



NON-FINANCIAL
STATEMENT OF THE
ORLEN GROUP
AND PKN ORLEN S.A.
FOR

2019



ORLEN

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1. LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

we make every effort to ensure that our activities meet the expectations of all Stakeholders. Aware of PKN ORLEN's strategic importance for the Polish economy, we do our best to ensure the security of supplies for Poland and pursue development-oriented projects. Our initiatives are designed to transform PKN ORLEN into a strong multi-utility player and a responsible corporate citizen. We pay attention to environmental, social and governance (ESG) aspects in the management and setting directions for our business development. We are a responsible company, committed to sustainable development, encompassing especially support for local communities, promotion of safety, health and environment protection.

Our initiatives and non-financial value creation are synergetic with PKN ORLEN's business goals. We are aware that corporate social responsibility is not only what our Stakeholders and the outside world expect of us, but also a driver of our internal and external value, fostering the Company's corporate image and popularity with consumers, while building capabilities that will be used in the future.

We realise that PKN ORLEN's activities set the standards and are a model to be followed by other Polish companies, which is why business ethics, responsibility, transparency and integrity are at the top of our agenda.

People are one of the key pillars of the ORLEN Group's strategy. We provide fair and friendly working conditions for our employees. Our relations with internal Stakeholders and the external business environment are based on integrity, respect, dialogue, cooperation and engagement. For the ORLEN Group, as a champion of Poland's economy, a priority is to conduct business in a transparent manner, in keeping with the highest ethical standards. In 2019, we implemented a number of initiatives to strengthen our ethical standards. Examples include the provision of training on risks associated with corruption, methods of its prevention and reporting of any identified irregularities. In 2019, we also developed rules for counteracting workplace bullying and discrimination, another component of our anti-mobbing policy.

Awards such as Top Employer and The Most Ethical Company confirm that our solutions focused on employee development already conform to the highest global benchmarks. A varied range of employee development solutions, a wide package of benefits tailored to individual needs, and deployment of technologies to support our HR processes are just a few examples of our successful efforts. We continually implement a wide spectrum of practices and manage them in such a way as to attract, hire and retain top professionals.

Striving to counteract the negative consequences of climate change and responding to the increasingly stringent environmental regulations, we focus on developing low-emission energy sources. Therefore, we are engaged in projects to develop hydrogen fuels and electric mobility, and in studies related to possible construction of offshore wind farms. We improve our internal occupational health and safety regulations and processes seeking to emulate the highest standards in that area.

The scale of the ORLEN Group's ESG activities is constantly expanded to include new, valuable initiatives. Among them are initiatives to promote Polish sports and culture, and the activities of the ORLEN Foundation, which pursues nationwide outreach programmes for local communities, as well as scholarship programmes to support the education of young people.

The Non-Financial Statement of PKN ORLEN and the ORLEN Group for 2019 presents the Company's comprehensive approach to activities spanning many areas, including social, employee and environmental matters, respect for human rights as well as anti-corruption and bribery.

Daniel Obajtek
President of the Management Board
Chief Executive Officer

2. INFORMATION ON THIS STATEMENT, LEGAL BASIS

2.1 PRINCIPLES, STRUCTURE AND REPORTING METHODOLOGY

This Non-Financial Statement (the "Statement") includes data on the **Polski Koncern Naftowy ORLEN Group** (the "ORLEN Group") and **Polski Koncern Naftowy ORLEN S.A.** ("PKN ORLEN", the "Company") for 2019.

This Statement has been prepared in accordance with:

- Art. 49b.1 and Art. 55.2b-e of the Polish Accounting Act of September 29th 1994, as amended, which implements the guidelines of Directive 2014/95/EU of the European Parliament and of the Council of October 22nd 2014 on disclosure of non-financial and diversity information
- GRI Standards 2016, Core option – international standards for reporting on economic, environmental and social impacts of an organisation, the most widely used ESG (environmental, social and governance) reporting standard in the world.

The business model, non-financial key performance indicators, policies and procedures as well as potential risks and methods of their management are presented in this Statement for the entire ORLEN Group and for PKN ORLEN. This Statement presents the activities carried out by the ORLEN Group and PKN ORLEN in 2019. The previous Non-Financial Statement, for 2018, was issued in March 2019. Non-Financial Statements are issued on an annual basis and are continually evolving, to reflect changes within the ORLEN Group and in its environment.

There were changes to data presentation within the following GRI indicators:

- 102-8 'Information on employees and other workers' – adjustment of the 2018 data to account for a change in the assignment to educational attainment levels at PKN ORLEN
- 302-1 'Energy consumption within the organisation by type of raw material' – adjustment of the 2018 data under 'Total consumption' due to a change in the calculation method.

In 2019, there were no significant changes in the structure or value chain that would result in a change of the business model. The changes made in the Group's structure were in pursuance of the strategy to focus on core business and allocate the released capital to development of the Group's business areas that offer the greatest growth potential. In 2019, PKN ORLEN S.A. bought out minority interests in ORLEN KolTrans S.A., thus becoming its sole shareholder. Additionally, PKN ORLEN S.A. purchased shares in ORLEN Usługi Finansowe sp. z o.o. and SIGMA BIS S.A. In consequence, as at December 31st 2019, PKN ORLEN S.A. held, respectively, 100% and 66% of total voting rights in those companies.

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 fits well with global trends in the use of primary energy sources, technological progress and social processes, which are bound to create new consumer behaviours and expectations. PKN ORLEN aims 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. The focus on value-creating innovations is an important element of the strategy.

2.2 REPORTING METHODOLOGY

Preparation of this Statement included the following stages:

- Confirmation of significant business and social responsibility topics relevant to the ORLEN Group and PKN ORLEN, and their materiality
- Confirmation of the Stakeholder Map and review of relevant reporting aspects
- Collection of data showing implementation of the policies, strategies and objectives of corporate social responsibility, as well as the due diligence procedures and risk management policies and how they are put into effect at the ORLEN Group and PKN ORLEN
- Preparation of this ORLEN Group and PKN ORLEN Statement for 2019, based on the collected data in accordance with the Polish Accounting Act of December 15th 2016 (Dz.U. of 2017, item 61) and GRI Standards 2016, Core option.

2.3 REPORTING STANDARDS

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

A detailed description of all aspects of the ORLEN Group's non-financial activities will be published in 2020 in the online ORLEN Group Integrated Report for 2019. In addition to GRI Standards 2016, the Integrated Report will take account of the integrated reporting guidelines issued by the International Integrated Reporting Council, and will be reviewed by an auditor in accordance with ISAE 3000.

2.4 RELEVANT REPORTING ASPECTS

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

Identification

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

Prioritisation

To update and select relevant aspects to be reported by the ORLEN Group, consultations were held in late 2019 and early 2020 with the ORLEN Group's key reporting areas.

Validation

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

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

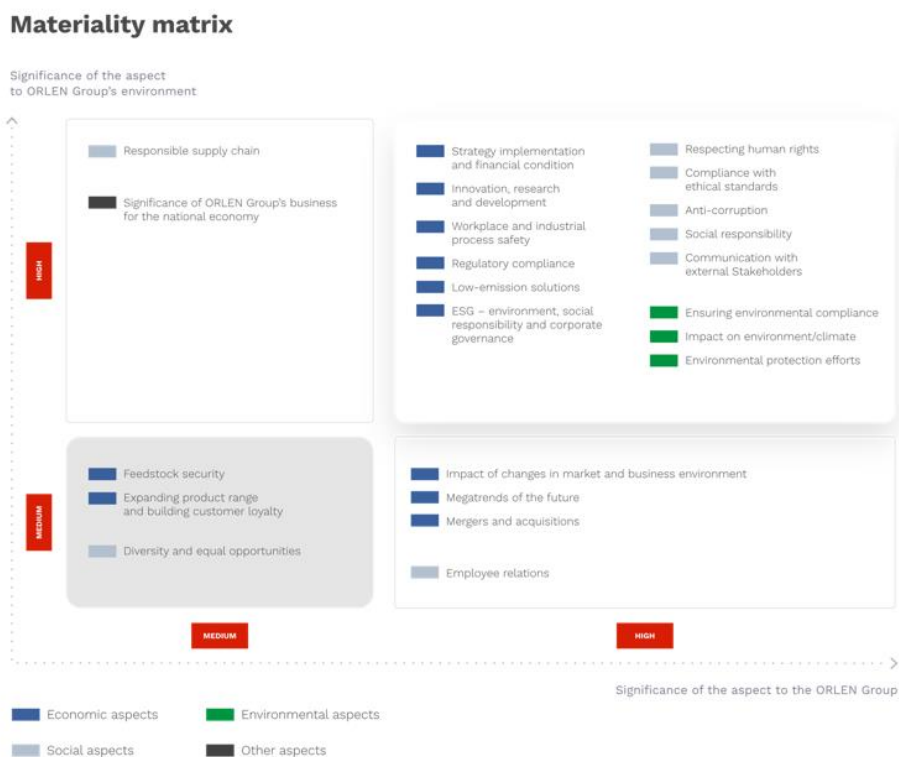
Relevant reporting aspects identified by external and internal Stakeholders

Following analyses and consultations with internal and external Stakeholders, the following changes were made to the list of aspects:

- new aspects, i.e. 'Mergers and acquisitions', 'Low-emission solutions' and 'ESG – environment, social responsibility and corporate governance' were included in economic aspects
- with regard to social aspects – the 'Social responsibility' aspect was created, combining two previously separate aspects, namely 'Participation in social life and impact on local communities' and 'Responsibility towards key stakeholders'
- with regard to environmental aspects – the 'Environmental impacts' aspect changed its name to 'Environmental/climate impacts'.

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

FIGURE 1. Materiality of individual reporting aspects to the ORLEN Group and its Stakeholders.



GRI indicators discussed in this Section:

- GRI 101 Foundation and basis of reporting
- GRI 102-44 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting
- GRI 102-46 Process for defining the report content and the aspect boundaries
- GRI 102-47 List of material topics
- GRI 102-48 Effect of any restatements of information given in previous reports, the reasons for such restatements and their impact (e.g. mergers, acquisitions, change in the base year/period, nature of business, measurement methods)
- GRI 102-49 Changes in reporting (significant changes from previous reporting periods in the material topics and aspect boundaries)
- GRI 102-50 Reporting period
- GRI 102-51 Date of most recent report (if any)
- GRI 102-52 Reporting cycle
- GRI 102-54 Indication of whether the report has been prepared in accordance with the GRI Standards in the Core option or the Comprehensive option
- GRI 102-55 GRI index content (the relevant GRI indicators are listed at the end of each section of this Statement)
- GRI 103-1 Explanation of the material topic and its boundary

3. BUSINESS MODEL

3.1 DIAGRAM OF LINKS BETWEEN ORLEN GROUP AREAS OF ACTIVITY

Key facts and figures 2019

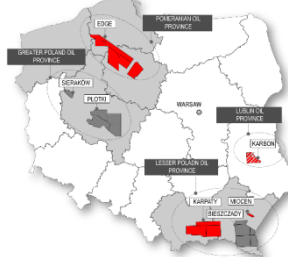
9.2 PLN billion EBITDA LIFO ¹	3.0 PLN billion Record-high retail EBITDA ¹	43.3 million tonnes Record-high sales	9.3 PLN billion Cash flow from operations	5.5 PLN billion CAPEX ²
33.9 million tonnes 96% Capacity utilization	Record-high throughput	1.5 PLN billion (3.50 PLN/share) Dividend payment	6.3% Financial gearing	2.4 PLN billion Net debt

UPSTREAM

CANADA

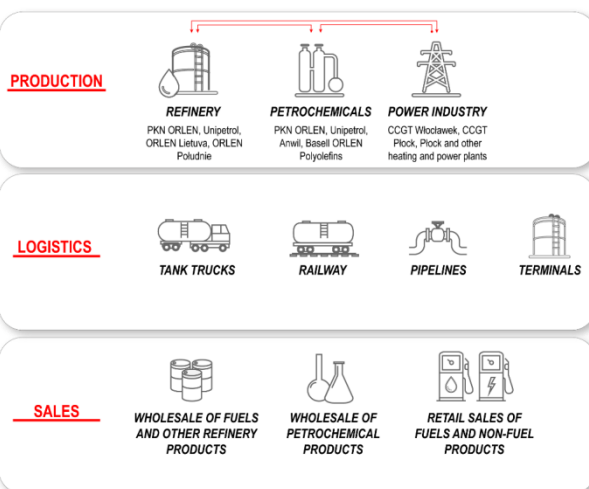


POLAND



- Exploration and production projects in Poland and Canada
- **197.3 million boe³** of total 2P⁴ crude oil and natural gas reserves
- **18.2 thousand boe/d** average extraction in 2019

DOWNSTREAM



- Over **35 million tonnes** of production capacities in 6 ORLEN Group refineries⁵ in Poland, the Czech Republic and Lithuania.
- **3.7 thousand kilometres** of pipeline network and **39** storage facilities
- Development projects:
 - Construction of the Polyethylene unit in the Czech Republic
 - Construction of the Metathesis unit in Plock
 - Construction of the PPF Splitter unit in Lithuania
 - Construction of a boiler house for the Steam Cracker unit in the Czech Republic
 - Construction of a unit for separation of paraffins from reforming feedstock MaxEne in PKN ORLEN

RETAIL



- Over **2.8 thousand** of service station
- **16.5%** of total retail market share (Poland, Germany, the Czech Republic, Lithuania)
- **2.0 thousand** Stop Cafe and Stop Cafe Bistro locations in Poland, the Czech Republic and Lithuania.

1) Before write-downs for impairment of assets in the amount PLN (0.2) billion. Definitions of presented financial indicators and described in ["Glossary of selected financial and industry concepts"](#)
 2) Including the impact of MSSF 16 standard.
 3) Barrel of oil equivalent.
 4) Proven&probable reserves.
 5) Refineries in Plock, Trzebinia, Jedlicze, Mazeikiu, Kralupy and Litvinov.

3.2 STRUCTURE OF THE ORLEN GROUP

3.2.1 Parent – PKN ORLEN S.A.

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

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

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

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

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

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

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

3.2.2 ORLEN Group

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

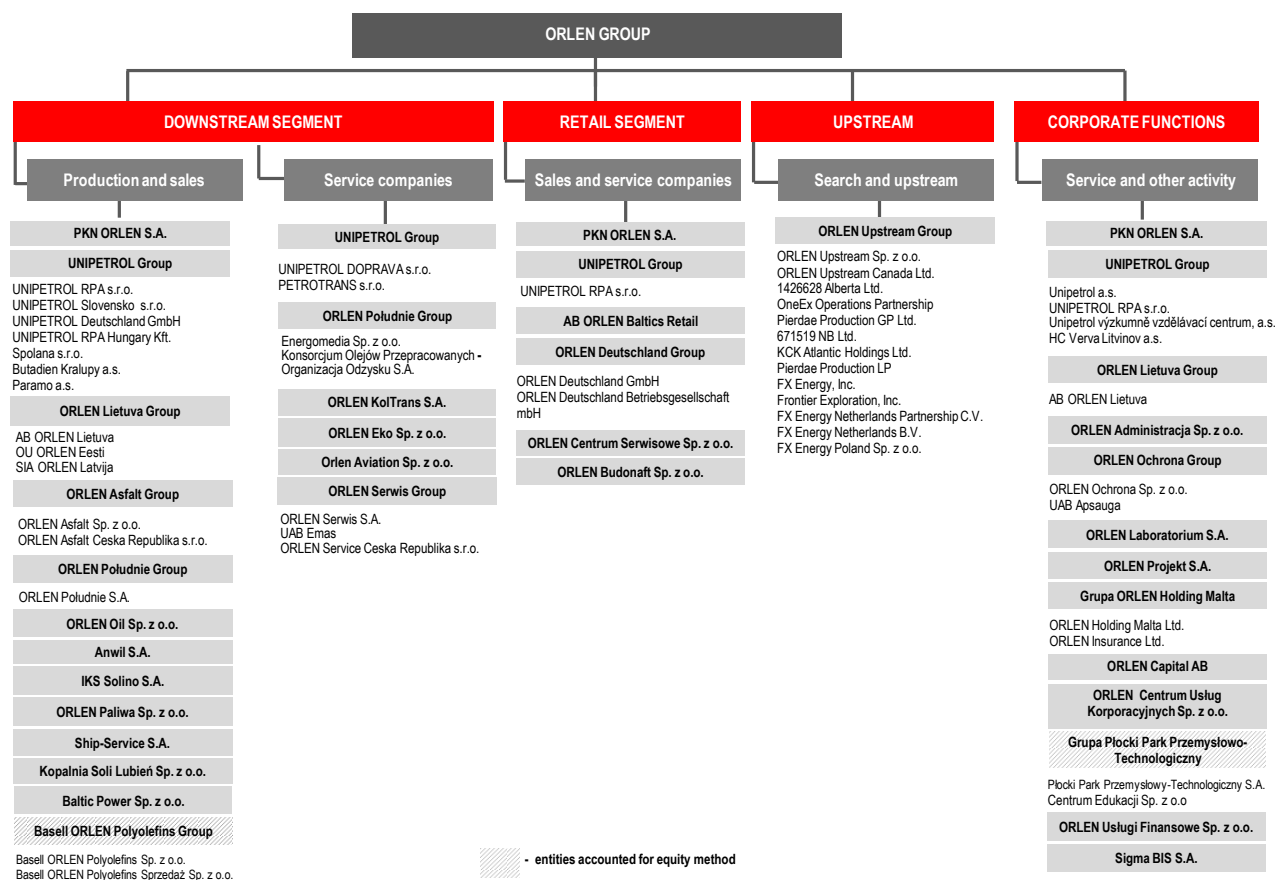
As at December 31st 2019, the ORLEN Group consisted of 68 companies, including 58 subsidiaries.

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

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

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

FIGURE 2. Allocation of the Parent and the ORLEN Group companies to operating segments and corporate functions as at December 31st 2019.



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

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

These policies are based on the ORLEN Group Constitution, relying on three key regulations: the Cooperation Agreement, the Group Rules, and the respective articles of association of the ORLEN Group companies.

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

3.2.3 Operating segments

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

Downstream

The ORLEN Group manages refining assets and is the leading fuel producer in Poland, Lithuania and the Czech Republic. It is also a leading producer of petrochemicals, with production processes carried out by selected units at PKN ORLEN, the Unipetrol Group, ANWIL, and Basell Orlen Polyolefins (BOP). Total processing capacity of the Group's refineries exceeds 35m tonnes per year.

Full integration of the refining and petrochemical units at PKN ORLEN and the Unipetrol Group as well as pipelines connecting PKN ORLEN with the ANWIL Group and BOP are a source of major competitive advantage. Likewise, efficient logistics infrastructure, consisting of surface and underground

storage depots and pipeline networks, is a key element of value creation on the fuel market. The ORLEN Group is also a producer of heat and electricity – the main generation assets of the Downstream segment are the PKN ORLEN CHP plant in Plock (being Poland's largest commercial power generating unit used to supply utilities to the refinery), the CHP plants of the Unipetrol Group and ORLEN Lietuva, as well as the CCGT units in Włocławek and Plock, which were put into operation in 2017 and 2018, respectively.

Retail

The ORLEN Group is the region's leader in retail fuel sales, managing a network of more than 2,800 service stations across the premium and economy segments.

In Poland, our service stations operate under the ORLEN brand in the premium segment and under the Bliska brand in the economy segment (representing only 2% of the total number of stations included in the chain). In the Czech Republic, the brands are Benzina and Benzina Plus (mainly the premium segment), and in Lithuania – ORLEN (premium segment). On the German market, ORLEN Deutschland operates economy stations under the STAR brand and the network is complemented by 16 Familia supermarket stations. The Retail segment is implementing an ambitious investment programme which has seen us open new service stations and other motorway facilities (Motor Service Areas), upgrade existing sites, rebrand Bliska stations, implement corporate loyalty schemes, further develop our food & drink services, and roll out new store formats. In Poland, product development projects under the VERVA, Stop.Cafe and „O!” proprietary brands were being continued. The Stop Cafe 2.0. food & drink service concept was rolled out at a further 186 locations, which brought the number of ORLEN stations featuring the new format to 558 at year-end 2019. In total, PKN ORLEN had 1,699 stations offering food services across all formats (Stop Cafe, Stop Cafe Bistro and Stop Cafe 2.0).

Upstream

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

The objectives are to constantly increase production output and the volume of 2P reserves, focusing on good quality assets and the most profitable projects, and responding flexibly to changes on the oil and gas market. At the end of 2019, 2P reserves of the Upstream segment companies amounted to approximately 197.4 mboe, while total production volume in 2019 reached 18,300 boe/d.

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

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

3.2.4 Key companies

Unipetrol Group

Unipetrol a.s. is the parent of the Unipetrol Group, which was established in 1994 as a result of restructuring of the Czech oil industry. In 2005, PKN ORLEN purchased 62.99% of shares in Unipetrol a.s. In 2018, PKN ORLEN bought out the remaining interests, becoming the sole shareholder in Unipetrol a.s.

The Unipetrol Group's principal business consists in crude oil processing, as well as production and distribution of refining, petrochemical and chemical products.

ORLEN Lietuva Group

AB ORLEN Lietuva is the parent of the ORLEN Lietuva Group. On January 24th 1991, it was registered in the Lithuanian Registry Court as AB Mažeikių Nafta. On December 15th 2006, PKN ORLEN purchased a majority interest in the company from Yukos International UK B.V., and on April 29th 2009 – following acquisition of the company shares from the Government of the Republic of Lithuania – it became its sole owner. Since September 1st 2009, the company has traded under the name of AB ORLEN Lietuva.

The ORLEN Lietuva Group's principal business involves processing of crude oil, production of refining products and wholesale of the company's products locally and by exporting them by land and sea via the Klaipėdos Nafta terminal.

Anwil S.A.

Anwil S.A. was established on March 15th 1993 as a state-owned enterprise was transformed into the state-stock company. As at December 31st 2019, all shares in the company were held by PKN ORLEN.

Anwil S.A.'s business activity is the production of nitrogen fertilizers, plastics (polyvinyl chloride, PVC granulates, PVC-based blends and sheets), as well as chemicals for the manufacturing sector and agriculture (ammonia, chlorine, nitric acid, industrial salt separated, sodium hydroxide).

ORLEN Deutschland GmbH

ORLEN Deutschland GmbH was established as a result of PKN ORLEN's purchase of a service station chain in northern and eastern Germany from Deutsche BP AG in December 2002. As at December 31st 2019, all shares in the company were held by PKN ORLEN. ORLEN Deutschland GmbH focuses mainly on retail sales of fuels in Germany.

ORLEN Upstream Group

ORLEN Upstream sp. z o.o. is the parent of the ORLEN Upstream Group. As at December 31st 2019, all shares in the company were held by PKN ORLEN.

The company's principal business activity includes exploration for and appraisal of hydrocarbons, as well as production of crude oil and natural gas.

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

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

PKN ORLEN supplies crude oil to the Plock refinery and to three other ORLEN Group refineries, in Litvínov and Kralupy in the Czech Republic, and in Lithuania's Mažeikiai. In late April and early May 2019, after deliveries of crude oil via the Druzhba pipeline had been interrupted due to its contamination with organic chloride, there was a significant reduction in pipeline deliveries, as reflected by a change in the monthly structure of oil supplied under long-term contracts to Poland and the Czech Republic. The share of more expensive low-sulfur crudes imported by sea was increased to ensure the continuity of supplies and processing.

In 2019, the following crude oil supply contracts were in force: two long-term contracts for pipeline deliveries to the Plock refinery (with Rosneft Oil Company and Tatneft Europe AG), as well as a long-term contract (with Saudi Arabian Oil Company) and a six-month contract (with Saudi Aramco Products Trading Company ("ATC"), a subsidiary of Aramco) for deliveries by sea.

The ORLEN Group is potentially the largest gas consumer in Poland and one of the largest in the Czech Republic and Lithuania. Natural gas is used by the Group in the production of heat, electricity, fuels and fertilizers. In Poland the ORLEN Group's combined potential for natural gas consumption exceeds 3bn Nm³ per year, accounting for approximately 20% of total consumption.

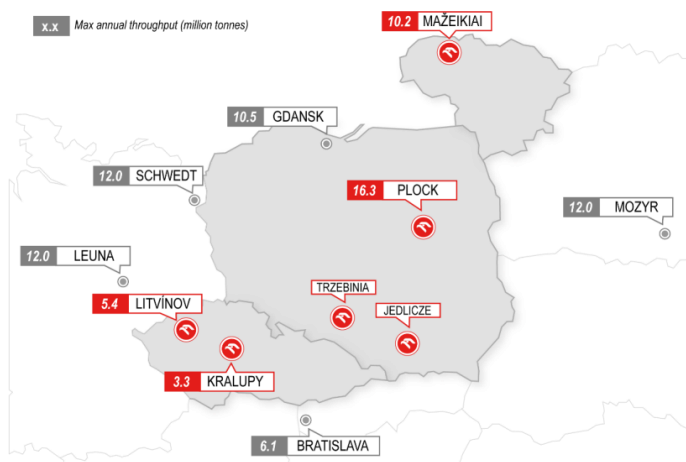
Most deliveries of natural gas to the ORLEN Group companies in Poland are made under a five-year contract signed in 2016 by PKN ORLEN and PGNiG, and under additional contracts with major European gas suppliers. Gas is also purchased on the Polish Power Exchange. The ORLEN Group takes steps to ensure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

PKN ORLEN has gas transmission contracts with both domestic and foreign operators, ensuring full support in natural gas logistics for the Production Plant in Plock, CCGT Włocławek, and CCGT Plock.

PKN ORLEN has also been developing natural gas sales on both retail and wholesale markets.

3.3 MAIN PRODUCTION ASSETS OF THE ORLEN GROUP

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



Source: In-house analysis.

ORLEN GROUP

- The total production capacities of the **ORLEN Group** refineries are 35.2 million tonnes.
- The **refinery in Plock** is one of the most advanced integrated production facilities in Central and Eastern Europe, with a production capacity of 16.3 million tonnes/year. In petrochemicals, the key unit (Olefins) has a maximum production capacity of about 700 thousand tonnes of ethylene and about 380 thousand tonnes of propylene. Monomers manufactured at PKN ORLEN are used as feedstock for the polymer units at Basell Orlen Polyolefins and the PVC unit at ANWIL. PKN ORLEN also operates a modern PX/PTA complex with an annual capacity of around 690 thousand tonnes of terephthalic acid.
- The other Polish refineries, operating as the **ORLEN Południe group in Trzebinia and Jedlicze**, manufacture biofuel components, base oils and heating oils, and regenerate spent oils.
- The **ORLEN Lietuva refinery in Mažeikiai** has a production capacity of 10.2 million tonnes/year and is the only such facility in the Baltic States (Lithuania, Latvia and Estonia).
- The **Unipetrol Group operates refineries in Kralupy and Litvinov**, with a combined production capacity of 8.7 million tonnes/year. The Unipetrol Group also owns petrochemical assets with combined production capacities of approximately 600 thousand tonnes/year, including 320 thousand tonnes of polyethylene and approximately 280 thousand tonnes of polypropylene. Construction of a new Polyethylene 3 unit, with a capacity of approximately 270 thousand tonnes/year, is under way. Once completed, the unit will allow Unipetrol to increase the use of the Olefins unit and further integrate the petrochemical and refining operations.
- The Włocławek-based **Anwil** is the only producer of polyvinyl chloride (PVC) in Poland and one of the major manufacturers of sodium hydroxide and fertilizers in the country. Its annual production capacity is ca. 1 million tonnes of nitrogen fertilizers, 0.4 million tonnes of PCV and granulates, and 0.2 million tonnes of sodium hydroxide. The planned construction of a third nitrogen fertilizer unit will increase Anwil's annual production capacity to about 1.5 million tonnes from 2021 onwards.
- Basell ORLEN Polyolefins in Plock** operates facilities with a total production capacity of 900 thousand tonnes (420 thousand tonnes of polyethylene and 480 thousand tonnes of polypropylene). Its products are marketed both in Poland and in foreign markets.

COMPETITION IN CENTRAL AND EASTERN EUROPE

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

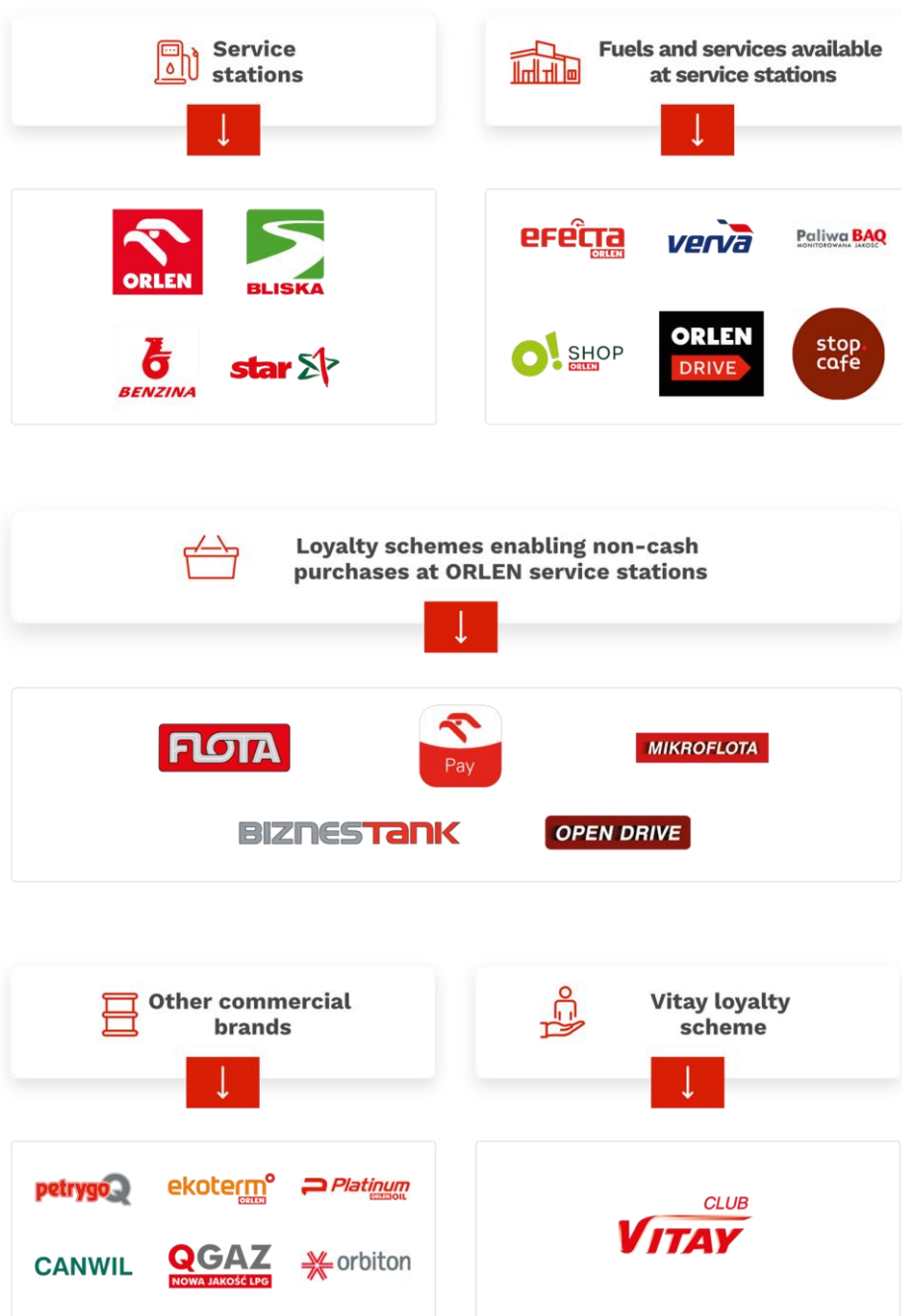
- Grupa LOTOS of Gdańsk – Poland's second largest refinery
- Mitteldeutschland Refinery in Leuna/Spargau, located in south-eastern Germany, about 150 km from the Polish-German border, the country's most advanced refinery
- PCK Refinery in Schwedt, located north-east of Berlin, about 20 km from the Polish-German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

3.4 KEY PRODUCTS AND BRANDS

Our products:



Our brands:



3.5 ORLEN GROUP STRATEGY

3.5.1 Pillars and update of PKN ORLEN's Strategy for 2019–2022



Value creation

Downstream: scaling up petrochemical production, further integration of refining assets and expanding low-emission power generation

- Feedstock security
- Strengthening of market position
- Operational excellence

Retail: expanding the retail network and strengthening customer relations

- Modern service station network
- Unique purchasing experience
- Operational excellence

Upstream: prudent continuation

- Continued growth of hydrocarbon production in Poland and Canada
- Prudent continuation
- Operational excellence and financial strength



Financial strength

Solid foundations

- Investment-grade rating
- Financial leverage below 30% by 2022
- Net debt / EBITDA covenant below 1.5 by 2022

Secured financing

- Diversified financing sources
- Non-organic growth opportunities

Dividend distribution

- Regular dividend payments, reflecting current financial condition



People

Safety: commitment to the highest standards

- Zero tolerance policy towards accident hazards
- No accidents at work
- Further improvement of process safety

Responsibility: caring for employees, external stakeholders and the environment

- Caring for local communities
- Support for local manufacturers and business partners
- Compliance with new environmental requirements
- Reducing environmental impacts
- Stepping up environmental protection efforts

The vision for the ORLEN Group's growth set out in the new strategy fits well with global trends in the use of primary energy sources, technological progress and social processes, which are bound to create new consumer behaviours and expectations. PKN ORLEN aims 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.

The focus on value-creating innovations is an important element of the strategy, which will be implemented through:

- promoting internal and external innovation within the organisation
- creating an innovative environment in the ORLEN Group
- developing the PKN ORLEN Strategic Research Agenda
- deploying innovation acquisition tools: accelerator and CVC fund
- fostering collaboration with start-ups
- building the Research and Development Centre as a platform for collaboration between PKN ORLEN and the scientific and business communities
- in-house research and testing to improve processes, products and inputs
- developing proprietary technologies.

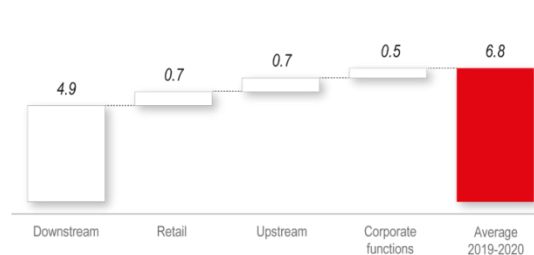
3.5.2 Key financial and operating targets for 2019–2020

The dynamics of the market environment force the Group to adjust its planning perspective. Therefore, the manner of presentation of the Group's goals and aspirations in the strategy follows the previously established pattern. The strategic directions have been set for the next four years, while the specific financial and operating objectives were presented for the years 2019–2020, due to the significant volatility of macroeconomic variables.

Key objectives of the PKN ORLEN strategy for 2019–2020:

- average annualised LIFO-based EBITDA of PLN 10.3bn
- average annualised CAPEX of PLN 6.8bn
- financial leverage below 30%
- regular dividend payments, reflecting current financial condition.

EBITDA LIFO before impairment [PLN billion]

CAPEX [PLN billion]

3.5.3 Summary of strategy implementation in 2019

In 2019 PKN ORLEN continued to pursue its strategic objectives.

The main ORLEN Group's strategic objectives from December 2018 were based on different market assumptions concerning expected effects of IMO regulation.

The regulation mentioned above, reducing sulfur content in bunker fuel to the level below 0.5% was supposed to influence, among others, on:

- increasing price spread between low-sulfur and high-sulfur crudes and in a result widening Ural/Brent differential,
- increasing margins on middle distillates driven by a surge in demand for diesel oil as bunker fuel,
- decreasing margins on heavy heating oil following a dramatic drop in demand for this kind of fuel used in bunker fuel blending.

Generally expected, that after implementation of IMO regulation ships will be consuming low-sulfur fuels, what will lead to increasing demand on a fuel similar to diesel oil regarding quality and, as a consequence, will cause an increase of its margins (cracks). Meeting a high demand on diesel oil, with favorable margins' level, will induce refineries to invest in in-depth conversion of crude oil, increasing the level of crude oil processing and high-margin fuels (gasolines and diesel oil) yield. As a result of demand shifted towards light and middle distillates, the marked expected changes in demand for light and heavy crude oils and an increase in differential.





In fact there were no expected changes in macro parameters in 2019. Furthermore in 2019 there has been distinctive slowdown in the global economy. Many factors has contributed to this including decline in global demand for crude oil and liquid fuels, customs wars interfering in international trade, US – Iran conflict as well as visible weakening of the outlook for emerging economies and eurozone.

Deviations between the macroeconomic assumptions included in the ORLEN Group Strategy for 2019-20 and those occurring in 2019 are presented in the table below:

Item	Actual 2019	MTP 2019-20	Variation
Model Downstream Margin [USD/bbl]	10.7	13.5	(2.8)
Model Refining Margin [USD/bbl]	5.2	5.5	(0.3)
Ural/Brent Differential [USD/bbl]	0.8	3.1	(2.3)
Model Petrochemical Margin [EUR/t]	859	808	51

Accordingly, the estimated impact of model downstream margin decline by (2.8) USD/bbl caused the drop of EBITDA LIFO by almost PLN (2.7) billion.

The Concern, once again was awarded with the title of The World's Most Ethical Company 2019 and Top Employer Polska 2019.

PILLARS	OBJECTIVES	ACTUAL																
 Value creation	<div>Generated profit</div> <div>Implemented development program</div>	<div>EBITDA LIFO before imapaiements¹ [PLN billion]</div> <table><thead><tr><th>Realization</th><th>Target</th></tr></thead><tbody><tr><td>9.2</td><td>10.3</td></tr><tr><td>2019</td><td>Avg. 2019-20</td></tr></tbody></table> <div>CAPEX [PLN billion]</div> <table><thead><tr><th>Realization</th><th>Target</th></tr></thead><tbody><tr><td>4.4</td><td>6.8</td></tr><tr><td>2019</td><td>Avg. 2019-20</td></tr></tbody></table>	Realization	Target	9.2	10.3	2019	Avg. 2019-20	Realization	Target	4.4	6.8	2019	Avg. 2019-20				
Realization	Target																	
9.2	10.3																	
2019	Avg. 2019-20																	
Realization	Target																	
4.4	6.8																	
2019	Avg. 2019-20																	
 Financial strength	<div>Further strengthening of financial fundamentals</div> <div>Dividend payment increase</div>	<div>Net debt [PLN billion], financial gearing [%]</div> <table><thead><tr><th>Realization</th><th>Target</th></tr></thead><tbody><tr><td>2.4</td><td>3.9</td></tr><tr><td>2019</td><td>2019</td></tr><tr><td>6.3%</td><td>10.1%</td></tr></tbody></table> <div>Dividend per share [PLN]</div> <table><tbody><tr><td>2.00</td><td>3.00</td><td>3.00</td><td>3.50</td></tr><tr><td>2016</td><td>2017</td><td>2018</td><td>2019</td></tr></tbody></table>	Realization	Target	2.4	3.9	2019	2019	6.3%	10.1%	2.00	3.00	3.00	3.50	2016	2017	2018	2019
Realization	Target																	
2.4	3.9																	
2019	2019																	
6.3%	10.1%																	
2.00	3.00	3.00	3.50															
2016	2017	2018	2019															
 People	<div>Modern management culture</div>	<div></div>																

1) Before impairment on property, plant and equipment of PLN (0.2) billion in 2019.

3.6 MISSION, CORPORATE MOTTO, CORE VALUES AND STANDARDS OF CONDUCT

OUR MISSION:

By discovering and processing natural resources, we fuel the future.



OUR CORE VALUES



RESPONSIBILITY

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



PROGRESS

We explore new possibilities.



PEOPLE

We are characterised by our know-how, teamwork and integrity.



ENERGY

We are enthusiastic about what we do.



DEPENDABILITY

You can rely on us.

OUR CORPORATE MOTTO:

ORLEN. FUELLING THE FUTURE.

Core Values and Standards of Conduct

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

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

The direction of changes and measures undertaken by PKN ORLEN has been appreciated by both Polish and international experts. PKN ORLEN is the only company from Poland and CEE to have been awarded several times the prestigious title of 'The World's Most Ethical Company'.

3.7 STAKEHOLDER MAP

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

Attendees of the Stakeholder panel held in December 2017, that is representatives of the ORLEN Group and its Stakeholders, reviewed the Stakeholder Map. In late 2019, following internal consultations, the document was updated by identifying 'Society' as a separate Stakeholder group.

FIGURE 4. ORLEN Group's stakeholder map



GRI indicators discussed in this Section:

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

4. SOCIAL AREA

4.1 OUR CORPORATE MOTTO

Our priority is sustainable development across all our operations, understood as a concern for future generations. This means that in building the ORLEN Group's position we attach equal importance to our business and CSR agendas. We respect all human beings and their rights. We use natural resources in a sustainable manner. We value and support Polish culture, science and sports. Because we feel responsible for other members of the communities where we operate, we engage in dialogue and support them in various areas of activity. We are proud that the way we operate contributes to bolstering Poland's reputation abroad.

4.2 OVERVIEW

PKN ORLEN's corporate social responsibility stands for informed and comprehensive management of CSR and environment protection initiatives, which we view as our priority. CSR management falls within the remit of the External Relations Office, reporting directly to a member of the PKN ORLEN Management Board. The External Relations Office is responsible for developing and implementing the CSR strategy, and in particular for:

- Supervising CSR activities in line with capital market standards, including in particular arranging CSR programmes and running charitable initiatives
- Building relations with local communities
- Formulating and implementing social marketing strategies
- Creating, coordinating and promoting nationwide and regional CSR programmes involving employees in volunteer initiatives
- Promoting socially responsible attitudes
- Building a platform for cooperation and experience sharing in corporate social responsibility within the ORLEN Group.

The Sports Marketing, Sponsorship and Events Office is responsible for formulating and implementing a strategy of sports marketing, sponsorship, events and culture, which is a part of PKN ORLEN's marketing strategy.

Directions of our CSR activities are defined in the CSR strategy, which is aligned with the business strategy. In 2019, we launched the '**ORLEN Group CSR Strategy until 2022**', which is being implemented within five key areas of responsibility: Society, Environment, Employees, Customers, and Business Partners. The identification of these areas facilitated the allocation of tasks corresponding to the needs of specific Stakeholder groups. Our ambition is to best fulfil the role of a responsible corporate citizen and employer, a member of the community and a good neighbour. We declare our openness to the world around us, sensitivity to people's needs and willingness to help. We would like our activities to effectively address the needs of local communities, bringing about real change in the lives of their target beneficiaries. We would also like them to be wide-ranging so that our charitable efforts reach all places where they are needed.

In keeping with the principles of social responsibility, PKN ORLEN has also signed up to and been engaged in external initiatives intended to promote sustainable development, including:

- In 2018, PKN ORLEN signed a declaration of Partnership for Accessibility, affirming its commitment to cooperate in the implementation of the government's 'Accessibility Plus' programme.
- Since 2017, PKN ORLEN has been involved in the initiative of the Ministry of Development (formerly the Ministry of Entrepreneurship and Technology) entitled Partnership for the Implementation of Sustainable Development Goals in Poland. PKN ORLEN has joined the partnership for implementation of the UN 2030 Agenda, seeking to ensure that its efforts support the achievement of all the 17 Sustainable Development Goals, which include: sustainable cities and communities, affordable and clean energy, responsible production and consumption, quality education, decent work and economic growth.
- Since 2017, PKN ORLEN has been involved in activities of the Polish Economic Security Consortium.
- Since 2015, PKN ORLEN has been an active member of the Sustainable Development Committee at the Polish Chamber of Chemical Industry. During the 2015 Polish Chemical Industry Congress, PKN ORLEN signed the Declaration of Support to the Sustainable Development Concept in Chemical Industry.
- In 2014, PKN ORLEN signed the 'Declaration of Polish Businesses for Sustainable Development'. By doing so, we joined the group of companies supporting the Vision of Sustainable Development of Polish Businesses until 2050. The document draws on the international initiative of the World Business Council for Sustainable Development.
- In 2010, PKN ORLEN was among those energy companies that decided to sign the 'Declaration on Sustainable Development in the Energy Sector'.
- PKN ORLEN is also a member of the global 'Fair Trade' movement. Since 2008, Stop Cafes and Stop Cafe Bistros have been selling Fair Trade coffee only.
- PKN ORLEN has participated in 'Responsible Care' since 1997, when the programme was adopted by the Company's legal predecessor. This global project brings together chemical manufacturing companies to improve their health, safety and environmental performance (the so called HSE triad), as well as to share information about their activities.

4.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

The table below presents the social KPIs.

Item:	UoM	2019	2018
Scholarship programmes of the ORLEN Foundation – grant holders¹	[number]	537	398
Grant programmes of the ORLEN Foundation			
‘My Place on Earth’ programme ² – applications submitted	[number]	2,132	1,135
‘My Place on Earth’ programme – grant-winning applications	[number]	276	293
‘My Place on Earth’ programme – estimated number of beneficiaries	[number]	700,000	*
‘ORLEN for Firefighters’ programme ³ – applications submitted	[number]	2,248	approx. 4,000
‘ORLEN for Firefighters’ programme – grant-winning applications	[number]	249	360
Health promotion projects for employees			
Additional preventive check-ups ⁴	[number]	1,050	1,000
Health Zone ⁵ – participants	[number]	350	634
Health promotion projects for local communities			
‘Comprehensive Programme for the Prevention, Diagnostics and Treatment of Cancers and Respiratory System Diseases for Residents of the City and County of Plock’ ⁶ , including:			
‘Health City’ ⁷ – medical consultations and examinations	[number]	over 10,000	
Series of educational meetings for local communities ⁸ – participants	[number]	210	
ORLEN WARSAW MARATHON – participants	[number]	20,000	20,000
VERVA STREET RACING – participants	[number]	250,000	80,000
Information projects			
Free Information System for residents of Plock and the Plock region – users ⁹	[number]	approx. 1,000	-
Employee volunteering programme			
Volunteer campaigns	[number]	40	*
Employees engaged in volunteering	[number]	800	*
Sponsoring projects for Plock residents	[number]	61	98
Customer engagement in social projects¹⁰			
Vitay programme and Yanosik application points donated by customers for social causes	[number]	45,670,769	40,730,211
PKN ORLEN suppliers obliged to know and accept the ‘PKN ORLEN Supplier Code of Conduct’, the ‘Anti-Corruption Policy of the ORLEN Group’ and the ‘PKN ORLEN Rules for Accepting and Offering Gifts’	[%]	100	100

*The indicator was not measured in 2018.

1) **Scholarship programmes of the ORLEN Foundation ‘For Eagles’** – a programme for children of the employees of PKN ORLEN and ORLEN Group companies, a programme for schoolchildren from Plock and neighbouring areas; **‘BONA FIDE’** – a programme for university students, a programme for People of Polish Origin Living Beyond Poland’s Eastern Border, a programme for charges of Foster Care Homes, the ‘Life to the Full’ programme, the ‘Masters of Chemistry’ programme.

2) **‘My Place on Earth’** – a nationwide grant programme to support the development of local communities, including by reaching small towns and encouraging activity of rural communities. Projects covered by grant applications could benefit such areas as sports, safety, education, history, culture or environmental protection.

3) **‘ORLEN for Firefighters’** – a countrywide programme implemented since 2000, designed to support firefighters from state and voluntary fire-fighting units, while supporting the development of local communities. Fire-fighting units may apply for grants to help them pay for fire-fighting equipment, as well as equipment used in water, flood, road, technical, medical, chemical, environmental and technical rope rescue operations.

4) **Additional preventive check-ups** – As part of ‘Prevention at Your Fingertips’, preventive health check-ups were provided at the workplace. In 2019, employees had an opportunity to have densitometric tests, HCV tests (detecting the hepatitis C virus) and hearing tests done. Parents of children aged from nine months to six years could have their children ultrasound scanned with a view to early detection of cancer.

5) **Health Zone** – in May 2019, PKN ORLEN employees in Plock, Warsaw and Włocławek were offered the health zone where they could consult a physiotherapist, have a massage or undergo a podoscopic examination of their feet.

6) **Comprehensive Programme for the Prevention, Diagnostics and Treatment of Cancers and Respiratory System Diseases for Residents of the City and County of Plock** – the programme initiated by PKN ORLEN and run by the National Institute of Oncology, in partnership with the National Tuberculosis and Lung Diseases Research Institute. Its focus is on early diagnosis, promotion of recognised treatment standards, as well as education and outreach activities motivating people to change their lifestyles.

7) **Health City** – an event organised with partners, including the Ministry of Health, the National Health Fund and the National Institute of Oncology, including free medical examinations and consultations in various fields of medicine. The aim of the project is to promote preventative healthcare, as well as active and healthy lifestyles. In 2019 two editions of the ‘Health City’ were held, available freely for residents of Plock and the neighbouring areas, and for ORLEN employees. The honorary partner of the project was the Polish Minister of Health. During the first edition, approximately 4,000 medical examinations and consultations were provided, and the number was up to approximately 6,000 during the second edition.

- 8) **Series of educational meetings for local communities** – special workshops organised for local communities from the County of Plock, including Farmers' Wives Associations, to promote preventative healthcare, as well as active and healthy lifestyles.
- 9) **Free Information System for residents of Plock and the Plock region** – the system was established to provide information about social, cultural, sports and other projects initiated by PKN ORLEN and the ORLEN Foundation. It also warns of possible environmental nuisance and impediments to residents' everyday lives caused by the operations of PKN ORLEN's Production Plant in Plock.
- 10) **Customer engagement in social projects** – customers can donate their points collected under the VITAY loyalty programme and in the YANOSIK application to support charitable causes.

4.4 POLICIES IN PLACE

The policies and internal regulations concerning the social area include:

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

CSR strategy – sets out the directions of social responsibility initiatives. The CSR strategy is implemented within five key areas of responsibility: Society, Environment, Employees, Customers, and Business Partners.

Charitable Giving Policy – is an important tool for implementing the CSR strategy. It sets out the four priorities of the Company's charitable involvement: **ORLEN for the environment** (supporting initiatives related to rational shaping of the environment and sustainable management of natural resources, anti-pollution initiatives, initiatives designed to conserve and restore elements of the natural environment, and initiatives furthering the concept of a circular economy), **ORLEN for society** (supporting Foster Care Homes and young people leaving Children's Homes, the socially excluded, including people with disabilities, initiatives to assist returnees and their families, and initiatives of local communities and local partners), **ORLEN for safety and health** (supporting professional and voluntary rescue services, road safety stakeholders, medical institutions and facilities, and initiatives to promote healthy and active lifestyles), **ORLEN for sports, education and culture** (supporting initiatives for the development of sports, education, science and young talents, initiatives for the conservation and restoration of historical monuments, and initiatives promoting Polish culture and history). The Charitable Giving Policy also defines the principles of giving, using and accounting for donations. Charitable support is offered directly by the ORLEN Group and indirectly, through the ORLEN Foundation, the ANWIL for Wloclawek Foundation, and the Unipetrol Foundation.

PKN ORLEN standards of conduct in relations with local communities – the document is a set of guidelines on how to coexist with local communities in the areas where PKN ORLEN conducts its business activities. It is intended for internal use and binding on all PKN ORLEN employees.

ORLEN Group Procurement Policy – the document defining the mission, vision and purpose of the procurement policy.

Procurement Instruction – implements the Procurement Policy and serves as a tool to achieve its objectives.

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

ORLEN Group Anti-Corruption Policy – defines a fair and transparent model for the conduct of the ORLEN Group's business, guaranteeing trust, security, free competition and value for all Stakeholders.

PKN ORLEN Rules for Accepting and Offering Gifts – define the rules for accepting and offering gifts at PKN ORLEN.

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

The Integrated Management System Policy – being a declaration to assure quality, minimise environmental impacts, ensure employee safety and information security, it is closely related to the PKN ORLEN Core Values.

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

4.5 DUE DILIGENCE PROCEDURES

CSR Strategy implementation

Implementation of the **ORLEN Group CSR Strategy until 2022** commenced in 2019. The Strategy builds on the Company's business strategy, the Core Values and Standards of Conduct of PKN ORLEN – our internal code of ethics, and Agenda 2030 – the UN resolution on sustainable development at the global and local level. Besides seeking to align business with social objectives, other priorities of the CSR Strategy are to build PKN ORLEN's image as a leader in CSR and sustainability, generate CSR synergies across the Group, and support the pursuit of Sustainable Development Goals and the 'Accessibility Plus' programme. The CSR strategy is implemented within five key areas of responsibility: **Society, Environment, Employees, Customers, and Business Partners.**

In order to best implement the CSR Strategy, actions are prioritised on a yearly basis. In 2019–2020, emphasis is placed on projects involving **environmental protection, promotion of safety** (including **road safety**), as well as **promotion and protection of health**. Environmental protection is a key element of CSR. Together with other ORLEN Group companies, PKN ORLEN undertakes a number of initiatives to foster the public's environmental conscience, protect biodiversity and optimise business impacts. PKN ORLEN is also engaged in projects involving disease prevention as well as education on active and healthy lifestyles. We are committed to ensuring the best possible health and safety conditions for our employees and contractors; we enhance the safety of production processes, striving to create safe conditions for our local communities.

Society

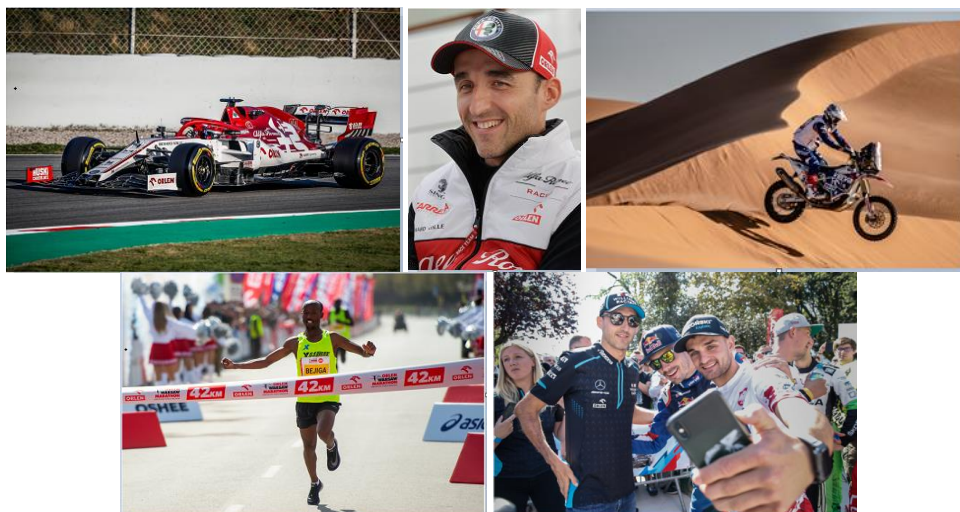
The main goals pursued in the Society area are to **support the development of local communities, prevent social exclusion and promote equal opportunities, ensure safety and health protection, and preserve the national heritage**.

2019 saw the continued implementation of countrywide initiatives designed to reach local communities, such as the **'My Place on Earth'** and **'ORLEN for Firefighters' grant programmes** and a **loyalty scheme for volunteer firefighters** registered in the National Firefighting and Rescue System. The ORLEN Foundation delivered successive editions of its scholarship programmes, including **'For Eagles'** dedicated to children of the employees of PKN ORLEN and ORLEN Group companies and the residents of Plock and the County of Plock, as well as **'BONA FIDE'** for students.

In 2019, the Company increased its involvement in health promotion. A novelty during the Chemists' Days in Plock was the **'Health City'**, a two-day event aimed at promoting disease prevention and a healthy and active lifestyle. The event's partners included: the Ministry of Health, the National Health Fund and the National Institute of Oncology. Its participants were offered free medical examinations and consultations: more than 4,000 during the first edition in June, and more than 6,000 during the second edition in October. Responding to the needs of Plock residents, in 2019 PKN ORLEN signed an agreement with the National Institute of Oncology for a **'Comprehensive Programme for the Prevention, Diagnostics and Treatment of Cancers and Respiratory System Diseases for Residents of the City and County of Plock'**, which is a pioneering initiative in Poland. The project is run by the National Institute of Oncology, in partnership with the National Tuberculosis and Lung Diseases Research Institute. Its focus is on early diagnosis, promotion of recognised treatment standards, as well as education and outreach activities motivating people to change their lifestyles. As part of the programme, a series of **health-related meetings** were launched in late 2019 for members of farmer wives' associations from the county of Plock, including educational lectures on how to live a healthy lifestyle. Facilities offering basic medical examinations and consultations were also available. In 2019, PKN ORLEN was also involved in community projects aimed at reducing inequalities. Their intended beneficiaries were young children under the care of Foster Care Homes and the Róża Czacka Centre for Blind Children in Łaski, as well as senior citizens. The **'Cinema with ORLEN'** project consisted in admission-free film screenings accompanied by safety lectures delivered by special guests and concerts featuring theatre actors or Opera Academy artists. Volunteers of the ORLEN Foundation were engaged in the events.



PKN ORLEN is an undisputed Patron of Polish Sports, **supporting professional and amateur athletes and other sportsmen**. In 2019, PKN ORLEN entered the most exclusive motor sport discipline – **Formula 1**, becoming a sponsor of the Rokit Williams Racing team. The car is driven by Robert Kubica, the only Polish driver in this highest class of auto racing. The Company's decision to sponsor this sports discipline was prompted by its strong foreign expansion, the need to support international recognition of the ORLEN brand and the ongoing co-branding of its service stations in the Czech Republic and Germany. In 2020, the Company signed a new sponsorship agreement with the Alfa Romeo Racing ORLEN team, becoming its title sponsor, with Robert Kubica as the test driver and team ambassador. The Group is also present in many other motor sport disciplines. The colours of the two decades old **ORLEN Team** are worn by cross country, enduro, kart racing, Formula 1, car rally, WRC, speedway and powered paragliding competitors. The Company supports Poland's only professional cross country rally team, whose members take part in the most challenging rallies. Their greatest success was the 4th place taken by Jakub Przygoński in the Dakar Rally, the world's toughest off-road event. In 2019, the team consisting of Przygoński and motorcyclists Maciej Gienza and Adam Tomiczek was joined by Kamil Wiśniewski, who competes in off-road ATV rallies, and Kacper Wróblewski, a road rally driver. Bartosz Zmarlik – member of the Polish speedway team sponsored by PKN ORLEN and ANWIL – became the Individual World Champion, while Wojciech Bógdał – a powered paragliding pilot supported by PKN ORLEN, came second in the PL1 class at the European Slalom Paramotor Championships in Spain and won the title of Polish Slalom Champion in the same class. At the beginning of 2020, the ORLEN Team expanded considerably, having admitted representatives of new disciplines: Bartłomiej Marszałek competing in F1 Powerboat Racing and the Żelazny Aerobatics Team. PKN ORLEN was the organiser of the largest running event in Poland: **'ORLEN Warsaw Marathon'**. Since 2010, PKN ORLEN has organised **'VERVA Street Racing'**, the largest motoring festival in Poland.



The **ORLEN Sports Group**, a group of individual competitors who receive financial support from PKN ORLEN, already comprises almost 40 successful athletes, including champions and medal winners of the most prominent events: the Olympic Games, and the indoor or outdoor World and European Championships. The group members include athletes, track cyclists and a female judoka. The Group's top stars are: Anita Włodarczyk – winner of two Olympic gold medals, four-time world champion and holder of multiple world, European and Polish records in hammer throw, Piotr Małachowski – Poland's best discus thrower, winner of two Olympic silver medals, and Paweł Fajdek – four-time world champion in hammer throw. The ORLEN Sports Group's biggest successes in 2019 include the achievements of our competitors during the World Championships in Doha: a gold medal won by Paweł Fajdek, a silver medal won by women's 4x400m relay (Justyna Święty-Ersetic, Iga Baumgart-Witan, Małgorzata Hołub-Kowalik, Patrycja Wyciszkiewicz) and a bronze medal won by Piotr Lisek in pole jump. In 2019, the Polish national team won the European Athletics Team Championships in Bydgoszcz.



For nearly a decade, PKN ORLEN has been committed to supporting **Polish volleyball**. It sponsors the Polish indoor and beach volleyball national teams across all age categories, helping them succeed. In 2019, the men's team won the bronze medal of the European Championships, ranked third in the Volleyball Men's Nations League and qualified for the Olympic Games in Tokyo. In 2019, the Group company ORLEN Paliwa became the title sponsor of the Warsaw-based VERVA Warszawa ORLEN Paliwa volleyball club.

PKN ORLEN also supports **sports clubs from Plock**, as the general sponsor of the SPR Wisła Plock handball team and the Wisła Plock football club. The sponsorship of these teams is not merely a business decision – it is a CSR project created together with the Plock community.

An important part of the PKN ORLEN sports sponsorship strategy is an **effective youth training system**, aimed at developing a pipeline of future champions. Together with the Polish Athletic Association, the Company implements the Athletics for Everyone programme. It has also partnered with the Polish Volleyball Federation in the development of School Volleyball Centres. PKN ORLEN is actively engaged in a training system set up by Football Academies across Poland. In 2019, training and development opportunities were provided to 9,000 children and young people, as the Company sponsored tournaments and football schools. Seeking to nurture potential successors of Robert Kubica, PKN ORLEN supports young kart racing enthusiasts in the ORLEN Team Academy: 30 young competitors aged 6 to 18. In addition, the Company is involved in the School Sports Club (SKS) programme initiated by the Ministry of Sport and Tourism, re-established in Polish schools after years of absence. The figures for 2019 are impressive: nearly 10,000 participating schools, more than 15,000 teachers in charge of SKS classes, and 320,000 students in 100% of Polish counties and 93% of municipalities covered by the programme.



2019 was also marked by the 100th anniversary of the Polish Olympic Committee. As the Strategic Sponsor of the organisation, PKN ORLEN actively supported the anniversary celebrations. Furthermore, the Company continued to partner with the Polish Paralympic Committee, supporting disabled athletes competing at the national and international level.

PKN ORLEN builds its brand recognition through sports not only in Poland, but also abroad, where it supports a hockey club in the Czech Republic and German handball, and where it sponsors a basketball club in Lithuania.

As a national giant, PKN ORLEN also supports **initiatives designed to protect Polish national heritage**. The Company is engaged in a wide variety of activities promoting Polish culture. One of the most important events in 2019 was the commencement of a sponsorship arrangement with Europe's largest opera house: Teatr Wielki Opera Narodowa in Warsaw. PKN ORLEN remained a sponsor of the Fryderyk Chopin Institute, supporting concerts organised by the Institute in the world's most prominent concert venues to promote the Chopin Competition scheduled for autumn 2020 in Warsaw, which is also sponsored by the Company. Additionally, PKN ORLEN provided support for the organisation of the 24th Ludwig van Beethoven Easter Festival and the International Music Festival of Central-Eastern Europe EUFONIE. An exhibition of Polish hussar (winged cavalry) armour purchased by the ORLEN Foundation for the Polish History Museum was held in 2019. Two vernissage events titled 'Proud of the past, brave about the future' for history lovers and fans were held in Warsaw and Plock.



The Company actively collaborated with local communities, particularly **in Plock and other places where it operates**. The ORLEN for Plock Programme has been in place for four years now. 61 projects delivered as part of the initiative in 2019 included funding for 10 primary schools in Plock to help them purchase teaching aids for school laboratories; sponsoring of the 'Light Backpack' project in Primary School No. 17, where heavy backpacks were replaced with tablets for use by children in class; active support for the Plock voluntary water rescue service (WOPR), which included funding for a lifeguarded bathing spot on Lake Górskie near Plock, frequented by approximately 50,000 visitors in July and August 2019, and sponsoring (for the fourth time) of free swimming lessons for children and adults; as well as support for the ORLEN Wisła Plock handball team and the Wisła Plock football team. In 2018, we created an innovative tool for communicating with local communities – the Free Information System for Residents of the Plock Region, which, following internal pilot deployment, was made available to the local community in 2019.

Two major events were also held – the Plock Gardens of Light, which attracted more than 30,000 people to the Tumskie Hill in Plock between December 7th 2019 and January 6th 2020, as well as the Chemists' Day (attended by approximately 35,000 ORLEN Group employees and Plock residents) and the ORLEN Olympics (2,000 employees and Plock residents competing in 11 sports disciplines).



In 2019, PKN ORLEN actively supported the **foundations it had established, contributed to or participated in**, including the Grant Fund for Plock Foundation, the Foundation of the Ignacy Łukasiewicz Oil and Gas Industry Museum in Bóbrka, the Polish National Foundation, the Grow Up with Us Foundation and the Polish Economic Security Consortium through the Polish Economic Security Foundation – Legal and Economic Dialogue and Analysis Institute.

UN Sustainable Development Goals supported by the Company's activities in the Society area



Environment

Environmental protection is a key element of our CSR strategy. The main objectives pursued in the Environment area include the optimisation of our environmental impacts, protection of biodiversity, and raising of environmental awareness.

The ORLEN Group is aware of the objectives and challenges associated with the impact of its operations on climate change. We strive to develop our business based on innovative low-emission technologies and products, in accordance with the principles of a circular economy. We pursue this objective by investing in best available techniques (BAT) in environmental protection and minimising the environmental footprint of our production, storage and distribution processes. For more information, see the 'Environmental area' section of this Statement.

In 2019, emphasis was placed on educational projects aimed at raising the environmental awareness of our Stakeholders. We organised free **nature watching cruises on the Vistula River** for the inhabitants of Plock and its surroundings. In association with the Warsaw Province Agricultural Advisory Centre (MODR) in Plock, we held the **'Bees in Human Life. Biodiversity and protection' conference** for secondary school students with an extended biology curriculum and for beekeepers. Furthermore, an apiary was established on the MODR premises in Plock, near PKN ORLEN's plant, with almost one million bees. We published an **environmental leaflet** in 2019, kicking off a series of information and education materials promoting PKN ORLEN's community involvement. **Our employees are also eager to engage in environmental initiatives.** As part of their **voluntary service**, they participated in the 'Tree for a Bottle' campaign, delivered a beekeeping workshop for children, supported the Plock Forest District in forest planting activities, and set up an educational trail together with primary school pupils.

As in the past years, we engaged in biodiversity projects. In 2018, we performed a wildlife survey on and around the premises of our Production Plant in Plock. Similar surveys were conducted by ANWIL, Unipetrol and Spolana. Since 1999, PKN ORLEN has been actively involved in efforts to **restore the peregrine falcon population** in Poland, in partnership with the 'SOKÓŁ' ('FALCON') Wildlife Protection Association. The peregrine falcon is listed on the Polish Red List of Animals as a CR (critically endangered) species. The first hatch of peregrine falcon chicks was documented in May 2002, with a total of 47 chicks hatched by 2019. It was something of an ornithological sensation in Poland that the falcon nest on the premises of the Plock Production Plant was occupied by a female saker falcon – an even rarer bird of prey, which laid eggs. It was that species' second documented clutch of eggs to be found in Poland. The blown eggs, which were not fertilised, were given in 2019 to the Museum of Natural History in Wrocław to serve educational and scientific purposes.

The other ORLEN Group companies, including ANWIL and Unipetrol, take part in similar initiatives: fish stocking of rivers, cleaning of waterfront areas, beekeeping around production plants, and protecting peregrine falcons.

For more information on the environmental protection efforts of the ORLEN Group, see the 'Environmental area' section of this Statement.

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



Employees

The main objectives pursued in the Employees area are to create a safe work environment, ensure fair working conditions, tackle inequalities, foster employee development, and help employees to successfully balance their personal, career and social goals.

In April 2018, PKN ORLEN signed a **declaration of Partnership for Accessibility**, affirming its commitment to cooperate in the implementation of the government's 'Accessibility Plus' programme. By signing the agreement, we confirmed that we follow the idea of accessibility and equal treatment in all aspects of our operations, and strive to ensure equal opportunities not only within the organisation, but also in our environment. Since 2011, PKN ORLEN has been pursuing the **Policy Defining the Work Conditions and Rules for the Disabled** with the aim of ensuring that such persons are offered equal opportunities in access to employment, continuous professional advancement and promotion, as well as raising awareness of the necessity to respect the rights of people with disabilities. Under the 'Family-Friendly Employer' programme, our employees who have children with disabilities can take two extra days off work per year until the child reaches the age of 24. We also have the Company Social Benefits Fund in place, from which our current and former employees can receive support to finance their disabled child's stay in a rehabilitation camp with an accompanying adult. Twice a year, we organise Christmas and Easter fairs at the Company headquarters with the participation of institutions providing care to the disabled from Plock and the neighbouring areas.

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

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

PKN ORLEN also provides **extensive medical care** going beyond the scope of occupational medicine. Medical plans and preventive healthcare programmes are run in cooperation with Centrum Medyczne Medica Sp. z o.o. of Płock and the Military Institute of Medicine of Warsaw as part of a project to investigate health impacts of the work environment. In 2019, a uniform standard for medical plans was implemented across the ORLEN Group. We carried out preventive check-ups and delivered health promotion campaigns in the workplace.

In addition, PKN ORLEN cares about the mental health of its employees, seeing this activity as an inherent part of its corporate culture. The tasks of our **Occupational Psychology Centre** include provision of support and psychological assistance to employees and their families who are going through personal or professional issues. Commitment to well-being in the workplace is very important to the employees, building a sense of togetherness and mutual accountability. The practice is aligned with the Company's policy on assistance to PKN ORLEN employees in emergencies.

Key projects for employees implemented in 2019 include: the Health Zone; medical examinations of employees' children aged from nine months to six years under the programme called 'Say NO to Cancer in Children'; densitometric tests, HCV tests and hearing tests, health zones and preventive check-ups in Płock, Włocławek and Ostrów Wielkopolski under the nationwide 'Health First' programme; open meetings for employees devoted to disability issues; Occupational Safety and Healthcare Day at the ORLEN Group.

2019 saw the launch of a new format of the **employee volunteering programme**, adapted to employees' needs and facilitating engagement by both the ORLEN Group employees and external stakeholders, including their family members. The top priorities of the programme implemented by the ORLEN Foundation are to inspire and encourage social involvement, to support bottom-up employee initiatives, both financially and organisationally, as well as to propose top-down initiatives which can be joined by interested volunteers.

UN Sustainable Development Goals supported by the Company's activities in the Employees area



Customers

The main objectives pursued within the Customers area are to ensure health and safety, respond to customer expectations, increase availability and inspire responsibility.

In 2019, the Company ran its first ever **community campaign under the hashtag #DobryKierowca (#GoodDriver)**, that concerned PKN ORLEN's CSR activities. The key points of focus in the campaign included environmental protection, safety, health and support for local communities. The aim was to demonstrate that even small changes can make a big difference for many people around us. Through the campaign, PKN ORLEN was trying to make its customers aware that together we can create a better future. By buying fuel and other products at ORLEN service stations, they can support not only Polish producers, but also projects focused on environmental protection, health or safety. The nationwide campaign was publicised in the press, on television, online and on roadside billboards. In addition, PKN ORLEN organised special communication platforms for the inhabitants of Płock to present its pro-environmental projects. Local residents had the opportunity to learn, for instance, of various animal species living in the immediate surroundings of the plant, including bees making honey that meets all the quality standards. Every customer who visited an ORLEN service station during the campaign and purchased any product received a unique sticker to show other motorists that they supported ORLEN's charitable activities.

PKN ORLEN is actively involved in safety promotion campaigns, including road safety, and therefore after a revision of road traffic regulations it became engaged in educational activities and in the promotion of the late merge method and emergency corridor through the ORLEN Team. The second part of the campaign, which will be devoted to road safety, is scheduled for 2020.



In 2019, LifeVac choking rescue devices were tested at 40 Motorway Service Area stations. During the first two months of the school year, PKN ORLEN carried out the **'Slow Down Near Schools'** campaign via YANOSIK, an application for drivers. The goal of the campaign, run for the fourth time, was to promote safe driving near schools. As part of the Company's driver education activities, the **'VITAY in Yanosik'** campaign was carried out, where users of the Yanosik application could earn VITAY points for reporting road incidents.

In 2019, PKN ORLEN was involved in the work of the Sustainable Development and Corporate Social Responsibility Team of the Consumer Working Group, initiated by the Polish Ministry of Investment and Development. As part of an **awareness campaign promoting responsible consumption and delivery of Sustainable Development Goals**, leaflets and animated video materials focusing on five key areas (transport, shopping and consumption, health, home life and finance) were developed. PKN ORLEN became involved in work to develop materials dedicated to transport.

The Company's safety promotion activities include daily support to emergency services. For example, the Company runs a **loyalty scheme for volunteer firefighters** registered in the National Firefighting and Rescue System, who can buy fuel at ORLEN service stations at discounted prices.

Development of the product and service portfolio and facilities for customers

Intensive efforts were ongoing throughout 2019 to prepare PKN ORLEN to grow the share of non-conventional sources in the car fuel mix. To this end, we were developing our service station network to improve the availability of **alternative fuels**. Such activities were undertaken in all countries where ORLEN Group service stations are present. The Group's network of 39 fast charging stations for electric vehicles (as at the end of 2019) across Poland and chargers at 18 Benzina stations in the Czech Republic was expanded in October 2019 to include our German service stations in Berlin, Hamburg and Lübeck.

Our network in Germany includes two hydrogen refuelling stations, and soon motorists in the Czech Republic will also be able to fill up their hydrogen-powered vehicles. In 2020, Unipetrol (an ORLEN Group company) will commence the construction of three hydrogen stations in Prague, Litvínov and Brno. In addition, 43 service stations located in the Czech Republic sell CNG. In developing hydrogen technologies, the ORLEN Group also works in partnership with other entities. In early October 2019, PKN ORLEN and the Metropolitan Association of Upper Silesia and Dąbrowa Basin signed a letter of intent to cooperate on the development of a zero-emission hydrogen-powered public transport service. Further, in December 2019 PKN ORLEN signed a letter of intent for cooperation on the development of zero-emission freight transport with Pesa Bydgoszcz. The project's objective is to develop a hydrogen fuel cell-powered railway vehicle.



Prompted by the latest trends in nutrition, since 2018 the **food & drink offering** at ORLEN service stations in Poland has been expanded to include products for vegans and vegetarians. In 2018, PKN ORLEN launched the 'Drink Polish Juices' project, selling fruit juices at every service station in

Poland. The campaign was continued in 2019, its key objective being to support Polish fruit growers and family-run fruit processing companies. 85% of the products sold through ORLEN service station stores are made in Poland. For over ten years now, Fairtrade-certified coffee has been available at over 1,600 Stop Cafe outlets within the ORLEN retail chain.

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

Facilities for people with disabilities at PKN ORLEN stations: 1,373 service stations have toilets adapted to the needs of the disabled; at more than 1,000 stations there are special parking spaces for the disabled. We are gradually implementing present-day solutions to enhance the accessibility of our services. At all ORLEN service stations, customers can pay for fuel at the pump via the ORLEN Pay mobile application, using a special QR code displayed on each pump within the network. In 2019, to achieve further service improvements, the 'Mobile Cashier' pilot programme and the 'Fast Lane' were launched. In recent years, more than 30,000 service station employees have received training on how to serve people with disabilities. The training system was developed in partnership with the INTEGRATION Foundation.

A **co-branding process** was launched in 2019, which has already given visibility to the ORLEN brand at almost all stations of the network abroad. The co-branding project assumes the presence of local brands: Benzina (in the Czech Republic and Slovakia) and Star (in Germany) in combination with the ORLEN logo. To raise awareness of the ORLEN brand, the combined logotypes have been displayed on fuel pumps, price totems, and screens inside the Benzina and Star service stations.

In 2019, PKN ORLEN carried out 25 survey projects covering its own customers and 8 more to survey representative samples of Poles, as target users and beneficiaries of various forms of the Company's activities. The projects focused on the awareness and perception of, and on people's expectations towards, our CSR projects involving sports, culture, social matters, as well as customer experience and engagement in the design of new product, service or communication concepts.

Product and service labelling

The obligations of the ORLEN Group companies to provide information on potential hazards associated with the chemicals they manufacture or import follow from international and EU laws. The scope and division of responsibilities at the Group companies are defined in internal regulations. Safety data sheets, developed in accordance with the REACH Regulation, are the basic source of information on the classification and hazards for the chemicals manufactured or imported by the ORLEN Group companies. Products are classified based on research and expert knowledge of their properties, and the classification makes it possible to label them correctly (in accordance with the CLP Regulation) and identify risks in transport, based on which the dispatchers prepare the ADR labels (hazard warning labels). Safety data sheets are mainly a source of information on products intended for industrial and professional applications. In the case of products marketed directly for use by general consumers, the relevant information is provided by ORLEN Group companies by appropriate labelling of product packaging. In addition to pictograms, labels on product packaging contain appropriate hazard and precautionary statements (H and P statements). Given the wide range of applications of ORLEN Group products, information on product packaging is supplemented with detailed data required under specific legal provisions applicable to detergents, fertilizers, etc.

UN Sustainable Development Goals supported by the Company's activities in the Customers area



Business Partners

The main objectives pursued in the Business Partners area are to inspire responsibility, engage in and foster successful business partnerships, and promote responsible attitudes.

In 2019, PKN ORLEN launched its **Investment Academy** project. Anyone looking to enhance their knowledge on the capital market and on how to stay on the safe side while investing on the stock exchange is welcome to participate. Participants of the Investment Academy have a chance to earn a prestigious certificate signed by the CFA Society Poland. The project is run as part of 'ORLEN IN YOUR PORTFOLIO' – Poland's first long-term programme for retail investors.

One of the key projects implemented by PKN ORLEN is to support innovation by investing in new technologies and forging business links with start-ups. In 2019, PKN ORLEN joined the **Space3ac accelerator programme**, under which it will seek innovative solutions in the area of petrochemicals, retail sales support tools, logistics, and more. The accelerator project is a key strategic development focus for the innovation ecosystem, as set out in the ORLEN Group's updated Strategy for 2019–2022. Within the framework of another acceleration programme, the **Pilot Maker Electro ScaleUp**, the Company in partnership with techBrainers is looking for start-ups offering new mobility solutions. The project provides a platform for development of new products and services in various forms of electric mobility. PKN ORLEN has joined **GovTech**, a government-led initiative designed to support collaborative links between state-owned companies or the public administration, and SMEs operating in the IT sector. As part of the GovTech initiative, the Company will be on the lookout for a solution to support automatic identification of vehicles refuelled via the existing PKN ORLEN mobile application.

Consistently pursuing its R&D strategy, PKN ORLEN is working to design a concept for the expansion of its research infrastructure by building the **Research and Development Centre in Plock**. Scheduled to open in 2020, the new Centre will enable PKN ORLEN to develop and implement its own technologies. Its activities will include testing performed to streamline industrial processes, improve products and optimise costs. It will also serve as an advanced platform for PKN ORLEN's cooperation with business and science.

Responsible supply chain

In a significant step towards ensuring a responsible supply chain, PKN ORLEN incorporated responsible business and sustainability criteria into its procurement management standard. The Company promotes social responsibility among its suppliers and seeks to cooperate with trade partners that respect human rights and operate in compliance with the law, ensure safe and fair working conditions, follow the best standards of ethical conduct and care for the environment. CSR criteria have been defined and compiled into a single document entitled **'Supplier Code of Conduct'**. Compliance with the Code is a mandatory criterion in the process of trading partner selection at ORLEN Group companies. The suppliers are selected based on the ORLEN Group's standardised and uniform social, environmental, legal, and ethical criteria. All existing and potential suppliers of the ORLEN Group are obliged to know and accept the requirements concerning human rights, compliance with the law, safe and decent working conditions, the highest ethical standards, and care for the natural environment. Acceptance of the 'Supplier Code of Conduct' by tenderers and suppliers is a formal precondition for participation in procurement procedures. If a tenderer fails to accept the Code, its bid will not be considered in the procurement process because the formal criteria are not satisfied. The purpose of the Code is to promote responsibility among the ORLEN Group's Stakeholders and encourage responsible practices among the suppliers. Moreover, every tenderer taking part in procurement procedures must read, understand and accept the ORLEN Group Anti-Corruption Policy and the PKN ORLEN Rules for Accepting and Offering Gifts.



The ORLEN Group trades with a group of carefully selected suppliers. In 2019, a total of more than 3,800 tendering procedures were held at PKN ORLEN. The Company was working with 8,000 or so suppliers, but the ORLEN Group as a whole had relationships with nearly 25,000 vendors. In an effort to continuously improve procurement processes, the Group works to enhance and ensure greater consistency of vendor selection procedures. We developed a model for vendor selection in procurement category management strategies, and the key suppliers are evaluated on a regular basis as part of the supplier relationship assessment process. The selection and assessment criteria are based, among other things, on best market practices. They make it possible to mitigate reputation, financial and process risks, and ensure high quality of the supplier relationships.

The ongoing implementation of uniform procurement standards and systems across the ORLEN Group, a critical component of the Group's procurement centralisation project, will be key in ensuring a responsible supply chain. It will contribute substantially to the uniformity and consistency of procurement processes across the Group, their transparency, knowledge sharing and improved communication with suppliers. The Procurement Improvement Programme launched in 2019, covering a number of recommended solutions to improve the efficiency of procurement, is also a pivotal initiative in terms of supplier relations. Among its key recommendations that have already been implemented are procurement planning and wider dissemination of tender notices, e.g. via business portals.

UN Sustainable Development Goals supported by the Company's activities in the Business Partners area



One of the priorities of the ORLEN Group's CSR Strategy across all areas: (Society, Environment, Employees, Customers, and Business Partners) is to **inspire a shared sense of responsibility by sharing good practice**. In 2019, PKN ORLEN presented its activities in reports drawn up by its partners, at national conferences such as the **European Economic Congress**, the **Development Vision Forum**, the **Economic Forum in Krynica** and the **Congress 590 in Rzeszów**, as well as during stakeholder meetings. The Company was also involved in the **European Sustainable Development Week**, having carried out the following initiatives: 'Tree for a Bottle', 'Beekeeping Workshops for the Youngest', 'Vege Day', 'Cinema with ORLEN on the Children's Day', 'Excursion for Students of the Warsaw University of Technology', 'Railway is Not a Playground', 'Polish Fruit for ORLEN CUK employees' and 'Work and Rest Safely – It's the Tick Season'. These events were attended by nearly 2,000 people. Additionally, PKN ORLEN had the opportunity to present its good practices at the **High-Level Political Forum on Sustainable Development in New York**. PKN ORLEN co-hosted the Polish workshop session with Goal 10 'Less Inequality' as its main theme, at which the Company was represented by Armen Artwich, Member of the Management Board for Corporate Affairs. The event was carried out in partnership with the Ministry of Entrepreneurship and Technology (currently the Ministry of Development) and the Ministry of Family, Labour and Social Policy.

Activities under the Charitable Giving Policy

In accordance with its Charitable Giving Policy, in 2019 PKN ORLEN implemented and supported initiatives aligned with the four priorities outlined in 'ORLEN for the environment, ORLEN for society, ORLEN for safety and health, ORLEN for sports, education and culture'. The Charitable Giving Policy is an important part of corporate social responsibility, as a tool supporting the Company in its role as a responsible corporate citizen and employer, member of the local community, and good neighbour. The ORLEN Group not only initiates and carries out charity activities, but also participates in such initiatives as a partner.

The **ORLEN Foundation**, established in 2001 to fulfil the social responsibility mission of its founder, PKN ORLEN, plays an important role in pursuing these objectives. At the end of 2019, its name was changed from 'ORLEN – GIFT FROM THE HEART' to the ORLEN Foundation. Since its inception, the Foundation has provided comprehensive **assistance to Foster Care Homes** by funding scholarships, trips during summer and winter holidays, additional tuition and rehabilitation care for children, covering the cost of dwelling repairs or redecorations, or financing fuel cards. At the moment, the Foundation's assistance covers children from close to 300 such homes. The Foundation runs numerous **scholarship programmes**, both for **children of ORLEN Group employees** and for **students from Plock and the surrounding area**. The aim of such programmes is to help young people in their education and pursuit of their passions, improve their motivation, and also encourage their social involvement, e.g., through volunteer work. In 2019, the Foundation continued its **'BONA FIDE' scholarship programme** together with partners: the Lotto Foundation, the J.K. Steczkowski BGK Foundation and the Energa Foundation. Under the programme, the Foundation supports second- and third-degree students at a foreign university ranked among the world's top 50 academic institutions (the Shanghai List). The Foundation's mission is to support world-class development and education of people who have the potential of becoming future leaders in various sectors of the economy or public administration. In 2019, as in the year before, the ORLEN Foundation ran three grant programmes. In addition to the two decades-old **'ORLEN for Firefighters'**, there were two programmes launched in 2018: **'My Place on Earth'**, which encourages local communities to make a difference for the better in their immediate surroundings, and **'We keep watch! We remember!'**, in which foundations, associations or local institutions commemorate national heroes, restoring memorial sites dedicated to often forgotten heroes of local fights for Poland's independence. The application round for 'My Place on Earth' was accompanied by 50 meetings at ORLEN service stations throughout Poland. During five summer holiday weeks, the 'My Place on Earth' zone was visited by as many as 18 thousand travellers. The ORLEN Foundation received a record-high number of applications: more than 2,100. Grants to fund the proposed projects, ranging from PLN 4,000 to PLN 15,000, went to various common interest societies, farmers' wives associations, schools, libraries, sports clubs, parishes and other beneficiaries. The initiatives for the benefit of local communities were evaluated by independent experts. In 2019, the Foundation co-financed 276 projects. For 20 years, PKN ORLEN and the ORLEN Foundation have supported the State Fire Service and voluntary fire brigades. In 2019, 249 fire-fighting units received grants totalling more than PLN 2m, which they used to purchase necessary equipment. Thanks to regular support from the ORLEN Foundation, over the last two decades fire brigades have been equipped with the necessary equipment to fight fires and respond to natural disasters, as well as equipment used in road, technical, medical, chemical, environmental and rope rescue operations. In April 2019, the Foundation launched a **special free training programme for Volunteer Fire Brigades**, under which 372 firefighters from nearly 200 different organisations across 13 provinces were trained.



In 2019, the Foundation was developing a new format for its **employee volunteer service programme**, which has been in place at the ORLEN Group for 15 years. Currently, ORLEN Group employees who want to volunteer have two options: take part in activities prepared by the ORLEN Foundation or submit their own volunteer initiative projects and apply for a grant from the Foundation. Another novelty is the Volunteering Project of the Year competition, ending with an Employee Volunteering Gala.



Furthermore, the ORLEN Foundation pursues its statutory objectives granting **donations** to other entities. Under its donations programme in 2019, the Foundation provided funds for projects spanning a range of areas: social welfare; protection and promotion of health; preservation of national traditions; culture; local communities; science, education, upbringing; sports; rescue and civil protection.

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

The ORLEN Group has also established other corporate foundations – the ANWIL for Włocławek and the Unipetrol Foundation. The **ANWIL for Włocławek Foundation** runs competitions for the grants it offers to co-finance projects aimed at raising the level of education of the Włocławek residents, counteracting social and economic exclusion, improving the condition of the natural environment, preserving the historical heritage, as well as protecting and promoting health. Objectives of the **Unipetrol Foundation** include providing support to students of natural sciences- and technology-oriented faculties through internships and work placements and through grant programmes dedicated to secondary school students. PKN ORLEN is one of the founders of the **Grant Fund for Płock Foundation**, and our representatives are actively involved in its activities. The Foundation provides financial support to various local associations, clubs and foundations, aiding them in their efforts to improve the lives of Płock residents across all areas, from sports, to social welfare, to culture. The Foundation's activities focus on grant competitions for projects consistent with the Strategy for Sustainable Development of the City of Płock and the UN Sustainable Development Goals. In 2019, the Grant Fund for Płock was recognised as one of the best CSR projects in Poland, delivering the greatest value for Polish society over the past three decades.

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

Corporate social responsibility	<ul style="list-style-type: none"> ▪ Lack of public awareness of the ORLEN Group's CSR activities 	Implementation of a CSR strategy defining the ways of communicating CSR initiatives; implementation and supervision of the Responsible Care Framework Management System and appointment of the Responsible Care Framework Management System Officer
Reputation, brand and marketing management	<ul style="list-style-type: none"> ▪ Use of the brand in connection with adverse, controversial activities ▪ Promotional activities with adverse effect on the image of PKN ORLEN 	Supervision over the process of defining the methodology for conducting promotional campaigns, key activities subject to approval by relevant business areas
Outsourcing and subcontractor risk	<ul style="list-style-type: none"> ▪ Limited control over the ORLEN Group's processes which are subcontracted or outsourced 	Ensuring correctness, completeness and quality of documentation, including completion reports and checklists, in IT systems

GRI indicators discussed in this Section:

- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area
- GRI 103-3 Evaluation of the management approach
- GRI 203-1 Infrastructure investments and services supported through commercial, inkind, or pro bono engagement
- GRI 308-1 Percentage of new suppliers that were screened using environmental criteria
- GRI 414-1 Percentage of new suppliers that were screened using social criteria
- GRI 417-1 Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements

5. EMPLOYEE AREA AND RESPECT FOR HUMAN RIGHTS

5.1 OUR CORPORATE MOTTO

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

5.2 OVERVIEW

Activities related to employee matters and respect for human rights are pursued mainly by the HR function and the Ethics Officer.

Responsibilities of the **HR function** include:

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

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

- Receives, selects and evaluates complaints for legitimacy and materiality; in the case of minor complaints, the Ethics Officer undertakes remedial action on his or her own, while more complex and serious cases are referred to the Secretary of the Human Capital Committee
- Informs the parties concerned about the measures taken, with due regard to confidentiality requirements
- Prepares, based on the complaints and comments received, an annual report and proposes solutions to improve the corporate culture
- Carries out educational activities to promote the Core Values and Standards of Conduct of PKN ORLEN S.A. within the Company, which include 'Management by Values' lectures for management staff and training to promote the Core Values and Standards of Conduct across the Company's functions, in accordance with reported needs.

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

5.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Employee relations KPIs at PKN ORLEN and the ORLEN Group in 2018 and 2019:

Employee relations KPIs	UoM	ORLEN Group		PKN ORLEN	
		2019	2018	2019	2018
Including:	[persons]	22,337	21,282	5,447	5,250
PKN ORLEN	[persons]	5,447	5,250	5,447	5,250
Unipetrol Group	[persons]	4,913	4,835	-	-
ORLEN Serwis Group	[persons]	2,216	1,775	-	-
ORLEN Lietuva Group	[persons]	1,429	1,631	-	-
ANWIL	[persons]	1,364	1,323	-	-
ORLEN Ochrona Group	[persons]	1,382	1,182	-	-
Other	[persons]	5,586	5,286	-	-
Employment by gender, including:					
Women	[%]	27	27	23	22
Men	[%]	73	73	77	78
Workforce by type of job, including:					
White-collar staff	[%]	46	46	59	58
Blue-collar staff	[%]	54	54	41	42
Workforce by education, including*:					
Tertiary	[%]	41	41	66	64
Secondary	[%]	38	38	30	32
Vocational	[%]	19	19	4	4
Primary	[%]	2	2	0	0
Employees covered by collective bargaining agreements, including:					
Polish companies	[%]	73	39	100	100
Foreign companies	[%]	92	94	-	-
Trade unions - trade union membership	[%]	39	40	50	50
Company Social Benefits Fund, including:					
[persons]	[persons]	28,333	28,317	15,037	15,540
Employees	[persons]	12,654	11,825	5,447	5,250
Former employees	[persons]	6,750	6,692	5,222	5,222
Family members	[persons]	8,929	9,800	4368	5,068
Average training hours per employee, including:					
Women	[number]	23.4	18.3	47.7	32.4
Men	[number]	25.2	20.7	36.9	31.0
Managers	[number]	38.5	24.5	66.9	44.3
Non-managers	[number]	23.7	19.6	35.3	29.5

* Adjustment of the 2018 data to account for a change in the assignment to educational attainment levels at PKN ORLEN

Composition of governance bodies and breakdown of employees per employee category according to gender, age group and other indicators of diversity in 2018-2019:

Indicators of diversity in 2018-2019.

Composition of governance bodies and breakdown of employees	UoM	ORLEN Group		PKN ORLEN	
		2019	2018	2019	2018
Members of the Management Boards of ORLEN Group companies by gender, including:					
Women	[%]	13	9	17	14
Men	[%]	87	91	83	86
Supervisory Boards of ORLEN Group companies by gender:					
Women	[%]	31	32	60	56
Men	[%]	69	68	40	44
Management Board – age structure, including:					
< 30 years	[%]	1	0	0	0
30-50	[%]	72	72	83	71
>50	[%]	27	28	17	29
Supervisory Board – age structure, including:					
< 30 years	[%]	1	3	0	0
30-50	[%]	79	82	60	100
>50	[%]	20	15	40	0
Employees – employment structure by age, including:					
< 30 years					
Managers	[%]	1	1	1	1
Non-managers	[%]	99	99	99	99
30-50					
Managers	[%]	12	11	14	11
Non-managers	[%]	88	89	86	89
>50					
Managers	[%]	10	9	14	7
Non-managers	[%]	90	91	86	93
Employees – employment structure by gender, including:					
Women					
Managers	[%]	9	8	11	11
Non-managers	[%]	91	92	89	89
Men					
Managers	[%]	11	9	13	8
Non-managers	[%]	89	91	87	92

Other employee data for 2018 and 2019:

Other employee data for 2018 and 2019.					
Employee relations KPIs	UoM	ORLEN Group		PKN ORLEN	
		2019	2018	2019	2018
Employees by type of contract and gender:					
Open-ended contract					
Women	[number]	5,014	4,787	987	920
Men	[number]	14,159	13,577	3,704	3,582
Fixed-term contract					
Women	[number]	744	681	205	169
Men	[number]	1,833	1,671	456	432

Probationary period contract					
Women	[number]	114	127	15	33
Men	[number]	326	317	43	76
Temporary substitution					
Women	[number]	106	89	23	19
Men	[number]	41	33	14	19
Employees by type of contract and region:					
Open-ended contract					
Czech Republic	[number]	4,576	4,484	0	0
Canada	[number]	43	49	0	0
Germany	[number]	169	160	0	0
Lithuania	[number]	2,073	1,977	0	0
Poland	[number]	12,312	11,694	4,691	4,502
Fixed-term contract					
Czech Republic	[number]	593	584	0	0
Canada	[number]	3	3	0	0
Germany	[number]	4	5	0	0
Lithuania	[number]	20	18	0	0
Poland	[number]	1,957	1,742	661	601
Probationary period contract					
Czech Republic	[number]	141	140	0	0
Canada	[number]	0	0	0	0
Germany	[number]	12	11	0	0
Lithuania	[number]	19	16	0	0
Poland	[number]	268	277	58	109
Temporary substitution					
Czech Republic	[number]	1	2	0	0
Canada	[number]	0	0	0	0
Germany	[number]	0	2	0	0
Lithuania	[number]	7	7	0	0
Poland	[number]	139	111	37	38
Employees by employment type and gender:					
Full-time					
Women	[number]	5,875	5,598	1,216	1,129
Men	[number]	16,286	15,515	4,209	4,100
Part-time					
Women	[number]	103	86	14	12
Men	[number]	73	83	8	9
New hires by age, gender and region:					
		3,158	2,977	452	603
Age					
< 30	[number]	1,046	1,080	152	203
30 - 50	[number]	1,642	1,562	281	369
> 50	[number]	470	335	19	31
Gender					
Women	[number]	936	939	162	192
Men	[number]	2,222	2,038	290	411
Region					
Czech Republic	[number]	732	704	0	0

Canada	[number]	4	8	0	0
Germany	[number]	33	23	0	0
Lithuania	[number]	354	315	0	0
Poland	[number]	2,035	1,927	452	603
Hires rate*	[%]	14.1	14.0	8.3	11.5
Employee turnover [%]**	[%]	8.9	9.9	4.8	6.2
Age					
< 30	[%]	15.2	15.7	5.0	5.4
30 - 50	[%]	7.0	8.5	3.6	5.0
> 50	[%]	10.0	10.0	7.6	9.6
Gender					
Women	[%]	10.2	11.3	6.1	6.1
Men	[%]	8.4	9.4	4.4	6.3
Region	[%]				
Czech Republic	[%]	11.9	12.0	-	-
Canada	[%]	21.7	5.8	-	-
Germany	[%]	17.3	11.2	-	-
Lithuania	[%]	11.8	13.7	-	-
Poland	[%]	7.2	8.5	4.8	6.2

*Hires rate – the number of new hires as a percentage of total employment.

**Employee turnover – the number of employees leaving a group over a given year / total number of employees in the group.

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

New hires and turnover rates for ORLEN Group employees are similar to those recorded in 2018.

Employee satisfaction and engagement KPIs at PKN ORLEN and ORLEN Group

Employee engagement and satisfaction surveys are conducted every two years. In the 2019 edition, the employee engagement rate for PKN ORLEN was 64%, on a par with the 2017 level. The overall employee satisfaction rate was 77%, having gone up 4 percentage points.

Employee engagement and satisfaction survey	UoM	2019	2017
Number of ORLEN Group companies surveyed	[x]	22	16
Number of respondents – PKN ORLEN	[x]	4,192	4,005
Employee engagement rate	[%]	64	65
Job satisfaction rate	[%]	77	73
Average rates in Poland in 2016¹ and 2018²			
Employee engagement rate	[%]	50	51
Job satisfaction rate	[%]	64	66

1) Based on Aon Hewitt.

2) Based on Kincentric.

5.4 POLICIES IN PLACE

The policies and internal regulations concerning the employee area include:

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

Collective Bargaining Agreements and Work Rules of ORLEN Group companies – prepared in accordance with the applicable regulations and the relevant standard adopted at PKN ORLEN. The Collective Bargaining Agreements are entered in the registers kept by the competent Regional Inspectors of the National Labour Inspectorate. In 2019, the following ORLEN companies had Collective Bargaining Agreements in place: Basell Orlen

Polyolefins, ORLEN Aviation, ANWIL, IKS Solino, ORLEN Centrum Usług Korporacyjnych, ORLEN Południe, ORLEN Laboratorium, ORLEN Administracja, ORLEN Serwis. At ORLEN Projekt, a Collective Bargaining Agreement came into force in 2020. Collective Bargaining Agreements are also in place at Unipetrol Group, ORLEN Serwis Group and ORLEN Lietuva Group companies.

ORLEN Group Human Resources Management Policy – sets out the priorities and key tasks defined relying on best market practices, reflecting market challenges and trends in human capital development. It defines activities in such areas as reinforcement of the Group's corporate culture, segment-based management, employee development, compensation and employee benefits, and performance management, to name just some.

ORLEN Group Age Management Policy – describes the practices and tools implemented by PKN ORLEN and ORLEN Group companies to maintain the continuity and efficiency of their business processes by preventing competence gaps and securing knowledge and skill transfers in the face of current and projected demographic shifts on the labour market.

Remuneration Policy for Members of Management and Supervisory Boards of ORLEN Group Companies – ensures that the salary cap act is complied with by the ORLEN Group. The document sets out the approach to HR decisions in connection with the government's ownership powers, guaranteeing that the process of appointing management board and supervisory body members at the ORLEN Group companies is compliant with the provisions of the Act on the Rules of Remunerating Persons Who Direct Certain Companies.

Bonus System Rules – the PKN ORLEN Management Board, Management Boards of other ORLEN Group companies, as well as directors reporting directly to the Management Board and PKN ORLEN employees are covered by bonus schemes. The key positions at the ORLEN Group are rewarded based on the annual bonus scheme: the bonus is granted for achieving individual qualitative and quantitative targets, which are reviewed after the end of the year for which they were set. Other PKN ORLEN employees are rewarded based on one of the following three bonus schemes: a quarterly/annual, quarterly, or monthly scheme. For detailed information on the remuneration and bonus policies for members of the PKN ORLEN Management Board, see the Directors' Report on the ORLEN Group's operations in 2019.

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

Employee Onboarding Policy – aligned with the objectives of the Employee Onboarding Programme, which include effective introduction of new hires to new conditions, tasks, responsibilities, and the work environment, while familiarising them with the Company's procedures and rules, including the Core Values and Standards of Conduct.

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

Policy for Assisting Employees During Crises – defines the rules for supporting employees going through some personal crises. In providing support, the employer takes into account the particular occurrence, the type and scale of damage or loss sustained, as well as the personal and financial circumstances of the affected employee. Depending on the above criteria, the employee may be provided with financial, medical, psychological or legal assistance.

Practice of Psychological Support for Employees in Difficult Situations – the goal of the practice is to support and assist employees and their family members who are experiencing some personal difficulties. The practice supports the Company's policy for assisting employees during crises. The practice is run by the Occupational Psychology Centre, which is a unit of PKN ORLEN.

Internal Order on Programmes Dedicated to PKN ORLEN Employees, Their Families and Former PKN ORLEN Employees – sets out the terms of the 'Family Friendly Employer' Programme, as part of which employees receive additional childcare leave (for children up to 3 years of age/children with disabilities up to 24 years of age), a gift for a newborn baby, a place in a nursery, etc. The order applies to long service jubilees, retirement and birthdays of former employees. It sets out the rules governing initiatives for employees celebrating long service or those retiring, as well as pensioners celebrating their 70th, 75th, 80th, 85th and following birthdays.

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

Restructuring agreement with Trade Unions – sets out the rules of cooperation between social partners in restructuring processes and the employees' rights in such processes.

The policies and internal regulations concerning the human rights area include:

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

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

Workplace Bullying Policy – sets out the rules to be followed when a case of harassment is reported, as well as the rights and obligations of employees in such situations. It aims to counteract workplace harassment and foster good employee-employee and employee-employer relations.

Rules to prevent workplace bullying, discrimination, and any forms of harassment at PKN ORLEN – support the Workplace Bullying Policy, which has been in place since 2017. They were developed to set out the rules of dealing with any reports of bullying, discriminating or harassing behaviours, and to define the rights and obligations of employees.

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

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

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

The ORLEN Group CSR Strategy until 2022 – sets out the directions of social responsibility initiatives. Besides seeking to align business with social objectives, other priorities of the CSR Strategy are to build PKN ORLEN's image as a leader in CSR and sustainability, generate CSR synergies across the Group, and support the pursuit of Sustainable Development Goals and the 'Accessibility Plus' programme. The CSR strategy is implemented within five key areas of responsibility: Society, Environment, Employees, Customers, and Business Partners.

The Integrated Management System Policy – a declaration to assure quality, minimise environmental impacts, ensure employee safety and information security.

5.5 DUE DILIGENCE PROCEDURES

Employee relations

Employment

In 2019, the ORLEN Group's hiring policy was focused on recruiting top quality specialists for both day-to-day tasks and strategic projects. Expansion of the ORLEN Group's power generation, petrochemicals, maintenance services, IT and trade activities led to a 1,055 year-on-year increase in total workforce, to 22,337 employees. In 2019, the average annualised workforce at the ORLEN Group was 21,826, an increase by 950 employees year on year.

Remuneration policy

The rules of remuneration in place at PKN ORLEN are laid down 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. Employees are covered by monthly, quarterly, quarterly/annual or annual bonus schemes, depending on positions held. Employees are also entitled to receive an extra annual bonus for achievement of solidarity targets, and a number of allowances, including shift-work allowance, chemical emergency service allowance, or expat allowance. For particularly outstanding achievements, an employee may be awarded a prize, financed from the Employer Prize Fund.

On April 1st 2019, amendments to the PKN ORLEN Collective Bargaining Agreement came into effect, relating in particular to the Pay Grade Table and Base Pay Table. In 2019, Collective Bargaining Agreements/Pay Rules were also agreed upon or amended at the following ORLEN Group companies: ORLEN Laboratorium, ORLEN Serwis, ORLEN Administracja, ORLEN Projekt, ORLEN Południe, ORLEN Centrum Usług Korporacyjnych, Basell Orlen Polyolefins, Energomedica, Sigma BIS and Ship-Service.

In 2019, PKN ORLEN entered into a pay agreement for 2019, which provided for obligatory base pay rises of PLN 250 for employees graded 1 to 6 and one-off bonuses of PLN 2,100 for employees graded 7 and 8. In addition, Christmas bonuses totalling PLN 3,500 and an additional bonus on account of PKN ORLEN's anniversary ranging from PLN 1,000 to PLN 2,000 were agreed upon, depending on the length of service. Pay agreements were signed at all ORLEN Group companies. They were adapted to each company's financial capabilities and additionally depended on its position on the pay market.

In 2019, the average gross monthly remuneration (including base pay, bonuses, awards, allowances and overtime) at the ORLEN Group was PLN 8,316.

In 2019, uniform Employee Capital Plans (PPK) were implemented at PKN ORLEN and the ORLEN Group companies.

Development of the Human Resources Functions and standardisation of processes across the ORLEN Group

HR and payroll solutions at the ORLEN Group evolve continually so as to effectively support its business processes. Based on the HR policy for the ORLEN Group, HR and payroll processes at the Transaction Centre are optimised on an ongoing basis. IT systems are developed to streamline staff administration activities and improve the efficiency of HR processes across the Group. A project team comprising representatives of various functions and companies was set up in 2019, tasked with standardising HR processes across the ORLEN Group. In 2019, most Group companies implemented a new system for bonus processes. Moreover, the application supporting the onboarding process was expanded and the tool can now be used at other ORLEN Group companies. The MyBenefit platform introduced by PKN ORLEN, providing employees with better access to attractive employee benefits, was deployed at some Group companies and will be rolled out further. Additionally, in 2019 PKN ORLEN implemented KCP – a work time planning and reporting tool which will be implemented at all ORLEN Group companies in order to standardise the work time management process throughout the Group. The continuous development of HR functions combined with process digitalisation improve the HR processes, guaranteeing their high quality and transparency.

Human resources management policy

People are invariably one of the key pillars of the ORLEN Group's strategy. Activities carried out in 2019 focused on consistent implementation of the HR policy to help build an experienced team of professionals and develop leadership skills among the management staff. In addition, an employee satisfaction and commitment survey was undertaken, a Career Development Session was conducted, and the Employer's Brand Ambassador programme was launched. Priority initiatives for the Group in 2019 were to promote its image as an attractive employer, on board new employees, support managers in the recruitment processes, work with trade unions in implementing the Collective Bargaining Agreements and encourage employees to partner with ORLEN in the pursuit of its business objectives (business awareness). Moreover, non-financial incentives for employees were being developed by expanding the benefits scheme (launch of the MyBenefit platform) and employee health initiatives were run.

Development and training

Development activities in 2019 focused on shaping attitudes and skills in diversity management, management ethics, innovation, cooperation, reviewing lessons learnt, project work, work planning and organisation, and negotiation skills. These and other dedicated training programmes supported the delivery of business strategies. The so-called '**Career Development Session**' was introduced to help plan individual career paths, based on the assessment of an employee's development needs and business requirements in a given business area. The session involves a friendly talk between an employee and their line manager, and hence its important component is the bottom-up feedback. Apart from being a tool used to identify development needs, the session supports the development of a culture of openness and dialogue. Its implementation was preceded by dedicated workshops for the management staff and employees.

Programmes were also run to **support skills identified as important for the development of business functions in the context of future challenges**, including: a programme to develop advanced analytical skills (with respect to 'big data') and a comprehensive programme to develop project management skills. Under these programmes, employees were developing unique skills related to Data Analytics trends and learned how to employ them for business and project management, spanning a range of topics from budget management, project team management and project lifecycle analysis, to project risk and quality management.

A **comprehensive management staff development programme** was continued, its themes centred in particular on fostering engaging leadership, value-based management, performance improvement and building multifaceted collaboration and innovation on a team. Moreover, the management staff were working to develop their mentoring and feedback giving/receiving skills. Further programmes were also delivered to train the management staff in preventing workplace bullying, in labour laws, and in management and business ethics. Those projects demonstrate the Company's particular concern for management based on ethics and respect for corporate values.

Another important **training programme** covered the **anti-corruption policy**, and was provided to employees of various levels and business areas, supporting the implementation of the ORLEN Group Anti-Corruption Policy.

A **new e-learning platform** was implemented in 2019 featuring diverse content, including mandatory training on such topics as AML regulations, disclosure obligations of listed companies, counteracting the adverse effects of shift work, everyday innovation and diversity. The platform content can be created and posted by individual business areas, in different formats, which makes it a handy tool for internal knowledge transfer.

The Group employees benefited from a **wide range of diversified development activities**. They attended tailored training events (both open and closed), designed specifically to address the needs of a given area or employee, postgraduate courses, or MBA programmes. In addition, they were offered opportunities to broaden and share their knowledge of the market through participation in trade conferences and events.

As in previous years, we continued initiatives fostering a **culture of work safety**, including educational projects, mandatory training and post-graduate courses dedicated specifically to PKN ORLEN, such as those focused on skills necessary to operate power generation units. The 'Safe Driving Academy' was also continued with a view to helping its participants master safe driving techniques and learn how to react in difficult situations on the road.

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

Age Management Policy

Age management solutions were implemented across the ORLEN Group in 2019, to address the negative effects of demographic shifts on the labour market. Activities in this area focus, among other things, on raising the management staff's awareness of age management, promoting intergenerational diversity and communication, facilitating knowledge and skill transfers, Employer Branding efforts in relations with the outside world, especially with the local labour market, universities and schools, building successor competencies within the company, implementing dedicated staff development and mentoring programmes, and undertaking preventive healthcare measures.

Social dialogue and employee benefits

The ORLEN Group believes in social dialogue based on independence of the parties, legal compliance, as well as trust, mutual willingness to compromise, and observance of the rules. The rules of **social dialogue** are founded on internal regulations and generally applicable laws, which facilitates development of constructive and lasting solutions in partnership with employee representatives.

The ORLEN Group offers **employee benefits**, which include co-financing of employee holidays or sanatorium treatment, childcare, holidays for children and teenagers, and school starter kits. Christmas gifts for employees' children have already become a tradition across the Group. The employer provides financial support for families with low incomes. Our employees may also apply for partial financing of sports and recreational activities, cultural and educational activities, or physical therapy treatments, as well as non-repayable allowances and repayable housing loans. PKN ORLEN offers a uniform employee benefits package to employees of all ORLEN Group companies participating in the joint social benefits programme. Group companies covered by the programme as at December 31st 2019 included: Basell ORLEN Polyolefins, CENTRUM Edukacji, ORLEN Administracja, ORLEN Asphalt, ORLEN Centrum Serwisowe, ORLEN Eko, ORLEN KolTrans, ORLEN Centrum Usług Korporacyjnych, ORLEN Laboratorium, ORLEN Ochrona, ORLEN Paliwa, ORLEN Projekt, ORLEN Upstream, ORLEN Serwis, Płocki Park Przemysłowo-Technologiczny (the Płock Industry and Technology Park), and Fundacja ORLEN (ORLEN Foundation). The additional benefits policy applies equally to all employees, regardless of the type of their employment contract (for a fixed or indefinite period), their working time (full-time or part-time) or location. All personnel employed under employment contracts, whether full-time or part-time, are entitled to benefits from the PKN ORLEN Social Benefits Funds. PKN ORLEN's employees also participate in the Employee Pension Plan (known as the third pillar of the pension system). In addition, PKN ORLEN partly covers the cost of insurance premiums for its employees working under employment contracts who have been with the Company for at least three months, regardless of the type of contract. Benefits from the Social Benefits Fund guaranteed to former employees of PKN ORLEN and other Group companies covered by the joint social benefits programme (old age pensioners, disability pensioners, persons who opted for voluntary redundancy) include: co-financing of employee holidays or sanatorium treatment, holidays for children and teenagers, school starter kits, Christmas gifts for children, non-repayable financial support, repayable housing loans and, additionally: cash allowance for low-income employees, birthday cash benefits for former employees aged 70+ (paid every five years) and 95+ (paid every year), meetings with former employees in Senior Citizens Clubs across Poland. All ORLEN Group employees receive the same benefits regardless of their location or type of employment contract. Certain benefits, e.g. insurance, may differ depending on the employer. At PKN ORLEN, group insurance is provided to all employees who have declared their intention to participate. Employees have several options to choose from. Group insurance is also available at other Group companies, but decisions in this respect are made by each company on a discretionary basis. In addition to the programmes described above, PKN ORLEN also supports the continuity of employment of persons whose contracts are terminated as a result of restructuring processes by offering them training packages. As part of a package, PKN ORLEN provides financing for training which a given person has indicated as useful in their further career.

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

PKN ORLEN also provides **extensive medical care** going beyond the scope of occupational medicine. Medical plans and preventive healthcare programmes are run in cooperation with Centrum Medyczne Medica Sp. z o.o. of Płock and the Military Institute of Medicine of Warsaw as part of a project to investigate health impacts of the work environment. In 2019, a uniform standard for medical plans was implemented across the ORLEN Group.

We also carried out preventive check-ups and delivered health promotion campaigns in the workplace, such as: medical examinations of employees' children aged from nine months to six years under the programme called 'Say NO to Cancer in Children'; densitometric tests, HCV tests and hearing tests, health zones and preventive check-ups in Płock, Włocławek and Ostrów Wielkopolski under the nationwide 'Health First' programme; open meetings for employees devoted to disability issues; Occupational Safety and Healthcare Day at the ORLEN Group.

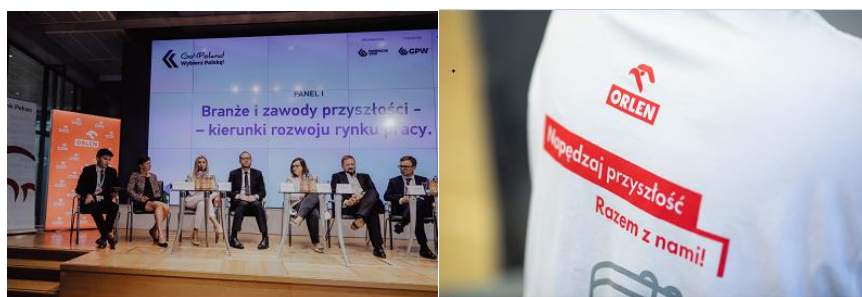
In addition, PKN ORLEN cares about **the mental health of its employees**, seeing this activity as an inherent part of its corporate culture. The tasks of our Occupational Psychology Centre include provision of support and psychological assistance to employees and their families who are going through personal or professional issues. Commitment to well-being in the workplace is very important to the employees, building a sense of togetherness and mutual accountability.

Education and talent acquisition policy

PKN ORLEN works consistently to satisfy its talent acquisition and retention needs, focusing of specific target groups relevant to the Company's business areas – current and prospective employees, as well as students and graduates of vocational schools and universities. Being aware of the need for synergies between business and academia, the ORLEN Group collaborates with the academic community.

PKN ORLEN is also committed to offering employment opportunities to the disabled. In 2019, together with several other Group companies, it joined the **Work – Integration programme** of the State Fund for the Rehabilitation of the Disabled (PFRON), aimed at recruiting people with disabilities from the open labour market.

Realising the need to build an HR pipeline in professions that are crucial to the industry, given especially the specific business profiles of the Group companies, PKN ORLEN engages in active partnerships with vocational schools – as a result students obtain expert support during hands-on activities and have the opportunity to take part in study visits and trainee placements offered by the Group companies. PKN ORLEN cares for the professional development of young people – students, university graduates and school leavers, by providing them with an opportunity to acquire their first professional experience on internship and work placement programmes, which are attended by dozens of university graduates and school leavers each year. In 2019, there were over 100 interns under the **'Headed for ORLEN'** and the **'#Energy for the Future'** programmes run in association with the Polish Ministry of Energy, and in a programme carried out jointly with the **Faculty of Power and Aeronautical Engineering of the Warsaw University of Technology**. PKN ORLEN also offers development opportunities to Polish students studying abroad. This year, we were a strategic partner of the **'Go4Poland- Choose Poland!'** programme, aimed at encouraging young talented Poles studying abroad to plan their career paths at Polish or multinational companies, public institutions operating in Poland, or foreign branches of Polish companies. As part of the programme, we provided holiday internship, workshop and mentoring opportunities. 135 individuals completed student internships, most of them in the production segment, but some also in other business areas.



PKN ORLEN also participated in various **job fair events** (the Activity and Entrepreneurship Fair in Plock, the JOBICON in Warsaw, the Engineering Job Fair at the Warsaw University of Technology, the London Job Fair) at technical universities, and provided students and graduates with opportunities to gain professional experience. Additionally, it was involved in a number of education and awareness projects, including the **ORLEN Knowledge Day**. PKN ORLEN employees delivered a Communication Workshop for students of the Pawel Wlodkowic University College in Plock, and participated in Employers Panel held with the objective of assessing the needs of employers and institutions cooperating with the Warsaw University of Technology in the field of chemical engineering.

For another year running, PKN ORLEN, ORLEN Laboratorium and ANWIL actively participated in **Industry Seminars** – a series of meetings at the Faculty of Chemistry of the Warsaw University of Technology. The participants are the Faculty students and leading chemical industry companies. The purpose of the meetings is to equip students with practical knowledge based on actual business cases and to inspire them to choose specific development paths with a view to getting a job with a given company. In addition, PKN ORLEN attended the Science-Industry Seminar at the Faculty of Materials Science and Engineering of the Warsaw University of Technology, and students' meetings with employers at the Business Networking Day held at the Warsaw University of Technology, Faculty of Production Engineering and Faculty of Chemistry. Students of the Plock branch of the Warsaw University of Technology regularly visited the Plock Production Plant and were invited to the Refining Industry Open Days held as part of the European Industry Week.



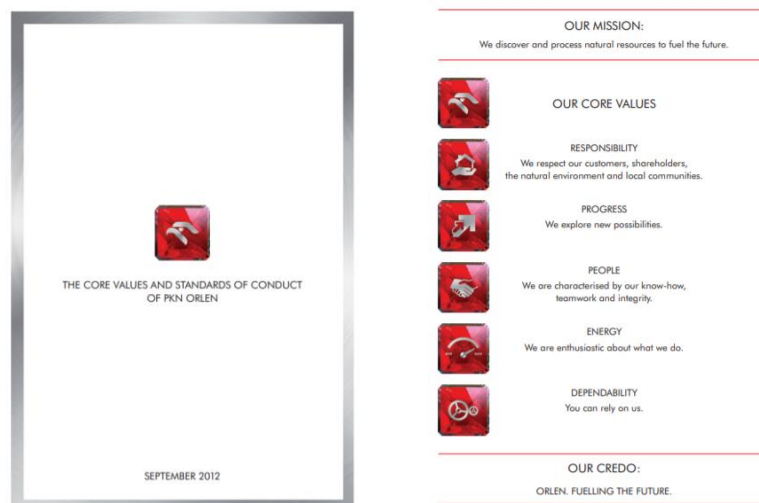
In 2019, PKN ORLEN was awarded a TOP Employers Certificate (for the eighth consecutive time) and the titles of Employer for an Engineer and Health-Focused Employer. Furthermore, the Company was recognised in the ICEBREAKERS 2019 competition.

Respecting human rights

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

In 2012, the Group adopted the **'Core Values and Standards of Conduct'**, addressing relationships within the company and interactions with the external environment, including trading partners, local communities, the natural environment and competition. At the same time a new system was put in place for reporting instances of human rights abuses. The **'Core Values and Standards of Conduct'** set out the values that PKN ORLEN has

committed to respect: **Responsibility, Development, People, Energy, Reliability** They are manifested in the everyday behaviours and attitudes described in the document and practised both inside and outside the organisation. All ORLEN Group companies (in Poland and abroad) share the same ORLEN values and every company has adopted the 'Core Values and Standards of Conduct' as a binding code of ethics.



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



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

PKN ORLEN offers a wide range of internal communication channels to its employees (corporate television, intranet and newsletter), and hosts the **Open Door Day** for families of employees and residents of Plock, combined with environmental protection and health and safety education, as well as traditional Christmas meetings of the Management Board with employees.

As part of educational activities promoting the 'Core Values and Standards of Conduct of PKN ORLEN S.A.', the Ethics Officer delivers 'Management by Values' lectures to management staff as well as business ethics awareness training (themed, in particular, around communication based on ethics and respect) and promoting the 'Core Values and Standards of Conduct' across several functions. 140 people were trained in total in 2019.

Since June 2019, the Ethics Officer has run his own training block as part of the Onboarding Programme to present an overview of corporate values (Responsibility, Development, People, Energy, Reliability) to new hires and discuss the importance of each principle of conduct owned by individual functions/offices.

The ORLEN Group has additionally joined the national '**Two Hours for the Family**' campaign. On May 15th, the International Day of Families, employees are free to leave two hours early to devote that time to family activities. The theme of the 2019 edition was 'Small and Big Family Trip'.

In 2019, for the sixth time, PKN ORLEN was the only Polish name included in **The World's Most Ethical Company** ranking.

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

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

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

Most of the reports received by the Ethics Officer in 2019 related to cooperation issues, inappropriate communication or poor interpersonal relations. No incidents involving theft of company assets, a conflict of interest or alcohol abuse were reported. Most reports concerned specific violations of the Core Values and Standards of Conduct. Most of the reported issues have been investigated, with corrective measures implemented.

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

The **ORLEN Group Anti-Corruption Policy** and an internal order on **Anti-Money Laundering and Terrorist Financing** were adopted in 2018. The **Workplace Bullying Policy** is also in place, setting out the rules to be followed when a case of harassment is reported, as well as the rights and obligations of employees in such situations. The Workplace Bullying Policy has been implemented to ensure high standards in developing a supportive work environment based on mutual respect and trust. Every employee across the organisation is responsible for active promotion of the right behaviours, fostering healthy relationships between employees and upholding the team spirit. In view of the importance of continual efforts to bring behaviours in line with the Core Values and Standards of Conduct and ensuring that managers stay alert, the **Rules to prevent workplace bullying, discrimination, and any forms of harassment at PKN ORLEN** were drawn up in 2019. They are intended to support the implementation of PKN ORLEN's Workplace Bullying Policy, which also includes measures designed to prevent any behaviour that could amount to bullying, discrimination, or other forms of harassment.

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

RISKS /PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
EMPLOYEES		
Availability of employees and subcontractors	<ul style="list-style-type: none"> ▪ Loss of key personnel ▪ Persistent shortage of experienced staff with relevant technical expertise 	Monitoring and reviewing of job-specific training needs, oversight of the recruitment process to ensure employment of candidates with relevant qualifications; supporting vocational education to develop practical skills.
Allocation and development of human resources	<ul style="list-style-type: none"> ▪ Constraints in recruitment/employee turnover; lack of transparency of the recruitment/employment termination process 	Identification of the key skills for a given position at the recruitment stage, supervision of the process of contract termination, control of the position change processes within the Company
Social security and other benefits	<ul style="list-style-type: none"> ▪ Miscalculation of social security payments and other employee benefits 	Supervision of the process of calculation and verification of remuneration, social security and other employee benefits
Workplace accidents and other hazards	<ul style="list-style-type: none"> ▪ Failure to identify material risks for particular jobs ▪ Injury/death at a production plant 	Introduction of a health and safety hazard reporting system, including division of responsibilities, supervision of the hazard identification process in the occupational risk assessment, introduction of procedures to follow in the event of an accident at work
Employees and subcontractors' activities	<ul style="list-style-type: none"> ▪ Activities of employees and subcontractors resulting in violation of OHS regulations 	Reviewing and issuing opinions on contracts with subcontractors in terms of security certificates and security clauses, implementation of the Comprehensive Prevention System

RESPECTING HUMAN RIGHTS		
Breach of ethical standards	<ul style="list-style-type: none"> ▪ Inadequate ethical standards for a given business environment ▪ No support for employees in resolving conflicts of interest ▪ Ineffective system of internal reporting of unethical or illegal practices 	Keeping track and reviewing compliance with the value system set out in the Core Values and Standards of Conduct of PKN ORLEN, appointment of the Ethics Officer, introduction of the Anonymous Misconduct Reporting System.

Labour law	<ul style="list-style-type: none"> ▪ Violations of labour law ▪ Penalties imposed as a result of court proceedings initiated by current or former employees 	<p>Obligatory knowledge of applicable laws and internal regulations governing employment relationships, i.e. the Work Rules, Core Values and Standards of Conduct, etc.</p> <p>Agreement setting out the rules of cooperation between social partners in restructuring processes</p>
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GRI indicators discussed in this Section:

- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area
- GRI 103-3 Evaluation of the management approach
- GRI 102-8 Information on employees and other workers
- GRI 102-16 Values, principles, standards, and norms of behaviour
- GRI 102-17 Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity
- GRI 102-41 Employees covered by collective bargaining agreements
- GRI 401-1 New employee hires and employee turnover
- GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees
- GRI 404-1 Average hours of training per year per employee
- GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes
- GRI 405-1 Composition of governance bodies and breakdown of employees per employee category according to gender, age group and other indicators of diversity

6. ENVIRONMENTAL AREA

6.1 OUR CORPORATE MOTTO

Aware of the objectives and challenges arising from the impact of our business on climate change, we will develop it based on innovative low-emission technologies and products, in accordance with the principles of a circular economy. We pursue this objective by investing in best available techniques (BAT) in environmental protection and minimising the environmental footprint of our production, product storage and distribution processes.

6.2 OVERVIEW

Reducing the environmental footprint has long been one of the ORLEN Group's top priorities. Our approach to environmental protection management is based on the principles of corporate social responsibility and takes environmental criteria into account. We strive to balance our objectives for Stakeholders, reporting the results of our environmental protection efforts. Our environmental objectives are set out in the Integrated Environmental Policy adopted by PKN ORLEN.

Developing the environmental protection policy, promoting environmental awareness, and fostering a positive environmental image of the Group are the responsibility of the **Environmental Protection** function. Its responsibilities additionally include:

- Monitoring, balancing and optimisation of GHG emissions and ensuring that free carbon dioxide emission allowances are effectively secured for installations covered by the EU emissions trading scheme, in accordance with the applicable laws
- Ensuring that the required environmental permits are in place
- Carrying out organisational and control activities in order to comply with the established environmental standards
- Implementing and maintaining the leakage detection and repair system (LDAR) at the Plock Production Plant and the PTA plant in Wloclawek
- Calculating and paying environmental charges
- Consulting and providing expert supervision over the scope and progress of remediation work at PKN ORLEN facilities.

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

6.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

Environmental KPIs at PKN ORLEN and the ORLEN Group:

Water

Surface waters were the main water source for the Group companies in 2019. They were abstracted by the ORLEN Group's largest companies: ANWIL, IKS Solino, PKN ORLEN, ORLEN Poludnie, ORLEN Lietuva, Unipetrol, Paramo and Spolana, and then distributed through water mains to their own production facilities, to the Group companies and to third parties. The ORLEN Group consumed **93.8 million m³** of surface water, groundwater and mains water in 2019, most of which was used by PKN ORLEN, which abstracted 27,771,220 m³ of surface water and 437,389 m³ of groundwater. This means that its total consumption grew by more than 51,000 m³ vs 2018 following an increase in production volumes and the commissioning of new units. Moreover, due to the progressing climate change (higher temperatures in summer), the demand for water at ANWIL and third parties also rose considerably, by 1.8 million m³.

Effluents

Effluents from all ORLEN Group companies are directed to industrial and rain water sewage systems and then undergo treatment. Wastewater discharged to the environment is metered. In 2019, the ORLEN Group's overall discharges exceeded **51.7 million m³**, which included more than 45 million m³ of industrial wastewater. The figures are very similar to the 2018 volumes.

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

Air emissions

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

The ORLEN Group's estimated air emissions of **SO₂**, **NO_x**, **CO** and **particulate matter** in 2019 totalled **33,500 Mg**, while **CO₂ emissions reached almost 16 million Mg**. The emission estimates for individual substances, including CO₂, will be reviewed and the finally determined amounts will be published in the ORLEN Group's Integrated Report for 2019.

Waste

The total volume of waste other than municipal waste generated in 2019 by the Group companies **exceeded 222,000 tonnes**. Out of the waste generated last year, almost 109,000 tonnes were transferred to third parties for recovery or disposal. The ORLEN Group companies recovered more than 21,000 Mg and disposed of almost 28,900 tonnes of waste using their own facilities. The remaining portion was landfilled.

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

Environmental KPIs	UoM	ORLEN Group		PKN ORLEN	
		2019	2018	2019	2018
Total withdrawal of surface water, groundwater and mains water	[million m³]	93.8	90.2	28.2	28.1
Surface water	[million m ³]	89.1	85.7	27.8	27.7
Groundwater	[million m ³]	1.6	1.5	0.4	0.4
Mains water	[million m ³]	3.1	3.0	-	-
Effluents discharged to the environment, including:	[million m³]	51.7	51.5	13.2	14.2
Industrial wastewater	[million m ³]	45.2	44.8	13.2	14.2
Summary of selected substances¹:	[tonnes]	16,004,951	14,926,963	8,804,607	7,800,349
Sulfur dioxide	[tonnes]	17,277	18,261	4,652	3,892
NO _x	[tonnes]	9,901	10,434	4,562	4,620
Carbon monoxide	[tonnes]	5,419	4,549	2,045	1,801
Particulate matter	[tonnes]	895	1,088	225	339
Carbon dioxide	[tonnes]	15,971,459	14,892,631	8,793,123	7,789,697
Waste managed²	['000 tonnes]	222	158	43.9	36.9
Waste recovered ³	['000 tonnes]	102	86	24.5	20.0
Waste disposed of ⁴	['000 tonnes]	57	58	15.8	13.0
Waste landfilled	['000 tonnes]	63	14	3.6	3.9

¹ Non-reviewed emission estimates. The reviewed data will be published in 2020 in the ORLEN Group's Integrated Report for 2019.

² Excluding municipal waste together with separately collected fractions (waste code 20).

³ Waste recovered – waste transferred for recovery by third parties or recovered using own systems.

⁴ Waste disposed of – waste transferred for disposal by third parties or disposed of using own systems.

The extended environmental KPIs will be published in the ORLEN Group's Integrated Report for 2019.

Energy area KPIs at PKN ORLEN and the ORLEN Group:

Reducing energy consumption

In 2019, the completed investment projects enabled the ORLEN Group to reduce energy consumption as follows:

- **Electricity – by 1,027 MWh**, which corresponds to the energy volume consumed by approximately 500 households over a year
- **Heat in steam – by 415,395 GJ**, which corresponds to the energy volume necessary to bring water in 496 Olympic pools to a boil

including:

ORLEN Lietuva:

Electricity – 344 MWh

Trzebinia CHP plant (ORLEN Południe):

Electricity – 183 MWh

UNIPETROL

Electricity – 500 MWh

Heat in steam – 380,879 GJ

Płock CHP plant:

Heat in steam – 34,516 GJ

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

The organisation's energy consumption

	2018		2019	
	Value [GJ]	Value [MWh]	Value [GJ]	Value [MWh]
Energy consumption in fuels	84,187,991	23,385,553	98,769,007	27,435,835
Electricity consumption	2,211,043	614,179	2,304,094	640,026
Heat consumption	6,825,492	1,895,970	5,579,603	1,549,890
Electricity sold	24,984,321	6,940,089	33,938,256	9,427,293
Heat sold	34,012,153	9,447,820	36,321,662	10,089,351
Total consumption*	25,191,517	6,997,644	28,509,089	7,919,191

* Total consumption is calculated as the difference between each unit's consumption of energy in fuel and energy sold to external and internal customers. The electricity consumption data for 2018 has been updated.

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

6.4 POLICIES IN PLACE

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

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

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

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

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

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

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

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

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

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

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

Our environmental objectives are set out in the Integrated Environmental Policy adopted by PKN ORLEN. The activities are carried out on the basis of the implemented Integrated Management System, which includes Quality Management System (ISO 9001: 2015, AQAP 2110), Environmental Management System (ISO 14001:2015), Occupational Health And Safety Management System (PN-N-18001), Information Security Management System (ISO/IEC 27001), Certification System for Biomass and Biofuels ISCC, KZR INiG certification system for the HVO process, Factory Production Control System (ZKP) – for bitumen production, and Food Safety Management System (HACCP) according to Codex Alimentarius. The Company has valid certificates of conformity to ISO 9001: 2015, AQAP 2110, ISO 14001:2015, PN-N-18001, ISO/IEC 27001, ISCC and ZKP. Additionally, an Energy Management System based on the requirements of the ISO 50001 standard was implemented and certified in 2019. These systems meet the highest international management standards and support the Company's day-to-day efforts to ensure professional customer service and maintain top quality, safety, health protection and environmental standards. The key ORLEN Group companies have Integrated Management Systems in place, which include an Environmental Management System implemented and maintained in accordance with the ISO 14001 standard as their integral part. The Group companies also follow Environmental Management System Policies, providing for an obligation to protect the environment, which includes pollution prevention, and other specific obligations relevant to the operations of individual companies. These policies also include a requirement to comply with the law and other external and internal requirements.

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

6.5 DUE DILIGENCE PROCEDURES

Reducing its environmental footprint and climate impact has long been one of the ORLEN Group's top priorities.

Climate change poses a significant challenge to PKN ORLEN and the ORLEN Group companies. PKN ORLEN will address it by developing a comprehensive strategy, to be communicated at the end of 2020. We are responding to these challenges by installing EV chargers at Motorway Service Areas, adapting Motorway Service Areas to new e-mobility needs, investing in bio-refineries, testing innovative biofuel production technologies and preparing our organisation to become a strategic player in hydrogen production and use for transport and power generation. For the most part, the ORLEN Group's petrochemical and chemical products are not finished goods, which limits the negative impact of its production on the environment and climate. The Group also upgrades its production processes and gradually increases the use of bio-component inputs. Because refining and petrochemical production are energy-intensive, decarbonisation of electricity and heat consumed is an important measure in reducing carbon dioxide emissions. PKN ORLEN already uses electricity and heat generated by two CCGT units (the CCGT plant in Włocławek was the first commercial power unit in Poland fuelled by natural gas), and cogeneration is among the most efficient forms of energy production. The widening price scissors between the price of coal-based energy and the cost of the Company's own power generation (from natural gas, cogenerated with heat) support the profitability of this segment. Additionally, the Company plans to build offshore wind farms in the Baltic Sea and further expand its presence in the green energy sector. An increasing share of green energy in the Company's overall mix is not only conducive to the achievement of the National Indicative Target, but, most importantly, offers a number of decarbonisation opportunities with respect to fuels and petrochemical products. It includes both green hydrogen produced by hydrolysis and its use as an alternative transport fuel, and synthetic gasoline enabling industrial use of captured carbon dioxide. The fully depreciated CCGT units will be an efficient power base for renewable energy support.

Low-carbon and circular economy

The long-term development strategy of PKN ORLEN involves, among other things, increased production of alternative fuels. It is prompted not only by the increasingly stringent requirements and regulations introduced by European Union countries, but also by changes in consumer behaviour, which show that the use of conventionally-powered vehicles will be declining. In accordance with new regulations, local authorities will be required to consistently increase the share of zero-emission vehicles in their public transport fleets. Once the necessary technical and legislative solutions are in place, hydrogen fuels, which are still mostly in the testing phase in Poland, will be a significant addition to the range of fuels used in heavy transport vehicles, including municipal buses. PKN ORLEN has already signed relevant letters of intent with the Metropolitan Association of Upper Silesia and Dąbrowa Basin, PESA Bydgoszcz and the City of Plock, with similar agreements with local governments soon to follow. Partnering with municipalities to **develop zero-emission hydrogen-powered public transport services**, the ORLEN Group will ultimately be able to develop effective hydrogen refuelling infrastructure to meet the needs of municipal transport systems and vehicles. Given the potential travelling range and mass of vehicles it is able to power, hydrogen is a particularly promising fuel for use in public transport. Currently, the ORLEN Group's hydrogen output is close to 45 tonnes per hour, mostly being used in production processes. The Group has already commenced a project to build a hydrogen purification unit, which will

enable its marketing as a fuel for motor vehicles starting from 2021. Therefore, PKN ORLEN is also developing technologies to store, transport and distribute hydrogen fuel.

PKN ORLEN closely monitors worldwide and European trends on the energy market, adjusting its operations to respond to the resulting challenges.

Offshore wind power generation is a component of PKN ORLEN's strategy to develop a strong multi-utility group. In this way it is diversifying revenue sources, while becoming resilient to macroeconomic factors. Within the next several years, PKN ORLEN plans to become a leading producer of clean energy, which is increasingly in demand. The process to select a contractor that will design its offshore wind farm on the Baltic Sea was already started. As part of the procedure, a technical advisor will be selected to prepare a preliminary engineering design, construction permit submission, productivity studies and auxiliary analyses. The contractor selection process is expected to be completed in the first half of 2020. At present, PKN ORLEN is carrying out environmental, wind speed and seabed surveys on the Baltic Sea. The collected data will be subject to detailed analysis, to serve as a basis for the preliminary engineering design of the offshore wind farm project. The design will include a preliminary turbine layout plan and will specify the optimum type and size of the wind turbine support structures as well as the farm's assumed productivity. The work carried out at this stage will also make it possible to select specific technical solutions and to prepare a detailed schedule and cost estimate of the project. With the design in hand, the Company will be able to apply for the offshore wind farm construction permit. The Group is working on the offshore wind power project through its subsidiary Baltic Power, which holds a licence to construct wind farms on the Baltic Sea with a total capacity of up to 1,200 MWe. The licence area, of approximately 131 km², is located about 23 km north of the Baltic coastline, at the altitude of Choczewo and Łeba. The Group has secured grid connection conditions and is completing the procedure to acquire a business partner for the project.

In 2019, PKN ORLEN announced a **tender offer to buy up all shares in the ENERGA Group**. The proposed transaction is in line with PKN ORLEN's strategy to **develop into a strong multi-utility player**. Successful purchase of the shares would support growth of PKN ORLEN's power generation business, while allowing both companies to more effectively leverage their potential. For years now, the ORLEN Group has been consistently developing its power generation assets. It is now Poland's fourth largest producer of electricity, with an installed capacity of ca. 1.9 GWe, of which 1.6 GWe is attributable to Polish assets, including two cutting-edge CCGT units located in Płock and Włocławek as well as the Płock CHP plant – the largest industrial facility of its kind in Poland and one of the largest in Europe. As for the ENERGA Group, it owns more than 50 RES generation assets, mainly across the hydro, onshore wind and solar PV segments. Renewable sources account for over 30% of the ENERGA Group's electricity output – a share unmatched by any of its major competitors. In addition, the company has an extensive distribution network with a total length of 188,000 km, covering almost a quarter of Poland's territory. Thus, by acquiring the ENERGA Group, ORLEN would **gain a large distribution network spanning northern and central Poland as well as a sizeable renewables portfolio**, which is of material significance to its planned offshore wind farm projects. If the transaction is closed, PKN ORLEN would also be able to effectively balance its conventional capacities with renewable sources, while its existing surplus output would be utilised by the ENERGA Group. This in turn would help reduce operating expenses related to electricity trading on the Polish Power Exchange.

The purchase of ENERGA shares would also enhance PKN ORLEN's growth prospects in the segment of **electric mobility**, where it has been consistently strengthening its foothold. If the transaction is completed, it would expand ORLEN's EV charging infrastructure and increase its capabilities necessary for growing that line of business. The combined networks of fast EV chargers of PKN ORLEN, the ENERGA Group and the LOTOS Group would make up the second largest infrastructure of this kind, with 133 charging points and good geographical coverage. At the end of 2019, 26 50 kW or 100 kW fast charging stations were deployed at ORLEN service stations in Poland. In the Czech Republic, where the infrastructure is being developed in partnership with CEZ and E.ON, chargers have been deployed at 17 Benzina stations. Chargers installed at ORLEN service stations are equipped with CHAdeMO and CCS connectors, as well as Type 2 connectors for all types of electric vehicles available in Europe. As part of our cooperation with Tesla, we have installed six dedicated chargers at our retail locations in Poland, Germany and the Czech Republic.

The ORLEN network also sells **other types of alternative fuels**. Our service stations in Germany have two refuelling stations for hydrogen-powered cars. In addition, 43 ORLEN stations in the Czech Republic sell CNG.

We are increasingly committed to implementing projects that would align the ORLEN Group's to the requirements of a low-emission economy. Proper product design enables efficient recovery of raw and other materials. Benefits of deploying new circular business models include partially or totally reduced exposure to environmental and climate risks and growing regulatory costs, as well as lower consumption of raw materials. The construction of our Research and Development Centre in Płock will facilitate development of proprietary innovative technologies and patents in petrochemical, biofuel, bitumen and oil production. The Płock Production Plant and ORLEN Poludnie take into account closed-loop waste management when planning their production processes. Transition towards a **circular economy** is among key priorities of the EU's policy, which assumes that products, raw and other materials should remain in circulation as long as possible, thus reducing the amount of generated waste. The concept applies to all stages of a product's life cycle: from design and manufacture, to consumption and management of waste, which should be reduced to the minimum, but if its generation cannot be prevented, it ought to be recycled. Certain circular economy aspects have been implemented in some of PKN ORLEN's processes. Examples include the installation of flue gas waste heat recovery equipment at the DRW VI unit. The purpose of the project is to recover 17 GJ of heat that was formerly irretrievably dissipated and to use it for heating up combustion air. The resulting reduction in fuel consumption will cut down annual CO₂ emissions by nearly 8,000 tonnes. Another initiative is the construction of steam generators on the hydrocracking unit and the use of waste heat to produce low pressure steam, for which the Company was awarded white certificates and reduced the amount of fuel used in the process. Also worth noting is partial water recirculation at the Płock Production Plant, which reduces water abstraction from the environment and the amount of industrial sewage produced. Thus, its water withdrawal was reduced from almost 50 million m³ in the 1980s to 24 million m³ in 2016, and the amount of wastewater discharged was reduced from 40 million m³ to 14 million m³, although refining volumes increased from about 8 million to more than 16 million tonnes. The Flue Gas Desulfurisation Unit launched in Płock not only helps reduce NO_x, SO_x and particulate matter emissions, but also delivers high quality synthetic gypsum, which has been recognised as a product in its own right. This method of producing gypsum helps protect its natural resources. Now that gypsum has been recognised as a by-product, it is no longer classified as waste. ORLEN Poludnie is Poland's only company that operates a specialist hydrogenation line, enabling safe regeneration of waste oils into base oils used to make lubricating oils. The process is a model example of a circular economy solution.

Environmental efforts in 2019

Most of the environmental projects carried out in 2019 involved **adaptation of plant and process units to new environmental requirements and standards defined in the EU regulations (LVOC BAT Conclusions)**. Those efforts included both administrative work to have the terms of the integrated permits for the Group's plants amended, as well as preparation of capex projects related to the production plant and equipment. Key initiatives carried out in 2019 included the start of deployment of the LDAR system for petrochemical facilities and analyses to develop an odour monitoring and management plan. With respect to refining facilities, the first measurements were carried out as part of the LDAR system maintenance, confirming high leak tightness of the facilities. Further BAT Conclusions for waste incineration plants were published in late 2019. As the ORLEN Group operates such plants, the BAT requirements will be analysed and adaptive measures will be taken if needed.

The Act on Biofuel Components and Liquid Biofuels imposes the requirement to achieve the **National Indicative Target (NIT)**, i.e. to ensure the required minimum share of biocomponents in the total volume of liquid fuels and biofuels, both sold on the market and used for own needs. The Group meets the National Indicative Target by introducing to trading an appropriate amount of biocomponents or liquid biofuels derived from biodegradable liquid materials – fossil fuel substitutes. The purpose of the NIT is to promote the use of energy from renewable sources in the transport sector and thus to reduce its greenhouse gas emissions. PKN ORLEN has met the required quota ever since 2008. In 2019, biocomponents accounted for 5.6% of the energy content of fuels marketed by PKN ORLEN in Poland, which means that the share of renewable energy represented 5.6% of the total energy content of transport fuels sold by PKN ORLEN. The Company has in place a precise internal order regarding the NIT.

In addition, PKN ORLEN and ORLEN Group companies are subject to the EU regulation establishing the **greenhouse gas emission allowance trading scheme (the EU ETS Directive)** that forms part of the EU climate and energy package. Directive 2003/87/EC of the European Parliament and of the Council established a scheme for greenhouse gas emission allowance trading within the Community to promote reductions of greenhouse gas emissions in a cost-effective and economically efficient manner. In October 2014, the European Council made a commitment to reduce the European Union's overall greenhouse gas emissions by at least 40% below the 1990 levels by 2030. It was agreed that all sectors of the economy should contribute to achieving the emissions reduction target and that it should be met in the most cost-effective manner through the EU ETS.

The changes to regulations agreed on in recent years, designed to address the issue of oversupply of CO₂ emission allowances on the market, are having an impact on the ORLEN Group's installations. Since the publication of the MSR surplus indicator and the revision of the EU ETS regulations, auction volumes have been significantly reduced. Following an increase in the prices of CO₂ emission allowances in Europe, proceeds from auction sales of greenhouse gas emission allowances purchased by Member States rose and can be used for specific projects related to climate protection and the energy sector.

Each of the ORLEN Group companies has in place rules for establishing and documenting its **Environmental Management System** procedures. The rules have been approved by independent certification bodies for compliance with the requirements of the international ISO 14001 standard. When establishing their procedural frameworks, the companies relied on a risk-based approach and focused on prevention, in the broad sense of the word. The procedures, designed to ensure uniformity of the processes across the ORLEN Group with respect to environmental management and reduction of negative environmental and climate impacts, provide rules to be followed during both normal operations and maintenance shutdowns, as well as in the case of environmental accidents. Each of the ORLEN Group companies has implemented procedures for internal audits of the Environmental Management System. The objective of such audits is to determine the status of compliance with the requirements of ISO 14001 and with any other adopted requirements. If any discrepancies are found, remedial and corrective actions are taken to remove the causes of non-compliance. The management boards of the ORLEN Group companies conduct a periodic assessment, in line with the adopted procedures, of the operation of the Environmental Management System. The assessments are usually undertaken once a year.

Capital expenditure on environmental protection

In 2019, PKN ORLEN's key initiatives included preparations for utilisation of used lye from the Plock Production Plant in the context of environmental regulations, construction of Claus and SCOT units for gaseous hydrogen sulfide treatment, adaptation of fuel gas metering systems for monitoring of CO₂ emissions, air-tight sealing and elimination of malodorous and hydrocarbon substances from the averaging device and wastewater inflow and outflow channels.

The projects will help improve the quality of discharged wastewater, reduce substance emissions into the air and optimise emission charges. Capital expenditure incurred by PKN ORLEN on environmental projects on the premises of the Plock Production Plant totalled EUR 1.46m.

A number of environmental protection projects were also carried out at PKN ORLEN's distribution facilities, including line drains, water supply/sewerage connections and car wash separators at service stations. Total spending on environmental protection projects at ORLEN service stations amounted to nearly EUR 1.1m. Work was completed on two fuel terminals to upgrade their wastewater management – connection of the TP 111 sanitary wastewater system in Wrocław to the municipal network and air-tightening of handling facilities at TP 94 in Świnoujście. Expenditure on environmental projects at fuel terminals exceeded EUR 1m in 2019.

Environmental projects were carried out at 15 ORLEN Group companies. The most important ones were:

- Installation of VRU at Paramo in Pardubice, installation of low NO_x emission burners at the boiler room and RDH at Paramo in Kolín
- Installation of new burners on K-2 boiler of the CHP Plant at ORLEN Lietuva, installation of an electrostatic precipitator on the FCC unit, monitoring of VOC emissions
- Construction of a wastewater treatment plant, upgrade of a sewage sludge dewatering node within the Central Separator and measurement of the amount of flare gas at ORLEN Poludnie
- Construction of a new boiler house at the steam cracker unit, redevelopment and modification of the existing flue gas desulfurisation technology at the T-700 CHP Plant at Unipetrol
- Replacement of burners with low NO_x emission burners in the B1301 A reforming furnace at ANWIL

- Replacement of worn sewage system (TT7/P) and central heating (PP5) components at ORLEN Laboratorium
- Protection of spill containment trays at ORLEN OIL's tank farm
- Repair of the spill containment tray of the aviation fuel filling station at ORLEN Aviation
- Replacement of gas detection sensors on production units and the construction of a new Central Power Generating Unit at Spolana.

The total spending on environmental projects by all ORLEN Group companies in 2019 amounted to **EUR 40.5m**, of which almost EUR 36.9m was spent on projects involving anti-pollution measures and environmental protection management, while the costs of reducing emissions into the air and in wastewater totalled EUR 3.6m.

Environmental compliance

All ORLEN Group companies hold the necessary permits required by law to conduct their business.

Operations of the Plock Production Plant are regulated under integrated permits, which cover all units, i.e. the refinery, petrochemical plant, central wastewater treatment facility, CHP plant and CCGT unit. The permits define emission limits which are safe for the environment and human health, and which are subject to monitoring. Emission volumes from 14 of the Plant's emitters are measured on an ongoing basis; measurements from the other emitters are taken periodically. In addition, PKN ORLEN has a modern automated air quality monitoring station, fitted with state-of-the-art instruments. Measurements are automatically uploaded to a database maintained by the Provincial Inspectorate of Environmental Protection (WIOŚ) and published on the Inspectorate's website.

Integrated permits and sector permits need to be updated on an ongoing basis in order to keep up with the evolving legal environment and business needs. In 2019, in view of amendments to the Waste Act, an application to amend the waste collection permit was prepared. Documents concerning the free allocation of allowances in respect of heat generation for the fourth trading period (2021–2025) for installations covered by the EU ETS scheme were prepared and submitted to the Warsaw Province Marshal's Office, in accordance with the provisions of the Emissions Trading Act. In addition, monitoring methodology plans to monitor activity levels, effective as of January 1st 2021, were prepared in order to obtain approval of the method and confirm the allocation of allowances for the fourth trading period.

In accordance with legal requirements, in 2019 applications for amendment of integrated permits for installations covered by BAT Conclusions (the CCGT unit in Plock and the petrochemical installations) were prepared and submitted to the competent authority. The relevant proceedings are still pending.

167 water-law permits (pozwolenia wodnoprawne) were obtained altogether for service stations and fuel terminals.

Environmental compliance of the ORLEN Group's activities last year was verified by the Plock and Wloclawek Branches of the Provincial Inspectorate of Environmental Protection, which carried out eight inspections. The inspections did not reveal any non-conformity. Only in one case a minor exceedance of the permitted particulate emissions limit was recorded, at the Catalytic Cracking II unit.

A total of 46 inspections were carried out within the regional structures of PKN ORLEN (fuel terminals and service stations, standalone assets) by the state water management authority (PGW Wody Polskie) and Provincial Inspectorates of Environmental Protection. After one of these inspections, an instruction was issued requiring that the notification of liquid fuel storage and handling facilities be updated in compliance with applicable laws. The requirement was fulfilled. As a result of another inspection, a decision was issued to suspend the commissioning of a newly built service station in Warsaw. The decision was appealed against to a higher-level authority and repealed in its entirety, whereupon the procedure to suspend the commissioning of the station was discontinued. No fines were imposed following the inspections.

Other companies of the ORLEN Group were also inspected by external bodies for environmental protection, mainly the Environmental Protection Inspection Authority. The inspections focused on compliance with the environmental requirements imposed by regulations and administrative decisions. In 2019, 64 inspections were carried out at subsidiaries, with 12 follow-up recommendations issued. Fines imposed on Group companies for identified cases of non-compliance totalled EUR 1,100 and concerned delayed completion of the project to mount an electrostatic precipitator on the FCC (ORLEN Lietuva) and excess intake of groundwater at ORLEN Baltics Retail service stations.

Environmental fees and charges

In 2019, the Company paid the environmental fees and charges resulting from applicable legal regulations within the prescribed deadlines to the bank accounts of relevant marshal offices. In addition, the Company submitted statements for the calculation of water service fees and paid the fees to the state water management authority (PGW Wody Polskie).

Carbon footprint

In 2019, activities were continued to calculate the carbon footprint of the organisation and its products, using tools developed in previous years. Determination of the carbon footprint is voluntary. The organisation's carbon footprint includes direct emissions, energy indirect emissions and other indirect emissions from the use of marketed products.

Environmental protection efforts

The ORLEN Group's flagship nature protection initiative consists in supporting the **peregrine falcon**, a critically endangered species. For a dozen or so years, PKN ORLEN, ANWIL and Unipetrol have been successfully running falcon restoration programmes. In 2019, Spolana joined the group of companies on whose premises falcon chicks hatched for the first time. Since 1999, PKN ORLEN has been involved in the Peregrine Falcon Restoration Programme. The first hatch of peregrine falcon chicks was documented on the premises of the Plock Production Plant in 2002. In 2019 two chicks were hatched, which means that the total number of birds restored to nature thanks to the nesting box in Plock was 47. Also Spolana's site in Neratovice

hosts a nest of peregrine falcons, in which the first two chicks were hatched in 2019. Since 2011, a total of 25 young falcons were hatched on the facilities of the ORLEN Group's Czech subsidiaries (including 23 at Unipetrol in Litvínov). At ANWIL, peregrine falcons have lived since 1999 on the stack of its CHP plant. In 2019 a hatch of three chicks was recorded at the Plant in Włocławek, bringing their total number over the past ten years to 45. Altogether, as a result of the Group-wide efforts, 117 birds were added to the peregrine falcon population.

Another species requiring special protection and action is the **bee**. Seeing a worrying trend of these insects dying out, the ORLEN Group companies have become involved in both their active protection and educational efforts. For example, ORLEN Deutschland turned the area around its headquarters into an 8,000 m² meadow, on which it erected two bee hives. PKN ORLEN, in partnership with the Warsaw Province Agricultural Advisory Centre (MODR), placed 16 hives near its Production Plant, currently inhabited by over one million bees. Good quality of their honey was confirmed by an accredited laboratory. There is also an apiary of five bee hives on the premises of the Czech company Spolana, and its honey yield was awarded the gold medal of quality in the Czech Honey competition. In total, the ORLEN Group companies have 23 bee families under their care, comprising over 1.5 million bees.

In terms of education, ORLEN Eko carried out an environmental project for pupils and students, called 'Be nice to be', with the aim of disseminating knowledge about bees and other pollinators. As part of the project, a bee garden was created on the premises of a high school in Płock. In association with MODR, PKN ORLEN also held a conference entitled 'Bees in Human Life. Biodiversity and protection', during which available methods of protecting and supporting the species were discussed. PKN ORLEN employees also ran a series of beekeeping workshops for children from Płock educational centres, during which they could hand make beeswax candles. These initiatives show that the Company understands the need to protect nature and is aware of the key role of bees in maintaining the global ecosystem.



In 2019, PKN ORLEN published an **environmental leaflet** with important information on a number of plant and animal species living in the vicinity of the plant, including protected ones. The leaflet makes for interesting reading not only for adults but also children, for whom it features a jigsaw puzzle and a game (https://www.orlen.pl/PL/Odpowiedzialny_Biznes/Strony/Aktualnosci.aspx).

During **birdwatching ship excursions along the Vistula River** organised by PKN ORLEN, interested inhabitants of Płock and its surroundings could admire the beauty of the surrounding nature, landscapes of the Vistula River's middle section and a multitude of flora and fauna species. The Vistula hosts some unique habitats (including islands, sandbanks and riparian forests), which provide a refuge for rare species of plants and animals. During the excursions, ORLEN also provided attractions for the youngest by organising nature competitions with prizes. In total, about half a thousand local residents took part in the cruises.



As every year, ORLEN Group companies were involved in activities for the benefit of the environment as part of global initiatives such as '**Clean Up the World**', '**Days of the Earth**' and '**European Sustainable Development Week**'. Last year, ANWIL, PKN ORLEN and ORLEN Projekt participated in waste collection campaigns. ANWIL, as the organiser of the 'Tree for a Bottle' campaign with the participation of 6,500 children from Włocławek educational institutions, collected over 800,000 thousand PET bottles, which it transferred for recycling. As for PKN ORLEN – its employees cleaned up the surroundings of the Hydroelectric Power Plant and the location of treated water discharge from the Plant to the Vistula River, as well as the beaches of Łuba and Górskie Lakes, while ORLEN Projekt employees collected household waste dumped in forests near Płock. The total tally of these initiatives, connected with the Responsible Care Programme, was 13 thousand litres of collected waste, as well as tyres and other bulky waste.

ORLEN Group companies participate in the **Responsible Care Programme**, based on the same guiding principles all over the world, but the Polish edition is Europe's largest in terms of the scope and number of implemented projects. The projects are coordinated by the Secretariat of the Responsible Care Programme managed by ORLEN Eco under the supervision of the Polish Chamber of Chemical Industry and the Governing Board of the Responsible Care Programme.

ORLEN Group companies participating in the Responsible Care Programme include ANWIL (since 1995), Unipetrol (since 1996), PKN ORLEN (since 1997), Paramo (since 2001), IKS Solino (since 2002), Basell Orlen Polyolefins (since 2003), Unipetrol Doprava (since 2011) and ORLEN Południe (since 2016).

Besides activities that are mandatory under the Programme, ORLEN Group companies also run their own projects, including: 'Tree for a Bottle', the 'Catch a Hare' and 'Catch a Hare – Junior Edition' photo contest, the 'Nature Watchers' competition, the Chemical Sector Environmental Forum, and the 'Mr Carp Restocks the Vistula' competition.

In 2019, ORLEN Group companies continued their activities under the Programme, and met all the related reporting obligations. The information is used to assess the condition of the environment and the progress of the Responsible Care implementation by chemical industry companies.

Important initiatives benefiting the environment, but also shaping pro-environmental attitudes among employees, are green **employee volunteering campaigns**. In 2019, PKN ORLEN employees, together with foresters, planted a forest, made other plantings to form an educational trail for Plock primary school pupils and created an EcoCity for the time of holiday stay of children from Foster Care Homes. Joint projects with local communities, especially those involving children and youth in pro-environmental campaigns, are an important element of the Group companies' activities. In spring and autumn of 2019, PKN ORLEN volunteers planted a total of 2,500 trees and shrubs.

In early May 2019, primary school pupils from Neratovice released 425 kg of fish into the Elbe River. The initiative, organised and funded by the Czech Republic's Spolana, was accompanied by a number of competitions designed to promote environmental knowledge. Spolana's partnership with the local unit of the Czech Angling Association dates back to 2013, and has already resulted in 2,500 kg of fry having been released into the river. Also the Unipetrol Group has partnered with local fishing organisations since 2010 to maintain the fish population in the Usti region, having released 7,000 kg of fish into the Bílina River. In 2019, as part of the 'Mr Carp Restocks the Vistula' campaign, ANWIL, together with primary school pupils, restocked the Vistula with 147 kg of eel fry, the river having already been restocked with 620 kg of fish since 2015. The aggregate amount of fry introduced into various rivers located in the vicinity of the ORLEN Group's plants has reached 8,000 kg.

Unipetrol cooperates with and provides financial support to the Environmental Protection Centre in Kralupy. In the past year, they jointly carried out a project in which the residents indicated the following initiatives as the most desirable ones: tree planting in Most and revitalising the Pilařský Pond area in Litvinov.



Biodiversity protection

PKN ORLEN performed a wildlife survey on and around the premises of its Production Plant in Plock. Local residents know roe deer, rabbits, beavers and peregrine falcons to be regulars of the nearest surroundings of the Plant. The surprising thing unveiled by the survey is the presence of the protected corn crane, black woodpecker, kingfisher, swallowtail butterfly and ermine. Similar surveys were conducted by ANWIL, Unipetrol and Spolana. Around the water reservoir in Spolana there are many protected and endangered species, including the Asian otter, common garganey and rainbow trout, which are very sensitive to the quality of the surrounding environment.

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

RISKS /PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
ENVIRONMENTAL RISKS		
Climate changes	<ul style="list-style-type: none"> Ensuring low-carbon economy compliance Development constraints resulting from the principles of sustainability and circular economy Disrupted supply of water to production units 	Marketing of bio-components or liquid biofuels Reducing the energy intensity of processes Use of energy from renewable and low-carbon sources Monitoring of water availability Water recirculation and wastewater reuse
New trends	<ul style="list-style-type: none"> Growing market/public expectations regarding environmental investments Little time to adapt to new environmental requirements 	Regular reviews of compliance of internal acts with legal requirements and their ongoing monitoring of the changing environment (regulations, decisions of public administration authorities, etc.)
Environmental protection regulations	<ul style="list-style-type: none"> New stricter requirements, standards, financial and technical safeguards Failure to identify material environmental aspects in the operations No measurement results and no data available to prepare the required reports and/or failure to submit the reports to governmental authorities 	Active participation in issuing opinions on new European and national legislation through professional organisations, working committees, etc. Monitoring the validity of decisions issued by governmental authorities, monitoring the process of computing fees for the economic use of the environment, delegation of precisely defined duties and responsibilities with regard to environmental aspects
Soil and water contamination	<ul style="list-style-type: none"> Environmental pollution as a result of accident or failure High site restoration costs 	Monitoring of the technical condition of production units and their regular maintenance, ensuring compliance of reporting activities with applicable procedures, recognition of site restoration provisions.
Managing CO₂ and other gas emission allowances	<ul style="list-style-type: none"> Failure to meet the requirements and guidelines for monitoring CO₂ and other greenhouse gas emissions Failure to obtain a permit for CO₂ and other greenhouse gas emissions Limits and rising price of CO₂ emission allowances 	Updating internal regulations in line with legal requirements, keeping track of the validity of decisions issued by governmental authorities, environmental monitoring and reporting in accordance with applicable procedures Continuous monitoring and balancing of CO ₂ emissions
Environmental impact	<ul style="list-style-type: none"> Non-compliance of the production process with applicable environmental protection standards Lack of environmental capacity 	Inspecting the technical condition of facilities and equipment Monitoring of production processes Environmental projects Involvement in urban air quality control programmes Noise protection
Wastewater and waste management	<ul style="list-style-type: none"> Failure to comply with the conditions specified in relevant decisions as to the type and quantity of generated waste Circular economy Discharge of wastewater in violation of applicable permits 	Delegating responsibilities in waste management processes in accordance with the applicable procedure, monitoring the amount and types of waste in order to apply for and secure required amendments to the relevant administrative decisions Increasing the share of recovered and recycled waste in waste management processes (circular economy) Monitoring and adjustment of wastewater discharge parameters

GRI indicators discussed in this Section:

- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area
- GRI 103-3 Evaluation of the management approach
- GRI 302-1 Energy consumption within the organisation by type of raw material
- GRI 302-4 Reduction of energy consumption
- GRI 303-1 Total water withdrawal per unit of production by source
- GRI 305-1 Total direct greenhouse gas emissions by weight
- GRI 306-1 Total water discharge by quality and destination
- GRI 306-2 Waste by type and disposal method
- GRI 307-1 Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and/or regulations

7. OCCUPATIONAL HEALTH AND SAFETY AREA

7.1 OUR CORPORATE MOTTO



PO PIERWSZE
BEZPIECZEŃSTWO

TOGETHER FOR SAFETY
ZERO TOLERANCE POLICY TOWARDS ACCIDENT HAZARDS
PROCESS SAFETY

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

7.2 OVERVIEW

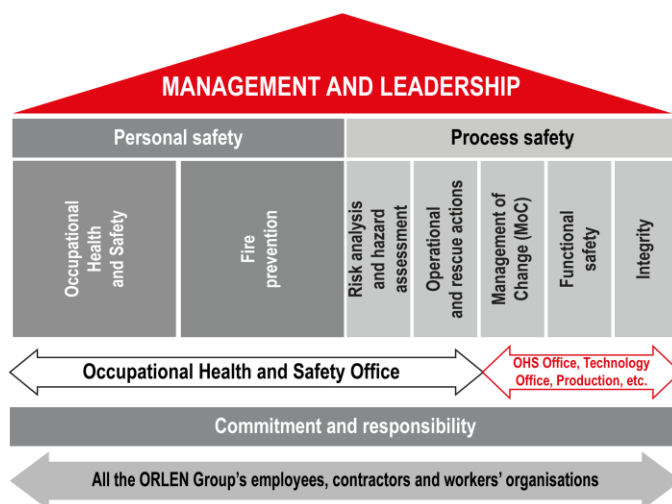
The personal and process safety objectives and tasks are defined in the **OHS Strategy** and cover the following key areas:

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

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

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

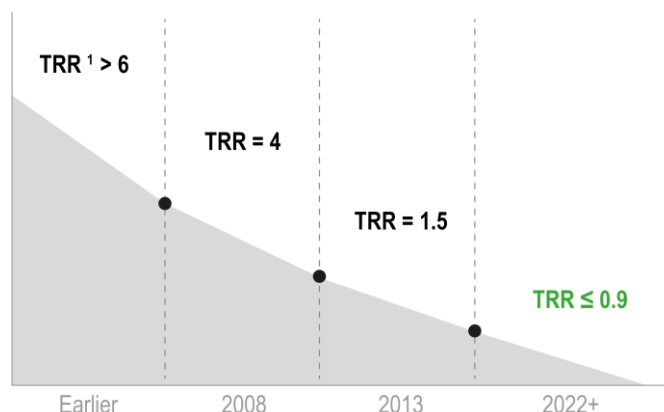
FIGURE 5. OHS Strategy structure



The Updated ORLEN Group Strategy for 2019–2022 sets out the following objectives in Personal and Process Safety:



Zero tolerance policy towards accident hazards
No accidents at work
Further improvement of process safety



¹ TRR – Total Recordable Rate, an internationally recognised metric of a company's rate of workplace accidents calculated as follows: as the number of workplace accidents in a period of time / number of man-hours worked in the period x 1,000,000.

7.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

KPIs concerning personal and process safety at PKN ORLEN and the ORLEN Group in 2019:

▪ TRR and T1 PSER

Occupational health and safety, including:	UoM	2019	2018
Accident rate (Total Recordable Rate¹)			
ORLEN Group	[number]	0.90	1.03
PKN ORLEN	[number]	0.90	0.86
Number of T1 safety events (Process Safety Events Rate²)			
ORLEN Group	[number]	0.09	0.07
PKN ORLEN	[number]	0	0.04

¹ Total Recordable Rate – an internationally recognised metric of a company's rate of workplace accidents calculated as follows: (number of workplace accidents in a period of time / number of man-hours worked in the period) x 1,000,000.

² Tier 1 Process Safety Events Rate – number of events of greater consequence related to substance release into the atmosphere x 1,000,000/number of man-hours.

▪ Safety Culture Indicator

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

Safety Culture Indicator	UoM	2019	2018
ORLEN Group	%	100	100
PKN ORLEN	%	100	100

The Safety Culture Indicator is a sum of:

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

7.4 POLICIES IN PLACE

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

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

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

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

PKN ORLEN Safety Points are a set of basic principles required to be observed together with all applicable regulations and standards.

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

ORLEN Group Safety Standards, Technical Standards and Guidelines – uniform requirements for work safety, process safety and fire safety, including best practices identified at the ORLEN Group companies, as well as standards applied in the areas concerned by leading companies in the sector.



7.5 DUE DILIGENCE PROCEDURES

Ensuring highest safety standards

All our OHS efforts were aimed at ensuring the highest safety standards at the ORLEN Group. In 2019, the implementation of a uniform safety framework was continued at the ORLEN Group as part of the 'Safety Plus' project, comprising 15 standards representing the highest safety benchmarks in the fuel and energy industry. The project will be completed in 2021.

15 safety standards of the 'Safety Plus' project

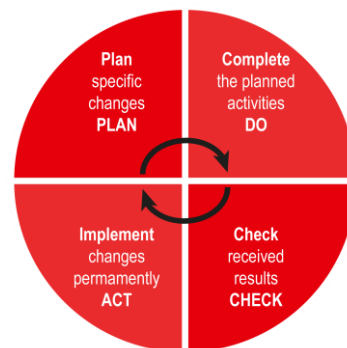
- S1 Authorisations for hazardous work
- S2 Isolating energy sources
- S3 Work in enclosed spaces
- S4 Work at heights
- S5 Safe earthwork
- S6 Post-accident procedures
- S7 Ensuring safe operation of machinery and tools in work environment
- S8 Training to improve rescue skills
- S9 Measurement of hazardous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

Work was carried out to improve the **Process Safety Management System based on OSHA 1910.119**. The System provides an effective framework for achieving operational excellence, as it improves technical safety of the process, storage and auxiliary units, and thus prevents any undesirable events that could affect the safety of staff and/or production processes. The Process Safety Management System, as a component of PKN ORLEN's

overall management and organisational system, was introduced to ensure the highest safety standards in the workplace and meet the national requirements of Art. 252 of the Environmental Protection Law of April 27th 2001 (consolidated text: Dz.U. of 2017, item 519, as amended) with respect to systemic process safety management and further improvement of the effectiveness and efficiency of measures aimed at preventing major industrial accidents.

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

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



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

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



Further development of the work safety culture

As regards promotion of work safety culture at the ORLEN Group companies, our key task was to raise the awareness of safe work procedures and to inspire proactive attitudes in our employees and contractors. The **Employee Support System** put in place at PKN ORLEN is one of the programmes aimed at strengthening personal security culture. It is based on the Behavior-Based Safety (BBS) approach used at production companies, which has been adapted to the Company's needs. The method consists in reinforcing the employees' safe behaviours during work and promoting best OHS practices.

Moreover, 2019 saw the third edition of Technical Safety lectures, delivered as part of full-time and extramural curricula of the Chemical Technology studies.

It was a continuation of the project carried out in 2017–2018 by the Occupational Health and Safety Office and Technology Office of PKN ORLEN, and by the Warsaw University of Technology, Branch in Plock. The initiative was to deliver a series of expert lectures, conducted in accordance with PKN ORLEN's concept for educating its future engineering staff in areas relevant to the oil processing and energy industries, under the adopted strategy of engagement with universities.

Mandatory safety training programmes for employees and contractors

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

The ORLEN Group has in place incentive, information and education schemes dedicated to contractors' personnel. Within this framework, in 2019 PKN ORLEN set up a Training Centre, as a concept of training employees of external contractors involved in any work at the Company's production facilities, as well as its own new hires staffing the production area. It involves detailed checking of the staff's theoretical and practical knowledge within three thematic blocks: OHS, technologies, and local hazards at production facilities. Knowledge of and skills in mechanical engineering are checked through practical tasks. Special equipment is used to verify whether employees are prepared to perform their job.

Control and audit system

Internal audits of the companies are held regularly at the ORLEN Group. In 2019, four consultancy visits (audits) and six re-audits were carried out.

They included an important component called '**Safety Walks**', consisting in safety reviews at the visited facilities. Results of the assessments and observations made during such visits serve as the basis for formulating and implementing correction and refinement plans and workplace health and safety improvement plans. Audits carried out at the Group companies include internal audits, audits by certification bodies, and audits by risk management consultancies. In accordance with an approved methodology, regular **safety audits** are conducted **at the contractors** performing work for the ORLEN Group.

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

The ORLEN Group engages in activities aimed at promoting safe working behaviours among its employees and contractors, such as the **Safe Maintenance** or **Safe Contractor** competitions, or the **OHS Incentives** programme.

In addition, the Group companies conduct various **information campaigns** devoted to occupational safety, healthy lifestyle and work-life balance. One of such initiatives is the **Occupational Health and Safety Days** held across the entire ORLEN Group. In 2019, OHS Villages were organised, with VR simulators (of urban driving, motorcycle riding, etc.) and stands of OHS vendors showcasing innovative solutions in personal safety. A



competition zone was provided with many competitions and OHS games where everyone could check their knowledge and win prizes. Medical zones were set up, offering health check-ups for employees, first-aid exercises, as well as advice from physiotherapists. In the food zone, dieticians discussed the properties of products used. Employees were given dietary tips and nutritional information to encourage them to choose better food options and try their hand at cooking.

The ORLEN Group runs a 'Good OHS Practice' competition, dedicated to the Group companies. The aim is to spread good practices in safety that promote a pragmatic and modern approach to that area, including any technical, qualitative, efficiency enhancing, communication, organisational and infrastructural solutions, thus helping to improve and streamline the components of OHS management as well as to boost employee motivation. Participation in the competition is an opportunity to share knowledge and experience in shaping a safety culture between the ORLEN Group companies.

There is also another competition dedicated to the Group companies, called 'Millions of accident-free man-hours of ORLEN Group employees and contractors'. The aim of the competition is to promote accident-free work. In 2019, the 7th edition of the 'Good OHS Practice' and the 5th edition of the 'Millions of accident-free man-hours of ORLEN Group employees and contractors'.



Identification and implementation of innovations and best practices

Best practices are identified on an ongoing basis through experience sharing across the ORLEN Group companies and drawing on the lessons learned by other oil and gas companies with global footprint. Among the implemented projects are the LOTO System and the Employee Support System.

The Employee Support System is a behavioural programme aimed at encouraging safe and eliminating unsafe behaviours. Its implementation is one of the multi-directional measures to improve the Company's safety culture.

The Lockout – Tagout (LOTO) system is a scheduled activity which consists in cutting off power supply to industrial equipment and machinery whenever maintenance or repair work is performed.



Lockout prevents employees from switching on the machine until it is disabled. Tagout refers to a tag which informs and warns that a given machine is locked out while maintenance work is being performed, and may not be switched on until the tag is taken off.

The system has been implemented to eliminate accidental and uncontrolled switching on of machines or hazardous energy releases during operation, development, repair and maintenance works, and thus prevent accidents and incidents resulting from inadvertent start-up or re-energising of machines, devices or installations.



Event analysis and risk assessment system

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

Safety Meeting

A continually improved element which requires wider development across the ORLEN Group are interdisciplinary Safety Meetings of representatives of the personal, process and fire safety functions, the Technology Office, and other areas of the organisation. They are held to analyse emergency incidents that occurred at the ORLEN Group by identifying their causes and collecting information about their consequences. On the basis of collected information and available source materials, such as Reports from Emergency/Technical and Reliability Teams (investigation reports), various measures are formulated, which are then addressed to relevant areas of the ORLEN Group companies. The aim of this exercise is to capture lessons learnt and minimise the risk of similar incidents in the future. All information analysed during the meetings is entered into an internal database available on the Occupational Health and Safety Office website.

Company Fire Brigade

The core responsibility of the Company Fire Brigade is to carry out rescue and fire-fighting activities on the premises of PKN ORLEN, as well as in the entire territory of Poland as part of the National Rescue and Firefighting System and the Assistance System for the Transport of Hazardous Materials (SPOT), and to supervise the readiness of the Company's facilities for rescue and fire-fighting activities. Furthermore, the Company Fire Brigade provide chemical and technical rescue, seal leaks, man safety stations under plant emergency conditions, provide protection during hot works on the premises of the Production Plant in Plock, and perform fire prevention functions. Firefighters specialise in firefighting in the refining and petrochemical industry, chemical rescue activities, as well as water rescue, technical rescue, medical care at first responder level and rope rescue activities. For several years, they have been actively cooperating with fire brigades operating across the ORLEN Group by taking operational and preventive measures for safety improvement. Firefighters are equipped with more than 20 specialist firefighting and rescue vehicles, high volume pumps and water cannons, a rescue boat and specialist protective equipment for staff. In 2019, measures were undertaken to improve and develop fire safety at the ORLEN Group. Members of the PKN ORLEN Fire Brigade participated in dedicated courses and training, covering prevention, rope rescue, water rescue operations and rescue diving, as well as operation of unmanned aircraft (drones).

Emergency drills involving employees and rescue and firefighting services

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

Development of the Fire Safety function at the ORLEN Group.

In 2019, work to implement segment-based fire safety management at the ORLEN Group was commenced. Reference visits were made to the ORLEN Group Fire Brigades. During these visits, the organisation and technical equipment of each brigade were reviewed. Meetings of fire prevention specialists performing tasks at the ORLEN Group companies were held, at which they developed common rules for carrying out preventive inspections and agreed on uniform follow-up document forms.

Production assets integrity monitoring and plant maintenance programme

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

Third Party Contractor Safety Management

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

The following specific objectives were achieved in 2019:

- ensuring that the assignments for contractors are professionally prepared
- establishing clear rules
- raising awareness of the Company's employees, third party contractors and their employees
- ensuring that work is carried out safely and correctly
- confirming completion of training for some specific locations
- communicating of and fast response to threats.

Cooperation with public administration bodies and other fuel and energy companies to improve personal and process safety

In 2019, various forms of cooperation were undertaken to improve the PKN ORLEN safety management system. Expert workshops were held under the slogan 'Let's like each other' with the following public administration bodies: the Warsaw Province Inspectorate for Environmental Protection in Warsaw, Provincial Inspectorate for Environmental Protection (Branch in Plock), Municipal Crisis Management Centre in Plock, County Crisis Management Centre in Plock, Municipal Headquarters of State Fire Service in Plock, Municipal Police Headquarters in Plock, City Guard Service in Plock, the Provincial Ambulance Service and Medical Transport Station in Plock and the Head of the Stara Biala village, on ensuring safety at the PKN ORLEN Production Plant in Plock and mutual cooperation, including communication in the event of an emergency. Moreover, PKN ORLEN signed an agreement with PERN on effective cooperation and active integration of both companies' initiatives in preventing safety emergencies (accidents, breakdowns, disasters, fires).

The effects of safety measures undertaken at the ORLEN Group were appreciated by independent expert bodies. PKN ORLEN and ORLEN Upstream were among the winners of the 'Employer – Provider of Safe Work' competition run by the National Labour Inspectorate. Safe Work Leader Cards were awarded by the Safe Work Leaders Forum to PKN ORLEN, ORLEN Laboratorium and ORLEN Upstream. PKN ORLEN was again awarded the 'Gold Card of Safe Work Leader'.



ORLEN Upstream also won the first prize in the 'Employer – Provider of Safe Work' competition of the Chief Labour Inspector.

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

RISKS /PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
OHS		
Workplace accidents and other hazards	<ul style="list-style-type: none"> Failure to identify material risks for particular jobs Injury/death at a production plant 	<p>Introduction of a health and safety hazard reporting system, including division of responsibilities, supervision of the hazard identification process in the occupational risk assessment, introduction of procedures to follow in the event of an accident at work</p> <p>Introduction of a system for reporting near miss incidents and a procedure for handling such reports</p>
Fire safety	<ul style="list-style-type: none"> Fire Injury/death as a result of fire 	<p>Introduction of OHS and fire safety manuals, performing fire safety inspections, setting up a Process Safety Committee</p>
Chemicals management	<ul style="list-style-type: none"> Accidents/failures during transport or handling of chemicals 	<p>Implementation of the provisions of the Comprehensive Prevention System, including delegation of responsibilities; introduction of the Process Safety Management System at PKN ORLEN</p>
Employees and subcontractors' activities	<ul style="list-style-type: none"> Activities of employees and subcontractors resulting in violation of OHS regulations 	<p>Reviewing and issuing opinions on contracts with subcontractors in terms of security certificates and security clauses, implementation of the Comprehensive Prevention System</p> <p>Operation of an extensive training system, including the launch of the Training Centre at PKN ORLEN</p> <p>Delivery of information, education and incentive schemes</p>

GRI indicators discussed in this Section:

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

8. COUNTERACTING CORRUPTION AND BRIBERY

8.1 OUR CORPORATE MOTTO

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

8.2 OVERVIEW

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

Responsibilities of the **Control and Security Office** include:

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

Financial Control, Risk Management and Compliance Office:

- Coordinates the enterprise risk management process and provides methodology support during risk self-assessment and testing of controls put in place for PKN ORLEN and ORLEN Group companies
- Administers an IT tool providing information on any identified risks and the relevant risk management strategies
- Has joint responsibility with the Control and Security Office for planning and execution of ad hoc and investigative inspections at PKN ORLEN and other ORLEN Group companies and for reporting the inspection findings to the Management Board of PKN ORLEN.

The Financial Control Department, which is part of the Financial Control, Risk and Compliance Management Office:

- Identifies economic irregularities and fraud
- Examines if the employees of PKN ORLEN and ORLEN Group companies act in compliance with the applicable laws
- Formulates follow-up instructions which specify actions that must be taken to address the irregularities or improve performance of the area under review
- Estimating the impact of any potential irregularities or misconduct, defining corrective measures and designating persons responsible for their implementation
- Assessing internal organisational documents.

In addition, the **Financial Control Department** is responsible for:

- Preparing a draft plan of financial audits
- Implementing the annual plan of financial audits, *ad hoc* and investigative audits across PKN ORLEN and ORLEN Group companies and reporting to the Management Board on financial audits carried out during the year
- Monitoring of the implementation of recommendations issued following financial audits at PKN ORLEN and ORLEN Group companies and reporting to the PKN ORLEN Management Board in line with the provisions of the Company's internal policies
- Estimating the impact of any potential irregularities or misconduct, defining corrective measures and designating persons responsible for their implementation
- Assessing internal organisational documents.

Audit Office:

- Initiates preventive measures to minimise risks to achieving the Group's objectives, improve the efficiency of business processes and effectiveness of the Group's internal control system by recommending specific solutions and standards
- Ensures continuous development of the functional control system in order to improve the efficiency of business processes
- Identifies any inefficiencies in processes, procedures and structural solutions at the Group
- Monitors the implementation of recommendations issued following audits at PKN ORLEN and ORLEN Group companies
- Cooperates with the Head of the Control and Security Office with respect to measures taken by the Company in the case of proceedings conducted by law enforcement authorities OR competent third party institutions, in order to safeguard the Company's interests in such proceedings.

8.3 NON-FINANCIAL KEY PERFORMANCE INDICATORS

In 2019, the Control and Security Office launched systemic training delivered on an annual basis across business functions with the highest risk of misconduct, in the form of classroom or e-learning training provided to ORLEN Group employees and new hires. The topics covered included criminal

liability and disciplinary sanctions for corruption offences, identification of such offences, procedures to be followed in the case of suspected corruption by employees, whistleblowing options and channels, accepting and giving of gifts and building safe relationships with business partners. In 2019, a total of **4,057 people were trained** across the ORLEN Group, including the companies' management boards.

8.4 POLICIES IN PLACE

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

Core Values and Standards of Conduct – a document describing the standards of ethical conduct by PKN ORLEN employees in situations involving accepting or offering anything of value.

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

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

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

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

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

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

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

ORLEN Group Anti-Corruption Policy – a declaration that our business objectives are to be pursued in a transparent, fair and ethical manner. The policy is designed to raise employee awareness, encourage positive attitudes and behaviours, and streamline procedures and business process oversight. The document underscores the importance of training and awareness-raising among employees and the responsibility of company managements for creating conditions that help to prevent and counteract corruption at the ORLEN Group.

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

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

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

PKN ORLEN Financial Auditing Standards – set out the framework for management, performance and quality assurance in audit activities. The purpose of the Standards is to ensure and maintain a professional level of financial audits carried out by the Financial Control Department of the PKN ORLEN Financial Control, Risk and Compliance Management Office and to standardise the approach to preparation, conduct and recording of financial audits and assessment of their findings.

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

PKN ORLEN Rules for Accepting and Offering Gifts – define how PKN ORLEN employees must behave when accepting or giving gifts.

Rules of Integrated Trade Partner Safety Reviews – define how employees should act to reduce the level of risk associated with establishing relations with business partners.

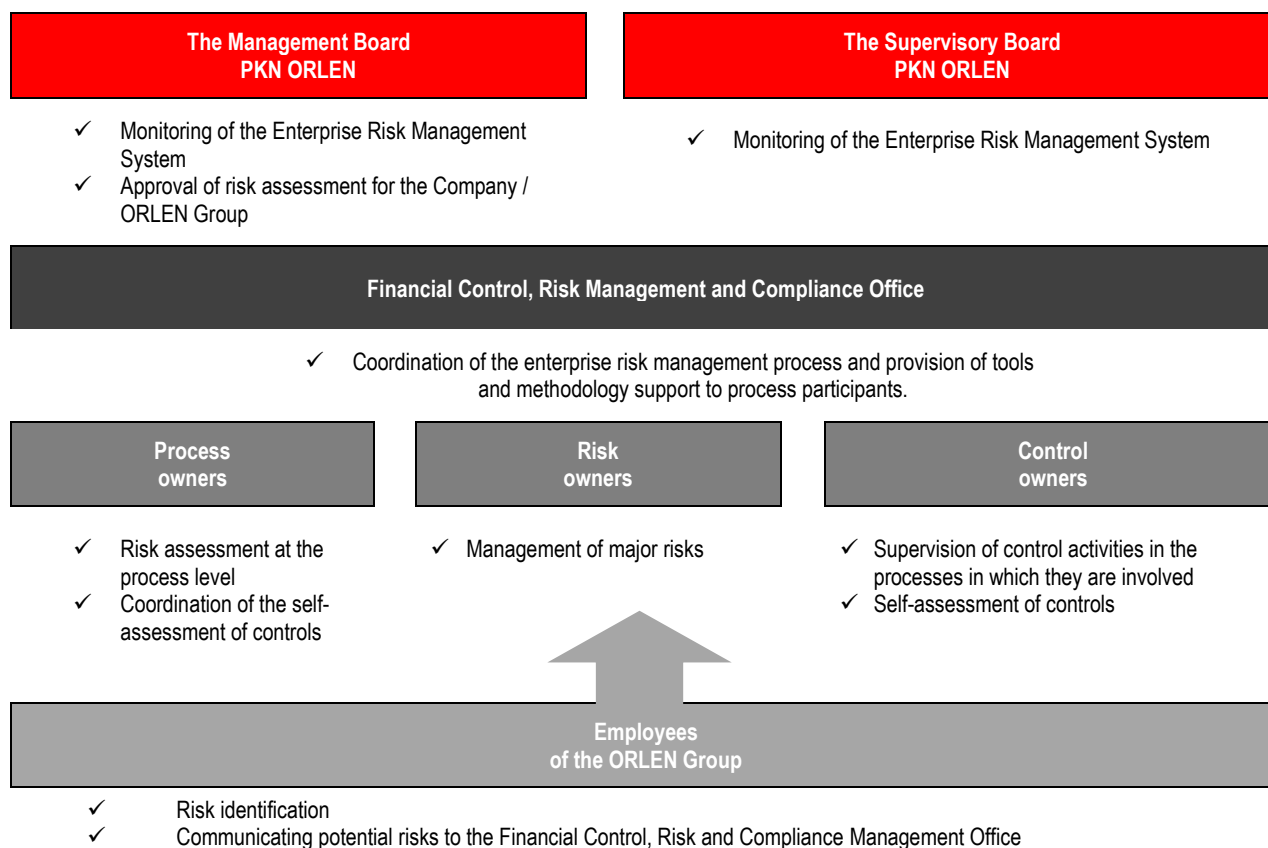
Business Process Safety Monitoring Rules – regulate the conduct of relevant PKN ORLEN units to minimise the risk of misconduct in business processes where a medium or high risk of misconduct is identified.

8.5 DUE DILIGENCE PROCEDURES

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

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

FIGURE 6.Key roles in the Enterprise Risk Management System.



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

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

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

Second line of defence/prevention – the Compliance function

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

- the ERM system, which supports the process of assessment of financial and operational risk compliance with regard to the effectiveness of controls and the ERM Policy and Procedure
- the internal audit and control function – with respect to compliance of the processes with internal regulations
- assessment of compliance with integrated management systems (ISO)
- managing the risk of non-compliance with legal regulations, standards and ethical norms based on the requirements of the PKN ORLEN Compliance System documentation, with a particular focus on risks related to the Company's business sector.

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

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

PKN ORLEN's compliance with or preparedness (alignment level) for applicable laws or draft legislation is monitored on an ongoing basis and reported to the PKN ORLEN Management Board. Where necessary, appropriate steps are taken to ensure that the Company meets the requirements of Polish and EU laws and regulations.

Financial Control

The **Financial Control Department** carries out financial audits aimed at identifying any economic irregularities and fraud, verifying if PKN ORLEN and ORLEN Group employees respect the applicable laws, internal policies and professional standards, estimating the impact of any potential irregularities or misconduct, defining corrective measures and designating responsible persons, as well as assessing internal policies. The audited area is scrutinised mainly against legal compliance, relevance, cost efficiency, reliability, efficiency and legitimacy criteria, with the interests of PKN ORLEN and ORLEN Group companies taken into consideration.

Independence of the Financial Control Department is assured through appropriate functional reporting lines within the Company's organisational structure.

Financial audit activities are performed on the basis of annual plans approved by the President of the PKN ORLEN Management Board. Regardless of the audit plan in place, the Financial Control Department can also perform *ad hoc* and investigative audits upon requests submitted to the Head of the Financial Control, Risk and Compliance Management Office by Members of the PKN ORLEN Management Board and individual business functions.

On the basis of findings presented in the Financial Audit Reports, follow-up instructions are issued which specify and prioritise measures to be taken to eliminate any irregularities or improve the performance of the audited area. The implementation of follow-up instructions is monitored continuously until it is confirmed that the corrective measures have been implemented.

Reports summarising the financial audits and the monitoring of implementation of follow-up instructions are drawn up for the PKN ORLEN Management Board twice a year.

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

The audit function is performed by the Audit Office. Its purposes include independent, impartial and objective evaluation of functional control systems and analysis of business processes in accordance with the generally applicable laws and internal policies.

The activities of the Audit Office conform to the International Standards for the Professional Practice of Internal Auditing (IIA).

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

The Audit Office performs its functions (audits, consultancy projects and business analyses) on the basis of an annual audit plan approved by the Company's Management Board. The annual plan is presented to the Audit Committee of the Company's Supervisory Board in order to obtain its opinion, and then is submitted directly to the Supervisory Board for approval.

As part of their activities, the Audit Office and the Control and Security Office verify on an ongoing basis if processes are executed in line with the applicable internal regulations. *Ad hoc* audits may also be conducted by the Audit Office when and as requested by the Company's Supervisory or Management Board.

The Audit Office continuously monitors its recommendations, based on which it prepares a report twice a year, stating to what extent they have been implemented. All monitoring reports are submitted to the Company's Management Board and the Audit Committee of the Company's Supervisory Board, which is in charge of ongoing assessment of the entire organisation's functioning.

The **Control and Security Office**, on the basis of the ongoing monitoring of recommendations and follow-up orders, prepares a report on the status and scope of implementation of the recommendations. Its activities have either a preventive or detective nature. They are complemented by activities performed by ORLEN Ochrona, which has due authorisations and appropriate tools, including the ability to use the services of business intelligence agencies and detectives. If any instance of corruption is suspected, relevant steps are taken in close cooperation with law enforcement agencies,

including the police and Central Anti-Corruption Bureau (CBA). The simultaneous operation of all the systems and functions described above allows the Group to exercise ongoing and effective anti-corruption supervision.

In 2018, the ORLEN Group appointed an **Anti-Corruption Compliance Officer**. The Officer cooperates directly with the Management Boards of the ORLEN Group companies which have no separate security departments. In 2020, the Rules of Anonymous Misconduct Reporting are to be updated with solutions introduced, *inter alia*, by Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law COM/2018/218. This ensures compliance with the EU legal requirements, the duty of care and the Warsaw Stock Exchange anti-corruption standards.

At PKN ORLEN and the ORLEN Group companies covered by the Enterprise Risk Management (ERM) System, the following **risks in the anti-corruption and bribery area** have been identified and assessed, depending on each company's specific characteristics:

- Fraud and misconduct
- Breach or mis-implementation of ethical standards
- Misconduct on the part of customers, employees or agents involved in the sale process.

In 2019, the ERM System covered: PKN ORLEN, ANWIL, ORLEN Lietuva Group, Unipetrol Group, ORLEN Deutschland GmbH, ORLEN Paliwa and ORLEN Centrum Usług Korporacyjnych, which represent close to 10% of all the ORLEN Group companies.

In 2019, as part of an annual risk self-assessment process and risk controls tests at PKN ORLEN, **552** risks were assessed based on tests of **999** controls in **176** business processes. The ORLEN Group companies assessed **633** risks and **1,807** controls in **169** processes.¹

¹The data does not include: ORLEN Lietuva Group and ORLEN Deutschland GmbH, where a self-assessment process is being carried out in 2020.

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

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
ANTI-CORRUPTION AND ANTI-BRIBERY MEASURES		
Fraud and other misconduct	<ul style="list-style-type: none"> Accepting financial gain from potential suppliers Conflicts of interest with respect to transactions Disclosure of confidential information Falsifying management information or other documents 	<p>Limiting access to supplier offers and the information they contain, monitoring impartiality towards potential suppliers, oversight of the supplier selection acceptance path</p> <p>Access to Business Secrets and any confidential data is regulated by internal policies and restricted to authorised personnel. It is also monitored on an ongoing basis.</p> <p>Procedures have been introduced for the verification of records and management information by the various Company departments.</p>
Employees' conduct resulting in violation of law	<ul style="list-style-type: none"> Involvement in illegal transactions or concealing information about illegal transactions by employees Execution of contracts in circumstances where the law does not permit continuation of the process 	<p>Review of the correctness of contracted obligations against powers of attorney/authorisations, supervision by authorised employees of supplier contracts and protection of the ORLEN Group's interests</p> <p>Providing opinions on and approval of contracts by business functions in a dedicated system.</p>
Misconduct on the part of clients or employees	<ul style="list-style-type: none"> Theft of fuel by employees or customers Release of products to unauthorised persons, for unauthorised vehicles 	<p>Regular inspections of service stations and terminals, verification and monitoring of reports on compliance by service stations.</p> <p>Automatic process of blocking and unblocking sales orders for customers defaulting on payments and exceeding the trade credit limit, based on the applicable PKN ORLEN Instruction.</p>

GRI indicators discussed in this Section:

- GRI 103-2 The management approach and its components: environment, society, human rights, anti-corruption, HR, with an indication of important themes in each area
- GRI 103-3 Evaluation of the management approach
- GRI 205-1 Operations assessed for risks related to corruption

9. AUTHORISATION OF THE NON-FINANCIAL STATEMENT OF THE ORLEN GROUP AND PKN ORLEN

This Non-Financial Statement of the ORLEN Group and PKN ORLEN S.A. for 2019 has been authorised by the Parent's Management Board on March 18th 2020.

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Daniel Obajtek
President of the Board

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Armen Artwich
Member of the Board

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Adam Burak
Member of the Board

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Patrycja Klarecka
Member of the Board

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Zbigniew Leszczyński
Member of the Board

.....
Michał Róg
Member of the Board

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Jan Szewczak
Member of the Board

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Józef Węgrecki
Member of the Board