

10 CORPORATE GOVERNANCE STATEMENT

(a) Company's corporate governance policy

The Company, as an issuer of securities listed on the Warsaw Stock Exchange (WSE), is obliged to comply with the corporate governance practices set out in the *Best Practice for WSE Listed Companies 2016*. The version of the latter in force until December 31, 2016 is available at <http://corp-gov.gpw.pl>.

(b) Corporate governance compliance

In 2016, the Company complied with the corporate governance best practice referred to above.

Referring to the Recommendation IV.R.2 of the Best Practice, the Company informs that it provides the real-life broadcast of the general meeting but it provides neither real-time bilateral communication nor the possibility to exercise the right to vote for shareholders taking part in a meeting from a location other than the general meeting due to legal risks involved in providing electronic communication means of such type.

(c) Description of major features of Orange Polska's internal control and risk management systems with respect to the process of development of standalone and consolidated financial statements (please see chapter IV for additional information on key risk factors)

The system of internal control and risk management in the Group has been designed and implemented by the Management Board to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company adopted Code of Ethics which encompasses its relationship with customers, shareholders, employees, suppliers, competition and also with respect to the environment in which the Group operates. A warning system related to ethics and reporting of potential and actual fraud has been enhanced by the Group which is co-ordinated by the Ethics Committee. Training on ethics is provided to employees, which is confirmed by a personal certification. Formal channels for whistle blowing have been established, including reporting to the Chairman of the Audit Committee of the Supervisory Board and the Ethics Committee.

In 2013 in accordance with the approach adopted by Orange Group assuming a gradual implementation of subsequent elements of Compliance Program the Anti-Corruption Policy and Guidelines were introduced in Orange Polska. The implemented Anti-corruption Policy, supplemented by the Guidelines, contains detailed rules and standards for its application and references to specific conditions and circumstances relating to the identification and mitigation of risk of corruption. In addition, a number of information and training actions were carried out in order to raise employees' awareness of anti-corruption laws and rules applicable to the Company.

The Group is diligent in its approach to reporting financial results and its ongoing communication with the Polish and international investment community, as well as fulfilling its disclosure obligations. Key managers responsible for the financial, legal, regulatory and internal control functions review financial statements and make comments thereto at the Disclosure Committee. The purpose of the Committee's meetings is to ensure that financial disclosures are timely, exact, transparent, complete, and presented in accordance with all relevant laws, applicable regulations and recognised practices, as well as being properly representative of the financial and operational condition of both the Company and the Group. In 2016, the Disclosure Committee had six meetings. In addition the Audit Committee review the financial disclosures of the Company and the Group before they are published.

The key elements of the Group's internal control and risk management system include the following procedures:

- (1) An internal audit function, which functionally reports to the President of the Management Board. The internal audit programme is annually reviewed by the Audit Committee, which also analyses the Group's Internal Audit reports. In order to promote an appropriate independent outlook for the Internal Audit, Management Board decisions regarding the conclusion and termination of an employment contract with the Group Internal Audit Director as well as his evaluation and remuneration require an opinion of the Audit and Remuneration Committees. The Group Internal Audit Director attends all meetings of the Audit Committee.
- (2) The Group conducts ongoing assessments of the quality of the risk management system and controls. This process includes identification and classification of the Group's financial and non-financial risks – see Chapter 4, section 8.
- (3) Procedures were implemented in order to identify, report and monitor significant risks (i.e. legal, regulatory, environmental, financial reporting and operational) effectively on an ongoing basis. It provides a framework for ongoing risk-controlling activities.

In 2016, the Management Board again completed a comprehensive assessment of the Group's internal controls over financial reporting. Main deficiencies were identified and corrected or appropriate action points have been launched. As a result of the assessment, the Management concluded that there were no weaknesses that would materially impact the internal control over the financial reporting at December 31, 2016.

(d) Indication of shareholders holding, directly or indirectly, significant batches of shares, including the number of shares held, the interest in the Share Capital, the corresponding number of votes and the percentage of the total voting power at the General Assembly

Please see section 6.3 above for the information about major shareholders.

(e) Indication of holders of any securities granting special control rights and description of such rights

The Company has not issued any securities granting any special control rights to shareholders or other entities.

(f) Indication of any restrictions concerning the exercise of the voting rights on shares, such as restriction of the voting rights to a certain percentage or number of votes or temporary restriction of the voting rights, or regulations according to which, in conjunction with the Company, the rights on securities are separated from the ownership of securities

The Company has not introduced any specific restrictions concerning the exercise of the voting rights on shares.

(g) Indication of any restrictions concerning transfer of ownership of the securities issued by Orange Polska

The transfer of ownership of the securities issued by the Company is not subject to any restrictions.

(h) Description of procedures for appointment and removal of managing persons and their rights, particularly the right to make decisions regarding the issuance or redemption of shares

The Management Board consists of between 3 and 10 members, including the President. They are appointed and removed by the Supervisory Board by a simple majority of the votes cast. The term of office for the member of the Management Board is three years. The Management Board's remit comprises the management of all aspects of the Company's affairs, with the exception of the matters which under the Polish Commercial Companies Code or the Articles of Association shall be within the competence of the General Assembly or the Supervisory Board. In particular, the powers of the Management Board include development of the Group's strategy, economic and financial plans; establishment, transformation and liquidation of the Company's business units; and governance of the Group subsidiaries. Any decisions regarding the issuance or redemption of the Company's shares are exclusively within the competence of the General Assembly.

The powers of the Management Board are detailed in the Management Board by-laws, available at www.orange-ir.pl

(i) Description of procedures for amending the Articles of Association or the deed of the company

Any amendment to the Articles of Association requires a resolution of the General Assembly adopted by a majority of the three quarters of votes.

(j) Rules of operation of the General Assembly and its major responsibilities, and description of the shareholders' rights and the way of exercise thereof, particularly the rules resulting from the General Assembly by-laws, if any, unless the information in this respect results directly from mandatory regulations

I. General Assemblies shall be held in Warsaw. The General Assembly shall be valid irrespective of the number of shares represented. According to the adopted by-laws, the General Assembly shall be opened by the Chairman of the Supervisory Board or his deputy, or, in case of their absence, by the President of the Management Board or a person designated by the Management Board. Thereafter, the Chairman shall be elected from among the persons entitled to take part in the General Assembly. After each subsequent matter on the agenda has been presented the Chairman of the General Assembly shall open a discussion giving floor to speakers in the sequence in which they have declared their willingness to speak. Upon the consent of the General Assembly several items of the agenda may be discussed jointly. The participants may speak only on the matters which have been put on the agenda and are being considered at that moment.

II. Pursuant to the Regulations of the General Assembly of Orange Polska S.A., the shareholders have the following rights:

(1) The shareholders may take part in the General Assembly and exercise the right of vote in person or by attorneys-in-fact (other representatives).

(2) Each shareholder has the right to candidature for the Chairman of the General Assembly or to put forward one candidature for the position of the Chairman of the General Assembly to the minutes.

(3) When every point on the agenda is considered each shareholder has the right to one speech of 5 minutes and a reply of 5 minutes.

(4) Each shareholder has the right to ask questions on any matters on the agenda.

(5) The shareholder has the right to object a decision of the Chairman of the General Assembly. The General Assembly shall decide in a resolution whether the decision of the Chairman be upheld or reversed.

(6) Each shareholder has the right to suggest amendments or additions to draft resolutions, which are covered by the agenda of the General Assembly, by the time of closing the discussion over the item on the agenda referring to the draft resolution to which the suggestion is related.

(k) Composition and changes thereof in the last financial year, and description of bodies that manage, supervise or administer Orange Polska S.A. and any committees thereof

I. Composition of the Management Board in 2016

Composition on January 1, 2016:

- | | |
|--------------------------------|-------------------------------|
| 1. Bruno Duthoit | – President of the Board |
| 2. Mariusz Gaca | – Vice President of the Board |
| 3. Piotr Muszyński | – Vice President of the Board |
| 4. Jolanta Dudek | – Board Member |
| 5. Jacek Kowalski | – Board Member |
| 6. Bożena Leśniewska | – Board Member |
| 7. Maciej Nowochoński | – Board Member |
| 8. Michał Paschalis-Jakubowicz | – Board Member |

On February 4, 2016, the Supervisory Board of Orange Polska, in view of the Company's President of the Management Board, Bruno Duthoit mandate expiring on 12 April 2016, decided to re-appoint Bruno Duthoit for the next term of office. At the same time Bruno Duthoit informed Orange Polska that he had decided to accept the Orange Group's proposal to take as of May 1, 2016 the position of Deputy Orange Group Executive Director for Europe, responsible for Central Europe and reporting directly to Gervais Pellissier, Orange Group Deputy CEO & Orange Group Executive Director for Europe. Therefore, Bruno Duthoit resigned from the position of the Company's CEO with effect from the end of the day of April 30, 2016. Subsequently on the same date, February 4, 2016, the Supervisory Board of Orange Polska appointed Jean-François Fallacher as the President of the Management Board of Orange Polska, effective as of May 1, 2016.

On July 4, 2016, Michał Paschalis-Jakubowicz, Member of the Management Board of Orange Polska S.A. in charge of Marketing resigned from his position due to personal reasons with immediate effect. During the transition period, Jean-François Fallacher, President of the Management Board, has taken over management responsibilities in the area of marketing.

On October 12, 2016, Piotr Muszyński was reappointed as a Member of the Management Board for the next term of office. The reappointment was made before the expiration of the current term of office. The new term of office starts on the day of the next Annual General Meeting that will accept the financial statements of Orange Polska for 2016, for a period of three years. He will hold the position of Vice-President of the Orange Polska Management Board in charge of Strategy and Transformation.

On December 20, 2016, the Management Board of Orange Polska decided on some organisational changes coming into effect on January 1, 2017. Mariusz Gaca, who was the Deputy CEO in charge of the Business Market (B2B), took a newly formed position of Deputy CEO in charge of Consumer Market (B2C). This combined responsibility for three areas that had been managed separately, namely: Sales & Commercial Digitisation, B2C Marketing and Brand & Marketing Communication. At the same time, Bożena Leśniewska, who was the Management Board Member in charge of Sales and Commercial Digitisation, was appointed the Deputy CEO in charge of the Business Market.

Composition on December 31, 2016:

- | | |
|----------------------------|-------------------------------|
| 1. Jean-François Fallacher | - President of the Board |
| 2. Mariusz Gaca | - Vice President of the Board |
| 3. Piotr Muszyński | - Vice President of the Board |
| 4. Jolanta Dudek | - Board Member |
| 5. Jacek Kowalski | - Board Member |
| 6. Bożena Leśniewska | - Vice President of the Board |
| 7. Maciej Nowochoński | - Board Member |

Composition on January 1, 2017:

- | | |
|----------------------------|-------------------------------|
| 1. Jean-François Fallacher | - President of the Board |
| 2. Mariusz Gaca | - Vice President of the Board |
| 3. Bożena Leśniewska | - Vice President of the Board |
| 4. Piotr Muszyński | - Vice President of the Board |
| 5. Jolanta Dudek | - Board Member |
| 6. Jacek Kowalski | - Board Member |
| 7. Maciej Nowochoński | - Board Member |

Notes regarding Management Board Members:

Jean-François Fallacher (born 1967) CEO and President of the Management Board of Orange Polska since 1st May. In years 2011-2016 he was the CEO of Orange Romania, responsible for running Romania's leading mobile telecommunications company.

Prior to Orange Romania, Jean-François served in key leadership roles within Orange Group for 20 years, most recently as the CEO of Sofrecom, the Group's international consulting company, and in the Netherlands as COO of the internet provider Wanadoo and as Marketing manager B2B for EuroNet Internet.

Jean-François has an extensive professional know-how in the telecom market, on both business and residential sectors, gained in various European markets. Holding a strong academic background with engineering degrees from École Polytechnique, École Nationale Supérieure des Télécommunications in Paris, completed by the International Business Development program at ESSEC Business School, Jean-François was formed in the early days of the www expansion.

Mr. Mariusz Gaca (born in 1973); Vice President of the Board for Consumer Market since January 2017 and he is also chairman of the Ethics Committee Orange Poland. Since November 2013 he was Vice President for B2B Market. He is also Vice President of Employers of Poland and Chairman of the Polish Section of Business and Industry Advisory Committee to the OECD (BIAC). A member of Executive Volunteers Coalition since 2013, he is very active in voluntary work and promotes the principles of corporate social responsibility.

He began his professional career in the Elektrim Group, where he co-created business plans for local telecommunication operators, between 1995 and 2000. From 2001 he worked at TP Group (Telekomunikacja Polska) as Director of Multimedia and was responsible for the development of Internet access for the mass market. Between 2005 and 2009 he was responsible for the TP Group business market. From 2009 he was TP Group Executive Director in charge of Sales and Customer Service and President of the Management Board of PTK Centertel (TP Group mobile telecommunication operator) - a position which he held until the merger of PTK Centertel with Telekomunikacja Polska. He is a graduate of Academy of Agriculture and Technology in Bydgoszcz and Warsaw University. He also holds an MBA from the University of Illinois at Urbana Champaign and is a graduate of the Advanced Management Program (AMP) at INSEAD.

Ms. Bożena Leśniewska (born in 1965); Since January 2017 Vice-President of the Management Board in charge of Business Market Orange Polska. For over 20 years related to the telecommunications sector. She was performing the management functions in Polkomtel S.A., PTK Centertel Sp. z o.o. and Telekomunikacja Polska S.A.

She joined Orange Polska team in 2006 as Deputy Director of Sales for Business Market. One year later she became Business Market Sales Director. Since 2008 she has worked as Director in charge of Business Market and later as Sales Director in both PTK Centertel Sp. z o.o. and Telekomunikacja Polska S.A. In 2013, she became Executive Director in charge of Sales Orange Polska and two years later she was appointed a Member of Management Board in charge of Sales and Commercial Digitisation.

She graduated in Philology at the Jagiellonian University, Advanced Management Programme at INSEAD, the Academy of Leadership Psychology at Warsaw University of Technology Business School and the Open Academy of Mentoring. She is the Member of the Board of Supervisors of Orange Retail S.A., she participates in the activities of Programme Council of Polish National Sales Awards. Moreover, Bożena Leśniewska is the Member of European Network for Women in Leadership and the Member of the Board of Experts THINKTANK. She was the finalist of Women In Sales Awards 2014 in category Best Woman Sales Director and the finalist of the 7th edition of Business Woman of the Year competition. In 2016, she was recognised by the Institute of Innovative Economy as one of 10 most influential women in Polish institutions operating in the field of IT.

Mr. Piotr Muszyński (born in 1963); Since 2016 he is Vice-President of the Management Board in charge of Strategy and Transformation at Orange Polska. He is also Chairman of the Programmatic CIONET Poland and member of the Foundation for the Development of Radiocommunication and Multimedia Technologies at the Warsaw University of Technology, Electronics and Telecommunications Committee of Sciences and of the Council PIIT.

At Orange Polska (former Telekomunikacja Polska) from 2001, initially as Director of Customer Care, between 2005 and 2006 as Director of Sales & Service, 2006-2008 as TP Group Executive Director in charge of Sales & Service. In September 2008 he was appointed Member of the Management Board in charge of Operations.

He is a graduate of the Faculty of Law and Administration at the University of Wrocław and the Advanced Management Program organised by IESE Business School / University of Navarra. In recognition of his career achievements he was awarded, among others: Golden Antenna Award - twice in the category of Manager of the Year, in 2010 and 2011 with the Golden Antenna Award of the World of Telecommunication and with the Gold Cyborg Award during the National Symposium on Telecommunications and ICT in 2011 – for his outstanding contribution to the development of information society.

Ms. Jolanta Dudek (born in 1964); Since 2015 member of the Management Board in charge of Customer Service Strategy and Customer Relations. Since November 2013, until incorporation area Customer Service 2016 into structure OPL served as CEO of Orange Customer Service. She began her career in telecommunication industry in 2000 in PTK Centertel holding managerial positions related to Individual

Customers Care and taking part in the development of the "Idea" mobile network customer service. Between 2004 and 2010 she served as Director of Business Clients Service at Orange. In October 2010 she was appointed Director of Mobile Business Client Service in Orange Customer Service and PTK Centertel. She was responsible for the strategy, transformation and operational launch of complex customer care for B2B clients of TP Group in the terms of processes and operational models in a wide range of mobile, fixed and Internet telephony.

She is a graduate of the Faculty of Philology at the University of Silesia and postgraduate studies in European Economy Management with a diploma from French Ecole des Hautes Etudes Commerciales (HEC), Jouy-en-Josas and Warsaw School of Economics. She is also a graduate of postgraduate studies at the Academy of Leadership Psychology of Warsaw University of Technology Business School. She is also experienced Lead Auditor of Quality Management System ISO 2002 (BSI) and Global Contact Center Excellence (COPCR®) Coordinator. In 2015 she graduated from School of Mentors at the Warsaw University of Technology Business School.

Mr. Jacek Kowalski (born in 1964); Since January 2011 he is the Management Board Member in charge of Human Resources. Previously, since 2009 he was Executive Director in charge of Human Resources at Telekomunikacja Polska (now Orange Polska). He has been working at the company for over 10 years. He started his career in TP Group in 2001 as Manager of Human Resources in Sales & Marketing at PTK Centertel. From 2005 he was Director of Employee Competence and Development Management Branch. Prior to that, he was Director of the Entrepreneurship and Human Resources School in Infor Training (Infor Media Group) and Director of the National In-Service Teachers Training Center, responsible for implementation of training programs supporting the development of education in Poland. He is a member of the Program Board of Polish Human Resources Management Association, PTE and a member of Human Explorers - informal group.

He is a graduate of the Faculty of History at the University of Warsaw and a postgraduate studies for Local Government and Non-Governmental Organisations Management also at the University of Warsaw.

Mr. Maciej Nowohoński (born in 1973); Since March 2014 he is Member of the Management Board in charge of Finance at Orange Polska. He also sits on the supervisory boards of selected subsidiaries of Orange Polska. He has been with Orange Polska since 2003. He held several positions in finance, including Orange Polska Group Controller in 2006-2014. He was Management Board Member at Emitel and in 2011-2013 - Management Board Member in charge of Finance at PTK Centertel. In 2010-2011 he was Member of the Management Board at Emitel and in 2011 – 2013 - Member of the Management Board in charge of Finance at PTK Centertel. Prior to joining the Orange team, he worked for Arthur Andersen & Andersen Business Consulting.

He is a graduate of Foreign Trade at the Economic University of Poznań and from the Dutch HAN University of Applied Sciences in Nijmegen.

II. Composition of the Supervisory Board and its Committees and changes thereof in 2016

Composition on January 1, 2016:

- | | |
|--------------------------------|---|
| 1. Maciej Witucki | - Chairman of the Supervisory Board |
| 2. Prof. Andrzej K. Koźmiński | - Deputy Chairman and Independent Board Member |
| 3. Gervais Pellissier | - Deputy Chairman and Chairman of the Strategy Committee |
| 4. Marc Ricau | - Board Member and Secretary |
| 5. Dr. Henryka Bochniarz | - Independent Board Member |
| 6. Jean-Marie Culpin | - Board Member |
| 7. Eric Debroeck | - Board Member |
| 8. Ramon Fernandez | - Board Member |
| 9. Dr. Mirosław Gronicki | - Independent Board Member |
| 10. John Russell Houlden | - Independent Board Member and Chairman of the Audit Committee |
| 11. Marie-Christine Lambert | - Board Member |
| 12. Dr. Maria Pasło-Wiśniewska | - Independent Board Member |
| 13. Gérard Ries | - Board Member |
| 14. Dr. Wiesław Rozłucki | - Independent Board Member and Chairman of the Remuneration Committee |
| 15. Valérie Théron | - Board Member |

On February 3, 2016, Prof. Andrzej K. Koźmiński resigned from the position as Member of the Supervisory Board with effect on April 12, 2016.

On April 7, 2016, Mr. Gérard Ries resigned from the position as Member of the Supervisory Board with effect on April 7, 2016.

On April 12, 2016, the mandates of Messrs. Jean-Marie Culpin, Eric Debroeck, Mirosław Gronicki, Gervais Pellissier, Marc Ricau and Maciej Witucki expired.

On the same day, Messrs. Jean-Marie Culpin, Eric Debroeck, Michał Kleiber, Gervais Pellissier, Marc Ricau and Maciej Witucki were appointed by the Annual General Assembly as Members of the Supervisory Board.

On June 28, 2016, Ms. Marie-Christine Lambert resigned from the position as Member of the Supervisory Board with effect on June 30, 2016.

On July 13, 2016, Messrs. Federico Colom Artola and Patrice Lambert de Diesbach were appointed by the Supervisory Board as Members of the Supervisory Board.

Composition on December 31, 2016:

1. Maciej Witucki - Chairman of the Supervisory Board
2. Gervais Pellissier - Deputy Chairman and Chairman of the Strategy Committee
3. Marc Ricau - Board Member and Secretary
4. Dr. Henryka Bochniarz - Independent Board Member
5. Federico Colom Artola - Board Member
6. Jean-Marie Culpin - Board Member
7. Eric Debroeck - Board Member
8. Ramon Fernandez - Board Member
9. John Russell Houlden - Independent Board Member and Chairman of the Audit Committee
10. Prof. Michał Kleiber - Independent Board Member
11. Patrice Lambert de Diesbach - Board Member
12. Dr. Maria Pasło-Wiśniewska - Independent Board Member
13. Dr. Wiesław Rozłucki - Independent Board Member and Chairman of the Remuneration Committee
14. Valérie Théron - Board Member

At present, Orange Polska has five independent members on the Supervisory Board, namely: Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber, Dr. Maria Pasło-Wiśniewska and Dr. Wiesław Rozłucki.

Composition of the Committees of the Supervisory Board on December 31, 2016:

The Audit Committee

1. John Russell Houlden – Chairman
2. Federico Colom Artola
3. Dr. Maria Pasło-Wiśniewska
4. Marc Ricau

The Audit Committee is chaired by Mr. John Russell Houlden, an independent Member of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit.

The Remuneration Committee

1. Dr. Wiesław Rozłucki – Chairman
2. Dr. Maria Pasło-Wiśniewska
3. Marc Ricau
4. Valérie Théron

The Strategy Committee

1. Gervais Pellissier – Chairman
2. Dr. Henryka Bochniarz
3. Jean-Marie Culpin
4. Eric Debroeck
5. Prof. Michał Kleiber
6. Patrice Lambert de Diesbach
7. Dr. Maria Pasło-Wiśniewska

Mr. Maciej Witucki, Chairman of the Supervisory Board, and Mr. John Russell Houlden, Independent Board Member and Chairman of the Audit Committee, participate in the meetings of the Strategy Committee on a permanent basis.

Below, is the list of the Members of Orange Polska Supervisory Board and Management Board together with the Annual General Assemblies on which their mandates expire.

Management Board	Year of AGM
Jean-François Fallacher - President	2019
Mariusz Gaca – Vice President	2017
Piotr Muszyński – Vice President	2020
Jolanta Dudek	2018
Jacek Kowalski	2017
Bożena Leśniewska – Vice President	2018
Maciej Nowohoński	2017

Supervisory Board	Year of AGM
Maciej Witucki – Chairman	2019
Gervais Pellissier – Deputy Chairman	2019
Marc Ricau – Secretary	2019
Henryka Bochniarz	2018
Federico Colom Artola	2017
Jean-Marie Culpin	2019
Eric Debroeck	2019
Ramon Fernandez	2018
John Russell Houlden	2017
Michał Kleiber	2019
Patrice Lambert de Diesbach	2017
Maria Pasło-Wiśniewska	2018
Wiesław Rozłucki	2018
Valérie Théron	2017

III. Operations of the Management Board

The operations of the Management Board are managed by its President. Meetings of the Management Board are chaired by the President of the Management Board or, in case of his absence, another member of the Management Board designated by the President. Resolutions may be adopted if all members of the Management Board have been duly notified about the meeting. Resolutions of the Management Board shall be adopted by absolute majority of votes of all appointed members of the Management Board. Individual members of the Management Board shall manage the areas of the Company's operations assigned to them.

The responsibilities and obligations of the Management Board are detailed in the Management Board by-laws, available at www.orange-ir.pl.

IV. Operations of the Supervisory Board

The work of the Supervisory Board is co-ordinated by the Board Chairman with the assistance of the Board Secretary. The Supervisory Board shall hold a meeting at least once a quarter. The Management Board or a member of the Supervisory Board may demand convening a meeting, specifying a suggested agenda thereof. The Chairman of the Supervisory Board shall call a meeting within two weeks of the receipt of the aforementioned motion. In case the Chairman of the Supervisory Board fails to call a meeting within two weeks, the applicant may call it on his own, specifying the date, place and suggested agenda of the meeting.

The Supervisory Board shall adopt resolutions by a simple majority of the votes cast and in the presence of at least half of all members of the Supervisory Board. In case of equal votes, the Chairman of the Supervisory Board shall have the decisive vote.

Although the Board performs its tasks collectively, it delegates some of the work. The committees to which these tasks are delegated are described in further paragraphs.

The Supervisory Board by-laws are available at www.orange-ir.pl.

In particular, the Supervisory Board is responsible for the appointment and remuneration of the members of the Management Board, the appointment of the Company's independent auditors, and the supervision of the Group's business. As part of its supervisory responsibilities, it examines the Group's strategic plan and annual budget, monitors the Group's operating and financial performance, formulates opinions on incurring liabilities that exceed the equivalent of €100,000,000, formulates opinions on disposal of the Group's assets that exceed the equivalent of €100,000,000, evaluates the Management Board's report on the Company's activities and the Management Board's proposals regarding distribution of profits or covering losses. In considering these matters, the Board takes into account the social, environmental and ethical considerations that relate to Group's businesses.

Furthermore, the Polish Accounting Act determines the responsibility of the members of the Supervisory Board in regards to the reliability and fair presentation of the Company's financial reporting.

V. Operations of the Committees of the Supervisory Board

(A) The Audit Committee

The task of the Committee is to advise the Supervisory Board on the proper implementation of budgetary and financial reporting and internal control (including risk management) principles in the Group and to liaise with the auditors of the Group.

The key functions of the Audit Committee include:

- 1) Monitoring the integrity of the financial information provided by the Company and the Group in particular by reviewing:
 - a. The relevance and consistency of the accounting methods used by the Company and the Group, including the criteria for the consolidation of the financial results;
 - b. Any changes to accounting standards, policies and practices;
 - c. Major areas of financial reporting subject to judgment;
 - d. Significant adjustments arising from the audit;
 - e. Statements on going concern;
 - f. Compliance with the accounting regulations;
- 2) Reviewing, at least annually, the Group's system of internal control and risk management systems with a view to ensuring, to the extent possible, that the main risks (including those related to compliance with existing legislation and regulations) are properly identified, managed and disclosed;
- 3) Reviewing annually the Internal Audit programme, including the review of independence of the Internal Audit function and its budget, and coordination between the internal and external auditors;
- 4) Analyzing reports of the Group's Internal Audit and major findings of any other internal investigations and responses of the Management Board to them;
- 5) Making recommendations in relation to the engagement, termination, appraisal and/or remuneration (variable pay) of the Director of the Internal Audit;
- 6) Reviewing and providing an opinion to the Management and/or the Supervisory Board (where applicable) on significant transactions with related parties as defined by the corporate rules;
- 7) Monitoring the independence and objectivity of the Company's external auditors and presentation of recommendations to the Supervisory Board with regard to selection and remuneration of the Company's auditors, with particular attention being paid to remuneration for additional services;
- 8) Reviewing the issues giving rise to the resignation of the external auditor;
- 9) Discussing with the Company's external auditors before the start of each annual audit on the nature and scope of the audit and monitoring the auditors' work;
- 10) Discussing with the Company's external auditors (in or without the presence of the Company Management Board) any problems or reservations, resulting from the financial statements audit;
- 11) Reviewing the effectiveness of the external audit process, and the responsiveness of the Management Board to recommendations made by the external auditor;
- 12) Considering any other matter noted by the Audit Committee or the Supervisory Board;
- 13) Regularly informing the Supervisory Board about all important issues within the Committee's scope of activity.
- 14) Providing the Supervisory Board with its annual report on the Audit Committee's activity and results.

(B) The Remuneration Committee

The Remuneration Committee's task is to advise the Supervisory Board and Management Board on the general remuneration and nomination policy of the Group, determining the conditions of employment and remuneration (including the setting of objectives) of the Members of Management Board and giving

recommendations to the Supervisory Board regarding salaries and the amounts of variable pay for the members of the Management Board.

(C) The Strategy Committee

The tasks of the Strategy Committee include:

- (1) giving its opinion and recommendation to the Supervisory Board on the strategic plans put forward by the Management Board and any further suggestions made by the Supervisory Board regarding such strategic plan(s), and in particular on the main strategic options involved; and
- (2) consulting on all strategic projects related to the development of the Group, the monitoring of the evolution of industrial partnerships within the Group and projects involving strategic agreements for the Group. It then reports and makes recommendations on each of these projects to the Supervisory Board.

In particular, the Committee is invited to consider projects such as:

- (1) strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the Group's strategic partnership with Orange SA; and
- (2) significant acquisitions and sales of assets.

10.1 Information about Sponsoring Policy

Orange Polska has adopted a sponsoring policy. The sponsoring strategy of Orange Polska reflects the global sponsoring strategy of the Orange Group, focusing on the three main brand supporting fields: music, films and sports. In line with the adopted strategy, in these three fields Orange Polska develops long-term, comprehensive, nationwide projects addressed to a large group of its existing or prospective customers, acting as the titular sponsor. Orange Polska S.A. gets involved in various initiatives on a long-term rather than one-off basis. Implementation of one project in each of the three fields of sponsoring offers the highest efficiency in financial and image-building terms.

The implementation of our sponsoring policy is a responsibility of the Corporate Communication and CSR Director, to whom the CSR and Sponsoring Department reports. The key sponsoring projects are subject to approval by the Management Board of Orange Polska. Each sponsoring project has its own target Key Performance Indicators (KPIs), such as attendance, advertising value equivalent (AVE), number of publications, etc. Upon completion of a project, it is evaluated by the Management Board. We established the Sponsoring Committee to centralise sponsoring project management in the Orange Polska Group.

Furthermore, Orange Polska carries out its charitable activities through a dedicated corporate foundation, the Orange Foundation, and the Donation Fund.

As part of its donation policy, Orange Polska has adopted formal rules for using the Donation Fund. These are specified in the Decision no. 50/16 of the Executive Director in charge of Corporate Affairs dated 17 November 2016.

Orange Polska S.A. follows clear and transparent rules in making donations:

- Any donation requires analysis and recommendation;
- Any donation is subject to approval by the President of the Management Board of Orange Polska;
- Any donation is made under a written donation agreement;
- All donations are effected by transfers and registered in the accounting systems of Orange Polska S.A.;
- Each agreement includes a requirement to confirm that the donation has been used in line with its purpose.

The Orange Foundation, which carries out charitable activities on behalf of Orange Polska, has adopted its own strategy. The Foundation works towards modern education of children and youth, carrying out its own nationwide educational and social programmes to support the comprehensive development of young people. All its programmes and projects are based on the results of research and implemented in consultation with renowned experts in specific fields. At least twice a year, the Foundation submits reports on its activities to the Foundation Board, which includes representatives of the Founder, i.e. Orange Polska S.A. Furthermore, on an annual basis the Foundation submits a report on its activities to the Ministry of Education and draws up a financial report, which is subject to an audit. Reports of the Foundation are publicly displayed on its website.

The Foundation's policy fits into Orange Polska's social responsibility strategy, which is part of the business strategy of the Company. Our corporate social responsibility (CSR) strategy focuses on four areas which are of key importance from the point of view of our sector and our operations on the Polish market: digital inclusion, safe network, clear environment and enquiring team. Conclusions from a dialogue with stakeholders as well as market trends and social challenges for our industry at home and abroad have been an important road sign in the development of our CSR strategy. Responsibility for the implementation of the strategy lies with the CSR Steering Committee, which is made up of managers from different areas within the organisation. Our CSR initiatives are presented annually in Orange Polska's Corporate Social Responsibility Reports, which are developed in compliance with the international non-financial reporting standards, Global Reporting Initiative (GRI). Each Report is subject to approval by the Disclosure Committee and an audit by independent auditors.

10.2 Description of the Diversity Policy

Orange Polska has adopted the Diversity Management Policy, which was determined in the Decision no. 36/16 of the President of the Management Board dated 19 September 2016.

Our Diversity Management Policy supports the achievement of our business objectives, addresses changes in the labour market and responds to the expectations of our employees. The Policy supports the implementation of the values enshrined in the Code of Ethics, the social responsibility goals and the commitments specified in the Diversity Charter, of which Orange Polska is a signatory. In addition, the Policy refers to the Global Diversity Management and Inclusion Policy in Orange.

The key diversity dimensions in Orange Polska identified in its Diversity Management Policy are as follows:

- gender;
- age;
- competence / expertise / experience / way of thinking;
- psychophysical skills – (dis)abilities;
- parental status.

Other diagnosed dimensions include:

- religion / beliefs;
- workplace location (HQ vs. region);
- type of employment;
- nationality / ethnic origin.

With respect to administering, managing and supervising bodies, the rules specified in the Policy include proper selection of employees and leadership.

In the recruitment process, we follow transparent rules and criteria of candidate selection. Decisions to recruit particular employees are based on their qualifications and professional experience. We ensure that candidates represent diverse communities.

In terms of leadership, the diversity requirements include care for the diversity of decision-making bodies within the Company.

In complementary action plans to the Policy, we have assumed a requirement for analysis of management and supervisory bodies in terms of diversity with respect to such aspects as age, gender, education or professional experience.

The duties and responsibilities as well as the requirements related to qualifications, expertise and competence of Supervisory Board Members are specified in the Company's Articles of Association. In addition, Orange Polska applies the provisions of the *Best Practice for WSE Listed Companies 2016*.

The Supervisory Board currently consists of thirteen members, including five independent members. They are appointed by the General Assembly (or, in exceptional cases, by the Supervisory Board). The term of office for the member of the Supervisory Board is three years. There are three women on the Supervisory Board.

The Management Board currently consists of seven members, including the President. They are appointed by the Supervisory Board. The term of office for the member of the Management Board is three years. There are two women on the Management Board.

10.3 Report on the Remuneration Policy of Orange Polska S.A.

Remuneration Policy of Orange Polska S.A.

The strategy of Orange Polska S.A. is based on building and maintaining high customer satisfaction, while providing a full range of the best quality telecommunication, multimedia and specialised ICT services fitting both household and business needs, as well as offering extensive connectivity and high customer relationship standards.

The Remuneration Policy contributes to implementing the Company's comprehensive strategy. By enabling the recruitment, retention and motivation of the best managers and professionals in the specialised areas existing in Orange Polska S.A. it provides people prepared to achieve the strategic goals of the Company.

While recognising that employees are a key asset of the Company, the Policy supports the creation of favourable conditions in the digital work environment by stimulating the commitment to the Company's objectives, employee development and use of flexible work methods.

Remunerations within Orange Polska S.A. are compared to those offered by peer companies in the market. The remuneration level depends on the Company's financial results, and on the employee's individual contribution and performance.

Remunerations are determined in a manner ensuring balance and consistency across the Orange Group. Our Remuneration Policy complies with the labour law and corporate governance regulations.

The remuneration system consists of the following components:

1. Basic salary;
2. Performance bonus;
3. Discretionary bonuses;
4. Benefits.

Employees leaving the Company under the voluntary departure programme are offered severance pay. The terms of severance pay for employees are determined in a separate agreement with trade unions in compliance with the law, whereas the terms of severance pay for the managers excluded from the Group Collective Labour Agreement are settled in individual agreements and codified in their employment contracts.

Terms of remuneration for Orange Polska S.A.'s employees covered by the Group Collective Labour Agreement are determined in co-operation with trade unions.

1. Basic salary

Basic salary terms take into account the job remuneration standards related to the scope of tasks assigned to a particular job position as well as the market value of the work performed.

Orange Polska S.A. monitors the remuneration market by comparing, at least annually, the Company's salaries and remuneration practices to those adopted by the Polish market leaders, particularly ICT companies.

Orange Polska S.A. ensures the consistency of remuneration between job positions by taking into account the managerial and expert skills involved as well as job comparability between various parts of the organisation.

Orange Polska S.A. develops remuneration terms based on non-discrimination, particularly on the grounds of gender, age, disability, race, religion, nationality, political opinion, trade union membership, ethnic origin and sexual orientation.

Individual basic salaries are determined in the following process:

- Annual remuneration reviews, taking into account the evolving work standards of various professional groups and each employee's contribution to the achievement of goals;
- Promotions;
- Recruitment arrangements for candidates assuming their duties in a new professional area;
- Management of the risk of attrition of the most qualified employees leaving for the competition.

Management Board Members and Executive Directors

The Remuneration Committee of the Supervisory Board recommends the terms of employment, including the amount of basic salary, while taking into account the following aspects:

- scope of responsibilities and complexity of the particular job position;
- equality (employees with similar responsibilities, competence, experience and previous performance receive comparable remuneration);
- market competitiveness;
- individual contribution.

Based on the Remuneration Committee's recommendations, the Supervisory Board determines the basic salary of the Management Board Members, while the Management Board determines the basic salary of the Executive Directors.

2. Performance bonus

The purpose of the bonus system is to motivate employees to achieve high performance by attaining the predefined and agreed goals which support the implementation of the Company's strategy and growth of customer satisfaction. The system of goals stimulates co-operation among employees and business units by setting some solidarity goals in addition to individual ones.

Orange Polska S.A.'s bonus system is aligned with the specifics of the tasks performed by particular functions, which results in different levels of bonuses:

- Senior managers have a high share of bonuses in their total remuneration;
- Employees with sales goals have higher bonus or commission levels in the total remuneration than those without such goals.

For key managers, bonus is more related to the Company's performance, and depends more on the achievement of solidarity goals shared by all, whereas for experts/line managers, bonus is related to their individual performance and depends less on the solidarity components shared by the particular function or the entire Company.

The goals and bonuses are set for periods closely linked to the budgeting cycle.

All senior managers and line managers in the support functions receive bonuses on a semi-annual basis. Employees in the support functions, sales line managers and sales employees receive bonuses/commissions on a quarterly or monthly basis.

The detailed bonus terms are defined in the relevant Bonus Regulations.

Management Board Members and Executive Directors

Bonuses of the Management Board Members and Executive Directors depend on the attainment of goals based on the Company's long-term strategy and on financial performance. Solidarity goals delegated to managers are related to EBITDA and revenue ratios for the whole Company or particular segments of its activity as well as customer satisfaction from Orange services. Individual goals are related to functional performance and management quality.

The performance and bonuses of individual Management Board Members and Executive Directors are monitored directly by the Remuneration Committee of the Supervisory Board.

The ownership sharing programmes dedicated to senior managers are a special incentive to achieve long-term objectives. These programmes lead to managers' greater commitment to increasing the Company's value. The Incentive Programme for Senior Managers of the Group will be closed in October 2017. Currently the works are under development on the new project of long-term incentive programme for this group of managers.

3. Discretionary bonuses

The Company's long-term strategy is based on innovation and commitment to outstanding performance.

Discretionary bonuses encourage employees to get involved in the development of innovative solutions, implementation of strategic projects and cross-functional co-operation. Owing to this scheme, employees can be rewarded for achievements which exceed the expectations defined in their periodic goals.

Discretionary bonuses are awarded twice a year by the CEO or other Board Members or Executive Directors for outstanding achievements.

4. Benefits

In order to improve the quality of life and promote employee integration, Orange Polska S.A. provides a broad package of market-competitive benefits to its employees, building a valuable offer which supports employee recruitment and retention.

A unique benefit for employees is their eligibility for the Employee Pension Fund, which is financed by Orange Polska S.A.

The programme is an employee pension scheme (Orange Polska S.A. Employee Pension Fund).

The key areas influenced by Orange Polska S.A. through benefit schemes are as follows:

- health and physical activity;
- financial stability;
- improved quality of life;
- employee development.

Orange Polska S.A. wants all its employees to be the ambassadors of the Orange brand; therefore, it provides them with access to its own products and services.

The Remuneration Policy shall not constitute the basis for any claims by the Company's employees or members of the Company's governing bodies. The detailed terms of remuneration are regulated by individual employment contracts and the Company's by-laws.

Management Board and Supervisory Board Compensation

Persons that were Members of the Management Board of the Company as at 31 December 2015:

*(in PLN thousands)**12 months ended**31 December 2015*

	<i>Fixed compensation expense in 2015</i>	<i>Variable compensation expense in 2015¹</i>	Total compensation expense in 2015	<i>Additionally: Variable compensation expense in 2014, paid in 2015</i>
Bruno Duthoit	2 514	626	3 140	268
Mariusz Gaca	1 496	652	2 148	294
Piotr Muszyński	1 708	768	2 476	324
Jolanta Dudek ^{2,3}	194	98	292	-
- from Orange Polska S.A.	98	49	147	-
- from Orange Customer Service Sp. z o.o.	96	49	145	-
Jacek Kowalski	1 192	533	1 725	246
Bożena Leśniewska ²	226	101	327	-
Maciej Nowohoński	1 099	508	1 607	203
Michał Paschalis-Jakubowicz ²	239	101	340	-
Total	8 668	3 387	12 055	1 335

¹ Includes bonuses accrued in 2015 and paid in 2016, excludes bonuses accrued in 2014 and paid in 2015.² from the date of appointment as the Member of the Management Board of OPL³ Mrs. Jolanta Dudek is the Member of Management Board of Orange Polska S.A. and she was also the Member of Management Board of Orange Customer Service Sp. z o.o. until the merger of Orange Customer Service Sp. z o.o. with Orange Polska S.A.*(in PLN thousands)**12 months ended**31 December 2016*

	<i>Fixed compensation expense in 2016</i>	<i>Variable compensation expense in 2016¹</i>	Total compensation expense in 2016	<i>Additionally: Variable compensation expense in 2015, paid in 2016</i>
Jean - François Fallacher ²	1 521	468	1 989	-
Mariusz Gaca	1 550	636	2 186	329
Piotr Muszyński	1 778	665	2 443	351
Jolanta Dudek ³	899	373	1 272	98
- from Orange Polska S.A.	572	234	806	49
- from Orange Customer Service Sp. z o.o.	327	139	466	49
Jacek Kowalski	1 234	495	1 729	267
Bożena Leśniewska	1 031	418	1 449	101
Maciej Nowohoński	1 230	466	1 696	235
Total	9 243	3 521	12 764	1 381

¹ Includes bonuses accrued in 2016 to be paid in 2017, excludes bonuses accrued in 2015 and paid in 2016.² from the date of appointment as the President of the Management Board of OPL³ Mrs. Jolanta Dudek is the Member of Management Board of Orange Polska S.A. and she was also the Member of Management Board of Orange Customer Service Sp. z o.o. until the merger of Orange Customer Service Sp. z o.o. with Orange Polska S.A.

Persons that were Members of the Management Board of the Company in 2016 and in previous years:

*(in PLN thousands)**12 months ended**31 December 2016*

	<i>Fixed compensation expense in 2016</i>	<i>Variable compensation expense in 2016¹</i>	Total compensation expense in 2016	<i>Additionally: Variable compensation expense in 2015, paid in 2016</i>
Bruno Duthoit ²	2 930	193	3 123	276
Michał Paschalis-Jakubowicz ²	2 036	179	2 215	101
Total	4 966	372	5 338	377

¹ Includes bonuses accrued in 2016, excludes bonuses accrued in 2015 and paid in 2016² Compensation until the termination date (including post-employment benefits)

Supervisory Board compensation was as follows:

	<i>12 months ended</i>	<i>12 months ended</i>
	<i>31 December 2016</i>	<i>31 December 2015</i>
Maciej Witucki	420	419
Gervais Pellissier ⁽¹⁾	-	-
Marc Ricau ⁽¹⁾	-	-
Dr. Henryka Bochniarz	218	209
Federico Colom Artola ⁽¹⁾	-	-
Jean-Marie Culpin ⁽¹⁾	-	-
Eric Debroeck ⁽¹⁾	-	-
Ramon Fernandez ⁽¹⁾	-	-
Russ Houlden	394	390
prof. Michał Kleiber	139	-
Patrice Lambert ⁽¹⁾	-	-
Maria Paśło-Wiśniewska	210	135
Dr. Wiesław Rozłucki	321	314
Valérie Théron ⁽¹⁾	-	-
Dr. Mirosław Gronicki ⁽²⁾	77	216
Prof. Andrzej K. Koźmiński ⁽²⁾	154	392
Sławomir Lachowski ⁽²⁾	-	77
Marie-Christine Lambert ^{(1) (2)}	-	-
Gérard Ries ^{(1) (2)}	-	-
Total	1 933	2 152

⁽¹⁾ Persons appointed to the Supervisory Board of the Company employed by Orange S.A. do not receive remuneration for the function performed.

⁽²⁾ Persons that were not Members of the Supervisory Board of the Company as at 31 December 2016 but were Members of the Supervisory Board of OPL S.A. in 2016 or previous periods.

The Management Board Members and Executive Directors are entitled to a variable remuneration component equal to 50% of their annual basic salary in case of 100% goal achievement. In some cases, if performance is higher than 100%, the variable remuneration component may exceed 50% of the annual basic salary. The variable remuneration component is based on the achievement of OPL Revenues, adjusted EBITDA and specific telco indicators. As regards termination of employment, the termination notice period for Management Board Members is 6 months and they receive basic salary during that period.

In addition, they are entitled to one-off severance pay equal to 6 monthly basic salaries. All Management Board Members shall refrain from any competitive activity for 12 months after the termination of employment, and they are entitled to compensation for this ban equal to 6 monthly basic salaries.

In addition, the President of OPL Management Board is entitled to the Stretch Bonus based on the adjusted EBITDA as a financial trigger.

Furthermore, those Management Board Members and Executive Directors who are expatriates are eligible for benefits connected with staying in Poland as foreigners, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

Information about Non-financial Remuneration Components Due to Each Management Board Member and Key Manager

The Management Board Members and Executive Directors are entitled to the following non-financial remuneration components: health care package, life insurance in OPL, company car, legal indemnity in the event of personal liability, and access to Orange services in line with the relevant OPL's policies. In addition, the Management Board Members and Executive Directors, having worked at OPL for more than 6 months, are eligible for the Employee Pension Programme (PPE).

The key managers other than Executive Directors are entitled to health care package, company car and an access to Orange services in line with the relevant OPL's policies. In addition, all key managers, having worked at OPL for more than 6 months, are eligible for the Employee Pension Programme (PPE).

After enrolment to the Employee Pension Programme (PPE), the PPE contribution for all participants is paid by Orange Polska S.A.

In addition, French key managers are eligible for benefits connected with staying in Poland as foreigners, which are included in the Orange Group International Mobility Policy package and payable on a one-off basis or throughout the year. These include housing allowance, plane tickets, French social insurance premiums, etc.

Changes in Remuneration Policy Practices within 2016 and Assessment of the Current Rules

The key changes in remuneration policy practices in 2016 were as follows:

- Including new KPIs based on sales of convergent and fibre services into periodic performance assessment of all senior managers. These new assessment criteria are closely linked to individual bonuses.
- Extending periods of performance assessment and bonus payment for line managers from three to six months to ensure close connection between the cycles of setting/assessing individual goals and planning/updating the Company's budget. Sales line managers receive bonuses for shorter periods aligned with the market segment specifics.
- Implementation of a new bonus model in the Real Estate and Wholesale Divisions, which is based on no-cap assessment for goals directly linked to revenues.

In 2016, Orange Polska did not launch any new programme of distribution of its own shares or any derivatives connected with ownership sharing.

The adopted remuneration solutions allow for the effective retention of key managers and experts. The distribution of salary rise funds amounting to 2.5% of the sum of basic salaries as of 31 January 2016 (in line with the Social Agreement concluded with trade unions for the years 2016–2017) kept the fluctuation of employees on their own initiative at a low level (about 4.1%).

The remuneration packages offered allow the Company to effectively attract new employees from the market—the average time of recruitment is about 21 days. However, due to an increase in demand for employees in particular shallow market segments of high competencies in new technologies, greater challenges in retaining and attracting engineering staff for the new technologies functions should be expected in the future.

The initiated delegation of solidarity goals, common for professionals from different divisions, has considerably improved co-operation between different business units of the Company.