



**REPORT OF THE SUPERVISORY BOARD OF PKN ORLEN S.A.  
ON REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD  
AND THE SUPERVISORY BOARD FOR 2019–2020**

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PKN ORLEN S.A. Supervisory Board  
Warsaw, April 29th 2021

# Introduction



This report on remuneration of Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. was prepared in accordance with the requirements set out in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, of July 29th 2005 (consolidated text: Dz.U. of 2020, item 2080, as amended) (the “Act on Public Offering”). It covers the financial years 2019–2020 and contains an overview of the remuneration paid to Members of the Company’s governing bodies in these reporting years in accordance with the applicable internal regulations, including the Remuneration Policy for Members of the Management Board and the Supervisory Board of Polski Koncern Naftowy ORLEN S.A. (the “Remuneration Policy”), adopted by Resolution No. 29 of the Annual General Meeting of June 5th 2020.

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# 2019 MODULE I



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## 2019 Introduction



This module contains a comprehensive description of the components of remuneration payable to Members of the Management Board and Members of the Supervisory Board of PKN ORLEN S.A. (the “Company”) for 2019, and relates to the remuneration of members of the management and supervisory bodies pursuant to the Act on Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016 (the “Remuneration Act”) (Dz.U. of 2020, item 1907, as amended) and in accordance with the Company’s best remuneration practice as currently in place.

**In 2019, the composition of the Management Board of PKN ORLEN S.A. was as follows:**

Full name	Position held	Length of service in the reporting year
<b>Daniel Obajtek</b>	CEO, President of the Management Board	the entire year 2019
<b>Armen Artwich</b>	Member of the Management Board, Corporate Affairs	the entire year 2019
<b>Patrycja Klarecka</b>	Member of the Management Board, Retail Sales	the entire year 2019
<b>Zbigniew Leszczyński</b>	Member of the Management Board, Development	the entire year 2019
<b>Wiesław Protasewicz</b>	Member of the Management Board, Finance	January 1st–November 28th 2019
<b>Michał Róg</b>	Member of the Management Board, Wholesale and International Trade	the entire year 2019
<b>Józef Węgrecki</b>	Member of the Management Board, Operations	the entire year 2019

At its meeting held on November 28th 2019, the Supervisory Board of PKN ORLEN S.A. removed Wiesław Protasewicz from the Management Board, with effect from November 28th 2019.

# 2019 Introduction



In 2019, the composition of the Supervisory Board of PKN ORLEN S.A. was as follows:

Full name	Position held	Length of service in the reporting year
<b>Izabela Felczak- Poturnicka</b>	Chair of the Supervisory Board	the entire year 2019
<b>Radosław Kwaśnicki</b>	Deputy Chair of the Supervisory Board, Independent Member of the Supervisory Board	January 1st–June 14th 2019
<b>Andrzej Szumański</b>	Deputy Chair of the Supervisory Board, Independent Member of the Supervisory Board	June 14th–December 31st 2019
<b>Agnieszka Biernat-Wiatrak</b>	Member of the Supervisory Board	January 1st–June 14th 2019
<b>Mateusz Bochacik</b>	Secretary of the Supervisory Board, Independent Member of the Supervisory Board	January 1st–February 15th 2019
<b>Barbara Jarzembowska</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	June 14th–December 31st 2019
<b>Andrzej Kapała</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2019
<b>Michał Klimaszewski</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	June 14th–December 31st 2019
<b>Roman Kusz</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	October 29th–December 31st 2019
<b>Wojciech Kryński</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	January 1st–June 14th 2019
<b>Jadwiga Lesisz</b>	Member of the Supervisory Board*	the entire year 2019
<b>Małgorzata Niezgoda</b>	Member of the Supervisory Board	the entire year 2019
<b>Anna Sakowicz-Kacz</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	June 14th–December 31st 2019
<b>Anna Wójcik</b>	Secretary of the Supervisory Board	the entire year 2019

\* until June 14th 2019 Independent Member of the Supervisory Board.

### Key changes in the composition of the Supervisory Board of PKN ORLEN S.A. in 2019:

- On February 15th 2019, Mateusz Bochacik resigned as Member of the Supervisory Board of PKN ORLEN S.A.;
- On March 20th 2019, the Supervisory Board appointed Anna Wójcik, Member of the Supervisory Board, as Secretary of the Supervisory Board;
- On June 14th 2019, Radosław L. Kwaśnicki, Deputy Chair of the Supervisory Board, resigned as Member of the Supervisory Board of PKN ORLEN S.A.;
- On June 14th 2019, the Annual General Meeting of PKN ORLEN S.A. appointed the following persons to the Supervisory Board for a new term of office: Chair of the Supervisory Board: Izabela Felczak-Poturnicka, Members of the Supervisory Board: Małgorzata Niezgodą, Andrzej Kapała, Jadwiga Lesisz, Anna Wójcik, Andrzej Szumański, Barbara Jarzembowska, Anna Sakowicz-Kacz, and Michał Klimaszewski;
- On June 27th 2019, the Supervisory Board appointed its Members Andrzej Szumański and Anna Wójcik as, respectively, Deputy Chair and Secretary of the Supervisory Board;
- On October 29th 2019, pursuant to Art. 8.2.1 of the Company's Articles of Association, the State Treasury appointed Roman Kusz to the Supervisory Board of PKN ORLEN S.A.

**The remuneration scheme in place at PKN ORLEN S.A. supported the achievement of the Company's goals, including in particular a long-term increase of its shareholder value and stability of operations. One of the key objectives of the remuneration scheme in place at PKN ORLEN S.A. for members of its key corporate bodies was to support the delivery of the long-term strategic goals of both the Company and the entire ORLEN Group (referred to as the "Group" for the purposes of this document), while ensuring the Company's solid financial performance and stability.**

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

## 2019 Description of remuneration components



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

- RESOLUTION NO. 29 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 30th 2017 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017,
- RESOLUTION NO. 4 OF THE EXTRAORDINARY GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of February 2nd 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017,
- RESOLUTION NO. 1 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of July 17th 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017,
- RESOLUTION NO. 44 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 14th 2019 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017 on the rules of remuneration for Members of the Management Board, as amended by Resolution No. 29 of the Annual General Meeting of June 30th 2017, Resolution No. 4 of the Extraordinary General Meeting of February 2nd 2018, and Resolution No. 1 of the Annual General Meeting of July 17th 2018,
- and pursuant to the Remuneration Act as well as recommendations given by the Supervisory Board's Nomination and Remuneration Committee.
- All components of the remuneration of Members of the Company's Management Board are set out in the contract for the provision of management services (the "Contract") between a Management Board Member/President (the "Management Board Member") and the Company.

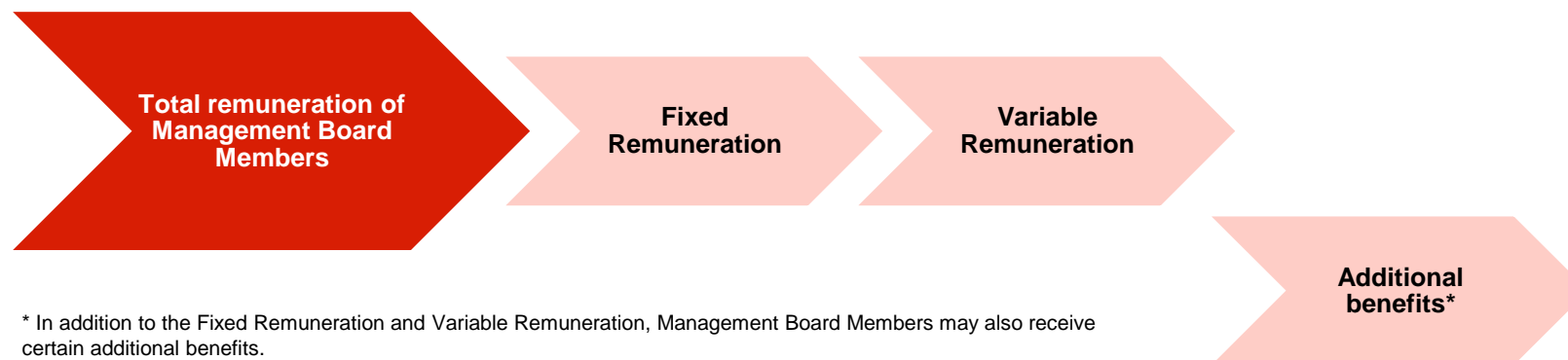


## 2019 Description of remuneration components



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

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



\* In addition to the Fixed Remuneration and Variable Remuneration, Management Board Members may also receive certain additional benefits.

## 2019 Description of remuneration components



### FIXED REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)

**In 2019, the Fixed Remuneration of Management Board Members represented the monthly base pay for serving in their respective roles at the Company and for performing responsibilities assigned to those roles, taking into account the prevailing market conditions:**

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

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

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

## 2019 Description of remuneration components



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

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

### **VARIABLE REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)**

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

In 2019, the Variable Remuneration of Management Board Members represented their supplementary remuneration for a financial year, which was contingent on the achievement of management objectives ("Management Objectives") and could not exceed 100% of the Fixed Remuneration payable to a Management Board Member in the previous financial year, for which the Variable Remuneration was calculated.

## 2019 Description of remuneration components



### Key principles taken into account in granting Variable Remuneration to Management Board Members in 2019:

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

## 2019 Description of remuneration components



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

- Improvement of operational efficiency indicators,
- Improvement of cost efficiency at the ORLEN Group,
- Implementation of strategic investment projects in line with the approved budget and schedule at the ORLEN Group,
- Implementation of a long-term strategy with respect to security of supplies, and with respect to procurement and storage of energy (fuels, electricity and heat), including in particular upstream access and diversification of the procurement portfolio,
- Increase of the TSR (Total Shareholder Return) of PKN ORLEN S.A. relative to the market,
- Reduction of the Total Recordable Rate at the ORLEN Group,
- Development of the project portfolio and increasing the amount of expenditure allocated to research, development and innovation.

## 2019 Description of remuneration components



- ❑ **The Supervisory Board set six quantitative targets for all Members of the Management Board for 2019 with respect to:**
  - Reported EBIT of the Group;
  - LIFO EBITDA of the Group;
  - Maintenance CAPEX of the Group + general and personnel costs of the Group;
  - Growth CAPEX of the Group;
  - Stock performance ratio: TSR of PKN ORLEN relative to the market;
  - Accident rate: TRR of the Group and its external contractors;and assigned relevant bonus thresholds to these targets.
  
- ❑ **The Supervisory Board also set qualitative targets for all Members of the Management Board associated with key challenges for 2019**
  
- ❑ **Additionally, in accordance with the relevant resolutions of the General Meeting of PKN ORLEN S.A., the Supervisory Board set the following separate objectives as a precondition to payment of Variable Remuneration for 2019:**
  - Compliance with the principles of remuneration for members of the management and supervisory bodies in line with the Remuneration Act across all Group companies;
  - Discharge of the obligations referred to in Art. 17-20, Art. 22 and Art. 23 of the Act on State Property Management at the Company's subsidiaries within the meaning of Art. 4.3 of the Act on Competition and Consumer Protection.

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

## 2019 Description of remuneration components



### ADDITIONAL BENEFITS FOR MEMBERS OF THE MANAGEMENT BOARD

In addition to the Fixed Remuneration and Variable Remuneration, Management Board Members were entitled to certain additional benefits in 2019. The grant of a specific additional benefit was justified by the Company's best interest, was due on account of the services having to be provided personally by a given Management Board Member, and did not represent any form of hidden remuneration. The value of additional benefits constituted the Management Board Member's income before tax and was not included in the Fixed Remuneration.

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

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

Furthermore:

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

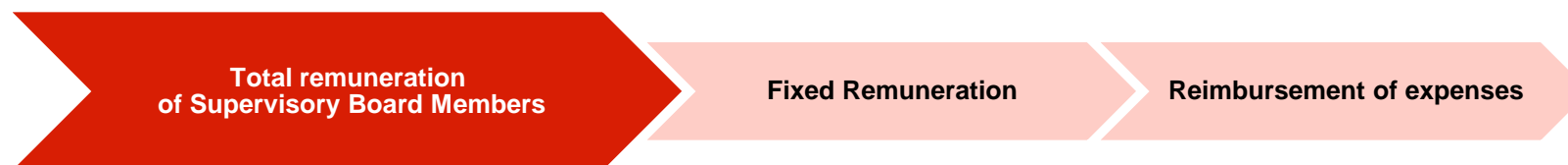
**The benefits were provided on the terms and within the limits specified in the Contract and other regulations applicable at the Company.**

## 2019 Description of remuneration components



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

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



### FIXED REMUNERATION OF SUPERVISORY BOARD MEMBERS (PLN gross)

#### Rules of remuneration for Supervisory Board Members:

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



## 2019 Description of remuneration components



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

The monthly remuneration of Supervisory Board Members (PLN gross) was determined based on resolutions of the General Meeting of PKN ORLEN S.A. In this respect, Resolution No. 5 of the Extraordinary General Meeting of PKN ORLEN S.A. of January 24th 2017 had been effective until June 13th 2019, then superseded by Resolution No. 45 of the Extraordinary General Meeting of PKN ORLEN S.A. of June 14th 2019, effective as of June 14th 2019. Pursuant to the former resolution, the monthly remuneration was calculated as the product of the average monthly salary paid in the non-financial corporate sector (net of bonuses paid from profit) in the fourth quarter of the preceding year, as announced by the President of the Statistics Poland, and the following multipliers:

- for the Chair of the Supervisory Board – 2.2,
- for other Members of the Supervisory Board – 2.

Pursuant to the latter resolution, the monthly remuneration of Members of the Supervisory Board (PLN gross) was calculated as the product of the reference salary referred to in Art. 1.3.11 of the Act on Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016, and the following multipliers:

- for the Chair of the Supervisory Board – 2.2,
- for other Members of the Supervisory Board – 2.

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

They are also entitled to reimbursement of expenses incurred in connection with the performance of duties on the Supervisory Board, in accordance with Art. 392 of the Commercial Companies Code.

## 2019 Description of remuneration components



Table 1. **Total remuneration of Management Board Members in 2019 (PLN gross)**

Full name Position held	Length of service in the reporting period	Fixed Remuneration	Variable Remuneration paid for the previous year	Additional benefits*	Total remuneration	Ratio of Variable Remuneration (paid for the previous year) to Fixed Remuneration (%)	Ratio of additional benefits to Fixed Remuneration (%)
Daniel Obajtek President of the Management Board, Chief Executive Officer	the entire year 2019	912,825.00	765,430.87	292,646.77	<b>1,970,902.64</b>	84%	32%
Armen Artwich, Member of the Management Board, Corporate Affairs	the entire year 2019	912,825.00	279,820.67	7,947.60	<b>1,200,593.27</b>	31%	1%
Patrycja Klarecka, Member of the Management Board, Retail Sales	the entire year 2019	912,825.00	443,144.18	8,213.74	<b>1,364,182.92</b>	49%	1%
Zbigniew Leszczyński, Member of the PKN ORLEN Management Board, Development	the entire year 2019	912,825.00	853,111.80	15,597.94	<b>1,781,534.74</b>	93%	2%
Wiesław Protasewicz Member of the Management Board, Finance	January 1st–November 28th 2019	831,685.00	853,111.80	230,796.20	<b>1,915,593.00</b>	103%	28%
Michał Róg Member of the Management Board, Wholesale and International Trade	the entire year 2019	912,825.00	279,820.67	58,167.92	<b>1,250,813.59</b>	31%	6%
Józef Węgrecki Member of the Management Board, Operations	the entire year 2019	912,825.00	655,189.86	39,376.80	<b>1,607,391.66</b>	72%	4%
	<b>Total 2019</b>	<b>6,308,635.00</b>	<b>4,129,629.85</b>	<b>652,746.97</b>	<b>11,091,011.82</b>		

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

## 2019 Description of remuneration components



Table 2 **Total remuneration of Supervisory Board Members in 2019 (PLN gross)**

Full name Position held	Length of service in the reporting year	Fixed Remuneration	Other*	Total remuneration
Izabela Felczak-Poturnicka Chair of the Supervisory Board	the entire year 2019	133,881.00	167.35	134,048.35
Radosław L. Kwaśnicki Deputy Chair of the Supervisory Board	January 1st–June 14th 2019	55,445.66	-	55,445.66
Andrzej Szumański Deputy Chair of the Supervisory Board	June 14th–December 31st 2019	66,602.42	-	66,602.42
Agnieszka Biernat-Wiatrak Member of the Supervisory Board	January 1st–June 14th 2019	55,445.66	18,227.76	73,673.42
Mateusz Bochacik Member of the Supervisory Board	January 1st–February 15th 2019	15,213.75	1,708.21	16,921.96
Barbara Jarzebowska Member of the Supervisory Board	June 14th–December 31st 2019	66,602.42	-	66,602.42
Andrzej Kapała Member of the Supervisory Board	the entire year 2019	121,710.00	4,519.90	126,229.90
Michał Klimaszewski Member of the Supervisory Board	June 14th–December 31st 2019	66,602.42	152.14	66,754.56
Roman Kusz Member of the Supervisory Board	October 29th–December 31st 2019	21,299.25	-	21,299.25
Wojciech Kryński Member of the Supervisory Board	January 1st–June 14th 2019	55,445.66	-	55,445.66
Jadwiga Lesisz Member of the Supervisory Board	the entire year 2019	121,710.00	152.14	121,862.14
Małgorzata Niezgoda Member of the Supervisory Board	the entire year 2019	121,710.00	152.14	121,862.14
Anna Sakowicz-Kacz Member of the Supervisory Board	June 14th–December 31st 2019	66,602.42	-	66,602.42
Anna Wójcik Member of the Supervisory Board.	the entire year 2019	121,710.00	152.14	121,862.14
<b>Total 2019</b>		<b>1,089,980.66</b>	<b>25,231.78</b>	<b>1,115,212.44</b>

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

2019

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



**In 2019, there was no effective Remuneration Policy for Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. within the meaning of the Act on Public Offering. The rules of remuneration for Members of the Management Board and the Supervisory Board were determined in a manner consistent with the principles set out in the Remuneration Act and with the Company's best remuneration practice.**

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

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

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

2019

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



One of the key objectives of the remuneration scheme in place at PKN ORLEN S.A. for members of its corporate bodies was to support the delivery of the long-term strategic goals of both the Company and the entire ORLEN Group, while ensuring the Company's solid financial performance and stability. The achievement of these goals was supported by the MBO (management by objectives) system in place, which was based on the assumption that a significant portion of remuneration payable to individual Management Board Members would depend on the delivery of predefined Management Objectives assessed against the criteria set by the Company's Supervisory Board.

The objectives pursued by Management Board Members (other than objectives that were a precondition to payment of Variable Remuneration) were either quantitative or qualitative. However, irrespective of their nature, one of the key assumptions behind their adoption and achievement was that they would directly or indirectly contribute to delivery of the Company's long-term strategic goals and would strengthen the Company's position.

The objectives were therefore broken down into:

- **Quantitative targets** – directly contributing to the Company's financial strength and stability, allowing the Company to deliver its strategic investment projects, acquisitions, and development programmes, and to invest in innovation.
- **Qualitative targets** – directly defining the strategic direction of the Company's development and reflecting the Group's chosen strategy.

2019

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



**In 2019, the following qualitative targets were set for Members of the Management Board:**

- Preparation and update of the Company's long-term strategy;
- Delivery of long-term strategic objectives, especially in the most promising key business areas;
- Taking action in response to changes in the Group's macroeconomic environment;
- Making acquisitions of key strategic importance for the Company;
- Focus on innovation, research and development;
- Reporting the progress in delivery of the Company's long-term strategy.

As a result, a significant portion of the Management Board's remuneration was contingent not only on the achievement of target levels of financial and operating indicators (KPIs), but also on the delivery of specific initiatives of strategic importance to the Group. 2019 was the first full year of implementing the Strategy for 2019–2022, announced on December 20th 2018. The vision for PKN ORLEN's growth set out in the new strategy fitted 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 S.A. aimed to focus on solidifying its market position, becoming more customer-oriented, exploiting the integrated value chain, with a growing role of the Petrochemical business and prudent continuation of projects in the Upstream segment. PKN ORLEN S.A. managed the structure of its capital expenditure in line with the developments in market situation and focused on the most effective investment projects. Implementation of best practices in sustainable development was an integral part of the ORLEN Group's business strategy. The ORLEN Group's hiring policy focused on engaging top quality specialists to perform day-to-day operations and to execute strategic projects. In practice, this translated into the Company's solid business performance in 2019 and helped set a clear and specific direction of the Group's further growth in the coming years.

**2019**

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



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

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

The objectives and targets set for 2019 allowed the Company to deliver its business strategy and to achieve long-term value growth and stability.

The maximum amount of Variable Remuneration payable to Members of the Company's Management Board was 100% of the Fixed Remuneration in the financial year 2019, determined in accordance with the Contract. The weighted sum of percentage points assigned by the Supervisory Board equalled a percentage of the maximum Variable Remuneration to be received, with a proviso that if the weighted sum of percentage points exceeded 100% it was reduced to 100%. The choice of the Management Objectives, as well as the criteria set by the Supervisory Board for assessing their achievement, supported successful implementation of the Company's business strategy, its long-term interests and stability. The achievement of those objectives was contingent on the Company's performance.

### Assessment criteria for quantitative targets

In setting the quantitative targets for Management Board Members for 2019, the expected levels of achievement (thresholds) were defined. The key sources of data for quantitative financial targets included materials concerning the budget for the year, as presented to the Supervisory Board, the audited financial statements, reporting systems such as SAP, HFM Planning and HFM Statutory Reporting, as well as accounting records, underlying documents and public stock exchange data.

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

### Assessment of the achievement of qualitative targets

- In 2019, the qualitative targets set for Management Board Members were assessed on the basis of:
  - Rules of the Incentive Scheme for the Management Board of PKN ORLEN S.A.;
    - ✓ Reports of Management Board Members on the delivery of qualitative targets;
    - ✓ Management Board's recommendation regarding separate objectives that were a precondition to payment of Variable Remuneration.



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

### **Assessment of the achievement of separate objectives as a precondition to payment of Variable Remuneration**

- The objectives assigned to Members of the PKN ORLEN Management Board as a precondition to payment of Variable Remuneration were assessed on the basis of:
  - ✓ Report on the rules of remuneration for Members of the Management Boards of the ORLEN Group companies for 2019;
  - ✓ Report on the status of implementation of the Act on State Property Management as at December 31st 2019;
  - ✓ Other reports, opinions and audits, to the extent necessary to assess the achievement of objectives that were a precondition to payment of Variable Remuneration.

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

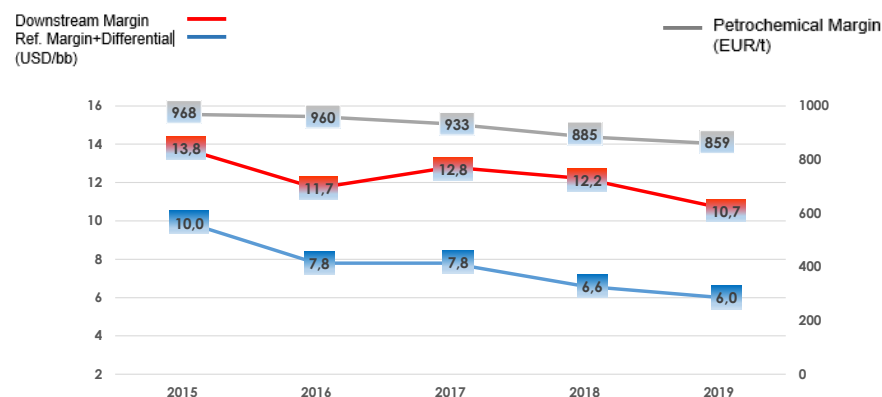


There were additional incentives for Members of the Management Board to monitor the Company's performance on an ongoing and long-term basis and to implement the adopted strategic initiatives, which translated into the Company's strong position and financial stability.

To start with, it should be noted that PKN ORLEN S.A.'s performance is strongly contingent on external macroeconomic variables. Changes in the prices of crude oil, fuels and petrochemical products are of a global scale.

Due to arbitrage opportunities, a positive or negative impulse emerging on one market (whether regional or product market) spills over to affect all other markets. The pricing differences between refining and petrochemical products and a barrel of crude oil, i.e. crack spreads, are of key importance in the refining and petrochemical business. In addition, due to a high share of sour Urals crude in the Company's crude slate, the Urals/Brent differential is a major factor behind PKN ORLEN S.A.'s operating results. Given its limited ability to change the output structure within a yearly cycle, the model margins are virtually beyond PKN ORLEN S.A.'s control.

Chart 1. **Changes of model margins in 2015–2019**

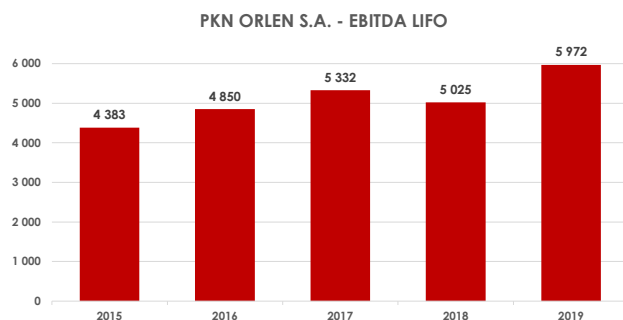


# Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees

## FINANCIAL PERFORMANCE OF PKN ORLEN S.A.

The business analysis of PKN ORLEN S.A.'s performance relies mainly on LIFO-based EBITDA ("LIFO EBITDA"), which fully reflects the effect of changes in the macroeconomic variables on the Company's performance by measuring feedstock consumption at the currently prevailing market prices. In addition, the analysis of the Company's financial performance based on the LIFO inventory valuation method is mainly applied by analysts and industry investors.

Chart 2. LIFO EBITDA at PKN ORLEN S.A. in 2015–2019 (excluding the effect of impairment losses) (PLNm)



The value of write-offs by which LIFO-based EBITDA was adjusted each year:

- 2015 - (7) PLNm
- 2016 - (4) PLNm
- 2017 - (5) PLNm
- 2018 - (25) PLNm
- 2019 - (8) PLNm

In 2019, PKN ORLEN S.A.'s LIFO EBITDA came in at PLN 6.0bn, with the record-high result achieved against a less favourable macroeconomic backdrop (relative to previous years). Margin declines were particularly noticeable in the Refining segment and involved mainly the lower Urals/Brent differential and narrower margins (yoy) on light distillates and heavy refining fractions. The 2019 increase in LIFO EBITDA was driven by solid performance of the Power Generation, Petrochemical and Retail segments. In 2019, the Company's sales volume reached 19.3m tonnes, compared with 19.0m tonnes in 2018, 17.7m tonnes in 2017, 16.1m tonnes in 2016, and 15.9m tonnes in 2015. In 2019, sales of refining products remained largely flat year on year, while sales of petrochemicals rose driven mainly by the monomers, aromatics and PTA sales figures. The continuing expansion of the service station network, including construction of new outlets with strong potential in terms of sales volumes, network upgrades and closing down of poorly performing stations, as well as expansion of the non-fuel offering, led to an increase in fuel sales volumes in the retail segment.

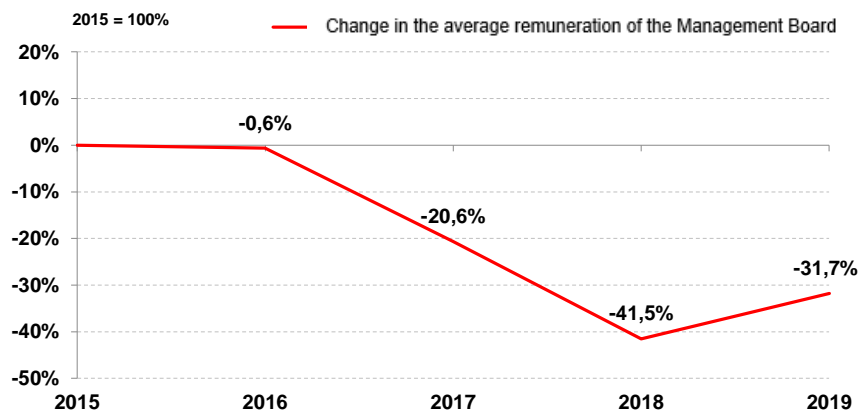
2019

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



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

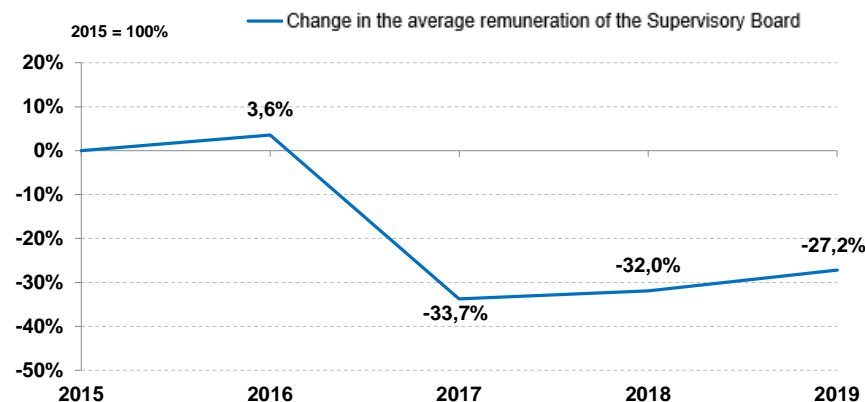
Chart 3. Changes in the average remuneration (fixed and variable portions) of the Company Management Board\* relative to 2015



In 2016–2019, the average remuneration of PKN ORLEN S.A.'s Management Board remained well below the average remuneration paid for 2015.

\* The average remuneration was calculated based on the remuneration paid and payable or potentially payable in the following year, including on account of the delegation of a Supervisory Board Member to temporarily perform the duties of a Management Board Member.

Chart 4. Changes in the average fixed remuneration of the Company Supervisory Board\*\* relative to 2015



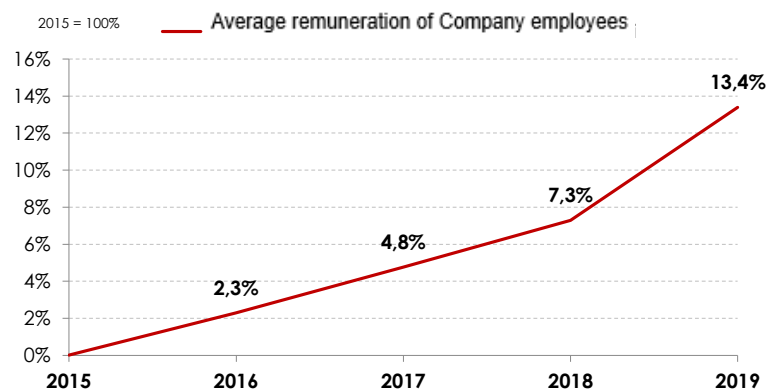
In 2017–2019, the average remuneration of PKN ORLEN S.A.'s Supervisory Board remained well below the average remuneration paid for 2015.

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

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



Chart 5. Changes in the average remuneration of PKN ORLEN S.A. employees relative to 2015\*



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

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

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

To conclude, the Company's operating performance (LIFO EBITDA) followed an upward trend in the years preceding the reporting period; the same applied to the remuneration of employees (other than Members of the Management Board and the Supervisory Board), which reflected the adopted remuneration policy set out in the Collective Bargaining Agreement. After a considerable reduction in 2017, the remuneration of Members of the Management Board and the Supervisory Board remained broadly flat.

## 2020 MODULE II



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<b>Consistency of total remuneration with the Remuneration Policy and explanation of how it contributes to the Company's long-term performance</b>	<b>p. 47</b>
<b>Criteria applied to assess the achievement of management objectives (including the Company's performance)</b>	<b>p. 50</b>
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This module contains a comprehensive description of the components of remuneration payable to Members of the Management Board and Members of the Supervisory Board of PKN ORLEN S.A. for 2020 with respect to the application of the Remuneration Policy for Members of the Management Board and the Supervisory Board of Polski Koncern Naftowy ORLEN S.A.

**In 2020, the composition of the Management Board of PKN ORLEN S.A. was as follows:**

Full name	Position held	Length of service in the reporting year
<b>Daniel Obajtek</b>	CEO, President of the Management Board	the entire year 2020
<b>Armen Artwich</b>	Member of the Management Board, Corporate Affairs	the entire year 2020
<b>Adam Burak</b>	Member of the Management Board, Communication and Marketing	February 3rd–December 31st 2020
<b>Patrycja Klarecka</b>	Member of the Management Board, Retail Sales	the entire year 2020
<b>Zbigniew Leszczyński</b>	Member of the Management Board, Development	the entire year 2020
<b>Michał Róg</b>	Member of the Management Board, Wholesale and International Trade	the entire year 2020
<b>Jan Szewczak</b>	Member of the Management Board, Finance	February 3rd–December 31st 2020
<b>Józef Węgrecki</b>	Member of the Management Board, Operations	the entire year 2020

At its meeting on January 30th 2020, the Supervisory Board of PKN ORLEN appointed Jan Szewczak as Member of the Management Board for Finance and Adam Burak as Member of the Management Board for Communications and Marketing, with effect from February 3rd 2020.



In 2020, the composition of the Supervisory Board of PKN ORLEN S.A. was as follows:

Full name	Position held	Length of service in the reporting year
<b>Izabela Felczak- Poturnicka</b>	Chair of the Supervisory Board	January 1st–January 16th 2020
<b>Wojciech Jasiński</b>	Chair of the Supervisory Board	March 5th–December 31st 2020
<b>Andrzej Szumański</b>	Deputy Chair of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Barbara Jarzembowska</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Dominik Kaczmarski</b>	Member of the Supervisory Board	March 5th–December 31st 2020
<b>Andrzej Kapała</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Michał Klimaszewski</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Roman Kusz</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Jadwiga Lesisz</b>	Member of the Supervisory Board	the entire year 2020
<b>Małgorzata Niezgoda</b>	Member of the Supervisory Board	January 1st–March 5th 2020
<b>Anna Sakowicz-Kacz</b>	Member of the Supervisory Board, Independent Member of the Supervisory Board	the entire year 2020
<b>Anna Wójcik</b>	Secretary of the Supervisory Board	the entire year 2020

Izabela Felczak-Poturnicka resigned as Chair of the Company's Supervisory Board with effect from January 16th 2020. On March 5th 2020, the Extraordinary General Meeting of PKN ORLEN S.A. removed Małgorzata Niezgoda from the Supervisory Board and appointed Wojciech Jasiński as Chair of the Supervisory Board and Dominik Kaczmarski as Member of the Supervisory Board.

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

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

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

## 2020 Description of remuneration components



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

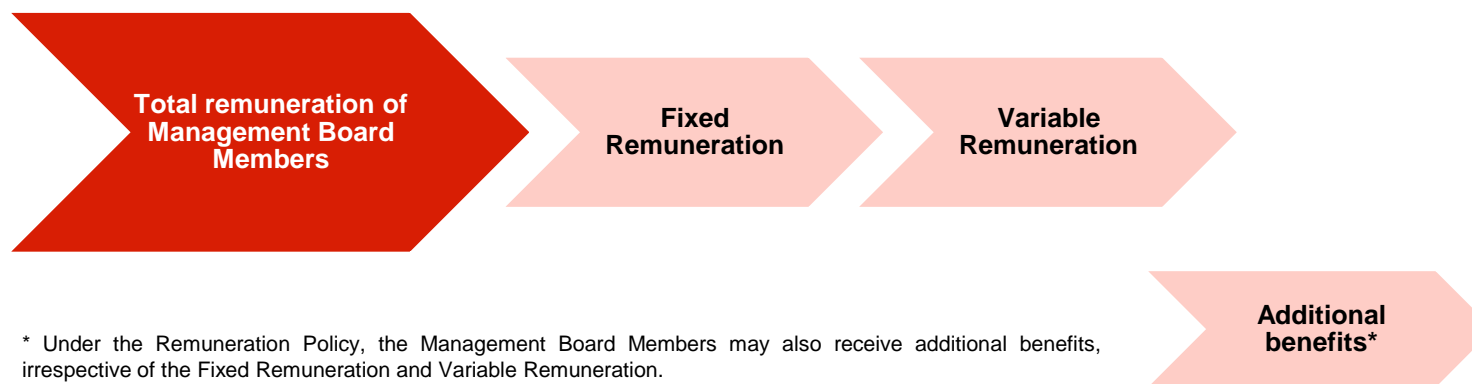
- RESOLUTION NO. 29 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 30th 2017 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017;
- RESOLUTION NO. 4 OF THE EXTRAORDINARY GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of February 2nd 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017;
- RESOLUTION NO. 1 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of July 17th 2018 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017,
- RESOLUTION NO. 44 OF THE ANNUAL GENERAL MEETING OF POLSKI KONCERN NAFTOWY ORLEN SPÓŁKA AKCYJNA of June 14th 2019 to amend Resolution No. 4 of the Extraordinary General Meeting of January 24th 2017 on the rules of remuneration for Members of the Management Board, as amended by Resolution No. 29 of the Annual General Meeting of June 30th 2017, Resolution No. 4 of the Extraordinary General Meeting of February 2nd 2018, and Resolution No. 1 of the Annual General Meeting of July 17th 2018;
- and in connection with the Remuneration Act as well as recommendations of the Supervisory Board's Nomination and Remuneration Committee. Since the adoption of the Remuneration Policy by the General Meeting, the rules of remuneration for Members of the Management Board have also incorporated the rules set forth in that Policy.
- In 2020, all components of the remuneration of Members of the Company's Management Board were set out in the contract for the provision of management services between a Management Board Member and the Company.

## 2020 Description of remuneration components



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

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



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

## 2020 Description of remuneration components



### FIXED REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)

**In 2020, the Fixed Remuneration of Management Board Members represented the monthly base pay for serving in their respective roles at the Company and for performing responsibilities assigned to those roles, taking into account the prevailing market conditions:**

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

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

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

## 2020 Description of remuneration components



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

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

### **VARIABLE REMUNERATION OF MANAGEMENT BOARD MEMBERS (PLN gross)**

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

In 2020, the Variable Remuneration of Management Board Members represented their supplementary remuneration for a given financial year, which was contingent on the achievement of Management Objectives and could not exceed 100% of the Fixed Remuneration paid to a Management Board Member in the previous financial year, for which the Variable Remuneration is calculated.

## 2020 Description of remuneration components



### Key principles taken into account in granting Variable Remuneration to Management Board Members in 2020:

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

## 2020 Description of remuneration components



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

- Improvement of operational efficiency indicators,
- Improvement of cost efficiency at the ORLEN Group,
- Implementation of strategic investment projects in line with the approved budget and schedule at the ORLEN Group,
- Implementation of a long-term strategy with respect to security of supplies, and with respect to procurement and storage of energy (fuels, electricity and heat), including in particular upstream access and diversification of the procurement portfolio,
- Increase of the TSR (Total Shareholder Return) of PKN ORLEN S.A. relative to the market,
- Reduction of the Total Recordable Rate at the ORLEN Group,
- Development of the project portfolio and increasing the amount of expenditure allocated to research, development and innovation.



## 2020 Description of remuneration components



- ❑ **The Supervisory Board set the following six quantitative targets for all Members of the Management Board for 2020:**
  - Reported EBIT of the Group,
  - LIFO EBITDA of the Group;
  - Group's maintenance CAPEX;
  - Group's general and personnel costs;
  - Growth CAPEX of the Group;
  - Stock performance ratio: TSR of PKN ORLEN relative to the market;
  - Accident rate: TRR of the Group and its external contractors;and assigned relevant bonus thresholds to these targets.
  
- ❑ **The Supervisory Board also set qualitative targets for all Members of the Management Board associated with key challenges for 2020**
  
- ❑ **Additionally, in accordance with the relevant resolutions of the General Meeting of PKN ORLEN S.A., the Supervisory Board set the following separate objectives as a precondition to payment of Variable Remuneration for 2020:**
  - Compliance with the principles of remuneration for members of management and supervisory bodies in line with the Remuneration Act across all Group companies;
  - Discharge of the obligations referred to in Art. 17-20, Art. 22 and Art. 23 of the Act on State Property Management at the Company's subsidiaries within the meaning of Art. 4.3 of the Act on Competition and Consumer Protection.

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

## 2020 Description of remuneration components



### ADDITIONAL BENEFITS FOR MEMBERS OF THE MANAGEMENT BOARD

In addition to the Fixed Remuneration and Variable Remuneration, Management Board Members were entitled to certain additional benefits in 2020. The grant of a specific additional benefit was justified by the Company's best interest, was due on account of the services having to be provided personally by a given Management Board Member, and did not represent any form of hidden remuneration. The value of additional benefits constituted the Management Board Member's income before tax and was not included in the Fixed Remuneration.

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

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

Furthermore:

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

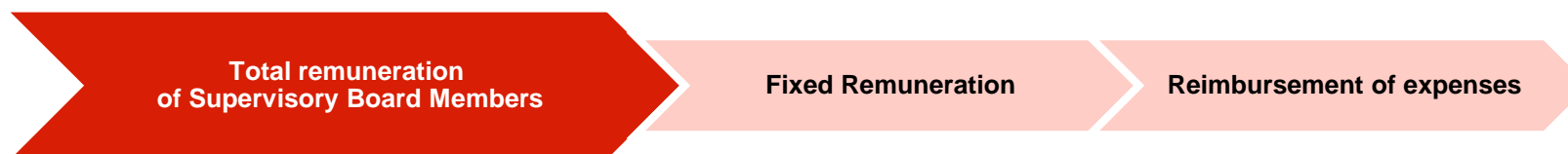
**The benefits were provided on the terms and within the limits specified in the Contract and other regulations applicable at the Company.**

## 2020 Description of remuneration components



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

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



### FIXED REMUNERATION OF SUPERVISORY BOARD MEMBERS (PLN gross)

#### Rules of remuneration for Supervisory Board Members:

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

## 2020 Description of remuneration components



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

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

- ☐ for the Chair of the Supervisory Board – 2.2,
- ☐ for other members of the Supervisory Board – 2.

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

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

## 2020 Description of remuneration components



Table 3. **Total remuneration of Management Board Members in 2020 (PLN gross)**

Full name Position held	Length of service in the reporting period	Fixed Remuneration	Variable Remuneration paid for the previous year	Additional benefits*	Total remuneration	Ratio of Variable Remuneration (paid for the previous year) to Fixed Remuneration (%)	Ratio of additional benefits to Fixed Remuneration (%)
Daniel Obajtek President of the Management Board, Chief Executive Officer	the entire year 2020	965,697.80	912,825.00	320,651.75	<b>2,199,174.55</b>	95%	33%
Armen Artwich, Member of the Management Board, Corporate Affairs	the entire year 2020	965,697.80	912,825.00	7,194.65	<b>1,885,717.45</b>	95%	1%
Adam Burak Member of the Management Board, Communication and Marketing	February 3rd–December 31st 2020	877,130.59	-	8,248.00	<b>885,378.59</b>	0%	1%
Patrycja Klarecka, Member of the Management Board, Retail Sales	the entire year 2020	965,697.80	912,825.00	27,250.00	<b>1,905,772.80</b>	95%	3%
Zbigniew Leszczyński**, Member of the PKN ORLEN Management Board, Development:	the entire year 2020	965,697.80	912,825.00	19,194.31	<b>1,897,717.11</b>	95%	2%
Michał Róg Member of the Management Board, Wholesale and International Trade	the entire year 2020	965,947.80	912,825.00	48,368.43	<b>1,927,141.23</b>	95%	5%
Jan Szewczak Member of the Management Board, Finance	February 3rd–December 31st 2020	877,620.59	-	3,843.62	<b>881,464.21</b>	0%	0%
Józef Węgrecki Member of the Management Board, Operations	the entire year 2020	966,187.80	912,825.00	36,399.00	<b>1,915,411.80</b>	94%	4%
<b>Total 2020</b>		<b>7,549,677.98</b>	<b>5,476,950.00</b>	<b>471,149.76</b>	<b>13,497,777.74</b>		

\* Additional benefits may include: non-cash benefits added to income before tax (medical benefits, rental of premises, training, ECP) and cash benefits added to income before tax (reimbursement of medical expenses). In addition, in 2020 Wiesław Protasewicz, Member of the Management Board, Finance, who was removed from the PKN ORLEN Management Board on November 28th 2019, received non-compete compensation paid in six equal instalments (totalling PLN 456,412.50 gross).

\*\* In addition, in 2020 Zbigniew Leszczyński, Member of the Management Board, Development, received variable remuneration for 2017 totalling PLN 936,340.20 (gross).

## 2020 Description of remuneration components



Table 4. **Total remuneration of Supervisory Board Members in 2020 (PLN gross)**

Full name Position held	Length of service in the reporting year	Fixed Remuneration	Other*	Total remuneration
Izabela Felczak-Poturnicka Chair of the Supervisory Board	January 1st–January 16th 2020	6,298.08	167.35	<b>6,465.43</b>
Wojciech Jasiński** Chair of the Supervisory Board	March 5th–December 31st 2020	116,908.65	-	<b>116,908.65</b>
Andrzej Szumański Deputy Chair of the Supervisory Board	the entire year 2020	128,825.04	-	<b>128,825.04</b>
Barbara Jarzembowska Member of the Supervisory Board	the entire year 2020	128,825.04	-	<b>128,825.04</b>
Dominik Kaczmarek Member of the Supervisory Board	March 5th–December 31st 2020	106,280.73	805.15	<b>107,085.88</b>
Andrzej Kapała Member of the Supervisory Board	the entire year 2020	128,825.04	2,252.69	<b>131,077.73</b>
Michał Klimaszewski Member of the Supervisory Board	the entire year 2020	128,825.04	1,923.47	<b>130,748.51</b>
Roman Kusz Member of the Supervisory Board	the entire year 2020	128,825.04	1,610.30	<b>130,435.34</b>
Jadwiga Lesisz Member of the Supervisory Board	the entire year 2020	128,825.04	1,923.47	<b>130,748.51</b>
Małgorzata Niezgoda Member of the Supervisory Board	January 1st–March 5th 2020	23,260.09	474.20	<b>23,734.29</b>
Anna Sakowicz-Kacz Member of the Supervisory Board	the entire year 2020	128,825.04	-	<b>128,825.04</b>
Anna Wójcik Member of the Supervisory Board.	the entire year 2020	128,825.04	1,923.47	<b>130,748.51</b>
<b>Total 2020</b>		<b>1,283,347.87</b>	<b>11,080.10</b>	<b>1,294,427.97</b>

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

\*\* In addition, in 2020 Wojciech Jasiński, President of the Management Board of PKN ORLEN S.A. in 2017, received variable remuneration of PLN 1,176,340.20 (gross) for serving in that capacity in 2017.

2020

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



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

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

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

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

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

2020

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



**The purpose of the Policy, namely to set out the general rules of remuneration for Members of the Management Board and the Supervisory Board, was achieved in 2020.**

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

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



2020

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



The Company's projects also contribute to the development of external and internal innovations. Internal innovations were delivered by streamlining the technological and organisational processes and developing the R&D portfolio. The Company completed the Research and Development Centre project, serving as a platform to link the ORLEN Group with science and business partners. Other projects include the Strategic Research Agenda (currently under way), planned launch of innovation acquisition tools (the accelerator and CVC fund), and continuing collaboration with startups. The Management Objectives to be achieved as a precondition to payment of Variable Remuneration to Management Board Members in 2020 are intended to keep the Group on a solid financial footing, diversify its financing sources and optimise the maturity dates of debt instruments. In 2020, the ORLEN Group maintained a safe debt level while continuing its dividend policy.

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

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

**The objectives and targets set for 2020 allowed the Company to deliver its business strategy and to achieve long-term value growth and stability.**

The maximum amount of Variable Remuneration was 100% of the Fixed Remuneration in 2020, determined in accordance with the Contract. The weighted sum of percentage points assigned by the Supervisory Board equalled a percentage of the maximum Variable Remuneration to be received, with a proviso that if the weighted sum of percentage points exceeded 100% it was reduced to 100%. The choice of the Management Objectives, as well as the criteria set by the Supervisory Board for assessing their achievement, supported successful implementation of the Company's business strategy, its long-term interests and stability. The achievement of those objectives was contingent on the Company's performance.

### **Assessment criteria for quantitative targets**

In setting the quantitative targets for Management Board Members for 2020, the expected levels of achievement (thresholds) were defined. The key sources of data for quantitative financial targets included materials concerning the budget for the year, as presented to the Supervisory Board, the audited financial statements, reporting systems such as SAP, HFM Planning and HFM Statutory Reporting, as well as accounting records, underlying documents and public stock exchange data.

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

### **Assessment criteria for qualitative targets**

- In 2020, the qualitative targets set for Management Board Members were assessed on the basis of:
  - Rules of the Incentive Scheme for the Management Board of PKN ORLEN S.A.;
    - ✓ Reports of Management Board Members on the delivery of qualitative targets;
    - ✓ Management Board's recommendation regarding separate objectives that were a precondition to payment of Variable Remuneration.

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

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

- The objectives assigned to Members of the PKN ORLEN Management Board as a precondition to payment of Variable Remuneration were assessed on the basis of:
  - ✓ Report on the rules of remuneration for Members of the Management Board of the ORLEN Group companies for 2020;
  - ✓ Report on the status of implementation of the Act on State Property Management as at December 31st 2020;
  - ✓ Other reports, opinions and audits, to the extent necessary to assess the achievement of objectives that were a precondition to payment of Variable Remuneration.

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



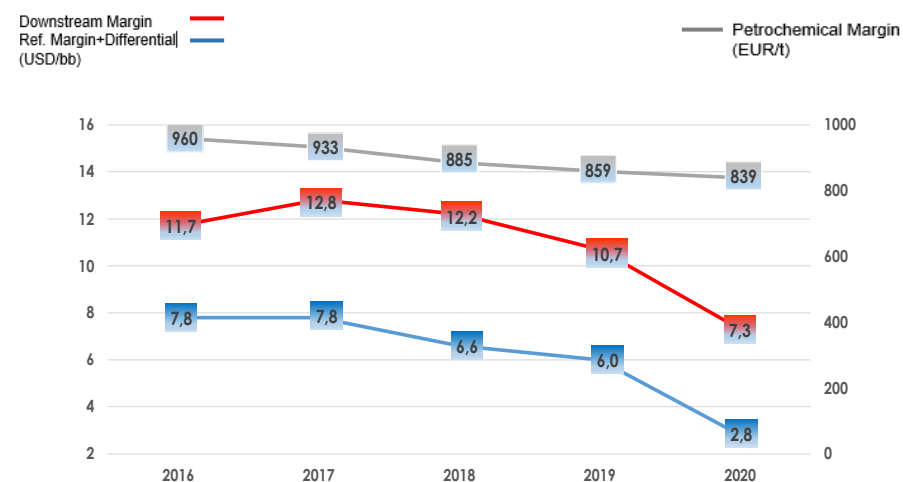
There were additional incentives for Members of the Management Board to monitor the Company's performance on an ongoing and long-term basis and to implement the adopted strategic initiatives, which translated into the Company's strong position and financial stability.

To start with, it should be noted that PKN ORLEN S.A.'s performance is strongly contingent on external macroeconomic variables. Changes in the prices of crude oil, fuels and petrochemical products are of a global scale. Due to arbitrage opportunities, a positive or negative impulse emerging on one market (whether regional or product market) spills over to affect all other markets.

The pricing differences between refining and petrochemical products and a barrel of crude oil, i.e. crack spreads, are of key importance in the refining and petrochemical business. In addition, due to a high share of sour Urals crude in the Company's crude slate, the Urals/Brent differential is a major factor behind PKN ORLEN S.A.'s operating results.

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

Chart 6. **Changes of model margins in 2016–2020**

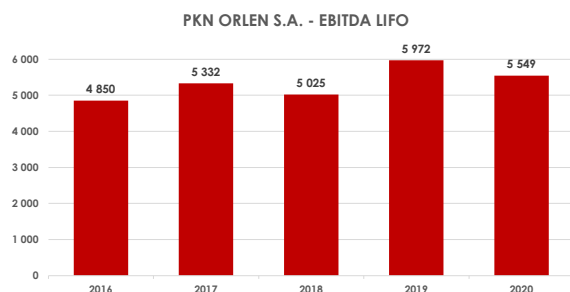


## Changes in the remuneration of Members of the Management Board and the Supervisory Board relative to the Company's performance and the remuneration of employees

### FINANCIAL PERFORMANCE OF PKN ORLEN S.A.

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

Chart 7. **LIFO EBITDA at PKN ORLEN S.A. in 2016–2020 (excluding the effect of impairment losses) (PLNm)**



In 2020, PKN ORLEN S.A. reported LIFO EBITDA of over PLN 5.5bn despite a sharp deterioration of macroeconomic variables (as presented above) and a decline in total sales volumes by (10)% year on year following the outbreak of the COVID-19 pandemic. Macroeconomic headwinds were particularly strong in Refining, due mainly to the narrower Urals/Brent differential and falling margins on light and middle distillates. The Petrochemicals and Retail performance stayed largely unchanged year on year. EBITDA growth in Power Generation was achieved on the back of optimum utilisation of generation assets and favourable relations between electricity and gas prices.

The value of write-offs by which LIFO-based EBITDA was adjusted each year:

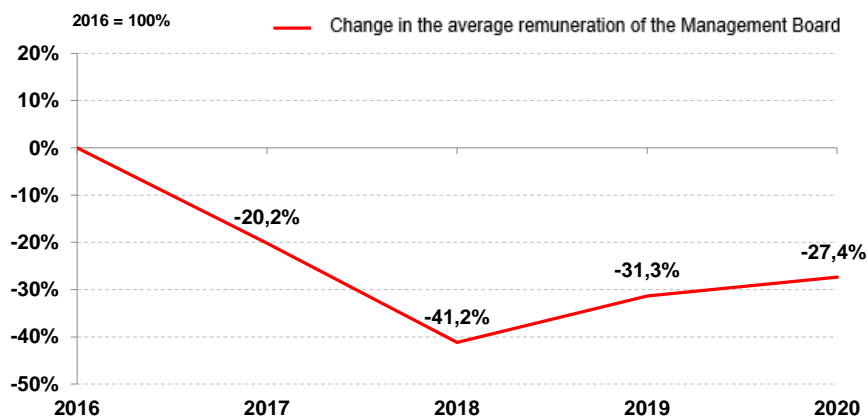
- 2016 - (4) PLNm
- 2017 - (5) PLNm
- 2018 - (25) PLNm
- 2019 - (8) PLNm
- 2020 - (23) PLNm

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



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

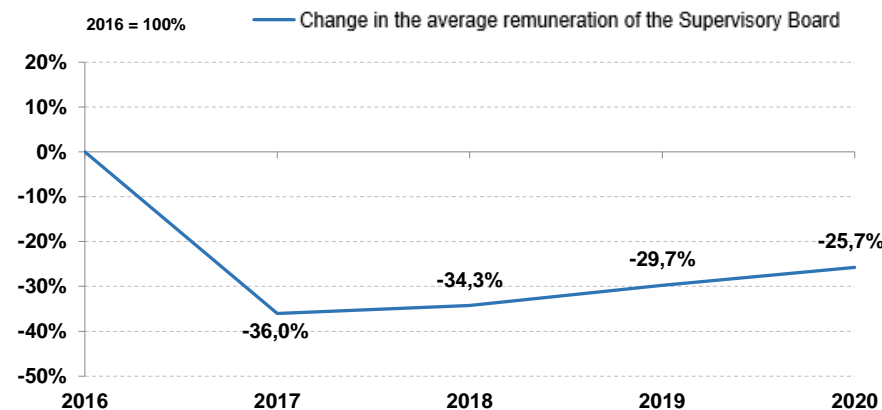
Chart 8. Changes in the average remuneration (fixed and variable portions) of the Company Management Board\* relative to 2016



In 2017–2020, the average remuneration of PKN ORLEN S.A.'s Management Board remained well below the average remuneration paid for 2016.

\* The average remuneration was calculated based on the remuneration paid and payable or potentially payable in the following year, including on account of the delegation of a Supervisory Board Member to temporarily perform the duties of a Management Board Member.

Chart 9. Changes in the average fixed remuneration of the Company Supervisory Board\*\* relative to 2016



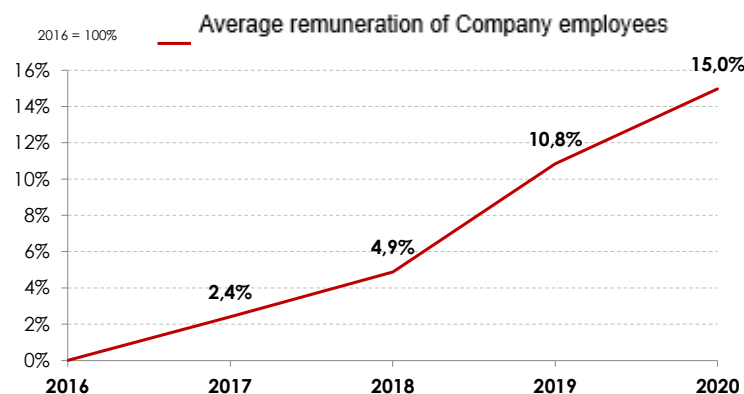
In 2017–2020, the average remuneration of PKN ORLEN S.A.'s Supervisory Board remained well below the average remuneration paid for 2016.

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

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



Chart 10. **Changes in the average remuneration of PKN ORLEN S.A. employees relative to 2016\***



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

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

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

To conclude, the Company's operating performance (LIFO EBITDA) followed an upward trend in the years preceding the reporting period; the same applied to the remuneration of employees (other than Members of the Management Board and the Supervisory Board), which reflected the adopted remuneration policy set out in the Collective Bargaining Agreement. After a considerable reduction in 2017, the remuneration of Members of the Management Board and the Supervisory Board remained broadly flat.

## 2019-2020 MODULE III





## Other information



- ❑ Remuneration received from entities of the same corporate group within the meaning of the Accounting Act of September 29th 1994: **Not applicable to Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. in 2019–2020**
- ❑ Number of financial instruments granted or offered and the key conditions for the exercise of rights attached to such instruments, including the exercise price and date and any changes thereof: **Not applicable to Members of the Management Board and the Supervisory Board of PKN ORLEN S.A. in 2019–2020**
- ❑ Any derogations from the Remuneration Policy and derogations applied in accordance with Art. 90f of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (consolidated text: Dz.U. of 2020, item 2080, as amended), including their conditions and procedure, with information on the elements to which such derogations applied: **Not applicable to PKN ORLEN S.A. in 2019–2020**
- ❑ Under the provisions of the Contract, the Company was entitled to claim a refund of Variable Remuneration paid to a Management Board Member if it was demonstrated that the Variable Remuneration had been paid to the Management Board Member based on information later found to be false, where Members of the Management Board were responsible for the falsehood (even if this did not apply to the Management Board Member concerned). If Members of the Management Board were not responsible for the falsehood of such information, the Management Board Member concerned was obliged to return the difference between the amount of Variable Remuneration received and the amount that would have been due based on correct information. **In 2019–2020, there were no grounds for applying the above provision.**

## Other information



- As this report is the first one prepared pursuant to Art. 90g.1 of the Act on Public Offering, no reference can be made to previous resolutions in this respect.

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

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

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

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



The Company shall publish the remuneration report on its website at [www.orlen.pl](http://www.orlen.pl) and shall make it available free of charge for at least 10 years after closing the General Meeting.



**ORLEN.** FUELLING THE FUTURE. RESPONSIBLY.

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**Wojciech Jasiński**  
Chair of the Supervisory Board  
PKN ORLEN S.A.

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

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



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

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

***Subject matter of the engagement***

We have performed an independent reasonable assurance engagement to assess whether the accompanying 'Report of the Supervisory Board of PKN ORLEN S.A. on the Remuneration of Members of the Management Board and the Supervisory Board for 2019–2020' (the "Remuneration Report") contains all information required under Art. 90g.1–5 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (Dz.U. of 2020, item 2080) (the "Public Offering Act").

The Remuneration Report was prepared by the Supervisory Board in order to ensure compliance with the requirements set out in Art. 90g.1 of the Public Offering Act. The Remuneration Report was authorised by the Supervisory Board by resolution No. [2590/21] of April 29th 2021.

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

***Applicable criteria***

The requirements regarding the content of the Remuneration Report are set forth in Art. 90.1–5 of the Public Offering Act.

***Supervisory Board's responsibility***

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

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

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### ***Auditor's responsibility***

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

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

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

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

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

### ***Quality control requirements***

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

### ***Ethical requirements, including independence***

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

### ***Summary of the work performed***

The procedures we planned and performed included:

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

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

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

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

**Conclusion**

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

**Restriction of use**

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

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

Monika Jakubczyk  
Reg. No. 13600

Warsaw, April 20th 2021