORT OF THE SUPERVISORY BOARD OF PKN ORLEN S.A.
ON REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND
THE SUPERVISORY BOARD FOR 2021**

PKN ORLEN S.A. Supervisory Board
Warsaw, April 20th 2022

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|--|-------|
| Introduction | p. 3 |
| Description of remuneration components | p. 6 |
| Consistency of total remuneration with the Remuneration Policy and explanation of how it contributes to the Company's long-term performance | p. 18 |
| Criteria applied to assess the achievement of management objectives (including the Company's performance) | p. 21 |
| Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees | p. 23 |
| Other information | p. 27 |

2021 Introduction



This report on remuneration of Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. was prepared in accordance with the requirements set out in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, of July 29th 2005 (consolidated text: Dz.U. of 2021, item 1983, as amended) (the “Act on Public Offering”). It covers the year 2021 and contains an overview of the remuneration paid to Members of the Company’s governing bodies in that reporting period in accordance with the applicable internal regulations, including the Remuneration Policy for Members of the Management Board and the Supervisory Board of Polski Koncern Naftowy ORLEN S.A. (the “Remuneration Policy”), adopted by Resolution No. 29 of the Annual General Meeting of June 5th 2020.

This module contains a comprehensive description of the components of remuneration payable to Members of the Management Board and Members of the Supervisory Board of PKN ORLEN S.A. for 2021, and relates to the remuneration of members of the management and supervisory bodies pursuant to the Act on Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016 (the “Remuneration Act”) (Dz.U. of 2020, item 1907, as amended) and in accordance with the Company’s Remuneration Policy.

In 2021, the composition of the Management Board of PKN ORLEN S.A. was as follows:

| Full name | Position held | Length of service in the reporting year |
|----------------------|---|---|
| Daniel Obajtek | CEO, President of the Management Board | the entire year 2021 |
| Armen Artwich | Member of the Management Board, Corporate Affairs | the entire year 2021 |
| Adam Burak | Member of the Management Board, Communication and Marketing | the entire year 2021 |
| Patrycja Klarecka | Member of the Management Board, Retail Sales | the entire year 2021 |
| Zbigniew Leszczyński | Member of the Management Board, Development | the entire year 2021 |
| Michał Róg | Member of the Management Board, Wholesale and International Trade | the entire year 2021 |
| Jan Szewczak | Member of the Management Board, Finance | the entire year 2021 |
| Józef Węgrecki | Member of the Management Board, Operations | the entire year 2021 |

2021 Introduction



In 2021, the composition of the Supervisory Board of PKN ORLEN S.A. was as follows:

| Full name | Position held | Length of service in the reporting year |
|-----------------------------|---|---|
| Wojciech Jasiński | Chairperson of the Supervisory Board | the entire year 2021 |
| Andrzej Szumański | Deputy Chairperson of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Barbara Jarzembowska | Member of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Dominik Kaczmarek | Member of the Supervisory Board | January 1st–June 6th 2021 |
| Andrzej Kapala | Member of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Michał Klimaszewski | Member of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Roman Kusz | Member of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Jadwiga Lesisz | Member of the Supervisory Board | the entire year 2021 |
| Anna Sakowicz-Kacz | Member of the Supervisory Board, Independent Member of the Supervisory Board | the entire year 2021 |
| Anna Wójcik | Secretary of the Supervisory Board | the entire year 2021 |

Key changes in the composition of the Supervisory Board of PKN ORLEN S.A. in 2021:

- on June 2nd 2021, Mr Dominik Kaczmarek tendered his resignation from the position of Member of the Supervisory Board of PKN ORLEN S.A., with effect from June 6th 2021.

On June 5th 2020, the Annual General Meeting of PKN ORLEN S.A. passed Resolution No. 29 to approve the Remuneration Policy for Members of the Management Board and the Supervisory Board of PKN ORLEN S.A., setting the general rules of remuneration for Members of the Company Management Board and Supervisory Board, including the structure of remuneration payable to members of the Company's governing bodies.

The Remuneration Policy for Members of the Management Board and the Supervisory Board supports the achievement of the Company's goals, including in particular a long-term increase of its shareholder value and stability of operations. One of the key objectives of the Remuneration Policy for members of the Company's governing bodies is to support the delivery of the long-term strategic goals, while ensuring the Company's solid financial performance and stability.

The achievement of these goals was supported by the MBO (management by objectives) system in place, which is based on the assumption that a significant portion of remuneration payable to individual Management Board Members will depend on the delivery of predefined Management Objectives assessed against the criteria set by the Company's Supervisory Board.

2021 Description of remuneration components



The remuneration of Members of the Company Management Board (PLN gross) was determined by the Supervisory Board based on **RESOLUTION NO. 4 OF THE EXTRAORDINARY GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA** of January 24th 2017 on the rules of remuneration for Members of the Management Board, taking into account its amendments by way of:

- RESOLUTION NO. 29 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 30th 2017 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017;
- RESOLUTION NO. 4 OF THE EXTRAORDINARY GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of February 2nd 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017;
- RESOLUTION NO. 1 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of July 17th 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017;
- RESOLUTION NO. 44 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 14th 2019 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017 on the rules of remuneration for Members of the Management Board, as amended by Resolution No. 29 of the Annual General Meeting of June 30th 2017, Resolution No. 4 of the Extraordinary General Meeting of February 2nd 2018, and Resolution No. 1 of the Annual General Meeting of July 17th 2018;
- And in connection with the Remuneration Act as well as recommendations of the Supervisory Board's Nomination and Remuneration Committee. Since the adoption of the Remuneration Policy by the General Meeting, the rules of remuneration for Members of the Management Board have also incorporated the rules set forth in that Policy;
- In 2021, all components of the remuneration of Members of the Company's Management Board were set out in the contract for the provision of management services between a Management Board Member and the Company.

2021 Description of remuneration components



For the performance of the Contract, a Management Board Member is entitled to total remuneration consisting of a fixed component, representing that Member's monthly base pay ("Fixed Remuneration"), and a variable component, i.e. supplementary remuneration payable to that Member for the Company's financial year ("Variable Remuneration"), as well as certain additional benefits (on the terms set out in the respective Contract and in the Remuneration Act).

Structure of total remuneration of Members of the Management Board of PKN ORLEN S.A.



* Under the Remuneration Policy, the Management Board Members may also receive additional benefits, irrespective of the Fixed Remuneration and Variable Remuneration.

2021 Description of remuneration components



FIXED REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)

In 2021, the Fixed Remuneration of Management Board Members represented the monthly base pay for serving in their respective roles at the Company and for performing responsibilities assigned to those roles, taking into account the prevailing market conditions:

- Management Board Members received remuneration under a contract concluded for the period of service on the Company's Management Board;
- The monthly amount of Fixed Remuneration payable to Management Board Members was determined by way of a Supervisory Board resolution, taking into account the provisions of the Remuneration Act and the resolution of the General Meeting on the rules of remuneration for Members of the Management Board;
- The amount of Fixed Remuneration for Management Board Members reflected the Company's actual ability to acquire and retain key competencies, and was consistent with the market levels and practice followed by companies operating on international markets.

When determining the amount of Fixed Remuneration payable to Management Board Members, the Supervisory Board considered the following criteria:

- Profile of the function performed, size of the supervised area, scope and nature of tasks performed in that area;
- Remuneration paid to the directors of companies with a similar business size and profile (taking into account the size of the ORLEN Group's business, including its business on international markets).

2021 Description of remuneration components



The Company's General Meeting set a fixed portion of the remuneration of Management Board Members in accordance with Art. 4 of the Remuneration Act, taking into account the scale of the Company's operations, in particular its total assets, net annual turnover and headcount, within the range of 7x–15x the reference amount, namely the average salary in the non-financial corporate sector (net of bonuses paid from profit) in the fourth quarter of the previous year, as announced by the President of Statistics Poland.

Under the Contracts in place, the Fixed monthly Remuneration of a Management Board Member amounts to 15x the reference amount, namely the average salary in the non-financial corporate sector (net of bonuses paid from profit) in the fourth quarter of the previous year, as announced by the President of Statistics Poland.

VARIABLE REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)

Members of the Management Board of PKN ORLEN S.A. are entitled to Variable Remuneration on the terms set out in their respective Contracts, which include as an appendix the Rules of the Incentive Scheme for the Management Board.

The Variable Remuneration paid to Management Board Members in 2021 represented their supplementary remuneration for a given financial year, which was contingent on the achievement of Management Objectives and did not exceed 100% of the Fixed Remuneration paid to a Management Board Member in the previous financial year, for which the Variable Remuneration is calculated.

2021 Description of remuneration components



Key principles taken into account in granting Variable Remuneration to Management Board Members in 2021:

- The Variable Remuneration for a financial year could not exceed 100% of the Fixed Remuneration due in the previous financial year, for which the Variable Remuneration is calculated;
- The Variable Remuneration of Management Board Members depended on their performance against individual targets (both qualitative and quantitative), set by the Supervisory Board for individual Members of the Management Board;
- Based on the general set of Management Objectives established by the General Meeting of PKN ORLEN S.A., the Supervisory Board set individual bonus targets recorded in a Management Board Member's MBO Sheet;
- The Supervisory Board also set separate objectives that needed to be met as a precondition to payment of Variable Remuneration for the year;
- Details of the Management Objectives, as well as the weights and criteria for assessing their achievement by individual Management Board Members, were specified in a Supervisory Board resolution;
- Assessment of a Management Board Member's performance against individual bonus targets (both quantitative and qualitative) and achievement of separate objectives was made by the Supervisory Board, on the President of the Management Board's recommendation which contained an assessment of individually performed bonus targets for all Members of the Management Board, the Management Board's recommendation regarding achievement of the separate objectives that needed to be met as a precondition to payment of Variable Remuneration, reports on the performance against individual bonus targets by a given Management Board Member, financial statements of PKN ORLEN S.A and other documents that the Supervisory Board saw fit to examine;
- The Management Board Members' performance against individual quantitative bonus targets was assessed based on the number of percentage points assigned, while their performance against individual qualitative bonus targets was assessed based on the degree of achievement of qualitative targets in accordance with the Rules of the Incentive Scheme for the Management Board. The performance against individual bonus targets was measured as the weighted sum of percentage points assigned by the Supervisory Board for each bonus target;
- The Variable Remuneration of a Management Board Member was payable upon approval by the General Meeting of PKN ORLEN S.A. of the Group's consolidated financial statements, the Directors' Report on the operations of the Company and the Group, as well as the Company's financial statements for the current financial year, and upon granting liability discharge to the Management Board Member in respect of performance of their duties.

2021 Description of remuneration components



Pursuant to RESOLUTION NO. 44 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 14th 2019 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017 on the rules of remuneration for Members of the Management Board, as amended by Resolution No. 29 of the Annual General Meeting of June 30th 2017, Resolution No. 4 of the Extraordinary General Meeting of February 2nd 2018, and Resolution No. 1 of the Annual General Meeting of July 17th 2018, a set of Management Objectives for 2019 and subsequent years was established, including in particular:



2021 Description of remuneration components



► The Supervisory Board set the following seven quantitative targets for all Members of the Management Board for 2021 and assigned relevant bonus thresholds to these targets:

- Group's LIFO-based EBITDA,
- Group's Net debt / EBITDA,
- Group's growth CAPEX, including development expenditure,
- Group's maintenance CAPEX,
- Group's general and personnel costs,
- Stock performance ratio: TSR of PKN ORLEN relative to the market,
- Accident rate: TRR of the Group and its external contractors.

► The Supervisory Board also set qualitative targets for all Members of the Management Board associated with key challenges for 2021

► Additionally, in accordance with the relevant resolutions of the General Meeting of PKN ORLEN S.A., the Supervisory Board set the following separate objectives as a precondition to payment of Variable Remuneration for 2021:

- Compliance with the principles of remuneration for members of the management and supervisory bodies in line with the Remuneration Act across all Group companies;
- Discharge of the obligations referred to in Art. 17-20, Art. 22 and Art. 23 of the Act on State Property Management of December 16th 2016 ("State Property Management Act") at the Company's subsidiaries within the meaning of Art. 4.3 of the Act on Competition and Consumer Protection of February 16th 2007.

Pursuant to the Contract, a Supervisory Board resolution is the basis for payment of Variable Remuneration, upon approval by the General Meeting of the ORLEN Group's consolidated financial statements for a given year and upon granting liability discharge to a Management Board Member in respect of performance of their duties.

2021 Description of remuneration components



ADDITIONAL BENEFITS FOR MEMBERS OF THE MANAGEMENT BOARD

In addition to the Fixed Remuneration and Variable Remuneration, Management Board Members were entitled to certain additional benefits in 2021. The grant of a specific additional benefit was justified by the Company's best interest, was due on account of the services having to be provided personally by a given Management Board Member, and did not represent any form of hidden remuneration. The value of additional benefits constituted the Management Board Member's income before tax and was not included in the Fixed Remuneration.

The Contract provides for the following types of benefits (added to the Management Board Member's income before tax):

- Coverage of the costs of medical treatment, preventive healthcare and medical care, including with respect to a Management Board Member's closest family members or persons who share the same household with the Management Board Member;
- Coverage of all costs of accommodation or rental of dwellings if the Company's registered office is more than 100 km away from the Management Board Member's place of residence;
- Coverage or refinancing of the costs of individual training received by the Management Board Member and related to the scope of their duties performed for the Company;
- Payment of additional third-party liability insurance (OC insurance) to the extent not covered by the general insurance policy for the Directors and Officers of the ORLEN Group companies (applicable to the President of the Management Board);
- Severance payment on Contract termination;
- Non-compete compensation on termination of service on the Management Board.

Furthermore:

- Pursuant to the ECP Act, the Company has established an Employee Capital Plan (ECP) to enable its employees to make regular savings. Members of the Management Board are also eligible to participate in the ECP;
- A Management Board Member may use the Company's passenger car for private purposes for a lump-sum fee payable to the Company, which is either deducted from that Member's remuneration or paid by that Member.

The benefits were provided on the terms and within the limits specified in the Contract and other regulations applicable at the Company.

2021 Description of remuneration components



Members of the Supervisory Board were entitled to fixed monthly remuneration payable based on the corporate relationship resulting from their appointment as Supervisory Board Members, for the duration of their service at the Company, and to reimbursement of expenses related to the performance of their duties.

Structure of total remuneration of Members of the Supervisory Board of PKN ORLEN S.A.



FIXED REMUNERATION OF SUPERVISORY BOARD MEMBERS (PLN gross)

Rules of remuneration for Supervisory Board Members:

- The amount of remuneration was set by way of a General Meeting resolution, pursuant to and within the limits defined in the Remuneration Act;
- The amount of remuneration payable to Supervisory Board Members varied depending on their roles;
- If a Supervisory Board Member held office for a period shorter than the month for which such remuneration was due, the remuneration amount was calculated pro rata to the actual number of days in office;
- A Supervisory Board Member did not receive remuneration for a month during which that Member was absent from a meeting and such absence was not authorised (absences of Supervisory Board Members being authorised by way of Supervisory Board resolutions);

2021 Description of remuneration components



- The amount of remuneration for the Supervisory Board Members who met the independence criteria was conducive to maintaining their independence from the majority shareholder and the Company's decision-makers.

Pursuant to Resolution No. 45 of the Extraordinary General Meeting of PKN ORLEN S.A of June 14th 2019, the monthly remuneration of Members of the Supervisory Board (PLN gross) was calculated as the product of the reference salary referred to in Art. 1.3.11 of the Act on Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016, and the following multipliers:

- ▶ for the Chairperson of the Supervisory Board – 2.2,
- ▶ for other members of the Supervisory Board – 2.

In addition, in keeping with the Remuneration Policy and pursuant to the ECP Act, the Company has established an Employee Capital Plan (ECP) to enable its employees to make regular savings. Members of the Supervisory Board are also eligible to participate in the ECP.

They are also entitled to reimbursement of expenses incurred in connection with the performance of duties on the Supervisory Board, in accordance with the Commercial Companies Code.

2021 Description of remuneration components



Table 1. **Total remuneration of Management Board Members in 2021 (PLN gross)**

| Full name Position held | Length of service in the reporting period | Fixed Remuneration paid in 2021 | Variable Remuneration paid for 2020 | Additional benefits paid in 2021* | Total remuneration | Ratio of Variable Remuneration (paid for 2020) to Fixed Remuneration (%) | Ratio of additional benefits to Fixed Remuneration (%) |
|--|--|---------------------------------------|---|---|-----------------------|---|--|
| Daniel Obajtek President of the Management Board, Chief Executive Officer | the entire year 2021 | 1,017,737.40 | 966,187.80 | 292,842.11 | 2,276,767.31 | 94.9% | 28.8% |
| Armen Artwich, Member of the Management Board, Corporate Affairs | the entire year 2021 | 1,017,737.40 | 966,187.80 | 4,258.98 | 1,988,184.18 | 94.9% | 0.4% |
| Adam Burak Member of the Management Board, Communication and Marketing | the entire year 2021 | 1,017,737.40 | 877,620.59 | 26,754.67 | 1,922,112.66 | 86.2% | 2.6% |
| Patrycja Klarecka, Member of the Management Board, Retail Sales | the entire year 2021 | 1,017,737.40 | 966,187.80 | 27,573.34 | 2,011,498.54 | 94.9% | 2.7% |
| Zbigniew Leszczyński, Member of the PKN ORLEN Management Board, Development | the entire year 2021 | 1,017,737.40 | 966,187.80 | 12,689.25 | 1,996,614.45 | 94.9% | 1.2% |
| Michał Róg Member of the Management Board, Wholesale and International Trade | the entire year 2021 | 1,017,977.40 | 966,187.80 | 64,398.30 | 2,048,563.50 | 94.9% | 6.3% |
| Jan Szewczak Member of the Management Board, Finance | the entire year 2021 | 1,017,977.40 | 877,620.59 | 4,733.34 | 1,900,331.33 | 86.2% | 0.5% |
| Józef Węgrecki Member of the Management Board, Operations | the entire year 2021 | 1,017,977.40 | 966,187.80 | 53,617.72 | 2,037,782.92 | 94.9% | 5.3% |
| Total 2021 | | 8,142,619.20 | 7,552,367.98 | 486,867.71 | 16,181,854.89 | | |

* Additional benefits may include: non-cash benefits added to income before tax (medical benefits, rental of premises, training, ECP) and cash benefits added to income before tax (reimbursement of medical expenses).

2021 Description of remuneration components



Table 2. **Total remuneration of Supervisory Board Members in 2021 (PLN gross)**

| Full name Position held | Length of service in the reporting year | Fixed Remuneration | Other* | Total remuneration |
|--|--|-----------------------|------------------|---------------------|
| Wojciech Jasiński Chairperson of the Supervisory Board | the entire year 2021 | 149,303.40 | - | 149,303.40 |
| Andrzej Szumański Deputy Chairperson of the Supervisory Board | the entire year 2021 | 135,730.32 | - | 135,730.32 |
| Barbara Jarzembowska Member of the Supervisory Board | the entire year 2021 | 135,730.32 | - | 135,730.32 |
| Dominik Kaczmarek Member of the Supervisory Board | January 1st–June 6th 2021 | 58,816.47 | 1,043.26 | 59,859.73 |
| Andrzej Kapała Member of the Supervisory Board | the entire year 2021 | 135,730.32 | 2,208.86 | 137,939.18 |
| Michał Klimaszewski Member of the Supervisory Board | the entire year 2021 | 135,730.32 | 2,290.94 | 138,021.26 |
| Roman Kusz Member of the Supervisory Board | the entire year 2021 | 135,730.32 | 2,027.29 | 137,757.61 |
| Jadwiga Lesisz Member of the Supervisory Board | the entire year 2021 | 135,730.32 | 2,027.29 | 137,757.61 |
| Anna Sakowicz-Kacz Member of the Supervisory Board | the entire year 2021 | 135,730.32 | - | 135,730.32 |
| Anna Wójcik Member of the Supervisory Board. | the entire year 2021 | 135,730.32 | 2,027.29 | 137,757.61 |
| Total 2021 | | 1,293,962.43 | 11,624.93 | 1,305,587.36 |

* Other may include reimbursement of expenses related to the performance of duties and the Employee Capital Plan (ECP).

Consistency of total remuneration with the Remuneration Policy and explanation of how it contributes to the Company's long-term performance



The rules of remuneration for Members of the Management Board and the Supervisory Board were determined in a manner consistent with the principles set out in the Remuneration Act and with the Remuneration Policy for Members of the Management Board and the Supervisory Board of Polski Koncern Naftowy ORLEN S.A. adopted by Resolution No. 29 of the Annual General Meeting of Polski Koncern Naftowy ORLEN S.A. of June 5th 2020.

The Remuneration Policy in place at PKN ORLEN supports the achievement of the Company's goals, including in particular a long-term increase of its shareholder value and stability of operations.

The amount of Fixed Remuneration for Management Board Members reflected the Company's actual ability to acquire and retain key competencies, and was consistent with the market levels and practice followed by companies operating on international markets. The Company adhered to the Management Objectives set for the Management Board Members, as stipulated in the Remuneration Act with regard to the rules of remunerating Members of the Management Board and the Supervisory Board.

The remuneration schemes were consistent with PKN ORLEN S.A.'s Values, promoted cooperation between employees, and motivated them to deliver the best possible performance for the ORLEN Group. The targets were both qualitative and quantitative, and their achievement was assessed after the end of the year for which they had been assigned.

The rules of remuneration for Supervisory Board Members were determined in a resolution passed by the Company's General Meeting, taking into account the rules stipulated in the Commercial Companies Code and the Company's Articles of Association, as well as pursuant to and within the limits specified in the Remuneration Act. The amount of remuneration for the Supervisory Board Members who met the independence criteria was conducive to maintaining their independence from the majority shareholder and the Company's decision-makers.

2021

Consistency of total remuneration with the Remuneration Policy and explanation of how it contributes to the Company's long-term performance



The purpose of the Policy, namely to set out the general rules of remuneration for Members of the Management Board and the Supervisory Board in 2021, was achieved.

The business strategy of PKN ORLEN S.A. and the Group companies until 2030 is based on a diversified portfolio of investments in the Group's existing and future operations, whose development is guided by the direction of the Group's transformation. Members of the Management Board, as persons in charge of the Group's individual business segments, supervise the delivery of the adopted strategy, and all actions taken based on the adopted or approved business decisions (in keeping with the division of responsibilities) are intended to advance the Company's and the Group's long-term interests and stability. Projects delivered as part of the individual business segment strategies, reflected in the management objectives set for the Management Board Members, ensured the Group's stability in the Refining, Petrochemicals and Power Generation segments and boosted petrochemical production figures, continuing integration of the refining assets, and development of low-carbon power generation. Management Board Members are also responsible for feedstock security and for reinforcing the ORLEN Group's market standing. In the Retail segment, the set objectives incentivise Management Board Members to further expand the sales network and the offering of non-fuel products and services as well as to strengthen customer relations. In the Upstream segment, the Group focuses on quality assets and on the most profitable and promising projects.

The provisions of the Remuneration Policy also support the Company's and the ORLEN Group's financial performance. In addition, the Management Board Members are responsible for ensuring the highest standards of occupational safety and for enhancing employee innovative capabilities and competencies. In line with the Management Board's expectations, the ORLEN Group pursues these strategic goals with due regard for the natural environment and in keeping with the principles of sustainable development, taking into account long-term emission reduction targets and the adopted Values.

2021

Consistency of total remuneration with the Remuneration Policy and explanation of how it contributes to the Company's long-term performance



The Company's projects also contribute to the development of external and internal innovations. Internal innovations were delivered by streamlining the technological and organisational processes and developing the R&D portfolio. The Company continued to develop the activities of the Research and Development Centre, serving as a platform to link the ORLEN Group with science and business partners. Other projects include the ongoing implementation of the Strategic Research Agenda and collaboration with startups. In 2021, the business strategy of the ORLEN VC corporate venture capital fund was launched and the OVC investment process was initiated. The Management Objectives to be achieved as a precondition to payment of Variable Remuneration to Management Board Members in 2021 are intended to keep the Group on a solid financial footing, diversify its financing sources and optimise the maturity dates of debt instruments. In 2021, the ORLEN Group maintained a safe debt level while continuing its dividend policy.

The Company's long-term business plans were consistent with the interests of all shareholder groups, taking into account the legitimate rights of its stakeholders (employees, customers, external partners, etc.), identified over the long term.

The rules of remuneration, including the structure of remuneration for Management Board and Supervisory Board Members, were based on the Company's current financial standing, in accordance with the Remuneration Act and the General Meeting's resolution on the rules of remuneration for Management Board Members.

The objectives and targets set for 2021 allowed the Company to deliver its business strategy and to achieve long-term value growth and stability.

The maximum amount of Variable Remuneration did not exceed 100% of the Fixed Remuneration for the previous year, determined in accordance with the Contract. The weighted sum of percentage points assigned by the Supervisory Board equalled a percentage of the maximum Variable Remuneration to be received, with a proviso that if the weighted sum of percentage points exceeded 100% it was reduced to 100%. The choice of the Management Objectives, as well as the criteria set by the Supervisory Board for assessing their achievement, supported successful implementation of the Company's business strategy, its long-term interests and stability. The achievement of those objectives was contingent on the Company's performance.

Assessment criteria for quantitative targets

In setting the quantitative targets for Management Board Members, the expected levels of achievement (thresholds) were defined. The key sources of data for quantitative financial targets included materials concerning the Budget for the year, as presented to the Supervisory Board, the audited financial statements, reporting systems such as SAP, HFM Planning and HFM Statutory Reporting, as well as accounting records, underlying documents and public stock exchange data.

► The Supervisory Board assessed the achievement of quantitative targets (Individual Bonus Targets) by assigning percentage points, in accordance with the Rules of the Incentive Scheme for the Management Board of PKN ORLEN S.A.

Assessment criteria for qualitative targets

- The qualitative targets set for Management Board Members were assessed on the basis of:
- Rules of the Incentive Scheme for the Management Board of PKN ORLEN S.A.;
 - Reports of Management Board Members on the delivery of qualitative targets.

- Achievement of the objectives related to the delivery of strategic Programmes and Projects, as well as innovations, including:
 - Efficiency of the activities pursued as part of the projects;
 - Effects of actions taken as part of the projects defined in the MBO Sheet on the delivery of the Strategy;
 - Level of a Management Board Member's involvement in the achievement of a given objective;
 - Implementation of external and internal innovations through R&D&I projects, in keeping with the Strategic Research Agenda;
 - Building a culture of innovation by developing innovation acquisition tools at PKN ORLEN.
- Additional factors and reports:
 - Macroeconomic environment as well as legal and administrative conditions facilitating or determining the achievement of qualitative objectives;
 - Market trends;
 - Reports on the delivery of Strategic Programmes and Projects;
 - Reports on the delivery of the Strategy submitted on a regular basis to the Supervisory Board.
- Scale applied to assess the achievement of qualitative targets set out in the Rules of the Incentive Scheme for the Management Board of PKN ORLEN S.A.

Assessment criteria for separate objectives that needed to be met as a precondition to payment of Variable Remuneration

- ▶ The objectives assigned to Members of the PKN ORLEN Management Board as a precondition to payment of Variable Remuneration were assessed on the basis of:
 - Report on the rules of remuneration for Members of the Management Board of the ORLEN Group companies for a full financial year;
 - Report on the status of implementation of the Act on State Property Management as at the year-end;
 - Other reports, opinions and audits, to the extent necessary to assess the achievement of objectives that were a precondition to payment of Variable Remuneration.

Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees



There were additional incentives for Members of the Management Board to monitor delivered performance on an ongoing and long-term basis and to implement the adopted strategic initiatives, which translated into the Company's strong position and financial stability.

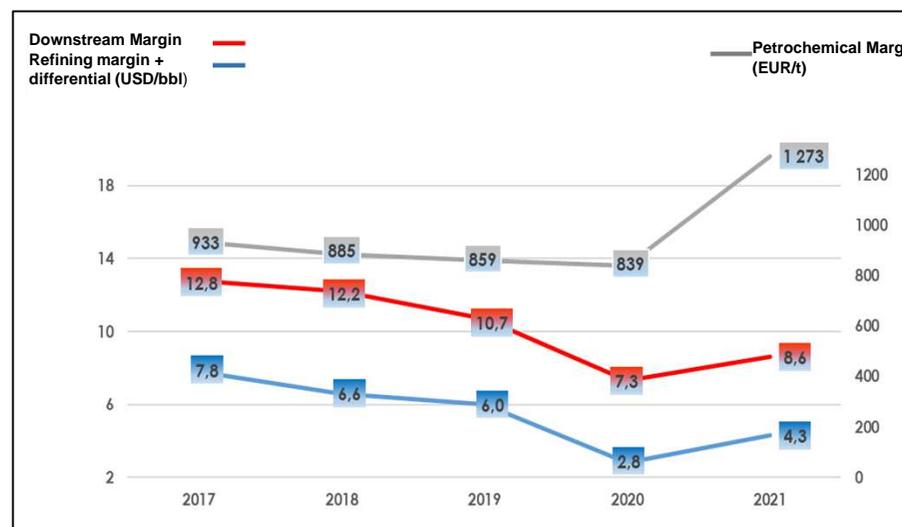
PKN ORLEN S.A.'s financial performance is largely correlated with changes in the macroeconomic environment. Movements in the prices of crude oil, fuels and petrochemical products are of a global scale and result from the prevailing geopolitical conditions bearing on the world markets.

The pricing differences between refining and petrochemical products and a barrel of crude oil, i.e. crack spreads and the Brent/Urals differential, are of key importance in the refining and petrochemical business.

In 2021, the macroeconomic environment improved, with a positive effect mainly on the petrochemical segment, which contributed to a year-on-year increase in the model petrochemical margin by EUR 434/tonne and the Downstream Margin of USD 1.3/bbl.

Given its limited ability to change the output structure within a yearly cycle, the model margins are virtually beyond PKN ORLEN S.A.'s control.

Chart 1. **Changes of model margins in 2017–2021**



Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees



FINANCIAL PERFORMANCE OF PKN ORLEN S.A.

The business analysis and assessment of PKN ORLEN S.A.'s performance rely mainly on LIFO-based EBITDA ("LIFO EBITDA"), which fully reflects the effect of the macroeconomic variables on the Company's performance by measuring feedstock consumption at the currently prevailing market prices.

Chart 2. **LIFO EBITDA at PKN ORLEN S.A. in 2017–2021 (excluding the effect of impairment losses) (PLNm)**



Amounts of impairment losses which LIFO EBITDA was adjusted for in each year:

- 2017 - PLN (5)m
- 2018 - PLN (25)m
- 2019 - PLN (8)m
- 2020 - PLN (23)m
- 2021 - PLN (78)m

In 2021, PKN ORLEN S.A. posted **LIFO EBITDA of close to PLN 6.7bn, up PLN +1.1bn** on 2020.

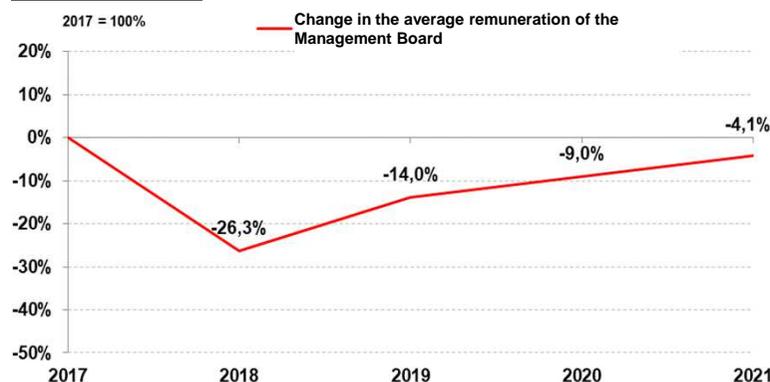
- The **Refining segment's result was up PLN +2.1bn year on year**, largely on the back of improved margins on light distillates and the Urals/Brent differential, as well as gains on the measurement and settlement of CO₂ futures held in a separate trading portfolio.
- The **Petrochemical segment's LIFO EBITDA increased by PLN 0.4bn year on year**, driven by higher margins on olefins and PTA, as well as gains on measurement of CO₂ contracts, with lower sales volumes due to scheduled maintenance shutdown of the Olefin II unit.
- In the **Power generation segment, LIFO EBITDA decreased by PLN (-)1.3bn year on year**, mainly as a result of unfavourable price relations between electricity and natural gas, partially offset by gains on measurement and settlement of CO₂ futures.
- The **Retail segment's EBITDA was down PLN (-)0.5bn year on year** due to lower fuel margins at service stations, with higher sales volumes and improved non-fuel margins.
- **EBITDA of the Corporate Functions segment rose by PLN 0.4bn (y/y)**, largely on the back of recognition of PLN 184m under other operating activities as a result of the statute of limitations having run out on liabilities towards ORLEN UNIPETROL minority shareholders, optimised property insurance expenses, and lower COVID-19-related costs.

Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees



AVERAGE REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND OF THE COMPANY EMPLOYEES OTHER THAN MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

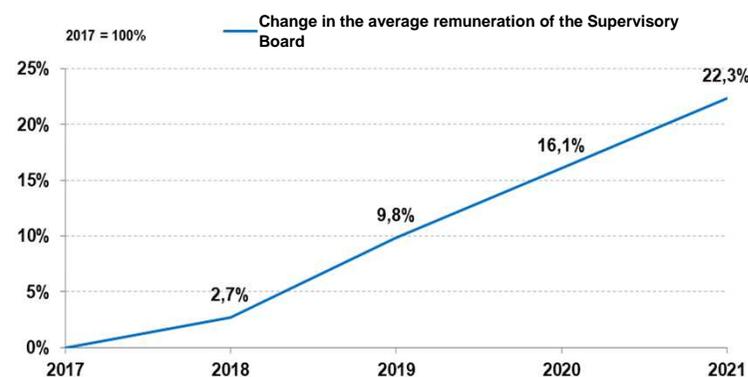
Chart 3. Changes in the average remuneration (fixed and variable portions) of the Company Management Board* relative to 2017



In 2018–2021, the average remuneration of PKN ORLEN S.A.'s Management Board remained below the average remuneration paid for 2017.

* The average remuneration was calculated based on the remuneration paid and payable or potentially payable in the following year.

Chart 4. Changes in the average fixed remuneration of the Company Supervisory Board** relative to 2017



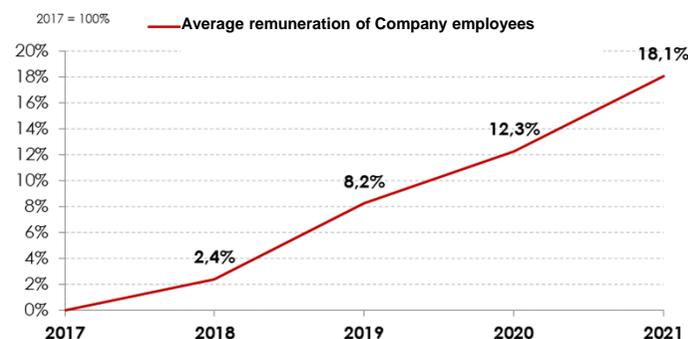
The increase in the remuneration of PKN ORLEN S.A.'s Supervisory Board in 2018–2021 reflected the increase in the average monthly salary paid in the non-financial corporate sector (net of bonuses paid from profit).

** The average remuneration was calculated based on the remuneration paid and payable for a given financial year.

Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees



Chart 5. Changes in the average remuneration of PKN ORLEN S.A. employees relative to 2017 *



*Excluding remuneration of the Management Board and Supervisory Board, remuneration under temporary contracts (for specific services or works) and severance payments for employees leaving the Company.

Summary

- In 2017-2021, the Company delivered strong operating performance (LIFO EBITDA). In 2021, PKN ORLEN S.A.'s LIFO EBITDA came in at a record-high level of PLN 6.7bn.
- The increase in the remuneration of employees (other than Members of the Management Board and the Supervisory Board) reflected the adopted remuneration policy set out in the Collective Bargaining Agreement. Also, each year additional pay agreements are concluded with trade unions, which provide for mandatory pay increases, one-off awards, holiday bonuses and other components of remuneration.
- In 2017, new rules of remuneration were implemented as required under the Remuneration Act, resulting in a significant reduction in the remuneration of the Management Board from the second half of 2017. In 2021, the average remuneration of Management Board members (comprising fixed and variable portions) remained below the 2017 level. At the same time, the increase in the fixed portion of the average remuneration paid to Management Board members and in the average remuneration paid to Supervisory Board members was aligned exclusively with the increase in the reference salary as provided for in Art. 1.3 of the Remuneration Act.

The increase in the average remuneration reflected the rules of remuneration adopted at PKN ORLEN S.A.

The rules of remuneration in place at PKN ORLEN S.A. are set out in the Collective Bargaining Agreement. The main components of remuneration are base pay (determined according to the Pay Grade Table and Base Pay Table) and a bonus.

► Remuneration received from entities of the same corporate group within the meaning of the Accounting Act of September 29th 1994:

Not applicable to Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. in 2021

► Number of financial instruments granted or offered and the key conditions for the exercise of rights attached to such instruments, including the exercise price and date and any changes there of:

Not applicable to Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. in 2021

► Information on any deviations from the procedure for the implementation of the Remuneration Policy and on any derogations applied in accordance with Art. 90f of the Public Offering Act, including the explanation of the reasons for and the manner of such derogations and the indication of the specific elements derogated from.

Not applicable to PKN ORLEN S.A. in 2021

► Under the provisions of the Contract, the Company was entitled to claim a refund of Variable Remuneration paid to a Management Board Member if it was demonstrated that the Variable Remuneration had been paid to the Management Board Member based on information later found to be false, where Members of the Management Board were responsible for the falsehood (even if this did not apply to the Management Board Member concerned). If Members of the Management Board were not responsible for the falsehood of such information, the Management Board Member concerned was obliged to return the difference between the amount of Variable Remuneration received and the amount that would have been due based on correct information.

In 2021, there were no grounds for applying the above provision.

► Acting pursuant to Art. 395.2.1 of the Commercial Companies Code in conjunction with Art. 90g.6 of the Public Offering Act, the Annual General Meeting of Polski Koncern Naftowy ORLEN S.A., having considered the auditor's assessment of the Report of the Supervisory Board of PKN ORLEN S.A. on remuneration of members of the Management Board and the Supervisory Board for 2019-2020, resolved to endorse (without qualification) the Report as authorised by the Supervisory Board (Resolution No. 32 of the Annual General Meeting of Polski Koncern Naftowy ORLEN Spółka Akcyjna, dated May 27th 2021, to endorse the Report of the Supervisory Board of PKN ORLEN S.A. on remuneration of members of the Management Board and the Supervisory Board for 2019–2020). This report includes a continuation of the description the rules of remuneration applicable to members of the Company's governing bodies, based on the data presented in the remuneration report of the prior period.

The rules of remuneration for Members of the Management Board of PKN ORLEN S.A. are governed by:

- Act on Rules of Remunerating Persons Who Direct Certain Companies (the Remuneration Act),
- Resolutions of the General Meeting on the rules of remuneration for Management Board Members,
- Remuneration Policy adopted by the General Meeting, effective from June 5th 2020,
- Resolutions of the Supervisory Board setting individual terms and conditions for the provision of services based on the documents referred to in items 1 and 2, and also based on the Remuneration Policy as of 2020,
- Contract for the provision of management services,
- Rules of the Incentive Scheme for the Management Board.

The rules of remuneration for Members of the Supervisory Board of PKN ORLEN S.A. are governed by:

- Act on Rules of Remunerating Persons Who Direct Certain Companies (the Remuneration Act),
- Resolutions of the General Meeting on the rules of remuneration for Supervisory Board Members,
- Commercial Companies Code – Art. 392.



The Company shall publish the remuneration report on its website at www.orklen.pl and shall make it available free of charge for at least 10 years after closing the General Meeting.



ORLEN. FUELLING THE FUTURE. RESPONSIBLY.

Wojciech Jasiński
Chairperson of the Supervisory Board
PKN ORLEN S.A.

Anna Wójcik
Secretary of the Supervisory Board
PKN ORLEN S.A.

Signatures of authorised Members of the Supervisory Board of PKN ORLEN S.A.

AUDITOR'S REPORT ON THE ASSURANCE ENGAGEMENT INVOLVING ASSESSMENT OF THE REMUNERATION REPORT

For the General Meeting and the Supervisory Board of Polski Koncern Naftowy ORLEN S.A.

Subject matter of the engagement

We have performed an independent reasonable assurance engagement to assess whether the accompanying 'Report of the Supervisory Board of PKN ORLEN S.A. on the Remuneration of Members of the Management Board and the Supervisory Board for 2021' (the "Remuneration Report") contains all information required under Art. 90g.1–5 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2021, item 1983) (the "Public Offering Act").

The Remuneration Report was prepared by the Supervisory Board in order to ensure compliance with the requirements set out in Art. 90g.1 of the Public Offering Act. The Remuneration Report was authorised by the Supervisory Board by resolution No. 2823/22 of April 20th 2022.

The Remuneration Report has been assessed by the auditor to determine whether it contains the information required under Art. 90g.1–5 and Art. 90g.8 of the Public Offering Act, in compliance with the requirements set out in Art. 90g.10 thereof.

Applicable criteria

The requirements regarding the content of the Remuneration Report are set forth in Art. 90g.1–5 and Art. 90g.8 of the Public Offering Act.

Supervisory Board's responsibility

Pursuant to the Public Offering Act, the Supervisory Board is responsible for preparing the Remuneration Report. Members of the Supervisory Board are responsible for the information contained in the Remuneration Report.

The Supervisory Board is also responsible for designing, implementing and maintaining a system of internal controls ensuring that the Remuneration Report complies with the Public Offering Act and is free from any material misstatement due to fraud or error.

Auditor's responsibility

Our objective was to assess the completeness of information contained in the accompanying Remuneration Report based on the criterion set out in the '*Applicable criteria*' section and to express, on the basis of the evidence obtained, a conclusion from our engagement.

We have performed our engagement in accordance with National Standard on Assurance Engagements Other than Audits or Reviews 3000 (Z), compliant with International Standard on Assurance Engagements 3000 (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("KSUA 3000 (Z)"), adopted by the Polish National Council of Statutory Auditors.

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The standard requires us to plan and perform our procedures so as to obtain information and explanations we consider necessary to provide us with reasonable assurance that the Remuneration Report contains the information required under Art. 90g.1–5 and Art. 90g.8 of the Public Offering Act.

Reasonable assurance is a high level of assurance but is not a guarantee that a service performed in accordance with KSUA 3000 (Z) will always detect a material misstatement.

The procedures selected depend on the auditor's judgement, including our assessment of the risk of material misstatement, whether due to fraud or error. When assessing this risk, we take into consideration the internal controls relevant to the preparation of the Remuneration Report in order to design procedures that are appropriate in the circumstances to provide us with sufficient and appropriate evidence, but not to express a conclusion on the effectiveness of those internal controls.

Quality control requirements

We apply the National Standards on Quality Control approved by the Polish National Council of Statutory Auditors, compliant with International Standard on Quality Control 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and in accordance therewith we maintain a comprehensive quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards as well as applicable legal and regulatory requirements.

Ethical requirements, including independence

We comply with the independence and other ethical requirements set out in the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants, adopted by the Polish National Council of Statutory Auditors. We have also complied with other independence and ethical requirements applicable to this assurance engagement.

Summary of the work performed

The procedures we planned and performed included:

- analysis of the Remuneration Report and comparing the information contained therein against the applicable requirements;
- analysis of the General Meeting resolutions related to the remuneration policy for members of the Management and Supervisory Boards, and the supporting resolutions of the Supervisory Board;
- using corporate documents to identify the persons subject to disclosure in the Remuneration Report and determining, by making enquiries from the persons responsible for preparing the Remuneration Report and, where we considered it appropriate, also from the persons subject to such disclosure, whether all the information covered by the criteria for the preparation of the Remuneration Report was disclosed.

Our procedures were designed solely to obtain evidence that the information provided by the Supervisory Board in the Remuneration Report is complete in light of the applicable requirements. The purpose of our work was not to evaluate whether information contained in the Remuneration Report was sufficient for its preparation, nor to evaluate the correctness and reliability of information contained therein, particularly the amounts disclosed therein, including historical estimates, figures, dates, breakdowns, allocation methods or compliance with the adopted remuneration policy.

The Remuneration Report was not subject to an audit within the meaning of the National Standards on Auditing. In the course of our assurance procedures, we did not audit or review the information used to prepare the Remuneration Report, and therefore we do not accept any responsibility for issuing or updating any reports or opinions on the Company's historical financial information based on our engagement.

In our opinion, the evidence we have obtained is sufficient and appropriate to provide a basis for expressing our conclusion below.

Conclusion

In our opinion, the accompanying Remuneration Report contains, in all material respects, all the elements listed in Art. 90g.1–5 and Art. 90g.8 of the Public Offering Act.

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Restriction of use

This report, prepared for the General Meeting and the Supervisory Board, is intended solely for the purpose described in the *'Subject matter of the engagement'* section and should not be used for any other purpose.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. of Warsaw, entered in the list of auditing firms under number 73:

Artur Maziarka Reg. No. 90108

Warsaw, April 20th 2022