



ORLEN

**REPORT ON NON-FINANCIAL
INFORMATION OF ORLEN GROUP
AND PKN ORLEN S.A.
FOR THE YEAR 2018**

2018

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1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Stakeholders!

We are committed to ensuring that the ORLEN Group's business is carried out with due regard to the needs of all our Stakeholders. Being aware of PKN ORLEN's role in the Polish economy. That is why we pursue growth-oriented projects, seek to ensure security of feedstock supplies, and consistently expand our offering. We are determined to leverage the enormous potential of the ORLEN Group in the coming years. In doing so, we want all our Stakeholders not only to be aware of our objectives but also to benefit from the activities we undertake. Our priority is to develop social conscience and take full responsibility for the natural environment.

This Statement contains all the information on the Company's social and employee initiatives, respect for human rights, environmental protection, workplace and process safety, as well as anti-corruption and bribery issues. It discusses the ORLEN Group's business model, its business strategy and principles of organisation and management.

This Statement also presents non-financial key performance indicators, and describes the adopted policies, due diligence procedures, material risks and how they are managed in relation to the Company's non-financial performance referred to above.

Business ethics is the greatest value for our Company. That is why we implement our business goals in a transparent, honest and ethical way. We follow a consistent approach in all our activities, both in and outside the organisation as well as in the documented practices, processes and procedures. Last year, we made further changes in this area – examples include introducing a new anti-corruption policy. PKN ORLEN adheres to the principles of transparency and dedication to the highest ethical standards. Our efforts have been recognised by a global leader in defining and promoting ethical standards in business, namely the Ethisphere Institute, which for the sixth time included PKN ORLEN in the group of the most ethical companies in the world.

*It is my pleasure to present to you the second edition of the **Report of Non-Financial Information for 2018**.*

Enjoy your read.

*Daniel Obajtek
President of the Management Board
Chief Executive Officer*

2. INFORMATION ON THIS STATEMENT, LEGAL BASIS

2.1 PRINCIPLES, STRUCTURE AND REPORTING METHODOLOGY

This Non-Financial Statement (the “Statement”) includes data on the **Polski Koncern Naftowy ORLEN Group** (the “ORLEN Group”) and **Polski Koncern Naftowy ORLEN S.A.** (“PKN ORLEN”, the “Company”) for 2018.

This Statement has been prepared in accordance with:

- Article 49b.1 and article 55.2b-e of the Polish Accounting Act of September 29th 1994, as amended, which implements the guidelines of Directive 2014/95/EU of the European Parliament and of the Council of October 22nd 2014 on disclosure of non-financial and diversity information;
- GRI Standards 2016, Core option – standards for reporting on economic, environmental and social impacts of an organisation.

The business model, non-financial key performance indicators, policies and procedures as well as potential risks are presented in this Statement for the entire ORLEN Group and for PKN ORLEN. This Statement presents the activities carried out by the ORLEN Group and PKN ORLEN in 2018. The previous Non-Financial Statement, for 2017, was published in March 2018. Non-Financial Statements are issued on an annual basis and are continually evolving, to reflect changes within the ORLEN Group and in its environment.

In 2018, there were no significant changes in the scope, boundary, or measurement methods for the key indicators applied in the Non-Financial Statements, nor were there any changes in the structure or value chain that would result in a change of the business model. In 2018, PKN ORLEN S.A. finalised repurchase of shares from minority shareholders of Unipetrol, thus becoming the sole shareholder in the company.

In 2018, we continued implementation of the 2016 strategy, and in December 2018 a revised ORLEN Group Strategy for 2019–2022 was presented.

2.2 REPORTING METHODOLOGY

Preparation of this Statement included the following stages:

- Confirmation of significant business and social responsibility issues relevant to the ORLEN Group and PKN ORLEN, and their materiality;
- Confirmation of the Stakeholder Map and relevant reporting aspects;
- Collection of data showing implementation of the policies, strategies and objectives of corporate social responsibility, as well as the due diligence procedures and risk management policies and how they are put into effect at the ORLEN Group and PKN ORLEN;
- Preparation of this ORLEN Group and PKN ORLEN Statement for 2018, based on the collected data in accordance with the Polish Accounting Act of December 15th 2016 (Dz.U. of 2017, item 61) and GRI Standards 2016, Core option.

2.3 REPORTING STANDARDS

This Statement is based on GRI Standards 2016, Core option. It presents indicators from three Universal Standards (Foundation, GRI 101), General Disclosures (GRI 102), Management Approach (GRI 103), and selected Topic-specific Standards from the Economic (GRI 200), Environmental (GRI 300) and Social (GRI 400) series. The indicators described in this Statement are presented at the end of each section.

A full description of all aspects of the ORLEN Group’s non-financial activities will be published in 2019 in the online ORLEN Group Integrated Report for 2018. In addition to GRI Standards 2016, the Integrated Report will take account of the integrated reporting guidelines issued by the International Integrated Reporting Council, and will be reviewed by an auditor in accordance with ISAE 3000.

2.4 RELEVANT REPORTING ASPECTS

External and internal Stakeholders were involved in the process of selecting relevant aspects to be reported by the ORLEN Group. The process of defining relevant reporting aspects at the ORLEN Group included the following activities:

Identification

- In December 2017, representatives of the ORLEN Group and its stakeholder environment took part in a meeting (Stakeholder Panel) organised according to the international AA1000SES standard on managing stakeholder relations. The consultations concerned priority directions for sustainable and responsible business, as well as formulating expectations as to disclosures relating to the Company’s operations and their social and economic impacts, including identification of their materiality. The panel was attended by representatives of industry organisations and institutions, academics, social partners, suppliers, and customers.

Prioritisation

- To update and select relevant aspects to be reported by the ORLEN Group, consultations were held in late 2018 and early 2019 with the ORLEN Group's key reporting areas.

Validation

- External and internal Stakeholders completed questionnaires covering economic, social and environmental reporting aspects. The Stakeholders assessed the materiality of each aspect as 'low', 'medium', or 'high'.

As a result, the final list of the ORLEN Group's relevant reporting aspects was prepared, specifying their materiality to the ORLEN Group and its Stakeholders.

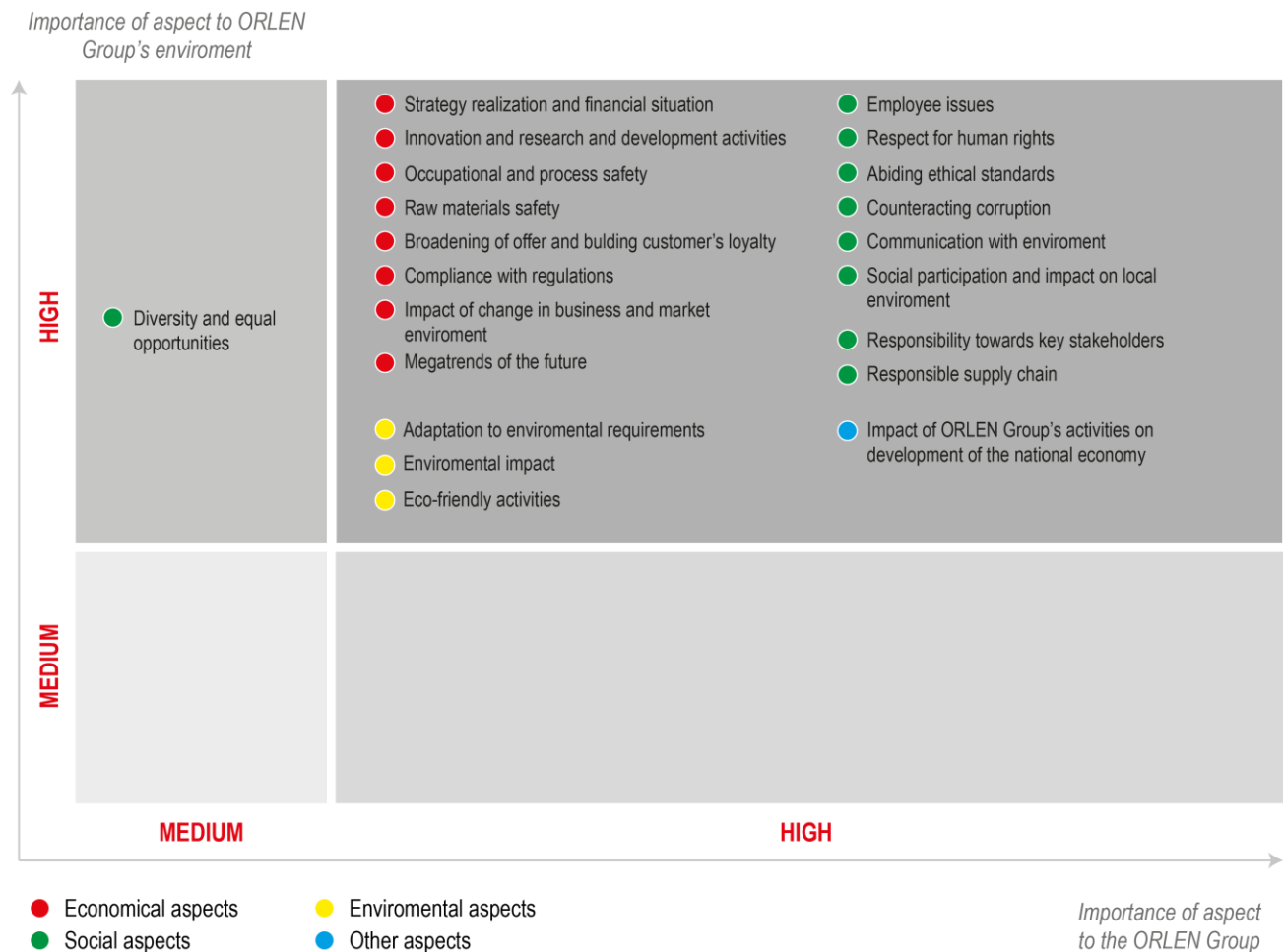
Relevant reporting aspects identified by external and internal Stakeholders

Following the analyses and consultations with internal and external Stakeholders, the list of aspects was extended to include the following issues:

- within economic aspects: expanding the product and service portfolio and building customer loyalty, mega trends of the future;
- within social aspects: employee-related issues, respect for human rights, counteracting corruption;
- within environmental aspects: ensuring environmental compliance, environmental impacts, environmental protection efforts.

As a result, the final list of the ORLEN Group's relevant reporting aspects was prepared, specifying their materiality (i.e. low, medium and high) to the ORLEN Group and its Stakeholders.

FIGURE 1. The importance of individual aspects of reporting for the environment of the ORLEN Group



External Stakeholders, i.e. representatives of the ORLEN Group's environment, considered all aspects as being highly material. Internal Stakeholders, i.e. representatives of the ORLEN Group, identified one aspect of medium materiality, that is: diversity and equal opportunities. They considered other aspects as highly material.

GRI indicators discussed in this Section:

- *GRI 101 Foundation and basis of reporting*
- *GRI 102-44 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting*
- *GRI 102-46 Process for defining the report content and the aspect boundaries*
- *GRI 102-47 List of material topics*
- *GRI 102-49 Changes in reporting (significant changes from previous reporting periods in the material topics and aspect boundaries)*
- *GRI 102-50 Reporting period*
- *GRI 102-51 Date of most recent report (if any)*
- *GRI 102-52 Reporting cycle*
- *GRI 102-54 Indication of whether the report has been prepared in accordance with the GRI Standards in the Core option or the Comprehensive option*
- *GRI 103-1 Explanation of the material topic and its boundary*

3. BUSINESS MODEL

3.1 DIAGRAM OF LINKS BETWEEN ORLEN GROUP AREAS OF ACTIVITY

Key facts and figures 2018

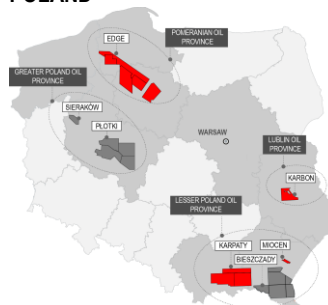
8.3 PLN billion EBITDA LIFO ¹	2.8 PLN billion Record-high retail EBITDA	42.9 million tonnes Record-high sales	5.0 PLN billion Cash flow from operations	4.3 PLN billion CAPEX
33.4 million tonnes 95% Capacity utilization	Record-high throughput	1.3 PLN billion (3,00 PLN/share) Dividend payment	15.7% Financial gearing	5.6 PLN billion Net debt

UPSTREAM

CANADA

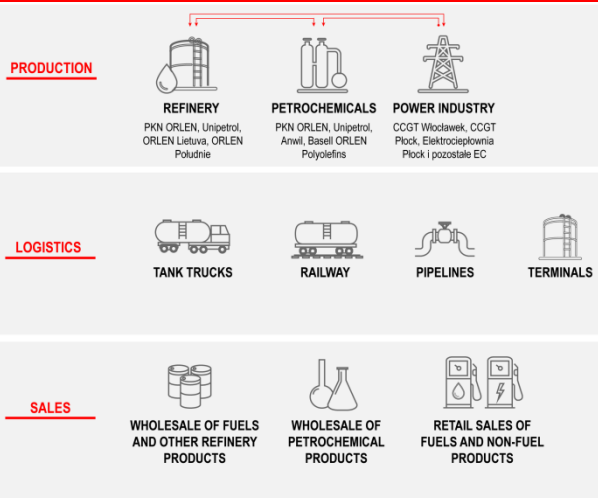


POLAND



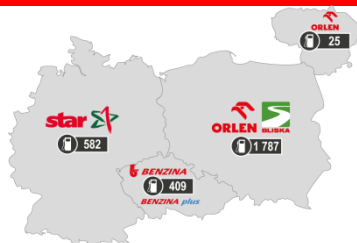
- Exploration and production projects in Poland and Canada.
- **211 million boe²** of 2P³ crude oil and natural gas reserves.
- **18 thousand boe/d** average extraction in 2018.

DOWNSTREAM



- Over **35 million tonnes** of production capacities in 6 ORLEN Group refineries⁴ in Poland, the Czech Republic and Lithuania.
- **3.7 thousand kilometres** of pipeline network and **39** storage facilities.
- Development projects:
 - Building of Polyethylene installation in the Czech Republic
 - Building of Metathesis installation in Plock
 - Building of PPF Spliter installation in Lithuania.

RETAIL



- Over **2.8 thousand** of fuel stations.
- **17.7%** of total retail market share (Poland, Germany, the Czech Republic, Lithuania)
- **1.7 thousand** Stop Cafe and Stop Cafe Bistro locations in Poland, the Czech Republic and Lithuania.

1) Before write-downs for impairment of assets in the amount PLN 0.7billion.
 2) Barrel of oil equivalent.
 3) Proven&probable reserves
 4) Refineries in Plock, Trzebinia., Jedlicze, Mazeikiu, Kralupy and Litvinov.

3.2 STRUCTURE OF THE ORLEN GROUP

3.2.1 Parent – PKN ORLEN S.A.

Polski Koncern Naftowy of Płock („PKN ORLEN”, the „Company”) is the Parent Company of the ORLEN Group.

Polski Koncern Naftowy S.A. with its registered office in Płock, at ul. Chemików 7, was established under a Notarial Deed of June 29th 1993, as a result of transformation of a state-owned enterprise into a joint-stock company.

In September 1999, PKN ORLEN was merged with Centrala Produktów Naftowych – the main distributor of motor fuels. On April 12th 2000, its business name was changed to Polski Koncern Naftowy ORLEN Spółka Akcyjna.

The Company’s principal business activity is oil processing, production of fuels, petrochemicals and chemicals, as well as wholesale and retail trade in petroleum fuel products. PKN ORLEN also produces, distributes and trades in electricity and heat.

Other areas of its business include services: crude oil and fuels storage, road and rail transport, maintenance and repair, laboratory, security, engineering design, administrative, insurance and finance services.

PKN ORLEN shares are listed on the main market of the Warsaw Stock Exchange in the continuous trading system. The first listing of the shares took place on November 26th 1999. According to the Warsaw Stock Exchange classification, PKN ORLEN operates in the fuel sector.

PKN ORLEN’s business model assumes solidifying its position in the area of principal business activities, as well as further development, including coordination of the ORLEN Group activities. The purpose of the measures undertaken by PKN ORLEN and the ORLEN Group is to increase its market value, to strengthen its position on home markets, and to expand its product offering and geographical reach. To efficiently manage its business, PKN ORLEN has implemented a segmental management model aimed at delivering Group-wide strategic goals set by PKN ORLEN as the Group’s parent.

3.2.2 The ORLEN Group

The ORLEN Group comprises PKN ORLEN as the Group’s Parent Company, and entities operating in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, the Netherlands, Slovakia, Hungary, Estonia, Latvia, the US and Canada.

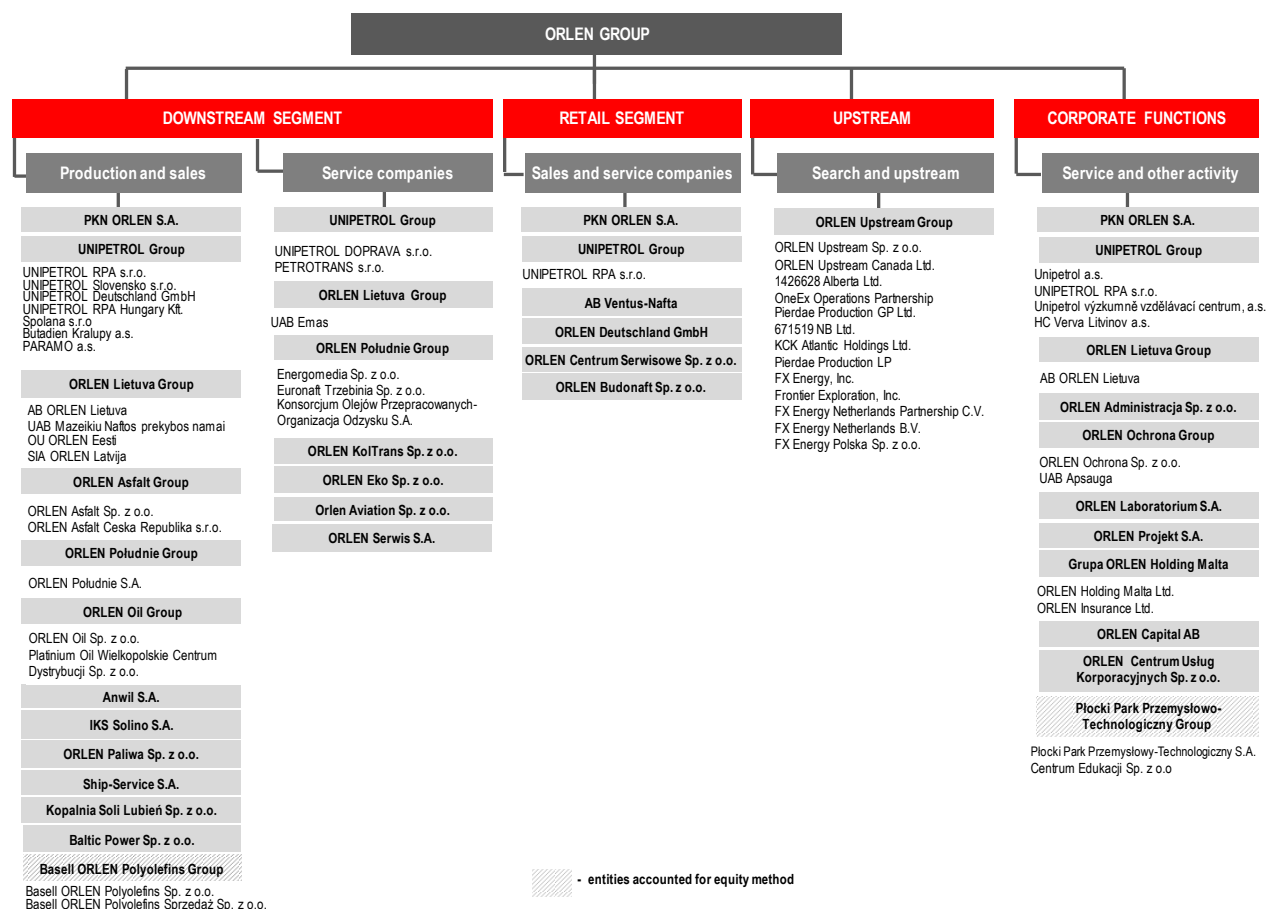
As at December 31st 2018, the ORLEN Group consisted of 67 companies, including 57 subsidiaries.

The ORLEN Group companies are engaged in the following types of activity:

- production and trade – crude oil processing, production of refining, petrochemical and chemical products and semi-products, wholesale and retail sale of fuels and other products
- services – crude oil and fuels storage, transport, maintenance and repair services, laboratory, security, design, administrative, insurance and finance services
- exploration for and extraction of hydrocarbons, production, transmission and distribution of and trade in electricity and heat

Details of the organisational and equity links between the Parent and other ORLEN Group companies are presented below.

FIGURE 2. Allocation of the Parent Company and the ORLEN Group companies to the operating segments and corporate functions as at 31 December 2018.



The Parent's policy with respect to the ORLEN Group focuses on reinforcing the position of the core-business companies, developing power generation and the Upstream segment, as well as improving management, consolidating assets, and divesting of non-core assets.

The Parent's policy with respect to the ORLEN Group focuses on reinforcing the position of the core-business companies, developing power generation and the Upstream segment, as well as improving management, consolidating assets, and divesting of non-core assets.

The purpose of the measures undertaken by the Group is to increase its market value, to strengthen its position on home markets, and to expand its product offering and geographical reach. The Group's key development investments are aimed at further expanding the product portfolio, deeper conversion, construction of new electricity generating capacities, and continuation of the hydrocarbon exploration and production projects. To ensure effective management, holding management policies have been implemented and comprise solutions designed to achieve Parent-defined shared goals across the ORLEN Group.

The policies are based on the ORLEN Group Constitution which stipulates three key regulations: the Cooperation Agreement, the Group Rules, and provisions of respective articles of association of the ORLEN Group companies.

The Constitution provides for uniform information exchange standards and effective monitoring of key business decisions. It also defines the legal basis for establishing a coherent strategy for the ORLEN Group. PKN ORLEN's effective corporate supervision relies on formal and legal supervision as well as on supervision of the companies' operating and finance activities.

3.2.3 Operating segments

The ORLEN Group operates through three segments: Downstream, Retail and Upstream, as well as the supporting Corporate Functions area.

Downstream

The ORLEN Group manages refining assets and is the leading fuel producer in Poland, Lithuania and the Czech Republic. It is also a leading

producer of petrochemicals, with the production processes in this area carried out by selected units at PKN ORLEN, the Unipetrol Group, the ANWIL Group, and Basell Orlen Polyolefins (BOP). Total processing capacity of the Group's refineries exceeds 35 million tonnes per year.

Full integration of the refining and petrochemical units at PKN ORLEN and the Unipetrol Group as well as pipelines connecting PKN ORLEN with the ANWIL Group and BOP are a source of major competitive advantage. Likewise, efficient logistics infrastructure, consisting of surface and underground storage depots and pipeline networks, is a key element of value creation on the fuel market. The ORLEN Group is also a producer of heat and electricity – the main generation assets of the Downstream segment are the PKN ORLEN power plant in Plock (being the largest commercial power generating unit in Poland used to supply utilities to the refinery), the CHP plants of the Unipetrol Group and ORLEN Lietuva, as well as a CCGT unit in Włocławek and Plock, which were put into operation in 2017 and 2018 respectively.

Retail

The ORLEN Group is the region's leader in retail fuel sales, managing a network of over 2.8 thousand service stations in the premium and economy segments.

In Poland, our service stations operate under the ORLEN brand in the premium segment and under the Bliska (only 3% of chain) brand in the economy segment. In the Czech Republic, the brands are Benzina Plus, Benzina, and in Lithuania – ORLEN (premium segment) On the German market, ORLEN Deutschland operates economy stations under the STAR brand and the network is complemented by more than a dozen of Familia supermarket stations.

The Retail segment is implementing an ambitious investment programme which has seen us open new service stations and other motorway facilities (Motor Service Areas), upgrade existing sites, rebrand Bliska stations, implement corporate loyalty schemes, further develop our catering services, and roll out new store formats. Currently, the modern store concept under the proprietary O!Shop brand is being dynamically developed across Poland.

Upstream

The ORLEN Group is engaged in exploration and production in Poland and has production operations in Canada. The upstream operations are carried out by ORLEN Upstream, a wholly-owned subsidiary of PKN ORLEN. Its base of hydrocarbon reserves is gradually expanded, production is stepped up and the project portfolio is diversified, while concentrating on the best performing and prospective assets.

The objectives are to constantly increase production output and the volume of 2P reserves, focusing on good quality assets and the most profitable projects, and responding flexibly to changes on the oil and gas market. At the end of 2018, 2P reserves of the Upstream segment companies amounted to approximately 211 million boe, while total production volume in 2018 reached 18.0 thousand boe/d.

Corporate Functions comprise activities involving management, administration and other auxiliary functions performed by certain ORLEN Group companies for the operating segments. The companies performing corporate functions engage in a wide range of activities, including:

- protection of people and property and technical security, comprehensive accounting and bookkeeping, HR/payroll and inventory management services
- laboratory services, including testing of petroleum products, water, sewage, soil and air
- engineering design and building supervision services for the refining, petrochemical and power industries
- financing and insurance services
- real estate management and office administration

3.2.4 The key subsidiaries

Unipetrol Group

Unipetrol a.s. is a parent company of the Unipetrol Group, which was established in 1994 due to restructuring of the Czech oil industry. In 2005 PKN ORLEN acquired 62.99% of Unipetrol a.s. shares. In 2018 PKN ORLEN completed the process of acquisition of the rest of the shares from the shareholders and as a result became a 100% owner of Unipetrol.

The core business activity of the Unipetrol Group is crude oil throughput, production and distribution of refining, petrochemical and chemical products.

ORLEN Lietuva Group

AB ORLEN Lietuva is a parent company of the ORLEN Lietuva Group and it was registered in the Lithuanian Register Court on 24 January 1991 under name of AB Mazeikiu Nafta. On 15 December 2006 PKN ORLEN purchased majority stake of the Company from Yukos International UK B.V., and on 29 April 2009 became the sole owner through purchase of stock from the Lithuanian Republic Government. Since 1 September 2009 the Company run its operations under AB ORLEN Lietuva name.

The core business activity of AB ORLEN Lietuva is crude oil throughput, production of refining products and wholesale of the Company's product on local market, land and sea export utilising Klajpedos Nafta terminal.

Anwil S.A.

Anwil S.A. was established on 15 March 1993 due to transformation of the State-owned company into sale-owner, joint-stock company owned by the State Treasury. The share capital of the Company was fully covered by PKN ORLEN as at 31 December 2018.

The business activities of Anwil S.A. include production of nitrogenous fertilisers, plastic materials (polyvinyl chloride, granulates, mixtures and PVC sheets), as well as chemicals for processing industry and agriculture (ammonia, chlorine, nitric acid, industrial salt, caustic soda).

ORLEN Deutschland GmbH

ORLEN Deutschland GmbH was established as the result of PKN ORLEN's purchase of fuel stations network in North and East Germany from Deutsche BP AG in December 2002. The share capital of the Company was fully covered by PKN ORLEN as at 31 December 2018. ORLEN Deutschland GmbH carries out mostly activities related to retail sales of fuel activities in Germany.

ORLEN Upstream Group

ORLEN Upstream sp. z o.o. is a parent company of the ORLEN Upstream Group. The share capital of the Company is fully covered by PKN ORLEN as at 31 December 2018. The business activities of the Company include: exploration and recognition of hydrocarbons reserves, extraction of crude oil and natural gas.

3.2.5 Significant changes in the organisation's size, structure, ownership, and its supply chain during the reporting period

No material changes in the ORLEN Group's size or structure occurred in the reporting period.

The key ownership changes included repurchase of shares from minority shareholders of Unipetrol in 2018 and acquisition by PKN ORLEN S.A. of 100% of the company's share capital.

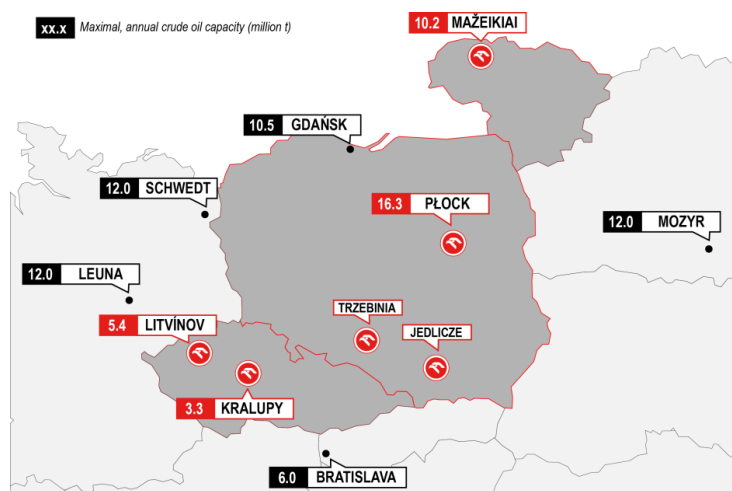
With reference to the supply of raw materials for production in 2018, two long-term contracts for oil supply via pipeline to the Plock refinery (with Rosniefert Oil Company and Tatneft Europe AG) and one long-term contract for oil supply by sea (with Saudi Arabian Oil Company) were in force. These contracts covered almost 78% of crude oil supplies to PKN ORLEN.

Under separate contracts, PKN ORLEN supplies crude oil to three ORLEN Group refineries, in Litvinov and Kralupy in the Czech Republic, and in Mazeikiai in Lithuania.

Most deliveries of natural gas to the ORLEN Group companies in Poland are made under a five-year contract signed in 2016 by PKN ORLEN and PGNiG, and under additional contracts with major European gas suppliers. Gas is also purchased on the Polish Power Exchange. The ORLEN Group takes steps to ensure stability of supplies and to lower gas procurement costs through such measures as diversification of supply sources, centralisation of gas trading functions and further development of the trading expertise. The current portfolio of gas contracts allows the Group to optimise gas procurement costs by selecting the underlying gas indices and delivery points.

3.3 MAIN PRODUCTION ASSETS OF ORLEN GROUP

FIGURE 3. Production assets of the ORLEN Group and main competitors in the Central and Eastern Europe / production capacity [million tonnes].



Source: Own preparation.

ORLEN GROUP

- The total production capacities of the **ORLEN Group** refineries are 35.2 million tonnes.
- **The refinery in Plock** is one of the most advanced integrated production facilities in Central and Eastern Europe, with a production capacity of 16.3 million tonnes/year. In petrochemicals, the key unit (Olefins) has a maximum production capacity of about 700 thousand tonnes of ethylene and about 380 thousand tonnes of propylene. Monomers

COMPETITION IN CENTRAL AND EASTERN EUROPE

The largest **competitors of the ORLEN Group** are:

- LOTOS Group of Gdańsk – Poland's second largest refinery

manufactured at PKN ORLEN are used as feedstock for the polymer units at Basell Orlen Polyolefins and the PVC unit at ANWIL. PKN ORLEN also operates a modern PX/PTA complex with an annual capacity of around 690 thousand tonnes of terephthalic acid.

- The other Polish refineries, operating as the **ORLEN Południe group in Trzebinia and Jedlicze**, manufacture bio-components, base oils and heating oils, and regenerate spent oils.
- The **ORLEN Lietuva refinery in Mazeikiai** has a production capacity of 10.2 million tonnes/year and is the only such facility in the Baltic States (Lithuania, Latvia and Estonia).
- The **Unipetrol Group operates refineries in Kralupy and Litvinov**, with a combined production capacity of 8.7 million tonnes/year. The Unipetrol Group also owns gas petrochemical assets with combined production capacities of approximately 600 thousand tonnes/year, including 320 thousand tonnes of polyethylene and approximately 280 thousand tonnes of polypropylene. Construction of a new Polyethylene III unit, with a capacity of approximately 270 thousand tonnes/year, is under way. Once completed, the unit will allow Unipetrol to increase the use of the Olefins installation and further integrate the petrochemical and refining operations.
- The Włocławek-based **Anwil** is the only manufacturer of polyvinyl chloride (PVC) in Poland and one of the major manufacturers of fertilizers and sodium hydroxide in the country. The annual production capacities are around 1.0 million tonnes/year of nitrogen fertilizers, approximately 0.4 million tonnes/year of PVC and granulates, and approximately 0.2 million tonnes/year of sodium hydroxide. Thanks to the planned construction of the third production installation of nitrogen fertilizers the production capacity of Anwil after 2021 will increase to approximately 1.5 million tonnes/year.
- **Basell ORLEN Polyolefins in Płock** operates facilities with a total production capacity of 900 thousand tonnes (420 thousand tonnes of polyethylene and 480 thousand tonnes of polypropylene). Products are marketed both in Poland and in foreign markets.

- **Mitteldeutschland Refinery** in Leuna/Spergau, located in south-eastern Germany, about 150 km from the Polish-German border, the country's most advanced refinery
- **PCK Refinery** in Schwedt, located north-east of Berlin, about 20 km from the Polish-German border
- **Slovnaft refinery**, an integrated refining and petrochemical group, with a leading position in the Slovak Republic, located near Bratislava
- **Mozyr refinery**, a leading refinery in Belarus, located close to the Ukrainian border.

3.4 MAIN PRODUCTS AND BRANDS

Our products:



FUEL PRODUCTS

gasolines, diesel oils, heating oil, light heating oil, liquefied petroleum gas, natural gas, biofuels, marine fuels, jet fuels



FERTILIZERS

nitrogen fertilizers, liquid ammonia, CANWIL, ammonium nitrate, ammonium sulfate, sodium hydroxide, caustic soda, sodium hypochlorite



BITUMENS

paving grade, industrial grade, modified, multigrade



PETROCHEMICAL PRODUCTS

petrochemicals (acetone, butadiene for industrial use, ethyl tert-butyl ether – ETBE, polymerizable ethylene, phenol for industrial use, glycols, terephthalic acid PTA, petrolent, ethylene polyglycols, polymerizable propylene, liquified ethylene oxide), aromatic hydrocarbons (raffinate, paraxylene, benzene, benzene-toluene fraction), polyvinyl chloride (PVC), PVC granulate, PVC based mixes, PVC boards, brake fluids, operating fluids



OILS

base, engine, gear, hydraulic, industrial, for agriculture, car grease, grease



REFINING PRODUCTS

solvents, slack waxes, waxes, sulphur, naphthas, technical glycerin, paraffins



SALT BASED PRODUCTS

iodized salt, pickling salt, salt tablets, salt briquettes, industrial salt, feed salt, scrap salt, industrial salt brine, table salt, common salt, salt dust



OLEFINS

ethylene, propylene



ENERGY

electricity, heat energy



POLYOLEFINS

polyethylene, polypropylene



OTHER

fuel cards, Ad-Blue and LPG fuel dispenser, control and measurement systems for fuel stations, car cosmetics and chemias

Our brands:

▪ Petrol station



▪ Fuels and services available at petrol station



▪ Loyalty programs



▪ Loyalty programs enabling non-cash purchases at ORLEN stations



▪ Other commercial brands



3.5 STRATEGY OF ORLEN GROUP FOR YEARS 2019-2022

3.5.1 Pillars and update of PKN ORLEN's strategy for 2019-2022



Downstream: scaling up petrochemical production, further integration of refinery assets and expanding low – emission energy generation	<ul style="list-style-type: none"> Feedstock security Strengthening market position Operational excellence
Retail: expanding the retail network and strengthening customer relations	<ul style="list-style-type: none"> Modern service stations network Unique customer experience Operational excellence
Upstream: cautious continuation	<ul style="list-style-type: none"> Further production increase in Poland and Canada Cautious continuation Operational excellence and financial strength



Solid fundamentals	<ul style="list-style-type: none"> Investment grade rating Financial gearing below 30% by 2022 Net debt/ EBITDA covenant below 1.5 by 2022
Secured financing	<ul style="list-style-type: none"> Diversified financing The possibility of inorganic development
Dividend payments	<ul style="list-style-type: none"> Regular dividend payments reflecting current financial situation



Safety: commitment to the highest standards	<ul style="list-style-type: none"> Zero tolerance policy towards accident hazards No accidents at work Further improvement of process safety
Responsibility: caring for employees, external stakeholders and the environment	<ul style="list-style-type: none"> Caring for local communities Support for local producers and business partners Aligning with new environmental requirements Reducing environmental impacts Stepping up environmental protection efforts

The vision for PKN ORLEN's growth set out in the new strategy fits well with global trends in the use of primary energy sources, technological progress and social processes, which are bound to create new consumer behaviours and expectations. PKN ORLEN will concentrate on strengthening its market position, focus on the customer and use an integrated value chain, taking into account the growing role of petrochemicals as well as cautious continuation in the Upstream segment.

An important element of the strategy is focus on value-added innovations by:

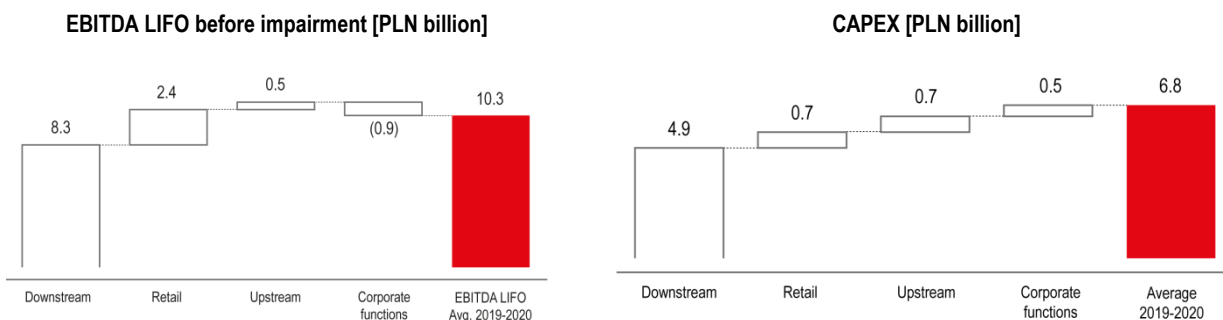
- development of internal and external innovation in the organisation,
- making optimal conditions for creating innovations in ORLEN Group,
- creating PKN ORLEN's Strategic Researching Agenda,
- establishing tools for gaining innovations: accelerator and CVC found,
- development of cooperation with start-ups,
- building Research and Development Centre as a platform for cooperation between PKN and scientific world and business,
- own research work and tests which make processes more efficient, improve products and optimise feedstock,
- efforts put in its own technologies.

3.5.2 Key financial and operational objectives for years 2019-2020

The dynamics of the market environment forces the Group to adjust its planning perspective. Therefore the new strategy features goals and aspirations in the way presented previously. Strategic directions were set for the next four years while specific financial and operational targets were presented for 2019-2020 only, due to volatility of the macroeconomic parameters.

Key PKN ORLEN's strategic objectives for years 2019-2020:

- annual average EBITDA LIFO of PLN 10.3 billion,
- realisation of annual average CAPEX of PLN 6.8 billion,
- financial gearing below 30%,
- regular dividend payments reflecting current financial situation.


3.5.3 Strategic assumptions by operating segments

DOWNSTREAM
Value levers
Feedstock security

- Further diversification of crude supplies
- Securing natural gas supplies
- Building a competitive advantage based on low-carbon energy generation

Operational excellence

- Further improvements in efficiency of refinery assets
- Leveraging synergies offered by integrated production assets
- Readiness for market and regulatory challenges

Strengthening market position

- Investments in extending the petrochemical value chain
- Implementation of operational programme for biofuels: construction of production facilities, operational adjustments and R&D works
- Maintaining leading position in home markets through expansion of product offering

Targets
Sales and Logistics¹

- Wholesale of fuels (diesel, gasoline, jet) increase by 2.1 million tonnes
- Petrochemical sales: increase by over 1.1 million tonnes
- Security of transmission and handling capacities

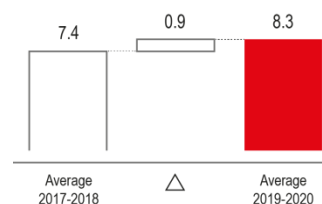
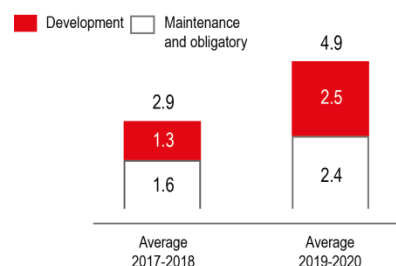
Production¹

Project pipeline:

- **Petrochemicals:** construction of the aromatic derivatives complex, extension of phenol production capacity, extension of the R&D base, extension of Anwil's fertilizers complex
- **Refining:** expansion of the biofuel production plant, including standalone HVO unit, visbreaking, hydrocracking of vacuum residue in Lithuania (feasibility study based on purchased base design and licence)
- **Power generation:** preparation of the offshore wind energy project

Change of key indicators:

- Further throughput maximisation: increase by over 0.3 million tonnes
- White product yield: 1.8 pp increase
- Refinery's Energy intensity: 0.5 pp increase
- Electricity generation: increase by 1.2 TWh

Increase of EBITDA LIFO [PLN billion]²

CAPEX [PLN billion]²


1) Quantitative indicators for the ORLEN Group pertain to the 2022 target relative to 2018 Forecast based on Q1-Q3 actuals and Q4 forecast.

2) Averages 2017-2018 includes actual data for year 2017 and forecast for year 2018 based on Q1-Q3 actuals and Q4 forecast accordingly to the ORLEN Group Strategy presented on 20 December 2018.


RETAIL
Value levers
Modern network of service stations

- Developing in-store and food sales
- Continued efforts to enhance technical quality of the stations
- Adapting service stations to sell alternative fuels
- Organic growth of the retail chain

Unique customer experience

- Launch of new services and customer service channels
- Flexible and personalised offering based on big data analytics
- Improving customer satisfaction and expanding the customer loyalty programme towards e-commerce

Operational excellence

- Maintaining market leadership in home markets
- Optimal product, food range and service management
- Cost efficiency improvement
- Refining customer service and service station management processes

Targets 2019-2022
Modern service station network¹

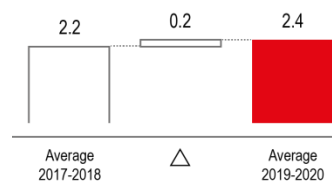
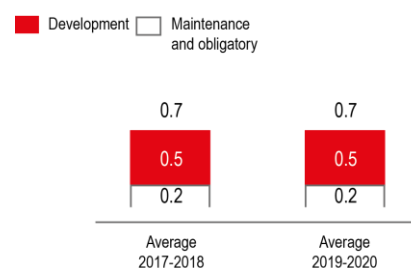
- Increasing non-fuel margins by over 30%
- Organic growth of the service station network: addition of ~ 150 new stations by 2022
- Share of the fuel market: increase by over 2.4 pp

Unique customer experience

- Improvement and development of store and Stop Cafe formats
- Launch of new product and services:
 - development of food and service offering
 - flexible product range based on big data
 - development of new customer communication channels
 - improving service quality

Operational excellence¹

- 3% increase in unit fuel margin
- Improved cost efficiency of service stations
- Distribution system optimisation

Increase of EBITDA LIFO [PLN billion] ²

CAPEX [PLN billion] ²

UPSTREAM
Value levers
Further production increase

- Focus on quality assets and most profitable and prospective projects in Poland and Canada

Cautious continuation

- Flexible response to changes in crude oil and gas market
- Capital expenditure adjusted to macro environment
- Generating positive cash flows

Operational excellence

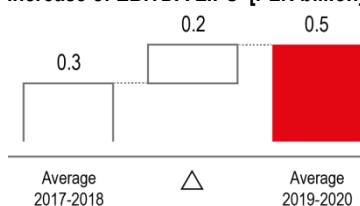
- Continuous improvement of key operational indicators
- Leveraging segment synergies in Poland and Canada

Targets 2019-2022
Production in Poland and Canada¹

- Production increase to ca. 25 thousand boe/d (i.e. by ca. 7 thousand boe/d) at the Group level
- Share of liquid hydrocarbons (%)
 - Poland: 6%
 - Canada: 49%
- Wells (net) optimised to 13.8:
 - Poland: 2.5 wells
 - Canada: 11.3 wells

Operational excellence¹

- Achieving operating netback in excess of PLN 75/boe
- CAPEX rationalisation and reaching positive cash flows and CAPEX self – financing in the shortest possible time

Increase of EBITDA LIFO [PLN billion] ²

CAPEX [PLN billion] ²


1) Quantitative indicators for the ORLEN Group pertain to the 2022 target relative to 2018 Forecast based on Q1-Q3 actuals and Q4 forecast.

2) Averages 2017-2018 includes actual data for year 2017 and forecast for year 2018 based on Q1-Q3 actuals and Q4 forecast accordingly to the ORLEN Group Strategy presented on 20 December 2018.

3.6 OUR MISSION, CREDO, CORE VALUES AND STANDARDS OF CONDUCT

OUR MISSION:

We discover and process natural resources to fuel the future



RESPONSIBILITY

We respect our customers, shareholders, the natural environment and local communities



PROGRESS

We explore new opportunities



PEOPLE

Our advantages are know-how, teamwork and integrity



ENERGY

We are enthusiastic about what we do



DEPENDABILITY

You can rely on us

OUR CREDO:

ORLEN. FUELLING THE FUTURE

Core Values and Standards of Conduct

The 'Core Values and Standards of Conduct' offers guidance on internal relations and relations with the Company's external Stakeholders. The document, prepared with a view to ensuring fair and friendly work environment, defines principles of mutual relations at PKN ORLEN and ORLEN Group companies, which are based on integrity, respect in everyday relationships, and dialogue, cooperation and involvement of each staff member in building a culture consistent with the Company's core values. It promotes the fair treatment of all employees and customers regardless of their age, sex, job, denomination, nationality, convictions or beliefs. The document also contains provisions on anti-corruption procedures, as well as provisions on the obligation to comply with the rules of fair competition, transparency of business activities, mutual respect, and professionalism. The 'Core Values and Standards of Conduct', which have also been implemented at other Group companies, complement the Company's business strategy by placing emphasis on building good relations within the organisation.

PKN ORLEN's value-based corporate culture is constantly evolving in response to the needs of the ever-changing environment. Our ethics policy is effective and embodies our commitment to meeting challenges and expectations.

The direction of changes and measures undertaken by PKN ORLEN has been appreciated by both Polish and international experts. For the sixth consecutive year PKN ORLEN was awarded, as the only company from Poland and Central and Eastern Europe, the prestigious title of 'The World's Most Ethical Company'.

3.7 STAKEHOLDER MAP

Responsibility and dialogue are the underlying principles of our Stakeholder relations. We seek to build them on integrity, transparency, mutual respect and professionalism. To ensure highest quality of Stakeholder relations, the frequency and methods of communication are tailored to the characteristics and current expectations of each Stakeholder group. A number of such activities are described below in this Statement.

Attendees of the Stakeholder Panel held in December 2017, that is representatives of the ORLEN Group and its Stakeholders, reviewed the Stakeholder Map. In late 2018, following internal consultations, the document was updated with respect to the following:

- The key Stakeholders group was expanded to include the ORLEN Group foundations, namely the ORLEN – DAR SERCA Foundation, the ANWIL for Włocławek Foundation, and the Unipetrol Foundation (Nadace Unipetrol),
- Society was not included in the group of important Stakeholders. Society encompasses different groups which are presented on the Stakeholder Map.

FIGURE 4. ORLEN Group's stakeholder map



GRI indicators discussed in this Section:

- GRI 102-1 Name of the organisation
- GRI 102-2 Activities, brands, products, and services
- GRI 102-3 Location of the organisation's headquarters
- GRI 102-4 Location of operations, including number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report
- GRI 102-5 Ownership and legal form
- GRI 102-6 Markets served
- GRI 102-7 Scale of the organisation
- GRI 102-10 Significant changes in the organisation's size, structure, ownership, or its value chain during the reporting period
- GRI 102-40 List of stakeholder groups engaged by the organisation
- GRI 102-42 Basis for identification and selection of stakeholders with whom to engage
- GRI 102-45 Entities included in the consolidated financial statements

4. SOCIAL ISSUES

4.1 CREDO

In each area where we operate we feel responsible for our Stakeholders, especially for the local communities in the locations where we conduct our business activities, as well as for our customers, suppliers and trading partners. As a national champion, we feel obliged to support Polish sports and culture, and thus build the image of Poland abroad.

4.2 OVERVIEW

Our social responsibility initiatives are defined in the CSR strategy, which is consistent with the business strategy. The ORLEN Group has in place the 'Core Values and Standards of Conduct of PKN ORLEN S.A.', a code of ethics offering guidance to our employees on how to act ethically and responsibly, both inside and outside the Company.

The activities undertaken in 2018 in pursuance of the CSR strategy focused on three principal areas: **Organisation**, **Close environment** and **Distant environment**.

In the first one, **Organisation**, the key goal is to build lasting relations with employees based on diversity, sense of security, development opportunities, and combining social and professional roles.

In the second area, **Close environment**, priority is given to developing social conscience and responsibility in trading partners and customers through sharing best practices and knowledge, and implementing most exacting CSR standards. Our activities in this area are centred around building the image of a responsible company, pursuing social outreach projects, promoting CSR concepts among Stakeholders and encouraging their responsibility.

In the third area, **Distant environment**, the ORLEN Group aspires to implement its strategy, promote innovation and set top industry standards in business ethics and environmental protection. In 2018, we continued to foster the principles of social responsibility and business ethics, we sought to develop environmental protection solutions that can be used by service station customers, and we engaged in projects creating equal opportunities for people facing social exclusion, the disabled in particular.

We also worked on developing a new ORLEN Group CSR Strategy until 2022, providing a coherent plan of action with regard to social responsibility initiatives, based on examination of the actual needs of all Stakeholder groups. The new CSR strategy became part of the ORLEN Group's updated business strategy, adopted in December 2018. Its main objectives are to ensure consistency of business and social goals and to enhance the image of PKN ORLEN as a CSR and sustainability leader. The strategy defines new areas of CSR activities: Society, Environment, Employees, Customers and Trading Partners. An important tool for the implementation of the CSR strategy is the PKN ORLEN Charitable Giving Policy, which sets out the priorities of the Company's charitable involvement and the rules for providing support.

4.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

The table below presents the social KPIs.

Item:	UoM	2018	2017
Cooperation of the ORLEN – DAR SERCA Foundation with Family Group Homes			
Family Group Homes cooperating with the Foundation	[number]	approx. 300	approx. 350
Children living in Family Group Homes under the care of the Foundation	[number]	approx. 2 000	approx. 2 500
Children living in Family Group Homes who went on summer and winter holidays	[number]	480	438
Children living in Family Group Homes who receive scholarships	[number]	89	109
Scholarship programmes of the ORLEN – DAR SERCA Foundation			
Scholarships for children of the ORLEN Group companies – 'For Eagles' ¹	[number]	113	106
Scholarships for students from Plock and the neighbouring area – 'My Above-Average Interests' ²	[number]	123	134
Scholarships for undergraduates – 'Bona Fide' ³	[number]	6	-
Grant programmes of the ORLEN – DAR SERCA Foundation			
The 'My Place on Earth' ⁴ programme – submitted applications	[number]	1 135	-
The 'My Place on Earth' ⁴ programme – grant-winning applications	[number]	293	-

Fire-Fighting Unit Support Programme ⁵ – submitted applications	[number]	approx. 4 000	approx. 1 400
Fire-Fighting Unit Support Programme ⁵ – grant-winning applications	[number]	360	169
Promoting healthy lifestyles and disease prevention			
Disease prevention consultations under the 'Health First' ⁶ programme.	[number]	1 058	-
The 'Health 50+ ⁷ ' disease prevention programme – participants	[number]	100	-
Health Zone ⁸ – participants	[number]	634	370
ORLEN Warsaw Marathon – participants	[number]	20 000	21 000
Marketing projects for Plock residents	[number]	98	92
Customer involvement in social projects⁹			
Charitable purposes supported in partnership with customers	[number]	11	16
Points donated by customers for charitable purposes	[number]	40 730 211	53 518 524
PKN ORLEN's suppliers required to read the PKN ORLEN Supplier Code of Conduct	[%]	100	100

- 1) The **'For Eagles' scholarship programme** – a programme addressed to children of PKN ORLEN and other ORLEN Group companies' employees, designed to support the employees and their families, honour and promote students' effort in seeking knowledge and developing their skills and abilities, as well as to inspire students to engage in community outreach initiatives.
- 2) The **'My Above-Average Interests' scholarship programme** – a programme addressed to students from Plock and the neighbouring area, designed to honour and promote students' effort in seeking knowledge and developing their skills and abilities, as well as to inspire students to engage in community outreach initiatives.
- 3) The **'Bona Fide' scholarship programme** – a programme with a nationwide reach, intended to enable the most talented Polish undergraduates to study at either of the best 30 universities included in the Shanghai Ranking (ARWU). The programme is run by five corporate foundations established by state-owned companies: the J.K. Steczkowski BGK Foundation, the Energa Foundation, the LOTOS Foundation, the Lotto Foundation and the ORLEN – DAR SERCA Foundation.
In the first edition of the project in 2018 scholarships were awarded to six undergraduates, who were thus able to start studying at the University of Oxford, University College London, Columbia University, the University of Cambridge, and Imperial College London.
- 4) The **'My Place on Earth' grant programme** – a nationwide programme to support the development of local communities, including by reaching small towns and encouraging activity of rural communities. As part of the first edition of the programme, held in 2018, 293 entities received grants totalling PLN 2,001,000.00 for projects that would make a positive difference in their closest environment. The projects could benefit such areas as sports, safety, education, history, culture or environmental protection.
- 5) **Fire-fighting Unit Support Programme** – a nationwide programme run for a number of years, designed to support fire fighters, who risk their lives every day while protecting the lives of others, to promote heroic attitudes and values among the public, as well as to contribute to the development of local communities. Fire-fighting units may apply for co-financing of fire-fighting equipment, water and flood rescue equipment, road and technical rescue equipment, as well as medical, chemical, environmental and technical rope rescue equipment. The 2018 edition of the programme was record-breaking in terms of the number of submitted applications and the value of support granted.
- 6) The **'Health First' programme** – in 2018, PKN ORLEN and the ORLEN – DAR SERCA Foundation offered residents of Plock, Włocławek and Ostrów Wielkopolski, including the ORLEN Group employees and their families, an opportunity to receive preventive medical examinations as part of the nationwide Health First project. It is a multidisciplinary programme for preventing lifestyle diseases in Poland, held under the auspices of the Ministry of Health. The participants had the opportunity to see physicians specialising in audiology, spirometry, ophthalmology, otorhinolaryngology and oncology.
- 7) The **'Health 50+' disease prevention programme** – under the project, employees aged 50 or more can undergo necessary medical examinations and attend disease prevention consultations whose scope has been tailored to the age and sex of the participants. The programme offers, among others, laboratory and imaging tests and medical consultations. Its aim is to have the participants receive an overall health assessment and, if any potential health risks are identified, to refer them for further check-ups and treatment.
- 8) **Health Zone** – in October and November 2018, PKN ORLEN employees had the opportunity to visit special health zones in Plock, Warsaw and Włocławek, arranged in partnership with the PZU Group. They could visit massage salons and ask advice from nutritionists.
- 9) **Customer involvement in social projects** – customers can donate their points collected under the VITAY loyalty programme and in the YANOSIK application to support charitable purposes, such as Family Group Homes (one day of holidays, school utensils, an hour of rehabilitation therapy), a month's care for a falcon, a day's food for a falcon, falcon ringing, a month's care for a stork, a month's care for a roe deer, planting trees, eagle treatment and rehabilitation, 1,000 points for educational institutions that were damaged by storms.

4.4 POLICIES IN PLACE

The policies and internal regulations concerning social issues include:

Core Values and Standards of Conduct – a code of ethics offering guidance on relations with customers, shareholders, local communities, trading partners, competitors and other external Stakeholders. The document applies across the ORLEN Group.

CSR Strategy, assuming value growth aligned with the interests of external Stakeholders and relying on sustainable and responsible use of resources. The strategy is implemented in three areas: Organisation (building lasting relations with employees), Close environment (developing social conscience and responsibility in trading partners and customers through sharing best practices and knowledge, and implementing most exacting standards), Distant Environment (implementing the strategy, promoting innovation and setting top industry standards in business ethics and environmental protection).

Charitable Giving Policy, setting the directions of our charitable activities, in accordance with four priorities: **ORLEN for the environment** (supporting initiatives related to the rational shaping of the environment and sustainable management of natural resources, anti-pollution initiatives, initiatives designed to conserve and restore elements of the natural environment, and initiatives implementing the concept of circular economy), **ORLEN for the society** (supporting Family Group Homes and young people leaving Children's Homes, the socially excluded, including people with disabilities, initiatives to assist returnees and their families, and initiatives of local communities and local partners), **ORLEN for safety and health** (supporting professional and voluntary rescue services, road safety stakeholders, medical institutions and facilities, and initiatives to promote healthy and active lifestyles), **ORLEN for sports, education and culture** (supporting initiatives for the development of sports, educational and science

initiatives, young talents, initiatives for the conservation and restoration of historical monuments, and initiatives promoting Polish culture and history). The support is offered directly by the ORLEN Group and indirectly, through the ORLEN DAR SERCA Foundation, the ANWIL for Włocławek Foundation, and the Unipetrol Foundation.

Supplier Code of Conduct, implemented across the ORLEN Group and including standards to follow when selecting suppliers, e.g. considering whether the supplier ensures safety in the workplace, cares for the health of employees, offers fair and non-discriminatory working conditions, and respects human rights.

Restructuring agreement with trade unions, defining the rules of cooperation between social partners in restructuring processes and the employees' rights in such processes.

Marketing Code, dealing with such issues as advertising, promotion, sales, sponsorship and image building. It is an important element of the marketing communication in developing relationships with Stakeholders.

4.5 DUE DILIGENCE PROCEDURES

CSR Strategy implementation

In 2018, PKN ORLEN continued implementation of the PKN ORLEN's CSR Strategy for 2015-2017 in the areas defined by the pillars of the strategy, that is: **Organisation**, **Close Environment** and **Distant Environment**.

Organisation

In the first pillar, Organisation, the key goal is to build lasting relations with employees based on diversity, sense of security, development opportunities, and combining social and professional roles. In 2018, we continued efforts focusing on: **increasing safety at work, supporting employees in taking care of their health, creating opportunities for their professional development, and encouraging them to engage in community outreach projects**.

The ORLEN Group believes in **social dialogue** based on independence of the parties, legal compliance, as well as trust, mutual willingness to compromise, and observance of the rules. The rules of social dialogue are founded on internal regulations and generally applicable laws, which facilitates development of constructive and lasting solutions in partnership with employee representatives. The ORLEN Group provides its employees with **social support in the form of various benefits and allowances**, including holiday allowances to partly pay for holidays or sanatorium treatment, child care, leisure activities for children and youth, school starting kits for children, recreation and sports activities, rehabilitation therapies, cultural and educational activities, rehabilitation camps for a disabled child and an accompanying parent, support for low-income families, non-returnable financial support, returnable housing loans, and purchase of Christmas gifts for children.



As a company implementing modern-day solutions aimed at keeping the balance between work and family life, PKN ORLEN carries out the **'Family-Friendly Employer'** programme, offering such benefits as additional two days off to care for a child under three years old, two days off to care for a disabled child under 24 years old, a nursery school for children of ORLEN Group employees, one additional hour for breastfeeding, medical care during pregnancy, baby feeding rooms, gifts for newborn babies, and providing employees on parental/childcare leaves with up-to-date information on developments across the Group. Many of the components of this programme have also been implemented by other ORLEN Group companies as part of best practice sharing.

PKN ORLEN also provides **extensive medical care** going beyond the scope of occupational medicine. Medical services and other healthcare programmes are offered in cooperation with Centrum Medyczne Medica Sp. z o.o. of Płock and the Military Institute of Medicine of Warsaw as part of the impact of work environment on health. Workplace preventive examinations and health promotion campaigns were organised in 2018.

The key projects implemented in the Organisation include: the 'Health 50+' disease prevention programme; the Health Zone; medical examinations of employees' children aged from nine months to six years under the programme called 'Say NO to Cancer in Children'; preventive examinations held in Płock, Włocławek and Ostrów Wielkopolski under the nationwide 'Health First' programme; open meetings for employees, devoted to disability issues; Occupational Safety and Healthcare Day at the ORLEN Group.

In 2018, work was under way to develop a new formula of the **employee volunteering programme**, adapted to employees' needs, and to facilitate involvement of both the ORLEN Group employees and external Stakeholders, including employees' families. From now on, the programme will be implemented by the ORLEN – DAR SERCA Foundation. The top priority of this project is to inspire and encourage social involvement, to support bottom-up initiatives of employees, both financially and organisationally, as well as to propose top-down initiatives which can be joined by interested volunteers.

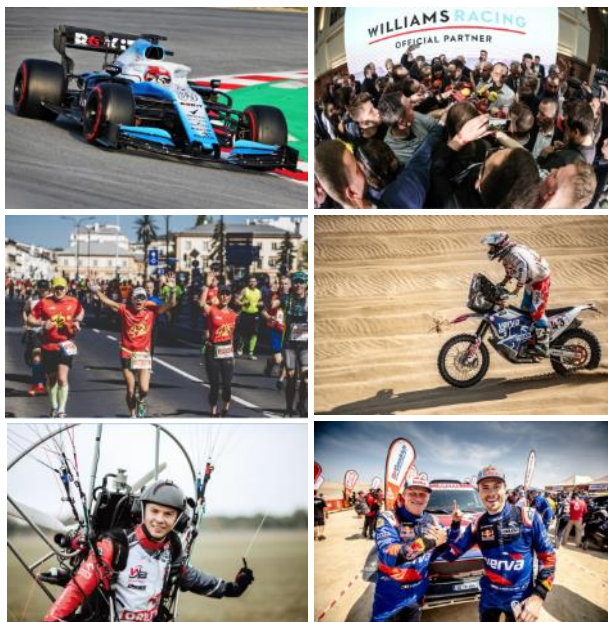


UN Sustainable Development Goals supported by the Company's activities in the Organisation:



Close Environment

The second pillar of PKN ORLEN's CSR Strategy for 2015–2017 is the Close Environment. In the Close Environment, **priority is given to developing social conscience and responsibility in trading partners and customers through sharing best practices and knowledge, and implementing most exacting CSR standards.** Our activities in this area are centred around building the image of a responsible company, pursuing social outreach projects, promoting CSR concepts among Stakeholders and encouraging their responsibility. In 2018, we worked to expand the reach of our CSR projects and to improve their recognisability. We created new, large programmes with a nationwide reach, enabling us to bring support to local communities, for instance the **'My Place on Earth' grant programme, the 'Bona Fide' scholarship programme, the 'We keep watch! We remember!' programme, and a loyalty scheme dedicated to the voluntary fire-fighting units.** We continued our **fire-fighting unit support programme** and the **'For Eagles' and 'My Above-Average Interests' scholarship programmes.** In addition, the ORLEN DAR SERCA Foundation also runs a programme for children from Family Group Homes and funds **special scholarships**, e.g. the 'Life to the Full' scholarship. In 2018, we created an innovative tool for communicating with local communities – the **Free Information System for Residents of the Płock Region.** Also in 2018, we organised for the first time the **Fair for PKN ORLEN Suppliers**, and launched the **'ORLEN IN YOUR PORTFOLIO' loyalty scheme** for retail shareholders. In 2018, PKN ORLEN also actively supported the foundations of which it is one of the founders or benefactors, including the Grant Fund for Płock Foundation, the Ignacy Łukasiewicz Museum of Oil and Gas Industry in Bóbrka Foundation, the Polish National Foundation, the Polish Economic Security Foundation, and the Growing Up Together Foundation.



PKN ORLEN is an undisputed Patron of Polish Sports, **supporting professional and amateur sports.** In 2018, the Company sponsored the Polish Volleyball Federation, Polish Athletics Federation, Wisła Płock Club (football and handball), Polish Olympic Committee, and others. The ORLEN Sports Group was expanded to 20 players. Experienced and titled athletes, such as Anita Włodarczyk, Paweł Fajdek or Piotr Małachowski, were joined in the ORLEN Sports Group by young and talented ones: Piotr Lisek, Justyna Święty-Ersetic and Iga Baumgart-Witan. The Company also actively supports **motorsports and paragliding.** The range of motorsports supported by PKN ORLEN was broadened. In November 2018, the Company signed a sponsorship contract with the **Formula 1 Williams Racing Team**, which will be joined in the 2019 season by Polish driver **Robert Kubica.** PKN ORLEN also offers assistance to young, talented motorsports riders as part of its **'Orlen Team Academy'.** In 2018, the Company lent support to the **'School Sports Club'** project initiated by the Ministry of Sport to build a passion for physical activity among primary school children, promote healthy lifestyles and prevent obesity among children, as well as to look for successors of today's champions. The programme reached almost 350 thousand students across Poland. PKN ORLEN was the organiser of the largest running event in Poland: **'ORLEN Warsaw Marathon'.** Since 2010, PKN ORLEN has organised **'VERVA Street Racing'**, the largest motoring festival in Poland. During all previous editions, over two thousand sports and performance vehicles took part in

the event, attracting over 500 thousand spectators.

PKN ORLEN, as a national giant, supports **initiatives designed to protect Polish national heritage** which, by virtue of their rank, promote Polish culture. For instance, the Company cooperates with the Fryderyk Chopin Institute – the following events were held as part of the cooperation: the 1st International Chopin Competition on Period Instruments, the 'Chopin's Warsaw Piano' Extraordinary Concert organised to mark completion of reconstruction of the Buchholtz piano, financed with funds from PKN ORLEN and the ORLEN DAR SERCA Foundation, and the 14th edition of the Chopin and His Europe Festivals. In 2018, PKN ORLEN was also involved in the organisation of concerts held abroad (in London), as part of the celebration of the 100th anniversary of restoration of Poland's independence and the 22nd edition of the Ludwig van Beethoven Easter Festival.



The Company provided patronage to a number of events commemorating the **100th anniversary of Poland's regaining independence.** As part of the celebrations, PKN ORLEN carried out a number of its own initiatives and sponsored events organised by external institutions, including the 'Cruise of Independence', the 'Polish Family Album' exhibition at the Warsaw Chopin Airport showing Polish paintings from the National Museum in Warsaw, the 'HerosON – Switch on History' project, and the 'Digital Independence' conference.

The Company actively collaborated with local communities, particularly in **Płock and other places where it operates**. For the last three years, the Company has implemented its 'ORLEN for Płock' programme. In 2018, 98 projects were carried out as part of this project, including for instance *Płock Gardens of Light*, financing of teaching aids for the Physics and Chemistry laboratories of six secondary schools in Płock, organisation of Chemist's Days and Orlen Olympics, provision of active support to the Płock voluntary water rescue service WOPR (with whom the Company arranged a safe public bathing spot in Grabina near Płock), free swimming lessons for the city residents, and support of the Wisła Płock handball and football teams.



UN Sustainable Development Goals supported by the Company's activities in the Close Environment:



Distant Environment

The third pillar of PKN ORLEN's CSR Strategy for 2015–2017 is the Distant Environment. Distant Environment is the area where PKN ORLEN aspires to **implement its strategy, promote innovation and set top industry standards in business ethics and environmental protection**. In 2018, we continued to foster the principles of social responsibility and business ethics, we sought to develop environmental protection solutions that can be used by service station customers, and we engaged in initiatives creating equal opportunities for people facing social exclusion, the disabled in particular. Some of the key projects we pursued in 2018 included construction of an electric vehicle charging station network (a pilot scheme), marketing of new EFECTA 95 and EFECTA Diesel fuels, and launch of an offshore wind projects. In the area of environmental protection, we implemented the LDAR system in the refinery part of our Płock production plant, carried out a wildlife survey on the plant's premises, participated in the 'Clean River Week' and in a number of stocking of water reservoir initiatives, to name just a few. By participating in important conferences devoted to industry-specific or economic issues (e.g. Congress 590, COP24, Economic Forum in Krynica, European Economic Congress, Development Vision Forum) representatives of the ORLEN Group shared best practices applied in our organisation.



What deserves a special mention is our far-reaching approach to social problems. PKN ORLEN has continued its involvement in the initiative of the Ministry of Entrepreneurship and Technology (until January 2018 Ministry of Development) called **Partnership for the Implementation of Sustainable Development Goals in Poland**. In April 2018, PKN ORLEN signed a **declaration of Partnership for Accessibility**, affirming its commitment to cooperate in the implementation of the government's 'Accessibility Plus' programme. By signing the agreement PKN ORLEN confirmed that it is committed to following the idea of accessibility and equal treatment in all aspects of its operations, and will strive to ensure equal opportunities not only within its own organisation, but also in its environment. Since 2011, PKN ORLEN has been pursuing the **Policy Defining the Work Conditions and Rules for the Disabled** with the aim of ensuring that such persons are offered equal opportunities in access to employment, continuous professional advancement and promotion, as well as raising awareness of the necessity to respect the rights of people with disabilities. Under the 'Family-Friendly Employer' programme, employees who are parents of children with disabilities have two extra days off work per year until the child reaches the age of 24 years. The Company also operates a Company Social Benefits Fund, from which its current and former employees can obtain support to finance their disabled child's stay in a rehabilitation camp with an accompanying adult. In addition, the Company participates in various CRS initiatives dedicated to people with disabilities. PKN ORLEN employees actively engage in employee volunteering initiatives. Twice a year, we organise pre-Christmas fairs at the Company headquarters with the participation of institutions providing care to the disabled from Płock and the neighbouring areas.

Facilities for people with disabilities are put in place at PKN ORLEN stations. 1 350 service stations have toilets adapted to the needs of the disabled. At more than 1 000 stations there are special parking spaces for the disabled. We are gradually implementing modern solutions which are important from the point of view of accessibility of the services. Customers can pay at the fuel dispenser using the *ORLEN Pay* mobile application. PKN ORLEN was the first in Poland to open a service station offering the *ORLEN Drive* service for customers who opt for refuelling their vehicle and ordering food or drink without leaving the car. Working in partnership with the INTEGRATION Foundation, we prepared a training programme for our service station sales staff who have contact with the disabled. In recent years, more than 30 thousand service station employees received the training.

UN Sustainable Development Goals supported by the Company's activities in the Distant Environment:



Activities under the Charitable Giving Policy

In 2018, PKN ORLEN updated its Charitable Giving Policy, which included defining broader priorities for the Company's charity activities. In addition to projects aimed at supporting development of local communities and reducing inequalities, PKN ORLEN also supports initiatives related to environmental protection, safety, health, sports, education and culture. The Charitable Giving Policy is a vital part of the Company's corporate social responsibility – it is one of the tools that help us meet our obligations as a responsible entrepreneur, employer, community member and good neighbour. The ORLEN Group initiates and carries out charity activities, and partners with other organisations in charitable initiatives. An important role in that area is played by the **ORLEN DAR SERCA Foundation**, which was established in 2001 to fulfil the social responsibility mission of its founder, PKN ORLEN.

The Foundation provides comprehensive assistance to **Family Group Homes** by funding scholarships, trips during summer and winter holidays, financing additional educational activities and rehabilitation care for the children, covering the cost of dwelling repairs or redecorations, or financing fuel cards. At the moment the Foundation provides assistance to children from more than 300 such homes. The Foundation runs numerous scholarship programmes, including for children of ORLEN Group employees and for students from Plock and the surrounding area. The aim of such programmes is to help young people in their education and improve their motivation, but also to encourage their social involvement, e.g. through participation in volunteer work. In 2018, in cooperation with the J.K. Steczkowski BGK Foundation, the Energa Foundation, the LOTOS Foundation, and the Lotto Foundation, our ORLEN DAR SERCA Foundation launched a new scholarship programme – ‘**Bona Fide**’. It is designed to enable the most talented Polish undergraduates to study at either of the best 30 universities included in the Shanghai Ranking (ARWU). The first edition of the programme was dedicated to persons studying subjects related to administration. The Foundation also engages in initiatives focused on improving safety and healthcare standards. For years it has been running the **Fire-Fighting Unit Support Programme**, under which in 2018 a record-breaking amount of over PLN 2 million was provided to 360 units. The money was used to purchase fire-fighting equipment, water and flood rescue equipment, road and technical rescue equipment, as well as medical, chemical, environmental and technical rope rescue equipment. Over the 18 years of the programme operation, the firefighters received assistance valued at PLN 12 million. Local community projects are another important area of the Foundation’s activity. In 2018, it completed the first edition of the ‘**My Place on Earth**’ grant programme. Under the programme, the Foundation selected (by way of a competition) and financed social initiatives put forward by non-profit organisations in such areas as sports, safety, education, history, culture and environmental protection. More than PLN 2 million was transferred to local communities (293 entities) from different parts of Poland as part of this project. The aim of **My Place on Earth** was to support the development of local communities, including by reaching small towns and encouraging activity of rural communities. In 2018, the Foundation also carried out the first edition of its ‘**We keep watch! We remember!**’ programme, whose aim is to restore the due respect and remembrance to the heroes who died during World War II.



The CSR initiatives of PKN ORLEN and the ORLEN DAR SERCA Foundation also engage **members of the VITAY loyalty scheme and users of the YANOSIK application**. Many of them choose to donate their points to social causes, including support to Family Group Homes or environmental projects.

The ORLEN Group has also established other corporate foundations – the ANWIL for Włocławek and the Unipetrol Foundation. The **ANWIL for Włocławek Foundation** runs competitions for the grants it offers to co-finance projects aimed at raising the level of education of the Włocławek residents, counteracting social and economic exclusion, improving the condition of the natural environment, preserving the historical heritage, as well as protecting and promoting health. Objectives of the **Unipetrol Foundation** include providing support to students of natural sciences- and technology-oriented faculties through internships and work placements and through grant programmes dedicated to secondary school students. PKN ORLEN is one of the founders of the **Grant Fund for Plock Foundation**, and our representatives are actively involved in its activities. The Foundation promotes and provides co-funding for local NGOs’ initiatives.

Responsible supply chain

In a significant step towards building responsible supply chain, PKN ORLEN incorporated the corporate responsibility and sustainability criteria in its procurement management standards. The Company promotes social responsibility among its suppliers and seeks to cooperate with trade partners that respect human rights and operate in compliance with the law, ensure safe and fair working conditions, follow the best standards of ethical conduct and care for the environment. CSR criteria have been defined and compiled into a single document entitled Supplier Code of Conduct. Compliance with the Code is a mandatory criterion in the process of trading partner selection at ORLEN Group companies. The suppliers are selected based on the ORLEN Group’s standardised and uniform social, environmental, legal, and ethical criteria. The purpose of the Code is to promote responsibility among the ORLEN Group’s Stakeholders and encourage responsible practices among the suppliers.

The ORLEN Group cooperates with a group of carefully selected suppliers. In an effort to continuously improve procurement processes, the Group works to enhance and ensure greater consistency of vendor selection procedures. We developed a model for vendor selection in procurement category management strategies, and the key suppliers are evaluated on a regular basis as part of the supplier relationship assessment process. The supplier selection and assessment criteria are based, among other things, on best market practices and make it possible to mitigate reputation, financial and process risks, and ensure high quality of cooperation with suppliers.

The key project is the successive implementation of uniform standards and procurement systems at the Group, which facilitates maintaining uniformity and consistency of procurement processes across the Group, their transparency, knowledge sharing and better communication with suppliers.

In 2018, PKN ORLEN organised the Fair for PKN ORLEN Suppliers, during which it explained the procurement process and the Company’s expectations and requirements towards suppliers.

Development of the product and service portfolio and facilities for customers

In line with the message of our image campaign ‘We Drive Poland Together’, launched in 2018, the ORLEN Group means, first and foremost, people – both employees and users of our products and services.



In response to customer expectations, PKN ORLEN focused on sales of highest quality fuels, introducing EFECTA 95 and EFECTA Diesel fuels in 2018. EFECTA fuels improve a car engine's lifespan and performance and reduce NOx and particulate matter emissions. We implemented a number of customer-oriented solutions, including the *ORLEN Pay* application to pay for fuel directly at the pump. In addition, we launched the first drive-through service station under – *ORLEN Drive*. At the Michałowice Motorway Service Area motorists can refuel their vehicles, order food or drink and pay without having to get out of the car.

In 2018, two quick charging stations for electric cars were installed, one of which is located in Plock, near the Company's head office, and the other at the PKN ORLEN service station in Siewierz. Ultimately, we intend to deploy 150 charging stations in urban areas and on main transit routes in Poland. Such facilities will also be installed at Benzina service stations in the Czech Republic. The ORLEN network also sells other types of alternative fuels. Examples include a hydrogen filling station located at the service station operating under the Star brand in Müllheim, Germany, and CNG filling stations located at 35 Benzina

service stations in the Czech Republic. In response to new consumer trends, including those related to mobility in urban areas and economy of sharing, a car sharing (pay-by-the-minute car hire) service is available at selected ORLEN stations. It is operated in cooperation with Traficar. The Group also partnered with Nextbike Polska to offer bike rental at selected PKN ORLEN stations in large Polish cities. Customers can use Wi-Fi or collect parcels delivered by courier service.

Prompted by the latest trends in nutrition, since 2018 the food and drink offering at ORLEN service stations in Poland has been expanded to include products for vegans and vegetarians. As part of the 'Regions' Pantry' project, ORLEN service stations sell regional products from local farmers and producers. In 2018, PKN ORLEN launched the 'Drink Polish Juices' project and sells fruit juices at every service station in Poland. The key objective of the programme is to support Polish fruit growers and family-run fruit processing companies. At ORLEN stations in Poland, more than 67% of all products sold come from Polish producers, and 80% of all products were manufactured in Poland. For over 10 years now, Fairtrade-certified coffee has been available at over 1,600 Stop Cafe outlets at ORLEN service stations.



As a socially responsible company, friendly to families with children, PKN ORLEN joined the 'Large Family Card' programme. Holders of the card are offered discounts at ORLEN service stations across Poland when purchasing fuel, Stop Cafe products or using car wash services.

4.6 SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS AND RISK MANAGEMENT METHODS

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
SOCIAL		
Corporate social responsibility	<ul style="list-style-type: none"> Lack of public awareness of the ORLEN Group's CSR activities 	Implementation of a CSR strategy defining the ways of communicating CSR initiatives; implementation and supervision of the Responsible Care Framework Management System and appointment of the Responsible Care Framework Management System Officer
Reputation, brand and marketing management	<ul style="list-style-type: none"> Use of the brand in connection with adverse, controversial activities Promotional activities with adverse effect on the image of PKN ORLEN 	Supervision over the process of defining the methodology for conducting promotional campaigns, key activities subject to approval by relevant business areas
Outsourcing and subcontractor risk	<ul style="list-style-type: none"> Limited control over the ORLEN Group's processes which are subcontracted or outsourced 	Ensuring correctness, completeness and quality of documentation, including completion reports and checklists, in IT systems
Procurement management in the process of producer selection	<ul style="list-style-type: none"> Delays in the procurement process Protracting and inefficient tender and procurement procedures 	Appointment of an evaluation team to assess the submitted bids, conduct negotiations and document the selection process communicating terms of business on time and in line with internal regulations

GRI indicators discussed in this Section:

- *GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area*
- *GRI 203-1 Supported infrastructural investments and services for society through commercial activities, donations of goods and pro-bono activities. The influence of the activities on society*

5. EMPLOYEE-RELATED ISSUES AND RESPECT FOR HUMAN RIGHTS

5.1 CREDO

We provide fair and friendly working conditions for our employees. Relations with internal Stakeholders and the external business environment are based on integrity, respect in everyday relationships and on dialogue, cooperation and involvement of each staff member in building a culture consistent with the Company's core values.

5.2 OVERVIEW

The HR area and the Ethics Officer are responsible for activities related to employee matters and respect for human rights.

The HR area is responsible for:

- Recruitment, development and retention of key management staff to ensure achievement of strategic objectives;
- Development and implementation of policies, principles and standards in human resources management, in particular: recruitment, adaptation, development and training, hiring and dismissal of employees, compensation systems, bonuses, perquisites, social benefits, collective bargaining agreements;
- Supervision over the setting of bonus-related targets for key management staff;
- Shaping social relation standards in the organisation;
- Preparing proposals of redundancy benefits for employees affected by workforce restructuring measures;
- Coordination, planning and spending under the compensation budgets and bonus systems (including incentive schemes), conducting training, recruitment and covering the costs of other HR management tools and systems;
- Human resources management, in particular: recruitment, adaptation, development and training, hiring and dismissal of employees, compensation systems, bonuses, perquisites, social benefits, collective bargaining agreements;
- Drafting and implementation of collective labour regulations at PKN ORLEN and development of related standards for the ORLEN Group;
- Communication with company trade unions and coordination of efforts with regard to collective bargaining agreements and social matters.

Ethics Officer monitors compliance with the 'Core Values and Standards of Conduct of PKN ORLEN S.A.', guarantees that employees, employers and all Stakeholders can freely report violations, helps in difficult labour issues and raises the employees' awareness of the importance of their own role in transforming corporate culture. The Ethics Officer is elected by PKN ORLEN employees and performs its duties without remuneration. The Ethics Officer takes steps to clarify and eliminate behaviours which conflict with the 'Core Values and Standards of Conduct of PKN ORLEN S.A.', in particular:

- Receives, selects and evaluates complaints for legitimacy and materiality; in the case of minor complaints, the Ethics Officer undertakes remedial action on his or her own, while more complex and serious cases are referred to the Secretary of the Human Capital Committee;
- Informs the parties concerned about the measures taken, with due regard to confidentiality requirements;
- Prepares, based on the complaints and comments received, an annual report and proposes solutions to improve the corporate culture;
- Undertakes educational initiatives to promote the 'Core Values and Standards of Conduct of PKN ORLEN S.A.'.

Some of the ORLEN Group companies have appointed ethics committees or ethics officers.

5.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Employee relations KPIs at PKN ORLEN and the ORLEN Group in 2017 and 2018:

Employee relations KPIs	UoM	ORLEN Group		PKN ORLEN	
		2018	2017	2018	2017
Employees by companies, including:	[persons]	21 282	20 262	5 250	4 980
PKN ORLEN	[persons]	5 250	4 980	5 250	4 980
Unipetrol Group	[persons]	4 835	4 720	-	-
ORLEN Serwis	[persons]	1 775	1 648	-	-
ORLEN Lietuva Group	[persons]	1 631	1 612	-	-
ANWIL	[persons]	1 323	1 268	-	-
ORLEN Ochrona Group	[persons]	1 182	1 098	-	-
ORLEN Południe Group	[persons]	672	716	-	-
Other	[persons]	4 614	4 220	-	-

Employees by gender, including:					
Women	[%]	27	26	22	21
Men	[%]	73	74	78	79
Management Boards of the ORLEN Group companies by gender, including:					
Women	[%]	9	11	14	17
Men	[%]	91	89	86	83
Supervisory Boards of the ORLEN Group companies by gender, including:					
Women	[%]	32	-	56	-
Men	[%]	68	-	44	-
Employees by type of work, including:					
White collars	[%]	46	46	58	57
Blue collars	[%]	54	54	42	43
Employees by education, including:					
University	[%]	41	41	67	66
Secondary	[%]	35	35	19	18
Vocational	[%]	22	22	14	16
Primary	[%]	2	2	0	0
Employees under corporate collective labour agreements, including:					
Polish companies	[%]	39	36	100	100
Foreign companies	[%]	94	66	-	-
Trade unions - unionising	[%]	40	41	50	47
Company Social Benefits Fund, including:					
	[persons]	28 317	25 197	15 540	14 503
Employees	[persons]	11 825	10 304	5 250	4 874
Former employees	[persons]	6 692	6 679	5 222	5 335
Family members	[persons]	9 800	8 214	5 068	4 294
Average training hours per employee, including:					
Women	[number]	18.3	-	32.4	-
Men	[number]	20.7	-	31.0	-
Managers	[number]	24.5	-	44.3	-
Non-managers	[number]	19.6	-	29.5	-

Other employee data for 2018:

Employee relations KPIs	UoM	ORLEN Group	PKN ORLEN
Employees by type of contract and gender, including:			
Indefinite-term contract			
Women	[number]	4 787	920
Men	[number]	13 577	3 582
Definite-term contract			
Women	[number]	681	169
Men	[number]	1 671	432

Probationary period contract			
Women	[number]	127	33
Men	[number]	317	76
Temporary substitution			
Women	[number]	89	19
Men	[number]	33	19

Employees by type of contract and region, including:

Indefinite-term contract			
Czech Republic	[number]	4 484	0
Canada	[number]	49	0
Germany	[number]	160	0
Lithuania	[number]	1 977	0
Poland	[number]	11 694	4 502
Definite-term contract			
Czech Republic	[number]	584	0
Canada	[number]	3	0
Germany	[number]	5	0
Lithuania	[number]	18	0
Poland	[number]	1 742	601
Probationary period contract			
Czech Republic	[number]	140	0
Canada	[number]	0	0
Germany	[number]	11	0
Lithuania	[number]	16	0
Poland	[number]	277	109
Temporary substitution			
Czech Republic	[number]	2	0
Canada	[number]	0	0
Germany	[number]	2	0
Lithuania	[number]	7	0
Poland	[number]	111	38

Employees by employment type and gender, including:

Full-time			
Women	[number]	5 598	1 129
Men	[number]	15 515	4 100
Part-time			
Women	[number]	86	12
Men	[number]	83	9

New hires by age, gender and region, including:

Age		2 977	603
below 30	[number]	1 080	203
30–50	[number]	1 562	369
over 50	[number]	335	31
Gender			
Women	[number]	939	192
Men	[number]	2 038	411

Region			
Czech Republic	[number]	704	0
Canada	[number]	8	0
Germany	[number]	23	0
Lithuania	[number]	315	0
Poland	[number]	1 927	603
Turnover	[%]	14.0	11.5
Staff turnover [%]	[%]	9.9	6.2
Age			
below 30	[%]	15.7	5.4
30–50	[%]	8.5	5.0
over 50	[%]	10.0	9.6
Gender			
Women	[%]	11.3	6.1
Men	[%]	9.4	6.3
Region	[%]		
Czech Republic	[%]	12.0	-
Canada	[%]	5.8	-
Germany	[%]	11.2	-
Lithuania	[%]	13.7	-
Poland	[%]	8.5	6.2

The proportion of temporary work contracts at the ORLEN Group is negligible and they are used on an as needed basis.

Human rights key performance indicators at PKN ORLEN and the ORLEN Group

The employee engagement and job satisfaction surveys is carried out in a two-year cycle.

Employee engagement and satisfaction survey	UoM	2017
Number of ORLEN Group companies surveyed	[x]	16
Number of respondents – PKN ORLEN	[x]	4 005
Employee engagement rate	[%]	65
Job satisfaction rate	[%]	73
Average rates in Poland in 2016¹		
Employee engagement rate	[%]	51
Job satisfaction rate	[%]	66

^{1) Based on Aon Hewitt}

5.4 POLICIES IN PLACE

The existing policies and internal regulations regarding employee relations include:

Core Values and Standards of Conduct – providing for such issues as occupational health and safety, fair and friendly working conditions, communication and cooperation, as well as equal employment, promotion, development and in-service training opportunities.

Collective Bargaining Agreements and Work Rules of ORLEN Group companies have been prepared in accordance with the applicable regulations and the relevant standard adopted at PKN ORLEN. The Collective Bargaining Agreements are entered in the registers kept by the competent Regional Inspectors of the National Labour Inspectorate. In 2018, the following ORLEN companies had Collective Bargaining

Agreements in place: Basell Orlen Polyolefins, ORLEN Aviation, ANWIL, IKS Solino, ORLEN Centrum Usług Korporacyjnych, and ORLEN Południe. Collective Bargaining Agreements have been also executed at companies of the Unipetrol Group and ORLEN Lietuva.

ORLEN Group Human Resources Management Policy – updated in 2017 and approved for implementation at PKN ORLEN and other ORLEN Group companies as of January 1st 2018. The Policy sets out the priorities and key tasks in human capital development. It defines activities in such areas as reinforcement of the Group's corporate culture, segment-based management, employee development, compensation and employee benefits, or performance management, to name just some.

Bonus System Rules – the PKN ORLEN Management Board, Management Boards of other ORLEN Group companies, as well as directors reporting directly to the Management Board and PKN ORLEN employees are covered by bonus systems. The key positions at the ORLEN Group are rewarded based on the annual bonus system: the bonus is granted for achieving individual qualitative and quantitative targets, which are reviewed after the end of the year for which they were set. Other PKN ORLEN employees are rewarded based on one of the following three bonus systems: a quarterly/annual, quarterly, or monthly system. For detailed information on the remuneration and bonus policies for members of the PKN ORLEN Management Board, see the Directors' Report on the ORLEN Group's operations in 2018.

Corporate Social Benefit Activity Rules – define the scope of social benefits and the rules for granting such benefits to the current and former employees of PKN ORLEN and its subsidiaries covered by agreements on the joint social benefits programme, as well as the employees' family members. Additionally, PKN ORLEN offers a uniform employee benefits package to employees of all ORLEN Group companies participating in the joint social benefits programme.

Employee Pension Plan – guarantees additional financial resources to PKN ORLEN employees, to be used during future retirement. The basic contribution under the scheme is financed by the employer.

Policy for Supporting Employees in Difficult Personal Circumstances – this policy defines the rules for supporting employees affected by difficult personal circumstances, in line with the 'Core Values and Standards of Conduct' applicable at the Group. While providing support, the employer takes into account the type of occurrence, type and scale of damage or loss, and personal and financial situation of the affected employee. Depending on the above criteria, the employee may be provided with financial, medical, psychological or legal assistance.

Internal order on the 'Family Friendly Employer' Programme and initiatives celebrating long service, retirement and birthdays of former employees – sets out the rules governing activities addressed to employees celebrating their long service or those retiring, as well as pensioners celebrating their 70th, 75th, 80th, 85th and following birthdays. Under the 'Family Friendly Employer' Programme, employees receive additional childcare leave (for children 3 years of age or younger/children with disabilities up to 24 years of age), a new baby gift, a place in the nursery school, etc.

Policy Defining the Work Conditions and Rules for the Disabled – the objective of this policy is to provide the disabled with equal opportunities in the workplace, taking into account the type and degree of disability, enabling disabled persons to obtain and maintain adequate employment, return to work, receive promotion, as well as support the disabled in independent living and their integration with other employees.

Restructuring agreement with trade unions, defining the rules of cooperation between social partners in restructuring processes of PKN ORLEN S.A. and the employees' rights in such processes.

The human rights policies and internal regulations include:

Core Values and Standards of Conduct – primarily a guide to internal relations as well as relations with the Company's external Stakeholders, including trading partners, local communities, the natural environment and competitors. The document contains overall guidance on ethics-related matters, including fair treatment of all employees and customers regardless of their age, sex, position, religion, nationality, convictions or beliefs, as well as provisions on the obligation to comply with the rules of fair competition, transparency of business activities, mutual respect, and professionalism.

Collective Labour Agreement – defines the conditions which should be met by the substance of an employment relationship, and the rules of remunerating and granting other benefits to employees.

Workplace Bullying Policy – implemented at PKN ORLEN in 2017 and disseminated among the ORLEN Group companies for implementation, it sets out the rules to be followed when an instance of workplace mobbing has been reported and defines the rights and obligations of employees in such situations. It aims to counteract workplace harassment and strengthen good employee-employer and employee-employer relations.

ORLEN Group Anti-Corruption Policy – designed to raise employee awareness, encourage positive attitudes and behaviour, and streamline procedures and business process oversight. The document underscores the importance of training and awareness-raising among employees and the responsibility of companies' managements to create conditions that help to prevent and counteract corruption at the ORLEN Group. The person responsible for coordinating the implementation of the Policy objectives in effectively preventing and detecting irregularities and misconduct is the **PKN ORLEN Anti-Corruption Compliance Officer**.

Anonymous Misconduct Reporting System – the system provides a framework for identifying potential irregularities and instances of misconduct, which can be reported via indicated information channels.

Supplier Code of Conduct – is an integral part of the business relationships with suppliers, including the supplier qualification and evaluation process, concerning business standards in health and safety at work, human rights, business ethics, employee matters and environmental protection. The document helps us to support our suppliers in building awareness and best practices in this area.

CSR Strategy for 2015–2017 – as part of the initiatives in the ‘Organisation’ area, activities were undertaken to build lasting relations with employees based on diversity, and to ensure good work-life balance.

5.5 DUE DILIGENCE PROCEDURES

Employee related issues

Development of the HR functions

For many years, the ORLEN Group’s HR and payroll solutions have been adapted to effectively support business processes. Based on the HR policy for the ORLEN Group, HR and payroll processes at the Transaction Center are optimised on an ongoing basis. IT systems are developed to streamline staff administration activities and improve the efficiency of HR processes across the Group. In 2018, a new system was implemented for the administration of bonus award processes at the ORLEN Group companies. Furthermore, an application was deployed at PKN ORLEN to support the adaptation process, which is to be implemented by the ORLEN Group companies as well. Additionally, a **cafeteria plan** was established, giving the employees improved access to attractive employee benefits. Work is under way to create a single work time planning and reporting tool for all companies, which will help standardise the process across the Group. The continuous development of HR functions combined with process digitalisation improve the HR processes, guaranteeing their high quality and transparency.

Human resources management policy

People are invariably one of the key pillars of the ORLEN Group’s strategy. In 2018, our activities in this area included consistent efforts to build a team of experienced specialists and to develop a support system for the managerial staff. In 2018, Group companies carried out initiatives based on the updated Human Resources Management Policy adopted in 2017. The new policy highlights the importance of employees, acknowledging that they are one of the Group’s most precious assets, and their unique knowledge, skills and experience are a source of competitive advantage to the ORLEN Group. The priorities and key tasks of the Policy have been defined based on best market practices, reflecting market challenges and trends in human capital development. The document defines activities in such areas as reinforcement of the Group’s corporate culture, segment-based management, employee development, compensation and employee benefits, or performance management, to name just a few. The priority activities in 2018 within selected ORLEN Group companies included: the adaptation of new employees, cooperation with trade unions in the implementation of Company Collective Bargaining Agreements and partnership in working towards the Group’s business objectives (business awareness), development of non-financial employee incentives (the ‘Family-Friendly Employer’ programme and medical care). In 2018 activities aimed at implementing from the beginning of 2019 a uniform standard of medical care in the Capital Group were completed.

Education and talent acquisition policy

PKN ORLEN works actively to meet its talent acquisition and retention needs, considering specific target groups that are important to each segment. The activities in this area are addressed to current employees, prospective employees, and students and graduates of vocational schools and universities. Being aware of the need for synergies between business and academia, the ORLEN Group collaborates with the academic community.

PKN ORLEN cares for the professional development of young people – students, university graduates and school leavers, by providing them with an opportunity to acquire their first professional experience on internship and work placement programmes, which are attended by dozens of university graduates and school leavers each year. In 2018, more than 90 persons participated in placements under the ‘**Headed for ORLEN**’ and the ‘**#Energy for the Future**’ projects run in cooperation with the Ministry of Energy, a programme carried out jointly with the Faculty of Power and Aeronautical Engineering - Mechanics Division of the Warsaw University of Technology, and a work placement programme for future lawyers with the Cardinal Stefan Wyszyński University in Warsaw. 114 individuals completed student internships, most of them in the production segment, but some also in other business areas.

Taking into account the need to build a HR pipeline in professions which are important to the industry, and especially given the specific nature of the ORLEN Group companies, in September 2018 PKN ORLEN signed a **Declaration of Cooperation with the Mazovia Education Office (Mazowieckie Kuratorium Oświaty)**. In line with this Declaration, the ORLEN Group companies can have secondary school classes under their auspices, which run curricula matching the companies’ business profiles. As a result, students will obtain expert support during practical lessons. Moreover, they will have the opportunity to take part in study visits and internship programmes at the production plant in Płock. The ORLEN Group companies also worked with secondary technical schools and technical universities to align their curricula to the workforce and skills needs of the industry, and to help potential future employees develop necessary skillsets while still at school.

Since 2018, PKN ORLEN, ORLEN Laboratorium and ANWIL have been actively participating in **Industry Seminars**, a series of meetings at the Faculty of Chemistry of the Warsaw University of Technology. The participants are the Faculty students and leading chemical industry companies. The purpose of the meetings is to equip students with practical knowledge based on actual business cases and to inspire them to choose specific development paths with a view to getting a job with a given company.

Furthermore, PKN ORLEN participated in job fairs (Job Fair in Płock, Absolvent Talent Days in Warsaw, Academic Job Fair in Łódź, Job Fair at the Silesian University of Technology and the AGH University of Science and Technology in Kraków, Engineering Job Fair at the Warsaw University of Technology), and supported students and graduates in acquiring professional experience. Additionally, it carried out education and information activities, including the **Knowledge Day** or the **Dignity Day** organised by the PKN ORLEN Ethics Officer.



Development and training

The focus of our development efforts in 2018 was on fostering the innovation attitude, engaging leadership, and collaboration and feedback skills. An important aspect of development planning was identification and support of unique specialist competences and reinforcement of knowledge sharing by implementing a consistent feedback provision standard. In this way, the development function supported implementation of the business strategy.

The management's leadership skills were developed under a comprehensive programme addressed to all management levels and employing a common standard. Its themes centered on engaging leadership, value-based management, efficiency improvement and building multifaceted collaboration and innovation on the team.

Managers additionally participated in training programmes on workplace bullying prevention, labour law, and management and business ethics. Those projects demonstrate the Company's particular concern for management based on ethics and respect for corporate values.

PKN ORLEN offered a wide range of diverse professional advancement opportunities to its employees, taking into account their individual needs. Further to that, employees took part in bespoke specialist training programmes (both open and closed), postgraduate courses, MBA programmes, coaching and mentoring activities. They were also offered opportunities to broaden and share their knowledge of the market and the industry through participation in trade conferences and events.

In-house projects included competence development programmes in project management, trade and business negotiations, effective communication and cooperation on a team, innovation focused on pragmatic techniques, and an in-house production coach.

As in previous years, we continued initiatives fostering the culture of work safety: from educational projects to mandatory training and post-graduate courses in the field of industrial process safety, dedicated specifically to PKN ORLEN. The 'ORLEN Safe Driving Academy' was continued, helping the participants master safe driving techniques and learn how to react in difficult situations on the road.

Employees also improved their foreign languages skills as part of the PKN ORLEN Language Academy and summer English courses. Training and development activities were carried out not only on a classroom basis, but also as e-learning courses.

In 2018, almost 5 thousand employees were trained at PKN ORLEN, and the average number of training hours per employee was 31.33. Overall, more than 12 thousand training units were completed in 2018.

Respecting human rights

Fostering desirable attitudes and behaviours in line with the 'Core Values and Standards of Conduct'

In 2012, the Group adopted the 'Core Values and Standards of Conduct', addressing relationships within the company and interactions with the external environment, including trading partners, local communities, the natural environment and competition. At the same time a new system was put in place for reporting instances of human rights abuses. The 'Core Values and Standards of Conduct' set out the values that PKN ORLEN has committed to respect: Responsibility, Development, People, Energy, Reliability. They are manifested in the everyday behaviours and attitudes described in the document and practised both inside and outside the organisation. All ORLEN Group companies (in Poland and abroad) share the same ORLEN values and every company has adopted the 'Core Values and Standards of Conduct' as a binding code of ethics.

In order to reinforce the 'Core Values and Standards of Conduct' and promote desirable attitudes and behaviours among the Group's personnel, a number of projects for employees are carried out, including the 'Value Based Management' performance review, or the '**Distinguished PKN ORLEN Employee**' title awarded every year for socially-oriented attitudes and observance of the core values. The largest Group-wide corporate culture building project is **ORLEN Olympics**, the annual sports games for the Group's employees, which combine healthy fair play competition and the Company's core values. In the past five years, thousands of PKN ORLEN employees and their families participated in the event. Every year, two thousand employees compete in various sport disciplines, and often more than twenty thousand people participate in picnics (since 2016, as part of the Chemists' Day the picnic has also been open to the inhabitants of Plock).

The employee volunteering programme is another project enhancing the ORLEN Group's corporate culture. It offers a number of involvement opportunities for all employees, regardless of their job and position.

PKN ORLEN has a broad range of projects targeted at the employees and aimed at building their engagement and strengthening their bonds with the company, such as: '**ORLEN Passion**' (assistance offered to employees who have interesting hobbies and interests), a range of internal communication channels (corporate television, intranet and newsletter), the **Open Door Day** for families of employees and residents of Plock, combined with environmental protection and health and safety education, as well as traditional meetings of the Management Board with employees.

Internal and external mechanisms to obtain advice on how to report a violation or suspected violation

The Company's employees and external Stakeholders may report any breach or suspected breach of the 'Core Values and Standards of Conduct' in connection with workplace incidents or employee behaviours. A variant path is defined for reporting and analysing information on actual or suspected breaches, depending on the severity and complexity of the problem and on the confidence of the parties involved. A suspected breach of the 'Core Values and Standards of Conduct' or any ethical dilemmas may be reported to:

- Line manager,
- Senior managers,
- The Ethics Officer,
- The Human Capital Committee.

The Company also operates an **Anonymous Misconduct Reporting System**.

PKN ORLEN has in place effective functional control, risk management and compliance supervision systems, as well as an internal audit and control function. The simultaneous operation of all these elements allows the Group to exercise ongoing and effective anti-corruption supervision. The Group has an organised management control system comprising a set of comprehensive procedures.

Additionally, the **ORLEN Group Anti-Corruption Policy** and an internal order on **Anti-Money Laundering and Terrorist Financing** were adopted in 2018. The **Workplace Bullying Policy** is also in place, setting out the rules to be followed when a case of harassment is reported, as well as the rights and obligations of employees in such situations, as discussed in sections below.

5.6 SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS AND RISK MANAGEMENT METHODS

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
EMPLOYEES		
Availability of employees and subcontractors	<ul style="list-style-type: none"> Loss of key personnel Persistent shortage of experienced staff with relevant technical expertise 	Monitoring and reviewing of job-specific training needs, oversight of the recruitment process to ensure employment of candidates with relevant qualifications; supporting vocational education to develop practical skills.
Allocation and development of human resources	<ul style="list-style-type: none"> Constraints in recruitment/employee turnover; lack of transparency of the recruitment/employment termination process 	Identification of the key skills for a given position at the recruitment stage, supervision of the process of contract termination, control of the position change processes within the Company.
Social security and other benefits	<ul style="list-style-type: none"> Miscalculation of social security payments and other employee benefits 	Supervision of the process of calculation and verification of remuneration, social security and other employee benefits
Workplace accidents and other hazards	<ul style="list-style-type: none"> Failure to identify material risks for particular jobs Injury/death at a production plant 	Introduction of a health and safety hazard reporting system, including division of responsibilities, supervision of the hazard identification process in the occupational risk assessment, introduction of procedures to follow in the event of an accident at work
Employees and subcontractors' activities	<ul style="list-style-type: none"> Activities of employees and subcontractors resulting in violation of OHS regulations 	Reviewing and issuing opinions on contracts with subcontractors in terms of security certificates and security clauses, implementation of the Comprehensive Prevention System
RESPECTING HUMAN RIGHTS		
Breach of ethical standards	<ul style="list-style-type: none"> Inadequate ethical standards for a given business environment No support for employees in resolving conflicts of interest Ineffective system of internal reporting of unethical or illegal practices 	Keeping track and reviewing compliance with the value system set out in the 'Core Values and Standards of Conduct of PKN ORLEN S.A.', appointment of the Ethics Officer, introduction of the Anonymous Misconduct Reporting System.
Labour law	<ul style="list-style-type: none"> Violations of labour law Penalties imposed as a result of court proceedings initiated by current or former employees 	Obligatory knowledge of applicable laws and internal regulations governing employment relationships, i.e. the Work Rules, 'Core Values and Standards of Conduct', etc. Agreement setting out the rules of cooperation between social partners in restructuring processes

GRI indicators discussed in this Section:

- GRI 102-8 Information on employees and other workers
- GRI 102-16 Values, principles, standards, and norms of behaviour
- GRI 102-17 Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity
- GRI 102-41 Employees covered by collective bargaining agreements
- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area
- GRI 401-1 New employee hires and employee turnover
- GRI 404-2 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

6. ENVIRONMENTAL ISSUES

6.1 CREDO

We improve process planning and execution approaches in line with the requirements of sustainable development. We pursue our objective to consistently reduce our environmental impact by investing in best available techniques (BAT) in environmental protection and ensuring that our production, warehousing and distribution processes are as neutral as possible.

6.2 OVERVIEW

Reducing the environmental footprint has long been one of our top priorities. The projects carried out in 2018 chiefly involved adaptation of plant and process units to new environmental requirements and standards defined in the EU regulations. Those efforts included administrative work to have the terms of the integrated permits for the Group's plants amended, as well as capex projects related to the production plant and equipment. Our approach to environmental protection management is based on the principles of corporate social responsibility and takes environmental criteria into account. We strive to balance our objectives for Stakeholders, reporting the results of our environmental protection efforts. Our environmental objectives are set out in the Integrated Environmental Policy adopted by PKN ORLEN.

The Environmental Protection area is responsible for:

- Developing the environmental protection policy, promoting environmental issues, fostering a positive environmental image;
- Developing and updating the balance of carbon dioxide emissions and ensuring effective acquisition of free carbon dioxide emission allowances for installations covered by the emissions trading system, in accordance with the applicable laws;
- Ensuring that the required environmental permits are in place;
- Carrying out organisational and control activities in order to comply with the established environmental standards;
- Implementing and maintaining leakage detection and repair systems – LDAR at the Plock production plant and the PTA plant in Włocławek;
- Calculating and paying environmental charges.

Key ORLEN Group companies have Integrated Management Systems or Environmental Management System Policies in place, incorporating a commitment to protect the environment, which includes preventing pollution, as well as other specific commitments relevant to the operations of each company.

6.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Environmental KPIs at PKN ORLEN and the ORLEN Group:

Water

Surface waters were the main water source for the Group companies in 2018. They are abstracted by the ORLEN Group's largest companies: ANWIL, IKS Solino, PKN ORLEN, ORLEN Południe, ORLEN Lietuva, Unipetrol, Paramo and Spolana, and then distributed through water mains to their own production facilities and to other companies' units. The ORLEN Group consumed more than **90 million m³** of surface water, groundwater and mains water in 2018, most of which was used by PKN ORLEN, which abstracted 442 856 m³ of groundwater and 27,714,554 m³ of surface water, increasing its consumption by more than 2 million m³ vs. 2017 following the commissioning of the CCGT unit in Plock.

Effluents

Effluents from all ORLEN Group companies are directed to industrial and rain water sewage systems and then undergo treatment. Wastewater discharged to the environment is metered. In 2018, the ORLEN Group's overall discharges exceeded 51 million m³, which included almost 45 million m³ of industrial wastewater. The figures are very similar to the 2017 volume.

In addition to PKN ORLEN, the following companies operate their own wastewater treatment facilities: ANWIL, Ship-Service, Spolana, Paramo, Unipetrol, ORLEN Lietuva and ORLEN Południe. All wastewater undergoes a multi-stage treatment process which includes mechanical, physical, chemical and biological treatments. Once wastewater is treated in accordance with the Company's integrated permits, it is discharged into rivers: Vistula, Elbe, Oder, Vltava, Jasiołka, Bilina, Dubulis, and to the Baltic Sea. The other companies divert their wastewater streams to wastewater systems of other Group companies or third parties.

Air emissions

Air emissions of pollutants are monitored through periodic or continuous measurements, so that actual emissions can be compared against emission limits defined in the relevant integrated (IPPC) permits on an ongoing basis. Substances accounting for the largest percentage of total air emissions from the ORLEN Group's installations include: sulfur dioxide, nitrogen oxides, carbon monoxide and dioxide, as well as particulate matter. They are generated mainly from the combustion of fuels to produce electricity and heat, as well as in the refining and chemical processes.

The ORLEN Group's estimated total air emissions of SO₂, NO_x, CO and particulate matter in 2018 totalled 34.3 Mg, and CO₂ emissions totalled 14.9 million Mg. Emission amounts for individual substances, including CO₂, will be subject to reviews.

Waste

The total volume of waste generated in 2018 and reported to date by the ORLEN Group exceeded 170 thousand tonnes. Out of the waste generated last year, almost 100 thousand tonnes were transferred to third parties for recovery or disposal. The ORLEN Group companies recovered approximately 25 thousand Mg and disposed of 34 thousand tonnes of their waste using their own facilities.

The ORLEN Group did not exceed the limits for waste generation set in integrated permits and sector permits.

Environmental KPIs	UoM	ORLEN Group		PKN ORLEN	
		2018	2017	2018	2017
Total withdrawal of surface water, ground water and mains water	[million m³]	90.2	88.4	28.1	25.4
Surface water	[million m ³]	85.7	84.3	27.7	25.0
Groundwater	[million m ³]	3.9	3.3	0.4	0.4
Mains water	[million m ³]	0.6	0.8	-	-
Wastewater discharged to the environment:	[million m³]	51.5	51.3	14.2	13.5
Industrial wastewater	[million m ³]	44.8	44.9	14.2	13.4
Overview of selected emissions:	[tonnes]	14 926 963	15 213 582	7 800 349	7 758 342
Sulfur dioxide	[tonnes]	18 261	20 462	3 892	4 565
NOx	[tonnes]	10 434	10 516	4 620	4 613
Carbon monoxide	[tonnes]	4 549	4 794	1 801	1 865
Particulate matter	[tonnes]	1 088	1 665	339	415
Carbon dioxide	[tonnes]	14 892 631	15 176 145	7 789 697	7 746 884
Waste management	[thousand tonnes]	-	-	36.9	60.4
Recovery ¹	[thousand tonnes]	-	-	20.0	39.9
Disposal ²	[thousand tonnes]	-	-	13.0	17.8
Storage	[thousand tonnes]	-	-	3.9	2.7

1) Recovery – transferred to third parties for recovery and recovered using own facilities

2) Disposal – transferred to third parties for disposal and disposed using own facilities

Energy area KPIs at PKN ORLEN and the ORLEN Group:
Reducing energy consumption

In 2018, the completed investment projects enabled the ORLEN Group to reduce energy consumption as follows:

Energy area KPIs	UoM	ORLEN Group
Reduction of energy consumption		16 632
Electricity	[MWh]	16 632
ORLEN Lietuva	[MWh]	1 848
Plock CCGT plant	[MWh]	14 784
Heat in steam	[GJ]	215 711
ORLEN Lietuva	[GJ]	153 337
Plock CCGT plant	[GJ]	62 374

The savings were calculated based on data from PKN ORLEN, Unipetrol and ORLEN Lietuva. The main criterion in selecting the reporting companies was their business materiality for the Energy area. The figures comprise are for the Energy Area only, i.e. CHP and CCGT units.

The organisation's energy consumption

The organisation's energy consumption	UoM	PKN ORLEN
Energy consumption in fuels	[GJ]	84 187 992
Electricity consumption	[MWh]	614 178
Heat consumption	[GJ]	6 825 492
Electricity sold	[MWh]	6 940 089
Heat sold	[GJ]	34 012 153
Total consumption ¹	[GJ]	25 191 520

¹) Total consumption is calculated as the difference between each unit's consumption of energy in fuel and energy sold to external and internal customers.

The basis for the calculations was data from tariff metering instruments. The figures above are for the Energy area only, i.e. CHP and CCGT units.

6.4 POLICIES IN PLACE

Procedure for environmental monitoring and keeping records of the Responsible Care Programme indicators – ensures proper monitoring of air, groundwater on and in the vicinity of the premises of the Plock Production Plant and on the premises of fuel terminals, as well as of sewage generated at fuel terminals. Records of the Responsible Care Programme indicators are kept as part of the Responsible Care Framework Management System implemented at the Group.

Integrated Permits for the IPPC installations at PKN ORLEN: refining, petrochemical, CHP units and wastewater treatment plant on the premises of the Plock production plant, and the PTA and CCGT plants in Wloclawek.

CO₂ procedure – lays down the principles of the carbon dioxide emission monitoring and reporting system.

Waste management procedure – defines activities related to recording, storage, collection and disposal of waste generated in refining, power generation, storage, auxiliary and security processes.

Procedure for identifying environmental aspects and determining material aspects – defines the process of identification, determination of materiality and periodic reviews of environmental aspects as well as allocation of responsibility for these activities.

Integrated Management System Policy – a document describing the working standards for quality assurance, reduction of environmental impacts, health and safety at work, information security and food safety.

PKN ORLEN Energy Policy – a document describing the approach to improving the Company's energy performance, containing declarations on energy optimisation and ensuring energy security.

Instruction on Trading in Electricity and Property Rights – sets out the framework principles for trading in electricity and property rights on domestic and foreign power exchanges and trading platforms, through direct transactions with counterparties and within the scope of activities carried out as part of centralised processes for the ORLEN Group companies in the energy category. The instruction additionally aims to structure the management of transaction limits and credit risk management measures in trading in electricity and property rights.

Fulfilment of REMIT obligations by PKN ORLEN – this document sets out, in particular, the rules of conduct applicable to insiders and the procedure of disclosing inside information to the public.

Rules of conduct relating to regulations on introducing restrictions in the supply and consumption of electricity in the territory of the Republic of Poland – the objective is to safeguard the operations of PKN ORLEN if restrictions are imposed by the state authorities.

Instruction on Forecasting and Balancing requirements for Energy Utilities – MEBiP for Organisational Units Located in Plock, the PTA Plant in Wloclawek and External Customers – the goal is to keep a proper balance of consumption of energy utilities in specific areas of PKN ORLEN and by external customers connected to the power grid.

Rules for managing and trading in electricity and the related property rights – this document sets out the rules for managing and trading in electricity and property rights at PKN ORLEN as part of GAHE (Active Energy Trading Platform). The regulation applies to the ORLEN Group companies operating within GAHE as well.

Our environmental objectives are set out in the Integrated Environmental Policy adopted by PKN ORLEN. Our activities are carried out based on our Quality Management System (ISO 9001: 2015, AQAP 2110), Environmental Management System (ISO 14001:2015), Occupational Health And Safety Management System (PN-N-18001), Information Security Management System (ISO/IEC 27001), Certification System for Biomass and Biofuels ISCC, Factory Production Control System (ZKP) – for bitumen production, and Food Safety Management System (HACCP) according to Codex Alimentarius. The Company has valid certificates of conformity to ISO 9001: 2015, AQAP 2110, ISO 14001:2015, PN-N-18001, ISO/IEC 27001, ISCC and ZKP. In addition, an Energy Management System based on ISO 50001 standard is being implemented, with its certification expected in 2019. These systems meet the highest international management standards and support the Company's day-to-day efforts to ensure professional customer service and maintain top quality, safety, health protection and environmental standards.

The key ORLEN Group companies have Integrated Management Systems in place, which include an Environmental Management System implemented and maintained in accordance with the ISO 14001 standard as their integral part.

The Group companies also follow Environmental Management System Policies, providing for an obligation to protect the environment, which includes pollution prevention, and other specific obligations relevant to the operations of individual companies. These policies also include a requirement to comply with the law and other external and internal requirements.

Environmental Management Systems	ORLEN Group companies
ISO 14001 certification	PKN ORLEN, ORLEN Lietuva Group, UNIPETROL Group, Anwil, Basell Orlen Polyolefins, ORLEN Południe Group, ORLEN Oil, ORLEN Paliwa, ORLEN Asfalt, ORLEN Serwis, ORLEN Upstream Group, ORLEN Laboratorium, ORLEN Eko, IKS Solino S.A., ORLEN KolTrans, ORLEN Administracja, ORLEN Centrum Serwisowe
Elements of the environmental management system implemented as part of the JIG industry standards requirements	ORLEN Aviation Sp. z o.o.
Implemented environmental protection principles, including on waste management control	ORLEN Centrum Usług Korporacyjnych, ORLEN Ochrona

6.5 DUE DILIGENCE PROCEDURES

Reducing the environmental footprint has long been one of our top priorities. Most of the environmental projects carried out in 2018 involved adaptation of plant and process units to new environmental requirements and standards defined in the EU regulations (BAT Conclusions). Those efforts included administrative work to have the terms of the integrated permits for the Group's plants amended, as well as capex projects related to the production plant and equipment.

It is also a key goal to develop modern sources of electricity and heat, both for consumption by internal users and for sale to third parties.



Another important aspect of our activities is the development of new projects, such as photovoltaic panels at service stations, electromobility, and plans to build a 1200 MW offshore wind farm in the Baltic Sea – one of the largest investment projects carried out by PKN ORLEN, aligned with the national strategies for the Polish power industry. At the ORLEN Group, we are committed to continuous efforts towards operational excellence, within such areas as production process optimisation, distribution losses and improved efficiency of process units. The strategy for the Energy area assumes that the Company will transition from an electricity consumer into an electricity producer. All measures aimed at achieving the stated objectives are carried out with due regard for the environment and

local communities.

Each of the ORLEN Group companies has in place rules for establishing and documenting its Environmental Management System procedures. The rules have been approved by independent certification bodies for compliance with the requirements of the international ISO 14001 standard. When establishing their procedural frameworks, the companies relied on a risk-based approach and focused on prevention, in the broad sense of the word. The procedures are designed to ensure uniformity of the processes across the ORLEN Group companies with respect to environmental management and reduction of negative environmental impacts. The procedures define the rules of conduct during both normal operations and maintenance shutdowns, as well as in the case of environmental accidents. At each of the ORLEN Group companies, there are procedures for assessing the Environmental Management System by way of internal audits. The objective of such assessment is to determine the degree of

compliance with the requirements of ISO 14001 standard and with any other adopted requirements. If any discrepancies are found, remedial and corrective actions are taken to remove the causes of non-compliance.

The management boards of the ORLEN Group companies conduct a periodic assessment, in line with the adopted procedures, of the operation of the Environmental Management System. The assessments are usually undertaken once a year.



Capital expenditure on environmental protection

Key initiatives at PKN ORLEN in 2018 included the implementation of the leakage detection and repair system for refinery units LDAR, upgrade of the existing vapour recovery units VRU 3 and VRU 5 at the railway terminal, installation of a dust extraction system on the catalyst regeneration node at the FKK II unit, installation of new low-emission burners in process furnaces at the Alkylation and HROS units, and construction of a continuous flue gas emission monitoring system across 12 emitters of the refinery, including the DRW II, DRW III, DRW IV, DRW VI, REF V, REF VI, HRK, WW I, WW II, HOG, FKK II, Claus (OGK I and OGK II) units.

The investment projects helped reduce VOC emissions from loading and unloading operations, reduce particulate matter and NO_x emissions and cut down on fuel consumption, resulting in lower CO₂ emissions and savings on air emission charges. The capital expenditure incurred by the Company on environmental projects on the premises of the Plock production plant totalled EUR 14.3 million.

A number of environmental protection projects were also carried out in PKN ORLEN's distribution facilities. The works included ensuring proper water and wastewater management and upgrade work on linear drains, separators at service stations and car washes. Expenditures under environmental projects at service stations totalled EUR 1.2 million in 2018. Furthermore, two fuel terminals, in Mościska and in Sokółka, were upgraded to reduce air emissions. The total cost of the projects carried out at the terminals added up to EUR 2.5 million.

Environmental projects were carried out in 16 ORLEN Group companies. The most important ones were:

- Upgrade of a VRU unit at a fuel loading terminal and replacement of boiler burners in the Paramo CHP plant;
- Equipping Z27–Z30 tanks with trays at ORLEN Oil in Trzebinia;
- Installation of new burners on the K2 boiler of the CHP plant and putting into service of a continuous emission monitoring system (CEMS) for sulfur recovery and hydrogen production units at ORLEN Lietuva;
- Replacement of old coal-fired boilers with new gas-fired sources of heat at the Trzebinia plant of ORLEN Południe S.A.;
- Construction of a new boiler house for the steam cracker and upgrade of the flue gas desulfurisation and denitrification technology at the boilers of the T 700 CHP plant at Unipetrol;

The total spending on environmental projects by all ORLEN Group companies in 2018 amounted to EUR 123.4 million, of which EUR 29.7 million was spent on projects involving anti-pollution measures and environmental protection management, while the costs of reducing emissions to air and in wastewater totalled EUR 93.7 million.



Environmental compliance

All ORLEN Group Companies have the necessary permits required by law to conduct their business. Integrated permits and sector permits need to be updated on an on-going basis in order to keep up with the evolving legal environment and business needs. In 2018, we obtained an amendment to the existing integrated permit for the refining, petrochemical and CHP unit of the production plant in Plock, along with the consolidated text of the permit, as well as an amendment to the permit for the CCGT plant in Włocławek. Furthermore, the permit for greenhouse gas emissions was amended to cover the new metathesis unit. 110 water-law permits were obtained altogether for service stations and fuel terminals.

In 2018, environmental compliance of our operations was verified by representatives of the Plock and Włocławek units of the relevant Provincial Inspectorates of Environmental Protection (WIOŚ), who performed six inspection of production facilities. The inspections did not reveal any irregularities. As a result, the Company did not receive any follow-up recommendations and no sanctions were imposed.

291 inspections were carried out in total within the regional structures of PKN ORLEN (fuel terminals and service stations, standalone assets) by PGW Wody Polskie, Provincial Inspectorates of Environmental Protection, county authorities and municipal offices, resulting in 21 follow-up instructions. The recommendations, concerning the design discharge of wastewater to the environment, wastewater testing for average daily

parameters, in-service maintenance of wastewater treatment facilities, etc. were complied with. No sanctions were imposed following the inspections.

Other companies of the ORLEN Group were also inspected by external bodies for environmental protection, mainly the Environmental Protection Inspection Authority. The inspections focused on whether the environmental requirements imposed by regulations and administrative decisions were complied with. In 2018, 64 inspections were carried out at subsidiaries, with 5 post-inspection recommendations issued. The sanctions imposed on the companies for the infringements totalled EUR 5.5 thousand. The sanctions were imposed for deficient supervision of equipment containing fluorinated greenhouse gases (ANWIL), exceeded emission limits from a steam cracker (Unipetrol), as well as a leakage from sewage system and excessive emissions to air (ORLEN Lietuva).

Environmental fees and charges

In 2018, the Company paid the environmental fees and charges resulting from the applicable legal regulations in a timely manner. An amendment to the Water Law made in 2018 changed the rules of paying for water discharge to water or soil and meltwater discharge to water. The respective charges are no longer fees for economic use of the environment, which had been paid to the bank account of the competent province marshal. Instead, they are now fees for water services, payable to a newly established authority: PGW Wody Polskie. The Company pays the fees and charges and submits statements which form the basis for the calculation of the fee for water services.

Carbon footprint

In 2018, PKN ORLEN completed a project to design a tool for the calculation of the carbon footprint of the organisation and its key products. Determination of the organisation's carbon footprint is voluntary. The tool takes into account direct emissions, energy indirect emissions and other indirect emissions from the use of marketed products.

6.6 SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS AND RISK MANAGEMENT METHODS

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
ENVIRONMENTAL		
New trends	<ul style="list-style-type: none"> ▪ Growing market/public expectations regarding environmental investments ▪ Little time to adapt to new environmental requirements 	Regular reviews of the compliance of internal regulations with legal requirements and their ongoing monitoring against the changing environment (regulations, decisions of public administration authorities, etc.)
Environmental protection regulations	<ul style="list-style-type: none"> ▪ New stricter requirements, standards, financial and technical safeguards ▪ Failure to identify material environmental aspects in the operations ▪ No measurement results and no data available to prepare the required reports and/or failure to submit the reports to governmental authorities 	Active participation in issuing opinions on new European and national legislation through professional organisations, working committees, etc. Monitoring the validity of decisions issued by governmental authorities, monitoring the process of computing fees for the economic use of the environment, delegation of precisely defined duties and responsibilities with regard to environmental aspects
Soil and water contamination	<ul style="list-style-type: none"> ▪ Environmental pollution as a result of accident or failure ▪ High site restoration costs 	Monitoring of the technical condition of production units and their regular maintenance, ensuring compliance of reporting activities with applicable procedures, recognition of site restoration provisions.
Managing CO₂ and other gas emission allowances	<ul style="list-style-type: none"> ▪ Failure to meet the requirements and guidelines for monitoring CO₂ and other greenhouse gas emissions ▪ Failure to obtain a permit for CO₂ and other greenhouse gas emissions 	Updating internal regulations in line with legal requirements, keeping track of the validity of decisions issued by governmental authorities, environmental monitoring and reporting in accordance with applicable procedures
Environmental impact	<ul style="list-style-type: none"> ▪ Non-compliance of the production process with applicable environmental protection standards ▪ Disrupted supply of utilities (water) to production units 	Monitoring of the process of water decarbonisation and distribution, inspecting the technical condition of facilities and equipment
Wastewater and waste management	<ul style="list-style-type: none"> ▪ Failure to comply with the conditions specified in relevant decisions as to the type and quantity of generated waste ▪ Discharge of wastewater in violation of applicable permits 	Delegating responsibilities in waste management processes in accordance with the applicable procedure, monitoring the amount and types of waste in order to apply for and secure required amendments to the relevant administrative decisions, coordinating and monitoring the parameters of discharged effluents

GRI indicators discussed in this Section:

- *GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area*
- *GRI 302-1 Energy consumption within the organisation by type of raw material*
- *GRI 302-4 Reduction of energy consumption*
- *GRI 303-1 Total water withdrawal per unit of production by source*
- *GRI 305-1 Total direct greenhouse gas emissions by weight*
- *GRI 306-1 Total water discharge by quality and destination*
- *GRI 306-2 Waste by type and disposal method*
- *GRI 307-1 Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations*

7. OCCUPATIONAL HEALTH AND SAFETY

7.1 CREDO



**TOGETHER FOR SAFETY
ZERO TOLERANCE POLICY TOWARDS ACCIDENT HAZARDS
PROCESS SAFETY**

SAFETY FIRST

Care for the health and personal safety of employees and other Stakeholders is a natural and integral part of our organisational culture and business. In practice, this means that the Group does everything it can to prevent accidents, industrial failures, fires and other unwanted incidents. This approach to safety management at the ORLEN Group follows from our business philosophy: "People are our most valuable asset and must be provided with safe working conditions".

7.2 OVERVIEW

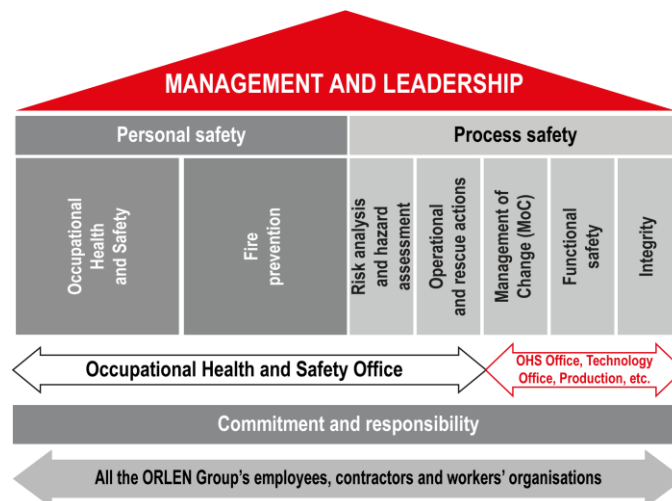
The personal and process safety objectives and tasks are defined in the **OHS Strategy** and cover the following key areas:

Management and leadership – building a workplace safety culture within the Group in line with its values; a combination of individual and group values, attitudes, perceptions, competences and behaviours.

Personal safety – building a safe and healthy working environment for the Group's employees, including a contractor supervision system; taking preventive measures designed to ensure fire safety at the Group, and setting standards and relevant organisational projects.

Process safety – activities involving definition of methods and measures to protect people and the environment against the consequences of failures and industrial accidents, determination of existing needs before technological, process or organisational changes, organisational and technical measures undertaken at every stage of a process to guarantee safe process management, safety of the process personnel, and thus process reliability.

FIGURE 5. OHS Strategy Structure



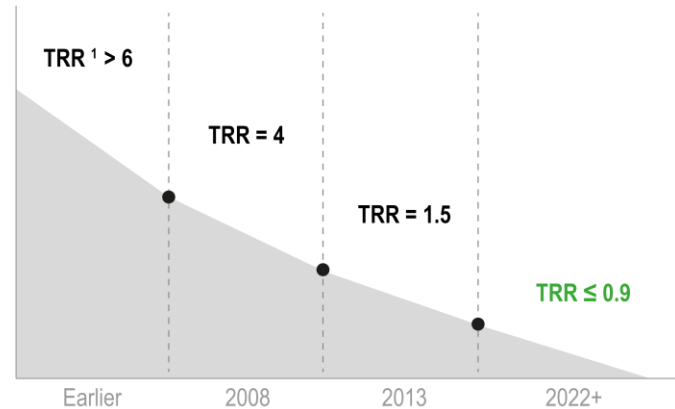
Published in December 2018, the **Updated ORLEN Group Strategy for 2019–2022** sets out the following objectives in **Occupational Safety**



Zero tolerance policy towards accident hazards

No accidents at work

Further improvement of process safety



¹ TRR Indicator – international accident rate in enterprises determined as follows: (number of accidents in a given period/number of hours worked in the period) x 1,000,000.

7.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Key efficiency ratio concerning Occupational health and safety of PKN ORLEN and ORLEN Group in 2018:

Occupational safety, including:	UoM	2018	2017
Accident Rate TRR (Total Recordable Rate¹)			
ORLEN Group	[number]	1.03	0.95
PKN ORLEN	[number]	0.86	0.67
Number of emergency events T1 PSER (Process Safety Events Rate²)			
ORLEN Group	[number]	0.07	0.06
PKN ORLEN	[number]	0.04	0.02

¹) Total Recordable Rate = international accident rate in enterprises determined as follows: (number of accidents in a given period/number of hours worked in the period) x 1 000 000.

²) Tier1 Process Safety Events Rate = the number of events with greater consequences in relation to the release substance into the environment x 1 000 000 / number of hours worked.

Safety Culture Indicator

In order to steadily improve the effectiveness of measures fostering a safe work culture, the ORLEN Group has put in place a Safety Culture Indicator, which combines the TRR, a reactive metric, with a proactive element in the form of management of any reported work safety hazards. The Safety Culture Indicator enables monitoring of accident rates and of proactive measures, such as systems for reporting work safety hazards, the purpose of which is to eliminate at source the risk of accidents.

Safety Culture Indicator	UoM	2018	2017
ORLEN Group	%	100	100
PKN ORLEN	%	100	100

The Safety Culture Indicator is a sum of:

- the product of the percentage showing achievement of the target for the total TRR (company and contractors) by a company and 0.7 (accident rate weight in the Safety Culture Indicator),
- the product of the percentage showing achievement of the target for the Risk Notification and Handling Indicator by a company and 0.3 (risk notification weight in the Safety Culture Indicator)

7.4 POLICIES IN PLACE

Occupational safety at the ORLEN Group is governed by national regulations applicable to a given area, European Union regulations, harmonised national standards and principles resulting from best practices for safe operations. At the Group companies level, this area is regulated by uniform internal standards, regulations/directives and operating instructions.

Occupational Health and Safety Management System based on PN-N-18001 – its certification covers production, storage and sale of refining and petrochemical products, excluding service stations.

ORLEN Group's OHS Strategy until 2021 – a new OHS management concept, based on building and developing uniform safety standards for the ORLEN Group while enhancing operational excellence and excellence in preventive measures related to personal and process safety. The strategy covers the following strategic areas: management and leadership, personal safety and process safety

Comprehensive Prevention System – the principal element of the OHS Management System, which consists of internal organisational documents related to occupational health and safety, fire and chemical safety, radiation, technical and process safety. These include: Process Safety Management System at PKN ORLEN, Radiation Safety Instruction at the Plock production plant and Włocławek PTA plant, Fire Safety Rules of PKN ORLEN, and Comprehensive Chemical Rescue Plan.

PKN ORLEN Safety Points are a set of basic principles required to be observed together with all applicable regulations and standards. **Safety Points for PKN ORLEN Company-owned Service Stations** are the key rules that must be adhered to on the premises of the service stations owned by PKN ORLEN.

The Safety Points represent requirements describing the attitudes and behaviours expected by the ORLEN Group companies of their employees and contractors in and outside their day-to-day work. Those requirements, together with all applicable laws, instructions and standards, must be complied with by all employees and contractors (regardless of their position), as well as by guests. Individuals who fail to follow the prescribed rules are at risk of being subject to disciplinary action if such non-compliance is revealed.

Group Safety Standards implemented at PKN ORLEN – uniform requirements for work safety, process safety and fire prevention, including best practices identified at the Group companies, as well as standards applied in the areas under consideration by leading companies in the sector.

The following policies were also developed and updated in 2018:

- OHS requirements related to the risk of explosive atmosphere in the production plant in Plock, PTA and CCGT plants in Włocławek, fuel terminals and Company-owned service stations (as part of the Comprehensive Prevention System);
- PKN ORLEN Process Safety Management System;
- Tasks and manner of operation of the Process Safety Committee at PKN ORLEN.



7.5 DUE DILIGENCE PROCEDURES

Ensuring highest safety standards

All our OHS efforts were aimed at ensuring the highest safety standards at the ORLEN Group. In 2018, a uniform safety framework was being implemented at the ORLEN Group as part of the **Safety Plus** project, comprising 15 standards representing the highest safety standards identified in the fuel and energy industry. The project will be completed in 2021.

15 safety standards of the Safety Plus project

- S1 Authorisations for hazardous work
- S2 Isolating energy sources
- S3 Work in enclosed spaces
- S4 Work at heights
- S5 Safe earthwork
- S6 Post-accident procedures
- S7 Ensuring safe operation of machinery and tools in work environment
- S8 Training to improve rescue skills
- S9 Measurement of hazardous substances
- P1 Leakage prevention
- P2 In-depth analysis of industrial accidents
- P3 Emergency plans: their formulation / structuring
- M1 Leadership and role of management staff in developing a safety system
- M2 Subcontractor management
- M3 Vehicle management

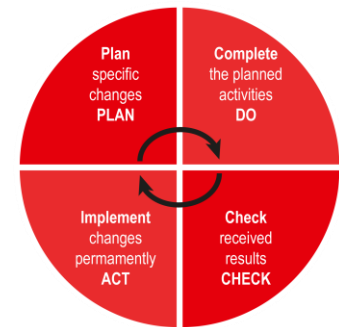
Work was carried out to develop the **Process Safety Management System based on OSHA 1910.119**. It will provide a more effective framework for achieving operational excellence, as it guarantees technical safety of the process, storage and auxiliary units, and thus prevents any undesirable events that could affect the safety of staff or processes.

As part of maintenance and improvement of the Process Safety Management System (PSMS), the following actions are required in accordance with the Deming cycle:

1. Verification of status quo;
2. Checking the existing regulations / internal policies for completeness and implementing new regulations / policies;
3. Confirming that each system component has been fully implemented;
4. Satisfying the system requirements based on regulations / policies and making the necessary improvements.

The verification covers the Company's compliance with the requirements for 14 components of the Process Safety Management System under existing regulations by which a given component has been implemented. These include:

1. **Safety culture** – fostering safe behaviours and safety leadership at the Company through management's decisions and activities aimed at ensuring the highest possible safety standards for the employees and processes.
2. **Safety leadership** – invariably the key aspect of building a safety management system and a safety culture – strong, forward-looking leadership and the prominent role of qualified teams and management personnel influencing attitudes and everyday operating activities.
3. **Roles and responsibilities** – defining emergency roles and responsibilities at all levels of the organisation and taking measures to build awareness of the need for continuous improvement and prevention, through developing training programmes and providing training to employees responsible for proactive and preventive activities, as well as emergency response training at all levels of the organisation and to other employees on site, including subcontractors.
4. **Information** – ensuring availability of information on process safety as the knowledge needed to identify and implement activities facilitating achievement of the organisation's objectives; this information must be up to date and easily available in the decision making processes.
5. **Mechanisms** – deployment of mechanisms facilitating a systematic analysis of the risk of major accident and probability of its occurrence, and therefore enabling its avoidance.
6. **Designing** – at any stage of an industrial unit's life, designing must be based on the applicable standards and guidelines, and should take into account the possibilities and ways of reducing the likelihood of an emergency.
7. **Instructions and procedures** – defining instructions for safe operation of process units that use hazardous substances during normal operation, maintenance, shutdowns, and industrial process adjustments.
8. Supervision over **mechanical integrity** – continuous monitoring of the technical condition of plant and equipment, performed through periodic inspections, reviews and tests, in accordance with the regulatory requirements and industry standards.
9. **Safe work practices** – performing work at a unit in conformity with the highest standards and requirements in order to ensure safety at the work stations and continuity of technological processes, and to prevent emergencies.
10. **Change and project management** – using a systemic approach when changes to an industrial process are necessary, in order to identify whether and how the planned changes may impact process safety.
11. **Contractor management** – making and abiding by arrangements concerning safe performance of work on the PKN ORLEN premises by contractors' employees so as to ensure the highest possible safety standards at all stages of such work.
12. **Responding to failures** – implementing the requirement to monitor, in accordance with best available practices, the operation of process units using hazardous substances so that corrective measures can be implemented should any deviation from normal operation occur, including due to normal wear and tear or corrosion.
13. **Analysis** – assessing the emergency events that have occurred on a regular basis and applying the knowledge gained from incidents at the ORLEN Group or other plants globally, including putting in place mechanisms that foster learning from past experience (lessons learned).
14. **Auditing and compliance assessment** – analysing and reviewing regularly the process safety system in terms of its compliance with the relevant requirements; reviewing the "Accident Prevention Programme", being one of the key documents (and a systematic programme for the implementation of the overriding goal of proactive accident prevention), and the safety management system in terms of their validity and effectiveness, including information on how the validity and effectiveness is documented and approved, as well as the internal operating emergency response plans that are mandatory for upper-tier and lower-tier establishments (i.e. establishments posing a high or increased risk of a major accident).





Further development of the work safety culture

As regards promotion of work safety culture at the ORLEN Group companies, our key task was to raise the awareness of safe work procedures and to inspire proactive attitudes in our employees and contractors. The **Employee Support System** put in place at PKN ORLEN is one of the programmes aimed at strengthening personal security culture. It is based on the Behavior-Based Safety (BBS) approach used at production companies, which has been adapted to the Company's needs. The method consists in reinforcing the employees' safe behaviours during work and promoting best OHS practices. In 2018, the Group continued its cooperation with the Łódź University of Technology with respect to another special edition of a postgraduate programme on industrial process safety, dedicated to the ORLEN Group employees. The Company also continued cooperation with the Warsaw University of Technology, where PKN ORLEN employees delivered special lectures on technical safety.

Mandatory safety training programmes for employees and contractors

The ORLEN Group organises **mandatory training programmes on safety** for its employees and contractors to familiarise them with the safety standards applicable at the Group companies. The programme focuses on raising the employees' and contractors' awareness of the importance of correct assessment of the situation, knowledge of potential risks and risk mitigation methods, adherence to OHS rules and procedures, proper use of protective systems and equipment, and the need to report potentially dangerous incidents. The programme includes tools for checking the employees' and contractors' knowledge.

Control and audit system

Internal audits of the companies are held regularly at the ORLEN Group. In 2018, four consultancy visits (audits) and ten re-audits were carried out. They included an important component called **'Safety Walks'**, consisting in safety reviews at the visited facilities. Results of the assessments and observations made during such visits serve as the basis for formulating and implementing correction and refinement plans and workplace health and safety improvement plans. Audits carried out at the Group companies include internal audits, audits by certification bodies, and audits by risk management consultancies. Moreover, regular **safety audits** are conducted **at the contractors** who perform work for the ORLEN Group.



Incentive programmes and information campaigns focusing on knowledge of occupational safety and promoting healthy lifestyles and work-life balance

The ORLEN Group engages in activities aimed at promoting safe working behaviours among its employees and contractors, such as the **Safe Maintenance'** or **Safe Contractor'** competitions, or the **OHS Incentives'** programme. In addition, the Group companies conduct various **information campaigns** devoted to occupational safety, healthy lifestyle and work-life balance. One of such initiatives is the **Occupational Health and Safety Days** held across the entire ORLEN Group. In 2018, the attractions for employees included the Driver Awareness' site, medical booths, and a 7D cinema.

Identification and implementation of innovations and best practices

Best practices are identified on an ongoing basis through experience sharing across the ORLEN Group companies and drawing on the lessons learned by other oil and gas companies with global footprint. Some of the projects in this field carried out at the ORLEN Group companies included the LOTO System, the 'Hearts and Minds' programme, and implementation of the Lean Manufacturing approach.

The Lockout – Tagout LOTO system is a scheduled activity which consists in cutting off power supply to industrial equipment and machinery whenever maintenance or repair work is performed. Lockout prevents employees from switching on the machine until it is disabled. Tagout refers to a tag which informs and warns that a given machine is locked out while maintenance work is being performed, and may not be switched on until the tag is taken off. The system has been implemented to eliminate accidental and uncontrolled switching on of machines or hazardous energy releases during operation,

development, repair and maintenance works, and thus prevent accidents and incidents resulting from inadvertent start-up or re-energising of machines, devices or installations.

Lean Manufacturing is a management system designed to reduce waste and eliminate unnecessary operations, activities and procedures in processes, while providing top quality products and services to meet customer expectations, maintaining low production costs, and using relatively small amounts of raw materials.

Event analysis and risk assessment system

Any accidents or emergencies that occur at the ORLEN Group are analysed and assessed in terms of the likelihood of their recurrence. Communication of near misses and emergencies is based on **'Safety Alerts'**. In the case of emergencies, **'Lesson Learned'** actions are organised based on checklists designed to identify preventive measures in different ORLEN Group locations. Special tools have been implemented for analysing the potential risk of accidents at work and emergencies, and the findings of such analyses serve as the basis for taking preventive measures. Process hazards are reviewed at the ORLEN Group using a range of methods, including HAZOP, which is used to establish the probability of hazards in industrial facilities. HAZOP consists in a systematic review of design assumptions and processes for potential deviations from predetermined parameters.

Company Fire Brigade

The core responsibility of the Company Fire Brigade is to carry out rescue and fire-fighting activities on the premises of PKN ORLEN, as well as in the entire territory of Poland as part of the National Rescue and Firefighting System and the Assistance System for the Transport of Hazardous Materials (SPOT), and to supervise the readiness of the Company's facilities for rescue and fire-fighting activities. Furthermore, the Company Fire Brigade provides chemical and technical rescue, seals leaks, man's safety stations under plant emergency conditions, provides protection during hot works on the premises of the production plant in Plock, and performs fire prevention functions. Firefighters specialise in firefighting in the refining and petrochemical industry, recovery from chemical accidents, as well as water rescue, technical rescue, medical care at first responder level and technical rope rescue activities. For several years, they have been actively cooperating with fire brigades operating across the ORLEN Group in safety improvement efforts. Firefighters are equipped with more than 20 specialist firefighting and rescue vehicles, high volume pumps and water cannons, a rescue boat and specialist protective equipment for staff. The launch of Section 2 of the Company Fire Brigade in September 2018 was a remarkable accomplishment in fire safety improvement on the premises of the Plock production plant. It is located close to critical oil processing facilities and enables a faster response to hazards.



Emergency drills involving employees and rescue and firefighting services

Regular emergency drills are conducted at the ORLEN Group companies, building employees' knowledge of how to behave in an emergency. The drills are also an opportunity to improve cooperation with a view to minimising the potential consequences of industrial failure.



Production assets integrity monitoring and plant maintenance programme

Timely inspection and supervision activities are key to maintaining the integrity of fixed assets. They are carried out during planned maintenance and process shutdowns organised according to long-term schedules. A dedicated programme is also employed for automatic control and security systems, providing, among other things, the timeframes for tests and functionality checks. In parallel, the **Risk Based Inspection (RBI)** programme is being implemented for the Plock facilities in partnership with and under the supervision of the Polish Office of Technical Inspection. The programme offers the added value of continuous improvement of availability and safety of process units with the integrity of production assets maintained. In addition, an **Autonomous Plant Maintenance programme** is in place, making it possible to achieve a higher level of reliability and safety of production units.

Third Party Contractor Safety Management

A model for a third party contractor management system has been developed and implemented with a view to meeting the following main objectives: **ZERO ACCIDENTS, ZERO FIRES, ZERO TOLERANCE FOR UNACCEPTABLE RISK.**

The following specific objectives were achieved in 2018:

- Ensuring that the assignments for contractors are professionally prepared;
- Establishing clear rules;
- Raising awareness of the Company's employees, third party contractors and their employees;
- Ensuring that work is carried out safely and correctly;
- Confirming completion of training for some specific locations;
- Communicating of and fast response to threats.

Gold Card of Safe Work Leader

PKN ORLEN was again awarded the 'Gold Card of Safe Work Leader' by the Safe Work Leaders' Forum. The Gold Card's validity was extended for 2018–2019 (the previous Gold Card was awarded for 2016–2017). It is the highest national award for the members of the Safe Work Leaders' Forum, given for special and effective efforts for work safety.

First prize in the Working Conditions Improvement Competition

PKN ORLEN won the first prize in the category of organisational and educational initiatives in the 46th edition of the nationwide Working Conditions Improvement Competition for its Employee Support System – Behavioural Programme' (SWP). The competition is organised by the Ministry of Family, Labour and Social Policy in cooperation with other ministries, the Polish Federation of Engineering Associations, labour inspection authorities, insurance institutions and social partners.



7.6 SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS AND RISK MANAGEMENT METHODS

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
BHP		
Workplace accidents and other hazards	<ul style="list-style-type: none"> ▪ Failure to identify material risks for particular jobs ▪ Injury/death at a production plant 	Introduction of a health and safety hazard reporting system, including division of responsibilities, supervision of the hazard identification process in the occupational risk assessment, introduction of procedures to follow in the event of an accident at work
Fire safety	<ul style="list-style-type: none"> ▪ Fire during transport of products ▪ Injury/death as a result of fire 	Introduction of occupational health and safety and fire safety instructions, conducting fire safety inspections, appointment of the Fire Safety and Technical Committee
Chemicals management	<ul style="list-style-type: none"> ▪ Accidents/failures during transport or handling of chemicals 	Implementation of the Comprehensive Chemical Rescue Plan, including the delegation of responsibilities; introduction of the Process Safety Management System at PKN ORLEN
Employees and subcontractors' activities	<ul style="list-style-type: none"> ▪ Activities of employees and subcontractors resulting in violation of OHS regulations 	Reviewing and issuing opinions on contracts with subcontractors in terms of security certificates and security clauses, implementation of the Comprehensive Prevention System

GRI indicators discussed in this Section:

- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area

8. COUNTERACTING CORRUPTION AND BRIBERY

8.1 CREDO

We are committed to ensuring a fair and transparent business model for the ORLEN Group which guarantees trust, safety, free competition and value for all Stakeholders.

8.2 OVERVIEW

Anti-corruption and anti-bribery activities are carried out by the **Control and Security Office** in cooperation with the **Financial Control, Risk Management and Compliance Office** as well as the **Audit Office**.

The responsibilities of the **Control and Security Office** include:

- Economic, physical, technical and IT security;
- Developing solutions and standards to improve performance of the internal control system;
- Implementing the ORLEN Group Anti-Corruption Policy by monitoring business processes, analysing information and reporting irregularities and instances of abuse;
- Coordinating criminal proceedings conducted by law enforcement authorities and the judiciary, in which PKN ORLEN is involved in any capacity;
- Execution of advanced safety analyses and control processes.

Financial Control, Risk Management and Compliance Office:

- Coordinates the enterprise risk management process across all organisational levels;
- Has joint responsibility with the Control and Security Office for planning and execution of ad hoc and investigative inspections at PKN ORLEN and other ORLEN Group companies and for reporting the inspection findings to the Management Board of PKN ORLEN;
- The Financial Control Department operating within the Office identifies economic irregularities and cases of fraud, and examines if the conduct of PKN ORLEN's and other Group companies' employees is compliant with the law, internal regulations and established standards;
- Draws up recommendations from financial audits held to reveal alleged economic irregularities and fraud.

Audit Office:

- Defines solutions and standards to mitigate the risk of non-achievement of the Group's objectives;
- Ensures continuous development of the functional control system in order to improve the efficiency of business processes.

8.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Due to the specific nature of anti-corruption issues, no non-financial performance indicators exist or have been identified within the ORLEN Group to describe or measure such phenomena. The ORLEN Group seeks to eliminate any instances of corruption and bribery.

8.4 POLICIES IN PLACE

The anti-corruption and anti-bribery policies and internal regulations include:

Core Values and Standards of Conduct – describing standards of conduct in situations related to accepting or offering benefits representing financial gain.

Enterprise Risk Management Policy and Procedure – laying down the principles of Enterprise Risk Management for PKN ORLEN and the roles and responsibilities of each individual involved in the process.

Rules for the implementation of audits, consultancy and business analysis assignments at PKN ORLEN – defining the rules for conducting audits, consulting projects and business analyses at PKN ORLEN, other ORLEN Group companies and other entities, to the extent permitted by law.

Rules for financial control procedures carried out by the Office of Financial Control, Risk and Compliance Management – defining the organisation of scheduled, ad hoc and investigative financial control processes; basic principles for conducting financial control procedures; rights and obligations of the controller and the controlled organisational units; principles for conducting financial control procedures at the ORLEN Group companies; execution of financial control procedures; follow-up orders and recommendations; principles and procedure for monitoring of follow-up orders and recommendations; reporting.

Rules of control and verification procedures carried out at PKN ORLEN – a document prepared on the basis of the applicable Organisational Rules of PKN ORLEN in order to lay down the principles of control and verification procedures conducted by the Control and Security Office.

ORLEN Group anti-money laundering and terrorist financing rules and instructions – laying down detailed procedures to be followed in counteracting money laundering and terrorist financing at the ORLEN Group. The rules are addressed to all companies' employees in customer-facing positions, have direct access to financial documents or participate in the execution of transactions.

ORLEN Group Regulatory Risk Management Policy – governs regulatory risk management processes resulting from existing or proposed legal acts, excluding tax risks.

Anonymous Misconduct Reporting System – the system provides a framework for identifying potential irregularities and instances of misconduct, which can be reported via indicated information channels.

Policy on Corporate Governance and Allocation of the Companies in which PKN ORLEN Holds Equity Interests to PKN ORLEN Management Board Members in Charge of Business Oversight of the Companies – a document containing instructions on the selection of candidates for members of the ORLEN Group companies' governing bodies and the rules for setting and reviewing Individual Bonus-Related Targets for members of the ORLEN Group companies' management boards. It provides for full corporate supervision over the ORLEN – DAR SERCA Foundation.

Rules for Managing the Risk of Losing Information Security Attributes – information and guidelines on the process of managing the risk of losing security attributes.

Supplier Code of Conduct – defines ethical standards that must be met by the ORLEN Group suppliers, includes guidance on activities related to counteracting corruption, and promotes high ethical standards in business activities.

Integrated Management System Policy – a document describing the working standards for quality assurance, reduction of environmental impacts, health and safety at work, information security and food safety.

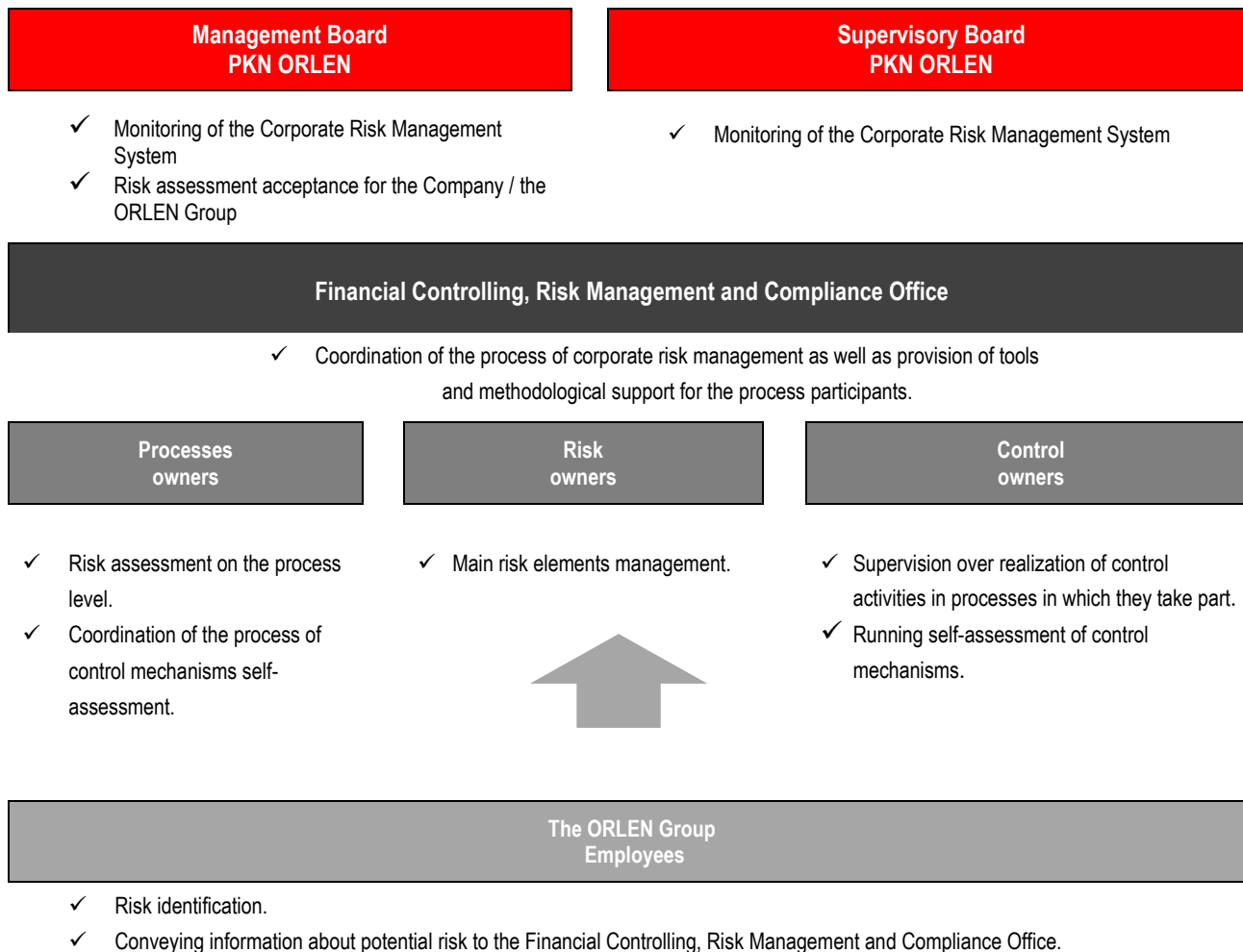
In November 2018, the President of the PKN ORLEN Management Board signed an order introducing the **ORLEN Group Anti-Corruption Policy**. It represents a declaration that our business objectives are to be pursued in a transparent, fair and ethical manner. The policy is designed to raise employee awareness, encourage positive attitudes and behaviours, and streamline procedures and business process oversight. It represents a declaration that our business objectives are to be pursued in a transparent, fair and ethical manner. The document underscores the importance of training and awareness-raising among employees and the responsibility of company managements for creating conditions that help to prevent and counteract corruption at the ORLEN Group. The ORLEN Group Anti-Corruption Policy is a standard which declares zero tolerance for corrupt practices consisting in abuse of positions or functions in order to achieve undue financial or personal gains. It is also a commitment to comply with anti-corruption regulations in all countries where the Group companies do business. The policy confirms that in their day-to-day work, the companies' employees and representatives live the values and standards of conduct respected by the ORLEN Group. The ORLEN Group Anti-Corruption Policy is the principal internal regulation which, aside from directional declarations, allows the Group to implement solutions that have a real impact on anti-corruption protection during business activities.

Work was also under way in 2018 on the internal order on **PKN ORLEN Rules for Accepting and Offering Gifts** and an update of the **Anonymous Misconduct Reporting System**.

8.5 DUE DILIGENCE PROCEDURES

In accordance with the Code of Best Practice for WSE Listed Companies, PKN ORLEN has in place effective functional control, risk management and compliance supervision systems, as well as an internal audit and control function. The simultaneous operation of all those systems and functions allows the Group to exercise ongoing and effective anti-corruption supervision.

PKN ORLEN has implemented a structured management control system, comprising a set of comprehensive procedures. The procedures are managed through a dedicated IT system which ensures their consistency through multifaceted agreements as well as approvals at each level in the organisation.

SCHEME 6. Key roles in the Corporate Risk Management System


In order to minimise the risk of fraud and corruption, PKN ORLEN has adopted the popular **Three Lines of Defence Model**. The first line of defence involves risk management by employees and business units, and controls related to the operational processes. The second line is compliance functions, and the third – internal audit and control, supporting the correct functioning of the specified prevention measures.

First line of defence/prevention – the Integrated Enterprise Risk Management System

Risk management is a continuous process, however it is revised in response to the ever-changing economic environment.

Second line of defence/prevention – the Compliance function

PKN ORLEN's compliance function is based on the following four elements:

- The ERM system, which supports the process of assessment of financial and operational risk compliance with regard to the effectiveness of controls and the ERM Policy and Procedure;
- The internal audit and control function – with respect to compliance of the processes with internal regulations;
- Assessment of compliance with integrated management systems (ISO);
- Identification of regulatory risks, including in particular those related to the sector in which the Company operates.

The Company's Integrated Management System takes into account the findings of audits and reviews as well as complaints and grievances. Additionally, preventive/corrective measures are taken to address any irregularities identified in the above processes. All these activities are designed to ensure compliance with the adopted reference standards: ISO 9001 (quality management system), ISO 14001 (environmental management system), PN-N-18001 (occupational health and safety management system), and ISO 27001 (information security management system), ISCC system (a certification system for biomass and biofuels), Factory Production Control System, and Food Safety Management System.

Once a year, based on the reviews, a comprehensive report is prepared on the organisation's Integrated Management System, which is submitted to the Company's Management Board and published on the Intranet.

PKN ORLEN's compliance with applicable laws or draft legislation is monitored on an ongoing basis and, if necessary, relevant steps are taken to ensure that the Company meets the requirements of Polish and EU laws and regulations.

Third line of defence / prevention – internal audit and control function

The internal audit and control function is performed by the Audit Office and the Control and Security Office, whose responsibility is to assess functional control systems in an independent and unbiased manner, and to analyse business processes.

The activities of the Audit Office conform to the International Standards for the Professional Practice of Internal Auditing, developed by the Institute of Internal Auditors (IIA). Compliance with the Standards is regularly reviewed by an appropriately authorised external entity. In 2016, KPMG ascertained the Audit Office's full compliance with relevant international standards and best practices.

The independence of the Audit Office and of the Control and Security Office is assured through appropriate functional and administrative reporting lines within the Company's organisational structure.

The **Audit Office** and the **Control and Security Office** carry out their activities (audits, consultancy and business analyses) on the basis of annual audit and inspection plans approved by the Company's Management Board. Audit plans are additionally approved by the Audit Committee of the Supervisory Board and the Supervisory Board of the company. As part of their activities, the Audit Office and the Control and Security Office verify on an ongoing basis if processes are executed in line with the applicable internal regulations. Ad-hoc audits and inspections may also be conducted by the Audit Office and the Control and Security Office when and as requested by the Company's Supervisory or Management Board.

The Audit Office continuously monitors its recommendations, based on which it prepares a report twice a year, stating to what extent they have been implemented. Moreover, reports are prepared on a regular (quarterly) basis on the activities of PKN ORLEN's and the ORLEN Group's audit function, which contain a detailed description of key observations. All those reports are submitted to the Company's Management Board and the Supervisory Board's Audit Committee, which performs ongoing assessment of the entire organisation's operations.

The **Control and Security Office**, on the basis of the ongoing monitoring of recommendations and follow-up orders, prepares a report on the status and scope of implementation of the recommendations. Its activities have either a preventive or detective nature. They are complemented by activities performed by ORLEN Ochrona, which has due authorisations and appropriate tools, including the ability to use the services of business intelligence agencies and detectives. If any instance of corruption is suspected, relevant steps are taken in close cooperation with law enforcement agencies, including the police and Central Anti-Corruption Bureau (CBA). The simultaneous operation of all the systems and functions described above allows the Group to exercise ongoing and effective anti-corruption supervision.

In 2018, an **Anti-Corruption Compliance Officer** was appointed. The Officer cooperates directly with the Management Boards of the ORLEN Group companies which have no separate security departments. The next step will be to develop and implement the rules for monitoring the security of business processes, integrated counterparty verification, gift accepting and offering principles, and to update the anonymous misconduct reporting system. Those activities are intended to ensure compliance with EU regulations, due diligence requirements, and the WSE's anti-corruption standards.

In 2018, as part of an annual risk self-assessment process and risk controls tests at PKN ORLEN, **530** risks were assessed based on tests of **1 039** controls in **111** business processes. The ORLEN Group companies evaluated **599** risks and **1 882** controls in **190** processes.

8.6 SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS AND RISK MANAGEMENT METHODS

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
ANTI-CORRUPTION AND ANTI-BRIBERY MEASURES		
Fraud and other misconduct	<ul style="list-style-type: none"> Accepting financial gain from potential suppliers Conflicts of interest with respect to transactions 	Limiting access to supplier offers and the information they contain, monitoring impartiality towards potential suppliers, oversight of the supplier selection acceptance path
Employees' conduct resulting in violation of law	<ul style="list-style-type: none"> Involvement in illegal transactions or concealing information about illegal transactions by employees Execution of contracts in circumstances where the law does not permit continuation of the process 	Review of the correctness of contracted obligations against powers of attorney/authorisations, supervision by authorised employees of supplier contracts and protection of the ORLEN Group's interests

Misconduct on the part of clients or employees

- Theft of fuel by employees or customers
- Release of products to unauthorised persons, for unauthorised vehicles

Regular inspections of service stations and terminals by authorised employees, supervision of the ordering and dispensing of rewards and products in accordance with the rules

GRI indicators discussed in this Section:

- *GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area*

9. APPROVAL OF REPORT ON NON-FINANCIAL INFORMATION OF ORLEN GROUP AND PKN ORLEN S.A.

The Report on Non-financial Information of ORLEN Group and PKN ORLEN for year 2018 was approved by the Management Board of the Parent Company on 20 March 2019.

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Daniel Obajtek
President of the Board

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Armen Artwich
Member of the Board

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Patrycja Klarecka
Member of the Board

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Zbigniew Leszczyński
Member of the Board

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Wiesław Protasewicz
Member of the Board

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Michał Róg
Member of the Board

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Józef Węgrecki
Member of the Board