



**REMUNERATION POLICY  
FOR MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD  
OF POLSKI KONCERN NAFTOWY ORLEN S.A.**

## Section 1 Definitions

In this Policy, the terms defined below shall have the following meanings:

- 1) **“Group”** shall mean the Company and the commercial-law companies with respect to which the Company is the direct or indirect parent within the meaning of the Commercial Companies Code;
- 2) **“Commercial Companies Code”** shall mean the Polish Commercial Companies Code of September 15th 2000 (Dz.U. of 2019, item 505, as amended);
- 3) **“Policy”** shall mean the Remuneration Policy for members of the Company's Management Board and Supervisory Board, adopted pursuant to Art. 90d.1 of the Public Offering Act;
- 4) **“Supervisory Board”** shall mean the Supervisory Board of the Company;
- 5) **“Company”** shall mean Polski Koncern Naftowy ORLEN S.A. of Płock, Poland;
- 6) **“Contract”** shall mean a contract for the provision of management services, concluded with members of the Management Board;
- 7) **“Public Offering Act”** shall mean the Polish Act on Public Offering, Conditions Governing Admission of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (consolidated text: Dz.U. of 2019, item 623, as amended);
- 8) **“ECP Act”** shall mean the Employee Capital Plans Act of October 4th 2018 (Dz.U. of 2018, item 2215, as amended);
- 9) **“Remuneration Act”** shall mean the Act on the Rules of Remunerating Persons Who Direct Certain Companies, dated June 9th 2016 (consolidated text: Dz.U. of 2019, item 1885, as amended);
- 10) **“General Meeting”** shall mean the General Meeting of the Company;
- 11) **“Management Board”** shall mean the Management Board of the Company.

## Section 2 General provisions

1. The purpose of this Policy is to set out the rules of remuneration for members of the Management Board and Supervisory Board.
2. The solutions adopted in this Policy partially tie the rules of remuneration for Management Board members to the delivery of the Company's business strategy, pursuit of its long-term interests and stability, and as such contribute to the implementation of the rules.
3. Remuneration systems for Management and Supervisory Board members are defined taking into account the terms of remuneration for the Company's employees other than members of the Management or Supervisory Boards by:
  - 1) referring to the remuneration of the Company's employees;
  - 2) referring to the rules of granting bonuses to employees holding key positions within the Company;
  - 3) analysing remuneration levels at companies with similar business size and profile (taking into account the size of the Group's business, including on international markets);
  - 4) analysing the scope of duties, as well as the size and nature of the supervised area, taking into account segment-based management within the Group.

## Section 3 Remuneration structure

1. Remuneration of the Management Board members shall comprise:

- 1) **“Fixed Remuneration”**, i.e. monetary consideration paid on a monthly basis for the functions performed at the Company and the scope of responsibilities assigned to them, taking into account market conditions;
  - 2) **“Variable Remuneration”**, i.e. supplementary remuneration for a given financial year the amount of which depends on the achievement management objectives.
2. In addition to Fixed Remuneration and Variable Remuneration, the Management Board members may receive additional benefits, in each case as determined by resolution of the Supervisory Board.
  3. The Supervisory Board members are only entitled to fixed monthly remuneration.

#### **Section 4 Legal relationship between members of the governing bodies and the Company**

1. A Management Board member shall receive remuneration under a Contract concluded for the period of serving as a member of the Company's Management Board.
2. Each party shall have the right to terminate the Contract with immediate effect in the event of a material breach of the Contract by the other party. Each party shall have the right to terminate the Contract for reasons other than specified in the preceding sentence, with a notice period of up to three months. However, if the event referred to in the first sentence occurs during the notice period, the Contract shall be terminated with immediate effect.
3. The Supervisory Board members shall receive remuneration on the basis of the corporate relationship resulting from their appointment, for the duration of their service on the Company's Supervisory Board. The Supervisory Board members shall be appointed and removed from office on the terms and for the period specified in the Company's Articles of Association.

#### **Section 5 Rules of granting Fixed Remuneration to Management Board members**

1. The monthly amount of Fixed Remuneration paid to Management Board members shall be determined by way of a Supervisory Board resolution, taking into account the provisions of the Remuneration Act.
2. When determining the amount of Fixed Remuneration paid to Management Board members, the Supervisory Board shall consider the following criteria:
  - 1) qualifications, professional experience and length of service;
  - 2) the profile of the function performed, the size of the supervised area, the scope and nature of tasks performed in that area;
  - 3) remuneration paid the management staff of companies with a similar business size and profile (taking into account the size of the Group's business, including on international markets).
3. The amount of Fixed Remuneration for Management Board members shall reflect the actual ability to acquire and retain key competencies at the Company, and shall be consistent with the market levels and practice at companies operating on international markets.

#### **Section 6 Rules of granting Variable Remuneration to Management Board members**

1. The amount of Variable Remuneration for a given financial year may not exceed 100% of Fixed Remuneration due for the year.

2. The amount of Variable Remuneration paid to Management Board members shall depend on the level of delivery of management objectives assigned to Management Board members by the Supervisory Board for a given financial year (“**Management Objectives**”).
3. The Management Objectives shall be determined by the Supervisory Board as part of a general catalogue of Management Objectives defined by the General Meeting in accordance with the Remuneration Act and the Public Offering Act. Details of these Management Objectives, as well as the weights and criteria for their achievement by individual Management Board members shall be specified in a Supervisory Board resolution.
4. The choice of the Management Objectives, as well as the criteria set by the Supervisory Board for determining their achievement, shall serve to support successful implementation of the Company’s business strategy, its long-term interests and stability.
5. The Supervisory Board may decide to pay Variable Remuneration pro rata to the number of months and days of a given Management Board member’s service in a given year.
6. The Supervisory Board may decide not to grant Variable Remuneration or to decide that it be returned if allegations of an offence by a Management Board member are confirmed, in full or in part, by a final judgment.
7. With regard to the achievement of the Management Objectives, the Supervisory Board may define specific periods for their achievement and corresponding settlement periods of up to 36 months. In the case of Management Objectives to be achieved in more than a year, the Supervisory Board may decide to pay the related Variable Remuneration in whole or in part at the end of a given settlement period.

#### **Section 7 Rules of granting additional benefits to Management Board members**

1. Management Board members may be granted additional benefits by the Supervisory Board, including in particular:
  - 1) coverage of the costs of treatment, preventive healthcare and medical care, including with respect to the Management Board member’s closest family members or persons who share the same household with a Management Board member;
  - 2) 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;
  - 3) coverage or refinancing of the costs of individual training received by the Management Board member and related to the scope of his or her duties performed for the Company;
  - 4) use of the Company’s assets, including a company car (including for private purposes);
  - 5) payment and fuel cards to cover business expenses;
  - 6) payment of D&O insurance premiums;
  - 7) coverage of the costs of physical security to the extent necessary for the protection of life or health;
  - 8) grant of other benefits related to the holding of office at the Company (even if payable after the expiry of a Management Board member’s term of office) which the Supervisory Board considers reasonable in a given case.
2. If the Contract is terminated by the Company, the Supervisory Board may grant to the Management Board Member a severance payment of up to three times the Fixed Remuneration amount, provided that such Management Board member held the position for at least twelve months prior to the termination. The Supervisory Board may determine

when a Management Board member is not entitled to receive or is required to return the severance payment (where it has already been paid).

3. If a member serves on the Management Board for at least three months, the Supervisory Board may conclude with such Management Board member a non-compete agreement binding on the member after they cease to hold their position. If such agreement has been concluded, the Management Board member shall receive compensation of no more than Fixed Remuneration for each month of the non-compete period, which shall be no longer than six months. The Management Board member shall have the right to receive such compensation if the member served on the Management Board for at least three months.
4. 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 Management and Supervisory Boards may participate in the ECP.

### **Section 8 Rules of remuneration for Supervisory Board members**

1. The amount of remuneration due to Supervisory Board members shall be set by way of a General Meeting resolution, based on and within the limits defined in the Remuneration Act.
2. The amount of remuneration paid to a Supervisory Board member may vary depending on their function.
3. A Supervisory Board member shall receive a fixed monthly remuneration irrespective of the number of Supervisory Board meetings called.
4. If a Supervisory Board member holds their office for a period shorter than the month for which the remuneration is due, the remuneration amount shall be calculated according to their number of days in office.
5. A Supervisory Board member shall not receive remuneration for a month during which such member was absent from all formally called meetings and the absence was not excused. The Supervisory Board shall decide by way of a resolution whether or not a Supervisory Board Member's absence from a meeting is excused.
6. The Company shall reimburse any expenses incurred by Supervisory Board members in connection with the performance of their duties, including in particular the cost of travel, meals and accommodation.
7. The amount of remuneration for the Supervisory Board members who meet the independence criteria should be conducive to maintaining their independence of the majority shareholder and the Company's decision-makers.

### **Section 9 Avoiding conflicts of interest with respect to the matters governed by this Policy**

1. The division of powers regarding the determination of the amount and rules of remuneration, provided for in Art. 378 and Art. 392 of the Commercial Companies Code, serves to prevent conflicts of interest with respect to the matters governed by this Policy. The Supervisory Board's monitoring, analysis and supervision of the remuneration system and payment of additional benefits to Management Board members in accordance with the Company's Articles of Association and the Rules of Procedure for the Supervisory Board also serve the above purpose.
2. If a Management or Supervisory Board member identifies a potential conflict of interest with respect to the matters governed by this Policy, they shall report it to the Chair of the Supervisory Board. In such case, the Chair of the Supervisory Board shall take appropriate corrective measures on an *ad hoc* basis.

3. If any general (systemic) amendments are required to be made to this Policy, the Supervisory Board shall initiate a procedure to update this Policy, in accordance with the provisions set out below, in order to eliminate the identified, or prevent the potential, conflict of interest.

### **Section 10 Conditional disapplication of the Remuneration Policy**

1. The Supervisory Board may temporarily suspend the application of this Policy.
2. The suspension referred to in Section 10.1 can only be made by the Supervisory Board if doing so is necessary to achieve the Company's long-term interests and financial stability or to ensure its profitability, taking into account the need for proportionality and advisability.
3. If the Supervisory Board determines that the reasons for suspending the application of this Policy, referred to in Section 10.1, are no longer temporary and represent a permanent obstacle to its application, the Supervisory Board shall initiate a procedure to update this Policy, in accordance with the provisions set out below.

### **Section 11 Remuneration report**

Once a year, the Supervisory Board shall perform a comprehensive remuneration review and prepare an annual remuneration report which shall be submitted to the General Meeting for opinion and then published.

### **Section 12 Final provisions**

1. An initial draft Policy shall be prepared by the Management Board, which shall submit it to the Supervisory Board for opinion and change, if any. The Supervisory Board shall then submit its version of the draft Policy to the General Meeting.
2. The final version of the Policy shall be adopted by the General Meeting. A resolution on the Policy shall be adopted at least every four years.
3. If the need to materially amend the Policy is identified within less than four years from the adoption of the most recent amendment, the Supervisory Board shall put forward a relevant request to the General Meeting. The Supervisory Board may request the General Meeting to amend the Policy on its own initiative or at the request of the Management Board.
4. The Policy shall come into force with effect from the day following the closing of the General Meeting the agenda of which included approval of the Company's financial statements for 2019, and shall apply from that date to the payment of remuneration to members of the Management and Supervisory Boards.
5. The Policy shall not apply to the payment of severance pay due for termination of the Contract or to the payment of Variable Remuneration to which persons covered by the Remuneration Policy became entitled prior to the Policy's effective date.