

## 7. CORPORATE GOVERNANCE

### 7.1 A set of applied Corporate Governance rules

In 2014, PKN ORLEN complied with the "Code of Best Practice for WSE Companies" ("Code of Best Practice") valid in the Warsaw Stock Exchange. The Code of BPCL can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and on the corporate website of PKN ORLEN: [www.orlen.pl](http://www.orlen.pl) in the "Investor Relations" section dedicated to the Company's shareholders in the "WSE Best Practice" tab ([www.orlen.pl](http://www.orlen.pl)).

The Company currently does not apply the rule described in part IV, point 10 of the "Code of Best Practice", regarding the shareholders right to take part in the General Meeting, using electronic means of communication, by broadcasting the General Meeting and allowing the bilateral communication set out in the real-time, with regard to the bilateral communication in the real-time. The other obligatory rules of the corporate governance included in the "Code of Best Practice" are applied by PKN ORLEN.

#### Communication with the capital market

The Company undertakes a number of activities to improve communication with its environment. In order to reach a wide range of recipients it applies both traditional and modern tools of communication with the capital market representatives. It organizes broadcasting with simultaneous translation into English from media conferences following each significant event in the Company's life, such as quarterly results publication, announcement of strategies, as well as from the PKN ORLEN General Meeting. Video recordings from the conference are stored on the Company's website, thus, it is possible to watch a selected previous events.

#### Corporate website [www.orlen.pl](http://www.orlen.pl)

PKN ORLEN has its corporate website, which is a reliable and useful source of information about the Company for the capital market representatives. For shareholders, investors and stock market analysts, the Company's webpage provides investor relations section ([www.orlen.pl](http://www.orlen.pl)). Its content is prepared in a transparent, fair and complete way so as to enable the investors and analysts making decisions based on the information presented by the Company. The Investor relations section is maintained both in Polish and in English.

The section is divided into a few tabs, where all current and periodical reports published by the Company can be found, as well as presentations prepared for important events in the Company with audio and video recording of such events.

The Investor relations section contains a lot of modern tools useful to investors and stock market analysts. It is continuously improved according to the latest market standards.

One can find there, among others:

- interactive diagrams and tables for fast comparison of the Company's financial ratios in different periods,
- interactive diagrams and tables showing PKN ORLEN's shares quotations with a calculator of the return on investment in the Company's stock. These diagrams enable comparison of stock quotations with the main stock exchange indices which include the Company's stock. To a diagram showing

PKN ORLEN share quotations a diagram showing the quotation of one of the indices: WIG, WIG 20, WIG 30 or WIG PALIWA (WIG FUELS) can be attached,

- financial statements, gathered in one place together with the presentations that describe them prepared for the capital market representatives, the recording of teleconferences with investors and analysts regarding publication of the financial results and the worksheets with the data from the presentations and financial statements that simplifies the data analysis,
- special form for contacts with the Company in respect of PKN ORLEN's General Meetings, in accordance with the regulations of the Commercial Companies Code,
- possibility to subscribe to various types of PKN ORLEN's newsletters, including the most recent investor relations news. Section has also RSS feed, that enables all new information placed in it to reach recipients immediately, especially regulatory announcements and macroeconomic data,
- an option to sign up for reminders concerning the events from the event's Calendar. One can enter selected dates to calendars in his mail programs as well as sign up for the events' reminders sent by e-mail or SMS. One can decide before which events he wants to receive reminders – it can be one or several of them as well as all events entered to the PKN ORLEN investor relations' calendar, both in the current and in the next years.

Investor Relations Service on [www.orlen.pl](http://www.orlen.pl) is periodically reviewed and verified so that its content could fully meet the information needs of the capital market representatives. In 2014, the presentation of information was cleaned and supplemented on bonds issued by the Company. A new presentation of financial and operational data of the Company as well as macroeconomic data were also implemented, in conjunction with the introduced from the second quarter of 2014 change in the presentation of the Company's results by operating segment. In addition, since the beginning of 2014 the Company sends monthly PKN ORLEN Investor Relations newsletter with a set of information about macroeconomic data. Also, a new Teleconference tab was created, where all the audio recordings from teleconferences organized on the occasion of important events in the Company are gathered in one place.

On the website, in the investor relations section, there is also a tab concerning the corporate governance. One can find there the Company's annual reports on complying with best practices rules and the "Code of Best Practice". There is also brief information on best practice applied by the Company, the rules for selecting an entity authorized to audit the financial statements as well as information about the participation of women and men in the Company's Management Board and the Supervisory Board in the last two years.

The General Meeting tab in the Investor relations section contains set of corporate documents and a guide for shareholders "How to participate in the General Meeting of PKN ORLEN", updated according to changes that occur in the commonly applicable provisions of law. There are also provided information on dates of General Meetings, draft resolutions and the whole set of documents

presented to the shareholders at General Meetings. The Company ensures also communication with its shareholders via a special online contact form related to general meetings.

The Company also supports its shareholders, investors and analysts to have the knowledge of the industries in which it operates. On a web portal of PKN ORLEN <http://ffbk.orlen.com/> there are placed specialized publications and relations from industry conferences. There is also blog of PKN ORLEN's Chief Economist (<http://napedzamyprzyszlosc.pl/blog>) on which he places his comments on the current market situation. The company sends short messages through its account on Twitter ([https://twitter.com/ORLEN\\_FFbk](https://twitter.com/ORLEN_FFbk)).

#### Direct contacts with capital market representatives

On a regular basis the Company actively participates in the meetings with investors and analysts both in Poland and abroad. Conferences, individual and group meetings, and teleconferences are organized with stakeholders on the capital market. The Company's representatives regularly realise also roadshows – series of meetings with investors at their work place, in-country and abroad. For the capital market representatives interested in the Company's operations also so-called site visits are organized, i.e. visits of shareholders or analysts in the production plant and other trade and production activity places which improves their knowledge about the Company specifics.

During the meetings the representatives of PKN ORLEN provide information about the Company, however, it is also an occasion to get feedback from the shareholders, investors or stock exchange analysts. Thanks to this feedback the Company, being aware of the information needs of its recipients, can develop and improve its relations with the capital market.

The Company is striving to broaden and diversify its investors base. Thus, it undertakes activities aimed at active promotion of its business activity amongst prospective shareholders, also in new financial centres worldwide.

The important actions the Company carried out for its shareholders and investors in the last year included i.e.:

- communication of PKN ORLEN's strategy for the 2014-2017,
- dividend payment in the amount of PLN 1.44 per share,
- Eurobonds issue worth EUR 500 million,
- completion of public bond issue programme addressed to individual investors. Under the program, in 2013 and 2014 were issued six series of bonds with a total value of PLN 1 billion. Issued bonds are traded on the stock exchange Catalyst market,
- PKN ORLEN's participation in an educational campaign "Akcjonariat Obywatelski. Inwestyj Świadomie" ("Citizen Shareholders. Invest Knowingly") dedicated to individual stock investors.

The Company's efforts to maintain good capital market relations were also appreciated last years, proof of which are awards it was granted in a field of Investors Relations:

- in 2014, PKN ORLEN held its presence in VII edition of the Respecy Index project,
- PKN ORLEN was placed top 3 of the stock exchange listed companies with the best ESG data reporting in a group of

Polish companies noted under WIG 20 and mWIG 40 indices and the group of companies from the energy sector, II edition of the ranking carried on by The Polish Association of Listed Companies, GES and Credo Business Consulting,

- won second year in a row a special prize "The Best of The Best" in The Best Annual Report in 2013 competition carried on by the Polish Institute for Accountancy and Taxes.
- PKN ORLEN has been awarded for the corporate governance and the quality of communication with the capital market in the 8th edition of WarsawScan 2014 survey conducted by the NBS.

#### Company's reaction to appearing public opinions and information injuring its reputation

In PKN ORLEN, there is an internal regulation in force, concerning the rules of taking actions which create the image of the Company and contacts with the mass media representatives as well as passing the information, relevant for the PKN ORLEN's image, to the Corporate Communication Department's Executive Director. This regulation obliges to multistage verification of information concerning the Company and its representatives before it's made public.

The above regulation sets also the rules of reaction in a situation, when opinions and information expressed in public by third parties may harm the Company' reputation. The person responsible for the coordination of this process is the Executive Director of the Corporate Communication Department. As such opinions and information appears, the Company verifies their reliability, evaluates their importance and then decides about issuing a disclaimer or closing the case because of the PKN ORLEN's interest or low impact of the occurred misstatements. In case information as well as opinion presented by a third party has serious influence the Company prepares a disclaimer in order to clarify false information or opinion.

Depending on the nature of the matter, the prepared disclaimer is sent to the institution which delivered the information, harmful for PKN ORLEN, and/or is posted on the corporate website <http://www.orlen.pl/EN/> in the Press Centre tab or is distributed in form of press release.

#### Reporting on PKN ORLEN's activity in the corporate social responsibility area

The Company over the years has established the highest standards both in the current market activity and in relation to the issue of sustainable development. During the implementation of business strategy The Company is guided by the principle that the increase in value of the Company should be consistent with the interests of the environment in which it operates and be based on sustainable and responsible use of resources. In response to the current challenges PKN ORLEN developed CSR Strategy in 2014, which main idea is to translate adopted in 2012, "The values and rules of conduct of PKN ORLEN S.A." for specific directions, goals and activities of the business strategy. CSR strategy in the next 3-year-period sets priorities and key areas of the Company's CSR:

- ORGANIZATION, where the foundation is to build relationships. Priorities in this area include: safety of employees, development and diversity management, life balance and community involvement of employees.

- CLOSE ENVIRONMENT based on shaping attitudes where the priorities are: building the image of a responsible company, engaging stakeholders and social commitment of the Company.
- FURTHER ENVIRONMENT, in which we aim to lead change while maintaining priorities such as the development of responsible, ethical leadership, new business areas and innovation.

The Company communicates the operations in area of corporate social responsibility by regularly prepared social reports. Since its establishment, it published ten of them. Since 2008, they have been prepared in accordance with the GRI (Global Reporting Initiative) international standard. The CSR 2013 Report was prepared in accordance with GRI G4 Guidelines. The report informs in details about e.g. environmental protection, employment and decent work, respecting human rights matters. As the previous ones, it was published on the Company's website: <http://www.orlen.pl/EN/CSR/Reports/EnvironmentalReports/Pages/default.aspx>.

All information about the principles of providing support and specific examples of projects implemented as part of the charity and sponsorship are available on the company website, in the section Responsible Business. Implementation of charitable activities is based on the "Charity policy of Polski Koncern Naftowy ORLEN

S.A.". The sponsoring activities of PKN ORLEN is carried out in accordance with established directions of sponsorship specified in the Company's marketing plan and is guided by principles published on the the Company's website. Communication support for social activities undertaken by PKN ORLEN is also fanpage Niesamowici Ludzie (Amazing People) which won the sympathy of nearly 60 thousand fans.

Permanent care of people is reflected in carried out by PKN ORLEN and the ORLEN's Foundation – Dar Serca social campaigns, programmes addressed to current and ex-employees, or projects for local communities. The ORLEN's Foundation – Dar Serca is a public benefit organization, established to implement the social mission of the Founder. The mission of the corporate Foundation (one of the first on the Polish market) is to manage activities with high value added, for equalling opportunities for children without parental care and active partnership with local communities, implemented by encouraging and supporting youth in the process of education, involvement in improvement of safety and health protection projects.

The Foundation informs about conducted projects on its website in annual reports <http://www.orlendarserca.pl/PL/NaszaDzialalnosc/Strony/Sprawozdanie-z-dzialalnosci.aspx>, and also on the fanpage Debeściaki which is regularly visited by over 20 thousand fans.

## 7.2 Description of key features of PKN ORLEN's internal audit and risk management systems related to the process of financial reporting

The Company's system of internal control and risk management in the process of financial statements preparation is implemented through:

- verification whether a uniform accounting policy is applied by the ORLEN Group companies as regards the recognition, measurement and disclosures in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union
- following accounting standards and monitoring compliance with them,
- following uniform separate and consolidated financial reporting standards and periodic verification whether these standards are properly applied in the ORLEN Group companies,
- verification of the ORLEN Group companies' financial reports compliance with the data placed into integrated IT system used to prepare the ORLEN Group's consolidated financial statements,
- a review, by an independent auditor, of the published financial statements for the I quarter, the half-year and the III quarter of the year and the audit of the annual financial statements of PKN ORLEN and the ORLEN Group,
- procedures to authorize and give opinions about financial statements before they are published,
- carrying out an independent and objective evaluation of risk management and internal control systems.

Recording of economic events in PKN ORLEN is conducted in an integrated financial - accounting system, which configuration is compatible with the Company's accounting policy.

This system is the leading system in the ORLEN Group. Thanks to a uniform IT platform used the Parent Company has control over the recording of financial – accounting events within the ORLEN Group. The system has an option enabling the control of access rights of different users in a way that ensures the control over their access to specific objects and transactions.

All actions performed in the system are recorded for individual transactions and users. In order to protect against unauthorized access, the entire system, along with the user data, is stored in a special directory structure of the operating system, which is secured with the appropriate access rights.

Security and availability of information contained in the financial-accounting system are controlled at all levels of the database, applications and presentations as well as at the level of operating system. System integration is ensured by the data entry control systems (validation, authorization, a list of values) and logs of changes. In case of system failure not completed transactions are withdrawn. Logs of changes give the possibility of path reviews.

Users do not have direct access to the operating system and database. Integrated menu of the system includes access paths to all transactions available in the system. Securing the access to individual transactions is based on the authorizations assigned to the user. Security systems are used at the hardware and software level of the system.

In order to ensure that unified accounting standards are applied, the ORLEN Group companies have to follow, for the purpose of preparing the consolidated financial statements, the accounting policy adopted by PKN ORLEN and approved by ORLEN Group companies. It is periodically updated to ensure that it complies with the applicable laws, specifically with the IFRS, the Accounting Act

dated 29 September 1994 and the Ministry of Finance Regulation dated 19 February 2009 on current and periodic information provided by issuers of securities. The Corporate Accounting Office monitors whether this obligation is fulfilled and conducts comprehensive analytical procedures supplemented with control activities, as well as develops instructions and guidelines on identified issues that require detailed explanations to ensure proper and uniform financial reporting principles.

The consolidated financial statements are prepared based on the integrated IT system where consolidation process of entered data from reporting packages provided by the ORLEN Group companies is performed. The system is designed for financial management and reporting purposes. The system enables the unification of financial information. Results budgeted and forecasted data as well as statistics are gathered in one place, what ensures direct control and compatibility of the entered data.

The data is reviewed in terms of their cohesion, completeness and continuity, which is achieved thanks to controls implemented in the system, which check the compliance of data entered by the companies.

Designated users of the system supervise the safety management of the system and established stages of consolidation process management. Granting access rights to individual users is strictly dependent on the security roles defined for (assigned to) them. Appropriate security classes have been set up for individual users in order to maintain control. Access to financial resources is limited by a system of permissions that are granted to authorized personnel only within the performance of their duties. These authorizations are subject to regular audits and verification. Controlling of the access to applications is carried out at each stage of preparation of the financial statement. Starting from data entry and ending with the generating of the final information.

Financial information is stored in an IT system, so that they can be used to create transparent reports and forecasts, both for internal needs and external recipients, such as public bodies, financial analysts, shareholders and business partners.

The preparation of consolidated financial statements in a single integrated tool enables to shorten the processes of consolidation and reporting of financial information as well as to obtain high-quality substantive and usable financial information.

In order to reduce on a current basis the risks relating to the process of the financial statements preparation, they are quarterly verified by an auditor, i.e. more often than required under the applicable law. The financial statements for the I quarter, the half-year and the III quarter of the year are reviewed by the auditor, whereas the annual financial statement are subject to audit. The auditor presents

the results of the reviews and audits to the Management Board and the Audit Committee of the Supervisory Board.

The Company has certain procedures to authorize the financial statements under which the periodical reports are submitted to the Management Board and subsequently, forwarded to the Audit Committee of the Supervisory Board for their opinion. Once the opinion has been obtained from the Audit Committee and once the auditor has ended its review or audit, the financial statements are approved by the Management Board for publication and subsequently forwarded by the Investor Relations Office to the appropriate capital market institutions and public opinion. Before the publication the financial statements are provided solely to persons involved in the preparation, verification and approval process.

The Company has an Audit and Corporate Risk Management Department which has to ensure an independent and objective evaluation of the risk management and internal audit systems, and analyze business processes.

The Department operates basing on the annual audit plans approved by the Management Board and accepted by the Audit Committee of the Supervisory Board and the Supervisory Board. The Audit and Corporate Risk Management Department can also carry out random audits as ordered by the Company's Supervisory Board or the Management Board.

Within the realized tasks and objectives, the Audit and Corporate Risk Management Department provides recommendations as to the implementation of solutions and standards for realized audit tasks, designed to mitigate the risk of PKN ORLEN not meeting the targets set, to improve the effectiveness of the internal control system and to increase the efficiency of business processes.

Twice a year the Audit and Corporate Risk Management Department prepares a report for the Management Board and the Audit Committee of the Supervisory Board on the implementation status of recommendations monitoring, which summarizes the conclusions regarding the audit tasks performed and monitors the realization of the Company's financial statements auditor's recommendations.

Additionally, the Audit and Corporate Risk Management Department coordinates the process of corporate risk management and ensures the tools and methodological support for the business areas. The department manages the process of risks self-evaluation every year and carries out the tests of control mechanisms to the needs of Integrated Enterprise Risk Management System (ERM). Based on the work performed the Department prepares a report on the current risk profile of PKN ORLEN and an evaluation of the effectiveness of functioning control mechanisms, under the ERM.

### **7.3 List of Corporate Governance rules which PKN ORLEN does not apply and its explanation**

In 2013, in relation to the entry into force, on 1 January 2013, of the Code of Best Practice for WSE Listed Companies. PKN ORLEN notified that it did not comply with the rule of part IV, point 10 of Best Practices, concerning the procurement of the possibility to the shareholders of taking part in the General Meeting with the use of electronic communications involving a transmission of debates of the General Meeting and bilateral communication in real time (elements of "e-general meeting").

The Company's Management Board proposed to the shareholders the introduction of the above rule to the Articles of Association and the Bylaws of the General Meeting twice, but on both occasions the shareholders did not approve the proposal at Ordinary General Meetings held on 29 June 2011 and 30 May 2012.

On 16 May 2013, the Company reported disobedience of this rule via the EBI system. Disregarding above rule does not affect the reliability of the Company's reporting policy of the Company nor

does it give rise to any risk of shareholders being limited or impaired in respect of their participation in the debates of General Meetings.

The remaining rules concerning the organization and conduct of the General Meetings are complied with. The Company complies with the provisions of law applicable in this respect and strives for implementing the appropriate reporting policy. PKN ORLEN organizes broadcasting with simultaneous translation into English and the archive video recordings are available on the Company's

website at: <http://www.orlen.pl>. The Company enables representatives of media to participate in its general meetings.

The Company does not exclude the possibility of applying the above mentioned principles in the future.

In 2014, PKN ORLEN complied with all other mandatory rules of corporate governance contained in the Code of Best Practice.

#### **7.4 PKN ORLEN's shareholders with a significant stake**

PKN ORLEN's shares are listed on the main market of the Warsaw Stock Exchange in the continuous trading system and are included in the biggest company indices WIG20, WIG30 and WIG as well as the industry index WIG-PALIWA (WIG-FUELS). Since 19 November 2009 PKN ORLEN shares are quoted among the companies engaged in corporate social responsibility index - Respect Index.

The share capital of PKN ORLEN is divided into 427,709,061 ordinary bearer shares with a par value of PLN 1.25 each.

The ownership rights of PKN ORLEN's shares are fully transferable.

The list of PKN ORLEN's shareholders possessing significant stakes with the number of shares held by these entities, their percentage share in the share capital of the Company, the number of votes resulting therefrom and their percentage of the total number of votes at the PKN ORLEN General Meeting is presented below.

In 2014 and until the date of authorization of this Report there was no change in the structure of shareholders with a stake of more than 5% in the PKN ORLEN share capital. The number of shares held by the shareholders is presented based on the most recent, official information acquired by the Company.



**TABLE 40.** Shareholding structure of PKN ORLEN as at 1 January 2014 and 31 December 2014.

| SHAREHOLDERS            | NUMBER OF SHARES   | NUMBER OF VOTES<br>AT A GENERAL<br>MEETING OF PKN<br>ORLEN | SHARE IN TOTAL<br>NUMBER OF VOTES AT<br>A GENERAL MEETING OF<br>PKN ORLEN | SHARE IN SHARE<br>CAPITAL OF PKN ORLEN |
|-------------------------|--------------------|--|---|--|
| State Treasury          | 117 710 196        | 117 710 196  | 27.52%  | 27.52%                                 |
| ING OFE <sup>1)</sup>   | 40 000 000         | 40 000 000   | 9.35%   | 9.35%                                  |
| Aviva OFE <sup>1)</sup> | 30 000 000         | 30 000 000   | 7.01%   | 7.01%                                  |
| Others                  | 239 998 865        | 239 998 865  | 56.12%  | 56.12%                                 |
| <b>Total</b>            | <b>427 709 061</b> | <b>427 709 061</b>   | <b>100.00%</b>  | <b>100.00%</b>                         |

<sup>1)</sup> according to the information from the OGM of PKN ORLEN held on 15 May 2014 that were same as the information of the OGM of PKN ORLEN, held on 27 June 2013.

## 7.5 PKN ORLEN's shareholders vested with special control rights and voting rights restrictions

One PKN ORLEN share confers the right to one vote at the Company's General Meeting.

As regards the voting right of particular shareholders, the Articles of Association state as follows:

- The voting right of the Company's shareholders is restricted to the extent that at the General Meeting of Shareholders none of them can exercise more than 10% of the total votes existing in the Company as at the date the General Meeting of Shareholders is held, provided that such a restriction of the voting right does not apply for the purpose of determining the duties of acquirers of significant stakes in accordance with:

- Competition and Consumer Protection Act of 16 February 2007,
- Accounting Act of 29 September 1994,
- Act of 22 September 2006 on Transparency of Financial Relations between Public Authorities and Public Entrepreneurs and on Financial Transparency of Certain Entrepreneurs,
- Act of 29 July 2005 on Public Offering and Terms for Introducing Financial Instruments to the Organized Trading System and Public Companies.

The restriction does not apply to the State Treasury and the depository bank which issued depository receipts in connection with the Company's shares under the agreement with the Company (in case the bank exercises the voting right from the Company's shares). The voting right exercised by the subsidiary is deemed to be exercised by the parent company within the meaning of the above mentioned acts. In order to calculate the number of votes held by a shareholder the voting rights from the shares is added to the number of votes that the particular shareholder would acquire in the event of converting the held depository receipts into shares.

- A shareholder is deemed to be each person including the parent company and its subsidiary that is directly or indirectly entitled to the voting right at the General Meeting under any legal title; that refers also to a person that is not a Company's shareholder in particular a user, pledgee, a person authorized from the depository receipt within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments as well as a person authorized to participate in the General Meeting despite having the held shares been disposed of following the

day when the right to participate in the General Meeting was established.

- Shareholders, whose votes are cumulated and reduced, are jointly referred to as the Shareholders Grouping. The cumulation of votes involves summing up the votes held by individual shareholders of the Shareholders Grouping. The reduction of the number of votes involves decreasing the overall number of the entitled votes in the Company during the General Meeting to the shareholders being members of the Shareholders Grouping. The number of votes is reduced in accordance with the following rules:
  - the number of votes of a shareholder who has the largest number of votes in the Company among the votes of all shareholders in the Shareholders Grouping, is decreased by the number of votes equal to the surplus in excess of 10% of the overall number of votes in the Company held in aggregate by all shareholders in the Grouping,
  - if, despite the reduction mentioned above, the overall number of votes held by the Shareholders Grouping to be exercised at the General Meeting exceeds 10% of the total number of votes in the Company, the number of votes held by the remaining shareholders in the Grouping is subject to further reduction. The number of votes is further reduced in the order established on the basis of the number of votes held by particular shareholders in the Shareholders Grouping (from the highest to the lowest one). The number of votes is being further reduced until the aggregate number of votes held by the Shareholders Grouping does not exceed 10% of the overall number of votes in the Company,
  - in each case, the shareholder whose voting right has been restricted preserves the right to exercise at least one vote,
  - restriction of the voting right also applies to the shareholder absent during the General Meeting.
- In order to establish the basis for the votes being cumulated and reduced in accordance with the above provisions, the Company's shareholder, the Management Board, the Supervisory Board and individual Members of such bodies may request the Company's shareholder to provide information on whether a person is the parent company or the subsidiary of PKN ORLEN.

- The power referred to above includes also the right to request the disclosure of the number of votes held by the Company's shareholder individually or together with other Company shareholders. The person that failed to perform or performed unduly the obligation to provide the information referred to in this point, may exercise the voting right from one share exclusively until the breach of such obligation has been remedied and exercising the voting right by such person from other shares is ineffective.
- The restriction of the voting right, which is referred to above, does not apply to entities dependent on the State Treasury.
- For the purpose of the regulations indicated above, the parent company and the subsidiary shall accordingly mean a person:
  - who has the status of the dominant entity, dependent entity or both within the meaning of the Act of 16 February 2007 on Competition and Consumers Protection, or
  - who has the status of the parent company, senior parent company, subsidiary, lower level subsidiary, jointly controlled entity or of both parent company (including senior parent company) and subsidiary (including the lower level subsidiary and jointly controlled entity) within the meaning of the Accounting Act of 29 September 1994, or
  - who exerts (parent company) or is subject to (subsidiary) significant influence within the meaning of the Act of 22 September 2006 on Transparency of Financial Relations between Public Authorities and Public Entrepreneurs and on Financial Transparency of Certain Entrepreneurs, or
  - whose votes from the Company's shares held directly or indirectly are cumulated with the votes of another person or other persons under the rules stipulated in the Act of 29 July 2005 on Public Offering and Conditions for Introducing Financial Instruments to the Organized Trading System and Public Companies, in connection with holding, selling or purchasing Company substantial shareholdings.
- In the event of doubts, the provisions of this chapter should be interpreted in accordance with Article 65 § 2 of the Polish Civil Code.

The State Treasury is authorized to appoint and revoke one of the Supervisory Board Members. Moreover, one of the PKN ORLEN's Management Board Member is appointed and revoked by the Supervisory Board at the request of the Minister in charge of State Treasury.

In addition, in accordance with the Statute of the Company, as long as the State Treasury is entitled to appoint a member of the Supervisory Board, a resolution granting approval for activities relate to sale or encumbrance of shares in any way or stock in the following companies: Naftoport.sp. z o.o., Inowrocławskie Kopalnie Soli S.A. and the company that will be created in order to operate the pipeline transport of liquid fuels, require a vote in favor of their

adoption by the Supervisory Board member appointed by the State Treasury.

Special rights for the State Treasury shareholder can be a result of the commonly applicable provisions of law. Such rights in particular result from the Act of 18 March 2010 on specific rights vested in the Minister in charge of State Treasury and the exercise of such powers in certain capital companies or capital groups conducting business activities in the electricity, crude oil and gas fuel sectors (the 18 March 2010 Act on "Specific Rights Vested In the Minister in Charge of State Treasury"). Pursuant to the above act, the Minister in charge of State Treasury may object against the resolution passed by the Company's Management Board or any other legal action undertaken by the Company's Management Board regarding the disposal of assets disclosed in the uniform list of facilities, installations, appliances and services comprised in the critical infrastructure, referred to in article 5b item 7 point 1 of the Act of 26 April 2007 on Crisis Management, which pose a real threat to the functioning, business continuity and integrity of the critical infrastructure. The Minister in charge of the State Treasury may also object to the Company's body passing resolution on:

- dissolution of the Company,
- change of function or ceasing of the exploitation of the Company's asset disclosed in the uniform list of facilities, installations, appliances and services comprised in the critical infrastructure, referred to in article 5b item 7 point 1 of the Act of 26 April 2007 on Crisis Management,
- change of the Company's business activity,
- disposal or lease of the Company's enterprise or its organized part or establishment of a limited property right,
- adoption of the operational and financial plan, investment activity plan or long-term strategic plan,
- transfer of the registered office abroad,

provided that such a resolution, if performed, would actually pose a real threat to the operations, business continuity and integrity of the critical infrastructure.

In accordance with the 18 March 2010 Act on Specific Rights Vested In the Minister In Charge of State Treasury, the Company's Management Board, in agreement with the Minister in charge of State Treasury and the Director of the Government Centre for Security is authorized to appoint and revoke a proxy in charge of the protection of the critical infrastructure in the Company. The scope of proxy's tasks includes providing the Minister in charge of State Treasury with the information on the Company's authorities (i.e. the General Meeting, the Supervisory Board, the Management Board) having undertaken the above specified legal actions, providing the information on the critical infrastructure to the Director of the Government Centre for Security on request, transferring and collecting information on any threats to the critical infrastructure in cooperation with the Director of the Government Centre for Security.

On 2 August 2011 the Management Board of PKN ORLEN appointed a Proxy for the critical infrastructure protection.

## 7.6 Rules for amending PKN ORLEN's Articles of Association

Any amendment to PKN ORLEN's Articles of Association requires a resolution of the General Meeting of Shareholders and has to be entered in the companies register. The resolution of the General Meeting of Shareholders to amend the Company's Articles of

Association is adopted by three quarters of votes. The General Meeting may authorize the Supervisory Board to formulate the uniform text of the Articles of Association or make other editorial changes as set out in the resolution passed by the General Meeting.

Once the amendments to the Articles of Association are entered in the companies register, PKN ORLEN publishes a relevant regulatory announcement.

## 7.7 Proceedings of PKN ORLEN's general meeting of shareholders, its key powers, and shareholders' rights and their exercise

Proceedings and powers of PKN ORLEN's General Meeting of Shareholders are regulated in the Articles of Association and the Regulations of PKN ORLEN's General Meeting. The documents can be found on the PKN ORLEN's website: [www.orlen.pl](http://www.orlen.pl) in the Company section (the Corporate bylaws tab) and Investor relations section (the General Meeting tab).

### Convening and calling off PKN ORLEN's General Meeting

The General Meeting is convened through placing an announcement on the Company's website and by delivering a current report to the capital market institutions and public information. The announcement should be placed at least 26 days before the scheduled date of the General Meeting.

The Ordinary General Meeting of Shareholders should be held no later than within six months from the end of every financial year.

The Extraordinary General Meeting of Shareholders is convened by the Management Board on its own initiative, on the motion of the Supervisory Board or on the motion of a shareholder or shareholders representing no less than one twentieth of the Company's share capital, within two weeks from filing the motion. The motion to convene the General Meeting should specify the issues for the agenda or include draft resolution on the proposed agenda. The Supervisory Board may convene the Extraordinary General Meeting if the Supervisory Board recognizes that it is advisable to do so. The Supervisory Board may also convene the Extraordinary General Meeting if the Management Board fails to do so within two weeks following the submission of the relevant request by the Supervisory Board. The Extraordinary General Meeting may also be convened by the shareholders representing at least one half of the share capital or at least one half of the overall number of votes in the Company.

The shareholder or shareholders representing no less than one twentieth of the Company's share capital may request that specific issues be placed on the agenda of the nearest General Meeting under the rules of the generally applicable provisions of law.

All the materials presented to the shareholders at the General Meeting, specifically draft resolutions adopted by the General Meeting and other important materials are made available by the Company following the day when the General Meeting has been convened in the Company's seat in Plock and in the Warsaw office, as well as on the corporate website <http://www.orlen.pl>.

The General Meeting of PKN ORLEN are held in the Company's seat in Plock, however, they can also be held in Warsaw.

The Company arranges for an internet broadcast of the Meeting and offers simultaneous translation into English.

In accordance with the General Meeting Regulations the cancellation and the change in the date of the General Meeting should be effected forthwith once the requirement for the

cancellation and the change in the date has occurred but no later than seven days prior to the day when the General Meeting is to be held. If the cancellation or change in the date of the General Meeting cannot be effected within the deadline specified above, such a General Meeting should be held. If it is impossible or excessively hindered to hold such a meeting due to the circumstances, the cancellation and change in the date of the General Meeting may be effected at any time prior to the day when the General Meeting is to be held. The cancellation and the change in the date of the General Meeting is effected by announcement placed on the Company's website together with the reasons and complying with other legal requirements. Only the body or the person to have convened the General Meeting is competent to cancel the same. The General Meeting with the agenda containing specific issues put therein at the request of eligible entities, or which was convened at such a request, may be cancelled only with consent of such requesting entities.

### Competence of PKN ORLEN's General Meeting

The General Meeting of Shareholders is especially authorized to:

- consider and approve the Company's annual financial statements, the annual report on the Company's business operations, the consolidated financial statements of the ORLEN Group and the report on the ORLEN Group business operations for the previous financial year,
- acknowledge the fulfilment of duties by the Supervisory Board and Management Board Members,
- decide on the allocation of profit and the cover of losses as well as on the use of funds set up from profit, subject to special regulations which provide for a different way of their usage.
- appoint the Supervisory Board Members, subject to the provisions of § 8 item 2 of the Articles of Association, and establish principles for their remuneration,
- increase and decrease in the share capital unless otherwise stated in the Commercial Code and the Company's Articles of Association,
- decide on claims for the rectification of damage caused when setting up the Company or exercising supervision or management
- approve the sale and lease of the company or its organized part and establish a limited property right on such enterprise or an organized part thereof,
- grant consent to the sale of real estate, perpetual usufruct or interest in real estate which net book value exceeds one twentieth of the Company's share capital,
- amend the Company's Articles of Association,
- set up and dissolve reserve capitals and other capitals and the Company's funds,
- resolutions to redeem shares and buy shares to be redeemed and to establish the redemption rules,
- issue convertible bonds or bonds with pre-emptive rights and issue warrants,



- pass resolutions on winding-up the Company, its dissolution, liquidation, restructuring of the Company and merger with another company
- holding contracts within the meaning of article 7 of the Commercial Companies Code.

Purchase of real estate, perpetual usufruct or interest in real estate, regardless of its value, as well as disposal of real estate, perpetual usufruct or interest in real estate where net book value does not exceed one twentieth of the Company's share capital does not require a consent resolution of the General Meeting of Shareholders.

### Voting at PKN ORLEN's General Meetings

Unless stated otherwise in the Commercial Companies Code and the Articles of Association, resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes cast, while votes cast mean votes "for", "against" and "abstain".

Resolutions of the General Meeting of Shareholders regarding preferred shares and the Company's merger as a result of all the Company's assets being transferred to another company, dissolution of the Company (including dissolution as a result of the Company's seat or main plant being transferred abroad), liquidation of the Company, its restructuring and decrease in the share capital by redemption of some shares without the capital being simultaneously increased are passed with a majority of 90% of votes cast.

The General Meeting's resolution to renounce the examination of an issue placed on the agenda may be adopted only in case when there are substantial reasons to do so. The resolutions to remove or not to consider an issue placed on the agenda on the motion of the shareholders requires the majority of 75% of votes cast provided that the shareholders present at the General Meeting who requested this issue be placed on the agenda previously agreed to the issue being removed from the agenda or not to consider it at all.

One PKN ORLEN share confers the right to one vote at the Company's General Meeting. The voting right of the Company's shareholders is restricted to the extent that at the General Meeting of Shareholders none of them (but for those specified in the Company's Articles of Association) can exercise more than 10% of the total votes existing in the Company as at the date the General Meeting of Shareholders is held. The detailed rules for exercising the voting right are described in [point 7.5](#) of the foregoing Management Board Report.

The shareholders can participate in the General Meeting and exercise their voting rights in person or by the proxy.

### Participation in PKN ORLEN's General Meetings

In accordance with the Commercial Companies Code, the right to participate in the Company's General Meeting is vested only in the persons that are the Company's shareholders sixteen days before the date of the General Meeting (date of registration in the General Meeting).

A shareholder who wants to take part in the General Meeting of the Company must report it to the entity where the securities account is kept. At the request of the shareholder, filed no earlier than the

announcement of convening the General Meeting has been published and no later than on the working day following the day when the participation in the General Meeting has been registered, the entity where the securities account is kept issues a personal certificate of entitlement to attend the General Meeting. This certificate includes:

- the business name, seat, address and stamp of the issuer and the certificate number,
- number of shares held (at the shareholder request part or all of the shares registered on the securities account should be indicated),
- type and code of shares,
- the business name, seat and address of the Company,
- par value of shares,
- name and surname or the business name of the shareholder,
- the seat (place of residence) and address of the shareholder,
- date and place of the certificate issuing,
- signature of the person authorized to issue the certificate.

On the basis of the personal certificates the entities where the securities accounts are kept prepare lists of shareholders eligible to participate in the Company's General Meeting. These lists are submitted to the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A. "KDPW", presently the entity maintaining the securities deposit) no later than twelve days prior to the date of the General Meeting date. KDPW provides such a list for the company's review no later than a week prior to the date of the General Meeting. PKN ORLEN's Management Board issues the list of shareholders eligible to participate in the General Meeting in Płock and in Warsaw office before three days prior to the date of the General Meeting.

The General Meeting may be attended by the Members of the Management Board and the Supervisory Board, who can participate, even if they are not shareholders, without any invitations. An Ordinary General Meeting of Shareholders can be attended by the Members of the Management Board and the Supervisory Board whose mandates have expired before the date of the General Meeting and who exercised their functions in the financial year for which the Management Board report and the financial statements are to be approved by the Ordinary General Meeting of Shareholders.

General Meetings of Shareholders can also be attended by other persons invited by an authority convening the General Meeting or allowed to enter the meeting room by the Chairman, specifically, certified auditors, legal and financial advisers or the Company's employees. PKN ORLEN under the applicable law and with due consideration of the Company's interests allows media representatives to attend the General Meetings. The Management Board ensures that each General Meeting is attended by an independent expert specialized in commercial law.

Members of the Management Board and the Supervisory Board and the Company's certified auditor provide the Meeting participants with explanations and information about the Company, within the scope of their authority and to the extent required for the issues discussed by the General Meeting to be resolved. Questions posed by the General Meeting participants are answered in view of the fact that PKN ORLEN, as a public company, fulfils its reporting obligations in a manner specified in the applicable capital market regulations and the information cannot be provided otherwise than in conformity with these regulations.

The shareholders of the Company may communicate with the Company via the corporate website. This way shareholders can send an electronic notice of proxy or proxy document allowing the identification of the principal and the proxy together with other related documentation. Special section dedicated to the Company's General Meetings is used for this purpose. The section includes also useful to the shareholders materials, among others, the guideline "How to participate in General Meeting" updated in accordance with changes that occur in the commonly applicable provisions of law, information about the planned shareholders' meetings along with materials relating to such meetings archive materials from the meetings held, including texts of resolutions adopted and video files with internet broadcasts of the General Meeting.

### General Meetings in 2014

On 15 May 2014 the Ordinary General Meeting of PKN ORLEN was held.

During the Ordinary General Meeting the shareholders approved the annual reports on the operations of the Company and the ORLEN Group as well as the financial statements for 2013. They

also decided on the fulfilment of duties by all the Supervisory and the Management Boards Members.

General Meeting decided on the allocation of profit generated by the Company in 2013 and decided to allocate the profit, amounted to PLN 617,684,481.47 as follows:

- 1) the amount of PLN 615,901,047.84 was allocated to dividend payment ( PLN 1.44 PLN per share)
- 2) the remaining amount of PLN 1,783,433.63 was allocated to the Company's reserve capital.

Simultaneously, the Ordinary General Meeting set the 16 June 2014 as the dividend date and 8 July 2014 as the dividend payment date.

The Ordinary General Meeting also adopted the decision to liquidate the Privatization Fund Petrochemia Plock S.A. and to reallocate the funds collected under the Privatization Fund Petrochemia Plock S.A. of PLN 53,476,400 to the reserve capital.

The Ordinary General Meeting after the resolution establishing the composition of 9 Members of the Supervisory Board of PKN ORLEN S.A., appointed Mr. Adam Ambrozik and Mr. Radosław Leszek Kwaśnicki as new Members of the Supervisory Board.

## 7.8 Composition and proceedings of the management and supervisory authorities of PKN ORLEN and their committees

Apart from generally applicable laws, the rules of conduct for PKN ORLEN's Supervisory Board, its Committees and the Management Board are regulated in PKN ORLEN's Articles of Association and the Supervisory Board and the Management Board Regulations,

respectively. The proceedings of the management and supervisory authorities in PKN ORLEN are also subject to the corporate governance principles set out by the Warsaw Stock Exchange.

### 7.8.1 The Management Board

As at 1 January 2014 the composition of the Management Board of PKN ORLEN was as follows:

**TABLE 41.** Composition of the PKN ORLEN's Management Board as at 1 January 2014 and 31 December 2014.

| NAME AND SURNAME      | POSITION HELD IN PKN ORLEN MANAGEMENT BOARD  |
|-----------------------|--|
| Dariusz Jacek Krawiec | President of the Management Board, Chief Executive Officer   |
| Sławomir Jędrzejczyk  | Vice – President of the Management Board. Chief Financial Officer  |
| Piotr Chelmiński      | Member of the Management Board. Petrochemistry - until 14.05.2014<br>Member of the Management Board. Business Development/Power and Heat Generation Officer - since 15.05.2014 |
| Krystian Pater        | Member of the Management Board. Refinery - until 14.05.2014 r.<br>Member of the Management Board. Production - since 15.05.2014 r.   |
| Marek Podstawa        | Member of the Management Board. Sales  |

On 15 May 2014, the Management Board made a new distribution of competences between the Members of the Management Board and the functions performed in the Management Board of PKN ORLEN.

The Supervisory Board at its meeting on September 24, 2014 appointed, as of 24 September 2014, Mr. Igor Ostachowicz as

Member of the Management Board of PKN ORLEN for joint three-year term of the Board.

On 26 September 2014 Mr. Igor Ostachowicz submitted a statement of resignation from the post of Member of the Board.

At 31 December 2014 and at the date of authorization of this financial statement, composition of the Management Board has not changed.

**TABLE 42.** Number of women and men acting as Management Board Members of PKN ORLEN, including changes in composition of the reporting period.

| AS AT             | NUMBER OF WOMAN | NUMBER OF MAN |
|-------------------|-----------------|---------------|
| 1 January 2014    | 0               | 5             |
| 24 September 2014 | 0               | 6             |
| 26 September 2014 | 0               | 5             |
| 31 December 2014  | 0               | 5             |

#### Division of powers of the Company's Management Board

Mr. Dariusz Jacek Krawiec, President of the Management Board of PKN ORLEN at the same time fulfilling the function of the Chief Executive Officer supervises the following areas: human resources, strategy and project management, procurement, Counsel of PKN ORLEN, marketing, corporate communication, audit and corporate risk management, crude oil and upstream trading, as well as information protection, critical infrastructure and defense.

Mr. Sławomir Jędrzejczyk, Vice – President of the Management Board. Chief Financial Officer supervises the following areas: planning and reporting, business controlling, supply chain management, finance management, taxes, investor relations, capital investments and divestments, IT.

Mr. Piotr Chelmiński, Member of the Management Board. Business Development/Power and Heat Generation Officer supervises the following areas: implementation of property investments, power and heat generation development, health and safety, environmental protection.

Mr. Krystian Pater, Member of the Management Board in charge of Production supervises the following areas: refinery production, petrochemical production, investment and production efficiency, technology.

Mr. Marek Podstawa, Member of the Management Board in charge of Sales supervises the following areas: wholesale in refining and petrochemical products, retail sale, logistics, efficiency and development of sales.

#### The rules of PKN ORLEN's Management Board operations

The PKN ORLEN Management Board's principal objective is to realize the Company's interest, which is understood as building the value of its assets entrusted by its shareholders, with due respect for the rights and interests of the parties other than the shareholders, involved in the Company operations, especially creditors and employees.

The Management Board of PKN ORLEN ensures transparency and efficiency of the Company's management system and guarantees that the Company's affairs will be handled in accordance with the applicable law and good business practice.

#### Appointing and recalling PKN ORLEN's Management Board

The Management Board of PKN ORLEN consists of five to nine Members, including the President, Vice-Presidents and other Members of the Management Board. Members of the Management Board are appointed and recalled by the Supervisory Board. One Member of the Management Board is appointed and recalled by the Supervisory Board upon the request of the Minister in charge of the State Treasury.

The term of office of the Management Board Members is a joint term of office, ending on the day when the Ordinary General Meeting has been held, approving the financial statement for the whole second financial year of such term of office. Determined joint term of office is assumed to commence on 7 June 2008. At its meeting on 6 March 2014 the Supervisory Board appointed the Management Board of PKN ORLEN S.A. the following persons:

- Mr. Dariusz Jacek Krawiec – President of the Management Board,
- Mr. Sławomir Jędrzejczyk – Vice-President of the Management Board,
- Mr. Piotr Chelmiński – Member of the Management Board,
- Mr. Krystian Pater – Member of the Management Board,
- Mr. Marek Podstawa – Member of the Management Board.

for a joint three-year term. The new term of the Management Board started on day after the holding of the Ordinary General Meeting approving the financial statements for 2013.

The President, Vice-Presidents, and other Members of the Management Board may be suspended from duties for significant reasons by the Supervisory Board.

Should the Management Board President be suspended from duty or his/her mandate expires before the end of the term of office, all his/her powers, except for the right to the vote cast referred to in § 9 item 5 point 2 of the Articles of Association. are to be executed by the person appointed by the resolution of the Supervisory Board acting as President of the Management Board until the new Management Board President is appointed or the current one is restored to his/her position.

#### Organization of PKN ORLEN's Management Board activity

Meetings of the Management Board are held when necessary, however, not less frequently than once every two weeks. Each Member of the Management Board may request in writing for a Management Board meeting to be convened or certain issues to be placed on the agenda. The request should contain the proposed

agenda and the justification for the request. The meeting should be held within seven days of the request being filed.

The meeting of the Management Board is convened by the President who manages the activity of the Management Board and has to fix the date, venue and the agenda of the meeting. In exceptional cases the meeting of the Management Board may be convened by the Vice-President or two Members of the Management Board. The meeting can also be held without being formally convened if all the Management Board Members are present and none of them has objected to the meeting being held or any proposed issues being put on the agenda.

Invited Company's employees, advisers and other persons can attend the meeting with the consent of the person chairing the meeting of the Management Board. Additionally, in case of issues relating the critical infrastructure components, the Critical Infrastructure Proxy can take part as an advisor in the meeting of the Management Board. Meetings of the Management Board are held in the Company's seat in Plock or in the Company's office in Warsaw. The person convening the meeting may, however, determine another venue for the meeting to be held.

The Management Board adopts resolutions at the meetings. For an effectiveness of resolution the scheduled meeting has to be notified to all Members of the Management Board and at least one half of the Management Board Members have to be present at the meeting. The Management Board resolutions are passed with a simple majority of votes (in the event of a voting deadlock, the President of the Management Board has the casting vote) provided that for resolutions to grant a procuration, unanimity of all Members of the Management Board is required. A Management Board Member who voted against a resolution that was adopted may communicate his/her dissenting opinion, however, such communication has to be justified.

Resolutions are adopted in an open vote. A secret ballot may be ordered at a request of each Member of the Management Board. Resolutions are signed by all Members of the Management Board who were present at the Management Board meeting on which the resolution was adopted. The resolution is also signed by the Member of the Management Board who filed a dissenting opinion, with a note: "dissenting opinion" or "votum separatum".

#### **Competences of PKN ORLEN's Management Board**

The Management Board has to handle all the issues of PKN ORLEN which are not reserved to be considered by other authorities of the Company under the provisions of the Commercial Code or the Articles of Association. All the members of the Management Board are obliged and authorized to handle the issues of PKN ORLEN.

All the matters going beyond the ordinary course of business are subject to resolutions of the Management Board, however, the consent of the Management Board is not required to carry out an activity being an integral part of another activity which has already been approved by the Management Board unless the resolution of the Management Board provides otherwise. Activities falling within the scope of the ordinary course of business are activities related to fuels trading within the meaning of the Company's Articles of Association (i.e. crude oil, petroleum products, biocomponents, biofuels and other fuels, including natural gas, industrial gas and

fuel gas) and any other activities not specified in the Management Board Regulations.

A resolution of the Management Board is required, among others to:

- adopt and amend the Management Board Regulations,
- adopt and amend the Organizational Rules and Regulations of PKN ORLEN,
- adopt motions to be submitted to the Supervisory Board and/or to the General Meeting of Shareholders, in particular, any motions sent to these bodies for their consent to perform certain actions, issue opinions, make an assessment or give an approval, which are required in accordance with the generally applicable law and/or the Company's Articles of Association,
- convene the General Meetings of Shareholders and adopt the proposed agenda of the General Meetings,
- approve annual and long-term financial plans as well as the Company's development strategy,
- approve investment tasks and corresponding liabilities if the resulting expenditures and encumbrances exceed PLN 10,000,000,
- incur liabilities, manage the property rights and any form of encumbrance on the Company's property where the total value exceeds PLN 20,000,000 (with certain exceptions to that rule),
- dispose and purchase real estate, perpetual usufruct or an interest in real estate and to establish a limited property right,
- dispose of, purchase and encumber stakes, shares or other interest in other entities, including shares admitted to public trading,
- issue the Company's securities,
- approve the annual report on the Company's business operations, the Company's annual, half-yearly and quarterly financial statements, the ORLEN Group's annual, half-yearly and quarterly financial statements,
- adopt and change the Company's employees' remuneration scheme, as well as decisions regarding introduction and fundamentals of the incentive schemes,
- conclude amend and terminate a collective labour agreement applicable in the Company, and other agreements with trade unions,
- establish the principles of granting and revoking powers of attorney,
- formulate the so-called donation policy of the Company,
- grant a procuration,
- establish the internal segregation of duties among the members of the Management Board,
- set up establishments/offices abroad,
- handle other matters which at least one member of the Management Board requests to be handled in the form of a resolution,
- take decisions on the payment of interim dividends.

The Management Board has to regularly provide the Supervisory Board with exhaustive information on all aspects of PKN ORLEN's business operations and the risks related to such operations as well as the methods of managing such risks. Additionally, the Management Board has to prepare and adopt annual and long-term financial plans and the Company development strategy in the form, to the extent and by the deadlines set by the Supervisory Board. The Management Board of PKN ORLEN has also to prepare and



submit to the Supervisory Board the annual financial statements of PKN ORLEN and the annual financial statements of the ORLEN Group for the previous financial year.

## 7.8.2 The Supervisory Board

### Composition of PKN ORLEN's Supervisory Board in 2014

**TABLE 43.** Composition of PKN ORLEN's Supervisory Board as at 1 January 2014.

| NAME AND SURNAME   | POSTION HELD IN PKN ORLEN'S SUPERVISORY BOARD   |
|--------------------|---|
| Angelina Sarota    | Chairman of the Supervisory Board   |
| Leszek Pawłowicz   | Vice – Chairman of the Supervisory Board (Independent Member of the Supervisory Board)  |
| Michał Gołębiowski | Secretary of the Supervisory Board (Member of the Supervisory Board till 20 April 2014) |
| Grzegorz Borowiec  | Member of the Supervisory Board   |
| Artur Gabor        | Member of the Supervisory Board (Independent Member of the Supervisory Board)           |
| Cezary Banasiński  | Member of the Supervisory Board (Independent Member of the Supervisory Board)           |
| Cezary Możejński   | Member of the Supervisory Board   |

On 17 April 2014 Mr. Michał Gołębiowski resigned from the position of a member of the Supervisory Board of PKN ORLEN S.A., effective from 21 April 2014.

- Adam Ambrozik,
- Radosław L. Kwaśnicki.

On 15 May 2014 the Company's Ordinary General Meeting appointed the following members of PKN ORLEN's Supervisory Board:

On 15 May 2014 the Minister of Treasury, acting pursuant to § 8 item 2 point 1 of PKN ORLEN's Articles of Association has appointed Maciej Bałtowski as a Member of the Supervisory Board.

**TABLE 44.** Composition of PKN ORLEN's Supervisory Board as at 15 May 2014.

| NAME AND SURNAME      | POSTION HELD IN PKN ORLEN'S SUPERVISORY BOARD  |
|-----------------------|--|
| Angelina Sarota       | Chairman of the Supervisory Board  |
| Leszek Pawłowicz      | Vice – Chairman of the Supervisory Board (Independent Member of the Supervisory Board) |
| Adam Ambrozik         | Member of the Supervisory Board (Secretary of the Supervisory Board since 20 May 2014) |
| Grzegorz Borowiec     | Member of the Supervisory Board  |
| Artur Gabor           | Member of the Supervisory Board (Independent Member of the Supervisory Board)          |
| Cezary Banasiński     | Member of the Supervisory Board (Independent Member of the Supervisory Board)          |
| Cezary Możejński      | Member of the Supervisory Board  |
| Maciej Bałtowski      | Member of the Supervisory Board  |
| Radosław L. Kwaśnicki | Member of the Supervisory Board  |

Until 31 December 2014, the above composition of PKN ORLEN's Supervisory Board has remained unchanged.

In 2014 the Supervisory Board held 9 minuted meetings and adopted 93 resolutions.

**TABLE 45.** Number of women and men in the Supervisory Board of PKN ORLEN, including changes in the composition in the presented period.

| As at          | Number of women | Number of men |
|----------------|-----------------|---------------|
| 1 January 2014 | 1               | 7             |
| 21 April 2014  | 1               | 5             |
| 15 May 2014    | 1               | 8             |

#### The rules of conduct of PKN ORLEN's Supervisory Board

##### Appointing and recalling members of PKN ORLEN's Supervisory Board

Members of PKN ORLEN's Supervisory Board are appointed for a joint term of office, ending on the day when the Ordinary General Meeting has been held, approving the financial statement for the whole second financial year of such term of office. Individual Members of the Supervisory Board and the entire Supervisory Board can be recalled at any time before the end of the term of office. The General Meeting of PKN ORLEN appoints the Chairman of the Supervisory Board, whereas the vice-chairman and the secretary are appointed by the Supervisory Board from amongst the other members of the Board.

PKN ORLEN's Supervisory Board is composed of six to nine members. The State Treasury is authorized to appoint and recall one Member of the Supervisory Board, other Members of the Supervisory Board are appointed and recalled by the General Meeting of Shareholders. On 27 June 2013 the Ordinary General Meeting of PKN ORLEN appointed Supervisory Board Members to a new term of office. On 15 May 2014 the PKN ORLEN's General Meeting appointed Mr. Adam Ambrozik and Dr. Radosław L. Kwaśnicki as Members of the Supervisory Board. Furthermore, the Minister of the Treasury on behalf of the shareholder of the Treasury, pursuant to § 8 item 2 point 1 of the Company's Articles of Association, appointed Prof. Maciej Bałtowski as a Member of the Supervisory Board, effective from 15 May 2014.

Pursuant to the Articles of Association of PKN ORLEN, at least two members of the Supervisory Board have to comply with the following independency provisions (the so-called independent members of the Supervisory Board):

- he/she is not an employee of the Company or a Related Entity,
- he/she has not been a member of management authorities of the Company or a Related Entity within the last five years prior to the appointment to the Supervisory Board,
- he/she is not a member of supervisory and management authorities of a Related Entity,
- he/she does not receive nor has received, within the last five years prior to the appointment to the Supervisory Board, a considerable additional remuneration. i.e. remuneration exceeding the aggregate amount of PLN 600,000 from the Company or a Related Entity, apart from the remuneration due to the member of supervisory authorities,
- he/she is not nor has been, within the last three years prior to the appointment to the Supervisory Board, a partner or employee of the current or former chartered auditor examining the financial statements of the Company or a Related Entity,

- he/she is not a shareholder holding 5% or more votes at the Company's General Meeting of Shareholders or a Related Entity's General Meeting,
- he/she is not a member of supervisory or management authorities or an employee of an entity having 5% or more votes at the Company's General Meeting of Shareholders or a Related Entity's General Meeting,
- he/she is not an ascendant, descendant, spouse, sibling, spouse's parent or any other person remaining in an adoptive relationship with any of the persons mentioned above,
- he/she has not hold the position of the Company's Supervisory Board member for more than 3 terms of office,
- he/she is not a member of the Management Board of the company, where a member of the Company's Management Board holds the position of a member of the Supervisory Board,
- he/she is free from any significant connections with members of the Company's Management Board by participation in other companies.

Independent members of the Supervisory Board, before being appointed to the Supervisory Board, should submit to the Company a written statement of compliance with above mentioned provisions. IF the mentioned provisions are not met, a member of the Supervisory Board is obliged to immediately notify the Company thereof. The Company informs the shareholders about the current number of independent members of the Supervisory Board.

If the number of independent members of the Supervisory Board is less than two, the Company's Management Board is obliged to immediately convene a General Meeting of Shareholders and put an issue concerning changes in the composition of the Supervisory Board on the agenda of the General Meeting. The Supervisory Board acts in its current composition until the changes in the composition of the Supervisory Board are made, i.e. the number of independent members is adjusted to the statutory requirements set in the Articles of Association whereas the provisions of § 8 item 9 of the Articles of Association (containing a list of resolutions which must be passed with consent of at least one half of independent Supervisory Board members) do not apply.

##### Organization of PKN ORLEN's Supervisory Board's operations

Organization of the Supervisory Board is in accordance with the principles set out in the Regulations of the Supervisory Board.

Meetings of the Supervisory Board are held when necessary, however, not less frequently than once every two months. The meetings are convened by the Chairman of the Supervisory Board. In case of his absence or inability to act his role this task is ascribed to the Vice – Chairman of the Supervisory Board, and respectively to Secretary of the Supervisory Board. Written invitations shall be

sent to the Members of the Supervisory Board, at least seven days before the date of the session.

Moreover, as stated in the Company's Articles of Association, a Supervisory Board meeting should be convened following a written request of a shareholder or shareholders representing at least one tenth of the share capital, the Management Board or a member of the Supervisory Board. In such cases the session should be convened within two weeks from the receipt of such request and should be held no later than within three weeks of such request being received. If a Supervisory Board meeting is not convened within two weeks of the request being filed, the requestor can call the session by himself through a written notice specifying the time, venue and the proposed agenda sent to the members of the Supervisory Board, at least seven days before the date of the meeting.

Meetings of the Supervisory Board can only take place when all its members have been properly invited. Meetings can also be held without the meeting being formally convened if all the Supervisory Board members are present and grant their consent to the session being held and to certain issues being put on the agenda.

The Supervisory Board can pass resolutions if at least half of its members participate in the meeting. Subject to the provisions of the Commercial Code, a resolution of the Supervisory Board can be passed in writing or with the use of direct means of remote communication. Resolutions of the Supervisory Board are passed with an absolute majority of the votes cast in the presence of at least half of the members of the Supervisory Board, while the votes cast mean votes "for", "against" and "abstain." This does not apply to any members of the Management Board or the entire Management Board being recalled or suspended during the term of their office when at least two thirds of all the Supervisory Board members have to vote in favour of the resolution.

Passing resolutions on the following matters:

- any contribution to members of the Management Board provided by the Company or any related entities,
- giving permission to sign any significant agreement by the Company or a subsidiary with an entity related to the Company, a member of the Supervisory Board, or Management Board as well as with their related entities,
- appointing a certified auditor to audit the financial statements of the Company

requires the consent of at least one half of the independent members of the Supervisory Board. Such provisions do not exclude applying art. 15 § 1 and 2 of the Commercial Code.

With a view to fulfilling its duties, the Supervisory Board can review all the Company documents, demand reports and explanations from the Management Board and the employees as well as inspect the Company's assets.

#### **Competence of PKN ORLEN's Supervisory Board**

The Supervisory Board of PKN ORLEN exercises permanent supervision over the Company's operations, in all fields of its activity, specifically, the Supervisory Board is authorized to act as set out in the Commercial Code and the Company's Articles of Association. The Supervisory Board takes relevant steps required to regularly obtain exhaustive information from the Management Board about all the material issues relating to of PKN ORLEN's

operations and the risk related to the business operations and risk management methods applied.

Pursuant to the Articles of Association the Supervisory Board is also authorized to:

- appoint and recall the President, Vice-Presidents and other members of the Management Board (except for one member of the Management Board appointed and recalled by the Supervisory Board at the request of the State Treasury until the State Treasury sells the last Company share). represent the Company in contracts with the Management Board, including the terms of their employment contracts,
- suspend the activities of individual or all members of the Management Board for important reasons as well as delegating a member or members of the Supervisory Board to temporarily perform the duties of those members of the Management Board who are unable to perform their duties,
- approve the Management Board Regulations,
- appoint an entity authorized to audit the financial statements and performing an audit or review of financial statements of the Company and the consolidated financial statements of the ORLEN Group,
- assess the financial statements in terms of its accuracy both in terms of its compliance with the accounting books and documents the factual status, assess the Management Board's report on the Company's business operations as well as the Management Board motions on the allocation of profit and coverage of loss, and submit to the General Meeting of Shareholders an annual written report on the results of the above assessments,
- assess the financial statement of the ORLEN Group and the Management Board's report on the business operations of the ORLEN Group and submit the annual written report on the results of such assessment,
- issue opinions on any matter submitted by the Management Board to be presented either to Ordinary or Extraordinary General Meeting of Shareholders,
- grant consent to the members of the Management Board to take positions in supervisory or management authorities of other entities and to collect remuneration for such activities,
- grant consent to implement investment project and to incur the related liabilities in case the expenses or charges due to such activity exceed the equivalent of one half of the Company's share capital,
- set the scope, accuracy and time for submission by the Management Board of its annual and long-term financial plans and plans for the Company's development strategy,
- approve the Company's development strategy and long-term financial plans,
- issue opinions on the annual financial plans,
- give consent, upon the Management Board's motion, to sell real estate, perpetual usufruct or participation in real estate where the net book value does not exceed one twentieth of the share capital,
- give consent, upon the Management Board's motion, to purchase real estate, perpetual usufruct or participation in real estate where the net acquisition price exceeds one fortieth of the share capital,
- give consent to purchase the Company's own shares to prevent serious damage referred to in art. 362 § 1 item 1 of the Commercial Code, posing a direct threat to the Company,

- appoint the acting President of the Management Board, referred to in § 9 item 3 point 3, in the event the President is suspended from duty or his/her mandate expires before the end of the term of office.

The Articles of Association also stipulate that the consent of PKN ORLEN's Supervisory Board is required to:

- set up a branch abroad,
- sell or encumber fixed assets which net book value exceed one twentieth of the asset value stated in the recent financial statements approved by the General Meeting of Shareholders, as a result of one or several related legal actions being taken,
- dispose of or encumber, in any way whatsoever, shares or stakes in the following companies: Naftoport Sp. z o.o., Inowrocławskie Kopalnie Soli S.A. and in the company to be established with a view to transporting liquid fuels through pipelines,
- incur other liabilities exceeding the equivalent of one fifth of the share capital, as a result of one or several related legal actions being taken during the financial year, except for the following:
  - activities performed within the scope of ordinary management activity, including in particular all activities relating to Fuels trading,
  - activities approved by the Supervisory Board in the annual financial plans,
  - activities which need the consent of the Shareholders Meeting in order to be performed,
  - activities performed in connection with the implementation of the investment task, approved by the Supervisory Board in accordance with § 8 item 11 point 9 of the Articles of Association, up to the amount not exceeding 110 percent of the amount allocated for this investment task,
  - activities concerning the implementation of the investment task and the related liabilities, if expenditures or charges do not exceed the cap indicated in § 8 sec. 11 item 9 of the Articles of Association,
- implementing capital or tangible investments abroad worth more than one twentieth of the share capital,
- exercise the Company's voting right at general meetings and partners/associates/shareholders meetings of the

subsidiaries and other entities, if the value of the shares or stakes held by the Company, at a price the shares were acquired or taken up exceed one fifth of the Company's share capital, as regards merger with another company and Company restructuring, sale and lease of the Company's undertaking and establishing on it the right to use, amendments to the Articles of Incorporation or Articles of Association, execution of the concern contract within the meaning of Article 7 of the Commercial Code and winding up of the Company,

- establish commercial law companies and join existing companies, as well as to make contributions to cover shares in companies, and to sell shares if the Company's capital involvement in a given company so far, or commitment which the Company is about to achieve as a result of buying or acquiring shares, calculated on the basis of the share purchase or acquisition price, exceeds one tenth of the initial capital, excluding the purchase of shares in the regulated market
- pay interim dividends to the shareholders.

If the Supervisory Board withholds its consent to any of the above activities being taken, the Management Board can address the General Meeting of Shareholders to adopt a resolution to approve the relevant activity.

Additionally, following a request of at least two members, the Supervisory Board is obliged to consider undertaking supervisory actions specified in such request.

Given the best practice standards and in order to enable the shareholders to make a true and fair view of the Company, the Supervisory Board of PKN ORLEN is in charge of the additional duty to submit to the General Meeting of the Company a concise assessment of PKN ORLEN's standing, including internal control and risk management system relevant for the Company. The assessment is submitted annually, before the date of the Company's General Meeting to allow time for PKN ORLEN shareholders to get acquainted with it. Moreover, the Supervisory Board prepares an annual report on its work, in which it takes into account both the number of meetings held and the most important issues dealt with in the year.

### 7.8.3 Committees of Supervisory Board

The Supervisory Board of PKN ORLEN may elect permanent or ad hoc committees which act as its collective advisory and opinion making bodies. The following permanent Committees operate within the Supervisory Board of PKN ORLEN:

- Audit Committee,
- Strategy & Development Committee,
- Nomination and Remuneration Committee,
- Corporate Governance Committee.

In addition, on 25 November 2014, the Supervisory Board has decided to appoint Corporate Social Responsibility Committee (CSR Committee).

The mentioned Committees report annually to the Supervisory Board on its activities, Competences of the Committee is regulated

by Terms of the Supervisory Board, which is made available for shareholders on the Company's website <http://www.orlen.pl>.

All Committees are appointed by the Supervisory Board from amongst its members and the Committee itself chooses its Chairman. The Committees consist of between 3 to 5 members, but at least two members of Audit Committee are independent members and at least one has skills and expertise in the field of accounting or finance.

The Committee meetings are convened by the Committee Chairman and if he/she is either absent or unable to perform his/her duties by the chairman of the Supervisory Board or another member of the Supervisory Board indicated by the chairman, who invites all the Committee Members to the meeting and notifies all the other



Supervisory Board members of the meeting. All the members of the Supervisory Board can participate in the Committee meetings. The Committee chairman can invite to the Committee meetings members of the Management Board, the Company's employees and other persons whose participation in the meeting is expedient to carry out the Committee tasks.

The Committee resolutions are passed with a simple majority of the votes cast. In the event of an equal number of "for" and "against" vote cast, the Committee chairman has the casting vote.

#### Composition of Supervisory Board Committees of PKN ORLEN in 2014

**TABLE 46.** Composition of Supervisory Board Committees of PKN ORLEN as at 1 January 2014.

| Name and Surname                             | Position held in PKN ORLEN's Supervisory Board Committee        |
|--|---|
| <b>Audit Committee</b>                       |   |
| Artur Gabor                                  | Committee Chairman, Independent Member of the Supervisory Board |
| Leszek Jerzy Pawłowicz                       | Committee Member, Independent Member of the Supervisory Board   |
| Michał Gołębiowski                           | Committee Member (until 20 April 2014)                          |
| Grzegorz Borowiec                            | Committee Member  |
| <b>Corporate Governance Committee</b>        |   |
| Cezary Możejński                             | Committee Chairman  |
| Angelina Sarota                              | Committee Member  |
| Michał Gołębiowski                           | Committee Member (until 20 April 2014)                          |
| <b>Strategy and Development Committee</b>    |   |
| Cezary Banasiński                            | Committee Chairman, Independent Member of the Supervisory Board |
| Leszek Pawłowicz                             | Committee Member, Independent Member of the Supervisory Board   |
| Artur Gabor                                  | Committee Member, Independent Member of the Supervisory Board   |
| Angelina Sarota                              | Committee Member  |
| Cezary Możejński                             | Committee Member  |
| <b>Nomination and Remuneration Committee</b> |   |
| Angelina Sarota                              | Committee Chairwoman  |
| Grzegorz Borowiec                            | Committee Member  |
| Michał Gołębiowski                           | Committee Member (until 20 April 2014)                          |
| Cezary Banasiński                            | Committee Member, Independent Member of the Supervisory Board   |

**TABLE 47.** Composition of the Supervisory Board Committees of PKN ORLEN as at 20 May 2014.

| Name and Surname                          | Position held in PKN ORLEN's Supervisory Board Committee        |
|---|---|
| <b>Audit Committee</b>                    |   |
| Artur Gabor                               | Committee Chairman, Independent Member of the Supervisory Board |
| Leszek Pawłowicz                          | Committee Member, Independent Member of the Supervisory Board   |
| Grzegorz Borowiec                         | Committee Member  |
| Radosław L. Kwaśnicki                     | Committee Member  |
| <b>Strategy and Development Committee</b> |   |
| Cezary Banasiński                         | Committee Chairman, Independent Member of the Supervisory Board |
| Leszek Pawłowicz                          | Committee Member, Independent Member of the Supervisory Board   |
| Artur Gabor                               | Committee Member, Independent Member of the Supervisory Board   |

|  |   |
|--|---|
| Angelina Sarota                              | Committee Member  |
| Cezary Możejński                             | Committee Member  |
| <b>Nomination and Remuneration Committee</b> |   |
| Angelina Sarota                              | Committee Chairwoman  |
| Grzegorz Borowiec                            | Committee Member  |
| Adam Ambrozik                                | Committee Member  |
| Cezary Banasiński                            | Committee Member, Independent Member of the Supervisory Board |
| Maciej Bałtowski                             | Committee Member  |
| <b>Corporate Governance Committee</b>        |   |
| Cezary Możejński                             | Committee Chairman  |
| Angelina Sarota                              | Committee Member  |
| Radosław L. Kwaśnicki                        | Committee Member  |
| Maciej Bałtowski                             | Committee Member  |

**TABLE 48.** Composition of Corporate Social Responsibility Committee appointed on 25 November 2014.

| NAME AND SURNAME                                 | POSITION HELD IN PKN ORLEN'S SUPERVISORY BOARD COMMITTEE        |
|--|---|
| <b>Corporate Social Responsibility Committee</b> |   |
| Artur Gabor                                      | Committee Chairman, Independent Member of the Supervisory Board |
| Adam Ambrozik                                    | Committee Member  |
| Radosław L. Kwaśnicki                            | Committee Member  |

Until 31 December 2013 composition of the Supervisory Board Committee has not changed.

## Committees of PKN ORLEN's Supervisory Board

### Audit Committee

In 2014, the Audit Committee of the Supervisory Board held 11 meetings, including 2 shared meetings with the Strategy and Development Committee and adopted 5 resolutions.

The task of the Audit Committee is to advise the Supervisory Board of PKN ORLEN on the issues related to the proper implementation of budget and financial reporting rules and internal control within the Company and the ORLEN Group, as well as cooperation with the Company's certified auditors. In particular, the tasks of the Committee are:

- to monitor the work of the certified auditors and submit recommendations to the Supervisory Board as to the selection and fee of the certified auditors,
- to discuss with the certified auditors, prior to commencement of audit of each annual financial statements, the nature and scope of the audit, and to monitor co-ordination of work between the certified auditors,
- review interim and annual financial statements of the Company (consolidated and separate), with particular focus on:
  - any changes of accounting standards, rules and practices,
  - main areas of judgement,
  - material adjustments following from the audit,

- going concern statements,
- compliance with applicable accounting regulations.

Furthermore, the tasks of the Audit Committee are:

- to discuss any problems or objections that may result from the audit of the financial statements,
- to analyze Management Letter Point prepared by the certified auditors, independency and objectivity of their audit and the Management Board's replies,
- to give opinions on annual and long-term financial plans,
- to give opinions on the dividend policy, profit distribution and issue of securities,
- to review the management accounting system,
- to review the internal control system, including control mechanisms in terms of finance, operations, compliance with the provisions of law, risk and management assessment,
- to review the reports of internal certified auditors employed by the Company and basic findings made by other internal analysts together with the Management Board's replies to these observations, including an examination of the degree of independence of internal auditors and to give opinions on the Management Board's intentions as to employment matters or dismissal of the head of internal audit,
- to review, on an annual basis, the internal audit program, coordination of the work of internal and external auditors and to analyze the conditions for internal auditors operation, cooperation with the Company's organizational units in

- charge of audit and control and to evaluate their work on a periodical basis,
- cooperation with the Company's organizational units responsible for audit and control and periodic evaluation of their work,
- to consider all other issues relating to the Company's audit raised by the Committee or the Supervisory Board,
- to notify the Supervisory Board of any material issues regarding the operation of the Audit Committee.

The Audit Committee meetings are held at least once per quarter, each time prior to the publication of the Company's financial statements.

#### **Corporate Governance Committee**

In 2014 the Corporate Governance Committee of the Supervisory Board held 5 meetings, including 1 shared meeting with the Strategy and Development Committee.

The task of the Corporate Governance Committee is to assess:

- implementation of the corporate governance principles,
- presentation of above principles to the Supervisory Board,,
- opinion on normative documents regarding corporate governance,
- assessment of reports concerning compliance with the corporate governance principles prepared for the Warsaw Stock Exchange in Warsaw,
- opinion on the draft amendments of the Company's corporate documents and to develop such drafts in case of own documents of the Supervisory Board,
- monitoring the Company management for compliance with legal and regulatory requirements, including compliance with the of PKN ORLEN's Code of Ethics and the corporate governance principles.

#### **Strategy and Development Committee**

In 2014 the Strategy and Development Committee of the Supervisory Board held 10 meetings, including 2 shared meeting with the Audit Committee and one shared with the Corporate Governance Committee.

The task of the Strategy and Development Committee is to issue opinions and submit recommendations to the Supervisory Board on planned investments and divestments which exert a material impact on the Company's assets. In particular, the Committee:

- assesses the effect of planned and conducted already implemented investments and divestments on the form of the Company's assets,
- evaluates the activities contracts letters of intent and other documents relating to the actions aimed at acquisition, sale, encumbrance or any other disposal of the Company's material assets,
- issues opinions on any strategic documents which the Management Board submits to the Supervisory Board,

- issues opinions on the Company's development strategy, including long-term financial plans.

#### **Nomination and Remuneration Committee**

In 2014 Nomination and Remuneration Committee of the Supervisory Board held 3 meetings.

The task of the Nomination and Remuneration Committee is to help to attain the strategic goals of the Company by providing the Supervisory Board with opinions and motions on how to shape the management structure, with regard to organizational solutions, remuneration schemes and selection of the staff with the skills required to ensure the Company's success. In particular, the tasks of the Committee include:

- to initiate and issue opinions on the solutions in the area of Management Board members nomination system,
- to issue opinions on the solutions proposed by the Management Board in the area of the Company's management system, aimed at ensuring efficiency, integrity and safety of the Company's management,
- to periodically review and recommend the rules for determining incentive schemes to the Management Board members and top executives, with a view to the Company's interest,
- periodically review the remuneration system applicable to Management Board members and managerial staff directly reporting to the Management Board members, including managerial contracts and incentive schemes and to submit to the Supervisory Board the proposals how to shape them in the context of the Company's strategic goal attainment,
- to submit to the Supervisory Board opinions on the rationale behind performance-driven remuneration, in the context of evaluating the degree to which the Company's specified tasks and goals are met,
- to assess the Company's human resources management system.

#### **Corporate Social Responsibility (CSR) Committee**

The first meeting of the Corporate Social Responsibility Committee is scheduled in 2015.

The task of the CSR Committee is to support the Company's strategic objectives by taking into account social, ethical and environmental issues in the Company's operations and in contacts with stakeholders (including employees, customers, shareholders, local communities). In particular, the tasks of the Committee include:

- supervising the implementation of Corporate Social Responsibility strategy by the Company,
- monitoring the Company management for compliance with the PKN ORLEN's Code of Ethics.,
- periodic assessment of the Company's activities in the area of CSR,
- acceptance of the annual report summarizing the CSR activities performed by the Company.

## 7.9 Description of the remuneration policy and the rules for its determination

### Remuneration of management and supervisory authorities

Remuneration for Members of the Board is determined by the Supervisory Board taking into account the recommendations of the Nomination and Remuneration Committee. The components of the Management Board Members remuneration system include:

- monthly fixed base pay,
- annual bonus dependent on the accomplishment level of quantitative and qualitative targets,
- severance pay for dismissal from the Management Board Member function,
- compensation for non-competition.

All elements of the remuneration and additional benefits are governed by an agreement between the Member of the Management and the Company.

### General terms and conditions of the annual bonuses

Members of the Management Board are entitled to an annual bonus on the principles established in the contract, which includes the Bonus System Regulations for the Management Board. The level of annual bonus depends on the performance of individual tasks (qualitative and quantitative), established by the Supervisory Board for the individual Members of the Management Board. The Supervisory Board appoints each year from four to seven individual bonus tasks that are recorded in Goals Charter of the Board Member. Assessment of the performance of individual bonus tasks (quantitative and qualitative) by particular Member of the Management Board is made each year by the Supervisory Board on the Chairman of the Management Board's recommendation, which contains assessment of individually performed bonus tasks of all Members of the Management Board, reports on the performance of bonus tasks by members of the Board, PKN ORLEN's financial statements and other documents the investigation of which the Supervisory Board deems appropriate. Quantitative assessment of the performance of individual bonus tasks is made by awarding percentage points. Qualitative assessment of the performance of individual bonus tasks is made by granting a level of achievement according to the principles contained in the Bonus System Regulations of the Management Board. Execution of individual bonus tasks is expressed as the sum of the weighted percentage points granted by the Supervisory Board for each bonus task.

The Supervisory Board adopts a resolution to grant or not the Board Member of the annual bonus for the financial year, and its amount, by 30 April of the following year. The annual bonus will be paid if the Company's consolidated financial statements for the financial year will be approved by the General Meeting.

For 2014, the Supervisory Board has set for all Members of the Management Board the following six quantitative objectives:

- reported EBIT,
- EBITDA according to LIFO + overheads and personnel costs,
- development CAPEX,
- stock exchange rate (TSR PKN relative to the market),
- accident rate (TRR rate)

and attributed to them relevant bonus thresholds. The Supervisory Board for each of the Members of the Management Board also established quality objectives associated with supervised by them unit.

### Rules for awarding bonuses for key management personnel (including Members of the Management Board)

2014 was followed by bonus system update, for the Counsel of the Company and directors reporting directly to the PKN ORLEN's Management Board and other key positions in the ORLEN Group, which aims for greater standardization and attractiveness of the bonus.

The regulations applicable to PKN ORLEN Management Board, directors reporting directly to the Management Board of PKN ORLEN and other key positions have certain common features. Persons covered by the above-mentioned systems are remunerated for the implementation of individual goals set at the beginning of the bonus period by the Supervisory Board for the Management Board and the Management Board for the key executive personnel. The bonus systems are consistent with the Company's Values and promote cooperation between particular employees and motivate them to achieve the best possible results for the PKN ORLEN.

The targets set are qualitative and quantitative, and are settled for after end of the year for which they were set, based on the principles adopted in the applicable Bonus System Regulations. Regulations also gives the possibility to highlight employees who have a significant contribution to the achieved results.

### Remuneration of the Members of the Management Board and the Supervisory Board of the Company due to sit on the Management or Supervisory Boards of subsidiaries, jointly controlled entities and associates

Members of the PKN ORLEN's Management Board in 2014 and 2013, who were acting as the Management or Supervisory Boards Members of subsidiaries, jointly controlled entities and associates of ORLEN Group did not receive any remuneration, with the exception of Unipetrol a.s. wherein the payments were transferred to ORLEN's Foundation "Dar Serca". As at 31 December 2014, four members of the Management Board of PKN ORLEN sat on the Supervisory Board of Unipetrol a.s.

### The agreements with the Members about non-competition and termination on appeal from the position held

In accordance with applicable agreements, Members of PKN ORLEN's Management Board are required for a period of 6 or 12 months from the date of termination or expiry of the contract, to refrain from competitive activities. During this period, the Management Board members are entitled to receive compensation in the amount of six or twelve monthly basic salary, paid in equal monthly installments. The Company may waive the President, Vice President and Members of the Management Board of the non-competition clause applicable after the termination or expiration of the contract or reduce the duration of the ban. In the case of an exemption from the ban of competition, the Company does not pay compensation. If the period of the ban of competition was shortened, compensation shall be in proportion to the duration of non-competition.

In addition, the agreements provide for the payment of compensation in case of termination due to dismissal from the post. Salary in this case amounts to six or twelve basic monthly remuneration. The Supervisory Board may authorize the use of these provisions also in case of resignation from the position of Member of the Management Board as Board Member.





ORLEN Group Members of the Board are obliged from the date of termination or expiry of the agreement to refrain from competitive activity for a period of 6 months. During this period they receive remuneration in the amount of 50% of six-month basic salary,

payable in six equal monthly installments. In contrast, the severance allowance of appeal from the position held is three to six times the monthly remuneration.