



REPORT ON NON-FINANCIAL
INFORMATION OF
ORLEN GROUP AND PKN ORLEN S.A.
FOR THE YEAR 2017

2017

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1. BASIS OF PREPARATION

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 2017.

This Statement has been prepared in accordance with Art. 49b of the 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.

The business model, non-financial key performance indicators, procedures applied and potential risks are presented in this Statement for the ORLEN Group and for PKN ORLEN.

A full description of all aspects of the non-financial activities of the ORLEN Group will be published online in 2018 in the form of the **ORLEN Group Integrated Report for 2017**.

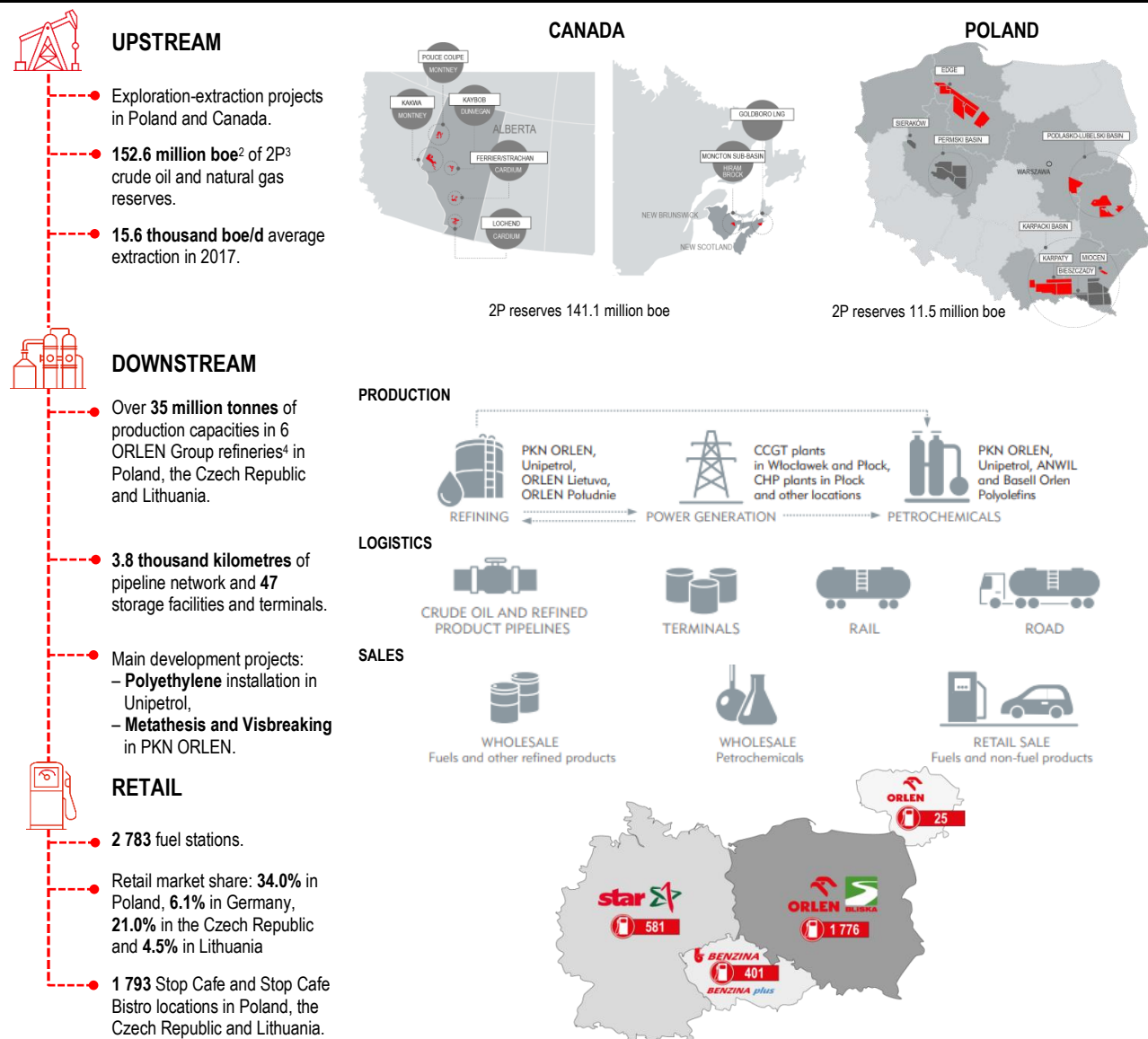
The Integrated Report will be prepared in accordance with the Global Reporting Initiative G4 standard and guidelines for integrated reporting issued by the Integrated Reporting Council, and will be verified by an independent auditor based on the ISAE3000 standard.

2. BUSINESS MODEL

2.1 Diagram of links between ORLEN Group areas of activity

THE ORLEN GROUP					
20.3 thousand INVOLVED EMPLOYEES	42.4 million tonnes RECORD-BREAKING SALES	33.2 million tonnes DIFFERENT TYPES OF CRUDE OIL PROCESSED	153 million boe CRUDE OIL AND NATURAL GAS RESERVES (2P) IN POLAND AND CANADA	PLN 10.4 billion RECORD-BREAKING EBITDA LIFO RESULT ¹	2.8 thousand FUEL STATIONS THE LARGEST RETAIL NETWORK IN THE CENTRAL AND EASTERN EUROPE

THE OPERATIONAL SEGMENTS OF THE ORLEN GROUP



¹) Profit from operations under LIFO increased by amortisation and depreciation.

²) Barrel of oil equivalent.

³) Proven & probable reserves.

⁴) Refineries in Plock, Trzebinia, Jedlicze, Mazeikiu, Kralupy and Litvinov.

2.2 Structure of the ORLEN Group

2.2.1 Parent – PKN ORLEN S.A.

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

Polski Koncern Naftowy S.A. with its registered office in Plock, 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.

2.2.2 The ORLEN Group

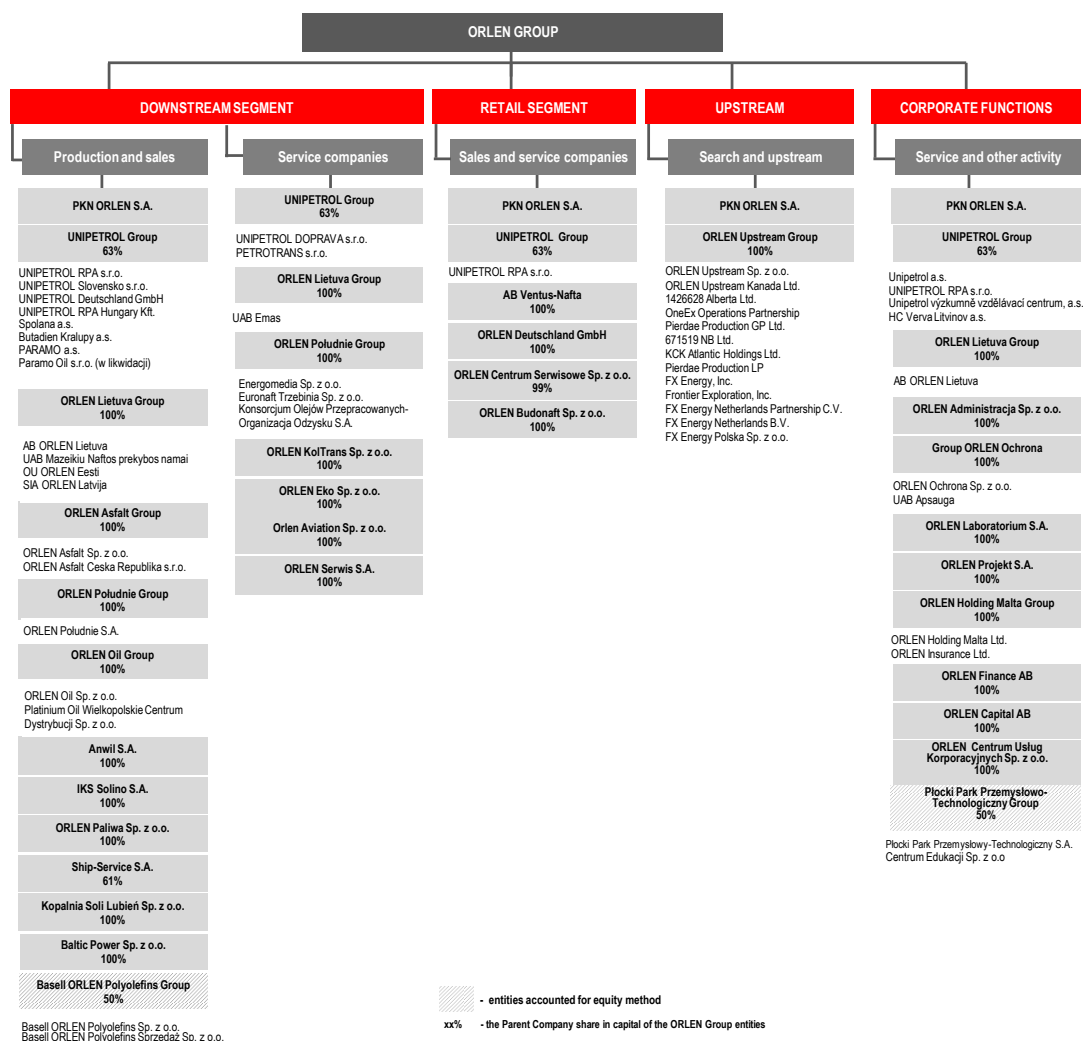
The ORLEN Group comprises PKN ORLEN as the Group's Parent Company, and entities operating in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, the Netherlands, Slovakia, Hungary, Estonia, Latvia, the US and Canada.

As at December 31st 2017, the ORLEN Group consisted of 69 companies, including 59 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 1. Equity and organisational links of the ORLEN Group as at December 31st 2017


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.

2.2.3 Operating segments

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

Downstream

The ORLEN Group manages refining assets and is the leading fuel producer in Poland, Lithuania and the Czech Republic. It is also a leading producer of petrochemicals, with the production processes in this area carried out by selected units at PKN ORLEN, the Unipetrol Group, the ANWIL Group, and Basell Orlen Polyolefins (BOP). Total processing capacity of the Group's refineries exceeds 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 power plant in Plock (being the largest commercial power generating unit in Poland used to supply utilities to the refinery), the CHP plants of the Unipetrol Group and ORLEN Lietuva, as well as a CCGT unit in Wloclawek, which was put into operation in 2017. Another CCGT unit is planned to be launched in Plock in the first half of 2018.

Retail

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

In Poland, our service stations operate under the ORLEN brand in the premium segment and under the Bliska brand in the economy segment. In

the Czech Republic, the brands are Benzina Plus, Benzina, Standard and Expres, and in Lithuania – ORLEN (premium segment) On the German market, ORLEN Deutschland operates economy stations under the STAR brand and the network is complemented by more than a dozen of Familia supermarket stations.

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

Upstream

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

The objectives are to constantly increase production output and the volume of 2P reserves, focusing on good quality assets and the most profitable projects, and responding flexibly to changes on the oil and gas market. At the end of 2017, 2P reserves of the Upstream segment companies amounted to approximately 153 mboe, while total production volume in 2017 reached 15,600 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.

2.3 Our stakeholders

Stakeholders are groups of individuals and entities that are affected by the ORLEN Group through its business activities and that can also affect the organisation and methods of operation of the ORLEN Group.

The ORLEN Group's relations with Stakeholders are built on the principles of responsibility, transparency and dialogue. To ensure a good quality of these relations, the frequency of communication and its channels are tailored to the characteristics and current expectations of the Stakeholders. External and internal Stakeholders were involved in the process of selecting relevant non-financial aspects of the ORLEN Group activities to be communicated by PKN ORLEN. In December 2017, representatives of the ORLEN Group and its environment took part in a meeting organised according to the formula set out by 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 on the Company's operations and their social and economic impact. According to the Stakeholders, material aspects of the Company's non-financial activities include: responsibility for the natural environment, impact on the local environment, security of industrial processes, and product liability. One of the outcomes of the meeting was development of a stakeholder map for the ORLEN Group



FIGURE 2. ORLEN Group's stakeholder map



2.4 ORLEN Group strategy

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. In 2017–2021, the ORLEN Group 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 cautious continuation of projects in the Upstream segment. The focus on value-creating innovations is an important element of the strategy.

Pillars of PKN ORLEN's strategy for 2017-2021

 Value creation	Integrated assets and strong market position of the Downstream segment	<ul style="list-style-type: none"> • Feedstock security • Operational excellence • Effective sales strategy
	Development of the product and service range and high customer satisfaction in the Retail segment	<ul style="list-style-type: none"> • Modern service station network • Unique purchasing experience • Operational excellence
	The strategy of prudent continuation in Upstream	<ul style="list-style-type: none"> • Increased production in Poland and Canada • Cautious continuation
 People	Innovations that create value	<ul style="list-style-type: none"> • Culture of innovation • Internal and external innovations
	Focus on safety and the environment	<ul style="list-style-type: none"> • No accidents at work • Process safety • Care for the natural environment
	Actions motivated by ORLEN's core values	<ul style="list-style-type: none"> • Responsibility • Development • People • Energy • Reliability
 Financial strength	Solid foundations	<ul style="list-style-type: none"> • Investment-grade rating • Financial leverage below 30%
	Secured financing	<ul style="list-style-type: none"> • Diversified financing sources • Non-organic growth opportunities
	Dividend paid	<ul style="list-style-type: none"> • Consistent growth of dividend per share • Dividend amount dependent on financial position

The dynamics of the market environment force the Group to adjust its planning perspective. Therefore, due to the significant volatility of macroeconomic parameters, the specific financial and operational objectives were presented as averages for the years 2017–2018.

Key financial objectives of the ORLEN Group's strategy (as annual averages for 2017-2018):

- LIFO-based EBITDA of PLN 8.8bn,
- capital expenditure of PLN 5.4bn,
- financial leverage below 30%,
- stable growth of dividend per share.

Detailed strategic goals and objectives of each segment are available at:

http://www.orlen.pl/EN/InvestorRelations/Presentations/Presentations/PKN_ORLEN_Growth_Strategy_for_2017_2021.pdf

2.5 Our mission and values

Core Values and Standards of Conduct

"The Core Values and Standards of Conduct of PKN ORLEN" is primarily a guide to internal relations, but also deals with the Company's interaction with external stakeholders.

The direction of changes and implemented measures has been appreciated by both Polish and international experts.

In 2014 – 2018, the American Ethisphere Institute awarded 'The World's Most Ethical Company' title to PKN ORLEN as the only representative of the CEE region in this prestigious ranking. At the same time, PKN ORLEN, as the region's leader of business ethics, became a partner of the Polish 'Ethical Company' competition, whose goal is to create the Polish version of the most ethical companies list.

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.

OUR MISSION:

We discover and process natural resources to fuel the future



RESPONSIBILITY

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



PROGRESS

We explore new opportunities



PEOPLE

Our advantages are know-how, teamwork and integrity



ENERGY

We are enthusiastic about what we do



DEPENDABILITY

You can rely on us

OUR CREDO:

ORLEN. FUELLING THE FUTURE

3. NON-FINANCIAL KEY PERFORMANCE INDICATORS OF PKN ORLEN AND ITS GROUP

3.1 Operational key efficiency indicators

Item	UoM	2017
Crude throughput – ORLEN Group	['000 tonnes]	33,228
Capacity utilisation – ORLEN Group	[%]	94
Crude throughput – PKN ORLEN	['000 tonnes]	15,220
Capacity utilisation – PKN ORLEN	[%]	93
Fuel yield – PKN ORLEN	[%]	80
Light distillate yield – PKN ORLEN	[%]	32
Middle distillate yield – PKN ORLEN	[%]	48
Crude throughput – ORLEN Lietuva	['000 tonnes]	9,821
Capacity utilisation – ORLEN Lietuva	[%]	96
Fuel yield – ORLEN Lietuva	[%]	75
Light distillate yield – ORLEN Lietuva	[%]	30
Middle distillate yield – ORLEN Lietuva	[%]	45
Crude throughput – Unipetrol Group	['000 tonnes]	7,894
Capacity utilisation – Unipetrol Group	[%]	91
Fuel yield – Unipetrol Group	[%]	79
Light distillate yield – Unipetrol Group	[%]	35
Middle distillate yield – Unipetrol Group	[%]	44
Sales volume	['000 tonnes]	42,382
Installed thermal capacity	[MWt]	4,382
Poland	[MWt]	2,576
Lithuania	[MWt]	1,040
Czech Republic	[MWt]	766
Installed electrical capacity	[MWe]	1,161
Poland	[MWe]	889
Lithuania	[MWe]	160
Czech Republic	[MWe]	112
Number of service stations, including:	[number]	2,783
Poland	[number]	1,776
Germany	[number]	581
Czech Republic	[number]	401
Lithuania	[number]	25
Hydrocarbon production	[mboe per year]	5.7
Wells (net)*	[number]	16.5

*) Adjusted for interests held by other entities.

3.2 Social performance indicators

The table below presents the social key performance indicators.

Item	UoM	2017
Number of CSR projects¹ involving customers	[number]	16
Events promoting healthy lifestyles and safety		
Number of participants in ORLEN Warsaw Marathon	[persons]	21,000
Fire brigades receiving support	[number]	169
Marketing projects² for Plock residents	[number]	92
Charitable Giving Policy – ORLEN GIFT FROM THE HEART Foundation		
Number of partner institutions	[number]	350
Number of children in care	[number]	2,500
Customer service at service stations – number of complaints, including:	[number]	4,637
Complaints about customer service	[%]	39
Complaints about fuel quality	[%]	15
Complaints about fuel quantity	[%]	11
Other	[%]	35
Employee volunteering projects		
Number of volunteering campaigns	[number]	61
Number of employees participating	[persons]	more than 2,000
Number of beneficiaries	[persons]	more than 35,000

1) 'Fill Up with Prizes' draw with reward points worth over PLN 1m to improve children's safety; reward points worth almost PLN 90,000 to help victims of storms and children living in children's homes; 'Yes to Safety' and 'No to Smoke' campaigns, with foster care homes furnished with over 348 first aid kits and 314 smoke and carbon monoxide detectors; 'Slow Down Near Schools' campaigns; 'Safe Cycling'; 'Ventilator for an Ambulance Transporting Newborns'; 'Purchase of Road Rescue Equipment for Fire Fighters'.

2) Theatre shows for children and youth; ORLEN Discovery Camp Science Picnic; 'Addicted to Health – Smoke Free' anti-smoking campaign; 'Make Yourself Seen' – reflectors for all primary schools in Plock; free swimming lessons for children and adults; 'Holidaying with ORLEN' (holiday play centres).

3.3 Employee relations key performance indicators

In 2017, the ORLEN Group's hiring policy was focused on recruiting top quality specialists to perform day-to-day activities as well as to execute strategic projects.

Employee relations key performance indicators at PKN ORLEN and the ORLEN Group in 2017:

Employee relations key performance indicators	UoM	ORLEN Group	PKN ORLEN
Including:	[persons]	20,262	4,980
PKN ORLEN	[persons]	4,980	4,980
Unipetrol Group	[persons]	4,720	-
ORLEN Lietuva Group	[persons]	1,612	-
ANWIL Group	[persons]	1,268	-
ORLEN Poludnie	[persons]	716	-
Other	[persons]	6,966	-
Employment by gender, including:			
Women	[%]	26	21
men	[%]	74	79
Members of the Management Boards of ORLEN Group companies by gender, including:			
Women	[%]	11	17
men	[%]	89	83
Workforce by type of job, including:			
White-collar staff	[%]	46	57
Blue-collar staff	[%]	54	43
Workforce by education, including:			
Tertiary	[%]	41	66
medium	[%]	35	18
Vocational	[%]	22	16
Primary	[%]	2	0
Employees covered by collective bargaining agreements, including:			
Polish companies	[%]	36	100
Foreign companies	[%]	66	-
Trade unions - trade union membership	[%]	41	47
Utilisation of the Company Social Benefits Fund, including:	[persons]	25,197	14,503
Employees	[persons]	10,304	4,874
Former employees	[persons]	6,679	5,335
Family members	[persons]	8,214	4,294

Average training hours per employee, including:

PKN ORLEN	[number]	28.77	28.77
ORLEN Lietuva Group	[number]	64.50	-
ANWIL Group	[number]	31.74	-
ORLEN Południe Group	[number]	19.00	-
ORLEN Upstream Group	[number]	31.83	-

Occupational health and safety, including:

Accident rate (Total Recordable Rate ¹)	[number]	0.95	0.67
Number of T1 safety events (Process Safety Events Rate ²)	[number]	0.06	0.02

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 hours worked in the same 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.

3.4 Environmental key performance indicators

Reduction of its environmental footprint is one of the key priorities of the ORLEN Group.

Environmental key performance indicators at PKN ORLEN and the ORLEN Group:

Environmental performance indicators in 2017	UoM	ORLEN Group	PKN ORLEN
Total withdrawal of surface water, ground water and mains water	[million m³]	87	25
Effluents discharged to the environment, including:		51	13
Industrial wastewater	[million m ³]	40	7
Estimated total air emissions of CO, CO₂, NO_x, PM and SO₂	[million Mg]	14.4	6.9
Total weight of waste produced, including:		238	60
Hazardous waste	[‘000 Mg]	123	23
Other waste	[‘000 Mg]	115	37
Waste managed		238	60
Waste disposed of ¹	[‘000 Mg]	78	18
Waste recovered ²	[‘000 Mg]	129	40
Waste landfilled	[‘000 Mg]	31	2
Capital expenditure on environmental protection	[EURm]	25	2
Number of inspections by Provincial Inspectorate of Environmental Protection	[number]	100	46

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

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

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

The employee engagement and job satisfaction surveys are an important element of the dialogue with employees. In 2017, the third edition of the survey was carried out, covering such issues as respect for corporate values and equal treatment regardless of age, gender, nationality or beliefs.

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

1) Based on Aon Hewitt

3.6 Indicators for anti-corruption and anti-bribery issues at PKN ORLEN and the ORLEN Group

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

The ORLEN Group seeks to eliminate any instances of corruption and bribery, a task entrusted to the Audit, Control and Enterprise Risk Management Office of PKN ORLEN S.A. For detailed information on the audit and control activities and the operation of the Integrated Enterprise Risk Management System (ERM), see [Section 2.6](#).

The anti-corruption and anti-bribery policies in place at the ORLEN Group and PKN ORLEN are described in [Section 4.6](#).

4. OVERVIEW OF KEY POLICIES AND THEIR OUTCOMES

4.1 Integrated Management System

The ORLEN Group supplies highest-quality products to its customers, while striving to make its operations as neutral to the natural environment as possible, to achieve superior energy efficiency, and to maintain high OHS and information security standards. To deliver on that promise, the Group has the **Integrated Management System (IMS)** in place.

The IMS comprises:

- **Quality Management System based on PN-EN ISO 9001**, covering production, storage and sale of refining and petrochemical products, as well as retail sales and provision of services by CODO service stations. The system shows the Group's commitment to ensuring that its products are of high quality.
- **Quality Management System based on AQAP 2120**, covering production and wholesale of motor fuels and aviation fuels. The system is necessary to attract and retain military customers in NATO countries.
- **Environmental Management System based on PN-EN ISO 14001**, covering production, storage and sale of refining and petrochemical products, without service stations.
- **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.
- **Information Security Management System based on PN-ISO/IEC 27001**, ensuring security of data processing as well as data protection against unauthorised access, loss of confidentiality, theft, and unauthorised alteration. The certification covers production, storage and sale of refining and petrochemical products, excluding service stations.
- **International Sustainability and Carbon Certification System (ISCC EU)**, aimed at protecting the biosphere, rational land management, sustainable social development and reduction of greenhouse gas emissions, by enabling emission tracking at every stage of the biomass and biofuel production process.
- **Factory Production Control System (ZKP)**, covering monitoring of production preparation and release of construction products (mainly various types of paving-grade bitumens and polymer-modified bitumens) for sale.
- **HACCP Food Safety Management System**, applied at service stations and catering outlets of PKN ORLEN. The system aims to ensure high quality of products at service stations.
- **Energy Management System based on ISO 50001**, currently being rolled out to ensure energy efficiency.

Management Systems at ORLEN Group companies

In 2017, work was continued on the standardisation of Management Systems in the ORLEN Group based on the model operated by PKN ORLEN. The IMS policies are in place at the following key companies of the ORLEN Group: ORLEN Lietuva, UNIPETROL Group, Anwil, Basell ORLEN Polyolefins, ORLEN Laboratorium, ORLEN EKO, ORLEN Asphalt, ORLEN Serwis, ORLEN Upstream, IKS Solino, ORLEN KolTrans, ORLEN OIL, ORLEN Administracja, ORLEN Paliwa, ORLEN Południe, ORLEN Centrum Serwisowe, ORLEN Aviation, ORLEN Centrum Usług Korporacyjnych, and ORLEN Ochrona.

4.2 Social policies

The policies and internal regulations concerning social issues include:

- **Core Values and Standards of Conduct**, offering guidance on relations with customers, shareholders, local communities, trading partners, competitors and other external stakeholders. The document has been implemented at all companies of the ORLEN Group.
- **CSR Strategy for 2015–2017**, assuming value growth aligned with the interests of external stakeholders and relying on sustainable and responsible use of resources. The strategy is implemented in three areas: Organisation (building long-lasting relations with employees), Close Environment (developing social conscience and responsibility in trading partners and customers through sharing best practices and knowledge, and implementing most exacting standards), Distant Environment (implementing the strategy, promoting innovation and setting top industry standards in business ethics and environmental protection).
- **Charitable Giving Policy**, setting the directions of charitable activities, in accordance with two priorities: ORLEN for life and health (supporting medical and professional institutions, healthcare facilities, professional and voluntary rescue services and entities working to improve road safety) and ORLEN for education and youth development (supporting educational and science initiatives, young talents, and foster families). The support is offered directly by the ORLEN Group and indirectly, through the ORLEN GIFT FROM THE HEART Foundation, the ANWIL for Włocławek Foundation, and the Unipetrol Foundation.

- **Supplier Code of Conduct**, implemented across the ORLEN Group and including standards to follow when selecting suppliers, e.g. considering whether the supplier ensures safety in the workplace, cares for the health of employees, offers fair and non-discriminatory working conditions, and respects human rights.
- **Restructuring agreement with trade unions**, defining the rules of cooperation between social partners in restructuring processes and the employees' rights in such processes.
- **Marketing Code**, dealing with such issues as advertising, promotion, sales, sponsorship and image building. It is an important element of the marketing communication in developing relationships with stakeholders.

The objective of the above policies is to constantly strengthen the sense of shared responsibility for implementing CSR ideas within the organisation and promote stakeholder responsibility and engagement.

4.3 Employee relation policies

The existing policies and internal regulations regarding employee relations include:

- **Core Values and Standards of Conduct** – providing for such issues as occupational health and safety, fair and friendly working conditions, communication and cooperation, as well as equal employment, promotion, development and in-service training opportunities.
- **Collective Bargaining Agreements and Work Rules** – Collective Bargaining Agreements of those ORLEN Group companies in Poland that have executed such documents, and all companies' Work Rules have been prepared in accordance with the applicable regulations and the relevant standard adopted at PKN ORLEN. The Collective Bargaining Agreements are entered in the registers kept by the competent Regional Inspectors of the National Labour Inspectorate. In 2017, the following ORLEN Group companies had Collective Bargaining Agreements in place: ORLEN Asphalt, Basell Orlen Polyolefins, ORLEN Aviation, ORLEN Laboratorium, ANWIL, IKS Solino and ORLEN Centrum Usług Korporacyjnych. Collective Bargaining Agreements have been also executed at companies of the Unipetrol Group and ORLEN Lietuva. Those companies that have not executed Collective Bargaining Agreements, have Remuneration Rules in place; in the case of companies based in the Republic of Poland, the Remuneration Rules have been drafted in accordance with the provisions of Part III of the Polish Labour Code.
- **The ORLEN Group's Human Resources Management Policy for 2013–2017** – it defines the key priorities and tasks in the HR area, in line with PKN ORLEN's strategy. The policy explains how corporate culture is to be built within the Group and describes HR processes and tools, as well as employment efficiency management.
- **Bonus System Rules** – the PKN ORLEN Management Board, Management Boards of other ORLEN Group companies, as well as directors reporting directly to the Management Board and PKN ORLEN employees are covered by bonus systems. The key positions at the ORLEN Group are rewarded based on the annual bonus system: the bonus is granted for achieving individual qualitative and quantitative targets, which are reviewed after the end of the year for which they were set. Other PKN ORLEN employees are rewarded based on one of the following three bonus systems: a quarterly/annual, quarterly, or monthly system. In 2017, the bonus system rules for members of the PKN ORLEN Management Board and the Management Boards of other ORLEN Group companies were adjusted to meet the requirements of the Act on Rules of Remunerating Persons who Manage Certain Companies of June 9th 2016. For detailed information on the remuneration and bonus policies for members of the PKN ORLEN Management Board, refer to the Directors' Report on the ORLEN Group's operations in 2017.
- **Corporate Social Benefit Activity Rules** – define the scope of social benefits and the rules for granting such benefits to the current and former employees of PKN ORLEN and its subsidiaries covered by agreements on the joint social benefits programme, as well as the employees' family members. Additionally, PKN ORLEN offers a uniform employee benefits package to employees of all ORLEN Group companies participating in the joint social benefits programme.
- **Employee Pension Plan** – guarantees additional financial resources to PKN ORLEN employees, to be used during future retirement. The basic contribution under the scheme is financed by the Employer.
- **Policy for Supporting Employees in Difficult Personal Circumstances** – this policy defines the rules for supporting employees affected by difficult personal circumstances, in line with the 'Core Values and Standards of Conduct' applicable at the Group. While providing support, the employer takes into account the type of occurrence, type and scale of damage or loss, and personal and financial situation of the affected employee. Depending on the above criteria, the employee may be provided with financial, medical, psychological or legal assistance.
- **Internal Order on Programmes Dedicated to Employees, Their Families and Former Employees** – sets out the rules governing activities addressed to employees celebrating their long service or those retiring, as well as pensioners celebrating their 70th, 75th, 80th, 85th and following birthdays. As part of the Family-Friendly Employer programme, employees who are parents are offered benefits such as additional days off to take care of a child, child admission to the nursery, gifts to parents of a new-born baby, etc.
- **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.
- **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.

The policies implemented at the ORLEN Group are designed to promote a friendly and safe work environment, as well as a modern management culture. We promote solutions that facilitate maintaining a good work-life balance. Our personal development initiatives, employee benefits, the wide range of training courses, and knowledge sharing culture are highly rated not only by employees themselves, but also by independent expert panels, which invariably distinguish PKN ORLEN as Poland's leading employer (for instance: top position in the ranking of 'Most Sought-After Employers in the Opinion of Professionals and Managers', 'The World's Most Ethical Company' title, and 'Top Employer Polska' certificate).

4.4 Environmental policies

The key internal regulations and system procedures in the area of environmental protection include:

- **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 petrochemical, refining and CHP units in Plock and the PTA plant in Wloclawek, as well as an auxiliary unit of wastewater treatment plant located on the premises of the Plock production plant.
- **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.

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

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

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

4.5 Human rights policies

The human rights policies and internal regulations include:

- **Core Values and Standards of Conduct** – primarily a guide to internal relations as well as relations with the Company's external stakeholders, including trading partners, local communities, the natural environment and competitors. The document contains overall guidance on ethics-related matters, including fair treatment of all employees and customers regardless of their age, sex, position, religion, nationality, convictions or beliefs, as well as provisions on the obligation to comply with the rules of fair competition, transparency of business activities, mutual respect, and professionalism.
- **Ethics Officer** monitors compliance with the 'Core Values and Standards of Conduct', guarantees that employees, employers and all stakeholders can freely report violations, and helps in difficult labour issues.
- **Collective Labour Agreement** – defines the conditions which should be met by the substance of an employment relationship, and the rules of remunerating and granting other benefits to employees.

- **Workplace Bullying Policy** – implemented at PKN ORLEN in 2017 and disseminated among the ORLEN Group companies for implementation, it sets out the rules to be followed when an instance of workplace mobbing has been reported and defines the rights and obligations of employees in such situations.
- **CSR Strategy for 2015–2017** – as part of the initiatives in the 'Organisation' area, activities were undertaken to build lasting relations with employees based on diversity, and to ensure good work-life balance.

The ORLEN Group's policies covering broadly meant human right matters are designed to support development of culture based on trust and fair treatment of everyone regardless of sex, age, job position, length of service, trade union membership, religion, nationality, belief, physical appearance or sexual orientation. In 2017, for the fourth year running, PKN ORLEN received the prestigious title of '**The World's Most Ethical Company**', awarded by an independent international panel of experts at the US Ethisphere Institute.

4.6 Anti-corruption and anti-bribery policies

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

- **Core Values and Standards of Conduct** – describing standards of conduct in situations related to accepting or offering benefits representing financial gain.
- **Enterprise Risk Management Policy and Procedure** – aimed at maintaining risk within set limits.
- **Rules of Control Procedures Performed by the Audit, Control and Enterprise Risk Management Office** – they define the rules of internal control at PKN ORLEN and its subsidiaries. The rules provide for all aspects of the process with regard to rationale for particular activities, good management, reliability, legality, organisational efficiency and correct conduct.
- **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.
- **Corporate Governance Policy** – it includes 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 Tasks for members of the management boards of ORLEN Group companies. It provides for full corporate supervision over the ORLEN GIFT FROM THE HEART Foundation.
- **Rules for Managing the Risk of Losing Information Security Attributes** – information and guidelines on the process of managing the risk of losing security attributes.
- **Supplier Code of Conduct** – defines ethical standards that must be met by the ORLEN Group suppliers, includes guidance on activities related to counteracting corruption, and promotes high ethical standards in business activities.

The purpose and effect of the above policies is prevention of all forms of corruption and putting in place preventive practices within the organisation and in the supply chain. If any form of corruption is identified, decisive steps are taken to remedy the situation and prevent further incidents of this type.

5. DUE CARE PROCEDURES

5.1 Integrated Management System

As part of standard procedures for verification of the Integrated Management System operation, systematic internal audits are performed to identify processes and ensure their compliance with applicable requirements. Improvement measures are also undertaken with a view to identifying opportunities and options for further development of the management systems.

5.2 Social issues

CSR strategy implementation

In 2017, PKN ORLEN continued implementation of its corporate social responsibility strategy (CSR) for 2015–2017. In the strategy, the Company declares its intention to pursue value growth in harmony with the interest of the environment and based on sustainable and responsible use of resources. CSR projects are pursued in all areas of the Company's activity and include implementation of integrated reporting, and publication of the Supplier Code of Conduct, the Marketing Code, a guide for motorists: 'Drive Towards Environmental Friendly Solutions' ('Kieruj się na eko') and information materials for investors about CSR initiatives at PKN ORLEN. As part of the CSR strategy, the Company's operating areas regularly report on the completion status of their projects.

The CSR strategy's three principal areas are: Organisation, Close Environment and Distant Environment. The goal of the Organisation area is to build lasting relations with employees. In the Close Environment, priority has been given to developing social conscience and responsibility in trading partners and customers through sharing best practices and knowledge, and implementing most exacting CSR standards. Our activities in this area are centred around building the image of a responsible company, pursuing social outreach initiatives, promoting CSR concepts among stakeholders and encouraging their responsibility. In the Distant Environment, PKN ORLEN aspires primarily to implement its strategy of promoting innovation and set highest industry standards in business ethics and environmental protection. Our projects are designed to grow new business areas, ensure that investment projects are carried out in a responsible manner, and set and promote ethical standards in business.

The CSR Strategy and projects implemented within its framework are a continuation of the ORLEN Group's social commitment made practically since its establishment. The far-reaching approach to social problems deserves to be emphasised. As early as in 2003, PKN ORLEN joined Global Compact, an initiative proposed by United Nations Secretary General Kofi Annan. We declared that we would work to advance the organisation's principles in the areas of human rights, labour standards, environment, and anti-corruption efforts. The signing of the declaration was tantamount to a public commitment to respect these principles and to subject ourselves to public scrutiny. Since 2016, the ORLEN Group has been working towards the 17 Sustainable Development Goals set by the United Nations. The ORLEN Group was also among the signatories of the 'Partnership for Implementation of the Sustainable Development Goals (SDGs)' proposed by the Ministry of Development.

Activities under the Charitable Giving Policy

The priorities of the 'PKN ORLEN Charitable Giving Policy' are protecting life and health, as well as promoting education and youth development. The ORLEN Group initiates and carries out charity activities, and partners with other organisations in charitable initiatives. An important role in that area is played by the ORLEN GIFT FROM THE HEART Foundation, which was established in 2001 to fulfil the social responsibility mission of its founder, PKN ORLEN.

Since its inception, the Foundation has provided comprehensive assistance to family group homes, promoting this form of foster care. Currently, it helps more than 2,500 children in nearly 350 homes. The Foundation runs a number of scholarship programmes to support education of young people and nurture their aspirations. There is a separate support programme for Paralympians. The Foundation also engages in initiatives focused on improving safety and healthcare standards, such as the 'No to Smoke' safety awareness campaign and a programme to support fire brigades. Local community projects are another important area of its activity.

The CSR initiatives of PKN ORLEN and the ORLEN GIFT FROM THE HEART Foundation also engage members of the VITAY loyalty scheme. There is a growing number of those who donate their VITAY points to social causes, including support to foster care homes or environmental projects. They were also joined by users of the YANOSIK application.

The ORLEN Group has also established other corporate foundations – the ANWIL for Włocławek and the Unipetrol Foundation.

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 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, financial support for low-income families, recreation and sport activities, cultural and educational activities, non-returnable financial support, funding for rehabilitation camps, returnable housing loans, and purchase of Christmas gifts for children.

Family-Friendly Employer

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

on developments across the Group. Many of the components of this programme have also been implemented by other ORLEN Group companies as part of good practice sharing.

Medical care

PKN ORLEN also provides extensive medical care going beyond the scope of occupational medicine. Medical services and other healthcare programmes are offered in cooperation with Centrum Medyczne Medica Sp. z o.o. of Płock and the Military Institute of Medicine of Warsaw. In 2017, preventive medical check-ups at the workplace were carried out under the 'Prevention Close at Hand' project. Similar programmes of medical and preventive care are also operated at other companies of the ORLEN Group.

Review and resolution of complaints and grievances raised by retail sales network customers

A formal procedure that has been put in place for the review and resolution of complaints and grievances raised by customers of the retail sales network is an element that contributes to building customer relations. The customers have several options to contact us and express their opinion about a service station or the services: over the Internet, by phone, or personally at service stations. All reported issues are recorded in the complaints and grievances administration system. The same system is also used to register positive opinions and acknowledgements from customers.

5.3 Employee related issues

Human resources management policy

People are invariably one of the key pillars of the ORLEN Group's strategy. In 2017, our activities in this area included consistent efforts to build a team of experienced specialists and to develop a support system for the managerial staff.

Some of the key points in the pursuit of the growth policy were employee opinion surveys conducted to support the Group companies in fostering engaging leadership styles and building engaging workplaces based on dialogue with the employees. In the course of workshops, initiatives were identified to help build engaging work environments. Other important subjects raised during the meetings included promoting the culture of innovation and continuous development of specialist competences in relation to PKN ORLEN's strategic goals.

As many as 20 of the ORLEN Group companies have already joined the activities involving surveys of the employees' opinions and needs and joint development of initiatives that can contribute to raising employee engagement and satisfaction. The most noteworthy of the initiatives that have already been launched included deployment of new communication channels for ORLEN Group employees (newsletters, information boards, inspirations for managers), introduction of new tools for communicating employee achievements (recognition boards), and development of project management skills and culture (project management trainings, message boards for sharing ideas about specific projects, special emphasis on project round-up meetings).

In 2017, our HR management efforts focused on implementing the objectives of the 'Human Resources Potential Management Policy for the ORLEN Group 2012-2017' and on defining the Policy's objectives for the coming years.

Recruitment policy

In 2017, the ORLEN Group continued its recruitment policy aimed at attracting highly qualified experts whose knowledge and skills, together with the experience and professionalism of the existing staff, would ensure the continuity and highest quality of the Group's business and technological processes.

PKN ORLEN participated in job fairs at Polish universities of technology and in other interuniversity events of this type, and helped students and graduates gain hands-on job experience by organising internship and work placement programmes. We also carried out educational projects in the form of student workshops. Moreover, ORLEN Group companies entered into cooperation with technical secondary schools and universities to help design their curricula so that they address the HR needs of the ORLEN Group and ensure that students develop the skills required in the industry while still at school.

The Group also continued the Adaptation Programme for newly hired employees to become familiar with the ORLEN Group's activities, organisational culture, values and principles of conduct. Besides an introductory meeting and workshops with experts, employees participating in the Adaptation Programme took part in an e-learning session focusing on PKN ORLEN ethical values and rules of conduct, and were assisted by dedicated staff throughout the duration of the Programme.

Development and training

The criteria that define the directions of our training policy were specified by reference to the business strategy. Activities in this area focused on development of specialist competences and promoting the desired organisational culture, in particular with respect to the building of an engaging workplace and innovation.

A crucial ingredient of the training policy in 2017 was to enhance leadership through development of management skills. The tools used to this end included a management skills development programme designed to improve managerial skills, develop employee competencies, motivate the workforce and increase engagement.

Employees attended specialist training programmes (both open and closed), postgraduate courses, MBA programmes, and coaching and mentoring courses. In addition, they were offered opportunities to broaden and share their knowledge of the market and the industry with others through participation in trade conferences and events. A strong focus was placed on fostering a work safety culture through various educational projects and obligatory training schemes. Training and development activities were carried out not only on a classroom basis, but also as e-learning courses. Employees also continued to learn foreign languages, by participating in the Language Academy and summer English courses.

With a view to promoting safety culture, in 2017 the ORLEN Safe Driving Academy was continued to help employees master safe driving techniques and learn how to best react in difficult situations on the road.

Student internships and work placement programmes

The ORLEN Group cares for the professional development of not only its own employees, but also young people – students, university graduates and school leavers, by providing them with an opportunity to gain their first professional experience as interns and on work placement programmes. PKN ORLEN organises internships as a partner of schools and universities, and has been involved in a number of nationwide and international projects. In 2017, more than 200 people took part in the following internships and work placement programmes:

- Paid six-month work placements under the 'Headed for ORLEN' work placement programme,
- Paid work placements under the '#Energy for the Future' programme, implemented jointly with PGE and PGNiG under the auspices of the Ministry of Energy,
- Group work placements, organised in partnership with secondary schools and universities.

In addition, the following educational and informational projects dedicated to secondary school and university students were carried out in 2017:

- 'ORLEN Knowledge Day' – a series of meetings at universities held to present PKN ORLEN's business and innovative projects,
- PKN ORLEN stands at a number of job fairs, including the Plock Job Fair and the Absolvent Talent Days (in Warsaw and Łódź),
- Involvement in the nationwide Case Week project, as part of which representatives of our energy, IT and environmental protection areas prepared and held workshops and case study sessions for students of Warsaw universities.

Occupational health and safety

The key objective of activities related to health and safety at work is to ensure the highest level of safety across the ORLEN Group. In 2017, the 'Safety Plus+' project was initiated, as part of which 15 standards were implemented representing the highest safety standards identified in the fuel and energy industry. The project will be completed in 2020.

Our priorities in OHS include revision and implementation of the Process Safety Management System compliant with the OSHA 1910 standard in order to work more effectively towards operational excellence by ensuring technical safety of the process, storage and auxiliary units, and thus preventing any unwanted incidents that could potentially affect employee or process safety.

In an effort to enhance accident-free safety culture at the ORLEN Group, we put a strong focus on building the awareness of safe work procedures and on creating proactive attitudes among our employees and contractors.

The Employee Support System implemented at PKN ORLEN is one of the programmes aimed at strengthening personal security culture. It employs the Behavior-Based Safety (BBS) approach used at production companies, which has been adapted to the Company's needs. The method consists in reinforcing the employees' safe behaviours during work and promoting best OHS practices.

In 2017, the Group continued its cooperation with the Łódź University of Technology with respect to another special edition of a postgraduate programme on industrial process safety, dedicated to the ORLEN Group employees. The Company also entered into cooperation with the Warsaw University of Technology, where PKN ORLEN employees held special lectures on technical safety.

Mandatory safety training programmes for employees and contractors

The ORLEN Group organises mandatory training programmes on safety for its employees and contractors to familiarise them with the safety standards applicable at the ORLEN Group companies. The programme focuses on raising the employees' and contractors' awareness of the importance of proper 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 situations. The programme includes tools for checking the employees' and contractors' knowledge.

Control and audit system

At the ORLEN Group, the employees' and contractors' work stations are inspected on a regular basis. Such inspections may for instance take the form of 'Safety Walks', safety reviews by management staff, and inspections by the OHS Service. Audits carried out at the Group companies include internal audits, audits by certification bodies, and audits by risk management consultancies. Moreover, regular safety audits are conducted at the contractors who perform work for the ORLEN Group. The ORLEN Group has in place an internal system of consulting and coordination visits. Results of the assessments and observations made during such visits are the basis for formulating and implementing correction and refinement plans, workplace health and safety improvement plans, and individual OHS strategy targets for each company.

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

The ORLEN Group companies engage in various activities aimed at promoting safe working among their employees and contractors, such as, for instance, 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 Week' held across the entire Group.

Identification and implementation of innovations and good practices

As part of a continuous effort to develop work safety culture, ongoing identification of best practices is ensured through experience sharing across the ORLEN Group and drawing on the lessons learned by other oil and gas companies with global footprint. Some of the projects in this field carried out at the ORLEN Group companies included the LOTO System, the 'Hearts and Minds' programme, or implementation of the Lean Manufacturing approach.

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, accidents 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 HAZOPs as well as other methods.

Emergency drills involving employees and rescue and firefighting services

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

Production assets integrity monitoring and plant maintenance programme

Timely inspection and supervision activities are key to maintaining the integrity of fixed assets. In most cases such activities are carried out during planned maintenance and process shutdowns organised on the basis of 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 in partnership with and under the supervision of the Polish Office of Technical Inspection. It offers major value added through continuous improvement of the 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.

5.4 Environmental aspects

In 2017, extensive measures were taken to comply with the BAT Conclusions, related primarily to the adaptation of plant and process units to new environmental requirements and standards defined in the EU regulations. The ORLEN Group took formal and legal steps (e.g. to amend environmental permits), as well as investment and organisational activities. These measures will allow the Group to meet the new requirements following from the EU laws that will enter into force on October 28th 2018.

Reducing the environmental footprint has long been one of the top priorities of PKN ORLEN. Key initiatives undertaken in 2017 included commencement of work on implementation of the leakage detection and repair (LDAP) system, optimisation of the fugitive emissions balancing method, and bringing refinery units in line with the more stringent EU requirements for air emissions. Other environmental protection measures taken included installation of continuous emission measurement systems and flow meters on flare stacks. Moreover, a wildlife survey was carried out on the premises of the Plock production plant and in adjacent areas. The field investigations and research studies conducted provided information on the flora and fauna present in the area and helped identify areas of natural value and sites for environmental compensation projects. In 2017, a CCGT unit was placed in operation in Włocławek as a high-efficiency and low-emission electricity and heat generation source.

In 2017, PKN ORLEN celebrated the 20th anniversary of its membership in the Responsible Care Programme. In addition, the ORLEN Group participated in various projects promoting knowledge in the field of environmental protection and community outreach initiatives, continued its involvement in the 'Peregrine Falcon Restitution in Poland' programme, and made available on PKN ORLEN's website a guide dedicated to motorists: 'Drive Towards Environmentally Friendly Solutions' ('Kieruj się na eko'), compiled as part of best practices.

In the period under review, PKN ORLEN did not incur any additional charges resulting from failure to correctly calculate the fees for economic use of the environment or to meet the payment deadline. Because the ORLEN Group operates low-emission production units, the fees have been steadily falling.

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

At each of the companies, the Management Board, acting in accordance with the procedures in place at the company, conducts a periodic assessment (usually once a year) of the operation of the Environmental Management System.

5.5 Human rights

In 2012, the Group adopted '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. 'Core Values and Standards of Conduct' sets out the values that PKN ORLEN has committed to respect: Responsibility, Development, People, Energy, Reliability. These values are manifested in the everyday behaviours and attitudes described in the document and practised both inside and outside the organisation.

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

The Employee Volunteering Programme is another project enhancing the ORLEN Group's corporate culture. It includes three aid schemes and a number of participation options for all employees, regardless of their job and position. The number of charity actions and employees involved in the Programme is growing by the year.

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

5.6 Anti-corruption and anti-bribery

In order to minimise the risk of fraud and corruption, PKN ORLEN has adopted the popular three lines of defence model. Within the **first line**, the risk is managed by operating units comprising the ORLEN Group, through controls exercised within the business and other functions. The **second line** reviews process compliance with internal regulations and assesses process-related risks, while the **third line**, based on internal audit and control, helps ensure proper operation of the risk prevention system. For information on the Enterprise Risk Management System, see [Section 6](#).

6. SIGNIFICANT RISKS RELATING TO THE GROUP'S BUSINESS

PKN ORLEN's Audit, Control and Enterprise Risk Management Office coordinates the enterprise-wide risk management process at all levels of the organisation and at individual companies of the ORLEN Group.

Based on its **Enterprise Risk Management Policy and Procedure** updated in 2016, the Group monitors and assesses its risk exposures on an ongoing basis and takes steps to mitigate their impact on its financial standing.

The **Enterprise Risk Management System** used in those processes is a tool supporting effective delivery of the ORLEN Group's strategic and operational objectives. It facilitates comprehensive identification of risks and controls and their assessment at the project, process and organisation levels.

In the **Enterprise Risk Model** adopted by the ORLEN Group, identified risks are classified into the following categories (according to their origin):

- I. **STRATEGIC RISKS** – directly related to strategic objectives, specific actions and performance indicators (KPIs). For the purpose of detailed identification of strategic risks, sub-strategies are developed for the areas assigned to individual owners, who carry out quarterly risk assessments.
- II. **PROJECT RISKS** – events or circumstances which, if they materialise, may have an adverse effect on one or more project objectives. These risks are subject to ongoing assessment during project implementation and to self-assessments carried out at least once a year.
- III. **PROCESS / OPERATIONAL RISKS** – identified in the ordinary course of business; their identification facilitates effective process management and reduces the likelihood of their occurrence. These risks are assessed by business areas annually in a self-assessment process, where the main goal is to verify the effectiveness of controls and keep the risks at acceptable levels.

Risks relating to social, employee, and environmental matters, respect for human rights, anti-corruption and bribery may occur in the three main categories of risks in the ORLEN Group listed above.

Specific risks and methods of their mitigation in the above areas are presented below.

RISKS / PROCESSES	RISK DESCRIPTION	RISK MITIGATION METHODS
ENVIRONMENTAL		
New trends	<ul style="list-style-type: none"> growing market/public expectations regarding environmental investments little time to adapt to new environmental requirements 	Regular reviews of the compliance of internal regulations with legal requirements and their ongoing monitoring against the changing environment (regulations, decisions of public administration authorities, etc.)
Environmental protection regulations	<ul style="list-style-type: none"> 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 	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 CO ₂ and other gas emission allowances	<ul style="list-style-type: none"> failure to meet the requirements and guidelines for monitoring CO₂ and other greenhouse gas emissions failure to obtain a permit for CO₂ and other greenhouse gas emissions 	Updating internal regulations in line with legal requirements, keeping track of the validity of decisions issued by governmental authorities, environmental monitoring and reporting in accordance with applicable procedures
Environmental impact	<ul style="list-style-type: none"> non-compliance of the production process with applicable environmental protection standards disrupted supply of utilities (water) to production units 	Monitoring of the process of water decarbonisation and distribution, inspecting the technical condition of facilities and equipment
Wastewater and waste management	<ul style="list-style-type: none"> failure to comply with the conditions specified in relevant decisions as to the type and quantity of generated waste discharge of wastewater in violation of applicable permits 	Delegating responsibilities in waste management processes in accordance with the applicable procedure, monitoring the amount and types of waste in order to apply for and secure required amendments to the relevant administrative decisions, coordinating and monitoring the parameters of discharged effluents

SOCIAL		
Corporate social responsibility	<ul style="list-style-type: none"> lack of public awareness of the ORLEN Group's CSR activities 	Implementation and supervision of the Responsible Care Framework Management System and appointment of the Responsible Care Framework Management System Officer.
Reputation, brand and marketing management	<ul style="list-style-type: none"> use of the brand in connection with adverse, controversial activities promotional activities with adverse effect on the image of PKN ORLEN 	Supervision over the process of defining the methodology for conducting promotional campaigns, key activities subject to approval by relevant business areas
Outsourcing and subcontractor risk	<ul style="list-style-type: none"> limited control over the ORLEN Group's processes which are subcontracted or outsourced 	Ensuring correctness, completeness and quality of documentation, including completion reports and checklists, in IT systems
Procurement management in the process of producer selection	<ul style="list-style-type: none"> delays in the procurement process protracting and inefficient tender and procurement procedures 	Appointment of an evaluation team to assess the submitted bids, conduct negotiations and document the selection process communicating terms of business on time and in line with internal regulations
Fire safety	<ul style="list-style-type: none"> fire during transport of products injury/death as a result of fire 	Introduction of occupational health and safety and fire safety instructions, conducting fire safety inspections, appointment of the Fire Safety and Technical Committee
Chemicals management	<ul style="list-style-type: none"> accidents/failures during transport or handling of chemicals 	Implementation of the Comprehensive Chemical Rescue Plan, including the delegation of responsibilities; introduction of the Process Safety Management System at PKN ORLEN
EMPLOYEES		
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.
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 	Obligatory knowledge of applicable laws and internal regulations governing employment relationships, i.e. the Work Rules, Core Values and Standards of Conduct, etc. Agreement setting out the rules of cooperation between social partners in restructuring processes

ANTI-CORRUPTION AND ANTI-BRIBERY MEASURES

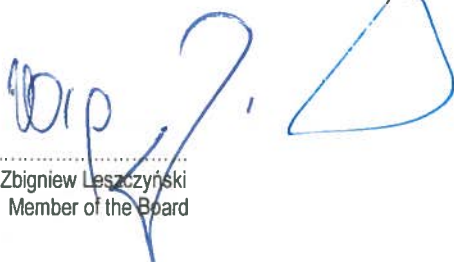
Fraud and other misconduct	<ul style="list-style-type: none"> • accepting financial gain from potential suppliers • conflicts of interest with respect to transactions 	Limiting access to supplier offers and the information they contain, monitoring impartiality towards potential suppliers, oversight of the supplier selection acceptance path
Employees' conduct resulting in violation of law	<ul style="list-style-type: none"> • involvement in illegal transactions or concealing information about illegal transactions by employees • execution of contracts in circumstances where the law does not permit continuation of the process 	Review of the correctness of contracted obligations against powers of attorney/authorisations, supervision by authorised employees of supplier contracts and protection of the ORLEN Group's interests
Misconduct on the part of clients or employees	<ul style="list-style-type: none"> • theft of fuel by employees or customers • release of products to unauthorised persons, for unauthorised vehicles 	Regular inspections of service stations and terminals by authorised employees, supervision of the process of delivering and ordering rewards in accordance with the rules

7. APPROVAL OF REPORT ON NON-FINANCIAL INFORMATION OF ORLEN GROUP AND PKN ORLEN

The Report on Non-financial Information of ORLEN Group and PKN ORLEN for year 2017 was approved by the Management Board of the Parent Company on 15 March 2018.



Daniel Obajtek
President of the Board



Zbigniew Leszczyński
Member of the Board



Krystian Pater
Member of the Board



Wiesław Protasewicz
Member of the Board



Józef Węgrecki
Member of the Supervisory
Board
delegated for temporary acting as
the Member of the Board