

2019

Integrated Report

Orange Polska



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We continue our commitment to communicating with our shareholders and other stakeholders in a way that combines the financial and non-financial aspects of our business.



Introduction



Message from CEO

Dear All,

Welcome to Orange Polska's integrated annual report, in which we present both the financial and non-financial results of our business activities in 2019. Combining all these aspects into one document allows us to show you our performance in a wider context, and discuss how we create value for our various stakeholders at the same time as building a more sustainable business for the long term.

2019 was a very successful year for Orange Polska. We delivered on our financial commitments, and strengthened our confidence that despite numerous challenges we are well on our way to a return to sustainable growth. But an enterprise like ours cannot pursue growth in isolation: our success must also be judged by our relations with employees, our impact on local communities, our contribution to economic development, and of course our impact on the environment. The Polish economy has grown continuously for the last twelve quarters, and at a much faster pace than the EU average. Strengthened by this growth, Polish enterprises must now reflect on how we operate. It's time to recognise that being a responsible business means striving to achieve a common goal: development that benefits society as a whole. There can be no economic development without its social and environmental sides, and that should be written into our Company's DNA.

As we compile this report at the end of the first quarter of 2020, we are in uncharted territory: due to the global pandemic, the world around us suddenly looks very different. We know that the near future will present us with unprecedented challenges. There will be a lot of risks, but hopefully opportunities as well. I would like to assure you that Orange Polska has very strong fundamentals and is already working hard to adapt to this new environment.

Over the past few years, Orange Polska has made great strides towards an integrated way of thinking about our performance and our responsibilities. But we will not rest on our laurels. As we move forward on the path back to growth, during this period of prolonged stress for both our society and our economy, we must set goals in a spirit of sustainable development, and transform our business models into more innovative and sustainable ones.



Jean-François Fallacher
President and CEO of Orange Polska



About the report

Our approach to reporting

Orange Polska is pleased to present its fourth integrated annual report. The report is published every year. The previous integrated report was published in April 2019. We continue our commitment to communicating with our shareholders and other stakeholders in a way that combines the financial and non-financial aspects of our business. It presents our business model, our value creation story, the economic and social context of our operations, how we implement our strategy, how we are governed and how we influence the environment.

In order to provide complete and comprehensible scope of information, we engage our Management and Supervisory Board members into a dialogue during the process of collecting information and drafting the report.

We hope that by reporting in this way we can demonstrate to our investors, as well as, other stakeholders the wider context of our business activities, and explain our responsible approach to doing business. We create value not only in financial terms, but in other forms such as trust, reputation, job satisfaction, customer loyalty and good relations with local communities. We encourage you to read the report and share your opinions by sending us your feedback to investors@orange.com.

Scope and boundaries

The content of this report addresses key developments and material matters for the period 1 January to 31 December 2019. The Report covers the operations of Orange Polska Group. It provides insight into our business model, our strategic priorities, and the external and internal environment in which we operate: all factors which determine our strategy. It provides both qualitative commentary and quantitative performance measures. The report content is driven by materiality, and it sets out to address the most important topics for different groups of our stakeholders.

The report also includes information on the indirect impact of Orange Polska in the value chain-building relationships with suppliers, public administration, business and social partners. We refer to our impact on the economy, local communities and the environment. For the purposes of this report we have included our selected financial data and our most material social and environmental information.

The content and the layout of this report are based on the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (Standard) guidelines, ISO 26000 and the Global Compact Principles. The report also reflects the directions in EU legislation on disclosures of non-financial and diversity information and refers to the Sustainable Development Goals.

Our last year's Integrated Report received the distinction in the category the Best Integrated Report in the 13th edition of the Social Reports Competition. The award was given for a mature and comprehensive report, in particular for describing the business model and consistently maintaining a high quality report for many years. The Social Reports Competition is organized by the Responsible Business Forum and Deloitte. The partners include: The Ministry of Finance, Ministry of Development Funds and Regional Policy, The Association of Stock Exchange Issuers, The Consumer Federation, The Warsaw Stock Exchange.

Company and our stakeholders



Orange Polska is one of leading telecommunication providers in Poland, operating in all segments of the Polish telecoms market.



About our Company

Orange Polska is one of leading telecommunication providers in Poland, operating in all segments of the Polish telecoms market. The Group owns the largest telecom infrastructure in Poland, providing voice and data services on fixed and mobile networks.

Orange Polska is 50.67% owned by Orange S.A., one of Europe's leading telecom operators. Orange Polska's success is founded on a portfolio of competitive products, a powerful, proactive sales force and outstanding customer care, supported by a robust infrastructure and highly motivated employees. Co-ordinating our efforts around a lean, agile operating model will ensure that we deliver healthy and sustainable returns to our shareholders.



Orange Polska mission

Provide Polish consumers and businesses with the best high-speed connectivity and an unmatched customer experience. We will achieve this by designing simple, digitally-enabled services on mobile and fibre, allowing our customers to be always in touch and connect to what is essential in their lives.

Orange Polska vision

Loved by customers
Valued by shareholders
Preferred by employees

Let's win customers' loyalty!

We aim to provide best in class connectivity and convergent digital services to the people of Poland thanks to our unique combination of high-speed broadband fixed and mobile networks, our wide geographic presence, our skilled and customer-focused employees and the values of our Orange brand. We want to be the efficient, socially responsible and "human inside" Polish operator of choice, allowing everyone to connect to what is essential in their life.

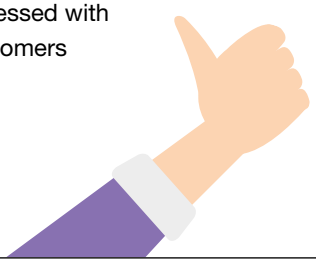
2020 ambitions

#1 very high-speed broadband
#1 convergence
#1 in customer experience
#1 digital telco

Orange values:

Helpful

obsessed with customers



Simple

simplification, focus, speed and agility

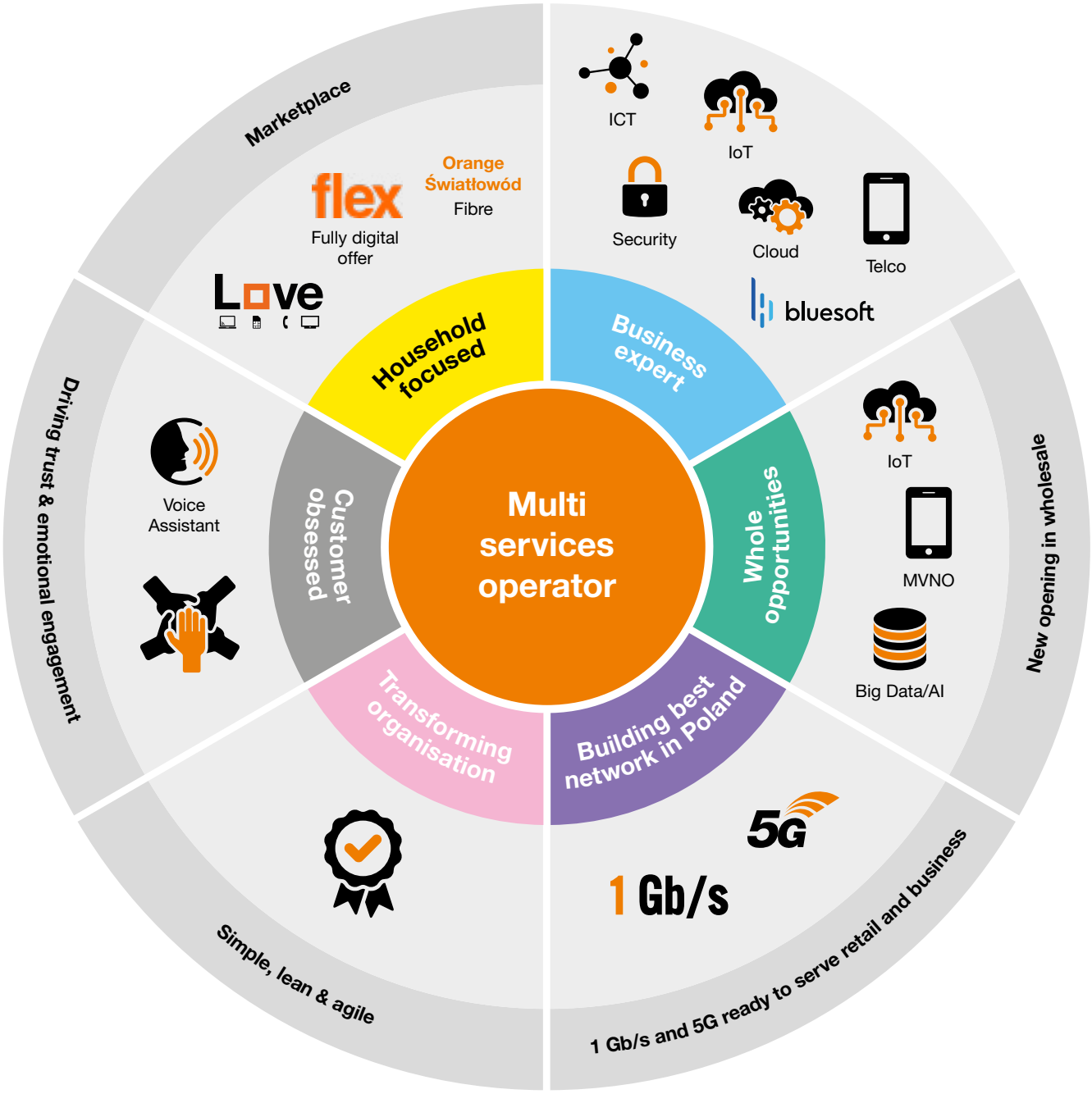


Honest

trusting each other, honest and straightforward



Focused growth through smart use of our assets



Orange Polska in 2019 in numbers

Shareholder structure



Orange SA
50.67 %

Other shareholders
49.33 %

11.4 bn PLN
Revenues

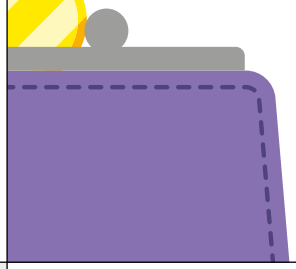
3.0 bn PLN
EBITDAaL

26.4 %
EBITDAaL margin



2.1 bn PLN
Capital expenditures

Market cap
9.3 bn PLN
at year end



3,497
No. of volunteers among employees

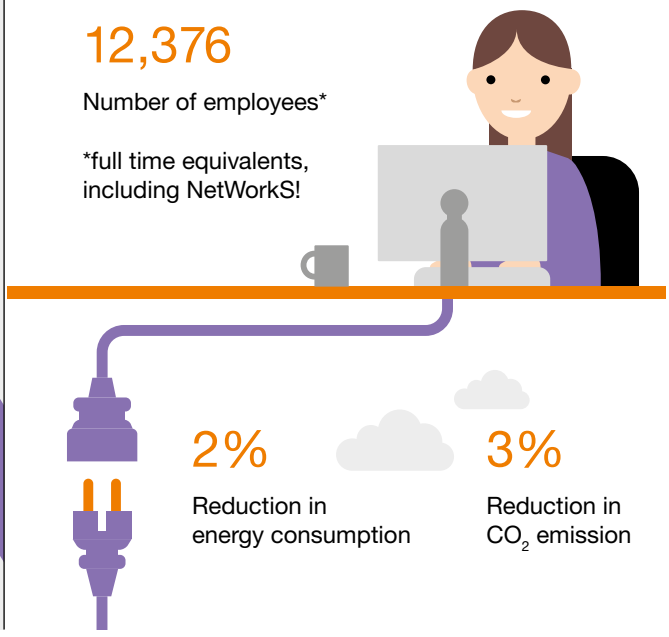
1,114,868
Children involved in the safety internet initiatives

3,977
Educational institutions ran social programmes supported by Orange Polska



12,376
Number of employees*

*full time equivalents, including NetWorkS!



2%
Reduction in energy consumption

3%
Reduction in CO_2 emission



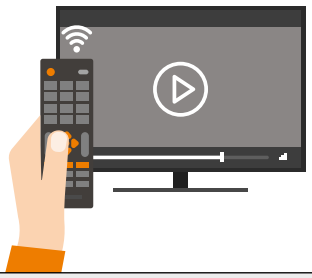
Convergent customers	1,697,000 (+9.7% yoy)	B2C 1,369,000 (+10.8% yoy)	B2B 329,000 (+5.8% yoy)



Mobile accesses (SIM cards)	15,284,000 (+3.2% yoy)	Post-paid 10,237,000 (+3.2% yoy)	Pre-paid 5,047,000 (+3.4% yoy)



Fixed broadband access (retail)	2,607,000 (+1.8% yoy)	Fibre 520,000 (+42% yoy)	VDSL 543,000 (+8.0% yoy)

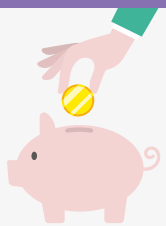
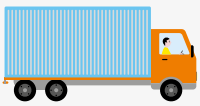


TV customers	994,000 (+5.4% yoy)		



Fixed voice lines (retail)	3,109,000 (-8.7% yoy)		

Our stakeholders

	Why it is important to engage
 **Investors**	As a listed company we take care of our investors and the financial community.
 **Customers**	Our customers are vital for the success of our business and we put them at the heart of everything we do.
 **Employees**	Engagement of adequately skilled and motivated employees plays a critical role in delivering excellent customer service and increasing long-term value generation.
 **Business Partners**	Building strategic alliances can help to ensure the quality of our network and broaden our portfolio of customer offers.
 **Suppliers**	Suppliers and contractors impact on our ability to provide products and deliver services.
 **Government and regulators**	As our industry is regulated, it is essential for us to establish and maintain constructive relationship with the regulator.
 **Communities**	Empowering local economies strengthens the socioeconomic context in which we operate.

Through dialogue with our stakeholders, we learn to respond to their expectations more effectively. This chart identifies our key stakeholders, their concerns and how we engage with them. In the course of our business activities, we come into contact with members of each of these groups, every day.

Ways we engage	How often we engage	What matters most to them
Providing detailed and transparent communication of financial and operational results; engaging in direct dialogue with investors through participation in roadshows, conferences and meetings; dedicated IR website.	Quarterly and annual results publication and meetings; surveys; continuous direct contact	Transparent financial information; turnaround in revenue, EBITDA and cash flow. Monetisation from network investment. Dividend prospects. (pp. 90-91,135-142)
Dialogue with customers: listening & responding; customer satisfaction surveys, including NPS.	Continuous direct contact; regular customer opinion surveys (monthly, quarterly, annual and ad hoc)	A reliable and resilient network; good coverage; safe services; simple, transparent offers and pricing; good convergent offer; excellent customer service; easy access to services. (pp. 30-32, 51-52, 62-72)
Employee training, and talent development; dialogue with employees: satisfaction survey; dialogue with Trade Unions.	Continuous direct contact; regular satisfaction surveys twice a year	Friendly and modern work environment; competitive remuneration levels; safety standards; clear career path and motivation system; opportunities for development. (pp. 83-88)
One-on-one business meetings; agreements based on fair rules of co-operation.	Regular and on-going contact	Transparent and fair rules of co-operation. (pp. 34, 39, 111)
Dialogue and building of long-term relations with suppliers; group assessment: opinion surveys; audit.	Regular and on-going contact; opinion surveys at least once a year	Fair treatment; transparent rules of tenders and co-operation; timely payment, favourable terms. (pp. 33, 39, 111)
Maintaining constructive dialogue with regulator; consultation process; dedicated reporting; meetings; participating in industry conferences.	Regular and on-going contact	Licensing and compliance; quality of services and network performance; wider access to broadband; partnership in health and education; investment in disadvantaged communities. (pp. 23, 29, 11-112)
Co-operation with communities; programme partnership with educational and social institutions.	Regular and on-going contact	Investment in infrastructure; social investment in communities. (pp. 77-82)

Business model and value creation





Orange Polska creates value for its customers by providing a friendly and effortless customer experience.

Business model

Orange Polska creates value for its customers by providing a friendly and effortless customer experience. We do this by supplying unmatched connectivity, and by selling a broad portfolio of innovative convergent, mobile and fixed products and services, supported by a proactive sales force, outstanding customer care, and highly motivated employees. Satisfied customers provide the revenues and profits the Company needs to reinvest in the business, ensuring continued value creation for all our stakeholders.

External environment (Regulatory, Economic, Telecom market, Supply Chain, Social, Environmental)

Key resources

Natural
- Spectrum
- Energy
- Climate

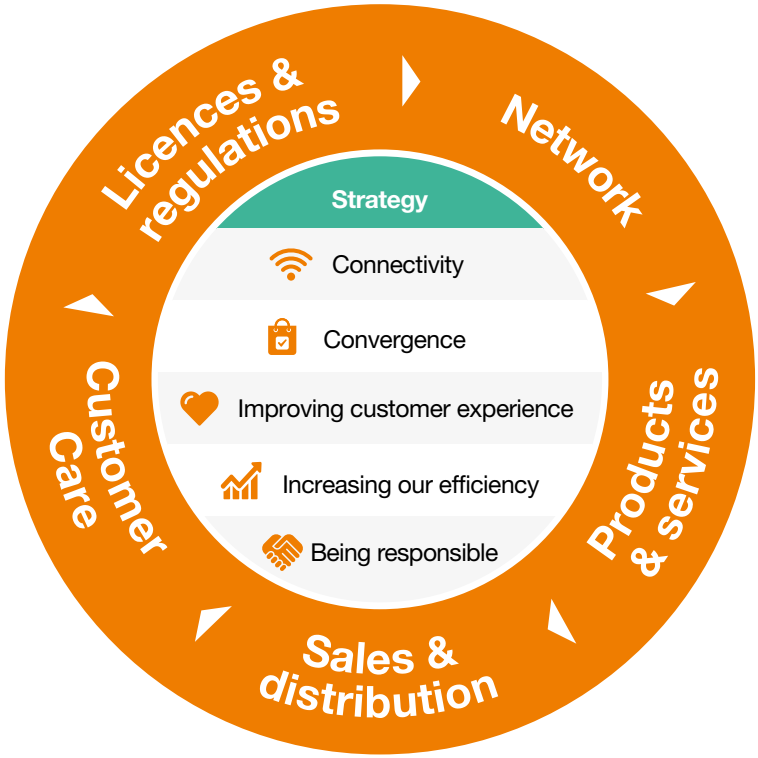
Financial
- Debt
- Equity

Manufactured
- Network infrastructure
- Software
- Points of Sale

Human & intellectual
- Employees
- Innovation
- Knowledge about customers and market

Social & relationship
- Brand
- Relations with market regulator, authorities and financial community
- Business partners
- Social impact

Business model



Internal environment (Corporate governance, Corporate culture)

Our business model is broadly unchanged compared to the previous Integrated Report As the climate neutrality is a challenge for the whole world and we are actively reducing our impact on the environment, we decided to add “Climate” to our natural resources.

Outputs

Unmatched data connectivity for households and businesses

- Providing best connectivity
- Delivering a palette of services adjusted to customer needs

Effortless and friendly customer experience

- Optimal sales channel mix
- Making customer journey easy and friendly

Acting in an effective and responsible manner

- Focus on efficiency
- Management of the impact on the environment
- Impact on society
- Being digital and caring employer

Outcomes

Value creation for all stakeholders

Performance measures – KPIs

Risk management

Key resources

Natural

Spectrum

Orange Polska is Poland's leading telecommunication provider, operating in all segments of the Polish telecom market and holding licences for 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequencies. Spectrum is a scarce and unique natural capital, to which access is regulated at the national and European Union level. Our access to the spectrum required for rendering telco services is at the regulator's discretion. The amount of spectrum that is at our disposal influences the competitiveness and quality of the services we render.

Energy

Expansion of the telecommunications infrastructure in response to the growing demand for information flow entails higher demand for electrical energy in our industry. In order to compensate for this environmentally unfriendly trend, we take steps to optimise energy consumption. We also reduce electricity consumption through replacement of older technical devices with modern energy-efficient ones, modernisation of cooling systems, introduction of energy saving functionalities, and so on. We manage natural resources efficiently, monitoring the consumption of energy and other resources, as well as carbon dioxide emissions related to our operations.

Climate

Recent studies show that climate change is occurring at a faster pace than previously forecast. According to a UN report, only curbing global warming below 1.5°C will guarantee that the quality of life will not worsen and the world that we know will be saved. Average global temperatures have already warmed by 1°C compared to the pre-industrial era. In order not to exceed the 1.5°C threshold, we need to take concerted action immediately, so as to become climate-neutral by 2050. The first step in this direction is to reduce global greenhouse gas emissions.

Climate neutrality is a challenge for the whole world. Owing to Orange Group's presence in 27 countries, we can act both locally and globally to help mitigate climate change. To this end we reduce our negative impact on the environment, decrease CO_2 emissions, save energy, introduce circular economy principles and provide innovative services which help our customers to protect the environment. It is the Group's commitment to achieve climate neutrality by 2040.

Financial

Debt and equity

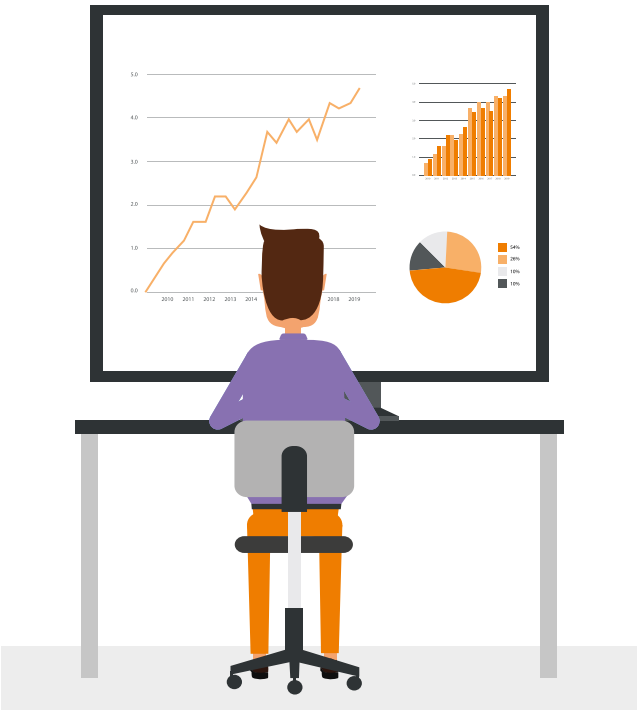
We aim to maintain a responsible capital structure to support our business operations and finance capital expenditures. Equity and debt are balanced to remain within the frame of a safe financial structure and good credit standing.

Since 2014, our external funding needs are sourced from our majority shareholder Orange S.A. Such a policy allows for synergies in processes and cost efficiencies, as Orange S.A. is one of the largest telecom companies in Europe with ready access to a broad range of financing sources. The funding is provided on an 'arm's length' basis, supported by market benchmarks.

Almost our entire debt is denominated in the local currency while its small part foreign currency denominated is hedged against currency fluctuations.

At the end of 2019 the duration of debt stood at 2.4 years on average. This is allowing us to maintain a balance between optimal costs and stable financial structure.

Our leverage is closely monitored and the ratio of net financial debt to adjusted EBITDAaL is a key measure of financial structure and liquidity.



Manufactured

Network Infrastructure

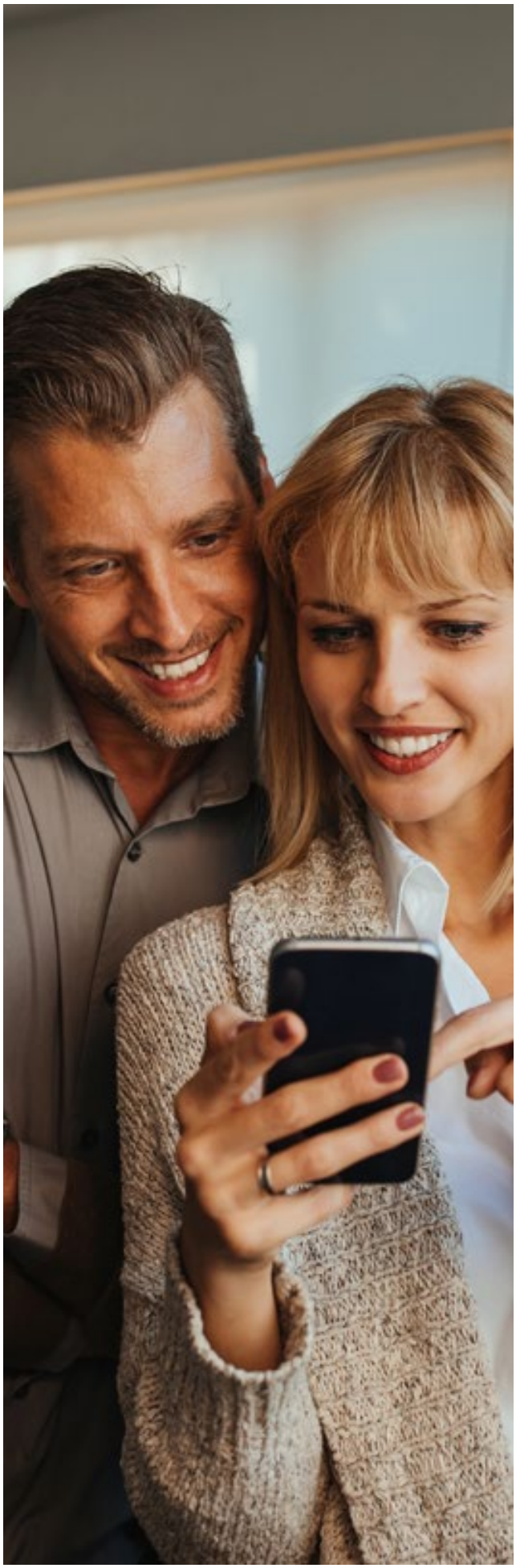
Our activities require significant manufactured capital: our mobile and fixed line networks, service platforms and IT systems are the foundations of the products our customers rely on. Maintaining a reliable and fault-free network is critical to our business success. We have to respond to changes in technologies and invest in the right mix of technologies - for example, we are currently making significant investments in the rollout of the fibre network. In our view this is necessary for us to stay competitive in the market and be in a position to offer the best convergent services. Over the last 10 years we have invested more than PLN 25 billion in fixed assets.

Software

We run a number of service platforms that combine our network and IT resources to underpin many of the key products we offer. Our internal IT systems enable us to manage our processes, handle customer information and deliver our products and services.

Points of Sale

We reach our customers and sell our products through various distribution channels: traditional points of sale (POS), telesales, active sales, alternative channels and on-line sales. This wide distribution network ensures that everyone has access to our products and services. Our distribution network is constantly evolving in line with changing customer preferences. At the end of 2019 we had 708 POS all over Poland, of which 33% (235 stores) were modernised in a new visualisation. 143 of our POS are adapted to the needs of customers with disabilities.



Human and intellectual

Employees

Engagement of adequately skilled employees plays a critical role in increasing long-term value generation. We invest in our people so they can succeed and contribute effectively to our business. We value diversity, providing equality of opportunities which we believe leads to higher skills-set and higher innovation - diverse workforce fosters greater innovation, helps us to better understand and serve our customers and empowers our peopleto deliver their best. Orange Polska Group has 12,376 employees (including NetWorkS!), while outsourced staff number 3,203.

Innovation

We have created Orange Labs to support development of new technologies and innovations. It is part of the international Orange Labs network, which includes over a dozen research and development (R&D) centres and laboratories. Orange Labs co-operates with external partners to develop, select and implement innovations, undertaking R&D tasks for both Orange Polska and the Orange Group. Any financial settlements between Orange Polska and Orange Group are done on an 'arm's length' basis, supported by market benchmarks. The main areas of activity are: Digital Personal Life, Software Infrastructure, Ambient Connectivity, Digital Society, Data & Knowledge Trust & Security and Internet of Objects. R&D and co-operation with start-ups are very important to our business; we spend around PLN 50 million on research and development annually. We follow the Open Innovation model. As a result, our social impact is not limited to the direct influence of our innovations on the lives of people and communities, but is also reflected in the transfer of know-how to our partners.

We also empower employees to create innovations and implement their ideas to improve both: customer and employee experience. Program 'Oz' is to stimulate innovation driven by everyone in the Company and is based on four pillars: continuous improvement, wall of ideas, innovation challenges and intrapreneurs studio. Oz is enabling everyone in Orange Polska to take action, allowing employees to express themselves in a useful manner, receive support in developing their ideas and earn recognition from the Company and their peers.



Knowledge about customers and market

Knowledge about our customers and our market is crucial to our success. Building trust and loyalty among our customers and giving them what they want is vital to our sustainability in an increasingly competitive industry. The voice of our customers has a major influence on our business decisions. To deliver unmatched experience throughout the customer journey, we engage in active dialogue with our customers on different levels.

We conduct comprehensive surveys which compare our offers, products and network quality to those of our competitors. Our managers are engaged in a "Call Detractor & Promoter" initiative to solve customers' problems and to better understand our own strengths as well. They also help frontline employees to understand the customer perspective.

Social and relationship

Brand

Orange – strong globally…
Orange is a global company, serving over 250 million customers around the world and present in 29 markets.

In 2018, the Brand Finance ranking valued the Orange brand at $22.2 billion, making it the 51st most valuable brand in the world, first in France and eighth most valuable telco brand globally.

…and leading in Poland
According to external market research conducted in December 2019 (by PBS Research Agency), Orange was the first choice brand for Polish consumers with respect to Mobile voice (26%), Mobile broadband (22%), Fixed broadband (22%), Packages (22%) and Fibre (20%). It has also brought us high communication awareness for mobile market in December 2019 (57%).

We have been optimistic about technology, while making it accessible to as many people as possible. That's why our role is "always in touch to connect what's essential in your life". Our Human Inside philosophy guides us in everything we do to ensure that everyone can easily use and know how to make the most of digital.

The Orange brand supports our philosophy and brings our role to life through powerful brand experiences that create positive impact.

The Orange brand is our consistent asset across all countries, and one of most valuable. It is also instrumental in demonstrating that we are a digital, efficient and responsible company.

Relations with market regulator, local authorities and the financial community

Good relationships with our key stakeholders are vital to the success of our business. To us, this means building trust, readiness for dialogue, and keeping in touch on an ongoing basis. In particular it is essential for us to establish and maintain constructive dialogue with the telecom regulator and local authorities. As a listed company we take care of our investors and the financial community by providing transparent communication of our financial results and engaging in direct dialogue with them.

Relations with business partners

Orange Polska is a partner or member of a number of industry, business and social organisations. We want our relations with our suppliers and business partners to be based on transparent long-term relationships and adherence to ethical standards and principles. We co-operate with both global vendors and local market players. Our activities include both one-off purchases and long-term contracts with 3,317 suppliers. We follow a competitive and open procurement policy which is ensured by the Procurement Process Rules. The document includes procurement procedures which regulate supplier selection, contracting and confidentiality, and address potential conflicts of interest. Our principles of cooperation with suppliers regarding social, ethical, environmental and human rights issues are contained in the Supplier Code of Conduct, which is part of the contract.

Social impact

It is important for us to maximize Orange Polska's positive social impact and minimize any negative consequences, which is why we have created a corporate social responsibility (CSR) strategy. Combating digital exclusion is an important element of this strategy, involving not only access to new technologies but also education, particularly of young web users as well as residents of small towns and rural areas. We believe that teaching people to use new technologies for both their own benefit and that of the community is just as important as providing the technologies themselves. Through its initiatives the Orange Foundation has been encouraging people to gain knowledge, participate in culture and build communities with skilful use of the internet and digital technologies. This knowledge not only improves quality of life and contributes to society as a whole, but also benefits the long-term development of our business.



Business model

Licences and regulations

To be able to render mobile telecom services we require access to radio spectrum. The amount of spectrum that is at our disposal influences the competitiveness and quality of the services we render and ultimately the customer experience. This is especially important in the light of huge growth in mobile data consumption. Our competitive position in radio spectrum significantly improved in 2016 following completion of the relevant auction towards the end of 2015. As a result of the auction we acquired 10 MHz spectrum in 800 MHz band (the maximum that was allowed) and 15 MHz spectrum in 2600 MHz band.

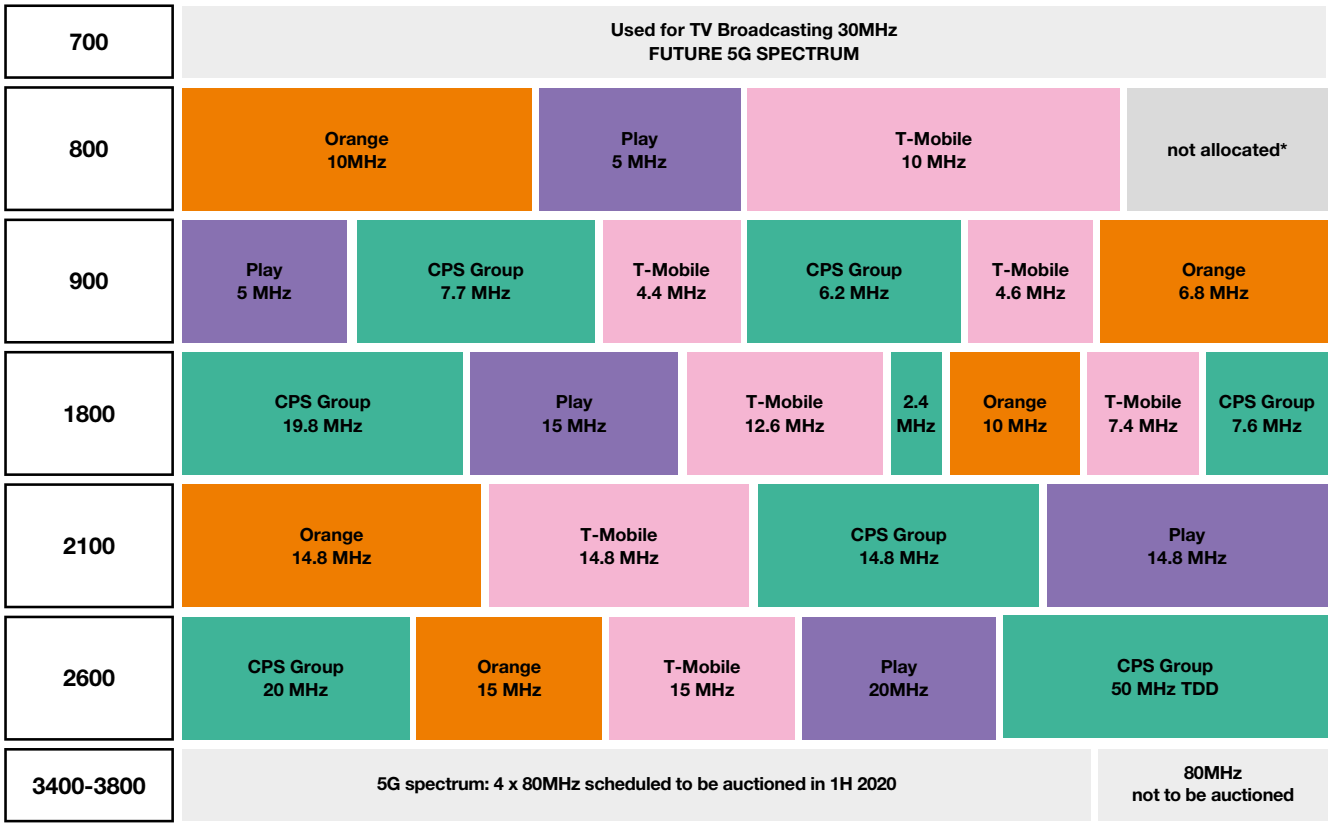
In order to continue to assure the best customer experience we need to continuously optimise our effective use of spectrum. Taking into account growth of LTE data traffic and lower needs for 3G and 2G services, we decided to start the process of spectrum re-farming to newer technologies, with focus on 4G layer extension. Already in 2018 we re-farmed part of 900 MHz band from 2G to 3G, allocating twice more spectrum resources to 3G technology, while only small part of the bandwidth is currently dedicated to 2G services. We are also finishing re-farming of 1800 MHz and 2100 MHz to 4G. At the end of 2019 works were finished on 88% of LTE 1800 sites while 81% of sites with 2100 MHz equipment supported LTE2100. As a result of all changes the amount of spectrum dedicated to LTE/4G network capacity will increase by 38%. Re-farming also means that we are changing the model of cooperation with T-Mobile regarding 900 MHz and 1800 MHz bands from the one based on co-usage of spectrum (MOCN) to the one based on sharing infrastructure (MORAN). This means we do not share frequencies anymore, but thanks to optimization of all frequency resources, we can offer more capacity to our customers.

Future development of 5G services will require the acquisition of necessary frequency resources. It is assumed that three bands will be used for 5G network: 3.4–3.8 GHz, 700 MHz and 26 GHz. None of the above bands is available today. 3.4–3.8 GHz band will become available as first. The auction for those frequencies was announced as of March 6th and the allocation was scheduled to be done until end of June 2020. However due to COVID-19 pandemic it is likely to be delayed. Each winner of one of 4 available lots will be entitled to use 80 MHz of the spectrum for the following 15 years, There is still some (limited) legacy usage of auctioned spectrum thus actual spectrum availability will be differentiated for each spectrum block in each commune and will change in time. All spectrum winners will be obliged to start services in at least one Polish voivodship city still in 2020.

700 MHz band is currently in use by TV broadcasters and is required to be available by 30th of June 2022. However, the availability of this part of spectrum also depends on international arrangement with eastern neighbours of Poland, where this spectrum is used for digital and analogue TV and also for radionavigation (in Russia). Additionally model of the allocation of this spectrum remains unknown. There are ongoing analyses on the potential allocation of 700 MHz to the state-owned entity who would act as wholesaler (project #polskie5G).

26 GHz band can also be available after some rearrangements. Moreover changes to National Frequency Plan (Krajowa Tablica Przeznaczeń Częstotliwości) implemented in 2019 released part of 26.5-27.5 GHz for civil usage, while formerly this part pf spectrum was for military purpose only. It can be expected that allocation of 26 GHz spectrum will be no earlier than in 2021.

Current distribution of frequencies for the 700–2600 MHz bands and 3400-3800 MHz bands



* License for Cyfrowy Polsat Group (CPS) to use this block expired at the end of 2018.

Details of telecommunications licences are as follows:

(in PLN millions)	*Acquisition date*	*Years to expiration* [2]	*Net book value*	
			At 31 December 2019	*At 31 December 2018*
800 MHz	2016	11.1	2,266	2,471
900 MHz	2014	9.5	228	252
900 MHz [1]	2018	1.0	12	24
1800 MHz [1]	2013	8.0	127	143
1800 MHz	1997	7.6	-	-
2100 MHz	2000	3.0	290	384
2600 MHz	2016	11.1	87	95
Total telecommunications licences			3,010	3,369

[1] Licences held under agreements with T-Mobile Polska S.A.

[2] Remaining useful life in years as at 31 December 2019.

Network

Network development driven by customer needs

Our activities with respect to network development are driven primarily by the needs of our customers. These needs are evolving along with the growing number of mobile devices, as well as the increasing popularity of cloud services, high-resolution videos, games and streaming platforms (in 2019, Netflix became the largest traffic source). In addition, our customers increasingly expect secure access to the digital world, with optimal quality and speed, at home, at work and on the move, regardless of technology and device (laptop, tablet, smartphone, TV). We believe that network reach and connectivity is one of the key criteria when choosing a telecom service provider.

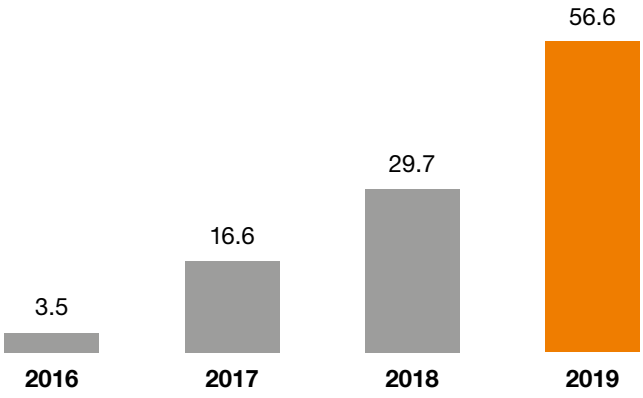
To fulfil these needs, our network has to be widely accessible, reliable and safe. We operate by far the largest convergent network infrastructure (combined fixed and mobile networks) in the Polish market. That means we can ensure the best network connectivity.

The largest network infrastructure in Poland

As the former incumbent operator, we have the largest network infrastructure in Poland, supporting both fixed and mobile services. It includes around 15,400 km of fibre in backbone, 90,400 km of fibre in aggregation network and more than 443,000 km of access copper network. The access network is predominantly built in copper technologies; fibre accounts for around 56,600 km at the moment, although it is growing rapidly in line with our intensive fibre investment plans to be continued in the year 2020.

Fibre is also increasingly used to connect our mobile base stations, on one hand to boost capacity to accommodate growing data consumption and on the other hand to ensure greater reliability of the network. In 2019 additional 127 base stations were connected via fibre. At the end of the year, about 56% of our mobile base stations were connected to the backbone through fibre. Mobile and fixed networks share not only cable infrastructure but also higher network layers like core, control and service platforms. We will gradually transition our network to be fully IP-based in the years ahead, which will require the elimination of certain network elements (e.g. PSTN stacks).

Length of fibre access network (in '000 km) graph





Access network based on technological evolution, local approach and customer demand

To ensure the best connectivity and optimum resource allocation we take into account the specifics of local markets. In cities, we are focusing on the development of Fibre to the Home (FTTH) coverage, whereas in less populous areas, copper-based technologies, supplemented by mobile ones, are the primary broadband access solution. We also roll out our fibre network in smaller towns and in suburban areas on a selective basis, also within the framework of Operational Programme 'Digital Poland' (POPC). Such a strategy stems from the very individual demand for fibre services in local markets. We are increasingly expanding our fibre network into single-family housing districts, though apartment buildings are still the primary target for our investments.

In the fixed network, we are continuing with an intensive roll-out of fibre in line with our medium-term action plan. At the end of 2019, our fibre access network covered 4.2 million households in 142 cities and towns.

In the mobile network, thanks to LTE800 rollout based on frequencies purchased in 2016 and earlier Investments in the 1800 MHz layer we were able to ensure almost 100% coverage with our 4G network. In response to the growing demand for high-speed internet access, Orange Polska is also steadily increasing the number of locations supported by LTE Carrier Aggregation technology (4G+), which multiplies available bandwidth.

Network reliability and resilience requires the constant upgrade of self-healing network mechanisms and continuous quality monitoring. We are capable of monitoring service quality not only at the statistical level but also from the perspective of an individual customer. We are proactive in our approach and respond before parameters start to deteriorate, preventing network congestion, thus ensuring the same connectivity experience, whether customers use our mobile or fixed networks.

Preparations for the 5G launch in Poland

Over the coming years 5G technology will gain in importance. In 2019, the Telecommunications Law was amended. The key changes include: enabling the President of the Office of Electronic Communications (UKE) to announce an auction or tender with respect to frequencies for which licences have not expired yet, but are to expire soon, and changes aimed to ensure the efficiency and effectiveness of auction or tender procedures. As a result of these changes, the bandwidth allocation and, consequently, the 5G network launch can be conducted much earlier (the latter could happen immediately upon the expiration of the current licences).

In the beginning of 2019, the President of UKE carried out initial informal consultation on an auction dossier for 3400–3800 MHz frequencies, which are the key band for the first stage of the 5G roll-out and the primary carrier for this new technology in urban areas. In subsequent months, the President of UKE made intensive efforts to withdraw the rights to use this spectrum from the entities which do not use the allocated frequencies and radio licences in any way. As a result, the frequency blocks offered in the auction will be free of geographical or time constraints as much as possible. In the autumn, discussions with operators on the possible technical conditions of using the spectrum were initiated. Thanks to the aforementioned actions, in early December, an auction dossier for four frequency licences in the 3400–3800 MHz band, 80 MHz each, was released for consultation. The consultation was completed on January 10, 2020. The auction for those frequencies was announced as of March 6th and the allocation was scheduled to be done until end of June 2020. However due to COVID-19 pandemic it is likely to be delayed. Each winner of one of 4 available lots will be entitled to use 80 MHz of the spectrum for the following 15 years. There is still some (limited) legacy usage of auctioned spectrum thus actual spectrum availability will be differentiated for each spectrum block in each commune and will change in time.

Orange Polska ready to launch 5G services as soon as it obtains the required licenses

It is our ambition to actively participate in the implementation of Poland's 5G network in order to provide our customers with access to this network and modern services based on it. We have continued our preparations for 5G launch. The ongoing intensive rollout of our fibre network is a precondition for the efficient operation of the future 5G mobile network. In the beginning of 2019, Orange Polska conducted 5G tests in Zakopane, using 26 GHz frequencies, on which 5G services of fibre-like capacity are to be based in the future. In the Orange Cities project, which has been carried out since September, Orange Polska started extensive tests of the 5G technology in Warsaw and Lublin, using the 3.5 GHz band. The test 5G network comprised 19 base stations and used network equipment from various suppliers. A total of over 100 different terminals (handsets, routers) were used, and both journalists and our customers were invited to take part in tests.

Apart from hardware tests, Orange Polska has been actively involved in discussions about future bandwidth allocation plans, coming up with initiatives aimed to ensure quick and effective 5G spectrum allocation.



Growing customer demand for cybersecurity

As far as network cybersecurity is concerned, the year 2019 acted as the CyberTarcza (CyberShield) year. Over 2.5m blocked botnets' command&control connection attempts. The significant increase in security incidents in the on-line economy has led to growing customer interest in cybersecurity services. We have introduced the CyberTarcza in a mobile version for our customers. Orange Polska's Computer Emergency Response Team (CERT) operates around the clock, taking care of all cybersecurity issues that impact users who access the internet through the Orange Polska network. For the 2019 our cyber threat rapid response team has grown even more into national cybersecurity ecosystem with its activities being widely regarded.

Anticipating the future cybersecurity trends we joined – playing an important role – EU-founded science project SIMARGL (Secure Intelligent Methods for Advanced Recognition of Malware and Stegomalware). As for now on, working in 7 countries, 14 various entities environment is a unique opportunity for growth and knowledge exchange leading to the common goal – for the ordinary people to feel secure online.

5G network security

Discussion on 5G network security, in particular in terms of the use of devices offered by Chinese suppliers, is an important factor related to the implementation of the new generation of wireless networks. Key players in the global arena are involved - in particular the USA, China, as well as the European Commission and European Union member states.

At EU level, work was undertaken in 2019 to define a common approach to 5G network security, including a 5G risk assessment process and major risks identified in the 5G network. These works were concluded in a document published on 29/01/2020 entitled "Cybersecurity of 5G networks - EU Toolbox of risk mitigating measures". It does not explicitly exclude or prohibit any supplier, however the dependence on one supplier, as well as risk associated with the supply chain, including the activities of other countries, were considered a significant risk.

It is also foreseen for Member States to carry out risk profile analysis and to introduce possible restrictions and exclusions especially for key resources. Member States by 30 April 2020 should submit to the European Commission specific actions they will take to implement the assumptions of the "toolbox". At the same time, with the adoption of the EU Cybersecurity act, work has begun on defining European cybersecurity certification schemes and issues related to the certification of 5G network elements are being considered as candidates for such certification.

Work in this area is also carried out at national level, which is reflected, among others, in signing the Joint US and Poland Declaration on 5G, as well as initiating legislative procedure on drafts of the ordinance of the Minister of the Digital Affairs on technical and organizational requirements regarding the security and integrity of network and services, as well as on the draft ordinance of the Council of Ministers on the telco operator action plan in cases of significant threats.

Draft ordinances do not provide for exclusion of any supplier and focus on avoiding dependence on one supplier and verification of supply chain security. Thus, currently no restrictions have been introduced in Poland regarding cooperation with various suppliers in the implementation of 5G networks.

The potential introduction of such restrictions in the future would however involve the risk of limiting the pool of telecommunications equipment suppliers, and thus could affect the plans for the construction and development of network infrastructure (including 5G). This may affect the delay and/or increase the cost of implementing 5G networks, as well as reduced customer interest in Chinese brand products.

Network efficiency

To increase the efficiency of our infrastructure, legacy technologies and solutions which are mainly voice-oriented are being replaced with a converged network capable of handling all types of traffic: voice, data and video. We implement solutions that fully support IP technology, and, thanks to self-healing and dynamic reconfiguration mechanisms, provide for higher service quality while improving cost-effectiveness thanks to massive deployment of 100Gb/s technology. In our efforts to provide customers with the best network in Poland, we leverage our own investments by using third party infrastructure and benefiting from EU funds for network construction.

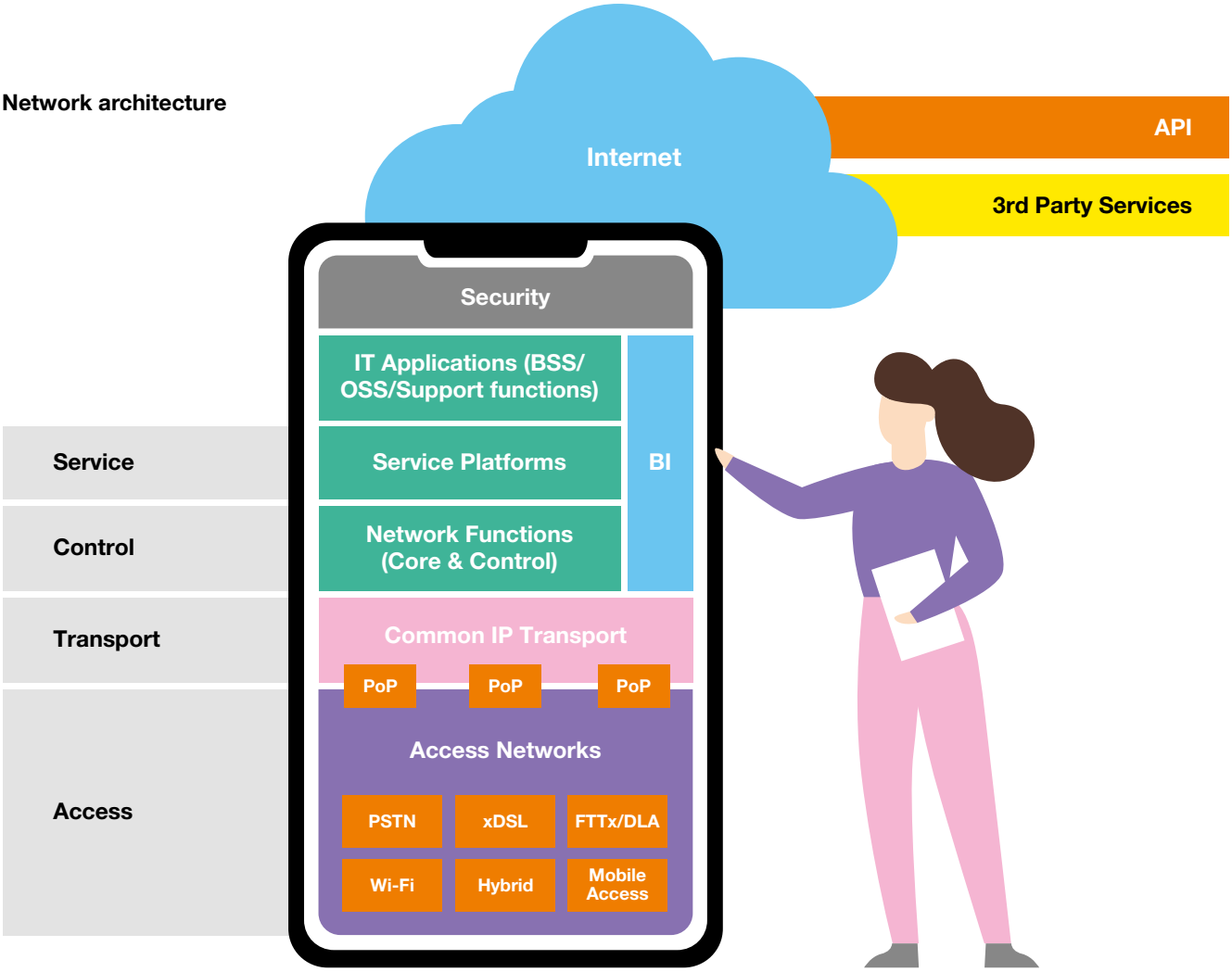
On the mobile side, we cooperated with T-Mobile to set up NetWorkS!, a company responsible for network construction and operation. We share sites infrastructure (over 10,000 shared sites), which enabled the fast introduction of 4G and optimization of operating costs and capital expenditures.

In areas where we are planning to upgrade our network to high-speed, we are also using modern third party infrastructure to supplement our own investments, if a reasonable commercial arrangement can be made. In 2019, we signed further such agreements, which extended coverage of our VHBB services by over 260k households.

We participate in the national Operational Programme 'Digital Poland' (POPC). Between 2014 and 2020, POPC is implementing EU Digital Agenda objectives in Poland and providing EU funds to support network construction in areas where standalone commercial investment is not profitable. That will allow us to upgrade our network to high-speed capabilities in less densely populated areas.

Orange Polska is now carrying out projects won during the second POPC competition stage. These include the supply of fast Internet connections (at least 100 Mbps) to 423 municipalities. In the 2019 OPL connected ca. 2,000 schools to fibre. At present Orange Polska continues connecting households which constitute large part of the contract with governmental institutions.

Network architecture





Products and services

We aim to meet the needs of our customers by delivering unmatched data connectivity and products and services that matter to them. We want to be the number one operator for Polish households and the trusted partner of choice for businesses, supporting digital transformation. We offer a broad portfolio of telecommunication products and services for individual, business and wholesale customers. We are the biggest fixed-mobile convergent operator in Poland, offering fixed connectivity based on different technologies. Our success as a business depends on delivering value to all our customers, enabling them to fulfil their needs and aspirations. This translates into increased market share on the one hand, and on the other hand into revenues and profits. To achieve success we have to design a palette of services that fit customer needs, are competitive and allow us to differentiate ourselves on the market. Finally, the offer has to be properly communicated.

Fitting customer needs

As customer needs are evolving rapidly and the continued digitisation of society generates a vast increase in demand for data transfer, we have to constantly develop our offer, adjusting it to customer needs and providing the right products at the right price. Our activities in this respect are different for the mass consumer market and for business customers. Furthermore, the business customer group is not homogenous either. We make a distinction for internal purposes between small businesses, bigger corporate customers and the largest customers (key accounts). An example of a change in customer needs is the trend towards fulfilling the digital needs of entire households, as opposed to the single service contracts that were the market standard a few years ago. Our products are available to all our customers regardless of their age, ability, skills or place of residence. We conduct an active dialogue with our customers to ensure that our services and products meet the relevant needs and requirements.

Competitiveness and differentiation

In order to be successful, our service portfolio must be competitive. So we very closely monitor the activities of our competition and react appropriately. The Polish market is very competitive with a significant number of players in all its segments. The level and dynamics of competition have had a very significant influence on our financial results. We are constantly looking for innovations in our product portfolio and the right balance between features and price. The key differentiator and the source of competitive advantage for us is the ability to offer both mobile and fixed services, which we call convergence. By addressing the household's telecommunication needs in a comprehensive manner and encouraging customers to buy additional services, convergence increases customer satisfaction and reduces churn as compared to single service users. We accelerated our convergence strategy by introducing the Orange Love convergent offer and making it the key commercial formula in the Orange.one strategy. We also launched a highly innovative Orange Flex offer, fully manageable from a smartphone application. We believe total flexibility and digital experience will be the key factors for telecommunications services customers in the future. We also develop adjacent services that complete our basic telecom product portfolio for a household, like energy resale. On the business market a good example of differentiation strategy is our development of competencies in ICT, which in a lot of cases helps us to win business in our core services. Our global and widely recognised Orange brand is a vital source of competitive advantage and also helps us to differentiate.

Sales and distribution

We aim to make it easy for our customers to access our products and services. We use different channels to connect with customers, including traditional points of sale (our own or our agents'), online, telesales and door-to-door. To maximise value generation we must ensure the right mix of distribution channels, reflecting market evolution, local specifics, customer needs, our competitors, and the range of services we offer.

More effective selling with a local approach

The Polish telecom market is heterogeneous: households are divided fairly equally between big cities, small towns and rural areas. Each of these three zones is different with respect to factors such as competitive environment, our market shares in particular segments, connectivity options and customer needs. We diversify our sales approach to match local expectations and needs as well as customer purchase history. This allows us to reach them with an appropriate offer, through an appropriate sales channel.

For example, in the competitive Warsaw market we run special digital campaigns and dedicated cross-channel actions to generate traffic at points of sale. These actions have proved effective and resulted in good sales results. In sales outlets we meet with customers who need assistance in choosing an offer; for time-sensitive customers we offer telesales; while those preferring to make decisions based on the complete information set and extensive price comparisons can choose to purchase online. This approach allows us to adapt to customer expectations, better recognise the potential of local markets and more effectively adjust our network investments to local demand.

Digitalisation and cross-channel

When it comes to getting the right mix of sales channels, our strategy is primarily driven by two elements: evolving customer purchasing preferences and the need for internal efficiency. We carefully monitor cost-to-revenue ratios. One obvious trend is the growing importance of online sales. On our website, we continue to enhance personalisation: customers are presented with dedicated content depending on their actions and the services they use. We also create a positive user experience across all customer touchpoints with innovative customer communication tools, such as:

- Bot-messenger – enables our customers to communicate in a near-natural language via applications such as Facebook Messenger
- Max - a voicebot which allows customers to get support on simple topics - it provides information about payments, allows them to report failures, calls back with an invoice payment reminder if necessary, or sends an SMS with payment information on request.

In 2019, the popularity of the My Orange application continued to grow. Currently, about one million customers within our network log on to it every month. This is 15% more than in the same period last year. The number of orders placed through the application in 2019 increased by 30% compared to the previous year. Already over 30% of purchases in the My Orange application are carried out via the "One Click" process, which enables the extension of an agreement or purchase of a new offer within the application. The value of pre-paid top-ups made within the My Orange application over the last year has doubled.

Customers demand the same quality of experience regardless of distribution channel: face-to-face, by phone or online. To address this, we have developed an omnichannel approach. Despite the growth of online sales, traditional points of sale still retain their importance. POS accounted for almost half of total sales in 2019, and we expect a similar ratio in the coming years. Increasingly, we see customers hopping between these channels: they may start a transaction online but finalise it in a shop, or vice versa.

In 2019 we continued the Best Retail Network project. Our ambition is to bring all of our outlets in line with this concept by the end of 2022. Solutions previously only implemented in the large Smart Stores, such as intuitive and functional interiors, are also being implemented in smaller stores to meet customers' needs.

Main features of the Best Retail Network project:

- high availability of livedemo
- wide portfolio of accessories
- dedicated zones (eg. home zone)
- digital signature

At the end of 2019, 33% of our stores had already been modernised in line with the new concept (235 stores).

Based on shop size we have divided our outlets into three categories:

- Smart Stores – the largest modern flagship showrooms located in Poland's biggest cities
- Standard – large outlets in big cities, mostly operated by Orange Polska
- Compact – small outlets in medium to small towns, operated by agents

Customer care

Delivering top quality customer care remains our priority. We want every customer interaction with Orange to be positive, so we make sure that all our activities are aimed at improving the customer experience. We use the proven customer journey management methodology within the Orange Group on a daily basis in order to ensure a uniform and consistent experience with Orange, regardless of the contact channel chosen by customers.

Mix of friendly contact channels

We know how important it is to adapt the available contact channels to the preferences of our customers. Therefore, we try to respond to their constantly evolving needs, ensure the best quality and standards of customer care, and use cutting-edge technologies to increase cost effectiveness. In 2019, we focused on the rapid development of digital channels and constant improvement of traditional channels.

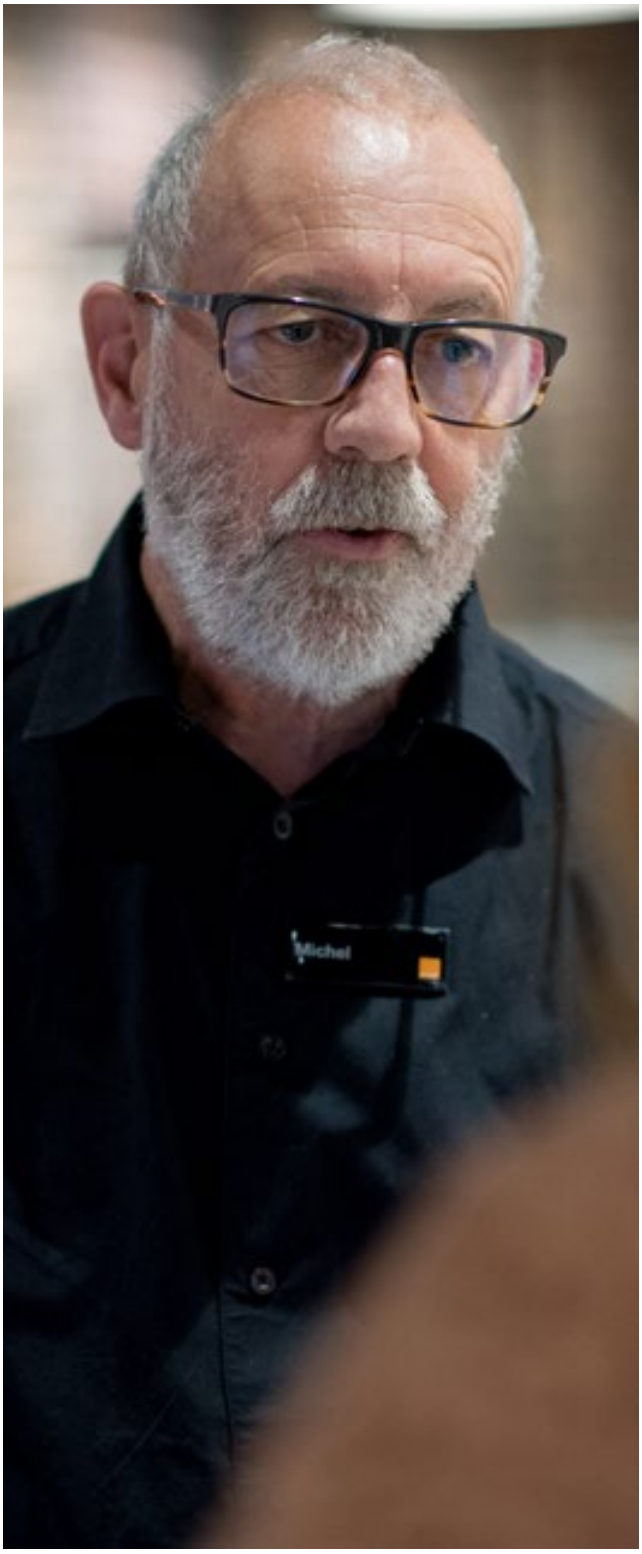
We prioritised our voicebot, Max, and My Orange in the development of digital channels. My Orange is both a mobile app and an account available on our Orange.pl website, which provides customers with service information and management functionalities. My Orange enables customers to quickly and easily check their credit balance, activate or deactivate services and review details of fees and charges on their own. In 2019, a million more customers used My Orange than in 2018. The Customer Effort Score Online, a metric tracked by Orange which measures the percentage of customers who could easily or very easily resolve an issue, was up 5.3 percentage points, year-on-year.

Our customers have begun to benefit from our successful implementation of sophisticated service channels based on artificial intelligence (AI).

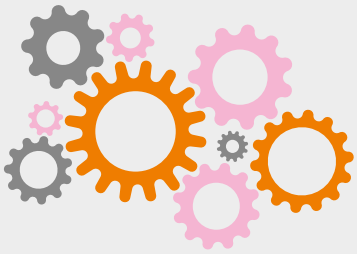
- Since 2019, our customers have been supported by Max, the AI voice of Orange. Max answers 100% of calls to our service infolines. It can effectively advise customers how to resolve an issue on their own or, in case of more complicated matters, quickly and efficiently transfer a call to the right consultant.
- Our customers are increasingly using chat functions. In 2019, out of all conversations with customers via Orange chat, almost 20% were supported by chatbots. Furthermore, at the end of the year, we launched our first AI-based chatbots, which can even better adapt to the preferences of our customers.

As for improving traditional channels, our priority was further standardisation and related improvement of service quality in the process of the COPC (Customer Operations Performance Center) certificate implementation. We are the only telecom provider in Poland that has been operating in compliance with the global COPC standards for a number of years. The COPC certificate attests to the highest quality in customer care management, particularly with regard to efficiency monitoring, quality, and employee recruitment and development.

As Orange Polska's customers frequently choose newer digital means of communication, in 2019 we expanded the scope of COPC certification to include digital channels. We comply with these standards in all our contact centres.



Customer contact channels mix

Digital	Automated	Human
		
• Orange.pl • My Orange online account • My Orange mobile app • Our Orange community • Social media, such as Facebook and Instagram • Chat • Email • Voicebot with artificial intelligence (Max) • Chatbot • Web applications for business customer self-service*	• IVR** • USSD***	• Call centre • Point of sale • Delivery courier • Field technician

* Premium Support Portal and Fleet Manager – are free self-service systems for B2B customers, enabling them to submit requests, verify data, view invoices and manage agreements.
- Premium Support Portal is a system dedicated to Fibre Business Package, Business Package, data services and advanced services.
- Fleet Manager is a system dedicated to mobile services.

** IVR – Interactive Voice Response. A system allowing interactive caller support. The caller, after hearing the recorded messages, selects the chosen items from the menu.

*** USSD – Unstructured Supplementary Service Data. After choosing the selected menu on the handset screen, the customer activates another menu that includes the information they need. The menu is visualised on the screen (if the phone has one).

Customised service

We customise our service to the needs of various groups of customers:

- Senior citizens (over 65)
- Young customers
- Customers with disabilities
- Fibre service customers
- Premium customers

Upper-tier business customers are offered dedicated and personalised customer care.

As a result, we can handle customer matters much better, aptly adapting to the customer's age, individual needs or required access features.

External environment



Regulatory

General rules

The Polish telecommunications market is subject to sector regulation established at EU level and transposed to national legislation. It is supervised by a National Regulatory Authority, the Office of Electronic Communications (UKE). As a general rule the telecom market is divided into separate markets for wholesale and retail services (so-called "relevant markets"). UKE analyses the level of competition within each of these markets and, based on this analysis, decides on the necessary level of regulations. As a former incumbent operator on the fixed services market, Orange Polska is designated an entity with significant market power and is subject to regulations in certain market segments. As such, this regulatory regime has a significant impact on some of the services we provide. On the mobile market, regulations are equal for Orange Polska and other big market players. Our activities are also subject to supervision by the Office of Competition and Consumer Protection (UOKiK).

Core regulations

We consider the following regulations to be the most important for our business at the moment:

- Access to wholesale broadband services (also known as Bit Stream Access, or BSA) and physical access to last mile infrastructure (Local Loop Unbundling, or LLU) are mandatory under cost orientation obligation (verified by Margin Squeeze/Price Squeeze tests) and non-discrimination rules (including Chinese Walls), and this legislation covers both fibre and copper lines. Orange Polska is not obliged to provide BSA on fibre and copper infrastructure in 151 deregulated municipalities. LLU is not required in 51 deregulated municipalities.
- Regulation of call termination services in the fixed network – Orange Polska is not the only operator subject to this regulation (around 200 operators are regulated) but its regulation is the most restrictive in terms of termination rate and wholesale access conditions.
- European regulations regarding roaming prices in the European Union – Since 15 June 2017, retail prices for roaming services have to be equal to domestic retail prices. Operators are protected against abusive use of roaming through the "fair use" policy. As roaming price regulations have a negative impact on both revenue and profitability, Orange Polska applied to UKE for the right to use surcharge mechanisms for customers who abuse Roam Like at Home rules.
- Regulation of international calls - Since 15 May 2019, prices for international calls within the European Union should not exceed EUR 0.19 per minute for calls and EUR 0.06 per SMS message. The regulation applies to consumers only and will remain in force for five years.

Obviously as a business entity we must also comply with administrative decisions and general law and regulations. Recently the legal environment has been changing dynamically.

Further amendments to telecom rules are pending both at European and national level.

Recent trends in regulatory environment

The regulatory regime over the past few years has been evolving toward a policy of balanced intervention. This is mainly related to changes in the structure of the overall telecom market in Poland and a much higher degree of competition in particular segments (e.g. the emergence of cable operators as important players in retail fixed broadband).

In particular, the Office of Electronic Communications (UKE) has issued decisions that will ensure symmetrical access to cable ducts and regulate access to in-house wiring operated by the largest infrastructure owners. The relevant regulatory obligations have been imposed not only on telecom operators, but also on the biggest cable TV operators.

We also expect a significant change in Fixed Termination Rate (FTR) and Mobile Termination Rate (MTR). In the European Union regulations there are provisions for the implementation of a single wholesale rate for termination of voice calls in fixed and mobile networks in EU countries. The final level of the fees is not known yet. Member states will have to implement the new rates at the beginning of 2021.

Economic

Changes in the Polish economy, such as GDP growth, inflation, unemployment, disposable income, interest rates or foreign exchange rates, can influence our ability to create value. Whilst these areas are outside of our direct control, we can use our hedging strategies to mitigate the potential adverse impact of market movements. Poland's economic situation was relatively strong in 2019 comparing with other European countries and according to economic forecasts formulated in the very beginning of 2020 it is expected that despite the gradual deceleration in the coming years, it will continue to record positive dynamics. Obviously in the eye of the coronavirus epidemic outbreak these forecasts will most likely have to be significantly revised.

GDP Growth

In 2019, the Polish economy grew at a slower pace than in 2018. According to the Central Statistical Office Real GDP grew by 4.1%. The positive economic conditions resulted mainly from strong private consumption supported by investments. These growth engines will face difficult challenges in subsequent years, mainly due to labour shortages and wage pressure. In 2019, household consumption expenditure remained under inflationary pressure, but was stimulated by falling unemployment, growing wages, '500+' welfare programme and low interest rates. Poland's economic outlook depends also on the condition of other European economies and the economic climate in global markets. The first estimation of Statistical Office for 4Q 2019 GDP growth showed a deceleration to 3.2% yoy.

Inflation

Average annual CPI reached 2.3% in 2019, which was below the inflation target (2.5%). However it was visibly higher than in a previous year, mainly due to a rise in electricity prices and an economic downturn worldwide. Despite growing inflationary pressure, throughout the year the Monetary Policy Council kept the reference interest rate at the record low of 1.5% (set in March 2015), upholding an opinion that the current stable economic growth limited the risk of inflation remaining below the target in the medium term.

Compared with other branches of the economy, the telecommunications sector still reported declining profitability in 2019, which was a result of a decrease in effective prices accompanied by significant capital expenditures required to upgrade obsolete infrastructure in line with the growing expectations of customers and ensure service availability in the areas of coverage gaps. However, 2019 saw price stabilisation in the telecom sector and operators began to focus more on customer base retention rather than aggressive acquisition of customers from other service providers. Operators managed to apply the "more for more" principle and to raise prices for some mobile services.

Unemployment and labour costs

The labour market has been positively affected by the general macroeconomic climate, which was reflected in an increase in employment and a decrease in unemployment to 5.2% (-0.6 pp. year-on-year) at the end of 2019. At the same time, an increase in wages in the enterprise sector was reported (+6.5% year-on-year in nominal terms). For the first time since 2012, there may be a slight increase in unemployment at the end of 2020 compared to the previous year. The labour force shortage and growing labour costs due to wage pressure is a big challenge for the Polish economy. This in turn may negatively affect the mood in some parts of the enterprise sector and constitute a barrier to economic growth by limiting investments.

Interest rates

Once again, 2019 did not bring any changes in the Central Bank's policy, and interest rates remained stable at a historically low level. In the very beginning of 2020 it was expected that the Monetary Policy Council will keep interest rates unchanged also in 2020, while taking steps to prepare the market for increases if needed. However, eying critical impact on the coronavirus epidemic on economic activity in March 2020 the Council cut its main reference interest rate by 50 base points to 1.0%. Changes in interest rates should not have any major influence on the debt service costs of the Group, as it maintains a high hedging ratio.

Foreign Exchange Rates

Foreign exchange rate fluctuations affect Orange Polska's liabilities denominated in foreign currencies and settlements with foreign operators. However, this influence is greatly contained by a portfolio of hedging instruments held by Orange Polska. At the end of 2019, Polish zloty lost 1.0% against the US dollar, however gained 1.0% against the Euro. The Polish currency fluctuations were caused mainly by external factors. In medium term any potential depreciation of Polish zloty should not have major influence on Orange Polska's liabilities denominated in foreign currencies or settlements with foreign operators owing to a high hedging ratio.

Telecom Market

The Polish telecom market is mature, with high penetration in most segments. This sector is very important for the Polish economy, particularly in the digital age. Together with the IT and content industries, it shapes the information society and actively participates in the transformation of Polish companies. This has never been more apparent than now, at the dawn of the 5G era and the new solutions and services it promises to bring to the Polish market. To meet this great responsibility, the telco industry faces many business and technical challenges that will require large investments in infrastructure, now and in the coming years, in order to provide individual, public sector and corporate customers with fast and secure internet access (both wired and wireless), as well as new services and equipment to meet new requirements.

The Polish telecom market is characterised by high levels of competition and relative fragmentation. It is mainly driven by mobile services and a high degree of fixed-to-mobile substitution in both voice and broadband. In the past, these factors have had a critical impact on the overall performance of the market. The market landscape changed further in 2019 thanks to mobile operators increasing tariffs in a 'more for more' formula. This came as a consequence of the favourable economic situation in Poland, the very low prices of telecom services, the more-or-less equal market shares among major players and upcoming investments in 5G technology. We expect market participants to continue to focus on value generation. This creates a more benign market environment going forward.

Polish telecom market – improving picture

According to our estimates the value of the Polish telecom market stabilised in 2018 after many years of decline. Our preliminary estimates suggest that its value increased in 2019. The key factors that have influenced market performance over the past few years include:

- A very high level of price competition in mobile services, exacerbated by several price wars in both B2C and B2B segments. This has led to prices in Poland being among the lowest in the European Union. The key disruptor was Play, a latecomer to the market, which pursued an aggressive strategy to gain market share.
- The structural decline of fixed voice services, which was influenced mainly by: very fast proliferation of affordable mobile services; partial regulation of this segment; unfavourable demographic trends.
- Underdeveloped fixed broadband infrastructure, especially outside of big cities, which in combination with the rapid development of mobile services and strategies of mobile-only market players resulted in partial fixed-to-mobile substitution. Penetration of mobile broadband positioned as home internet access is much higher in Poland versus the EU average.
- These trends have had a significant impact on Orange Polska compared to the overall market, and this has been reflected in many years of falling revenue. This was mainly due to:
    - The need to adjust to high price competition in mobile to defend market shares in both B2C and B2B segments;
    - Very significant exposure to fixed voice, as an incumbent operator;
    - Underperforming the overall market in fixed broadband due to regulations and weak infrastructure in big cities, resulting in the loss of market share to cable operators;
    - No significant exposure to the pay-TV market

The market's landscape changed again in 2019, with operators introducing tariff increases in a 'more for more' formula. The change was most marked on the mobile market, where three of the four MNOs decided to increase their tariffs in return for higher data allowances.

Expected future market trends shape more positive outlook

We expect the following key trends to drive the market in the years ahead:

- We anticipate a more benign situation in the mobile market going forward. Unlimited all-net voice tariffs have become a market standard, the offer positioned as 'GB with Value Added Services (VAS)'. Moreover the mobile players face upcoming investments into 5G (spectrum and network rollout) while their balance sheets have a relatively significant degree of financial leverage. This suggests to us that the market is increasingly focused on a 'more for more' approach and on value generation. This is certainly the case for Orange Polska, which was the first operator in the Polish market to increase tariffs in 2019 – a move that was well received by our customers.
- Data consumption is on the rise, spurred by the proliferation of mobile devices and the very fast growth of data per customer, the latter being driven mostly by multimedia content and social media. We foresee data consumption continuing to grow at the current pace at least for the next few years while the smartphone revolution continues in Poland. Responding to customer expectations of the best possible, always-on internet access requires a convergent approach to connectivity. That is why development of both fixed (FTTH) and mobile networks (4/5G) is crucial.
- Significant investments in high-speed broadband infrastructure will continue. All of the market's MNOs have chosen to expand their product portfolios with fixed



broadband services, through acquisitions, wholesale agreements or partnerships. Better infrastructure combined with growing data needs will drive the migration towards high-speed internet. Taking into account the economics of fibre network rollout as well as all network investment plans announced publicly so far (including Orange Polska and governmental POPC programme), we estimate that in the mid-term the reach of Poland's fibre network may exceed 50% of households.

- Convergence is increasingly recognised as the household business-winning formula. This is evidenced by the success of our Orange Love offer, the acquisition of Netia by Cyfrowy Polsat Group, T-Mobile buying wholesale access to our fibre network, the Play partnership with Vectra and the UPC launch of mobile services.
- Everything is going to be online and in the cloud, enabling the evolution of such services as Internet of Things, Smart Homes and Smart Cities. These solutions will support us, business, local authorities and customers in the switch towards a more environment-focused approach.
- Marketing based on customer insights and using personal data is on the rise. It is both a source of new possibilities, and a challenge for cybersecurity and personal data protection.
- Fixed voice will further decline, but as time goes on this will have less and less impact on overall market performance.
- The pay-TV market should remain relatively stable. Poland still has very strong linear TV. Of course OTT content is growing fast, but it should remain an add-on to linear TV, rather than a significant substitution factor.
- We expect the gradual adoption of eSIMs on the market. Orange Polska launched this environmentally friendly product in December 2018 as the first MNO on the Polish market.
- The trend towards digitalisation plays an increasingly important role in all spheres of people's lives, and mobile services are no exception. The widespread adoption of digital solutions – such as app-only services and mobile shopping experiences, or customer care delivered via in-app chats or bots – will create a totally new level of operator-customer interaction.
- ICT services are increasingly seen as synergetic with traditional telco business, strengthening the offer for B2B customers. This is especially visible in the latest market moves: Orange Polska's acquisition of BlueSoft, Cyfrowy Polsat's investment in Asseco Poland shares, the acquisition of 3S by Play and the announced investments by T-Mobile in data centres.
- All of these trends, combined with Poland's favourable economic prospects driving growth of disposable income, suggest to us that the telecom market should be more benign going forward. Recovery in market value will be driven by expansion of fast broadband, stabilisation in mobile, and the decreasing impact of fixed voice on the overall performance. We also believe that the strategy adopted by Orange Polska makes it better equipped to capture positive market trends than it was in the past, thanks to these key enablers:
- **Fibre network rollout:** Our significant deployment of fibre network is gradually closing the technological gap with cable operators, and has already contributed to our return to a growth path. Orange Polska believes that FTTH investments are the best possible fixed broadband investments – and the most environmentally sound, as this technology is up to five times more energy efficient than xDSL (per Gb).*
- **Convergence:** Orange Polska is a unique convergent operator in Poland and is pursuing this strategy mainly against cable operators, which have not yet adopted mobile services on a meaningful scale.
- **Focus on value:** Since 2017 all of our commercial decisions have been driven by value creation. In particular, we have radically simplified mobile tariffs and structured them around a 'more for more' strategy.
- **Digitalisation:** In 2019 we launched an innovative offer called Orange Flex. A fully digital offer supported by a phone app, it is flexible, too, enabling customers to adjust their mobile plans using their smartphones. Customers can also subsequently change packages depending on their needs with no loyalty agreements involved.
- **ICT:** Orange Polska recognised a market need and in 2019 made the decision to acquire BlueSoft, strengthening its position in ICT and the B2B sector.

On the other hand, we will be under further pressure from negative trends in legacy services and old technologies in fixed broadband. More details on our strategy are presented in the strategy section on page 44.

These enablers significantly contributed to the improving revenue trend at Orange Polska. In 2019 we reported our first revenue growth in 13 years. We plan to sustain growth in 2020 however this will now be much more challenging as we have entered at the end of the first quarter in unprecedented economic and social crisis.

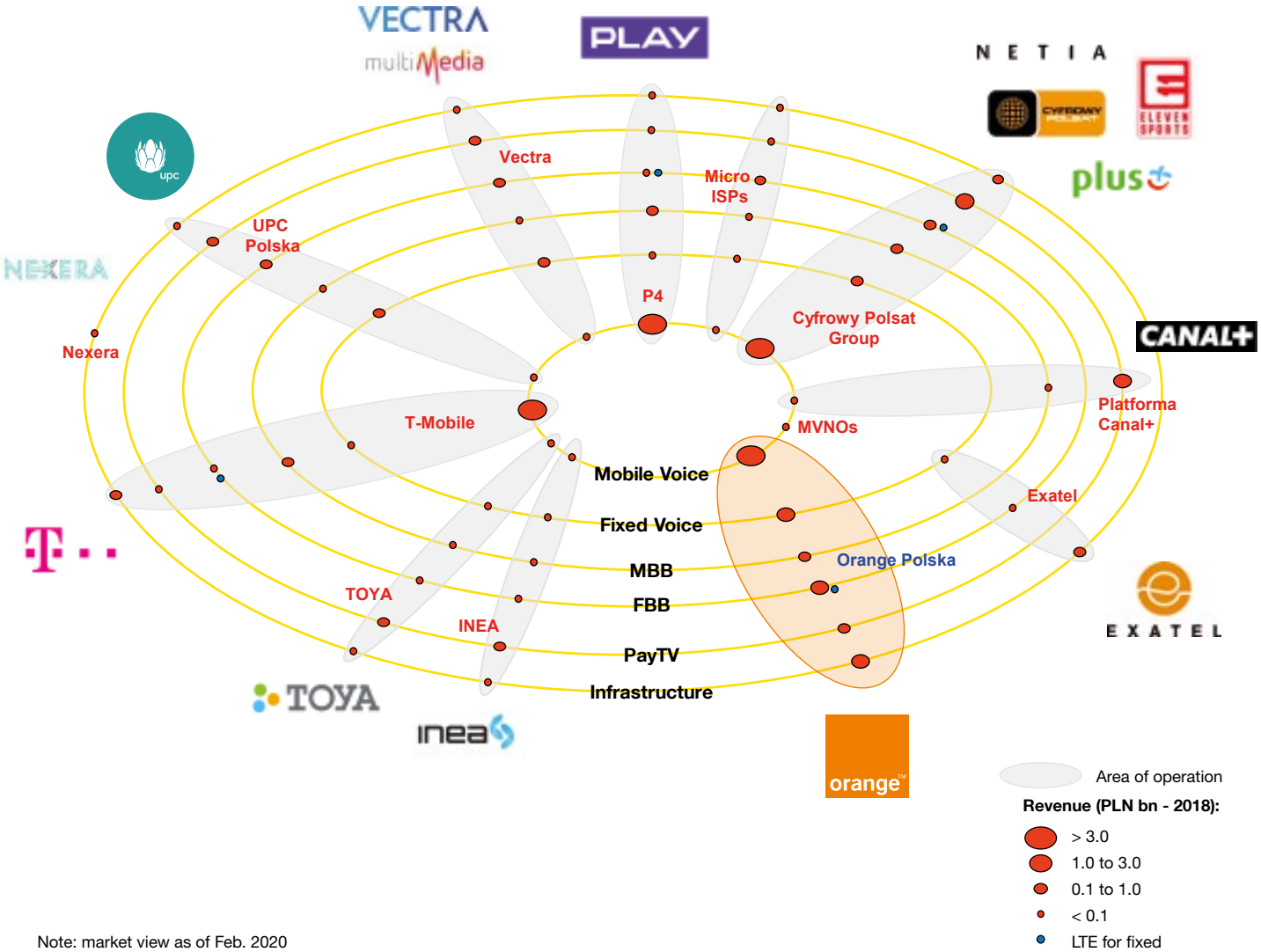
Orange Polska: a key player in all market segments

The Polish telecom market is fragmented, both in mobile and fixed segments. Market consolidation has recently accelerated with Vectra (the second largest cable company) completing the acquisition of Multimedia Polska (the third largest cable company) after a very long regulatory approval process. The market is visibly turning towards mobile-fixed combinations. This direction can be seen in the business moves made by our competitors: the acquisition of Netia (the largest alternative fixed operator) by Cyfrowy Polsat Group; T-Mobile's wholesale agreements with Orange Polska, Inea and Nexera; and Play's partnership with Vectra on a fixed broadband offer.

Orange Polska is the leading telecom operator in Poland operating in all market segments. We have the largest customer base in both fixed and mobile segments.



Main Players on Polish Telco Market



Note: market view as of Feb. 2020

Supply chain

We aim to build strong, long-term relationships with our suppliers. We want our relations with suppliers and business partners to be based on transparent principles and a mutual obligation to abide by ethical standards.

Supplier assessment

We take an active part in the implementation of the Orange Group's global supplier assessment programme, QREDIC. The results of the assessment are used in the process of negotiating with and selecting suppliers at the global level; for example, for subscriber devices or network equipment purchases. A supplier is disqualified if the assessment reveals definite non-compliance with ethical and environmental standards.

At the global level, Orange Group is a founding member of the Joint Audit Cooperation (JAC), an association which groups together telecommunications operators to control, evaluate and develop the implementation of CSR principles by global suppliers of the ICT sector. The initiative aims at ensuring compliance with ethical, environmental and health and safety standards, as well as a ban on child labour across common suppliers. In 2019, 84 new audits were conducted within the JAC framework.

Local suppliers are required to sign up to a compliance clause, which is included in agreements with our company. The clause includes an obligation to comply with ethical and responsible conduct rules, particularly concerning human rights, environmental protection, sustainable development and anti-corruption. In addition, an anti-corruption clause is included in all purchase agreements.

Building long-standing relations with suppliers

In 2019, we cooperated with 3,317 suppliers in Poland, including subscriber and network equipment suppliers, network contractors, IT equipment suppliers, personnel outsourcing agencies and media houses. We strive to build our relations with suppliers on the basis of long-term contracts providing for transparent terms of cooperation. Over 97.9% of purchases (by value) are executed under long-term framework agreements. We are working towards effecting all payments to suppliers within due time. The timely payment rate is 88%. The standard term of payment to suppliers is up to 30 days (96% of agreements).

Transparent supplier selection process.

We follow a competitive and open procurement policy. The transparency of our supplier selection process is ensured by the Procurement Process Code, a set of rules which must be followed by all procurement organisation employees in their direct and indirect contacts with suppliers. The Code includes procurement procedures which transparently regulate supplier selection, contracting and confidentiality. In 2019, a separate corporate social responsibility clause was included in all contracts. In 2019, 94% of buyers from the procurement department of Orange Polska completed online training dedicated to the main CSR aspects in procurement.

Currently, over 71% of orders (by volume) are placed electronically, via an online procurement tool that automatically analyses submitted offers. Moreover, suppliers who want to cooperate with Orange Polska can register to join a database of potential suppliers, allowing them to participate in the Company's procurement processes.



Social

Although Poland's standard of living and employment rate have moved significantly closer to the EU average, a number of challenges remain. At the end of the third quarter, the employment rate stood at 73.6% - slightly lower than the EU average, although the gap is now just 0.5 percentage point and shrinking. Still, the rate in Poland varies considerably across educational attainment levels and with respect to gender: while visibly higher than the EU average for people with tertiary education (87.9%, as compared to 84.7% in the entire EU28 area), it remains much lower for those with primary and lower secondary education (47.3%, which is over 10 pp. less than in EU average), and in case of women in this educational category - one of the lowest in the EU (only 31.5%, compared to 45.9% at the EU level).

The rate of unemployment (according to register data) has continued to fall, reaching just 5.5% in January 2020. However, late data from Labour Force Surveys suggests that this trend has reached its bottom and is now reversing. Regardless of this, Poland is still facing the problems of a rapidly ageing population and high emigration. The unfavourable demographic trends are already reflected in a decline in the working-age population. The percentage of elderly people in the entire population is expected to grow from 20.9% in 2010 to 58% in 2050, according to the European Commission's Country Report Poland 2016.

Much progress has recently been made in addressing inequality and poverty. The number of individuals affected by poverty or social exclusion has steadily decreased since 2008. The Gini coefficient of income inequality, which measures the distribution of (equivalised) disposable income across the society, has fallen from almost 35.6 in 2005 to only 27.8 at the end of 2018, thus moving Poland significantly below the EU28 average. Although this metric has decreased steadily across the last decade, it is being more and more criticized as not accounting for (understating) actual income inequalities. Some new studies on the topic, using alternative data sources such as National Accounts and tax data (see ex. Blanchet, Chancel, Gethin 2019) place Poland among the countries with highest levels of income inequalities in Europe. Even so, the trend in officially acknowledged measurements reported by Central Statistical Office indicates positive changes in this respect, and it has gained new momentum in the last two years, as the government has introduced new social transfers and favourable labour regulations. The increase in the minimum wage, changes in civil contracts and – above all – a huge programme of new social benefits for families (PLN 500 monthly allowance per each child, PLN 300 yearly allowance for school starter kits) has radically improved the situation of many vulnerable groups, particularly those of lower social and economic status. The long-term effects of these regulations are however uncertain, as they may stimulate the outflow of young women from the labour market and increase inflation (which is already reported).

Digital exclusion is one of the factors leading to social exclusion. Internet access is nowadays not only a convenience, but by no doubt a precondition of full participation in social, cultural and professional life. According to the Central Statistical Office, as of 2019 86.7% of Polish households had access to the internet (and 83.3% had a broadband connection). According to the GUS survey "Information Society in Poland in 2019" and similarly to findings from previous years, the key barriers to broader internet use are lack of motivation (67.6% of non-users) and lack of the relevant skills (52%). 14.7% of households (almost 3 pp. less than previous year) say that for them, the barrier to internet access is financial, while technical provision at the place of residence is almost never an issue. On the other hand, we have observed an interesting new trend: a growing share of people deliberately eschewing the internet, and expressing their aversion to the medium as a main reason for not being connected. This group's share almost doubled in 4 years perspective, from 7.3% of non-users in 2015 to 13.7% in 2019.

Use of the internet and modern technologies varies with social and demographic factors, especially age and education. The internet is used by the great majority of young people and very few seniors. Internet use and ICT skills are also correlated to wealth and size of town, though the role of these factors has been declining.

As a telecommunications company, we must respond to the diverse needs of our customers, both the older ones, who are less convinced of the need to adopt new technologies, and the younger ones, who are used to constant online presence and try to keep up with the latest technological trends. Telecommunications expenditure is a permanent component of any household budget, and we try to ensure that each customer, regardless of their income, can find a suitable offer for them and their relatives. Nowadays, it is no longer network access itself but rather the ability to use new technologies wisely and safely which has become a social challenge.

Human Rights

Owing to the nature of our business model and supply chain, we follow the human rights policy formulated at the international level by the Orange Group. In addition to the general framework of the International Labour Organization conventions, the Universal Declaration of Human Rights and the Global Impact principles, Orange Group complies with the UN Guiding Principles on Business and Human Rights adopted in 2011.

The Group's activities with respect to safeguarding fundamental human rights focus on three main areas:

- relations with employees;
- relations with suppliers; and
- privacy and freedom of expression.

These areas are all addressed in the Orange Polska Code of Ethics. We respect all people and their right to privacy. We accept diversity in terms of background, race, gender, culture, age and marital status as well as religious beliefs, political views and membership of social or professional organizations.



We use a Supplier Code of Conduct at Orange Polska. The Code has been developed at the Orange Group level and adapted to national laws and regulations. It seeks to encourage compliance with and respect these laws and regulations, and ensure that they are faithfully and effectively enforced. Suppliers are required to respect human rights and avoid being complicit in human rights abuses of any kind.

The Code covers the following areas:

- social responsibility: freedom of association and the right to collective bargaining, forced labour, child labour, diversity and non-discrimination, remuneration, working hours and health and safety;
- environmental responsibility: environmental protection, natural resources and waste management; and
- prohibited business practices: anti-corruption policy, competition, sponsorship, political contributions, money laundering, data security and data protection.

The Code has been published and incorporated into our contracts with suppliers. We are currently working on a human rights policy specific to Orange Polska.

We also launched an e-learning training on human rights that was completed by 94% of the purchasing team. Rights related to diversity are covered by our diversity management policy (more on p. 88); privacy and data protection by our customer safety policy (more on p. 74).

In 2019, a separate corporate social responsibility clause was included in all contracts. Pursuant to the clause, the parties undertake to comply with, and ensure that their employees, suppliers and sub-contractors comply with all national, European and international rules associated with standards of ethical and responsible behaviour, including standards on human rights, environmental protection, human health and safety, and sustainable development. They also undertake to combat any infringements of human rights and fundamental freedoms, as well as any risks to the health and safety of persons and the environment. In addition, they declare that they will require their employees, suppliers and sub-contractors to refrain from using child labour or forced labour, and shall combat any discrimination. The clause has been included in all new purchasing contracts since 2019.

Orange Polska takes all issues related to human rights very seriously, paying particular attention to the rights to privacy and personal data protection. In order to prevent theft or unauthorised modification or processing of personal data of its customers and employees, or personal data entrusted by Orange Polska, we have implemented security measures consistent with international standards. In addition, we are introducing a process to identify and prevent violation of rights and freedoms of data subjects.

Environmental

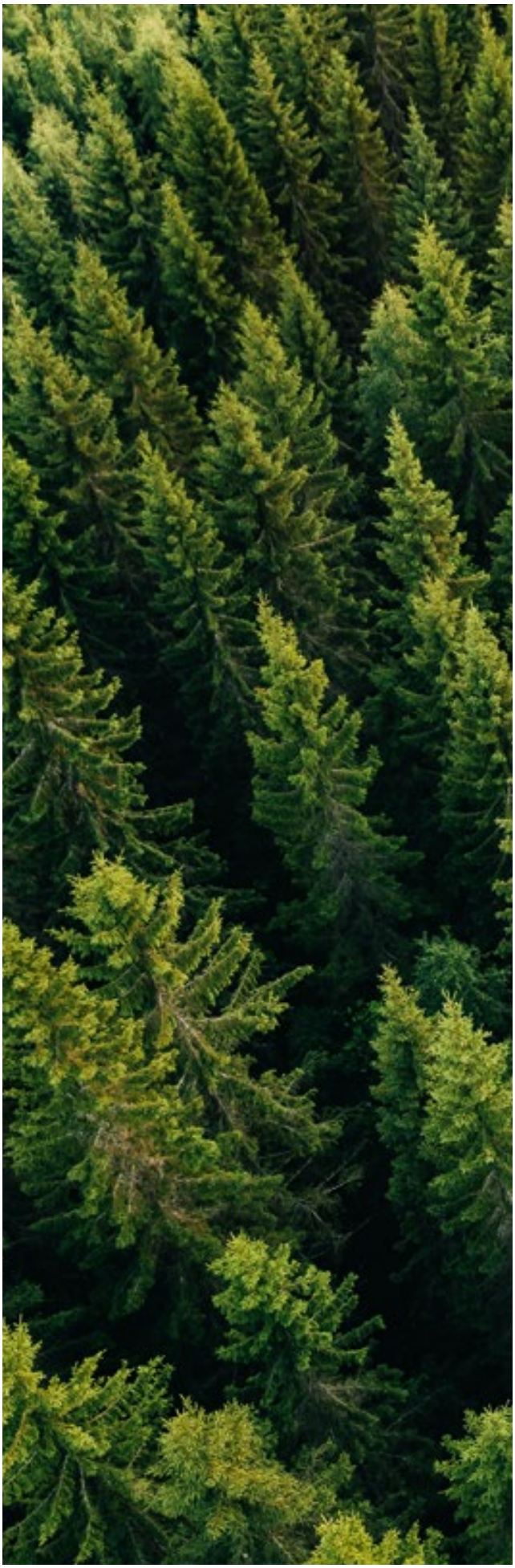
Orange Polska is sensitive to global challenges related to the natural environment and natural resources. We have set ambitious goals and are taking concrete actions across all our business units to reduce our environmental impact. We also incorporate initiatives to raise environmental awareness and respect for the environment into our business activities. Within our environmental protection policy, we ensure compliance of our operations with the law and other regulations regarding ecology.

In addition to the efforts we make to reduce the impact of our own operations on the environment, as a provider of telecommunication services we can significantly contribute to reducing the negative impact of business as a whole. Digital technology is now integrated into all sectors of human activity, and developing its uses is our daily challenge. Moreover, by radically transforming the industrial world, digital technology also creates the potential for more innovative and sustainable solutions to the challenges posed by energy use and ecological damage.

By offering services that can replace traditional communications or written documents, we promote environmentally friendly solutions which help to reduce greenhouse gas emissions. Thanks to tele- and video-conferences, electronic document flow, online shopping, e-services, e-invoices and comprehensive ICT systems for business and administration, we make environmental protection part of everyday life.

We know that also our own operations as a telecommunications company affect climate change. Hence, our efforts to reduce our greenhouse gas emissions. Orange Polska's environmental policy, which addresses these challenges, is based on three main principles: reduction of CO_2 emissions, incorporation of circular economy into processes and operations, and use of digital technology for environmental and energy transformation. It is the Group's commitment to achieve climate neutrality by 2040.







Internal environment

Corporate governance

Corporate Governance in Orange Polska is designed to provide responsible Company management and supervision in order to achieve the Company's strategic goals and enhance its value. To these ends, we have created a strong corporate governance framework to support the structures, processes and controls which help us to operate more efficiently and mitigate risk. The ability of the Company to create value is ensured by having capable governing bodies with a proper division of responsibilities and optimal representation of experience, skills and education. The sustainability of the Company is secured by the ability to allocate fairly and sustainably the created value which is necessary to the Company's long-term success. The details of Orange Polska's corporate governance are described in the Corporate Governance Chapter of this report on page 110.

Corporate culture

Orange Polska attaches great importance to ensure equal treatment for all employees, along with clear evaluation and promotion criteria, professional and personal development opportunities, and good and safe working conditions. We aim to create a culture of co-operation and simplification, in which all employees feel respected and can freely express their opinions, The culture, where all departments aim to reach a Company goal together - as one team. We aim to be a company focusing on making things and company procedures simpler. Orange Polska conducts regular employee surveys and engages in dialogue with trade unions. We build the foundations that help create a friendly workplace. We take care of employees' safety, health and retirement plans. We provide preventive healthcare, promote sports activity among employees and offer help and support in difficult life situations. We value diversity and believe that skilful diversity management in a workplace creates new opportunities. It is essential for us to foster an organisational culture based on mutual respect for the differences between us.

Following the launch of our strategic programme Orange. one, we are in the continuous process of transformation. The programme concentrates on two key pillars of the organisation: operational results and corporate culture. Each year we are conducting a dialogue with employees and inviting all employees of Orange Polska to express their opinions about the corporate culture in the companywide study - Organizational Health Survey.

Last feedback from our employees helped us to focus on three key priorities for organisational change:

- Focus on customers (we call it, "obsessed with customers")
- Simplification, focus, speed and agility
- Trusting each other, honest and straightforward

The details of Orange Polska's corporate culture are described in the "Being a digital and caring employer" section on page 87.



Strategy





Q&A with Jean-François Fallacher, Orange Polska CEO

Q: You increased your operating profitability for the second consecutive year. Does that mean Orange Polska is already well on its way to sustainable growth?

We are very satisfied with our financial performance over the last year. EBITDAaL (EBITDA after Leases) increased by 7% and we reported revenue growth for the first time in 13 years. Indeed, our operating profitability increased for the second consecutive year. Let me remind you that in 2018 we brought a multi-year downward trend to an end. If we look at the trend in our key financial metrics in the last four years we see constant improvement, which makes me confident that we are on a good path for sustainable growth. This was the key goal of our Orange.one strategy that we announced in 2017. These achievements are compelling evidence that the strategy is working, and is being executed well in a challenging environment. Let me briefly remind you of its key pillars. On the consumer market, we focus on winning Polish households by offering them convergent packages supported by the rollout of our fibre network. On the business market, we are supporting our customers in their digital transformation. We are also boosting our efficiency: redesigning our processes for simplification and cost optimisation.

These achievements would not be possible without the concerted efforts of our entire organisation. It is very motivating for our managers and all employees to see that revenue decline is not inevitable, and that our Company is able to grow. At the same time we are aware that this growth takes a huge amount of effort, and sustaining it will require a lot of further work. Please note that we are under constant pressure from structural declines in our high-margin legacy business lines, and we have to compensate for these declines with growth in other areas. Looking forward, we will be working to achieve growth with a better balance between direct margin and cost optimisation.

Q: What would you say were the most important developments for you in 2019?

2019 was very exciting for us and full of important developments. I'll mention three which really stand out.

In my view, the most important development last year was a change in the telecom market landscape here in Poland: we saw probably the first ever tariff price increases implemented by operators according to a 'more for more' formula. We revised our prices for the majority of services for mass-market customers, and were the first on the market to make these price changes. This led to a change in investor perceptions of our sector and its future growth prospects, which was reflected in the share price of Orange Polska and our competitors.

Secondly, I would like to mention the acquisition of BlueSoft. We focus mainly on organic development and rarely pursue acquisitions, so we selected BlueSoft with great care. We did it because we see that synergies between the ICT area and core telco services for business customers have become higher than ever. Polish enterprises are digitising their businesses, which means that on top of connectivity and infrastructure they also need software engineering, cloud and other digital enablers. BlueSoft perfectly complements our existing competencies in the ICT area, and significantly increases our competitive edge against both other telecom operators and pure ICT companies. We expect the first revenue synergies to be realised in 2020.

Finally, I would like to highlight Orange Flex: a new and highly innovative offer that we launched last year. We believe it sets a new benchmark for the future of telecommunications services. Flex is a mobile offer that can be managed via a smartphone app. It is fully digital and very flexible. There are no loyalty contracts. Customers can change between different data plans depending on their needs – as often as every month. We designed and launched it ourselves because we recognise the market's appetite for digital products; we want to lead the change and actively disrupt the industry.

Q: Are you satisfied with the results of your 'more for more' strategy so far? Will it be continued?

Let me start by describing the background to its implementation. On the one hand, fierce price competition on the Polish market over the years has made the price of telecom services very low compared to other EU countries. On the other hand, we see the changing needs of our customers reflected in growing demand for data transmission and faster fixed broadband services. In this environment, we are asking customers to pay us more in return for the additional tangible benefits that they want. Higher prices apply exclusively to newly signed contracts with customers in the acquisition

and retention process. We are pleased that our approach was well received by our customers, especially on mobile. Customer net additions in mobile handset offers last year were better than in 2018 and churn rate was lower. We see more challenges on the fixed market, where the competitive environment is not helping a value player like Orange.

In terms of what might happen next, for obvious reasons we never comment on our future commercial actions. All I can say is that higher prices are in line with our strategy focused on value and growth of revenues and profits. They contribute to gradual improvements in our financial trends. We strongly believe that a 'more for more' strategy is key to long-term value creation at Orange Polska, and its implementation builds more confidence in the success of our turnaround. Please note that in February this year we launched a new offer for small business customers which is another example of our 'more for more' approach.

Q: Your leading shareholder's strategy presentation in December 2019 raised the topic of infrastructure: fibre and mobile. How relevant are they for Orange Polska?

For many different reasons, the topic of potential monetisation of infrastructure assets has recently become much more important in the strategies of telecom operators – including Orange Group. However, it's important to take into account the specifics of local markets.

Poland has been mentioned by Orange Group in the context of so-called FibreCo. Let me explain what is behind this concept. Orange Polska has been heavily investing in fibre network rollout since 2015. This year will be the final year of this programme, as we outlined in our current strategy. We will reach around 5 million households at the end of 2020 – around 40% of all households in Poland. However, considering the high demand for this technology among customers and our strong belief that fibre will constitute a competitive advantage for us for the coming decades, we see the potential to densify our network a little bit more. At the same time we want to remain cautious in terms of the overall level of our capex, bearing in mind that the 5G network rollout begins in 2021. In this context, we are investigating the idea of finding a partner with whom we could share future investments in fibre, beyond 2020. We are currently analysing different scenarios so it is too early for details. We will address this project in our new strategy.

In terms of mobile towers this investment approach is much less appealing for Orange Polska, at least for now. Please note that the agreement with T-Mobile relating to the use of each other networks already brings a lot of optimisation to our mobile network. I would not say we will never do anything in this area, but our current priority is the FibreCo project.

Q: Climate protection has become an urgent public issue. What is Orange Polska's attitude to climate challenges?

The issue of our environmental impact and what we do to mitigate it has always been central to our CSR strategy initiatives. Our crucial areas of environmental impact are electricity consumption and its related emissions, and electronic waste generation, so this is where we focus our activities.

Today, we look at these issues within the broader perspective of our overall impact on climate change. The Orange Group's new strategy, Engage 2025, embraces a number of initiatives to minimise our negative impact on the environment. We are setting emission reduction targets at the Orange Group level, with the goal of making our operations carbon neutral by 2040. In the timeframe covered by the current strategy, i.e. by 2025, the Orange Group will have reduced its CO_2 emissions by 30% versus 2015 by increasing the share of energy from renewable sources, and implementing energy-saving technologies on our network. When it comes to our environmental initiatives, Orange Polska acts in line with the Group's development priorities, while also responding to Polish society's expectations at the local level.

Q: What are the key priorities for 2020?

2020 will be the last year of our current strategy implementation. Our key goal is obviously to sustain the growth that we achieved in the past two years. We will continue to execute our value strategy in all business areas. At the outset of 2020 forecasts for Poland's macroeconomic situation continued to be favourable and this year's challenges were supposed come mainly from the external inflationary environment. However, with the outbreak of the COVID-19 pandemic in March the world around us has changed almost beyond recognition. This will obviously significantly impact our operations; however, I believe that Orange Polska remains relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. Despite this unprecedented situation, we are working intensively on the new strategy that we will present to the market in due course.

A very significant milestone in 2020 will obviously be the auction for spectrum to be used with 5G technology. The Polish government's timetable was to allocate these frequencies by mid-year. However due to COVID-19 pandemic it is likely to be delayed. We are counting on an efficient and transparent process. Over the past two years or so we have run numerous successful tests of 5G technology, so we will be ready for the rollout of the 5G network as soon as we obtain frequencies.

Our key strategic goals are:

Return to growth of revenue and profits
Growth of shareholder value

Demand for data	Trend towards convergence	Digitalisation	Fixed to mobile substitution	High level of competition

As a result our strategy focuses on:

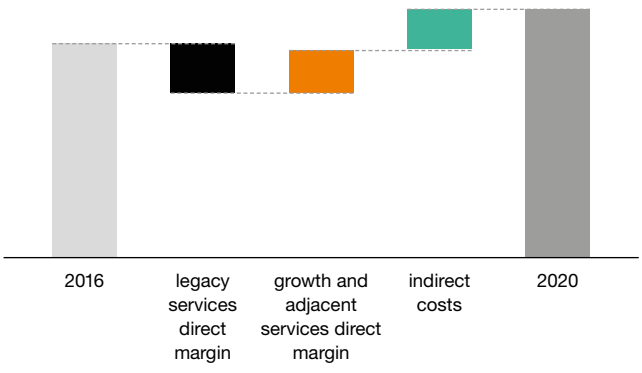
Connectivity	Convergence	Improving customer experience	Increasing our efficiency	Being responsible

2019 was the second full year of implementation of the Orange.one strategic plan that we announced in September 2017, marking our new approach to long-term value creation. It represents an intensification of previous initiatives and articulates the Company's strategic vision to 2020. Orange Polska aims to become Poland's first choice telecommunications operator for consumers and businesses, at the same time as creating a business model that will generate sustainable growth in sales and profits.

We still derive a significant portion of our revenues and profits from services which once constituted the core of our operations and which have been in structural decline for a number of years. In order to offset this ongoing pressure on our revenues and create value, we need to invest in the development of business lines with growth prospects as well as exploring unique market opportunities. That is why we are investing heavily in the best connectivity and pursuing a convergence strategy. At the same time, we are radically transforming our operations to be more agile, digital and flexible, with a strong online presence and highly automated processes.

Moreover, we are also changing our internal culture. We want to work harder for the benefit of our customers; to be obsessed with improving their experience with Orange. Culture change at Orange Polska is also aimed at improving the work environment, so that our employees better identify with our goals and values, and gain confidence in their future careers with Orange. Last but not least, our value creation is reflected in our responsible approach to environmental and social matters. Our investments in connectivity make a substantial contribution to the development of Poland's modern, digital society.

Adjusted EBITDA expected evolution 2016-2020*



* As presented in September 2017 during strategy announcement.

Connectivity – best for fixed and mobile

Convergent network

Customers want fast, reliable and safe broadband access, and from their point of view the technology by which the service is delivered is less important. It is our strongly held opinion that fulfilling customer needs requires first-class connectivity in both mobile and fixed. Mobile alone will not be sufficient. Fast fixed broadband is necessary to address the data demands of streaming services and heavier and heavier traffic, and at the same time to provide a desirable customer experience on the mobile network. In addition, a substantial part of our operations is dedicated to serving business customers who specifically cannot rely on mobile technology alone.

Fixed – from legacy to future proof fibre

In 2015 we made a strategic decision to invest on a large scale in the deployment of a fibre to the home (FTTH) network. It is structurally improving our competitive position and gives us leverage to win back market share in densely populated areas. It also constitutes an important lever for our convergent strategy and one of the key enablers of our turnaround ambition.

We have completed five years of investments, bringing 4.2 million households within the range of the service at the end of 2019. We are on track to reach our goal of around 5 million households covered by the end of 2020. That number would include the vast majority of households in big cities and also a significant proportion of smaller cities. It also includes some households in more rural areas, where fibre access is covered by the government POPC programme (subsidised by EU funds).

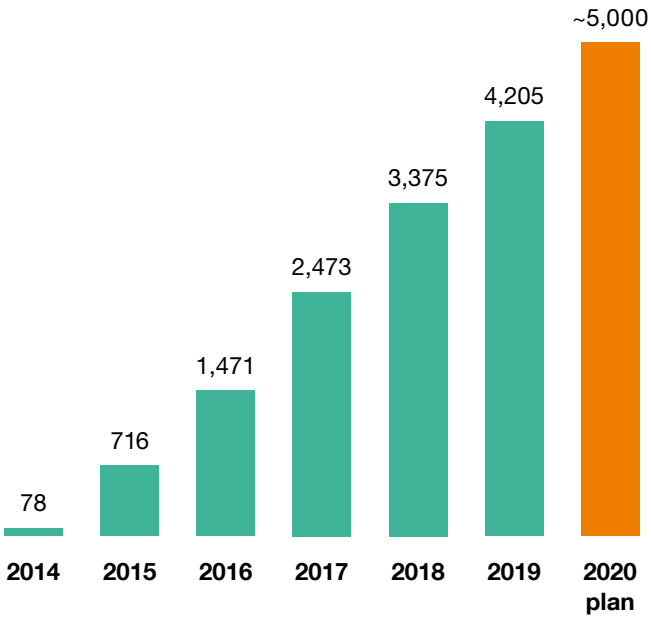
Our FTTH network rollout strategy provides not only for the construction of our own infrastructure but also for wholesale agreements with other fibre network operators, where it is technically possible and economically viable. At the end of 2019 our network coverage included 670,000 households via the infrastructure of other operators.

In 2019 we covered around 830,000 additional households, broadly maintaining the very fast pace of deployment from the previous year. We plan to continue this pace in 2020. Last year we focused on smaller cities and also on single-family houses as opposed to multi-family residences. Single-family houses constituted as much as a third of total deployment in 2019. A substantial part of that deployment was carried out on other operators' infrastructure. In total, at the end of 2019 single-family houses accounted for 10% of our total fibre footprint. On one hand, single-family houses carry a much higher construction cost; on the other hand, we notice far higher demand for our services due to much lower competition. The fibre service adoption rate in single-family houses at the end of 2019 exceeded 20%, compared to 12.4% for the whole fibre network.

To explore new opportunities and to better monetise our fibre investment, in 2018 we signed an agreement with T-Mobile granting wholesale access to our fibre network. The agreement covers around 1.7 million households located in deregulated zones, with access points built in multi-family residences on Orange Polska's own infrastructure. The wholesale cooperation will contribute to faster monetisation of our investments in the fibre network, maximise usage of our infrastructure while avoiding fibre network overbuilding by other operators and accelerate convergence of telecom services in the Polish market based on fibre. The agreement is not exclusive. We maintain the right to offer the same terms of wholesale access to our fibre network to other operators.

We closely monitor our fibre network rollout with respect to monetisation: the number of customers and the value they bring. This depends mainly on the level of competition and our sales effectiveness. Investment in fibre is by nature long term, but in our view this is future-proof technology, the parameters of which can easily be upgraded if necessary. In particular, in 2019 we pursued a 'more for more' strategy for fixed broadband only and convergent services. The average price for a 24 month contract for the single broadband service was increased to PLN 59.99 per month, from PLN 54.99 previously. In return, the basic speed of the fibre service was increased to 300 Mb/s from 100 Mb/s. Higher speeds (600 Mb/s and 1 Gb/s) continued to incur additional charges (PLN 10 and PLN 20 a month, respectively). We also charge customers in single-family houses PLN 15 a month more to recover the higher deployment costs.

Fibre households connectable ('000)

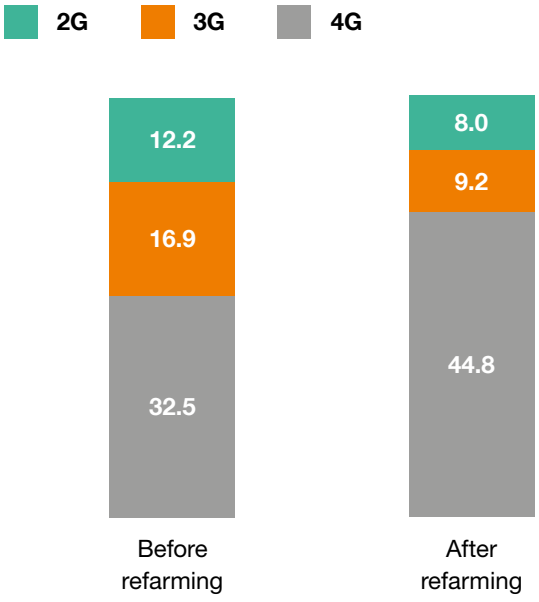




Mobile – more spectrum on LTE

Mobile data traffic growth continues to be very robust. In total, traffic on our mobile network grew by 35% in 2019. To address this demand we continually invest in the quality of our network. By the end of 2019 our 4G/LTE mobile network reached almost the entire Polish population on an outdoor basis and almost 97% indoors. To accommodate robust growth of demand for LTE traffic, since 2018 we have focused on refarming the spectrum to allocate more for this technology and decrease the allocation for both 2G and 3G. This will allow us to use spectrum in a much more efficient manner and improve the customer experience. After completing refarming of the 900 MHz spectrum in 2018, last year we continued refarming 1800 MHz and 2100 MHz. At the end of 2019, work was finished on 88% of 1800 MHz sites and 81% of 2100 MHz sites. We plan to complete refarming by the end of first half of 2020.

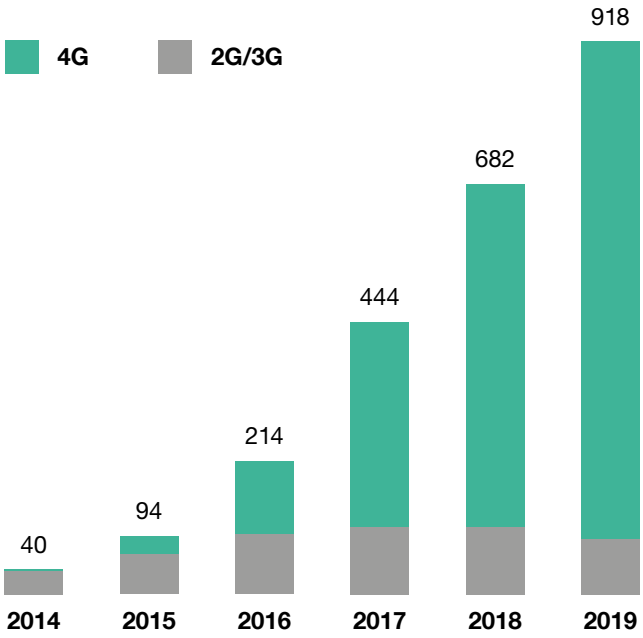
Allocation of mobile spectrum (MHz)



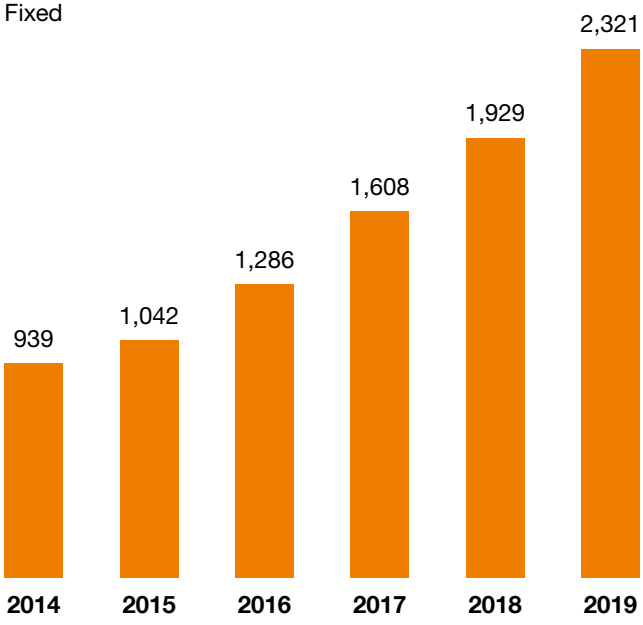
To strengthen network capacity we continue to pursue spectrum aggregation. Almost 80% out of over 11,000 LTE sites enabled carrier aggregation at the end of 2019, a significant advance on 2018. Around 2,600 of our base stations provide LTE technology on four layers of spectrum (800 MHz, 1800 MHz, 2100 MHz and 2600 MHz). In the years to come, 5G technology will become another important element of our mobile connectivity strategy. This will involve allocation of new spectrum, particularly in the 3.4-3.8 GHz band and 700 MHz. An auction for 3.4-3.8 GHz was scheduled for the first half of 2020. However due to COVID-19 pandemic it is likely to be delayed. The timing and formula for the allocation of 700 MHz is not yet clear.

Mobile and fixed data consumption (PB)

Mobile



Fixed



Convergence – consolidating households' telecom and media spending

We define 'convergence' as delivering a package of both mobile and fixed services, which fulfils the needs of an average household. In our view there is a significant potential for convergence in Poland as the vast majority of households still pay their media and telecom bills to different operators. Consolidation of these bills comes with both convenience and a financial benefit. We know from the example of some European markets (Spain or France) that convergence can be a winning commercial formula. In line with our value-focused approach, we made convergence our flagship product for Polish households. At the same time we limited advertising of our mobile-only or fixed-only offers.

Convergence gives us the following key benefits:

- It constitutes our competitive edge, a key market differentiator. On one hand, cable operators do not offer mobile services on any meaningful scale. On the other hand, our mobile competitors historically did not invest significantly in fixed access networks. That is now changing, with the acquisition of Netia by Cyfrowy Polsat and T-Mobile gaining access to our fibre network. However, our footprint to offer convergence on a fibre network is by far the largest in the market, and we believe Orange Love, as the only hard bundle offer, is a unique value proposition for Polish consumers.
- It is a good customer loyalty tool. Convergent customers tend to churn a lot less than non-convergent customers.
- It allows us to upsell more services, winning a higher share of household media and telecom budgets.

Orange Love – a winning convergent offer on the market

Our Orange Love convergent offer continued to be our flagship proposal for Polish households in 2019. The total number of B2C convergent customers increased 11% last year to 1.37 million. The Orange Love offer is a predefined set of fixed and mobile services, bundled together and sold at an attractive fixed price. The basic package can be extended with extra fees for additional SIM cards, higher fibre broadband speed and additional TV content. On top of that we offer a wide range of smartphones at attractive prices. Importantly, Orange Love is available on any broadband technology (fibre and copper), and also on LTE positioned as home broadband. This allows us to market this offer all over the country, which is very efficient. In March 2019 we refreshed the Orange Love offer. We designed two new packages called Extra and Premium to make the choice easier for customers looking for richer TV content.

TV content – an important success factor

An important factor in the success of our convergent strategy is the quality of TV content, which is very important for Polish consumers when choosing a service provider. In 2016 we changed the way we source our TV content, both on IPTV and satellite technology. It allowed us to be more flexible in the way we shape our offer and price it. In 2017 we became the first operator in Poland to launch a decoder that allows customers to watch 4K Ultra HD TV. Our TV offer is now fully competitive versus cable operators, allowing us to successfully build Orange's reputation as a reliable content provider. We intend to remain a content reseller: our strategy does not foresee any investments in exclusive content. Our total TV customer base in 2019 increased by more than 5%, to approach 1 million. More than 80% of TV customers were convergent customers.

Best customer experience and evolution towards digitalisation

Building positive customer experiences

The customer is at the centre of everything we do. Therefore, we focus on building positive customer experiences as well as developing strong, long-term relationships, using modern digital channels. From portfolio development and process planning to customer care in all contact channels, we unite all our employees around the common goal of providing Orange customers with best experience.

For several years we have been assessing our customers' experience with Orange through the NPS (Net Promoter Score) performance indicator. Our NPS is increasing gradually, which vindicates our complete focus on customers in all our activities. At the end of 2019, we had the second highest NPS score among telecom operators.

Approach driven by customer journeys

Our comprehensive customer experience management is based on customer journey management. For the purpose of customer experience design, we use modern methodologies – Customer Journey Design and Design Thinking – which account for customer needs, opinions and emotions.

In 2019, the key aspect in designing new and enhancing existing solutions for our customers was digitalisation. Some of the solutions implemented in 2019, which improved customer satisfaction through simplification, automation and digitalisation, are as follows:

- Max, our voicebot, answers 100% of customer calls to our main infolines. Its use of self-service systems, that is the percentage of issues which Max can resolve without a consultant, has been steadily growing. If contact with a human being is necessary, Max forwards the call to the right consultant; as a result, the number of internal call transfers between consultants has fallen by over one third.
- Chat – We expanded the scope of AI-based assistance to include text chat (chatbot Max).
- Robotic Process Automation (RPA) – This is a global trend and Orange is its leader in Poland. Further automation of customer care processes and implementation of innovative automated solutions (a bot/robot combination in customer care) have cut costs and improved operational efficiency by reducing time to complete, enhancing service quality and eliminating errors in business operations.
- We introduced new, clear and friendly invoice layout for customers of fixed, mobile and convergent services; a great majority of our invoices are delivered to customers in electronic form.
- We launched Orange Flex, the first fully digital offer supported by a chat in an application.

As a result of the implementation of digital tools in Orange outlets, first contact resolution in this channel doubled in 2019.

Customer centricity

We involve our entire organisation, from line employees to the Management Board, in reinforcing our customer-centric culture. Each key decision is considered in terms of customer benefits. The senior management regularly reviews customer satisfaction surveys, identifying the required actions. Such review meetings with the Management Board are regularly attended by special guests: customers, who share their experience with Orange.

All managers and selected experts regularly call customers who expressed their discontent in satisfaction surveys.

On a quarterly basis, all support function employees, together with technicians and couriers, have an opportunity to meet customers face-to-face in sales outlets or on infolines. In April 2018, we launched an internal e-platform for sharing knowledge and ideas about customer experience improvements. As a result, all employees can contribute their ideas for customer service enhancements, vote for others' ideas, and participate in discussions. The best ideas are implemented.

In Orange, we attach great importance to constantly enhancing our processes. Therefore, each Orange employee has an opportunity to get involved in improving customer experience quality through participation in 'Listen and Respond' clubs, which adopt a constant improvement methodology. Almost 600 such clubs with a total of about 3,000 employees involved in improvement initiatives have been established so far.

Digitalisation: an increasingly important trend for our customers

Digitalisation is the key component of Orange Polska's customer care strategy, as it provides customers with an opportunity for free selection, modification or discontinuation of services, and quick and easy self-service on a 24/7 basis. In particular, digitalisation involves automation, which brings significant savings for the Company and quality improvements for customers.

Previously, the main area of customer care digitalisation was the development of service channels on our website and in our mobile app. In 2019, we largely focused on using cutting-edge technologies:

- Robotisation of customer care and business processes: there were over 100 robots operating in Orange Polska at the end of 2019;
- Artificial intelligence: in 2019, our voicebot Max answered 100% calls on our main service infolines. Furthermore, we started to develop and implement AI solutions (chatbot Max) in our chat channel;
- Fully digital Orange Flex offer: with a dedicated application, customers can conclude an agreement with us, activate services using eSIM, and resolve any issues through self-service or chat.



Increasing efficiency

Facing very high competition, ongoing pressure on our top line and the still significant burden of our legacy, our strategy puts a lot of emphasis on improving our efficiency on the cost and capital expenditures side. This area has been given new emphasis with the Orange.one strategy, which puts particular focus on value in all aspects of our activities. Our ambition is to be an agile company, digital and flexible, with a strong online presence and highly automated processes, as well as a proven ability to cut costs and find efficiency savings.

Direct profitability benefits from value focus

With Orange.one, we redefined our commercial approach. It is now much more balanced between volume and value. Orange Love convergent offers allow us to distinguish ourselves from the competition and reach our commercial

goals more efficiently. We have significantly reduced handset subsidies and optimised our distribution channel mix, which is allowing us to improve direct profitability. To facilitate higher value generation we have simplified and aligned our commercial offers, both convergent and mono, around a 'more for more' approach, cutting down on value-dilutive offers and introducing charges for every additional service. Such a strategy assumes that the level of market competition remains high, but that competition will gradually be shifting from one based on price to one based on quality of the offer and customer service.

Transformation of processes

Our business model is a chain of interconnected processes that allow us to render our services. These processes are usually complex, which is partly attributed to the incumbent operator status of Orange Polska. Within the framework of Orange.one implementation we have introduced a comprehensive transformation program to simplify, and where possible to automate and digitalise these processes. As a result, we realise savings in operating costs and capital expenditures.

Ongoing indirect cost optimisations with a clear target

We have been optimising our indirect operating costs for many years, generating hundreds of millions in savings every year. We continue to do this under the Orange.one strategy. The savings come from the above-mentioned process improvements, which free up resources, as well as from volume optimisations and simplification. We are more focused and more selective in resource consumption. We tackle all cost categories presented in the chart below. As one of our Orange.one financial ambitions we committed to a 12-15% reduction of this cost pool (which amounts to around PLN 4 billion) between 2016 and 2020. This figure is net of potential increases related to inflation, pressure on labour costs and costs related to new business development. We reached this target 2 years in advance: in 2018 our indirect costs were 14% lower compared to 2016. In 2019 we delivered additional savings that bring the total level of reductions to 21%.

The largest cost category, and at the same time the most important source of savings, is labour. Over the past five years (2014-2019) we have optimised our employment by around a third, and we aim to continue. The scale of reductions is always negotiated with our social partners (there are 17 trade unions at Orange Polska). The social plan currently in force, signed in December 2019 and covering the years 2020-2021, enables us to continue with employment optimisation at a significant pace. According to the plan up to 2,100 employees may opt for voluntary departures in these two years, which constitutes 17% of the total workforce at the end of 2019. In 2020 1,250 people will be eligible to leave the company within the framework of this social plan. We are significantly optimising not only full-time employees but also outsourced employees. The annual average number of outsourced employees between 2016 and 2019 went down by 45%.

Indirect cost optimisations also include gains on sale of real estate. We have a large portfolio of real estate, mainly because of our long history. In the past we needed many more locations for our employees and our infrastructure. We are gradually consolidating office locations and optimising space for infrastructure. This process is supported by technological progress and changes in our business model. As a result, we are able to free up resources and sell unused real estate. This is a clear example of our discipline in capital reallocation: we are moving capital away from real estate into our fibre network deployment programme, which provides much better long term returns for the company.

Split of indirect costs for 12 months (through June 2017)*



* As presented in September 2017 during Orange one strategy announcement

- **41% - Labour**
  Ambition to continue headcount optimisation
- **20% - Taxes & properties**
  Optimisation of real estate portfolio
- **14% - Outsourcing**
  Process, CRM, telesales optimisation
- **8% - Other**
  Streamlining of communication platforms and optimisation of advertising
- **6% - G&A**
  Simplification of back office and internal support fusion
- **6% - Network maintenance**
  Progressive move towards IP
- **5% - Energy**
  Smart Energy consumption management

Being responsible

In Orange Polska, we have been successfully implementing a policy of corporate business responsibility in all areas of our business for several years now. Our CSR strategy accounts for the Company's business objectives and fits into their implementation. The conclusions from a dialogue with stakeholders as well as market trends and social challenges for our industry in Poland and abroad have been key elements in its development. For us, social responsibility means an organizational culture which takes account of the expectations of employees and other stakeholders' groups – customers, investors, suppliers, business and social partners as well as the environment – in creating and implementing our business strategy. We believe that such an approach generates benefits for the Company and its environment, leads to long-term development and contributes to the improvement of everyone's lives. Therefore, in Orange Polska we have created a social responsibility strategy which focuses on five areas which are of key importance from the point of view of our sector and our operations on the Polish market. In 2016 we launched the new CSR strategy for 2016-2020. It was updated in 2018. A strong foundation of this strategy is responsible management – our values, ethics and compliance and our dialogue with stakeholders as a tool for understanding their expectations. On this foundation are based four pillars of our CSR strategy:

- Social and digital development – We make new technologies an ally to economic and social development.
- Safe network- for the use of the latest technologies to be easy and risk-free
- Clean environment - to pursue our business objectives with respect for ecological principles and in harmony with the environment
- Engaged team – We build culture of co-operation in which employees feel respected, work towards achieving shared goals and have an influence on functioning of the Company.

Responsible management and actions within these four pillars account for our social impact, which is analysed in 6 areas: economy, innovations, customers, environment, communities and employees.



social impact

communities | employees | environment
economy | innovations | customers

strategy pillars

Social and digital development
We make new technologies a supporter of economic and social development.

Safe network
We want the use of new technologies to be easy and free from threats.

Clean environment
We implement our business goals with respect for ecology rules and in harmony with the environment.

Engaged team
We build culture of co-operation in which every employees feel respected, work towards achieving shared goals and have an influence on functioning of the Company.

responsible management

- ethics and compliance
- investor relations
- dialogue with stakeholders
- supply chain
- human rights
- reporting
- organizational culture
- responsible communication

Key financial goal: return to sustainable growth of revenues and profits

Our financial results have been in continuous decline for a number of years. This is chiefly related to the following factors:

- The necessity to adjust to a very high level of competition, mainly in mobile services, in order to defend market shares
- Very high exposure to fixed line telephony, which is being effectively substituted by affordable mobile services
- Regulatory regime limiting flexibility in terms of shaping commercial offers

Proper implementation of the Orange.one strategy will lead to the development of a business model which will enable us to break this negative trend and gradually return to sustainable growth. The first two years of strategy implementation confirmed that we are on track. In 2018 our adjusted EBITDA increased year-on-year. This was the first growth after 12 successive years of decline. Our revenues continued to decline; however the trend visibly improved. In 2019 we sustained growth of EBITDAaL (EBITDA after leases - our new profitability measure, under new accounting standard IFRS16) and also grew our revenues, in line with our guidance.



2020 financial ambitions

		2018	2019	2020
Revenue	Growth areas to increasingly offset pressure on legacy	approached stabilisation	growth*	growth
EBITDAaL	To be supported by better revenue trend, operating leverage and continued cost optimisation	growth**	growth	growth
eCAPEX	Reflects connectivity programme and business transformation needs	PLN 2.1bn (capex)	PLN 2.1bn (capex)	PLN 1.7-1.9bn (eCapex)

* As presented during strategy presentation in September 2017

** Adjusted EBITDA growth under IAS18

Till 2017 Orange Polska was using IAS 18 accounting standard to recognise and to measure revenue.

In 2018, Orange Polska implemented the new accounting standard, IFRS 15. This standard changes the timing of revenue recognition for mobile contracts with subsidised handsets. Under IFRS 15, Orange Polska recognises more revenue upfront (as equipment revenue reflects the full value of the handset) and less revenue throughout the contract period (as service revenue is reduced by the amount of subsidy).

From 2019, Orange Polska is reporting its financial results under the new accounting standard IFRS16. The key objective of the new standard is to provide a single accounting method for lessees applicable to all lease contracts. Under IFRS 16, lessees recognise an asset in the balance sheet representing the right to use the leased assets in correspondence with the liability related to the lease obligations.

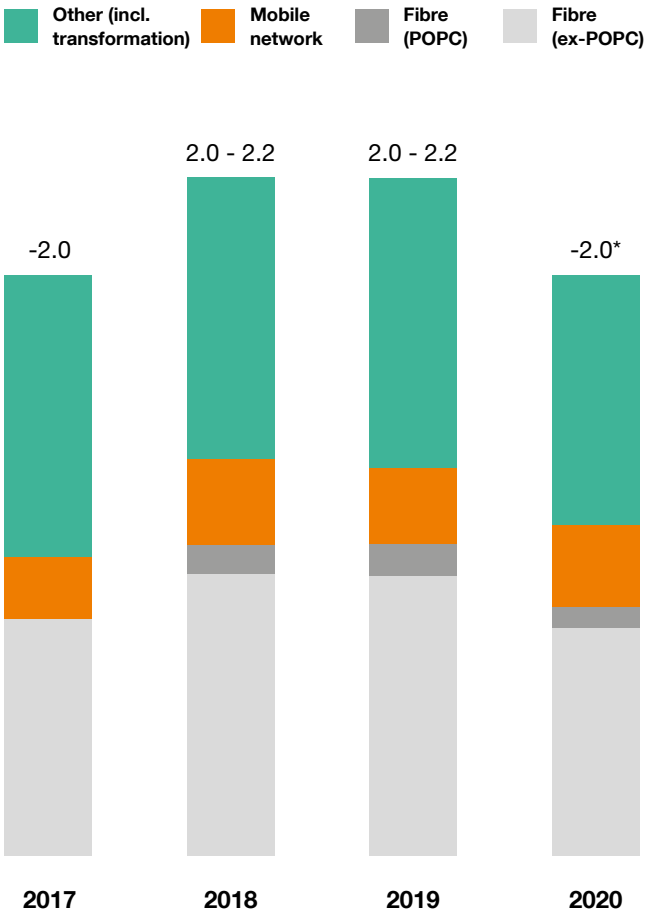
Sales revenues growth will be driven by the following factors: significant growth of convergent customer base and convergent services; continued focus on value in pricing; lower decline in non-convergent services; successful development in adjacent business areas (ICT, Orange Energy, sales of equipment); and a diminishing share of legacy services in total revenues.

The improving revenue trend will contribute to an improvement in the EBITDAaL trend, which will also be driven by op-

erating leverage and continued cost optimisation. When we announced the strategy, we set ourselves a target to reduce underlying indirect costs by 12–15% by 2020 versus 2016. We reached this target already in 2018, and added additional savings in 2019. Savings are generated across all cost groups, including labour, outsourcing, general & administrative, energy and network maintenance costs. They result largely from the comprehensive transformation of Orange Polska's processes at each stage of our business model: networks, products and services, distribution and customer care. The process transformation aims at simplification, automation and digitisation. Cost optimisations are also facilitated by sales of unused real estate. We are gradually consolidating office locations and optimising space for infrastructure. This process is supported by technological progress and changes in our business model. As a result, we are able to free up resources and sell unused real estate.

Projected capex reflects our connectivity programme and business transformation needs. Our capex ambition is to spend at least PLN 2 billion annually by 2020, including around PLN 2.8 billion on fibre network deployment in 2018–2020, to cover more than 5 million households by the end of 2020.

Outlook for capital expenditures (in PLN bn)*



* As presented in September 2017 during strategy announcement.









Results



Q&A with Maciej Nowohoński, Orange Polska CFO*

Q: You delivered on all your financial commitments in 2019. What would you highlight as particularly important in the financial results of last year?

We are very consistent when executing our strategy and this is driving our performance. In 2019 our operating profitability improved for the second consecutive year; however please note that this growth was of a better quality than in the previous year. Let me explain what I mean by that. Gain on asset disposals reached a record high in 2019. The driver here was the sale of the Nowogrodzka/Barbary real estate complex located in the centre of Warsaw. However, I am especially pleased that EBITDAaL increased by as much as 4.5% year-on-year even if we exclude this factor. This was not the case in 2018. This resulted both from better revenue evolution and strong cost optimisation efforts. Revenues were boosted by value-accretive commercial actions as well as successful development of our ICT business, including the acquisition of BlueSoft.

I would also like to highlight the strong improvement in our cash generation. It was supported by growing EBITDAaL, but also by balance sheet optimisations. Firstly, we continue to transform our fixed asset base and dispose of unused real estate. We are moving capital away from real estate into our fibre network deployment, which provides much better long-term returns for the Company. In 2019 we generated a record PLN 500 million of cash from real estate disposals.

Secondly, to optimise working capital we initiated a programme of sale of selected customer receivables arising from sales of mobile handsets on instalments. It is a new concept for the Polish market and its implementation required a significant effort on our part. Receivables are sold to the bank, which transforms them into a security to sell on to its customers. The terms are favourable for us compared to the cost of debt. We will continue this programme in 2020.

Q: You continue to improve your efficiency. Could you give us some examples of initiatives contributing to this achievement? How much further do you think you could optimise your costs?

The comprehensive transformation programme that we introduced as part of our strategy continues to bring outstanding results. Where possible, we are simplifying and automating our business processes at all stages of our business model. In 2019 our indirect costs were down 7%, which means that for the past 3 years the scale of efficiency gains exceeded 20%.

Let me give you some examples of efficiencies in the customer care and network areas. In customer care, we implemented several initiatives that significantly decreased the volume of contacts with our call centres. Listening to our customers' feedback, we made invoices simpler and clearer. Our call centre teams are supported by artificial intelligence in the form of 'chat bot' Max, which is able to recognize around 80 different customer intentions and answer a lot of queries automatically. As a result, the number of calls with human assistance fell by 20% last year while the number of complaints fell by 25%. In addition, we are the only operator in Poland to have introduced paperless contracts for our customers in all our shops. All these initiatives generated significant savings, at the same time as benefiting our customers; the fact that we increased customer satisfaction levels in 2019 is extremely significant. I am pleased to say that we advanced from number 3 to number 2 operator in Poland in terms of Net Promoter Score. Moreover, the absolute level of our NPS was the highest ever.

In the network area, we implemented several initiatives to optimise workflow for the technical teams who install services or fix network problems. We are now able to better detect the exact location of network failures, as a result of which the number of interventions in 2019 dropped by 17%. We also constantly work to reduce our electricity consumption by investing in energy efficient solutions and using big data analytics to monitor and optimise our use of energy, among other measures. Our energy consumption in 2019 fell by another 2% despite the continued growth of data transfer in our networks.

In terms of further cost efficiencies we continue to have strong ambitions and we are constantly coming up with new ideas for simplification and automation. Savings will obviously top our agenda in 2020, especially in the light of various inflationary challenges. The new social plan we announced in December 2019 is a good example.

* Maciej Nowohoński was Orange Polska CFO until 31 March 2020. From 31 March 2020 he is Management Board Member in charge of Carriers Market and Real Estate Sales. From 31 March 2020 Orange Polska CFO become Jacek Kunicki who has been for the past six years Chief Controller at Orange Polska.

Q: Let's talk a little bit about your achievements on the business market. This line of business also improved last year, didn't it?

Services for business customers account for around a third of our total business, so improving performance in this area has significantly contributed to our results recovery. I would like to mention three factors here.

Firstly, the performance of our mobile operations improved, driven by further growth of the customer base and better performance of ARPO (average revenues per offer). Customer base growth benefitted from efficient retention actions supported by data intelligence. As a result, churn rate reached a record low. ARPO was supported by tariff increases made in November 2018.

Secondly, I would like to highlight that we are also monetising our investments in fibre on the business market. Our fibre network deployment covers not only households but also small businesses, and this customer group is growing as well. Fibre is also a key element in the transformation of our data transmission business for large enterprises, where we are gradually replacing legacy copper connections. Here we invest project by project, delivering point-to-point access for example for large retailers or financial institutions.

Last but not least, ICT operations. This line of business was given special attention in our strategy because of its growth potential and increasing synergies with our core telco operations, and it has been supported by last year's acquisition of BlueSoft. Between 2016 and 2019 we doubled our ICT revenues, a whole year in advance of our strategic ambition.

Q: You guide for further growth of both revenues and operating performance. What are the key risks to this plan?

Our guidance for further growth of revenues and EBITDAaL in 2020 should come as no surprise. It is consistent with our strategic ambitions. The achievements of the past two years build confidence in our ability to grow. I would prefer to talk about challenges, not risks. Please note that for us the structural challenge that we have every year is the need to offset decline in high margin legacy services. Our revenues from retail fixed line telephony constitute 8% of the total, but their contribution to profits is higher and they decline by around 15% each year.

We all already know that 2020 will look very different than we expected. Coping with the impact of the COVID-19 pandemic will be an unprecedented challenge, not only for us but for the entire Polish and world economy. Today it is much too early to assess the consequences, as we do not know the severity and length of this crisis. However I believe that, relative to many other industries, Orange Polska's business is much less vulnerable to this situation. Mobile and Fixed



Broadband connectivity nowadays is critical to the needs of individuals and businesses. We derive the majority of our revenues and profits from subscription-based services, which allows us to rely on relatively stable and predictable revenue streams.

Looking at other specific factors in 2020, challenges will come from a more and more inflationary environment in the Polish economy that impacts our costs. In particular I would like to highlight energy costs and labour costs. We expect a strong increase in the cost per megawatt hour this year, as a result of last year's price freeze (following regulatory intervention) and rising wholesale energy prices. Inflation of labour costs, driven partly by a rapid increase in the minimum wage, is impacting the cost of various external services that we buy. These challenges have obviously been factored into our plans, and they motivate us to implement more efficiency improvements to boost our capacity for growth.

Q: You decided to change the definition of your operating performance metrics again. What are the reasons?

Our business is changing so our reporting needs to reflect that. We also listen to feedback from the financial community. The key intention behind the change, which we will adopt from 2020, is to better capture the economic effects of the transformation of our fixed assets base.

Over the past few years, we have transformed rapidly from incumbent to modern integrated telecom operator. On the one hand we are heavily investing in new technologies: fibre network and mobile network. We have invested more than PLN 2.5 billion in fibre network rollout since 2016. This technology will create value for us for many years to come. In mobile, we will soon start investing in 5G technology. On the other hand we are also disinvesting. This includes disposals of unused properties mainly resulting from our legacy status, and this activity has recently strongly accelerated. Since 2016 we have sold assets with market value of around PLN 1 billion. Assets amounting to a similar value remain to be sold in the future.

Up until now, the benefits of this transformation have only been presented in operating profitability (EBITDAaL) through gain on asset disposals. However, this captured only the accounting effect. We decided to shift the presentation of these gains to capital expenditures to capture their cash impact. EBITDAaL from 2020 will include only core telecom operations, and its trend will not be impacted by somewhat volatile gains on assets disposal. This addresses the feedback we received from our investors and analysts.



Q: What are the key constraints for you in returning to dividends?

We are in regular touch with the financial community through frequent meetings and dedicated perception surveys and we are very much aware that dividends are important for investors, especially in the telecom sector. It is our intention to return to dividend payments in the future. Since the announcement of our current strategy in 2017 we have been consistent about the conditions for returning to dividend payments.

There are two key aspects here. Firstly, successful turnaround and establishing a business model that will allow us to grow on a sustainable basis: results for 2018 and 2019 confirm that we are on track. Secondly, we need to take into account the cost of acquiring spectrum. The spectrum auction for 5G is imminent and the high entry price indicates that the acquisition cost will not be negligible. In the relatively short term, we will also need to renew the licence for 2100 MHz frequency that expires at the end of 2022. There is also uncertainty regarding the allocation of 700 MHz frequency in the future. On some occasions in the past we stated that we could envisage paying a dividend in 2021 for the results of 2020. However, we cannot commit to that today. When we return to paying a dividend, our intention is that it will be based on a transparent and sustainable dividend policy.

Outputs & outcomes

By following our business model and fulfilling our strategic objectives we deliver unmatched data connectivity for households and businesses and a palette of services adjusted to our customers' needs. We aim to deliver an effortless and friendly customer experience across all customer touchpoints. Simultaneously we aim to be an agile and flexible company with a proven ability to find efficiency savings. Orange Polska is sensitive to the global challenges related to the natural environment and natural resources. We implement our business goals with respect for the rules of ecology and in harmony with the environment.

Unmatched data connectivity for households and businesses



- **Providing best connectivity**
  - reliable and resilient network
  - best connectivity regardless of the customer's location
- **Delivering a palette of services adjusted to customer needs**
  - broad portfolio of competitive, telco services, enriched by non-telco products
  - convergent services
  - the right products at the right price

Effortless and friendly customer experience



- **Optimal sales channel mix**
  - optimisation and enhancement of remote sales channels
- **Making customer journey easy and friendly**
  - simplified procedures and elimination of needless procedures and pain points
  - problems solved during one contact
  - high NPS ratio
  - services accessible to all

Acting in an effective and responsible manner



- **Focus on efficiency**
  - an agile and flexible company with proven ability to find efficiency savings
  - constant transformation of indirect costs
  - process optimisation and automation
- **Management of impact on the environment**
  - business goals implemented with respect for the rules of ecology and in harmony with the environment
- **Impact on society**
  - social investment programmes
- **Being digital and caring employer**
  - investing in employees development

To help measure our progress on how well we are adding value for our stakeholders and delivering the outputs described above, we use KPIs and success measures presented in this chapter.

Unmatched data connectivity for households and businesses

Providing best connectivity

Our commitment

To offer best connectivity, both in mobile and fixed, regardless of geography of customers

To bring up to 0.8-0.9m households within the reach of our fibre network in 2019

To further develop our LTE coverage and provide best connectivity experience on LTE

KPI	Performance
Number of households connectable within our fibre network	2017: 2.4m 2018: 3.2m 2019: **4.2m**
4G coverage	Outdoor: 2017: 99.8% 2018: 99.8% 2019: **99.9%** Indoor: 2017: 95.9% 2018: 96.8% 2019: **96.9%**

Delivery on our commitments in 2019

Connectivity is a vital pillar of our strategy. As the demand grows for greater quantities of data and higher speeds of transmission, investing in the right spread of technologies and maintaining and upgrading our network infrastructure helps to ensure that Orange can continue to attract customers with the promise of fast and reliable services. In 2019 we continued to concentrate our efforts on fibre technology to keep pace with the demand for high-speed broadband, and we improved the quality of our mobile 4G/LTE network to accommodate the explosive growth of mobile data traffic.

Fixed Line

A fast, modern and reliable network is a critical factor to success in convergence. Due to great differences in the competitive environment, the technological options related to population density, our market shares and customers needs, we use a local approach in our activities, which varies in big cities, medium to small towns and rural areas. In big cities we focus on development of fibre coverage and recovery of market share in fixed broadband by capitalizing on our excellent position in the mobile market; whereas in rural areas mobile technologies, supplemented by fixed ones, are the primary broadband access solution.

In line with our strategy, we continued massive development of fibre lines. As at the end of 2019, almost 4.2 million households and companies were connectable with the fibre network, which is an increase of near 0.9 million compared to the end of 2018. Our fibre services are available in 142 cities compared to 117 cities at the end of 2018. In 2019, we focused even more on developing our network in smaller towns, where some districts are dominated by single-family houses. These accounted for 37% of the total network roll-out. On one hand, it involves much higher investments, but on the other hand, we expect much higher demand for our services in single-family houses – despite the fact that fibre broadband is more expensive for such customers.

Our fibre development strategy assumes wholesale agreements with other fibre network operators, wherever it is technically possible and economically viable. The main benefits include quicker access to the fibre network and more efficient use of the existing fibre infrastructure in the relevant locations. This is in line with the aims of the Cost Directive of the European Commission, which recommends avoiding duplication of the existing facilities. Such agreements were concluded in 2016, 2017, 2018 and 2019. Under this scheme, we have been already using the infrastructure of 35 operators for more than 670,000 households. In 2020 and later years we intend to continue acquiring FTTH coverage from other operators.

The number of households connectable to Orange Polska's VDSL network stood at over 5.3 million at the end of 2019. VDSL range has not changed compared to 2018, mainly because we gave priority to fibre network investments. It is worth mentioning the VDSL Boost programme, which migrated 90,000 ADSL clients to VDSL on the existing network capacity. The programme also significantly reduced churn in xDSL customers group, which resulted in a record 543,000 VDSL customers at the end of 2019.

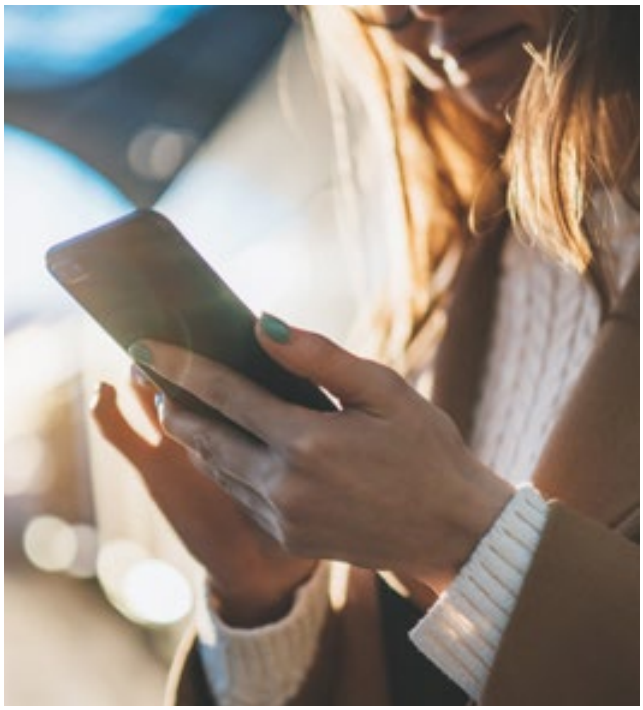
Orange Polska is Poland's largest wholesale service provider. The demand for transmission band is growing especially for 1 and 10 Gbps links. To meet these needs we continued to build nationwide OTN (Optical Transport Network) trunk lines in order to enhance accessibility and reduce time to deliver leased lines services. In 2019 we increased the number of transport nodes resulting in OTN capacity growth from 3.1 Tbps in 2018 to 4.6 Tbps at the end of 2019.

Mobile

We have been gradually expanding our network coverage and capacity. In 2019 our customers got access to further 212 base stations. As data transfer on the Orange mobile network is growing rapidly, with the biggest increase reported in 4G traffic (which grew 45% in 2019 year-on-year), LTE technology remains the top investment priority in our mobile network. Thanks to our ongoing investments in the mobile network, 4G outdoor coverage for all bands was 99.86% of the population on 98.25% of Polish territory at the end of December 2019. We provided LTE services via 11,222 base stations. In 2019 Orange Polska also focused on increasing the number of sites that enable spectrum aggregation; their number reached 8,928 at the end of December 2019 compared to 6,901 a year earlier.

In 2019 we continued Refarming project focused on converting bandwidth allocation to modern technologies – LTE2100. LTE2100 is deployed in place of 10 MHz out of 15 MHz in 2100 MHz band previously allocated to 3G. By the end of 2019 Orange reached 80% of project completion network wide.

The total bandwidth allocated to LTE services will increase to 45 MHz. At the same time, in order to maintain the quality of our 3G network, we have also converted the 4.2 MHz frequency block used jointly with T-Mobile for UMTS900 services into two independent carriers of 4.2 MHz each. The project shall conclude in 2020.



In addition to Refarming project, Orange carried Capacity Boost project in Warsaw Metropolitan Area focused on deploying MIMO4x4. As a result Orange customers may benefit with increased LTE performance served from 639 sites, which are also ready for 5G deployment. This project shall continue in 2020 with additional 800 sites MIMO4x4 and 5G capable located in other major cities.

In 2019 we launched LTE-M for Internet of Things on LTE800 layer, providing 871 sites with LTE-M activated. LTE-M has been expanding in our network in "dot" and "small area" activating model for B2B services like smart metering.

LTE outdoor and indoor coverage

Date	Geographical Coverage	Population Coverage	System
LTE outdoor coverage evolution			
31 Dec 2017	97.67%	99.80%	All LTE bands
31 Dec 2018	98.00%	99.83%	All LTE bands
31 Dec 2019	**98.25%**	**99.86%**	All LTE bands
LTE indoor coverage evolution			
31 Dec 2017	83.58%	95.93%	All LTE bands
31 Dec 2018	84.08%	96.77%	All LTE bands
31 Dec 2019	**85.32%**	**96.90%**	All LTE bands

Delivering a palette of services adjusted to customer needs

Our commitment

To offer a full palette of services, enriched by non-telco products, to strengthen our position as the unique convergent player in Poland



KPI	Performance
Number of convergent customers	2017: 1,306k 2018: 1,547k 2019: **1,697k**
Number of mobile SIM cards	2017: 14,424k 2018: 14,805k 2019: **15,284k**
Number of mobile post-paid SIM cards	2017: 9,726k 2018: 9,922k 2019: **10,237k**
Number of mobile pre-paid SIM cards	2017: 4,698k 2018: 4,883k 2019: **5,047k**
Number of fixed retail broadband customers	2017: 2,438k 2018: 2,560k 2019: **2,607k**
Number of fibre customers	2017: 214k 2018: 366k 2019: **520k**
Convergence penetration in B2C fixed broadband customer base	2017: 50% 2018: 57% 2019: **62%**
Convergence penetration in B2C mobile handset customer base	2017: 37% 2018: 46% 2019: **50%**
Number of fixed voice customers	2017: 3,684k 2018: 3,407k 2019: **3,109k**

Delivery on our commitments in 2019

2019 saw a changing landscape in the Polish telecom market, with operators implementing a 'more for more' approach. In 2019, we changed our price lists of most services to mass market customers. The rationale behind this move included: higher demand for data transmission, more stable competitive environment in the mobile market, very low prices of telecommunications services in Poland, and favourable macroeconomic environment in Poland. Higher service prices are in line with our strategy focused on value and growth of revenue and profits.

Our commercial activity remained focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it constitutes

a good customer loyalty tool and it allows us to upsell more services, winning a higher share of household media and telecom budgets.

Convergence addresses the household telecommunication needs and is a powertrain of our strategy

One of the key strategic objectives of Orange Polska is to be the leader in telecommunication services sales to households. Convergence, or sales of mobile and fixed-line service bundles, addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing churn (as churn rate is significantly lower than among single service users). It also contributes to revenue growth and increased efficiency of IT and marketing spending. Through our convergent offer we are able to enter new households with our services as well as upsell additional services to households where we are already present, displacing competitors that cannot provide such a comprehensive offer.

In 2019, we partially modified our Orange Love convergent offer, which is our flagship proposal for Polish households. In addition to the existing packages, Mini (broadband + SIM card) and Standard (broadband + SIM card + home phone + TV package of around 100 channels), we introduced two richer packages called Extra and Premium. These are designed mainly for customers looking for much richer TV content and more abundant mobile data packages on the SIM card. Before, customers could also create similar packages themselves. Now, the choice is simpler and the price is more attractive. All packages can be still extended to include broader TV packages, additional mobile post-paid services at a discounted price or added-value services, such as Orange TV GO or multiroom.

Another major change was an increase in price of the Standard package of Orange Love from PLN 99.99 to PLN 110. In return, the fibre broadband speed increased to 300 Mbps (from 100 Mbps) and the mobile data package increased to 7 GB (from 5 GB). The prices of the other packages did not change. Higher service prices are in line with our strategy focused on value and growth of revenue and profits.

Sales remained high, despite considerable saturation of our broadband customer base with convergent services (62%). The majority of new mobile and fixed broadband service sales are still effected in the convergent bundle formula. Our convergent offer is a major competitive advantage over CATV operators, as they provide no or very limited mobile services.

In 2019, our B2C convergent customer base increased by 133 thousand (or 11%), reaching 1,369 thousand. The total number of services provided in the convergence scheme among B2C customers exceeded 5.6 million. On average, each convergent individual customer uses more than four Orange services, and this ratio is on a stable upward trend owing to upsell of additional mobile and TV services. The share of convergent customers in the aggregate base of residential customers of fixed broadband and mobile voice services is shown in the diagram below. This share considerably increased owing to the attractiveness of the Orange Love offer and the prioritisation of convergence at Orange Polska. Currently, 62% of B2C fixed broadband customers have convergent bundles.

Orange Polska's B2C convergent customer base (in '000)



Convergence penetration in B2C fixed broadband customer base



Convergence penetration in B2C mobile handset post-paid customer base



Improving trends in mobile reflect effective value strategy

In 2019, the key developments related to our mobile portfolio were the revision of our mobile plans and the launch of innovative offer called Orange Flex.

As part of our 'More for more' approach, we raised all four subscription fees by PLN 5, while offering in return increased data packages for use in Poland and across the European Union.

In May 2019, we launched a very innovative offer called Orange Flex. It is a fully digital offer supported by an application on the phone, which enables customers to adjust their mobile plans using their smartphones and subsequently change packages depending on their needs with no loyalty agreements involved. Customers can choose from among four tariff plans which differ in data usage limits. They can change these plans (even every month), buy additional services in real time or even temporarily disable services with no consequences. Payments are effected with a payment card attached to the application, so there is no need for invoices.

Orange Flex was developed from scratch and based to a large extent on feedback from our customers. Flex combines the flexibility of pre-paid offers with the convenience of post-paid ones. A breakthrough feature is that customers can activate a new number in a few minutes with no interaction with an operator using eSIM technology. It is a highly innovative offer, which in our opinion sets a new benchmark for the future of telecommunications services, which are to be marked by full flexibility and digital experience.

In line with our value-based strategy, we still followed a policy of low handset subsidies, which had been introduced in 2017. We also continued to offer an option to purchase handsets in an instalment scheme at any time during the lifetime of the service contract (which had been introduced in the second half of 2018). Before, customers could only buy a new smartphone on an instalment basis when concluding or renewing their contracts. Now, they can be much more flexible in this respect, which increases our competitiveness in the smartphone market versus other sales channels. We have thus addressed the needs of customers who either look for novelties or have lost their handset for whatever reason and need a new one. As a result, we have significantly increased smartphone sales and enhanced customer loyalty.



The most important development in the consumer market was the introduction of higher service prices, accompanied by increased data packages, by three out of four operators. It is a colossal change over previous years, when fierce competitive struggle led to increasingly lower prices.

As at the end of December 2019, Orange Polska had a mobile services base of almost 15.3 million, which is an increase of over 3% vs. the end of 2018. The growth rate was roughly similar in the post-paid and pre-paid segments.

In the post-paid segment, SIM card trends were similar to those in 2018:

- Sales of handset offers were up over 3% (similarly to 2018), as a result of the consistent implementation of a value-based commercial strategy and concentration on the Orange Love convergent offer in customer acquisition;
- As expected, the number of mobile broadband services continues to fall due to increased popularity of mobile broadband for fixed use offers as well as growing data packages for smartphones in mobile voice tariff plans (it was down 16% in 2019);
- The number of SIM cards related to M2M services grows rapidly (it was up over 15.5% in 2019).

As for other key trends in the B2C market, in 2019 there were no significant changes versus 2018:

- With rapidly growing demand for data transfer, the volume of data pools has become the key competitive differentiator.
- An attractive portfolio of modern smartphones remains a differentiator in competition for customers. Operators now more actively promote sales of smartphones and other accessories independently of the service contract.
- Households are increasingly the main arena of competitive struggle in contrast to earlier competition for single customers. Customers can get price benefits, sometimes significant, for buying a bundle of several services, which contributes to the popularity of multi-SIM family offers. A part of this trend is the growing take-up of convergent offers, which combine mobile and fixed-line services.
- As a product category, mobile broadband has been less and less attractive, mainly due to attractiveness of wireless broadband for fixed offers, as well as growing volumes of data packages in voice offers.
- Looking for other differentiators, in addition to price, operators offer new services, such as access to music services or TV content.

In order to better reflect our commercial strategy, since the beginning of 2018 we have been presenting separately convergent mobile customers and those who use mobile ser-



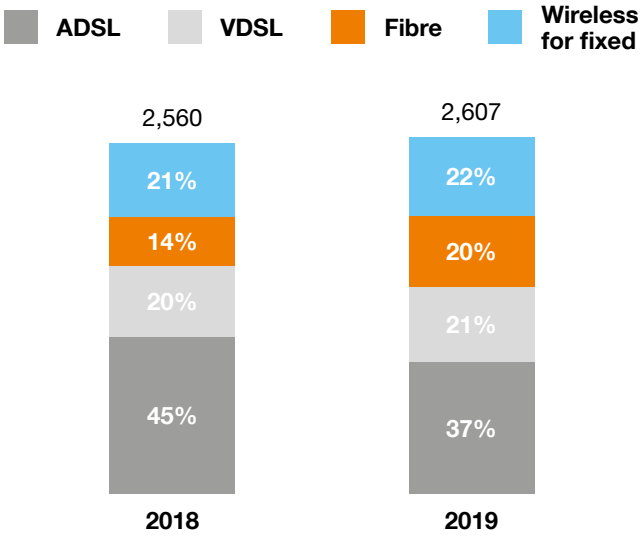
vices only. The number of the former grows rapidly, driven by convergent customer base expansion and upsales of additional SIM cards to Orange Love customers. A decrease in non-convergent services (excluding M2M) can be attributed to migration to convergence, churn, lower migration from pre-paid services (as a result of their higher price attractiveness) and phasing-out of old value-diluting offers.

Fixed broadband: Fibre brings competitive advantage and gives support to convergence

Total fixed broadband customer base increased by almost 2% in 2019, exceeding 2.6 million. The trend did not change compared to 2018. Decline in the mostly non-competitive ADSL technology was offset by growth in VDSL, fibre and wireless for fixed. The share of these growing technologies in the aggregate customer base increased to 63% at the end of December 2019 (from 55% at the end of 2018). We expect this transformation to continue as a result of the steady implementation of our convergence strategy and further investments in the fibre network.

In line with the revenue reporting layout introduced in 2018, we separate convergent broadband customers (their number equals to that of convergent customers) from non-convergent broadband customers. Our non-convergent broadband customer base shrinks as a result of migration to convergence but also due to churn. As a consequence, revenues in this category decrease. Broadband ARPO also decreases, mainly due to a declining share of customers with a TV service, as they migrate to convergence.

Broadband customer base (in thousand)



Fixed voice services: unfavourable trends continue

Erosion of the fixed voice customer base (excluding VoIP) totalled 380 thousand in 2019 and in relative terms was similar to that in previous periods. The decline can be attributed mainly to structural demographic factors and the popularity of mobile services with unlimited calls to all networks. It is also a result of our convergence strategy, which stimulates partial migration of customers to VoIP. Revenue erosion was 15%, remaining at a similar level to 2018. We expect this downward trend to continue in subsequent periods. A positive trend, however, is the stabilisation of average revenue per user.



Effortless and friendly customer experience

Optimal sales channel mix

Our commitment

To make it easy for all customers to access our products and services through different channels of contact



KPI	Performance	
Number of POSs	2017: 739 2018: 731 2019: **708**	
Number of POSs adapted for customers with disabilities	2017: 155 2018: 146 2019: **143**	
Number of Smart Stores	2017: 14 2018: 23 2019: **24**	
Number of POSs modernised (Best Retail Network)	2017: 14 2018: 120 2019: **235**	

Delivery on our commitments in 2019

Optimisation and increasing the effectiveness of our sales channels

Our key objectives include further development of our online sales channel as well as the optimisation and modernisation of our sales outlets to align with market and consumer demands. These objectives directly result in greater customer satisfaction and further efficiency gains.

The rapid development of online sales, combined with omnipresent digitalisation, influences the expectations and purchase preferences of our customers. As a result, sales outlets are losing their dominance as the main contact channel through which most customers new to Orange make their purchase decisions. On the other hand, most existing customers who want to buy additional services still choose retail outlets. That means we need to invest in the development of our point-of-sale network.

In 2019 we decided to expand the Best Retail Network project in three additional areas:

- Best Location – in-depth revision of Orange POS network based on sales potential and sales efficiency (city-by-city analysis)
- Best People – focus on improvement of staff retention rate and enhancement of sales force efficiency and engagement
- Best Quality – improvement of customer experience and sales efficiency through the rationalisation of both work standards and quality control in our shops.

We had a chain of 708 points of sale, including 235 recently modernised (of which 24 were Smart Stores), at the end of 2019. A total of 143 Orange outlets are fully accessible to the disabled.

Our sales strategy is driven mainly by our customers' evolving purchasing preferences and the shift to digital channels. In order to address this trend, we focused on improving the online customer experience, as well as upgrading the Orange portal and the My Orange mobile application. Our strategic ambition is to make online the first-choice contact channel for customers to search and buy Orange services. That is why, beginning in September 2019, our clients have been using a new version of the orange.pl homepage. With a simplified information architecture and technology, this new homepage allows for faster and more intuitive navigation through the Orange Polska portal. Thanks to these changes, customers experience a shorter page-loading time and simplified sales and service processes. The level of satisfaction and NPS of customers using My Orange has significantly increased. Customers appreciate the simplicity and clarity of the environment. They note the ease of access to information and the intuitive navigation. They find it easy to check the amount of their last invoice, pay their bills, manage services or change contact details.

We will also soon introduce version 5.0 of our mobile application, developed in cooperation with our customers. As well as offering numerous sales functions, this new version will respond to their expectations and suggestions.

In 2019 we introduced an innovative app-based offer, Orange Flex (available via Appstore/PlayStore). It allows the customer to use mobile services in a subscription-based model - all the services are easily self-managed and all the payments are made automatically, thanks to a credit/debit card or BLIK payments. Orange Flex is aimed at both improving Customer Experience and reducing the cost of customer acquisition.

Customers can also benefit from direct contact with representatives of the Active Sales channel. Orange uses advanced geomarketing tools to target the work of its salesforce more effectively, chiefly in support of our urban fibre network investments. In response to the large increase in fibre infrastructure investments in single-family housing estates and Orange's participation in the POPC investment programme, Active Sales sells FTTH services on the new infrastructure, working directly with fitters to maximize customer satisfaction (NPS).

Cooperation between all our contact channels has allowed us to gradually implement cross-channel solutions, helping to ensure a uniform, seamless customer experience regardless of the channel.

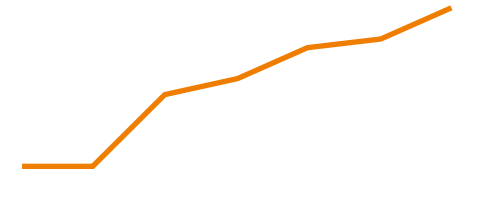


Making customer journey easy and friendly

Our commitment

To improve the customer experience by offering attractive products and services, accompanied by improvements in customer service and sales channels, both traditional and online.

To be innovative and flexible in responding to our competitors' moves.

KPI	Performance
Orange NPS	
Number of activation of our safety solutions	Customers protected by CyberShield in 2019: 2.5 million times



Delivery on our commitments in 2019

Focus on continuous improvement in customer experience

In 2019, we achieved the second position among telecom operators in terms of NPS (Net Promoter Score), improving our score by a further 4 percentage points versus 2018, and our gap to the market leader was the smallest ever. It is important to note that our score has been steadily growing year-on-year. Customers' confidence in us is growing, which produces tangible benefits for the Company.

The increase in our NPS has been driven by the growing customer base for our fibre services and Orange Love bundle, as well as specific improvements in customer experience, including the simplification of both mobile and fixed line offers, automation and robotisation of selected processes, increased capacity of our LTE network, and increased coverage of our mobile and fixed line networks.

We continued the high standards of customer care, which in 2019 was reflected in the following awards:

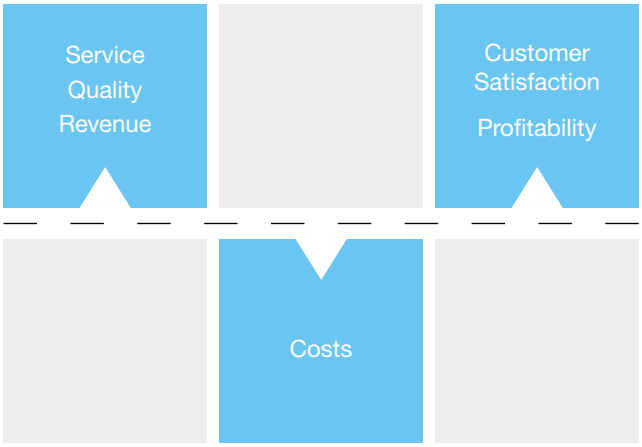
- Customer-Friendly Company Badge, which is awarded by customers on the basis of an independent satisfaction survey (Orange was the only telecom operator in Poland to receive this)
- 'OK Senior' certificate for our customer service dedicated to senior citizens, both on our infoline and in our sales outlets
- Customer Service Quality Star for our nju offer infoline support (for the fourth time)

Top standards in customer care

Since 2014, we have maintained the international COPC (Customer Operations Performance Center) certificate, which through annual audits confirms our high efficiency and top standards in customer care management.

The primary purpose of the COPC standard is to improve customer experience by ensuring consistency in all customer journeys and across all communication channels – whether traditional (call centre, chat), digital self-service ('My Orange' app, e-care), or AI-based (voicebot Max and chatbots).

Compliance with the COPC guidelines and benchmarks results in direct benefits experienced by both customers (quality improvements and related customer satisfaction growth) and the organisation itself (cost optimisation, efficiency gains).



We lead the way in implementing the COPC standard within the Orange Group, and according to auditors, "compliance with standards is part of Orange Polska's corporate DNA." In their opinion, we have very effective methods for identifying, reviewing and implementing improvements in all customer service channels.

Last year we began to implement a new approach to customer service auditing and certification in Orange Polska. The COPC certification used to apply only to selected locations, representing individual customer care processes. In 2019, we launched an enterprise-wide certification model, in which a representative sample of locations will be randomly selected for an audit, and the outcome of the process will apply to the entire customer care function of Orange Polska. The new approach will ensure higher flexibility in implementing changes, better alignment with the existing operational model, and more effective use of all resources.

User-friendly contact channels

We offer a wide selection of contact channels, which we constantly improve to best meet the expectations of our customers.

In 2019, we introduced further improvements:

- We enhanced our voice assistant Max, which in 2019 answered 100% of customer calls to our main service infolines. Customer satisfaction with issues handled by Max is higher than that with self-service through a traditional IVR system.
- We consistently implemented our strategy to develop digital channels: almost 70% of all customer interactions took place via fully digital communication channels.
- We expanded the 'Our Orange' community, which in 2019 increased by 36% year-on-year.
- We developed and actively promoted dedicated self-service solutions (Fleet Manager and Premium Support Portal applications) that enable business customers to manage their service portfolio on a 24/7 basis.

Modern CRM systems

In 2019, our customers and all our first-line sales and customer care personnel (over 10,000 employees) used one common tool for customer relationship management: OMNI.

The introduction of this single sales and customer service platform marked the beginning of a new era in our relations with customers. During a contact with a customer, both salespeople and consultants effect processes in OMNI in the same manner, and the customer can see it by logging on to My Orange. With real-time access to customer information (e.g. personal data, billing data, etc.), our employees can perform a number of customer service activities more efficiently. In particular, they can enter order numbers for all our products more quickly and manage customer relations more effectively.

The OMNI platform is continually enhanced according to feedback from our customers and consultants. The platform acts as an integrated environment, providing uniform customer experience across all communication channels and ensuring customer service coherence.

Contact Channels

Digital channels

- Prices and availability
- Buy new services and renew agreements
- Customer care, e.g. diagnose devices or services
- Learn how to easily effect customer self-care: connect a device, use self-service tools (Orange Expert tutorials)

Call Centre

- Obtain product and payment information
- Request changes in services and the account
- Buy new services and renew agreements
- Customer care (complaints, technical issues, payments)

POS

- Browse showroom
- Try or test products
- Buy products and services
- Obtain information
- Pick up orders
- Customer care

Social media

- Obtain product and services information
- Share experience
- Demand information
- Customer support (not associated with account details)
- Demand opinions



Personal data security

We control a vast amount of customer and employee data. Personal data are one of the categories of confidential information which, together with data protected by the telecommunication secret and proprietary information, are covered by our Information Security Management System. This system complies with the ISO 27001 international standard, for which we hold certification.

At each stage of data collecting and processing, we ensure that customers are informed about the purpose and scope of data processing, as well as their right to access and rectify their personal data. No fines were imposed on the Company for breach of personal data protection regulations in 2019.

Orange Polska's activities may trigger the loss, disclosure, unauthorised communication to the general public or third parties or inappropriate modification of the data of its customers. Such losses could arise from (i) malicious acts (including cyber attacks), particularly aimed at theft of personal data, or (ii) potential negligence within the Group or its external partners.

Recourse to liability proceedings is facilitated by the General Data Protection Regulation (GDPR), which became applicable on May 25, 2018. For infringement of GDPR protection rules, administrative fines of up to 4% of the annual global turnover may be imposed. Such incidents could have a considerable impact on the Group's reputation and a heavy impact on its liability, potentially including criminal liability, and hence have an adverse impact on Orange Polska's future financial performance. In accordance with GDPR, ISO 29134:2017 and the Article 29 Working Party guidelines, we have implemented a process to identify and prevent violation of rights and liberties of data subjects. We have also delivered dedicated training for Orange Polska's employees and partners.

Data security

Rapid development of new technologies is accompanied by new forms of crime, a danger which most customers are not capable of coping with themselves. We try to counteract these threats, guaranteeing the security of our services to users and offering them essential knowledge on how to use our services safely. We carry out educational campaigns regarding the Internet, we provide technological tools to strengthen data and system security, and we monitor threats to internet users, particularly children.

Monitoring online threats is the responsibility of CERT Orange Polska. This team responds to threats as they show up and supports Internet users. In 2019, our CyberShield systems, protecting the safety of Orange Polska network users, blocked over 2.5 million connection attempts between infected computers and cybercriminal infrastructure. In addition, almost 11.5 million times our systems prevented potential victims from connecting to confirmed phishing sites.

The most frequent security incidents analysed by CERT Orange Polska were related to "Gathering information". This category comprises actions aimed to collect information about systems or networks, or their users, in order to obtain unauthorised access (e.g. port scanning, tapping and social engineering/phishing, including phishing email distribution and phishing site hosting). This category accounted for almost 40% of all incidents. Another significant group (almost 21%) was DDoS / DoS attacks, which involve flooding the attacked system with massive amounts of data.

Polish electromagnetic field (EMF) emission standards

Mobile phones

All mobile phones in Orange Polska's portfolio meet the emission standards specified by the International Commission on Non-Ionizing Radiation Protection (ICNIRP). We ensure that they are thoroughly tested and the safety of their use is verified in the process of examining their conformity with essential requirements. All mobile devices in Orange Polska's portfolio are safe for users and are accompanied by information on the Specific Absorption Rate (SAR), which is always lower than official limits (below 2 W/kg). SAR for mobile phones refers to the maximum level of radio waves that the user can be exposed to during a call. SAR values can be found in the user manual (technical specifications), which is provided by the manufacturer.

Base stations

Orange Polska uses only proven and worldwide-used wireless communication technologies which are safe for all users.

Since January 1, 2020, the limits of exposure to electromagnetic fields applicable in Poland have been consistent with the Council Recommendation 1999/519/EC. The new limits were set in the Decree of the Minister of Health of 17 December 2019 on the limit values of electromagnetic fields in the environment (Journal of Law of 2019, item 2448). This replaced the Decree of the Minister of Environment of 30 October 2003 on the limit values of electromagnetic fields in the environment and methods of verification thereof (JoL No 192, item 1883), which expired upon coming into force of the Act of 30 August 2019 on amending the act on supporting the development of telecommunications services and networks and certain other acts (JoL of 2019, item 1815) in line with Article 34(2) thereof.

Orange Polska complies with all standards regarding electromagnetic field (EMF) emissions around base transceiver stations (BTSs) and broadcasting stations. We implement technical solutions to ensure protection against EMF emissions by radio communication systems of the base stations developed through our investments or operated on our networks. We ensure compliance with the relevant applications through the following:

- Developing the estimates of the EMF impact on the environment at the planning stage of BTS construction or modernisation projects;
- Reporting EMF measurements (vs. limits) to environmental protection bodies, which decide whether to carry out public consultation or not (public consultation and dialogue concerning network facilities are carried out as part of administrative proceedings and initiated and supervised by the relevant government agencies).

5G technology

The 5G network has no confirmed negative or positive impact on people in terms of the electromagnetic field or the range of frequencies used. The 5G devices will not exceed the Polish standards regarding EMF emissions. These standards have been established on the basis of scientific research in such fields as medicine, epidemiology, biology and dosimetry in accordance with the guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP). Radio waves are electromagnetic waves of a frequency lower than that of infrared radiation or visible light (which is also an electromagnetic wave). Radio waves are not ionizing radiation (such as X-rays), and their levels used in mobile networks guarantee safety by a large margin. The electromagnetic fields used in mobile telephony have no confirmed adverse effects on human beings. Radio waves and microwaves are not considered a potential cause of cancer by the World Health Organization (WHO). They have been included in the category of phenomena and substances whose impact on the development of tumors requires further research, but this does not mean that, according to WHO, such an effect exists

Technology	Frequencies	Admissible exposure level
Energy-saving lightbulb	100 KHz	87 V/m
FM radio	100 MHz	28 V/m
TV	400 MHz	31 V/m
2G	900 MHz	41 V/m
	1.8 GHz	58 V/m
3G	900 MHz	41 V/m
	2.1 GHz	61 V/m
Wifi	2.5 GHz	61 V/m
	5 GHz	61 V/m
4G	800 MHz	39 V/m
	1.9 GHz	58 V/m
4G+	2.5 GHz	61 V/m
	700 MHz	39 V/m
	3.5 GHz	61 V/m
5G	26 GHz	61 V/m

Acting in an effective and responsible manner

Focus on efficiency

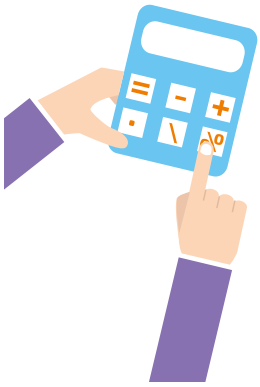
Our commitment

To be an agile and flexible company with proven ability to find efficiency savings

- Constant transformation of indirect costs
- Process optimisation and automation
- IT spending optimisation as well as facilitation of commercial initiatives, especially in convergence

KPI	Performance
Indirect costs	indirect costs in 2016-2019 (in PLN millions)

2016: 4,102
2017: 3,903
2018: 3,567
2019: **3,309**





Delivery on our commitments in 2019

The Orange.one strategy added a new dimension to our approach to efficiency at Orange Polska. All our business decisions and actions are now driven by value creation. Our ambition is to be an agile company, digital and flexible, with a strong online presence and highly automated processes, as well as a proven ability to cut costs and find efficiency savings. This approach is reflected in both our commercial activity and our financial results.

In 2019 we continued with our redefined commercial approach: to become more selective and more balanced between volume and value. We took a major step last year by introducing the first ever tariff increases on the consumer market according to a 'more for more' formula. This followed a number of value-accretive moves in the prior two years: reduction of handset subsidies, simplification of tariff structure, cancellation of value-dilutive promotions and bonuses, and changes in tariff features encouraging customers to migrate to more expensive tariffs. In 2019 we also continued to optimise the distribution channel mix and make savings on advertising and promotion costs.

Direct margin (the difference between revenues and costs directly linked to revenues) continued to fall, but its contraction was significantly contained in 2019. This improvement in the trend was due to value-driven commercial activity and monetisation of our investments in the fibre network, as a result of which we were able to better compensate structural decline in high-margin legacy services.

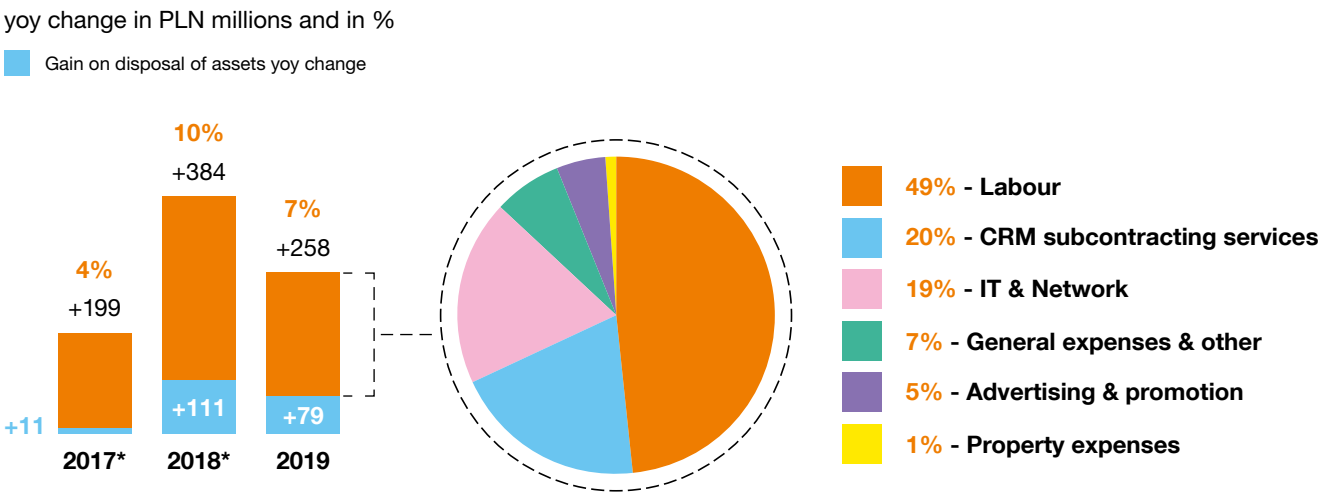
In line with our strategic priorities, we continued to push forward with our comprehensive transformation programme to simplify, and where possible to automate and digitise our business processes. We cut our indirect costs by a further 7% in 2019. As a result, over the past 3 years we have brought our indirect costs down by 21%. This achievement significantly exceeds the commitment we made when we set out our strategy in 2017, to cut indirect costs by 12-15% by 2020 (versus 2016). This was a consequence of numerous transformation projects across many areas of operations (e.g. labour, customer care, IT and network, property and general expenses), and record high gains on sale of real estate. Labour costs benefitted from implementation of a Social Plan which covered 2,680 employees (around 18% of the total workforce) in 2018-2019. As a result our labour costs decreased by 6% (year-on-year) in 2019.

- We find optimisation opportunities at every stage of our business model. Examples of the cost saving initiatives introduced in 2019 include:
- As a consequence of simpler and clearer customer invoices and introduction of artificial intelligence (voicebot Max) in customer support, the number of customer calls with human assistance to call centres dropped by 20% and the number of complaints by 25%.
- We were the only operator in Poland to introduce paperless electronic contracts for our customers in all our shops.
- We implemented several initiatives to optimise the workflow of the technical teams which install services and fix network problems. We are able to better detect the exact location of network failures; as a result the number of interventions in 2019 dropped by 17%.

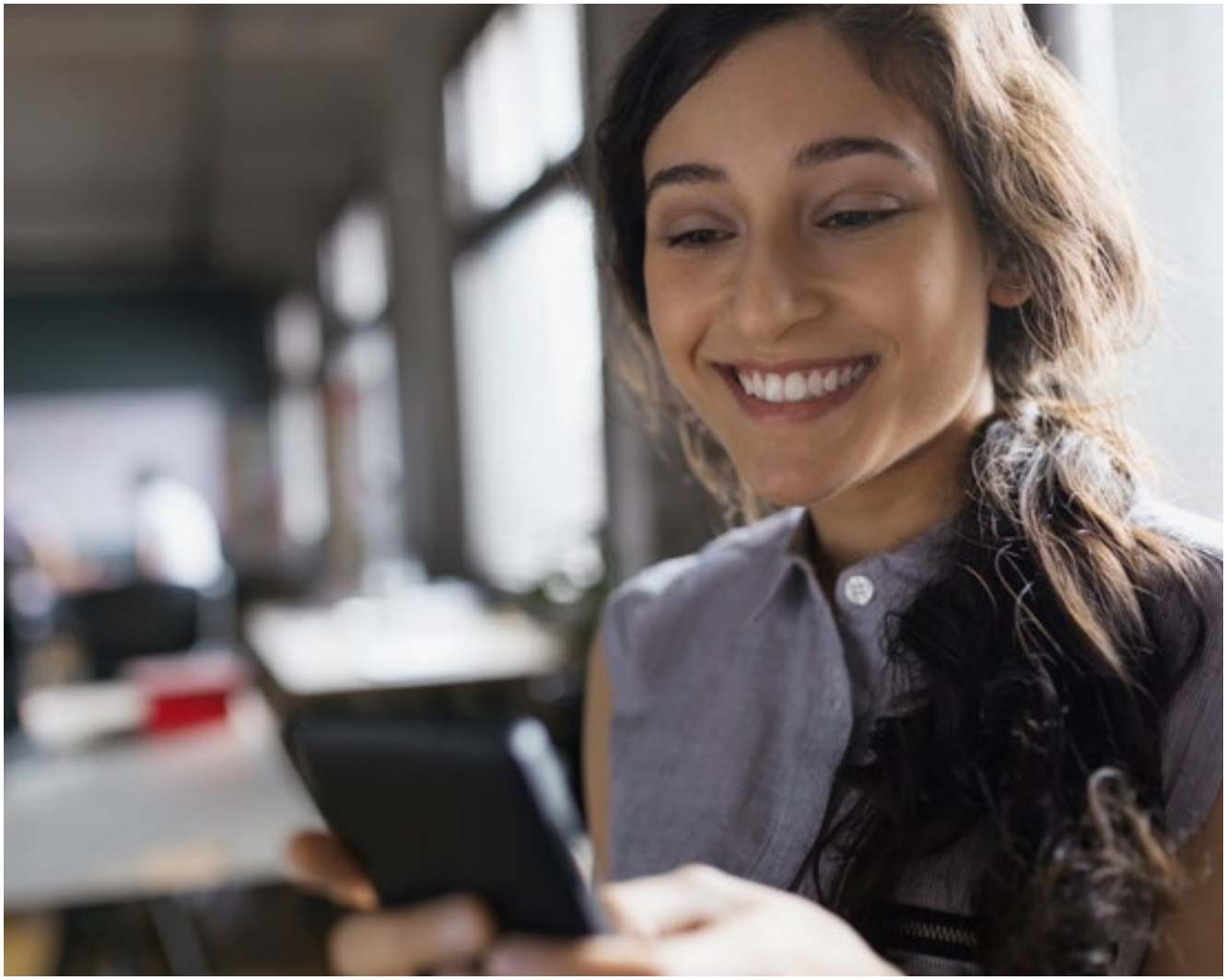
- We continued to optimise consumption of electrical energy in fixed and mobile networks: we consolidate locations, invest in more energy efficient solutions and use big data analytics to monitor and optimise use of energy.

Savings will continue to top our agenda in 2020, especially in the light of various external inflationary challenges. Among other initiatives, in December 2019 we signed a new Social Plan under which up to 2,100 employees may benefit from voluntary departures in 2020-2021.

Indirect costs (yoy change in PLN and %)



* 2017-2018 IAS17. 2019 IFRS16

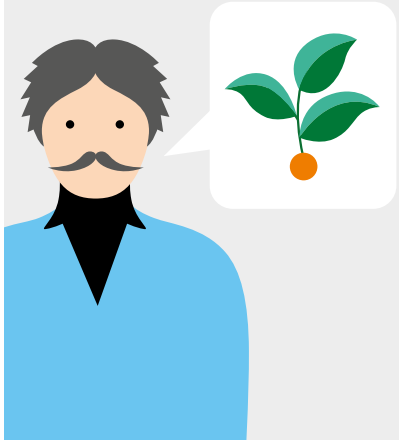




Management of our impact on the environment

Our commitment

To implement business goals with respect for the rules of ecology and in harmony with the environment: optimization of energy use in the following areas: real estate, infrastructure and network, Data Center, supervision over Orange Polska's impact on the environment; increase in number of recycled, reused and refurbished devices



KPI	Performance
Energy consumption CO_2 emission	Electricity consumption (GWh) 2017: 581 2018: 564 2019: **552** CO_2 emission (tons) - scope 1+2+3 2017: 467,500 2018: 451,000 2019: **426,000**
Number of recycled and refurbished devices	Collected and recycled phones 2017: 42,869 2018: 16,034 2019: **36,671** Refurbished and relaunched phones 2017: 8,138 2018: 5,600 2019: **8,561** Refurbished and relaunched devices 2017: 465,994 2018: 491,125 2019: **410,774**

Delivery on our commitments in 2019

Orange Polska has adopted an environmental policy that defines the Company's key areas of use of natural resources and our impact on the environment.

These safeguards allow us to:

- oversee the processes which may affect the environment in compliance with legal requirements and other environmental regulations;
- identify our negative impact on the environment;
- account for environmental issues while setting objectives and making decisions as well as carrying out initiatives reducing our impact on the environment;
- monitor the compliance of electromagnetic emissions with the relevant standards;
- attempt to reduce CO_2 emissions related to our activity;
- improve our business practices and apply technological solutions to reduce negative environmental impact;
- engage in dialogue with stakeholders and inform them about our environmental protection initiatives;
- raise environmental awareness among our employees and customers;
- cooperate with our suppliers to ensure their compliance with our environmental policy.

Use of new technologies is a huge opportunity on the one hand, in terms of economic and social development and finding more eco-friendly solutions; on the other hand, it presents a challenge when it comes to the rapid obsolescence of products and increased demand for energy. It poses a problem about what to do with devices that are no longer wanted and provokes us to think about eco-efficiency inside the Company as well as relations with our suppliers. It also means educating customers and encouraging them to return ICT devices they no longer use.

Orange Polska is sensitive to global challenges related to the natural environment and natural resources. We consider energy consumption with related greenhouse gas emissions, as well as generation of waste electrical and electronic equipment to be the most important aspects of our environmental impact.

Orange Polska is currently developing an environmental strategy, in which we will present a more comprehensive approach to the Company's impact on the natural environment and the climate. This will also be reflected in the manner of reporting of non-financial information (2014/95/EU) in line with the guidelines from the supplement on reporting climate-related information (2019/C 209/01), as well as in determining the threats and opportunities related to climate change.

In 2019, Orange Polska as a member of the Employers of Poland, who originated the initiative, became a signatory/initiator of the Ecological Responsibility Charter of the Entrepreneurs and Employers of Poland. The Charter is an expression of support for the objectives of the European Union, which wants to achieve climate neutrality by 2050, and an answer of the business sector to the challenges associated with the need to stop climate change and environmental degradation.

Energy optimisation

Expansion of the telecommunications infrastructure in response to the growing demand for information flow entails higher demand for electrical energy in our industry. In order to compensate for this environmentally unfriendly trend, we take steps to optimise energy consumption. We also reduce electricity consumption through replacement of older technical devices with modern energy-efficient ones, modernisation of cooling systems, introduction of energy saving functionalities, etc. We manage natural resources efficiently, monitoring the consumption of energy and other resources, as well as carbon dioxide emissions related to our operations. All our energy saving initiatives, including some designed by our own employees, have been combined into a single programme, 'Energy Optimisation'. To date, Orange Polska has launched almost 160 such initiatives, which generated total energy savings of 583 GWh between 2014 and 2019, and, once all the projects are completed, will generate savings of 182 GWh annually (vs. base year 2014). It means an overall reduction in carbon dioxide emissions of 446 thousand tonnes. Thanks to this programme, our electricity consumption decreased by 10.7% between 2014 and 2019, despite our investments in new technologies and development of new services.

Second life of devices

We try to reduce the amount of materials we use in our operations and to reuse them rather than dispose of them. We encourage our customers to recycle old mobile devices: a buy-back programme for unwanted mobile phones is one of our key environmental initiatives. It is also possible to drop off old mobile phones and accessories, free of charge, in Orange stores. We co-operate with a partner company which repairs any damage, so that the returned handsets can be put back on the market.

Multimedia devices, such as modems and set top-boxes, are leased to customers for the term of their telecommunication service agreements. As a result, products that have not yet come to the end of their life cycles can be reassigned to other Orange Polska customers, avoiding the need to purchase new devices. These products are deemed to be 'as good as new' after refurbishment.

We encourage our customers to recycle old mobile devices. It is also possible to drop off old mobile phones and

accessories, free of charge, in Orange stores. We refurbish multimedia devices, such as modems and set top-boxes, so that they can be reassigned to other customers. In 2019, 410,774 modems, broadband and CPE devices were refurbished and returned to the market, which was approximately 43% of the total number in circulation in Poland. In addition, 194,995 devices were refurbished in 2019 for the French and Senegalese markets. On top of our in-house refurbishment processes, with the help of our external service partner, over 8,500 mobile devices, both smartphones and tablets, were refurbished and put back into distribution in Poland.

In 2019, we launched a new buy-back programme for used handsets in all Orange POSs. Each used but operational smartphone is valued by an Orange consultant, and in the trade-in scheme the customer receives a voucher which they can use when buying a new handset or accessories in our store. Handsets are also collected, in return for attractive prizes, during our music festivals: Orange Warsaw Festival and Open'er Powered by Orange. It is also an opportunity to educate fans in mobile phone recycling.

We co-operate with licensed organisations only. The collected devices are stored in special containers, and then handed over to a company which is responsible for their recycling or neutralisation. Such companies document the subsequent stages of the process: collection, transport and recovery or disposal. In line with the WEEE Act, the equipment which can no longer be used is considered waste and handed over to waste neutralisers holding the relevant waste management licence granted by the Chief Inspectorate for Environmental Protection.

E-services and paperless

Digital technology also creates the potential for more innovative and sustainable solutions promoting energy conservation and pro-environmental attitudes. We provide environmentally friendly solutions which help to reduce greenhouse gas emissions through services that can replace traditional communications or written documents, such as tele- and video-conferences, electronic document flow, e-services, e-invoices and comprehensive ICT systems for business, public administration and local communities.

Over three fourth of all Orange Polska's customers use e-invoices, and among our mobile customers this figure is already more than 90%. As a result, we have saved 1,000 tons of paper and 10 million litres of water over thirteen years. If you add the effects of signing service and product agreements in the electronic form on a tablet (this option is chosen by 9 out of 10 visitors to our sales outlets), we have eliminated the use of paper which is equivalent to almost 40 hectares of forest.



We have replaced popular plastic bags with paper ones, thus reducing the amount of plastic waste stored in landfill sites. However, the best solution from an environmental point of view is to use your own reusable bags. Therefore, we encourage our customers to change their habits in order to reduce the number of plastic bags used.

Smart cities

As a result of cooperation with start-ups and applying our own solutions in the field of smart cities – energy, water, or lighting – we are changing the way cities, companies and entire communities operate.

Smart Energy is a system that monitors, analyses and manages the consumption of electricity, helping to save energy. We developed the solution in co-operation with the Teraz Energia company. In 2019, we established co-operation with other energy companies, such as S-LABS.

Smart Water is an intelligent utilities consumption monitor, which provides more precise water consumption measurements, helps to eliminate abuses in water intake from media recipients, allows remote meter measurement without the need for individual readings and speeds up response to failures or irregularities. Smart Water solutions are already operational in nearly 30 municipalities in Poland, with large projects completed in Szczecin (8,500 meters), Pyrzyce (2,000), Cybinka (2,000), Krosno (3,300), Józefów (3,000), Środa Wielkopolska (1,100), Hrubieszów (1,500), Podkowa Leśna (1,200) and other towns.

Smart Lights is a lighting management system for cities and municipalities. It provides savings by reducing energy consumption, and contributes to the improvement of residents' safety. Automation of the urban lighting system has tangible financial and social benefits: the ability to configure lighting according to the needs of residents and depending on traffic, time of day or weather; faster response to failures; and lower costs to remedy them. In 2019, we developed our own smart light controller, which is compatible with the majority of LED lamp vendors available on the Polish market. The first

Smart Lights systems using the new controllers became operational in several Polish cities in the second half of 2019.

Furthermore, we have introduced fourth generation bike-sharing systems (with no docking stations) in 17 cities.

In five municipalities we implemented smart air-quality sensors, which enable effective monitoring of air pollution and informing people about it.

We also offer smart systems for monitoring municipal services, which already operate in three cities. For example, our smart waste management system makes it possible to improve the schedule and logistics of waste collection from individual locations, optimising the use of the truck fleet.

Eco-efficiency of our infrastructure

We invest in the efficiency and quality of our infrastructure. According to our statistics, in 2019 the volume of data traffic on Orange Polska's network was ten-fold higher than in 2015, while simultaneously the amount of energy required to transfer one gigabyte of data through our mobile network decreased from 1.4 kWh to 0.2 kWh. The fibre network, which we are expanding, uses eight times less current per user than copper network and five times less than mobile one.

Furthermore, Orange Polska is developing a chain of modern base stations which optimise energy consumption by extinguishing some of their systems whenever they are not needed for current operations. In addition, our server rooms and some base stations use free cooling technology to save energy. Already almost 2,400 of our base stations use outdoor air instead of air conditioning systems for cooling. As a result, each such base station saves about 8 MWh of energy annually, which is equivalent to four-year energy consumption of an average household. And the total energy savings from the use of free cooling in base stations correspond to the annual energy consumption of the city of Zakopane.

Renewable energy sources

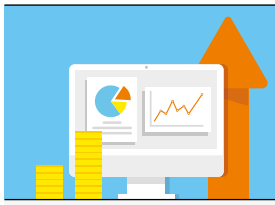
As from 2021, Orange Polska intends to meet a portion of its energy needs from renewable sources. We already pay much attention to the energy mix of our energy suppliers, ensuring that it will include green energy in the future. We are carrying out a pilot project to meet a portion of our needs with solar energy from photovoltaic (PV) panels installed in selected sites.

We have been looking for optimal financing models for the development of PV systems. We have decided to follow the Solar-as-a-Service (SaaS) model. One system has already been developed in Kalisz in this scheme (its commercial trial started in November 2019). With the SaaS model, an external company develops and maintains a PV system at its own expense, while Orange provides an installation site and buys the solar energy produced. The total power of the PV modules in the deployed system is 14 kWp. We are considering the Green Data Center initiative, which provides for the deployment of PV installations in the SaaS model in our data centers in Psary (500 kWp) and Łódź (370 kWp).



Impact on Society

Our commitment	KPI	Performance
To expand access to new technologies for residents of small towns - digital development of local communities	Number of participants (residents of small towns and villages) in educational activities	65 Orange Studios in villages and small town for 585,000 residents
To develop digital competencies among children and schools	Number of participants (schools, children) in educational programmes	150 schools and 7,000 children in MegaMission Programme, 150 schools and 2,894 children in #SuperCoders programme
To provide and support education on children's online safety in schools and kindergartens all around Poland with the Safety Here and There programme	Number of participants (children) in Safety Here and There programme	1,114,868 children using education materials



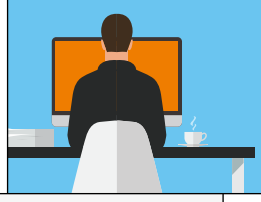
9.0 bn PLN
of Poland's GDP generated by our services

99.8%
of Poland's population covered by our 4G network

4.2 million
households connectable with our fibre network (offering speeds of 300 Mbps or more)

142 cities
connectable with our fibre network

9.3 million PLN
spent on social programmes and support to NGOs



46,000
jobs generated in other companies as a result of their co-operation with Orange Polska

4.8 million PLN
raised for NGOs from charity SMSs sent by our customers

3,977
educational institutions ran social programmes supported by Orange Polska

Delivery on our commitments in 2019

Orange Polska plays a special role in stimulating economic development. The telecommunication services and technologies that we provide are the lifeblood of a modern, effective and competitive knowledge-based economy. The Company's infrastructure is used not only by individual users but also by other companies. The role of Orange Polska as a provider of ICT infrastructure is particularly important outside big cities, in rural and semi-rural areas that are less digitally connected.

The availability of new technologies influences whether we are willing and able to live in a particular location; it also determines whether our businesses can compete with others, choose the best offers, find appropriate employees or ensure smooth collaboration. As an ICT infrastructure provider, we have the power to enhance the investment attractiveness of particular regions and locations.

Digital technology has become a critical factor in the pursuit of a good life; as a result, social exclusion is now a digital issue. By providing telecommunications services we facilitate communication between people; we strive to ensure that

everyone, regardless of their place of residence, income, age or ability, has access to the opportunities offered by new technologies.

Social Campaign

In 2019, Orange Polska launched the social campaign "We have great power. We have great responsibility." to promote responsible use of technology. The campaign was the part of the international Orange Group's initiative. To show customers how to use new technologies wisely and safely, the Together On-line internet platform has been created, which includes advice on the rules of using the internet by a family. We show how to prepare a child to use digital devices, we inform when to give it the first phone and how to secure the device, we show inspirational websites. We have also given a lot of space to security and protection against threats areas, such as internet abuse, access to inappropriate content, hate or cyberbullying. As part of this initiative, we also organized webinars and live chats with opinion leaders and experts. On the other hand, during the Days of Development with employees, experts spoke about the phenomenon of phonoholism and warned against pato-content on the web. The website was visited by over 430,000 people, and 39,000 customers downloaded the Protect Children on the Web application within a month, i.e. more than twice as many as before. The "We have great power. We have great responsibility" social campaign gained positive customer feedback and has proved to be the most engaging campaign over the past year.

Orange Foundation

An important element of our responsibility is constituted by the activities of the Orange Foundation focusing on social programmes which concern modern technologies. The strengthening of digital competence, safety of the youngest web surfers, and finally providing inhabitants of small towns with access to information, knowledge and technology - these are the most important activities of the Orange Foundation. Our programmes reflect the strategic idea of our thinking and local activities. We listen to people's needs, we co-operate with experts and social partners, and then we suggest solutions which may be used by the society, school and non-governmental organization. Since 2005, we help not only by committing our money, but also our knowledge and skills.

Thanks to Orange Foundation we:

- teach children and parents online safety rules
- support modern digital education for children and youth
- help residents of small towns develop digital literacy
- inspire people to use modern technologies wisely and creatively
- conduct studies on digitisation and the use of technology in Poland
- run nationwide educational projects for schools
- connect people who need help with our volunteers.

Orange Foundation programs: Orange Studios, MegaMission, #SuperCoders, Lesson:Enter, FabLab, Safety Here and There and Orange Corporate Volunteering

– Orange Studios

Orange Studios are public multimedia studios in small towns and villages, which we create and help to manage. Their purpose is to provide members of the local community with access to new technologies, courses and workshops. The leaders of the studios are provided with professional training and financial aid to help them manage these modern and attractive meeting places. We have set up 100 studios across the country (65 of them are still active on local level). In addition, we have launched an online knowledge-sharing platform for Orange Studio users. It features a portfolio of ready-to-implement projects and a gamification module that uses game mechanisms to build social skills and motivate residents to work for the benefit of their neighborhoods. The initiatives are aimed at different groups: children and youth, people with disabilities, young mothers, and senior citizens. We estimate that 585,000 people use Orange Studios per annum.

– MegaMission

After-school clubs offer a space where we can support digital education in an innovative way that supplements the core national curriculum. Since 2015 we have run a nationwide educational programme for primary schools called MegaMission. It is aimed at kids aged 6 to 10 and their teachers. Through this programme we expand educators' knowledge about the ten key areas of development of media, digital and IT competence. 150 schools and 7,000 children participated in the MegaMission classes in 2019. We created a mobile application (MegaMisja z Psotnikiem) which helps to develop children's digital competence. The application was downloaded by 7,000 users.

– #SuperCoders

#SuperCoders is an education programme to teach coding, aimed at primary schools and students aged 9-12. In 2019 the programme involved 150 schools and 2,894 pupils. During the classes, children learn programming, the basics of robotics and learn about the world of new technologies not only in computer science, but also through nature, history, Polish language, English, music or mathematics lessons. Each school participating in the program receives a grant for the purchase of the computer equipment and learning tools necessary to conduct classes within the selected path. In addition, the Orange Foundation provides

two teachers from each school with professional training to prepare them for conducting classes, and supports experienced educators. In 2019 three new educational paths for 7-8th class were implemented.

– Lesson:Enter

Lesson:Enter is a nationwide digital education project addressed to schools, the biggest carried out in Poland so far. Its main goal is to assure better and more frequent usage of digital tools by teachers in their everyday work. The project is carried out by a consortium of three organizations: Orange Foundation (leader), Information Society Development Foundation and Institute of Public Affairs. Thanks to the grant received from Digital Poland Project Centre within the Digital Poland Operational Programme (PLN 40 million) we would give out circa 100 mini-grants (up to 450 thousand each) to local organizations to recruit teachers and organize trainings. During the four-year project over 75 thousand of teachers will be trained.

Within the project three cycles are planned, one in each year between 2019 and 2021. Each cycle will consist of two steps:

- Application for mini-grants – granting the financial help to the institutions that will be responsible for holding trainings for teachers in their regions. Grants are available for Teacher Training Centres independently or in co-operation with Local authorities, universities or NGOs.
- Trainings for teachers – recruitment process and carrying out trainings for teachers divided in 9 thematic paths.

In addition, follow-up activities guaranteeing durability of the project will be held.

In 2019 we carried out the process of selection of the grantholders. We have received 27 grant applications which ended up with signing 13 contracts with local organizations that will be responsible to hold trainings in their regions. 11 of 16 voivodships will be covered.

– FabLab powered by Orange

FabLab (fabrication laboratory) powered by Orange is a studio created in Warsaw and Gdańsk by the Orange Foundation and Robisz.to Association, equipped with advanced technologies such as 3D printers, laser plotters, CNC milling machines, and electronics. With the support of instructors, participants can learn how to use these technologies creatively to create various objects - from jewellery to drones. Classes and workrooms are open to children, young people and adults, regardless of their skills and experience. FabLab also conducts the Maker Woman project, which is aimed at women entering or returning to the labour market. The main goal of the project is to prevent social and technological exclusion of women through informal education in the field of new technologies and crafts. Activities are also directed at women who want to raise their qualifications to meet the constantly changing requirements of the labour market. Participants work on their projects with the support of mentors, creating prototypes and finished products.

FabLab powered by Orange in Warsaw in 2019:

- 5th edition of the Maker Woman project supporting woman on the labour market,
- project for high-school students addressed to young entrepreneurs in co-operation with the City of Warsaw
- open workshops for children from small towns and villages

FabLab powered by Orange in Gdańsk in 2019:

- two editions of an educational project for young people
- open workshops for children and adults in co-operation with the City of Gdańsk

The Maker Woman project is for women who plan to develop their qualifications in the rapid market changes. During 3-months training each participant follows the path from theoretical know-how to preparing the prototype of their own product. They learn the basics of design, preparing projects for 3D print, lasercut and CNC machine. They gain skills in coding of microcontrollers and microcomputers. They practice in wood processing, sewing, building websites, product photography. They get basic support in leading their own business.

With help of trainers and mentors participants develop their prototypes, that can be used as a basis of future startup.

– Safety Here and There

One of the most important issues for us is the safety of children and young people on the internet and preparing young people to use new media in a conscious way. Our programme Safety Here and There addressed this issue by combining the educational activities of the Orange Foundation with all our services related to customer safety. This programme supports education on children's online safety in schools and kindergartens all around Poland. Every year the Orange Foundation, in cooperation with the Empowering Children Foundation, offers many educational tools and materials such as e-learning and educational websites, and online brochures and guidelines for pupils, parents and teachers.

In 2019 our educational materials reached 1,114,868 children. Adults (especially educators and specialists) can participate in conferences, seminars and workshops. In 2019, 418,365 of them (teachers, educators, parents) used various kinds of educational tools and materials provided by Orange Polska.

Seniors

For the second time, Orange Polska received the OK SENIOR quality certificate awarded by the National Institute for Silver Economy, for call centre service.

We introduced facilities for seniors at our call centre to meet the needs of our senior customers, who could not always cope with the extensive menu, namely: automatic menu shortened to a minimum, dedicated advisors, unlimited talk time. In addition, all letters addressed to senior customers are printed using a bigger font. These facilities resulted in an increase of Net Promoter Score of senior customers with the service by an average of 10 percentage points. For the first time, we received the Senior OK quality emblem in 2016 (for 2 years). Store certification is also planned.

In 2019 a dedicated series of classes on new technologies for seniors was developed. As part of cooperation with the Zaczyn Foundation working for seniors, Orange Polska became a partner of the Digital Competences Festival. We also run workshops for seniors in Orange Studios. We trained 16 groups of seniors about the use of a smartphone, mobile applications, Information Architecture and security, and savoir vivre online.

Orange Fab

To support our customers in digital transformation and streamline our internal processes, Orange Polska has collaborated with start-ups for several years now.

In our dedicated Orange Fab accelerator programme, we work together with micro-companies in carrying out tests and pilot projects based on their innovative solutions. As part of this co-operation, they have an opportunity to test their solutions with a large corporation and consult them with Orange experts, and their best projects can become the subject of commercial partnership.

We initiate collaboration in diverse fields, including customer experience, artificial intelligence, Internet of Things, big data, e-commerce, cybersecurity and process automation. Every year, we review proposals from nearly 250 new start-ups. Since the beginning of the programme, 48 projects have already been or are being tested, and some of them have already been commercially implemented.

Sponsorship

Our sponsorship reflects the global sponsorship strategy of the Orange Group, focusing on three main areas aligned with the brand: music, film and sport. Within these fields Orange Polska develops long-term, comprehensive, nationwide projects addressed to a large group of its existing or prospective customers. We sponsor various initiatives on a long-term rather than one-off basis. Key projects are subject to approval by the Management Board of Orange Polska S.A. We established the Sponsorship Committee to centralise project management of sponsorship opportunities within the Orange Polska Group.

Strategic music sponsorship of three main music festivals in Poland - Orange Warsaw Festival (June 2019), Open'er Festival Powered by Orange (July 2019) and Kraków Live Festival (August 2019)

Orange Poland has been successfully creating Orange Warsaw Festival since 2008, reaching nearly 0.7 million participants and over 200 artists during 12 years. It is the main urban music festival in Poland. In 2019 it took place on the 31st of May and the 1st of June, with participation of over 60k music fans. Orange Warsaw Festival is the most accessible for persons with disabilities music festival in Europe. Open'er Festival Powered by Orange is the biggest and the most important greenfield music event in Central Europe. In 2019 it took place from the 3rd to the 6th of July and gathered over 110k unique participants.

Orange Polska has been the sponsor of Kraków Live Festival for the second time in 2019. The main festival in Southern Poland took place on the 16th and 17th of August and gathered nearly 60k young music fans.

Orange music festivals every year have been becoming more and more accessible and eco-friendly, driving social change and really bringing the fans closer to what matters. The development of strategic music sponsorship is a representation and effect of long and detailed analysis of the situation on the sponsorship and music markets along with asking of customers' needs and delivering legacy. As Orange is listening and responding to the customers' needs, this activation is the answer to the Orange customers' expectations of the access to the best music artists in the easiest way – with discounted tickets, by mobile application, with no barriers for people with disabilities, etc.

Orange music festivals are communication drivers for marketing offers giving space and support for key strategic social and business projects.

Number of people participating in Orange Warsaw Festival, Open'er Festival Powered by Orange and Kraków Live Festival





Grants

As part of its donation policy, Orange Polska has adopted formal rules for using the Donation Fund. These are specified in the relevant Decision of the Board Member in charge of Strategy and Corporate Affairs.

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;
- Each agreement includes a requirement to confirm that the donation has been used in line with its purpose.

Furthermore, Orange Polska provides free of charge dedicated fundraising numbers for charity SMS messaging. All the receipts are subsequently transferred to social causes, such as social campaigns and programmes, assistance to the victims of natural or man-made disasters, or initiatives saving human life and health.

For years, we have provided charity SMS messaging to a number of charity organisations, including Caritas Polska, Polsat Foundation, TVN Foundation, Great Orchestra of Christmas Charity and Foundation Work of the New Millennium. In 2019, fundraising numbers were launched for 15 organisations, which raised a total of over PLN 4.8 million.

Grants (in PLN millions)

2017: 13.4
2018: 12.7
2019: **9.3**

Cooperation with government institutions

Orange Polska joined the Declaration of Cooperation for the Safety of Children On-line. The signatories of the Declaration are the Minister of Digitization, the Minister of National Education, the Ombudsman for Children, representatives of state institutions, media, internet portals and telecommunication operators. The Working Group on Child Safety and Youth on the Internet has been set up. The priority of the work of this team will be to develop solutions and present proposed actions in the field of secure internet access for the youngest users.

Orange Polska is a signatory of Pact for Accessibility plus 2018-2025. The Pact is a commitment to cooperate in order to implement the objectives of the governmental Accessibility plus programme to eliminate barriers in the lives of people with disabilities. The signatories of the document undertake to manage the idea of accessibility and equal treatment, and together aim to equalize opportunities and access for all citizens to the physical, social and cultural environment, alongside recreation, leisure, sport, health care, education, work, transport, information and means of communication.

Orange Polska has signed a declaration of the participants of the Ombudsman's Round Table to fight pathologies on the Internet, including the limitations of pathological streaming and its destructive social and educational consequences. The members of the coalition are lawyers, scientists, representatives of public authorities, non-governmental organizations, technology companies as well as youtubers and journalists. Orange Polska initiated creation of the Report on the phenomenon of pato-content on the internet, basing on the qualitative and quantitative research. This research and "Pato-content on the internet" report are the first attempt in Poland to diagnose this phenomenon scientifically, describe its specificity, scale, potential impact on young recipients and its legal framework.

Being a digital and caring employer

Our commitment

To create culture of co-operation in which all employees feel respected and freely pursue their professional goals and life passions

To offer better working conditions, constant enhancement of the work environment and focus on talent development

To continue workforce optimisation in co-operation with trade unions

KPI	Performance
Number of employees *	2017: 14,587 2018: 13,197 2019: **12,034**
Share of women among managers	2017: 33% 2018: 33% 2019: **33%** of women among managers
Number of training hours per year per employee	2017: 32 2018: 25 2019: **25** training hours per employee
Employees satisfaction ratio (International Social Barometr)	2017: 31.5 pt 2018: 31.1 pt 2020: **33.9 pt** (on a scale from -100 to +100)

* excluding Networks!

Delivery on our commitments in 2019

As an employer, Orange Polska strives to combine the best of both digital and human approaches. Our goal it is to enable employees to contribute to our Company's transformation, for the benefit of the customer experience. In 2019 we continued to focus on developing new skills and new professions. We also adopted more collaborative working methods, popularised digital tools and encouraged innovation at every level. Everyone's commitment is key to the success of our strategic project – being a digital and caring employer. One of Orange Polska's goals is to be the company most preferred by employees. In response to our employees' needs we promote a proactive approach and open discussion. Orange Polska encourages all employees to co-operate - to be transparent, straightforward and honest to each other.

New organizational culture of Orange Polska

We are building our organisational culture in open dialogue with our employees. We invited all our employees to express their opinions in the companywide Organisational Health Survey. The results of this survey showed our strengths and weaknesses and helped us to diagnose and set the main directions for change in our organisational culture. In order to maintain the Company's leading position on the telecommunications market, it was necessary to focus on strengthening employee engagement and creating better conditions for their development and sense of satisfaction. Thanks to this, we were able to create an organisational culture which supports the implementation of our strategy and strengthens the involvement and development of our employees and managers.

Initiatives introduced in 2019:

- Starting to build a feedback culture through: feedback 360 for all employees; feedback rituals – summarising meetings; monthly Pulsometr – a team feedback survey focused on the atmosphere and achieving goals.
- Implementation of new model of leadership - Leader in Action - we defined 10 rules of Leader in Action and started with the new approach to leaders assessment built on two pillars: performance (business results) and behavior (10 rules observed when working with a team, e.g. I explain the strategy and achieve business goals together with my team / I'm close to customer / I work across silos / I constantly and boldly simplify / I make decisions quickly and I empower responsibility etc.).
  - Leader-in-Action rules as a basis of recruitment, evaluation, succession, mobility and manager's development.
  - An annual managerial review in the form of round table (cross functional discussion about each manager on each level of the Company).
- Over 80% of all OPL managers trained on feedback culture, leader's competences, customer orientation and effectiveness (including agile module).

Open and honest, two-way communication to engage employees using new communication formats:

- #bezcukru – regular meetings of the board member with employees, more than 2000 employees on average (online video streaming to more than 150 locations, all OPL)
- #wtopy – meetings devoted to discussing and learning from mistakes);
- encouraging more and more employees to use Plazza (internal interactive platform of communication);
- Oz: dedicated programme for employee innovation and collaboration. In 2019, more than 186 employees created 285 ideas on Oz Wall of ideas. The ideas attracted 6.4k votes and 3.3k comments with engagement of 2.2k employees. In addition, in four (4) Oz Innovation Challenges in 2019 we have collected another 258 ideas from 152 authors, attracted 1.2k comments and engaged 1.9k employees.

Orange Polska again among top employers

In 2019 we built Orange Polska's reputation as one of the best employers in Poland. We received several awards, including the Top Employer Polska certification, Top Employer Europe and Top Employer Global. Our high ranking among Polish companies reflects our commitment to better working conditions, constant enhancement of the work environment and our focus on talent development.

Diversity management

The Diversity Management Policy aims to bolster the pursuit of our business objectives, address changes in the labour market and respond to the expectations of our employees. The policy also supports compliance with the values enshrined in the Code of Ethics, CSR goals and the obligations under the Diversity Charter, of which we are a signatory.

The key diversity dimensions in the Group are as follows: gender, age, competence / expertise / experience / way of thinking, psychophysical skills – (dis)abilities, and parental status. Other diagnosed dimensions include: religion / beliefs, workplace location (HQ vs. region), type of employment, and nationality / ethnic origin.

In 2019, Orange Polska was once again subject to an external audit with respect to gender equality and diversity management, and its Gender Equality European and International Standard (GEEIS) certificate was renewed in the process.

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 for candidate selection. Decisions to recruit particular persons 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 S.A. applies the provisions of the Best Practice for WSE Listed Companies 2016.

The Supervisory Board currently consists of fourteen 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 eight 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 (as of December 31, 2019).

Orange Polska is signatory to and a guardian of the Diversity Charter. The Diversity Charter is an international initiative implemented in 17 Member States of the European Union. The Charter is a written declaration, signed by organisations, companies and institutions that undertake to prohibit discrimination in the workplace and take measures to create and promote diversity, and express readiness to involve all employees and business and social partners in these activities. Organisations who decide to implement this tool work for cohesion and social equality.

Razem.One

Razem.One (Together.One) is a voluntary initiative which fits into the culture change, addressed to all OPL employees. It aims to show how important it is to use the potential of each of us by creating sustainable teams, consisting of both women and men, which leads to better business results. It is composed of four pillars: power, awareness, ambition, presence.

We work on building awareness of the importance of diversity by organising inspirational meetings for all employees, during which we raise topics related to diversity as well as exchanging best practices and sharing our experiences.

We send a monthly newsletter. We invite guests and inspirators from other companies to exchange knowledge and share good practices.

We equalize the opportunities and proportions of women and men mainly in expert and managerial positions through psychological and emotional strengthening, mentoring, coaching, shadowing and training.

We analyze the participation of women and men in specialist and managerial positions in individual functions and examine their employment conditions in equivalent positions. We observe the participation of women and men in the succession and recruitment process.

We are increasing the presence of women in IT technical areas (network, technologies, investments) and the presence of women in decision-making processes and strategic projects. Together with the partner company Future Collars we have organised an event to promote coding since November 2019. We have also selected employees who will carry out the courses, so that the acquired competences can be used at work.



Since March 2019, over 2,000 employees have participated in inspirational meetings, dozens of women have taken part in mentoring and coaching processes, shadowing (including with the President of Orange Polska and Board Members).

Development and training

Orange Polska, as a technology company, focuses on employee development adapted to the challenges of the modern world. We act in line with the imperatives of a learning organisation and our development is based on several major pillars. We have diagnosed the competences required for efficient functioning within techno companies and offered all employees an opportunity to develop these competences. Our employees can develop their competences through the Orange Learning platform, following development paths based on the 'Know–Practice–Deepen' framework. The platform offers various forms of development, from short knowledge pills and videos (Know) and e-learning courses and business simulations (Practice) to face-to-face training, educational communities and mentoring (Deepen). Employees can decide themselves which competence to develop and at what pace, and which development methods will be most effective for them. These resources are supplemented by the international Orange Campus programme.

In addition, we support the emergence of employee expert communities within the organisation. In the Knowledge Highway programme, selected internal experts conduct training, sharing their expertise in the particular area with other employees.

One of the key development tools is feedback. A major element supporting the feedback culture is the monthly Pulse Meter opinion poll, in which individual teams can offer feedback and suggest changes.

Development of managers is based on the leadership model which comprises 10 Leader-in-Action rules. By the end of 2019, our managers had participated in four workshops developing their leadership skills. In 2020, our managers will be offered 'Know–Practice–Deepen' development paths, addressing the Leader-in-Action rules in the #leader initiative. We will also support Orange Polska's leader community, whose key purpose is to share inspirations and good practices, and support one another in coping with day-to-day challenges.

Development opportunities are supported by the Mobility programme; we also provide a tool with which employees can express desire for change of their professional roles and managers can inform about vacancies in their respective areas.

We also train outsourced staff in knowledge specific to Orange Polska and necessary to perform their duties.

Working environment

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

The key areas influenced by Orange Polska through benefit schemes are health and physical activity, financial stability, improved quality of life and employee development.

The Policy for Investing in Health Quality and Well-being of Orange Polska's Employees provides for developing friendly working environment, ensuring balance between professional and personal life, promoting a healthy lifestyle, supporting employees' physical activity and hobbies, as well as creating a culture of co-operation in which all employees feel respected, freely pursue their professional goals and life passions and get involved in social initiatives.

- Orange Polska ensures safe and friendly working conditions for its employees;
- Orange Polska employees are offered broad healthcare services at medical facilities nationwide;
- Orange Polska's employees are eligible for participation in the Employee Retirement Plan;
- Orange Polska has the Company Social Benefits Fund as a means of social welfare addressed to employees and retired employees in need;
- In addition to the Company Social Benefits Fund, employees can use the Central Housing/Welfare Funds;
- Orange Polska's employees and their families are offered discounts by the Group's partners, as well as discounts for Orange products and services in the 'Offer for You' programme;
- Employees are also eligible for financing of sports, tourist and cultural events and can use FitProfit cards;
- The Company provides a possibility of teleworking or remote working.

Both full-time and part-time employees are eligible for all the aforementioned benefits. Employees working under a fixed-term employment contract are eligible for health care and promotional offers, but are not eligible for benefits that require long-term commitments, such as the Central Welfare Fund or the Employee Retirement Plan.

Occupational health and safety

The Occupational Health and Safety (OHS) Policy regulates activities aimed to ensure work safety, health protection and constant improvement in working conditions to all employees. We aim to incorporate OHS elements into all activities of Orange Polska and on all management levels in order to ensure safe working conditions, so that all our employees can actively perform their day-to-day duties in a friendly working environment.

Continuing workforce optimisation through social dialogue

We respect the employees' right to associate and we run regular broad dialogue with our social partners. As part of a dialogue within Orange Polska, we negotiate settlements, agreements or other documents with trade unions. There is also the Employee Council in Orange Polska S.A. Pursuant to mandatory regulations, the Company has an obligation to consult the Council on matters related to the level, structure and intended changes of workforce, actions aimed at maintaining the workforce level, as well as any significant changes in work organisation or employment terms.

An important document developed in consultation with trade unions is the Intragroup Collective Labour Agreement in Orange Polska S.A. This document regulates, among others, the rules for concluding and terminating employment contracts, working hours, holiday entitlement, rules of remuneration and obtaining extra benefits connected with work, occupational safety and health issues, training, social care and health care. Also the Social Agreement is developed in consultation with trade unions.

The Social Agreement, which remained valid in 2018–2019, addressed particularly the following issues: investments in a friendly work environment, pay rises in 2018 and 2019, financial compensation for employees leaving Orange Polska, and support for outplacement. The Social Agreement for 2020–2021 came into force on January 1, 2020 and will remain valid to December 31, 2021. Under the Settlement for 2019, up to 1,230 employees of Orange Polska were eligible for the voluntary departure package in 2019. In December 2019, the Settlement for 2020 was concluded, determining the detailed terms of voluntary departures of Orange Polska's employees in 2020.

Eco-friendly workplace

We strive to make our workplaces as environmentally friendly as possible. Real estate is an area with a significant contribution to CO_2 emissions due to consumption of electricity and indirect energy sources: gas, coal and oil.

Our headquarters, Miasteczko Orange (Orange Town) in Warsaw, which is a workplace for over 3,500 people, has been designed and constructed with respect for ecological principles. It is an A+ class office complex, which complies with the requirements related to energy conservation, greens management, light energy consumption, factors affecting human health and water saving solutions.



The Town has been awarded a BREEAM certificate with the Excellent rating, which confirms that it complies with the strictest environmental standards and top European construction standards.

In other locations we are implementing our PL2020 project, which aims to improve working environment and put all our employees in A+ class buildings. While choosing new office buildings, we consider their BREEAM or LEAD certificates, green areas and municipal waste management system.

In order to reduce electricity consumption in other Orange Polska's facilities, we have replaced over 3,300 fluorescent lamp fixtures over three years, saving 320 MWh of energy in the process. We have also modernised light sources in our sales outlets, replacing traditional or halogen lamps with LED lighting, saving about 340 GWh of energy annually.

We put much attention to the environmental education of our employees. We carry out informational campaigns to encourage them to care for the environment. In our offices we have stopped using bottled water, thus eliminating 500,000 bottles or 10 tons of plastic annually.

We offer ecological transport and training in eco-driving to our employees. We have implemented the 'Take a Car' car-sharing system in 35 car rental outlets in 22 cities, increasing the efficiency of using our car fleet. A modern reporting system enables us to adjust the number of cars to the real needs of our employees. On average, we have 1,050 car rentals monthly. Having equipped our cars with GPS systems, we carry out a campaign for safe and economical driving. It has involved driving style assessment, eco-driving competition for 1,500 drivers, and Hour for Life classroom training for 520 people. Furthermore, we have provided electric cars and charging stations to our employees in Warsaw. Our offices have rooms for tele- and video-conferences, thus reducing the need for business trips.

Volunteering programme

Volunteering programme allows socially engaged people to share their knowledge and positive energy with others. Orange Polska has the biggest employee volunteering programme in Poland. It has been running for over 15 years. It is organised by the Orange Foundation in Poland and engages nearly 3,500 volunteers each year. The programme is based on "competence volunteering". Our employees share their knowledge, skills and experience and teach children how to use the internet safely and wisely, how to program and how to use new technologies creatively to develop the potential of kids. Every year during the "Christmas with Orange Foundation" campaign, our volunteers play Santa and visit kids in hospitals and orphanages. We invite our volunteers to get involved in two programmes developing digital skills: MegaMission and #SuperCoders. These projects are addressed to school children and teach the basics of programming, graphics editing and creating video materials, but also a critical approach to content found on the web. Our employees take part in important community activities and in events organised by Orange Polska (e.g. Orange Warsaw Festival). Each Orange volunteer is welcome to develop their own volunteering project and apply for a grant for its implementation. Every year we award grants to approximately 100 local projects.

Corporate volunteering

% of employees involved in corporate volunteering



2018 **26%**



2019 **29%**

Volunteers

2018: 3,465
2019: **3,497**

Volunteers' working hours

2018: 25,356
2019: **25,590**

Responsible leadership

Orange Polska joined the **Responsible Leadership Council.** The Council is an initiative of the Responsible Business Forum. It is to be a co-operation forum comprised of male and female CEOs and board members of Responsible Business Forum's partner companies. The goal of the Council is to introduce to the public debate in Poland the voices of the CEOs convinced of the benefits of running business in an ethical way. The representative of Orange Polska in the Council is Bożena Leśniewska, Vice President of the Management Board for Business Market.

Orange Polska is a partner of the **Pro Bono Coalition** (formerly CEOs-Volunteers Coalition). The goal of the Coalition is to discuss social involvement among business leaders, and to promote pro-social attitudes and behaviours by showing positive examples of top managers who share their

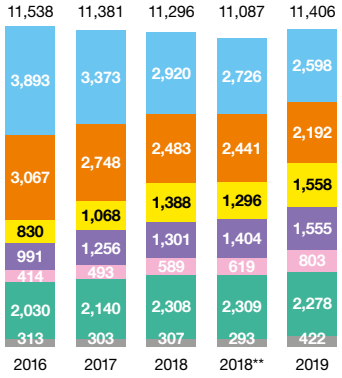
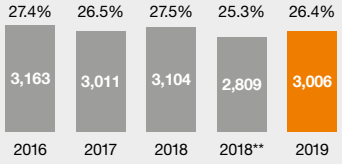
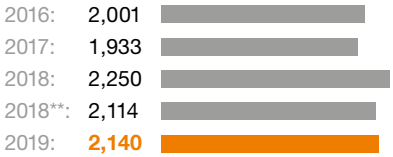
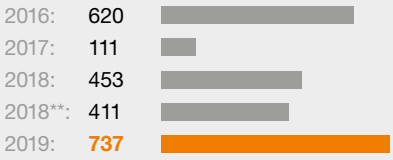


time, experience, knowledge and skills as part of voluntary campaigns. Orange Polska's representative in the Coalition is Jacek Kowalski, Board Member for HR.

Financial review in 2019

Financial Key Performance Indicators (KPIs)

We use the following financial and operational KPIs to track Orange Polska's performance
Data for 2016, 2017 and 2018 are presented according to IAS18*

KPI	2019 Outlook and guidance	Performance		2020 Outlook and guidance
Revenues (in PLN millions)	Growth vs 2018 Further focus on convergence and value strategy Legacy revenue (PSTN, wholesale) in continued structural decline but at a diminishing pace	Mobile-only services Fixed-only services Covergent services B2C Equipment sales IT and integration services Wholesale Other		Growth vs 2019 Further focus on convergence and value strategy Legacy revenue (PSTN, wholesale) in continued structural decline but at a diminishing pace
Adjusted EBITDA/ EBITDAaL*** (in PLN millions)	EBITDAaL growth versus 2018 (2018 comparable base PLN 2,809 bn)	Adjusted EBITDA/ EBITDAaL margin Adjusted EBITDA/ EBITDAaL		Growth vs 2019 More information on revised definition of EBITDAal alternative performance measure on p. 97
CAPEX (in PLN millions)	Around PLN 2.0-2.1bn, including 0.7-0.8bn on fibre rollout (0.8-0.9m new households connectable in fibre)	Capex		eCapex: PLN 1.7-1.9bn, depending on proceeds from asset disposal. Similar structure of investments as in 2019. More information on revised definition of capex alternative performance measure on p. 97
Organic Cash Flow (OCF) (in PLN millions)		OCF		
Net debt/ adjusted EBITDA/ EBITDAaL***	Net debt /EBITDAaL Decreasing on comparable basis (2.4x in 2018)	Net Debt/ adjusted EBITDA/ EBITDAaL***		
Dividend per share (DPS) (in PLN)	As we prioritise investments in long-term value creation and also take into account uncertain outlook regarding 5G spectrum allocation, the management will not recommend paying any dividend in 2019 (in line with what was stated during strategy presentation in September 2017)	DPS		In line with our statement during Orange.one strategy presentation in September 2017, the management will once again recommend not paying dividend in 2019. On the one hand, we prioritise investments in long-term value creation. On the other hand, we take into account that we are just in front of 5G spectrum auction.

* Please see information about accounting standards on page 55.

** 2018 comparable data.

*** Both adjusted EBITDA (until 2018) and EBITDAaL (from 2019) are key measures of operating profitability used by the Management Board.

2019 revenues up 2.9% year-on-year driven by convergence, ICT and equipment

In 2018, we changed the layout of our revenue reporting. The new layout better reflects our commercial strategy, which is focused on convergent offer sales. Consequently, we now report convergent revenues separately from revenues from mobile-only and fixed-only services (i.e. sales to non-convergent customers).

Revenues totalled PLN 11,406 million in 2019 and were up 2.9% or PLN 319 million year-on-year, despite continued structural pressure on legacy business lines (retail and wholesale fixed telephony). It was the first growth reported by the Company in 13 years.

Convergence is a strategic driver for revenue growth. Convergence revenues increased 20% year-on-year. This was accompanied by a decrease in mobile-only and fixed broadband-only revenues (down 5% year-on-year) as a result of migration to convergent offers, value and market competition. It is important to underline that the growth of convergent service revenues offsets the decline of mobile-only and fixed broadband-only revenues. Combined revenues from these categories were up 1.4% year-on-year in 2019.

Average revenue per convergent customer slightly increased year-on-year (0.4%), as compared to a 4% decline in 2018. The improvement is attributable to our focus on value and upsell of services.

Blended ARPO (from mobile-only services) amounted to PLN 20.1 in 2019 and was down 7% year-on-year. The decrease resulted from a combination of a 4% decline in prepaid ARPO and a 6% decline in post-paid ARPO. The post-paid ARPO decline was significantly lower than in 2018, when it was 10%. The trend improvement resulted from the following factors:

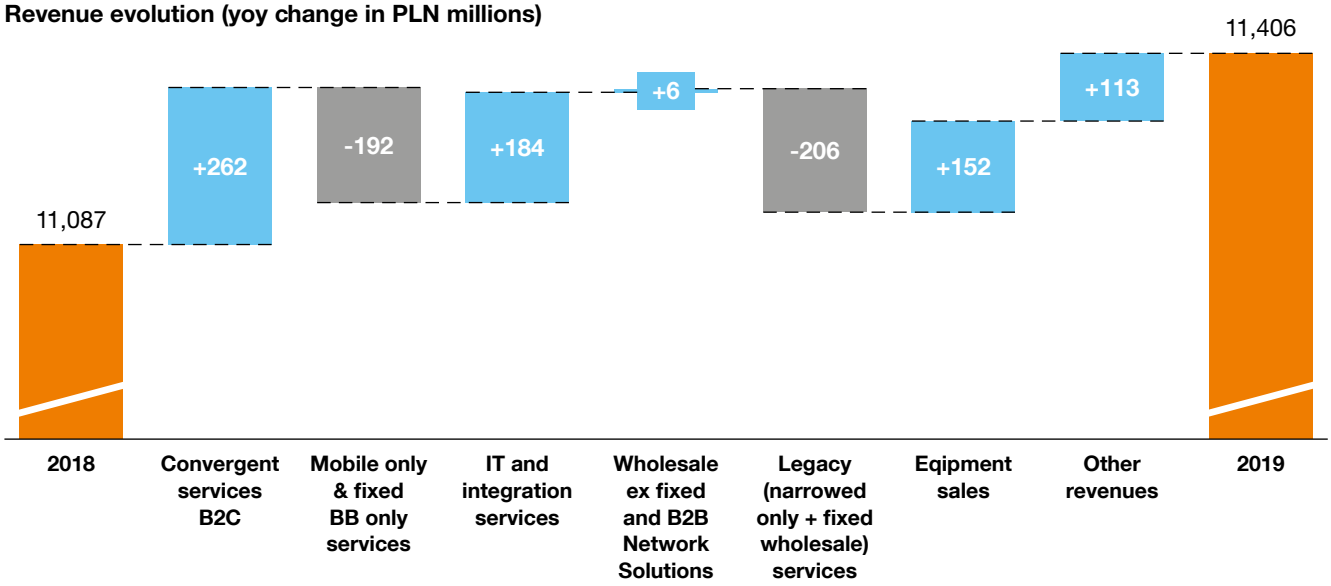
- Focus on value and related price increases (in line with our 'more for more' strategy) in both the consumer market (introduced in May 2019) and the business market (introduced to SOHO customers in November 2018);
- Lower penetration of mobile broadband in the mobile customer base; as a result, post-paid ARPO is less affected by substantial declines in mobile broadband ARPO (reflecting much lower take-up of this service).

Revenues from IT and integration services maintained their strong growth rate (30% year-on-year). This is consistent with our strategy, which sees very high growth potential in this area. The key growth engines are projects involving provision of professional services to the financial sector and an increase in public procurement. An important growth driver was the consolidation of BlueSoft (acquired in 2019), which contributed PLN 86 million to the Group's revenues. Excluding the impact of BlueSoft, revenues from IT and integration services were up 16%.

Revenue evolution in 2019 was also influenced by the following factors:

- A further structural decline in fixed voice telephony legacy revenues (by 15% year-on-year);
- 11% growth of mobile equipment sales, mainly as a result of constant improvement of our offer (particularly the introduction of handset sales in instalments at any point during the lifetime of the service contract), and very good response to our Christmas promotions (driving Q4 revenues up 17% year-on-year);
- Very strong growth (over 40% year-on-year) in other revenues, boosted by successful development of our energy resale business;
- A 1% decrease in wholesale revenues due to lower revenues from national roaming (under the agreement with Play) and structural decline in revenues from traffic termination on the fixed network.

Revenue evolution (yoy change in PLN millions)



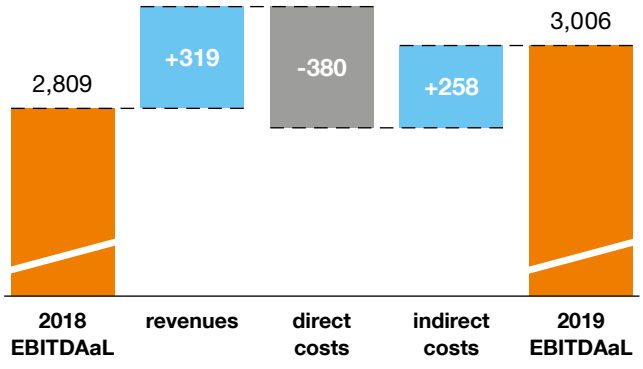
EBITDAaL increased for the second consecutive year, fuelled by record high gains on sale of assets, strong cost optimisations and improvement in direct margin

In 2019, total operating costs (defined as EBITDAaL less revenues) increased, but considerably less than revenues. As a result, EBITDAaL was up 7.0% year-on-year. Operating profit margin (ratio of EBITDAaL to revenues) increased by 1.1 percentage points to 26.4%. The growth was driven by higher gains on sale of real estate (up PLN 79 million). Nevertheless, both EBITDAaL and margin improved even excluding gains on sale of real estate, by 4.5% and 0.4 percentage points respectively. This was achieved despite the evolution of revenue mix towards lower margin, reflecting falling high-margin revenues from fixed line services and growing revenues from equipment sales, IT and integration services, and energy resale. However, profitability benefited from value-oriented commercial activity, monetisation of fibre investments and continued significant optimisation of indirect costs. Indirect costs (not directly related to revenues) fell in 2019 by almost 5% (excluding gains on sale of real estate).

Cost evolution can be attributed mainly to the following factors:

- An increase of 3% in commercial expenses, driven mainly by a higher volume of handset sales as a result of introducing an option to purchase handsets via an instalment scheme at any time during the lifetime of the service contract as well as our strategy of attracting customers with offers that include handsets;
- A decrease of 6% (year-on-year) in labour costs, mainly owing to workforce optimisation related to the implementation of the Social Agreement; and
- An increase of 21% in other external purchases, driven mainly by purchase costs of energy for further resale (related to higher revenues in this segment), content costs (resulting primarily from TV customer base expansion) and implementation costs of IT/IS projects (also related to revenues), as well as the consolidation of BlueSoft.

EBITDAaL evolution (yoy change in PLN millions)





Bottom line reflects strong EBITDAaL and restructuring provision for the new Social Plan

Net income for 2019 was PLN 91 million, a growth from PLN 10 million reported in 2018. Bottom line improved, despite the impact of a PLN 181 million provision to cover employment termination programmes. The improvement was driven by growth of EBITDAaL and PLN 93 million lower depreciation (mainly a consequence of extension of useful life of certain assets).

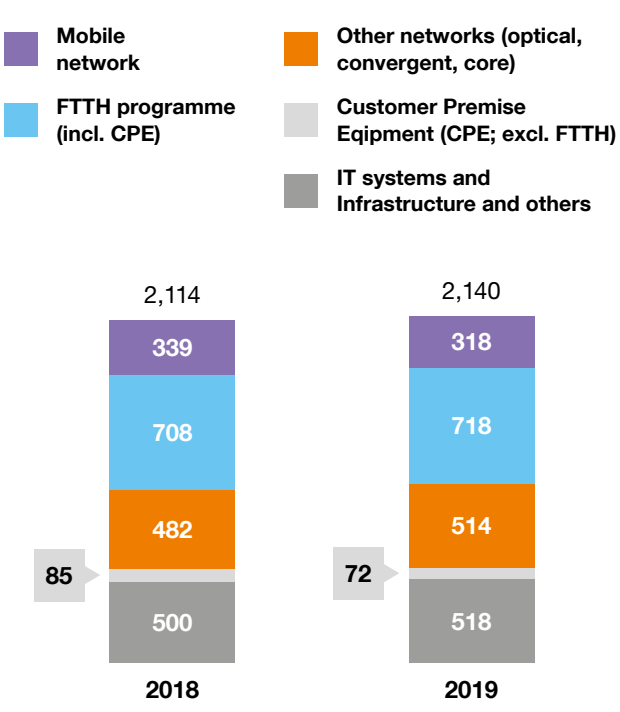
2019 Capex at PLN 2140 million, +1% year-on-year, consistent with strategy

The Group's capital expenditures in 2019 (starting from 2019, this measure excludes capital expenditures related to leasing and is adjusted for the impact of acquisition of telecommunications licences) amounted to PLN 2,140 million and were higher by PLN 26 million year-on-year (excluding spectrum licence payments).

The Group invested mainly in the following areas:

- Rollout of the fibre access network as part of the ongoing investment programme, which covered 0.8 million households in 2019. Including the lines developed in 2014 to 2018, there are now 4.2 million households connectable with the fibre network, available in a total of 142 cities (compared to 117 cities at the end of 2018);
- Investments to enhance the range of LTE services and the quality of the mobile network, expand the capacity and range of GSM/UMTS services, and adapt the mobile access network to 4G technology requirements, particularly in the areas not covered by the mobile access network consolidation project (i.e. strategic or underinvested regions);
- Expansion of the mobile transport and core network in order to handle the growing volume of data transmission and ensure the service quality expected by customers;
- Implementation of transformation programmes;
- Investment projects related to portfolio development, sales and customer service processes, as well as the modernisation and enhancement of the IT technical infrastructure.

Split of CAPEX (PLN millions)



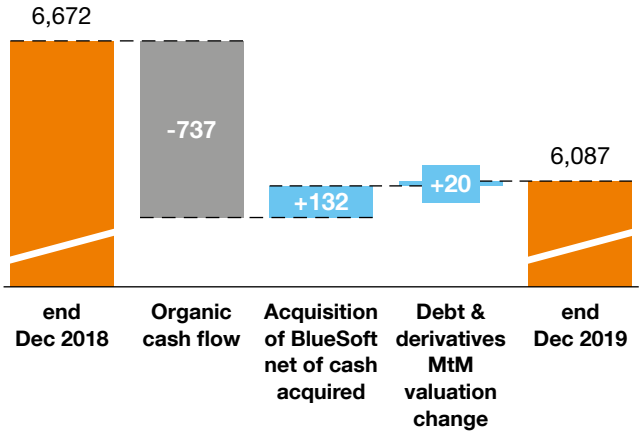
Organic cash flow reflects higher proceeds from asset disposals

Organic cash flow for 2019 was PLN 737 million, an improvement of PLN 326 million versus 2018. The growth was driven by PLN 344 million higher proceeds from sale of assets (mainly owing to the sale of the Nowogrodzka/Barbary real estate complex). Cash capital expenditures at PLN 2,267 million were up PLN 106 million year-on-year, mainly as a result of different phasing of payments to capex suppliers. This growth was partly offset by higher working capital release, supported by sale of selected receivables arising from sales of mobile handsets in instalments (PLN 291 million).

Leverage ratio down to 2.0x

Our net debt in 2019 decreased by around PLN 0.6 billion to PLN 6.1 billion mainly due to higher cash generation. Our leverage ratio stood at 2.0x at the end of 2019, having strongly decreased over the previous 12 months. It reflects improving business fundamentals and balance sheet optimisation initiatives. Our debt was fully hedged against currency movements and we increased the share of debt based on a fixed interest rate to 96% from 93% at the end of 2018. Effective interest rate on debt dropped in 2019, as we increased the proportion of lower-cost hedging instruments.

Net debt evolution in PLN millions



2.4x	net debt to EBITDAaL	2.0x
3.5%	effective interest rate on debt	3.1%

Unchanged approach to dividends

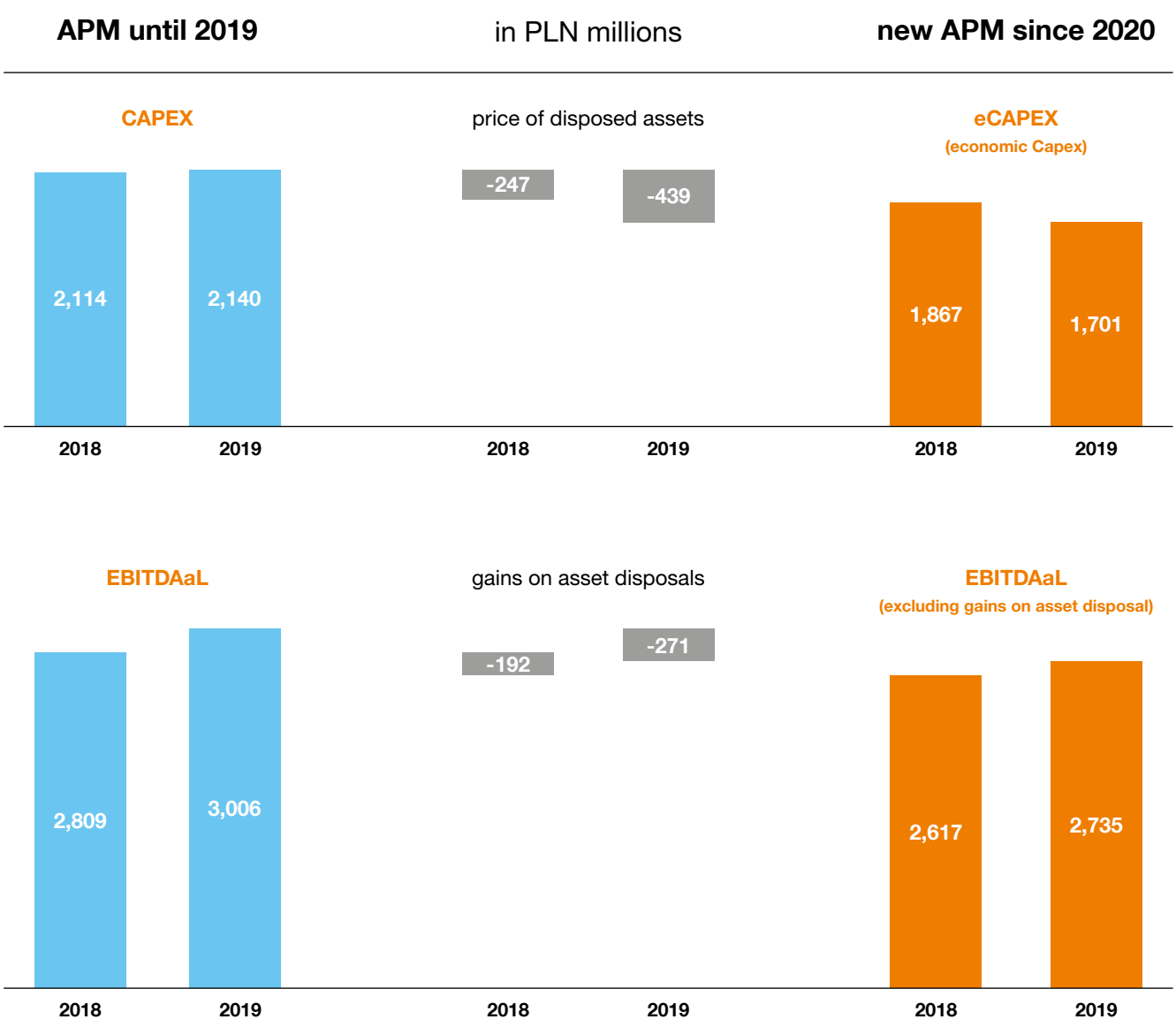
In line with our statement during the Orange.one strategy presentation in September 2017, the Management Board will once again recommend not paying dividend in 2019. On the one hand, we prioritise investments in long-term value creation. On the other hand, we are taking into account that the 5G spectrum auction is imminent.

Revised definitions of Capex and EBITDAaL alternative performance measures

From 2020 reporting we will revise definitions of Capex and EBITDAaL alternative performance measures. Capex will be presented net of the proceeds from asset disposals and will be named economic Capex (eCapex). Consequently, EBITDAaL will exclude gains on asset disposals.

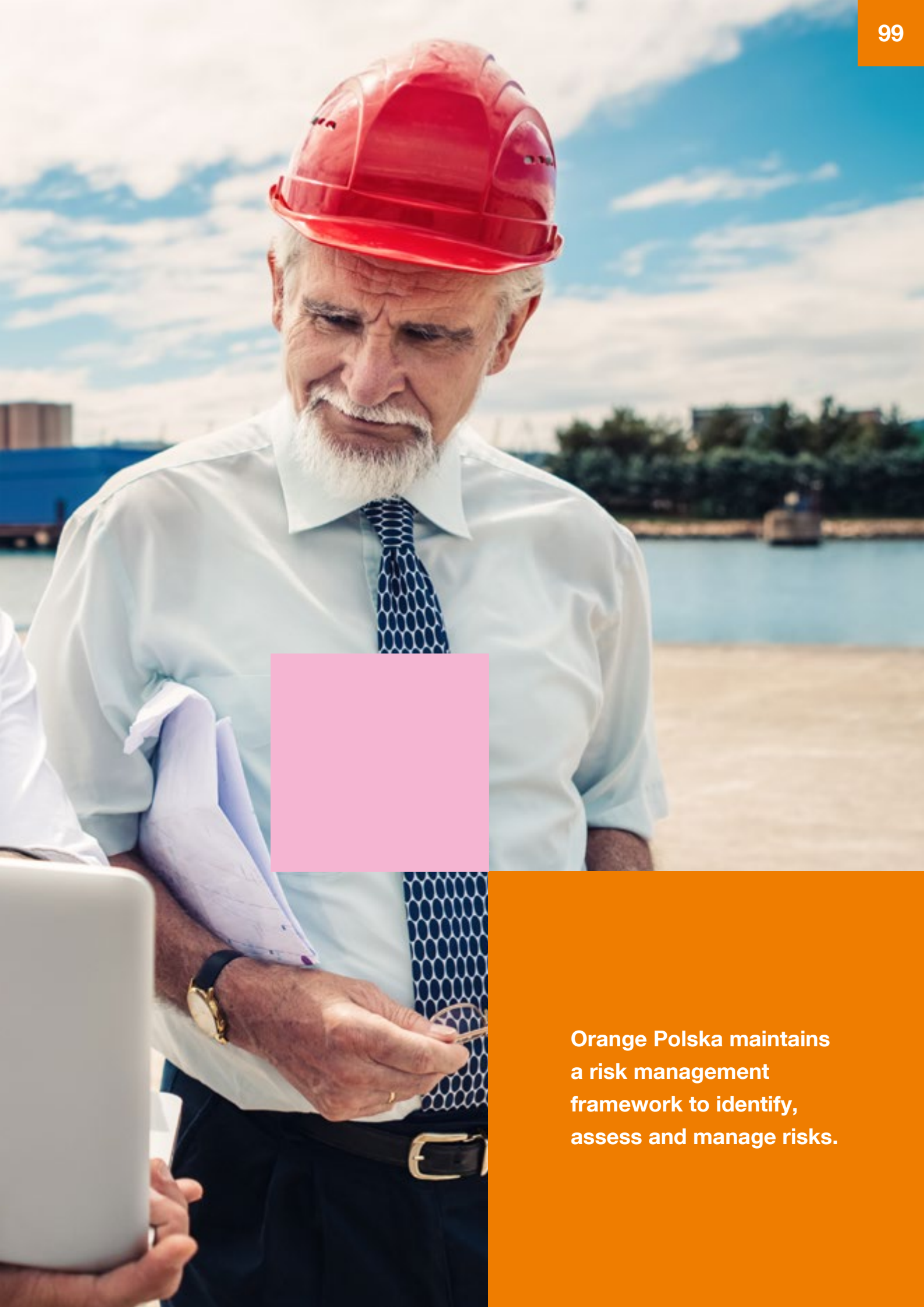
This change better reflects the transformation of Orange Polska's fixed asset base, which has been rapidly evolving over the past few years. It will continue to do so in the future, as we invest in assets essential for our future value creation (fibre and mobile network) and dispose of assets no longer necessary for our core operations. The economic benefits of this transformation will be shifted from EBITDAaL to Capex.







Risk management

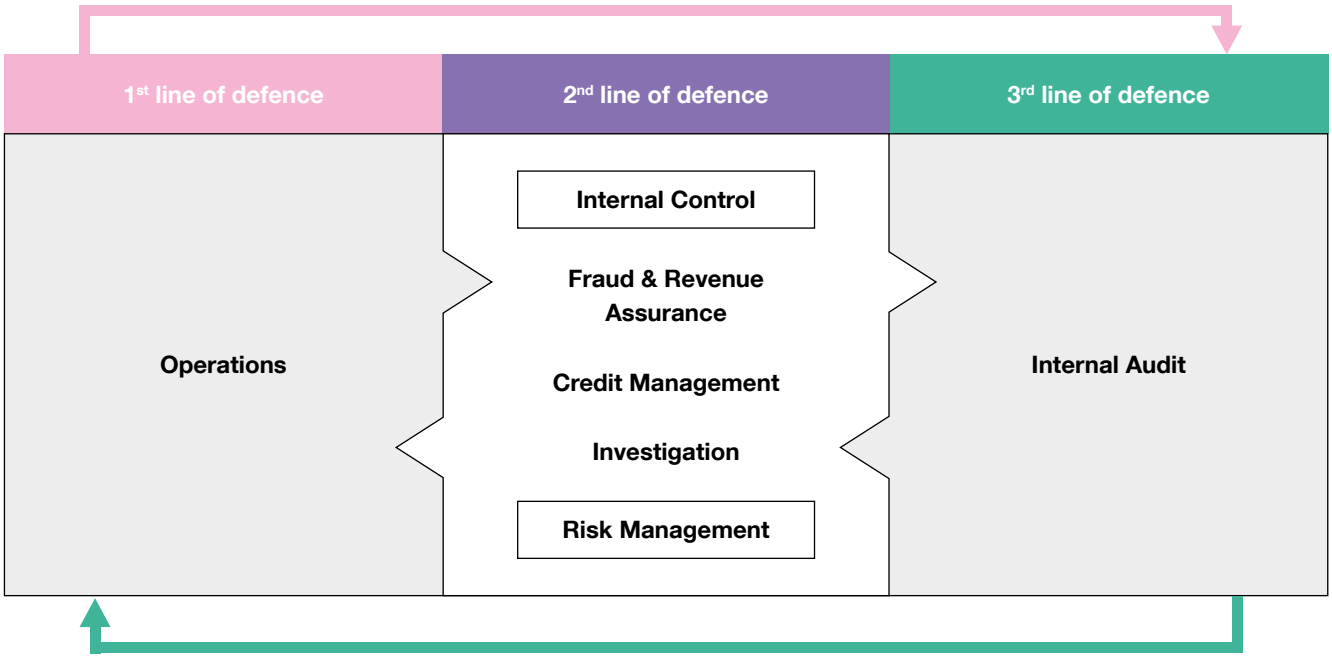


Orange Polska maintains a risk management framework to identify, assess and manage risks.

Risk Management

Orange Polska is exposed to a range of external and internal risks of varying types which can impact the achievement of its objectives. Therefore, Orange Polska maintains a risk management framework to identify, assess and manage risks. This framework has been based on the ISO 31000:2018 standard and ISO 27005 (for Information Security Management System only). Leaders within the Group's individual business areas and functions are responsible for the assessment and management of risks, including the identification and escalation of new/emerging circumstances, and monitoring and reporting on both the risks themselves and the effectiveness of control measures. Events are considered in the context of their potential impact on the delivery of our business objectives.

Orange Polska's three lines of defence



Appetite for risk

We assess event-based risks according to their likelihood and impact in terms of financial, reputational, business continuity and human resources loss. If the consequences are, for example, both financial and reputational, the risk is assessed according to the most negative consequence. When the negative impact of a risk is assessed as exceeding the acceptable level, mandatory mitigation measures are put in place to prevent or minimise losses. The effectiveness of such measures is verified on an ongoing basis, and they are adjusted as required. The risks and the mitigation measures assigned to them feed into the development of the Annual Internal Audit Plan.

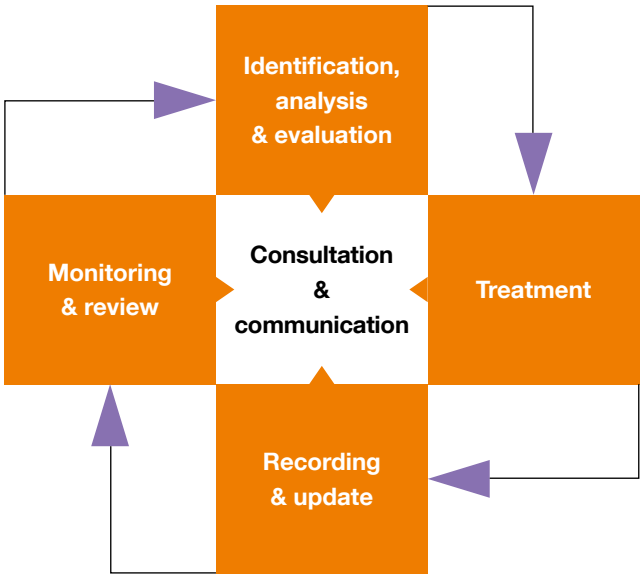
Clusters and risk domains

In addition, similar risks are grouped into clusters to ensure consistent and effective risk management across the Orange Polska Group. The risk assessment process, illustrated in the diagram below, is managed by domain co-ordinators. The division of risks into the domains of operating risks, loss of information, business continuity, compliance, fraud and social risks ensures a uniform and objective approach to the assessment of risks with similar consequences (cause and effect analysis).

Risk management process

A list of TOP risks is developed following individual meetings with Board Members and Executive Directors, who indicate significant events that have the potential to jeopardise the Company's strategy. Based on the risks identified in this process, their owners continue with further assessment of the risk likelihood and impact, as well as assigning mitigation measures and appointing the managers responsible for the implementation thereof. The outcome of the analysis of each TOP risk is subject to approval by the Board Member or Executive Director responsible for the particular area and, in case of potential financial loss, also by the Chief Financial Officer.

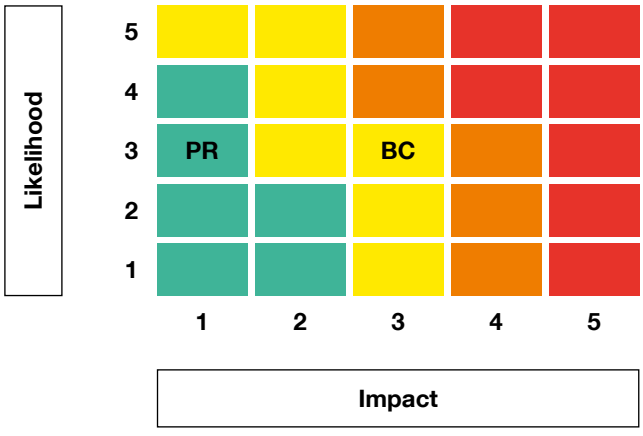
The risk management process in Orange Polska



Reporting

Indicative heat maps are used to report and evaluate risks.

Sample heat map



FN - financial;
HR - human resources;
PR - reputational;
BC - business continuity.



This example presents a risk that has low reputational impact, but moderate impact in terms of business continuity. Therefore, the overall assessment of the risk would be medium.

The Audit Committee monitors the effectiveness of the risk management system and reviews reports on the system's design and operation.

The TOP risks are reviewed at meetings of the Management Board and the Supervisory Board.

TOP risks

The TOP risks, which are set out in the table on pages 102-109, are clusters of event-based risks that could have a material impact on the business model, future performance, solvency or liquidity of the Group. In each case, the extent to which the Management Board can mitigate the risk is highlighted. The risk areas included in the TOP list are those which most strongly define our business activities and contribute to the loss or gain of value, and they are subject to change. For example, in 2018 we determined that the risk related to labour shortage had been sufficiently mitigated by our remedial actions, and could be delegated to the respective business areas.

We also identify and monitor risks related to our impact on society and the natural environment. However, these are not included in the TOP risks as they do not meet the threshold for value impact.

Risk exposure

Risk area	Main business objective / Strategy reference	Risk exposure	Key risks, issues or areas of uncertainty
Revenues and profits Orange Polska's failure to successfully implement its strategy could lead to a loss of market share and/or shrinking margins	Unmatched data connectivity for households and businesses	→	• Increased competition and pressure on services and prices • Loss of a part of the market due to introduction of new services and technologies • Failure to obtain the expected return on investment in fibre and loss of broadband market share • Marginalisation of the role of mobile network operators due to implementation of eSIM technology • Increased competition from CATV operators in the convergent market • Emergence of new types of fraud with new technologies • Consequences for Orange Polska resulting from coronavirus outbreak

Each category's current exposure relative to the previous year is indicated by the arrow in the risk exposure column.

 Increasing

 Reducing

 Stable

Potential impact	Management approach and mitigation measures

The main markets in which Orange Polska operates are mature or even saturated. It therefore faces extremely tough competition, which initially was mainly on price, but presently focuses on the quality of products and customer care.

The rapid growth in broadband use (both fixed and mobile) and emergence of new technologies allow global players in the internet sector to establish a direct link with customers of telecom operators, thus depriving the latter, including Orange Polska, of a portion of their revenues and margins. If this phenomenon continues or intensifies, it could seriously impair the financial position and outlook of operators.

Orange Polska's failure to successfully implement its strategy could lead to a loss of market share and/or shrinking margins. The same could occur in the event of consolidation of other players in one of the markets where it operates.

Moreover, with growing complexity of technologies and networks and accelerated implementation of new applications and services, particularly related to interconnection and customer relationship management, new types of fraud which are more difficult to detect or combat could also emerge. This may result in a loss of revenues.

Caused by COVID-19 pandemic closure of substantial part of physical distribution network and restrictions of people's mobility will impact sale of new services as well as sale of equipment and related accessories. Closure of borders will impact revenues from international roaming and visitor roaming. There is a risk of delays or cancellations of some projects from our business customers. Likely significant economic slowdown may have adverse impact on collection of receivables and create risk of bad debts. Weakening of PLN to EUR and USD may negatively impact our costs and capital expenditures denominated in foreign currencies. We see more adverse impact on revenues than on profitability because the core service revenues are expected to be much less impacted by the crisis. As of the date of this report it is not possible to give more precise assessment, as it depends on factors beyond the control of the Company. These factors include, among others: the length and severity of the pandemic; its ultimate impact on the Polish economy; and the measures taken by the government on the one hand to limit the pandemic threat, and on the other hand to help and protect society from the effects of the crisis and the pandemic.

In response, Orange Polska has chosen to make significant investments in fibre, pursue a convergence strategy and continue with transformation and efficiency gains. It is also committed to developing adjacent business activities, such as IT & Integration, sale of devices and electricity supply.

We assess that the core of our operations remain relatively immune to the impact of the pandemic. Data and voice connectivity has become more essential than ever to the needs of consumers and businesses. To counteract closure of large part of points of sale, we are boosting online and telesales and we see increased customer traffic in these channels. We also intensified marketing push on our fully digital Flex offer which can be activated fully remotely. We expect that reduced commercial activity will positively impact customer churn. Recent weakening of PLN versus EUR and USD will have a limited short-term negative influence on operating costs and level of capital expenditure, as we are using hedging instruments to cover majority of our foreign exchange exposure.

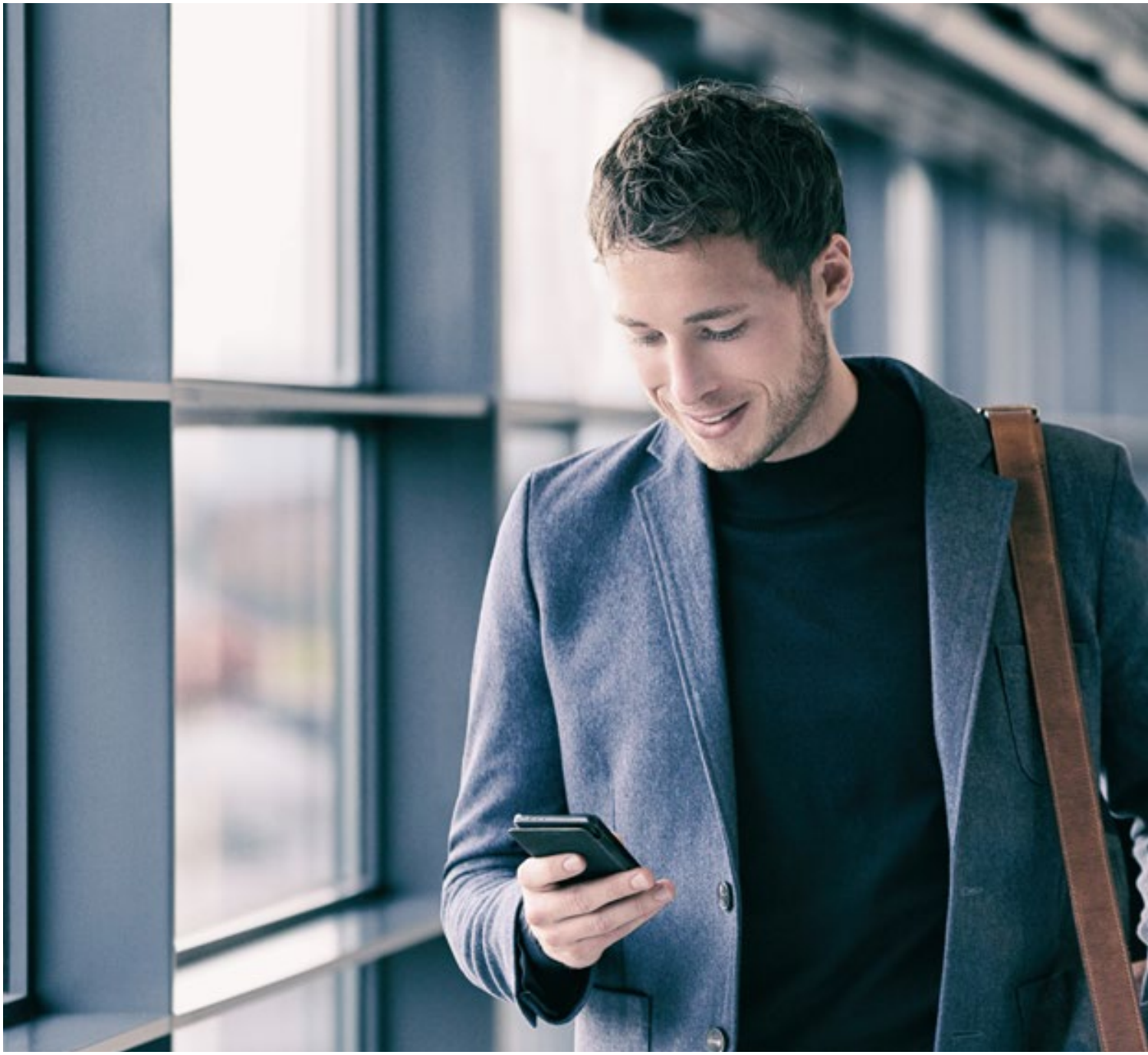
Risk area	Main business objective / Strategy reference	Risk exposure	Key risks, issues or areas of uncertainty
Telecommunications services Increase in the number and duration of service interruptions	Effortless and friendly customer experience Unmatched data connectivity for households and business	→	• Orange Polska's IT&N infrastructure outage • Exposure of Orange Polska to cyber attacks • Occurrence of terrorist attacks • Decrease in quality or non-performance of services due to dependence on external partners • Consequences for Orange Polska resulting from coronavirus pandemia outbreak
Information security Breach of information security, including personal data	Acting in effective and responsible manner Effortless and friendly customer experience	↗	• Breach of information security, including personal data

Potential impact	Management approach and mitigation measures
Service disruption or interruption may occur following (i) cyber-attacks (on the IT&N infrastructure), (ii) outages (of hardware or software), (iii) human errors, acts of terrorism or sabotage of critical hardware or software, (iv) failure of a critical supplier, or if the network in question does not have sufficient capacity to meet the growing usage needs, or (v) during the implementation of new applications or software or (vi) unavailability of critical products or their providers due to markets' instability. The impact of such incidents could seriously damage Orange Polska's reputation and result in revenue erosion, affecting its profits and market position.	This risk is mitigated by proper network and IT systems development planning, investments in the development of disaster recovery solutions, insurance schemes (covering cyber and terrorism risks), as well as implementation of business continuity and crisis management plans. Orange Polska has become the first telecom operator in Poland to obtain the ISO 22301:2012 Certificate for its Business Continuity Management System in the scope of provision of telecommunication, ICT and cybersecurity services. Regarding the coronavirus situation, Orange Polska mitigates the risk by following business continuity plans and introduction of telework mode for over 80% of its employees. Sanitary and disinfection means are being provided to each premise for employees' and customers' safety.
Orange Polska's activities may trigger the loss, disclosure, unauthorised communication to the general public or third parties, or inappropriate modification of the data of its customers. Such losses could arise from (i) implementation of new services or new applications, for example those relating to billing and customer relationship management, (ii) launch of new initiatives, especially in the field of Internet of Things (IoT), (iii) malicious acts (including cyber-attacks), particularly aimed at theft of personal data, or (iv) potential negligence within Orange Polska or its external partners. For infringement of GDPR protection rules, administrative fines of up to 4% of the annual global turnover may be imposed. Such incidents could have a considerable impact on the Group's reputation and a heavy impact on its liability, potentially including criminal liability, and hence have an adverse impact on Orange Polska's future financial performance. Alongside the risk related to customer data, Orange Polska faces a similar risk of unauthorised disclosure, publication or communication to unauthorised entities of commercially sensitive information, particularly the details of planned initiatives, marketing campaigns, new offers or sales packages. The premature disclosure thereof could result in Orange Polska's failure to achieve its sales objectives and loss of its market shares. The main causes of this risk include: (i) industrial (corporate) espionage, (ii) malicious acts (including cyber-attacks), particularly aimed at theft of proprietary information, or (iii) potential negligence on the part of the Group or its business partners.	Orange Polska holds an Information Security Management System certificate of compliance in line with ISO/IEC 27001, for the scope of services of ICT, hosting, collocation, cloud computing, cybersecurity and personal data processing in cloud computing. In addition, Orange Polska holds a certificate of compliance with ISO/IEC 27018 Code of practice for protection of personally identifiable information (PII) in public clouds acting as PII processors; it covers personal data processing services in cloud computing via UCaaS (Unified Communication as a Service), ICS (Integrated Computing Standard), ICM (Integrated Computing Managed) and smart CCaaS (smart Contact Center as a Service) cloud computing. Furthermore, the Company holds and maintains FIRST and Trusted Introducer

Risk area	Main business objective / Strategy reference	Risk exposure	Key risks, issues or areas of uncertainty
Financial risk Risks related to financial markets	Acting in effective and responsible manner	→	• Increase of interest rates • Depreciation of the local currency
Corporate governance and regulatory, tax and legal environment Regulatory obligations resulting from legislation changes and administrative decisions	Acting in effective and responsible manner	↗	• Fixed Termination Rate (FTR) cuts • Risks related to acquisition of new spectrum for high-tech telecommunications services (including 5G) • Potential consequences of US – China Dispute • Proceedings by UOKiK and European Commission related to network sharing • Financial corrections with regard to POPC • Increased tax burden and fiscal pressure resulting from changes in legislation • Increase in remuneration for the use of third parties' land for the purpose of development and maintenance of Orange Polska's infrastructure • Reputational and financial losses resulting from involvement of Orange Polska's employees or partners in corruption schemes

Potential impact	Management approach and mitigation measures
The Polish Central Bank's policy did not change in 2019 and interest rates remained stable at a historic low. It was expected to prevail till the end of the current members' tenure, however in March and April 2020 Monetary Policy Council has cut the reference interest rate from 1,5% down to 0,5%, also increasing the liquidity in the banking sector and purchasing the securities, as a remedy mitigating the potential negative impact on the Polish economy resulting from the COVID-19 pandemic, which erupted in March 2020.	A potential increase in interest rates should not have any major influence on Orange Polska's debt service costs, owing to a high hedging ratio.
Foreign exchange rate fluctuations affect Orange Polska's liabilities denominated in foreign currencies and settlements with foreign operators.	Potential depreciation of the Polish zloty should not have any major influence on Orange Polska's liabilities denominated in foreign currencies or settlements with foreign operators, owing to a high hedging ratio.
Orange Polska must comply with various regulatory obligations governing the provision of services and products, particularly related to obtaining and renewing licences. The regulatory obligations result from legislation changes and administrative decisions. Regulatory decisions and changes in the regulatory environment may have an adverse effect on Orange Polska.	In 2018, there were a number of changes in the legal environment with respect to both general law and provisions specific to the telecom sector. The legal and regulatory environment requires constant and diligent monitoring, as well as allocating resources to implement new regulations and prevent any noncompliance.
Due to a bilateral dispute between the US and China, some Chinese suppliers face a risk of sanctions by the US government. For telecom operators, such as Orange Polska, imposition of sanctions against Chinese suppliers could hinder the scheduled rollout of network infrastructure (particularly 5G) and affect the available range of telecommunications equipment suppliers. Orange Polska may also suffer losses resulting from decreased popularity of Chinese brand products. In addition, due to the global scale of the conflict, there may be delays or an increase in costs of implementation of the 5G network.	At the European level, in 2019 the European Union began developing a concerted approach to 5G network security, carrying out a risk assessment and identifying the key risks affecting 5G networks. As a result, "Cybersecurity of 5G networks - EU Toolbox of risk mitigating measures" was published in Jan 2020, setting out a general approach to 5G network security. This document does not explicitly exclude or prohibit any supplier. However, dependence on one supplier, as well as risk associated with the supply chain, including the activities of other countries, were considered a significant risk. Member States are also expected to carry out a risk profile analysis and, depending on the result, introduce appropriate restrictions and exclusions especially for key resources. This is already happening at the national level, as reflected in the signing of the US-Poland Joint Declaration on 5G in 2019 and commencement (2020) of a legislative process regarding new requirements for the security and integrity of telecommunications networks, including 5G. Orange Polska keeps track of potential regulation in this area, and will act to comply with any new obligations that may be put in force.
There is a risk of failure to achieve the expected return on investment due to decrease of co-financing with regard to POPC.	
Despite Orange Polska's drive to strengthen its anti-corruption policy, corruption cases could occur due to the number of partners engaged and complex processes performed. This could have an adverse impact, particularly on Orange Polska's reputation.	Orange Polska has implemented an Anti-Corruption Policy and Guidelines. These regulations contain detailed rules and standards as well as references to specific conditions and circumstances relating to the identification and mitigation of corruption risks. In addition, we have carried out a number of training and information campaigns to raise awareness of anti-corruption laws and rules among employees.

Risk area	Main business objective / Strategy reference	Risk exposure	Key risks, issues or areas of uncertainty
Exposure to electromagnetic fields Exposure to electromagnetic fields (EMF) from radio equipment	Unmatched data connectivity for households and businesses Acting in effective and responsible manner	→	• Adverse effects of EMF on human health • Decline in use of mobile telecommunications services • Difficulties and additional expense in rolling out base stations and other wireless equipment



Potential impact	Management approach and mitigation measures
Exposure to electromagnetic fields (EMF) from radio equipment (used mainly on mobile, but also fixed, networks) might raise concerns for their possible adverse effects on human health. Since January 1, 2020, the Polish EMF limits have been consistent with the Council Recommendation 1999/519/EC. Consequently, they are currently similar to the limits adopted in most European countries. If, at some point in the future, the above-mentioned health risks were scientifically proven to any extent, this would likely result in a decline in use of mobile telecommunications services, difficulties and additional expense in rolling out base stations and other wireless equipment, and an increase in litigation.	The top management monitors compliance with regulatory requirements, emission limits and other legal requirements related to environmental protection. Furthermore, Orange Polska has implemented an environmental management system for provision of mobile services





Corporate governance



Our approach to corporate governance



Letter from the Chairman of the Supervisory Board

Dear stakeholders,

In 2019 Orange Polska made further progress towards establishing a business model that will allow it to grow on a sustainable basis. Operating profitability increased for the second consecutive year while revenues grew for the first time in 13 years. This is compelling evidence that the strategy – based on convergence, rollout of the fibre network, developing adjacent business lines and increasing efficiency – is working and is being executed well in a challenging environment with constant structural pressure on legacy services. The Supervisory Board assessed last year's financial performance of Orange Polska very highly.

Last year the management proved that it can successfully create and lead market developments. Orange Polska was the first on the market to introduce tariff increases in a 'more for more' formula. This bold decision was preceded by discussions in Supervisory Board meetings to analyse its potential consequences in the light of competition in the Polish telecom market. This move is key for the Company's long-term value creation.

Another example of the Company's admirable long-term perspective - and a vindication of its belief in the attractiveness of digital products - was the launch of Orange Flex. It is an investment in the Company's future, designed and launched in house and aimed at disrupting the industry.

During the last financial year, the Supervisory Board was involved in all decisions of fundamental significance for Orange Polska. We monitored the Management Board's governance in managing the business to ensure that these activities were lawful and compliant with legal provisions and internal standards and policies, as well as appropriate and efficient. At each meeting, the Supervisory Board discussed in detail the Company's current financial and operational results in comparison to the budget adopted at the beginning of the year. More details of the Supervisory Board's assessment of Orange Polska are presented over the chapter that follows.

The frequency of the Supervisory Board and its committees' meetings keeps us in close contact with the management. In 2019, five Supervisory Board meetings and 13 meetings of the Supervisory Board's committees took place. The overall average participation rate was 97.8%. Written votes were used on three occasions when resolutions were required between meetings.

Looking forward to 2020, in the shadow of the global coronavirus outbreak, the priorities for the management that the Supervisory Board confirmed at its March meeting must take a back seat. Crisis management becomes the absolute priority. I strongly believe that the core of Orange Polska's business remains relatively immune to the impact of the pandemic, as mobile and fixed broadband connectivity nowadays is critical to needs of individuals and businesses. Outside of the pandemic two topics will be of particular importance. Firstly, the upcoming 5G auction. Obtaining new spectrum, which is a scarce and unique form of natural capital, will be very important for the long-term prospects of Orange Polska's business. Secondly, a new strategy. In 2020 the management will work intensively on a new strategy covering 2021-2023. They will be guided in this process by certain strategic directions included in the new strategy of Orange Group, announced in December 2019.

I am convinced that the prudent actions of the Management Board, supported by the Supervisory Board, will enable the Company to cope well with the unprecedented challenges caused by the pandemic. I also believe in the resilience of our operations, and that this period of uncertainty will give rise to a lot of business opportunities in the longer term. that will be addressed in the new strategy.

Maciej Witucki
Chairman of the Supervisory Board



Role of shareholders

Orange Polska encourages shareholders to play an active role in the Company's corporate governance. Shareholder consent is required for key decisions, including: the review and approval of the financial statements and Management Board Report on Activities; the review and approval of the Management Board's recommendations on dividend payments or coverage of losses; the review and approval of the Supervisory Board Assessment of the Group's situation; the election of the members of the Supervisory Board (and, if necessary, their dismissal); amendments to the Company's Articles of Association; increase and reduction of the share capital; and the buy-back of shares.

At the Company's General Meetings, each share in Orange Polska entitles its owner to one vote. In addition to their participation in General Meetings, members of the Company's Management Board and senior executives engage in active dialogue with the Company's shareholders. To ensure that investors receive a balanced view of the Company's performance, Management Board members – led by the President of the Management Board and the Chief Financial Officer – also make regular presentations to institutional investors and representatives of the domestic and international financial community.

Orange Polska Investor Relations

Orange Polska's activity in the area of investor relations focuses primarily on ensuring transparent and proactive communication with capital markets through active co-operation with investors and analysts, as well as performance of disclosure obligations under the existing legal framework.

Orange Polska's Investor Relations together with Company's representatives regularly meet with investors and analysts in Poland and abroad and participate in the majority of regional and telecom industry investor conferences.

Orange Polska Group's financial results are quarterly presented during conferences, which are available also via a live webcast. In 2019, the Company held four results presentations and about 160 meetings with investors and analysts in Poland and a number of other countries.

Orange Polska's activity and performance are monitored by analysts representing both Polish and international financial institutions on a current basis. In 2019, a dozen or so financial institutions published their reports and recommendations concerning the Company. The up-to-date list of analysts is available on our website:
www.orange-ir.pl/shares/analyst-coverage



On March 11, 2019, the CFO of Orange Polska answered retail investors' questions during an investor chat held by the Association of Individual Investors (SII). Several dozen individual investors asked their questions during the chat.

The key purpose of all efforts of the Investor Relations towards investors is to enable a reliable assessment of the Company's financial standing, its market position and the effectiveness of its business model, taking into account the strategic development priorities in the context of the telecom market and the Polish and international macroeconomic environment. Our activity in investor relations area is appreciated by the market.

In 2019, Orange Polska published its third integrated annual report. It covers both financial and non-financial aspects of the Company's business. The report presents the Company's business model, value creation story, the economic and social context of its operations, strategy implementation, governance model, corporate governance, risk management and environmental impact. The content and layout of the report are based on the International Integrated Reporting Council (IIRC) guidelines, Global Reporting Initiative (GRI) Standards, ISO 26000 and Global Compact principles.

Orange Polska received an honourable mention in the 13th edition of the Social Reports Competition in the integrated report category for the 2018 report. The award was given for "a mature and comprehensive content, particularly the business model description and consistent high quality for years." The Social Reports Competition is organised by the Responsible Business Forum and Deloitte. Its partners include the Ministry of Finance, the Ministry of Investment and Economic Development, the Polish Association of Listed Companies, the Polish Consumer Federation and the Warsaw Stock Exchange.

Orange Polska provides the investment community with a dedicated investor relations website www.orange-ir.pl.

Orange Polska's commitment to excel in corporate governance

Corporate Governance in Orange Polska is designed to provide responsible Company management and supervision in order to achieve the Company's strategic goals and enhance its value. We have created a credible corporate governance framework which consists of mechanisms that help achieve growth. Those mechanisms consist of structures, processes and controls which enable the Company to operate more efficiently and mitigate risk. The ability of the Company to create value is ensured by having capable governing bodies with a proper division of duties and optimal representation of experience, skills and education. The sustainability of the Company is secured by the ability to allocate the created value in a fair and sustainable manner, as necessary to the Company's long-term success.

The Management Board provides the leadership necessary to steer the Company to its strategic goals. It introduces policies and rules for maintaining the internal cohesiveness of the organisation. All members of the Management Board act as executives, while the members of the Supervisory Board play an oversight role. These two roles are separable and strictly assigned to these governing bodies. The Supervisory Board consists of shareholders' representatives, elected by the General Meeting. In order to exercise its obligations the Supervisory Board may at any time examine any documents of the Company, may demand from the Management Board and employees any reports and explanations and may check the financial standing of the Company. When necessary the Supervisory Board may oblige the Management Board to commission advisory services to draw up an expert opinion for its use if a matter requires specialised knowledge or qualifications.

In order to ensure quality decision-making, the Supervisory Board uses its committees as advisory bodies. The members of each committee are experts in their field of expertise

who provide the Supervisory Board with advice on issues requiring more detailed analysis. The Audit Committee provides the Supervisory Board with wide expertise on finance, accounting and audit. The Remuneration Committee deals with general remuneration policy and recommends appointments of Management Board members. The Strategy Committee is responsible for delivering recommendations on strategic plans and planning processes set up by the Management Board.

The aim of the corporate governance model described above is to properly distribute responsibilities within the Company and establish the roles of the key governing bodies, which in turn enhance the decision making process. Its structural elements, and the relationships between them, guarantee the transparency of key management decisions. Orange Polska is fully accountable to its stakeholders and is committed to communicating its progress towards its business goals and the fulfilment of its responsibilities. We do this to increase confidence about our Company among investors, customers, employees and the general public. We have paid the utmost attention to constructing a corporate governance system which promotes ethical, responsible and transparent practices. By introducing these rules we are demonstrating the Company's commitment to the highest standards of governance and ensuring that these standards will continue to stand up to scrutiny by internal and external stakeholders.

Ethics in Orange Polska

Ethics in Orange Polska arise from the very basic need to maintain ethical standards in daily business activity. The standards and values implemented within the Company guide people in their mutual relations (both personal and business) helping them to support the Company's business objectives and build the best possible relationships with the wider environment in which we operate. Ethical standards are included in the Orange Polska Code of Ethics, which provides our employees with a roadmap for the ethical behaviour expected by our shareholders, customers and business partners. The Orange Polska Code of Ethics shares the same standards as other companies within the Orange Group.

Role of the Orange Polska Ethics Committee

The Orange Polska Ethics Committee is an advisory body which acts as the guardian of ethical standards in the Company. It analyses any accusation of non-ethical behaviour that might arise from day to day, and educates employees to strengthen their understanding of ethical principles in the workplace. It also increases employees' knowledge and awareness of everyday ethical fundamentals via e-training that identifies possible situations employees might encounter, and gives them examples of proper ethical behaviour.

Orange Polska employees can easily contact the Committee if they suspect a breach of ethics, either electronically (using the anonymous contact form on our intranet site) or by mail. It is also possible to send a letter or email directly to the Chairman of the Audit Committee. All inquiries are conducted in a strictly confidential manner.

Having proper ethical standards as a core element of our culture underpins Orange Polska's good relations with our business partners and the market as a whole.



Listing of Orange Polska S.A. shares on the Warsaw Stock Exchange

Since November 1998, shares of Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) have been listed on the primary market of the Warsaw Stock Exchange (WSE) within the continuous listing system.

The Company's shares are included in the following indices:

- WIG20 and WIG30 large-cap indices;
- WIG broad-market index;
- WIG-telecommunication industry index; and
- WIG ESG Index of socially responsible companies.

In 2019, Orange Polska S.A. was once again included in a prestigious group of listed, socially responsible companies. The new portfolio of the WIG ESG Index announced by the Warsaw Stock Exchange comprises 59 companies. Orange Polska S.A. has been present in the index portfolio since its first edition. The WIG ESG Index has been increasingly popular among companies and investors, who have noticed a link between consideration for social and environmental impact and financial performance.

In addition, Orange Polska S.A. has been included in the global FTSE Russell's ESG Ratings, a global index that measures Company's performance across environmental, social and governance (ESG) areas.

2019 brought losses in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were up 49%, while the large-cap index, WIG20, lost 6% in the period. The share price increase was driven particularly by more favourable outlook for the telecom sector in Poland, which was noticed by investors following mobile price increases (initiated by Orange Polska), which had happened for the first time in many years.

Compliance with Warsaw Stock Exchange Best Practice

Orange Polska S.A., as an issuer of securities listed on the Warsaw Stock Exchange, is obliged to follow the "comply or explain" rule stipulated in the "Best Practice for WSE Listed Companies 2016".

In 2019, the Company complied with this corporate governance best practice. However, referring to the Recommendation IV.R.2 of the Best Practice guidelines, the Company provides a live 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 the legal risks involved in providing such electronic means of communication.

The full text of our Statement on the Company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016 is available at www.orange-ir.pl/corporate-governance/best-practices

Governing bodies diversity

We are convinced that diversity of a company's governing bodies is beneficial to the company's development. That is why we make sure that our Supervisory Board and the Management Board consists of people who are diverse in terms of age, sex, education and professional experience. Because they come from different environments and have a diversity of knowledge and skills, they can look from different perspectives at the management of the Company and its efficient functioning in its markets.



Our governance structure

Orange Polska has three governing bodies:



The General Meeting is responsible for the following duties (among others):

- review and approval of the financial statement and report on the Company's activity in the previous financial year
- distribution of profits or coverage of losses
- confirming the proper execution of duties by the members of the Supervisory Board and the Management Board
- amendments to the Articles of Association, including an increase or reduction of the share capital
- merger or change of the legal form of the Company
- appointment and removal of the members of the Supervisory Board
- determining the remuneration of the members of the Supervisory Board

Full details of the matters reserved for the General Meeting's decision making can be found on our website at www.orange-ir.pl/corporate-governance/corporate-documents

The Supervisory Board is responsible for supervision over the Company's activities (including the activities of its controlled subsidiaries) and represents the Company in concluding any agreements between Orange Polska and members of the Management Board or in the event of any disputes between the Company and members of the Management Board. It is also obliged to ensure that the financial statements and reports on the Company's activities meet the requirements of the provisions of accountancy law.

The main duties of the Supervisory Board are:

- evaluation of annual financial statements
- evaluation of the Management Board's report on Company's activities and motions of the Management Board regarding distribution of profits or covering of losses as well as submitting a written report on the results of the above mentioned evaluations to the General Assembly
- appointing, dismissing and suspending for important reasons a member of the Management Board or the entire Management Board as well as determining the terms of their remuneration and fixing their the remuneration
- appointing an auditor to examine or inspect financial statements
- stating an opinion on annual and long-term strategies and business plans and annual budget
- stating an opinion on incurring liabilities in excess of the equivalent of EURO 100,000,000 as well as on disposal of the assets in excess of the equivalent of EURO 100,000,000
- submitting a concise evaluation of the Company's standing to the General Meeting

Full details of the matters reserved for the Supervisory Board's decision making can be found on our website at www.orange-ir.pl/corporate-governance/corporate-documents

Criteria for independent Supervisory Board members

The independent members of Orange Polska Supervisory Board satisfy the following conditions:

1) not to belong, and not have belonged to the senior management for the previous 5 years, including not to be and not have been either a member of the Management Board of the Company or its affiliated entity
2) not to be, or have been for the previous three years an employee of the Company, or its associated, subsidiary or affiliated entity and not to be bound by any similar agreement with such entities
3) not to receive, or have received, significant additional remuneration from the Company, or its affiliated entity apart from a fee received as a member of the Supervisory Board, including as a member of the Audit Committee
4) not to exercise supervision over the Company within the meaning of the Accounting Act or to represent in any way a shareholder, persons or entities exercising control over the Company
5) not to have, or have had within the previous year, a significant business relationship with the Company or its affiliated entity, either directly or as an owner, partner, shareholder, director, member of the supervisory board or other supervisory or controlling body or senior employee, including as a member of the management board or other governing body of an entity having such a relationship. Business relationship include the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Company or its group



6) not to be, or have been within the previous three years:
   a) an owner, partner (including a general partner) or a shareholder of a current or former audit firm conducting an audit of a financial statements of the Company or its affiliated entity, or
   b) a member of the supervisory board or other supervisory or controlling body of a current or former audit firm conducting an audit of a financial statements of the Company, or
   c) an employee or person belonging to senior management, including a member of the management board or other governing body of a current or former audit firm conducting an audit of a financial statements of the Company or its affiliated entity, or
   d) another person whose services were used or supervised by a current or former audit firm or statutory auditor acting on behalf of a current or former audit firm
7) not to be a member of a management board or other governing body in a company in which a member of the Management Board of the Company is a member of the supervisory board or other supervisory or controlling body, and not to have other significant links with members of the Management Board of the Company through involvement in other companies or bodies
8) not to be a member of the Supervisory Board of the Company for more than twelve years
9) not to be a close family member of a member of the Management Board of the Company or of persons referred to in points 1 – 8, in particular not to be a spouse, cohabitant, relative or in-law in a straight line, and in the collateral line to the fourth degree, of a member of the Management Board or of persons referred to in points 1-8
10) not to remain in adoption, custody or guardianship with a member of the Management Board of the Company or with persons referred to in points 1 – 8

Additional remuneration, referred to in point 3 above:

a) covers in particular any participation in a share option or any other performance-related pay scheme
b) does not cover the receipt of fixed amounts of compensation under a retirement plan including deferred compensation for prior service with the Company, provided that such compensation is not contingent in any way on continued service with the Company.

A relationship with a shareholder precluding the independence of a member of the Supervisory Board within the meaning of point 2 above is also an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the Company.

The Management Board manages Orange Polska's affairs, administers its assets and represents the Company towards third parties. It is responsible for any matters relating to the Company's affairs which, under the Commercial Companies Code or the Company's Articles of Association, do not fall within the competence of the General Meeting or the Supervisory Board. The Management Board implements resolutions of the General Meeting and the Supervisory Board as well as its own resolutions, and is responsible for their execution.

In particular, Board resolutions are required in the following affairs of the Company:

- formulation of the Company's strategies and approval of multi-year plans for development of its individual activity areas
- approval and update of the Company's budget
- fixing amounts of investment outlays and their financing sources
- contracting credit lines and other financial liabilities
- formulation of personnel policies and rules of remuneration within Company
- adoption of annual financial statements and the Management Board's reports on the Company's and the Capital Group's activity
- proposing to the General Meeting motions regarding the distribution of profits or the offsetting of losses
- the Company's property transformation and public trading in the Company's securities
- exercising owner's supervision over companies with Orange Polska participation
- participation in other companies
- concluding and implementing agreements between the Company and any trade unions acting within it
- negotiation and settlement of labour disputes
- rules for filling the posts of key management, including terms and conditions of employment and remuneration rates

Full details of the matters reserved for the Management Board's decision making can be found on our website at www.orange-ir.pl/corporate-governance/corporate-documents

Executive Directors are responsible for the management of specific functions within the Company. The task areas of their responsibilities are described in the Orange Polska Organisational Regulations.

Regulating conflicts of interest

Each member of the Supervisory Board should take appropriate action to prevent and resolve conflicts of interest and is obliged to promptly inform the Chairman about all conflicts of interest which have arisen or may arise. Also he/she is obliged to inform the Company immediately about the existence of their relationship with any shareholder who holds shares representing not less than 5% of all votes at the General Meeting of the Company, and to provide the Company with a quarterly summary on such relationships. This concerns financial, family and other relationships which may affect the position of the member of the Supervisory Board on issues decided by the Supervisory Board.

Each Management Board member is obliged to promptly inform the Company about all conflicts of interests which make impossible or limit his ability to perform any function of a Board member.

Supervisory and Management Board members are obliged to submit quarterly statements including additional information required by the laws and regulations related to the listing of shares on the regulated markets, with the aim of informing the Company about potential conflict of interest. In case of a conflict between the interests of the Company and the personal interests of a Supervisory or Management Board member, or his/her descendants or relatives up to the second degree, a Board member shall abstain from participation in resolving such cases.

The Audit Committee reviews and provides an opinion to the Company's Management Board and/or the Supervisory Board on significant transactions with related parties as defined by the corporate rules.

Orange SA's nominees abstain from voting on Supervisory Board meetings and Audit Committee meetings on transactions involving Orange SA or its subsidiaries. Also other members of the Supervisory Board performing functions in other companies which enter into transactions with the Company are excluded from voting on matters relating to such transactions.



Orange Polska governing bodies' activities in 2019

Ownership structure

Interest in the Share Capital (%)



		Number of shares held*
	* 1 share = 1 vote at AGM	
Orange SA		
	50.67%	664,999,999
Other shareholders		
	49.33%	647,357,480
Total		1,312,357,479

General Meeting activities in 2019

The Annual General Meeting took place on April 24, 2019 in Warsaw. The General Meeting, among others:

- approved the Management Board's Report on the activity of Orange Polska S.A. and the Orange Polska Group in the financial year 2018;
- approved Orange Polska S.A. financial statements for the financial year 2018;
- approved the consolidated financial statements for the financial year 2018;
- granted approval of the performance of their duties by members of Orange Polska S.A.'s governing bodies in the financial year 2018;
- adopted a resolution on distribution of Orange Polska S.A.'s profit for the financial year 2018, pursuant to which Orange Polska S.A.'s profit of PLN 1,004,149.76 disclosed in the Company's financial statements for the financial year 2018 was allocated to the reserve capital;
- adopted a resolution on distribution of Orange Polska S.A.'s profit from previous years, pursuant to which Orange Polska S.A.'s profit from previous years of PLN 598,705,137.63 disclosed in the Company's financial statements for the financial year 2018 was allocated to the reserve capital, and the amount of PLN 598,705,137.63 allocated to the reserve capital may be distributed as a dividend; and
- did not adopt a resolution on paying a dividend in 2019, prioritising investment in long-term value creation.

General Meeting at a glance

The Annual General Meeting is convened by the Management Board (or by the Supervisory Board if the Management Board fails to convene it within the period set out by the law) and it is held within six months after the end of each financial year. The General Meeting is valid regardless of the number of shares being represented. The agenda of the General Meeting is determined by the body that has convened it. Any matters to be resolved by the General Meeting should first be presented by the Management Board to the Supervisory Board for its opinion. The resolutions are adopted by a simple majority of votes cast, unless the Commercial Companies Code or the Articles of Association provide otherwise. Voting at the General Meeting is open. A secret ballot is used at elections or upon motions for removal of the members of the Company's Boards or liquidators, or calling them to account for their actions, or in personal matters. A secret ballot is also used whenever requested by at least one of the shareholders or their representatives present at the General Meeting.

An Extraordinary General Meeting is convened by:

- the Management Board, upon its own initiative or upon a written motion of the Supervisory Board or shareholder(s) representing at least 5% of the share capital, in which case the Management Board includes on the agenda the matters indicated by the shareholders requesting the meeting;
- the Supervisory Board, if it is necessary in its opinion; or
- shareholders representing at least half of the share capital or at least half of total votes in the Company.

The Supervisory Board or shareholders representing at least 5% of the share capital may request that particular matters be included on the agenda of the next General Meeting.

The shareholders have the following rights:

- They may take part in the General Meeting and exercise the right to vote in person or by attorneys-in-fact (other representatives).
- Each shareholder has the right to candidature for the Chairman of the General Meeting or to put forward one candidate for the position of the Chairman of the General Meeting to the minutes.
- For each point on the agenda, each shareholder has the right to one speech of five minutes and a reply of five minutes.
- Each shareholder has the right to ask questions on any matters on the agenda.
- Each shareholder has the right to object to a decision by the Chairman of the General Meeting; the General Meeting then decides in a resolution whether the decision of the Chairman will be upheld or reversed.
- Each shareholder has the right to suggest amendments or additions to draft resolutions which are covered by the agenda of the General Meeting. Such suggestions must be raised before the close of discussions on the relevant agenda item.



Supervisory Board activities in 2019

Supervisory Board Members (as of 31 December 2019)

Maciej Witucki	Chairman of the Supervisory Board
Gervais Pellissier	Deputy Chairman of the Supervisory Board
Marc Ricau	Board Member and Secretary
Dr. Henryka Bochniarz	Independent Board Member
Thierry Bonhomme	Board Member
Eric Debroeck	Board Member
Ramon Fernandez	Board Member
John Russell Houlden	Independent Board Member and Chairman of the Audit Committee
Prof. Michał Kleiber	Independent Board Member
Patrice Lambert-de Diesbach	Board Member
Monika Nachyła	Independent Board Member
Dr. Maria Pasło-Wiśniewska	Independent Board Member and Chairman of the Remuneration Committee
Jean-Michel Thibaud	Board Member
Jean-Marc Vignolles	Board Member and Chairman of the Strategy Committee

Until April 24, 2019, Orange Polska had four independent members on the Supervisory Board, namely Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber and Dr. Maria Pasło-Wiśniewska. At present, five members of the Supervisory Board meet the independence criteria, namely Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber, Monika Nachyła and Dr. Maria Pasło-Wiśniewska.

Profiles of the Supervisory Board Members can be found on our website at
www.orange-ir.pl/corporate-governance/supervisory-board

Changes in the composition of the Supervisory Board in 2019

On April 24, 2019, the mandates of Mr. Federico Colom Artola, Mr. Eric Debroeck, Prof. Michał Kleiber, Mr. Gervais Pellissier, Mr. Marc Ricau, Dr. Wiesław Rozłucki and Mr. Maciej Witucki expired.

On the same day, the Annual General Assembly appointed the following persons as Members of the Supervisory Board: Mr. Eric Debroeck (for another term of office), Prof. Michał Kleiber (for another term of office), Monika Nachyła, Gervais Pellissier (for another term of office), Marc Ricau (for another term of office), Jean-Michel Thibaud and Maciej Witucki (for another term of office).

Supervisory Board attendance register 2019

	SUPERVISORY BOARD	AUDIT COMMITTEE	STRATEGY COMMITTEE	REMUNERATION COMMITTEE
Maciej Witucki	5/5			
Gervais Pellissier	5/5		2/3	
Marc Ricau	5/5	6/6		4/4
Henryka Bochniarz	5/5		3/3	
Thierry Bonhomme	5/5			4/4
Federico Colom Artola	2/2	3/3		
Eric Debroeck	4/5		2/3	
Ramon Fernandez	5/5			
John Russell Houlden	5/5	6/6		
Michał Kleiber	5/5	3/3	1/1	3/3
Patrice Lambert-de Diesbach	5/5		3/3	
Monika Nachyła	3/3	3/3	2/2	
Maria Pasło-Wiśniewska	5/5	6/6	3/3	4/4
Wiesław Rozłucki	2/2			1/1
Jean-Michel Thibaud	3/3	3/3		
Jean-Marc Vignolles	5/5		3/3	

Actual number of meetings attended

Maximum number of scheduled meetings which the directors could have attended

Rules for appointing a Supervisory Board member and the term of office

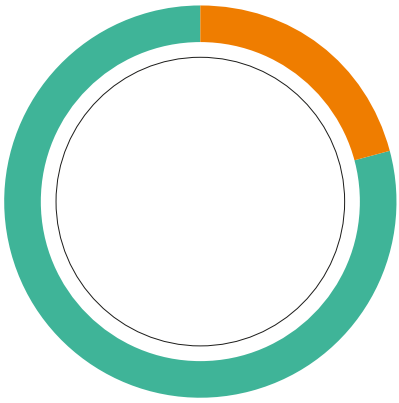
Members of the Orange Polska Supervisory Board should have the relevant education, professional and practical experience and high moral standing. They should also be able to devote the time required to properly perform their role on the Supervisory Board.

Members of the Supervisory Board are appointed by the General Meeting. Each shareholder has a right to put forward potential candidates to be Supervisory Board members, and the eventual members are appointed at the General Meeting by a simple majority of votes cast.

In case the mandate of a member of the Supervisory Board expires for reasons other than end of the term of office or dismissal from the Supervisory Board, the rest of the members of the Supervisory Board may appoint, by a majority of two thirds of the votes cast, a new member of the Supervisory Board.

The mandate of any such newly appointed member expires on the date of the next General Meeting held not earlier than five weeks after the appointment. The term of office of Supervisory Board members is three years. Mandates of the Supervisory Board members expire on the day of the Annual General Meeting approving financial statements for the second full accounting year of their term in office (also as a result of death, resignation or dismissal).

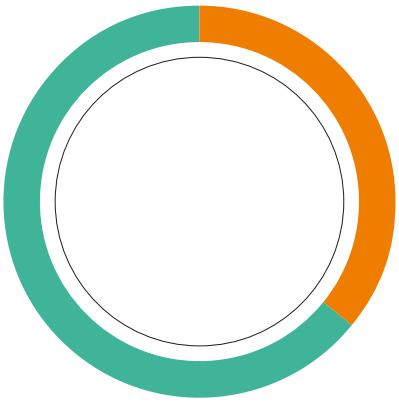
Supervisory Board diversity



Gender

Female 21%

Male 79%



Nationalities

Local 36%

International 64%

Length of tenure

0-2 years	4 persons	Thierry Bonhomme, Monika Nachyła, Jean-Michel Thibaud, Jean-Marc Vignolles
2-4 years	1 person	Patrice Lambert-de Diesbach
4-6 years	4 persons	Ramon Fernandez, John Russell Houlden, Michał Kleiber, Maria Pasło-Wiśniewska
6+ years	5 persons	Maciej Witucki, Gervais Pellissier, Marc Ricau, Henryka Bochniarz, Eric Debroeck

Age profile

40-50 years	51-55 years	56-60 years	61-65 years	65+
7%	21.5%	28.5%	21.5%	21.5%

Supervisory Board skills matrix

	Economics and Finance	Management and Strategy	Law and administration	Engineering and Technology	Psychology and Humanities	Sales and Marketing	Public administration	Scientific activity
Maciej Witucki	✓	✓		✓				
Gervais Pellissier	✓	✓	✓					
Marc Ricau	✓	✓		✓		✓		
Henryka Bochniarz	✓	✓			✓		✓	
Thierry Bonhomme		✓		✓		✓		✓
Eric Debroeck		✓	✓	✓				
Ramon Fernandez	✓	✓	✓				✓	
John Russell Houlden	✓	✓					✓	
Monika Nachyła	✓	✓			✓	✓		
Michał Kleiber	✓	✓		✓			✓	✓
Patrice Lambert-de Diesbach	✓	✓	✓					
Maria Pasło–Wiśniewska	✓	✓			✓		✓	✓
Jean-Michel Thibaud	✓	✓		✓				
Jean-Marc Vignolles	✓	✓	✓	✓		✓		

Supervisory Board at a glance

The Supervisory Board consists of between 9 and 16 members, at least one third of whom should be independent members. The Supervisory Board should hold meetings at least once a quarter. The Supervisory Board appoints and removes the Management Board President and other members of the Management Board. Unless otherwise provided for in the Articles of Association, the Supervisory Board adopts resolutions in an open vote with a simple majority of votes cast and in the presence of at least half of all members of the Supervisory Board. The Supervisory Board elects from among its members the Chairman, who convenes and chairs the meetings of the Supervisory Board. In case of a tied vote, the Chairman has the casting vote. The Supervisory Board has established three committees which are its advisory bodies:

- Audit Committee
- Remuneration Committee
- Strategy Committee

Only a member of the Supervisory Board can be a member of any of its committees. The Committees make decisions by an ordinary majority of votes. The chairmen of the Committees are appointed by the Supervisory Board. They manage the Committee's work, convene meetings and in the case of a tied vote, they have the casting vote.

Orange Polska adheres to the rules detailed in the Annex I to the European Commission Recommendation of February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board [Official Journal of the European Union L. 52/51, dated 25.2.2005]





On the Supervisory Board's agenda for 2019

The main areas of activity of the Supervisory Board in 2019

The Supervisory Board, acting in compliance with the provisions of the Commercial Companies Code and the Company's Articles of Association, exercised permanent supervision over the Company's operations in all fields of its activities.

In 2019 the Supervisory Board fulfilled its duties resulting from the provisions of the Commercial Companies Code including the appraisal of the Orange Polska financial statements, the Management Board's report on activity and the Management Board's motion on covering the Company's profit for the 2018 financial year and filing with the General Meeting reports presenting the results of the above mentioned appraisals.

The Supervisory Board took due care to ensure that the Management Board's reports and the financial statements were in compliance with the law.

The Supervisory Board also executed its rights and obligations arising from the Company's Articles of Association and the Best Practice for GPW Listed Companies, of which the following should be mentioned:

1) expressing opinions on motions addressed to the General Meeting,
2) preparing opinion on Orange Polska S.A. and Orange Polska Group budget,
3) preparing the report on the Supervisory Board's activity in 2018 including the assessment of the Orange Polska Group's standing. the assessment of the Group's system of internal control, risk management, compliance and internal audit, the assessment of the compliance with disclosure obligations and the assessment of the rationality of the sponsorship and charity policy,
4) deciding on the composition of the Management Board and the evaluation of its performance.

Throughout 2019, the Supervisory Board focused on the following issues:

a) implementation of the Orange.one strategy and the budget

In 2019, the Supervisory Board monitored implementation of the Orange.one strategic plan for 2017-2020 in its specific aspects and at each meeting it discussed current financial and operational results of Orange Polska as compared to the budget approved at the beginning of the year.

It should be noted with satisfaction that the Company consistently implements the said plan and budget, as reflected mainly in the revenues' increase (2.9% year to year), reported for the first time in 13 years, as well as further improvement of other financial indicators: significant cost optimisation, increased operational profitability EBITDAaL or record high profit on sale of assets (PLN 271 million).

b) sale of Orange's offer in the context of the telecommunications market

For a long time, the Supervisory Board has been analysing trends of consumer behaviour on the telecommunications market in detail. The year 2019 turned out to be a breakthrough for telecommunications operators. Clients accepted the new 'more for more' approach and the Supervisory Board believes that this fact had a positive impact on revenues' increase. The Supervisory Board also notes this was another year of increasing customer satisfaction level and decreasing customer churn rate.

c) fibre optic network development

The Supervisory Board recognizes the positive impact of fibre optic network development in Poland on the growth of the customer base, which is an important indicator of Orange Polska's competitive advantage over other operators and great support in the sale of converged services. In 2019, the number of clients of fibre optic services increased by over 40% on an annual basis. The Supervisory Board welcomes the fact that the vast majority of acquired users are new customers.

d) market changes

In connection with the announcement of the 5G frequency auction planned for 2020, the Supervisory Board closely monitored the Company's preparations for this challenge, including tests of the 5G network in several Polish cities. The Supervisory Board is pleased with their results.

The Supervisory Board holds also a positive opinion on the acquisition of BlueSoft, whose offer is part of Orange Polska's ICT service development strategy and significantly increases our competitiveness on the market.

e) the Management Board composition

On 19 February 2019, the Supervisory Board reappointed Jean-François Fallacher for the next term of office as the President of the Management Board. In accordance with the Best Practice for GPW Listed Companies, the renewals were made more than three months before the expiration of his term of office.

The Supervisory Board met 5 times in 2019 and adopted 31 resolutions, of which 3 were in writing (by circulation). The attendance at the meetings was 98.6%.

The Supervisory Board used in its operations opinions of its Committees (the Audit Committee, the Remuneration Committee and the Strategy Committee), wherever applicable.



The Supervisory Board formulated a number of recommendations, remarks and motions to the Management Board, referring to different aspects of the Company's operations.

The Supervisory Board was regularly monitoring the execution of its resolutions and recommendations, analysing the information presented by the Management Board.

Self-assessment of the work of the Supervisory Board

In 2019, the Supervisory Board made detailed self-appraisal.

The Supervisory Board evaluates that:

- Supervisory Board members act in the interest of Orange Polska and the Orange Polska Capital Group and follow their independent opinions and judgement,
- extensive business experience, often supported by many years of professional practice, comprehensive knowledge in various fields and personal competence of the Supervisory Board's members as well as the diversified composition, organisation and operation of the Supervisory Board and its committees allowed for effective supervision over the activities of Orange Polska,
- in addition, the activities of the permanent Supervisory Board's committees have significantly contributed to the efficient and effective supervision over the key areas of Orange Polska's activities,
- properly and with due care performed its duties in 2019.

Assessment of Orange Polska Group's Standing by the Supervisory Board

This section contains the Supervisory Board assessment of the Orange Polska Group's performance in 2019 in accordance with the recommendation no. II.Z.10.1 of the Best Practice for GPW Listed Companies, introduced by the Warsaw Stock Exchange. The assessment is based on the 2018 financial results of the Group (the Company and its subsidiaries) as well as on the information obtained by the Supervisory Board during conducting its statutory tasks.

The Supervisory Board, through the work of its committees and all its members (including independent members), was actively engaged in the process of evaluation of the most important initiatives, having in mind the interest of all the Group's stakeholders, including shareholders. In addition, it maintained oversight of the Group's operational and financial goals through management reporting at its quarterly meetings, and was able, through the Audit Committee, to oversee the accuracy of financial reporting and the functioning of the internal control and risk management system.

Group's Operational Review

The Group's key goals in 2019 were to:

- Follow the priorities set in Orange.one;
- Meet the forecasts and guidance for revenue and EBITDAaL growth published for the financial markets;
- Execute commercial plans which reflect focus on value generation on both mass and business markets;
- Accelerate monetisation of the fibre project;
- Continue fibre network roll-out under the Operational Programme "Digital Poland" (POPC);
- Continue business transformation, including cost-cutting initiatives to increase efficiency;
- Implement further improvements in the customer experience management to continue to increase customer satisfaction and loyalty;
- Prepare for 5G network investments;
- Maintain financial stability and monitor closely the level of debt ratios, that is net debt-to-EBITDAaL below 2.4 reported at the end of 2018.

2019 was a year when financial results of Orange Polska kept growing. The main indicator used by the Management Board to measure operating profitability (EBITDAaL from 2019) in-

creased for the subsequent second year. For the first time in years, revenues increase was reported, too. The Company met all forecasts announced to financial markets. The Management Board believes, and the Supervisory Board agrees with this opinion, that this success results from the correct implementation of the Orange.one strategy. Last year was the second full year of its implementation.

The Management Board kept the Supervisory Board informed on various aspects related to implementation of the strategy. A particularly important aspect of the Supervisory Board's discussion on the strategy involved the competition on the telecommunications and implementation of a price increase in the consumer services sector on the 'more for more' approach. In the opinion of the Management Board, shared by the Supervisory Board, higher prices correspond to the strategy of the Company's creating of value and they have been a major element on the path to restoring lasting growth of financial results of Orange Polska.

When discussing investment in fibre network, the Management Board presented also information on progress of construction of the network within the Digital Poland Operational Programme, partly funded by EU structural funds. These investments have a very significant social value, contributing significantly to promotion of high-speed internet in less urbanized areas and at schools.

The Supervisory Board also approved the implementation by the Company of a sales scheme of selected customer receivables from instalment contracts. The scheme is aimed to optimise working capital management and it is a pioneering programme of this type on the Polish market. One of the main criteria taken into account in its analysis was the cost of discounting receivables, which should be close to the cost of financing the Company.

It was also an important issue to discuss results of the study of employees of Orange Polska called social barometer held in November 2018. This is a cyclical, very comprehensive survey, providing knowledge of employee opinions on, among other subjects, work environment issues and projects as part of organizational culture change. Changing the organizational culture is one of the major elements of Orange.one's strategy.

The Supervisory Board also discussed the situation on the electricity market considering legislative changes introducing price regulation mechanisms for end users and the compensation system. These changes had a significant impact on operations related to resale of electricity.

Financial standing of the Group

The Management Board kept the Supervisory Board informed about the achieved financial results. The Audit Committee of the Supervisory Board supervised the reliability of financial reporting on an ongoing basis and presented its opinions to the Supervisory Board before publication of the results for individual reporting periods.

The Group met its financial goals for 2019. The reported increase in revenues was the first in many years despite structural pressure on traditional business segments (retail and wholesale fixed telephony services). In the case of the operating profitability measure (EBITDAaL), the increase was as much as 7%. Importantly, the dynamics was also positive excluding gains on the sale of assets. The level of cash generated also improved significantly.

In the opinion of the Supervisory Board, these achievements were mainly due to the continued implementation of the convergent strategy, the first effects of the 'more for more' approach, further increases in ICT services and further, very large steps in cost optimization. Indirect costs (excluding profits from the sale of real estate) fell in 2019 by almost 5%. Net profit in 2019 amounted to PLN 91 million and increased from PLN 10 million in 2018 even though it was charged with provisions related to Social Agreements in the amount of PLN 181 million. The increase was due to an increase in EBITDAaL and lower depreciation.

Organic cash flow in 2019 amounted to PLN 737 million, which means a significant increase compared to PLN 411 million in 2018. The improvement was mainly due to two factors: record-high revenues from the sale of assets and an improvement in working capital, mainly due to the sale of receivables from instalment contracts for telephones.

Increased EBITDAaL on one hand and improved level of cash generated on the other (despite the purchase of Blue-Soft company) led to a decrease of the debt indicator net debt / EBITDAaL down to 2.0x, which was one of the targets the Supervisory Board set for the Management Board.

In 2019, the Group did not pay a dividend, which was positively assessed by the Supervisory Board. This decision, as in the previous two years, was dictated by the perspective of business challenges, in particular the need for maximum allocation of funds for strategic investment projects: fibre optic network and new frequencies for 5G technology.

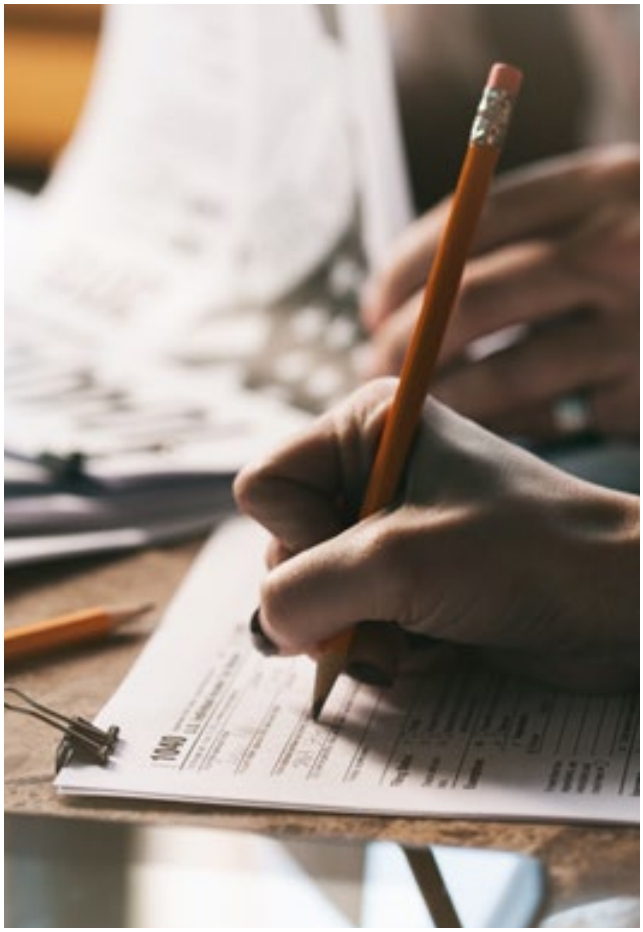
Conclusions and recommendations for 2020

The Group has met its operational and financial goals for 2019 thanks to consistent implementation of the strategy, value orientation and comprehensive business transformation. The Group's goal is to build a company that will be structurally better prepared for future competitive challenges and business opportunities, and which will be able to grow in a sustainable way. In 2020, Orange Polska will focus on the same strategic priorities so as to sustain growth

achieved in previous years. 2020 will also be the year of development of the new strategy for 2021-2023.

The Supervisory Board shares the Management Board opinion that in 2020 the Group should focus its operations in particular on the following key aspects:

- Maintaining the priorities set out in the Orange.one strategy
- Fulfilment of published financial forecasts and expectations regarding revenue growth and EBITDAaL
- Implementation of commercial plans that reflect a value creation-based approach on both the individual and business client market
- Further monetization of investments in fibre optic network
- Further development of the fibre optic network within the Digital Poland Operational Program (POPC)
- Further business transformation, including cost reduction initiatives to increase business efficiency
- Introduction of further improvements in customer experience management to constantly increase customer satisfaction and loyalty
- Preparations to invest in the 5G network, including acquiring new frequencies that will be the subject of the auction
- Preparation of a new strategy for 2021-2023 and its announcement in due time.



ASSESSMENT OF THE GROUP'S INTERNAL CONTROL, RISK MANAGEMENT, COMPLIANCE AND INTERNAL AUDIT

The Supervisory Board is responsible for reviewing the effectiveness of the Group's system of internal control and risk management designed and established by the Management Board, as well as the compliance system and the internal audit function.

This system of internal control and risk management facilitates the management of the risk of failure to achieve business objectives and provides reasonable assurance against material misstatement or loss (risk management does not mean the full elimination of risk, but provides for better risk identification and the implementation of adequate measures as needed). The relevant processes are designed to give reasonable, but cannot give absolute, assurance that the risks significant to the Group are identified and addressed.

The Company continuously monitors the evolution of the control environment. It ensures that all significant changes are sufficiently controlled and any identified deficiencies in the internal control system are addressed with action plans. On a quarterly basis, the internal control system is monitored in a self-assessment tool implemented by the Company and, in addition senior managers certify the effectiveness of the internal controls. On a yearly basis, the controls are subject to testing by the Internal Control team, Internal and External Auditors, and the results are reported to the Audit Committee.

The key elements of the system of internal control, including risk management, were presented in the Management Board's Report on the Activity of the Group for 2019, published on 12 February 2020.

In 2019, the Group again completed a comprehensive assessment of its processes of internal control over financial reporting. Main deficiencies both in design and in effectiveness of internal control have been 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 controls and financial reporting at 31 December 2019.

Both the internal and external auditors report to the Management Board and also to the Audit Committee on control deficiencies which they identified during their audit. Their recommendations are being implemented.

Most important risks are updated annually by the Management Board and presented to the Supervisory Board.

Matters related to Compliance are being reported to the Audit Committee of the Supervisory Board in following areas:

ethics, general compliance with laws and regulations, anti-fraud, security and anti-corruption measures related with Anti-Corruption Policy that puts forward zero-tolerance rule towards corruption. The Compliance function carries out activities ensuring adjustment of Company's internal regulations and mechanisms to, among others, Group's requirements in the scope of current anti-corruption regulations.

The Anti-corruption Policy of Orange Polska, complemented with detailed internal regulations, defines the required standards for employees' conduct. On the basis of relevant provisions of the Policy, potential consequences are determined in case of violation of anti-corruption procedures. Under the due diligence process, verification of the current and future business partners is conducted with regard to threats related to corruption, fraud, non-compliance with economic sanctions, money laundering and financing of terrorism. Compliance Management function conducts cyclic reviews of corruption risks, also taking into the account control mechanisms and appropriate preventive measures.

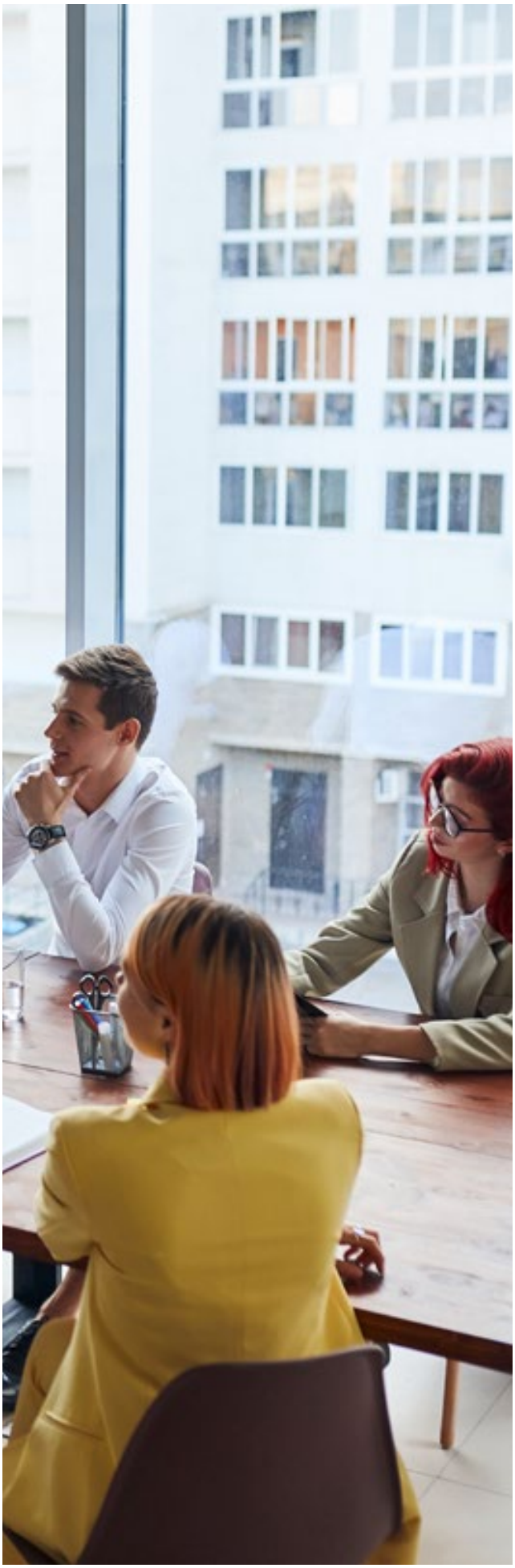
Orange Polska employees and stakeholders may use dedicated channels to report their concerns or to ask for advice if suspecting the conflict of interests, bribery or any infringement of internal regulations of the Group or of other regulations of the law. Persons reporting irregularities can do so without fear of negative consequences.

Thanks to comprehensive and continuous communication all of the OPL's employees were informed about compliance rules. Additional training and meetings were also held with Top management and managers of OPL. Dedicated training sessions taking into account the exposure of individual areas of OPL to the risk of corruption and communication activities aim to constantly increase knowledge and build employees awareness. OPL also conducts regular reviews in this area, makes necessary improvements and monitors the correctness of payments made.

Activities of Compliance Management function, the results of planned inspections, as well as the results of inspections initiated by notification of irregularities (whistle -blowing) are monitored on the basis of reports submitted periodically. Applied actions and mechanisms are ensuring the effectiveness of Compliance function and maintenance of Group's anti-corruption regulations standards.

The Supervisory Board is presented on annual basis also with information on the implementation and effectiveness of the compliance program, related to the fight against corruption including the risk map as well as the corresponding action plan for the coming year.

The internal audit function, which reports directly to the President of the Management Board, ensures objective and independent assessment of the adequacy, effectiveness and



quality of the Group's internal controls. The internal audit works in accordance with a charter approved by the Audit Committee, which also reviews annual internal audit program and analyses the Orange Polska's Internal Audit reports.

ASSESSMENT OF THE COMPLIANCE WITH DISCLOSURE OBLIGATIONS

This section contains the Supervisory Board assessment of the Company's performance of the obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities in 2019 in accordance with the recommendation no. II.Z.10.3 of the Best Practice for GPW Listed Companies.

Orange Polska as an issuer of shares admitted to trading on a regulated market is obliged to follow the rules of the Best Practice for GPW Listed Companies. Orange Polska accomplished its information duties concerning compliance with the corporate governance principles defined in the GPW Regulations and the regulations on current and periodic reports published by issuers of securities.

The rules concerning the transfer of current reports concerning the application of the detailed rules of the Corporate Governance are defined by the Resolution of the WSE Board (no. 1309/2015) dated 17.12.2015. According to the WSE regulations when the given rule is not applied in a constant way or is broken incidentally, the Company is obliged to publish on its web site a report in the analogical way as it is applied for a transfer of current reports. Reports concerning the application of detailed rules of the corporate governance are passed by mean of EBI (Electronic Basis of Information). The decree of the Minister of Finance dated 29 March 2018 defines which information should be mentioned in the declaration on the application of the Corporate Governance constituting a separate part of the Management Board report about the activity of the Company.

The Supervisory Board analysed the declaration about the application of the Corporate Governance included in the Management Board report about the activity of Orange Polska S.A. and the Orange Group in 2019. This declaration defines in a detailed way the issues concerning the Corporate Governance and contains the information from the decree of the Minister of Finance dated 29 March 2018 on the current and periodic information passed by issuers of securities and on conditions of the consideration as equal of the information required by the law of a state which is not a member.

In the above mentioned declaration the Management Board informed about the non-application of the recommendation IV.R.2 of the Best Practice for GPW Listed Companies referring to the providing the shareholders with the possibility of using the electronic communication during the general meeting. Orange Polska assures the transmission on-line of the session in the real time, but the two side communication is not provided, nor the possibility of voting in another location than this, in which the session of General Meeting takes place. The Management Board justifies the non-application of this rule by the legal risks related to such a communication.

Apart from the non-application of the above-mentioned recommendations, the Supervisory Board welcomes that the Company complies with all the rules of the Best Practice.

Orange Poland in accordance with the principle I.Z.1. of the Best Practice runs a website in Polish and English, on which publishes all provided by law and best practice documents and information, including information on the application in the Company of principles and recommendations contained in the Best Practice for GPW Listed Companies.

In the Supervisory Board' opinion, the information provided by Orange Polska is in line with the requirements and honestly follows the rules of the Corporate Governance and the Company duly fulfils the disclosure obligations relating to the application of Corporate Governance principles set out in the Warsaw Stock Exchange Rules and regulations on current and periodic information.

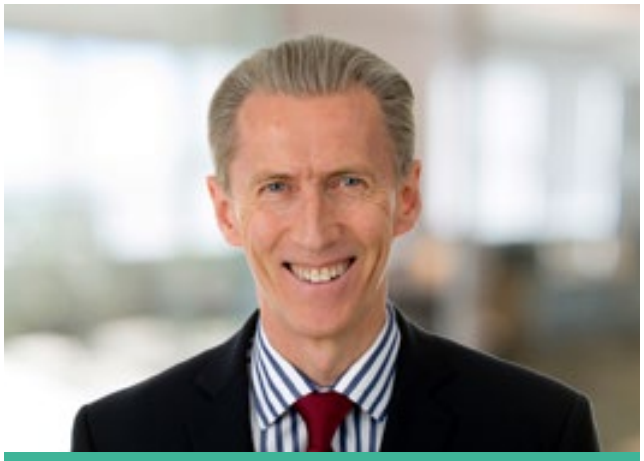
ASSESSMENT OF THE RATIONALITY OF THE SPONSORSHIP AND CHARITY POLICY

This section contains the Supervisory Board assessment of the rationality of the Group's sponsorship and charity policy in 2019 in accordance with the recommendation no. II.Z.10.4 of the Best Practice for GPW Listed Companies.

The Supervisory Board states that the sponsoring strategy led by the Company and focused in 2019 on music as the main area supporting the brand brought the appropriate financial and marketing efficiency. According to the adopted strategy, in the strategic sponsorship area Orange Polska creates complex long term projects on the territory of the whole Poland addressed to the most extensive group of its clients (present and potential) in which OPL plays a part of a titular or main sponsor. The involvement of Orange Polska is long term and multiple.

The Supervisory Board appreciates the charity activity led by Orange Polska in both forms – this led by the Donations' Fund and the other led by the Orange Foundation (created by the Company). The Orange Foundation acts for the modern education of children and youth. Through creative initiatives, Foundation encourages young people to acquire knowledge, participate in culture, and build communities using new technologies.

Audit Committee activities in 2019



Letter from the Chairman of the Audit Committee

The role of the Audit Committee is to review the integrity of the financial information reported externally, the independence and objectivity of the Orange Polska Group's external auditors, the nature and scope of the audit and the auditors' work as well as internal audit, internal control and risk management systems and significant transactions with related parties, and to advise the Supervisory Board on these issues as appropriate.

Dear Shareholders,

I am pleased to attach my report on the activities of the Audit Committee over the past 12 months.

One of the most important considerations of the Audit Committee in 2019 was the preparation for the selection of an auditor for the next period. The Polish Act on Auditors limited the term of appointment of an auditor to five years (with certain exceptions) and 2019 was the fifth year of audit of Ernst & Young. The assessment of various options open for the Company in terms of appointment of an auditor for 2020 and the following years as well as running the tender process constituted an important part of the work of the Audit Committee in 2019.

Similarly to 2018 a significant part of the work of the Audit Committee in 2019 related to the International Financial Reporting Standard 16 (Leases). As expected, given that the standard allowed for different approaches to its implementation, practice differed across industries and jurisdictions. In light of interpretation guidance produced by the IASB in 2019 the Company decided to refine its original approach and expects to introduce further refinements in 2020. The Audit Committee thoroughly reviewed the manner of implementation proposed by Management and discussed with Management as well as with the auditor the choices which were made and reasons behind them. The Audit Committee is satisfied that the Company has implemented the standard in an appropriate way.

One of the main responsibilities of the Audit Committee is to ensure proper financial reporting by the Company and Group. As part of this, we review all significant accounting judgements and estimates proposed by Management. In addition to IFRS 16 mentioned above, the most significant areas of judgement were those regarding presentation of financial figures and disclosures related to two transactions that the Company entered into, namely the acquisition of BlueSoft and Essembli and the sale of real estate in Warsaw. The Audit Committee also reviewed the impairment analysis results.

The Audit Committee has also been involved in reviewing internal control and compliance, the risk management processes and the external audit of the Company and Group financial statements. In particular, the Committee works to ensure the independence of both the external auditor and internal audit team, and had private meetings with the external auditor and the head of the Company's internal audit team to give them an opportunity to discuss any issues which may have arisen in their work with Management.

Last, but not least, the Independent Directors of the Audit Committee reviewed and, when necessary, challenged the terms of significant transactions with related parties including, in particular, the majority shareholder, Orange S.A.

A more detailed summary of the activities of the Audit Committee is presented below.

John Russell Houlden
Chairman of the Audit Committee



Audit Committee members

John Russell Houlden	Chairman (“Independent Director”)
Federico Colom Artola	*until 24 April 2019*
Prof. Michał Kleiber	(“Independent Director”) – *until 24 April 2019*
Dr. Maria Pasło-Wiśniewska	
Marc Ricau	
Monika Nachyła	(“Independent Director”) – *since 24 April 2019*
Jean-Michel Thibaud	*from 24 April 2019*

The Audit Committee is chaired by Mr. John Russell Houlden, an Independent Director of the Supervisory Board. He has relevant experience and qualifications in finance, accounting and audit. Other Independent Directors of the Committee are Dr. Maria Pasło-Wiśniewska and Monika Nachyła.

Main responsibilities of the Audit Committee:

The key functions of the Audit Committee are specified in its Terms of Reference attached to the Regulations of the Supervisory Board and include but are not limited to (i) monitoring the integrity of the financial information reported externally, (ii) reviewing the Group's internal control and risk management systems, (iii) reviewing plans for internal audit and their reports, (iv) reviewing and giving opinions on significant transactions with related parties, (v) recommending the selection and re-appointment of the audit firm, (vi) monitoring the independence and objectivity of the Company's external auditors, the nature and scope of the audit and monitoring the auditors' work, (vii) giving the Supervisory Board recommendations to ensure the faithful representation and relevance of the financial reporting process in the Company and the Group.

The Committee consists of at least three members, the majority of whom, including the Chairman, are independent of the Company. The Audit Committee meets at least on a quarterly basis before the publication of the financial statements.

On the Audit Committee agenda in 2019

The Audit Committee held six meetings in 2019. The meetings were attended by the Chief Executive Officer, Chief Financial Officer, as well Internal Audit Director. Other members of the Management Board, Executive Directors and other managers and invited guests attended the meetings when appropriate. The meetings were also attended by representatives of the Company's external auditor, Ernst & Young .

Our approach to monitoring the financial reporting process

As required by law, the Audit Committee monitored the process of financial reporting. The goal of the Audit Committee was to assess and provide advice to the Supervisory Board on whether the financial statements as well as the annual report, taken as a whole, secured faithful representation and relevance of the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Audit Committee reviewed the quarterly and annual financial statements. The Committee reviewed also Orange Polska Group's strategic plan as well as budgets. The aim of the review was to ensure that the key messages being followed in the annual and periodic reports were aligned with the Company's position, performance and strategy and that the narrative sections of the reports were consistent with the financial statements. In order to assess that the reports and the financial statements secured faithful representation and relevance of the information, the Audit Committee also reviewed reports on financial performance of the Company, accounting policies and procedures, accounting estimates and judgments, one-off items as well as market guidance and Orange Polska Group's performance against the budget and other information with the aim to assess the Company's position and performance. The Audit Committee was satisfied that all the key events and issues which had been reported by the Management Board during the year, both good and bad, had been adequately referenced or reflected within the annual report.

In 2019, as a result of significant changes in accounting standards, the Committee put special attention on Alternative Performance Measures (APMs) to make sure that the new APMs reported by the Orange Polska Group were in line with the ESMA guidelines, relevant and understandable to shareholders and reflected properly the way in which the Management Board manages the operations of the Orange Polska Group.

The auditor was regularly participating in the meetings of the Audit Committee and gave its view on issues significant from the accounting perspective as they arose during the year. Subsequently, the auditor presented, and the Audit Committee reviewed and where appropriate discussed with the auditor, the additional report prepared as required by the Regulation (EU) No 537/2014 of the European Parliament and of the Council (Audit Regulation).

Our approach to monitoring of performance of auditor

The Audit Committee is responsible for the relationship with the external auditor and that role involves examining the effectiveness of the audit process as well as the independence of the auditor. The auditor is Ernst & Young and 2019 was the fifth year of Ernst & Young being the auditor of the Orange Polska Group.

The Audit Committee reviewed the external auditors' proposed audit plan for 2019 including key auditing matters to be focused on, the materiality level set for audit testing and schedule of planned works and reporting along with planned interactions with the Audit Committee. Subsequently, the Audit Committee reviewed and discussed the auditor's recommendations, observations and comments on key areas

requiring special consideration taking into account also the views of the Management Board on those issues. The key auditing personnel participated in the meetings of the Audit Committee to allow for discussion of all issues as they arose during the year. Also, private meetings with the auditor were held by the Audit Committee to ensure open and transparent discussion between the auditor and the Audit Committee without the presence of the Management Board. The Audit Committee monitored the progress of the audit and its quality against the audit plan throughout the year.

In addition, the Audit Committee supported by Internal Audit looked into conflict of interest issues given that Ernst & Young became a statutory auditor of a major competitor of the Company. The measures applied by Ernst & Young in order to secure confidentiality of information including but not limited to Chinese Walls were discussed with the auditor. Generally, the Audit Committee was satisfied with the procedures applied by, and assurance given by, the auditor in this respect. In order to assess the performance and independence of the auditor as well as generally the relationship with the auditor feedback was sought from all members of the Audit Committee, the Management Board, key members of the senior management team and those who have regular contact with the auditor. The feedback was collated and presented to the Audit Committee in April 2019. The Audit Committee also asked the auditor for its feedback on the co-operation with the Company. The conclusions were discussed and opportunities for significant improvement were brought to the attention of both the auditor and the Management Board and key personnel having regular contact with the auditor. Subsequently, the Audit Committee reviewed the report on progress and was satisfied with the implementation of the agreed changes.

In summary, the Audit Committee concluded that the overall external audit process and services were effective and satisfactory.

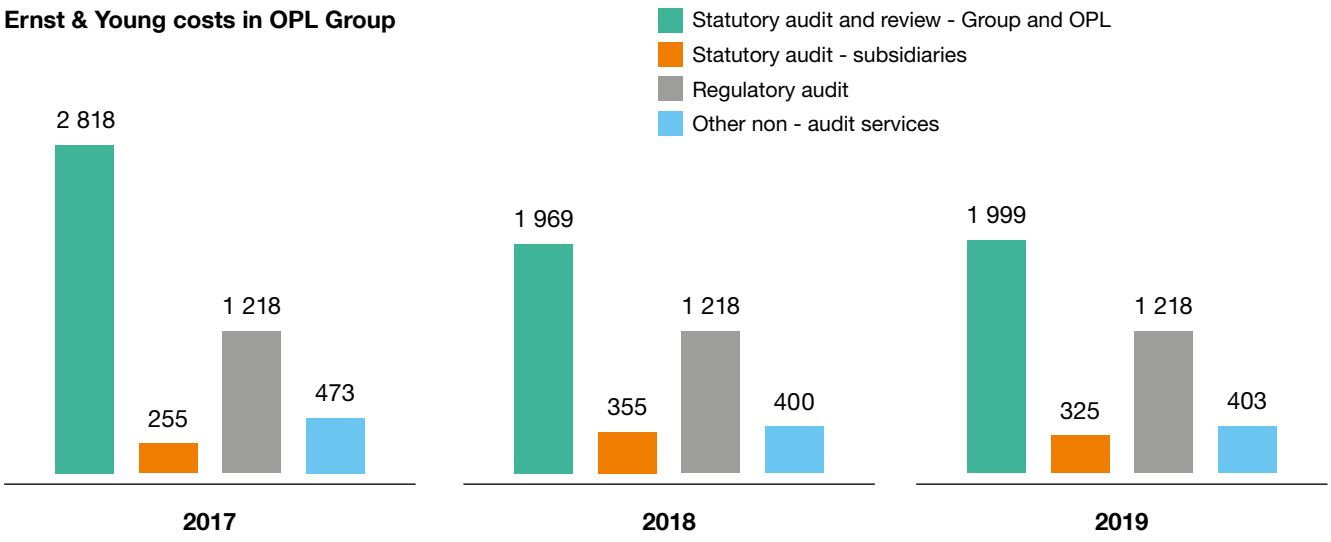
Our approach to assessing the independence of the external auditor

There are two aspects to auditor independence that the Audit Committee monitors to ensure the external auditor remains independent of the Company.

First, in assessing the independence of the auditor from the Company, the Audit Committee takes into account the information and assurances provided by the auditor. The Audit Committee received the auditor's statement on independence made in accordance with the Polish Act on Auditors of 11 May 2017 (Polish Audit Act) and the Audit Regulation.

Second, the Audit Committee reviews the proportion of the value of non-audit services rendered by the auditor or its affiliated entities and the audit fees. As required by law, the Company has a Policy on the provision of authorised non–audit services by the audit firm and its affiliated entities. Following the Policy all authorised non-audit services should be approved in advance by the Audit Committee taking into account their potential influence on the independence of the auditor. Also, any additional audit service requires prior consent from the Audit Committee. According to the relevant law as well as the Policy, authorised non-audit services are subject to a fee cap of no more than 70 per cent of the average annual statutory audit fee for the three consecutive financial years preceding the year in which the cap will apply. The 70% rule has been applicable since 17 June 2016 under the Audit Regulation. Management provides the Audit Committee with information on the value of non-audit services compared to the average statutory audit fee presenting data for the previous three years. Non-audit services provided by the Ernst & Young were 18% of audit fee in 2019, similar to 2018.Ernst & Young provides also a regulatory audit relating to the costs of regulated services rendered by the Company. That audit is commissioned by the regulator but its costs are borne by the Company. The costs of regulatory audit are also shown in the chart below.

Ernst & Young costs in OPL Group



In addition the feedback questionnaire referred to in the previous section included questions relating to the independence of the audit firm and individuals in the audit staff. There was no case of auditor's independence threat observed and reported by the respondents.

Taking into account all aspects described above the Audit Committee was satisfied that the auditor continues to be independent.

Recommendation on the appointment of the statutory auditor

The Company, similarly as the Orange SA Group, last undertook a formal tender process for statutory audit services in 2014. The tender process for the Company was separate from the tender process for the Orange SA Group. Based on the tender, Ernst & Young was selected as an auditor of the Company and independently Ernst & Young was also selected as one of two auditors of the Orange SA Group. Ernst & Young presented their first audit report of the Orange Polska Group for the year ended 31 December 2015.

In 2017, based on the Polish Audit Act and Audit Regulation, a new Policy on the audit firm's selection was adopted by the Supervisory Board of the Company. The Policy formalised most of the requirements which were already followed by the Company but a new requirement was the time limitation for the appointment of an auditor to 5 consecutive years (with certain exceptions). The year 2019 was the fifth year of Ernst & Young acting as the statutory auditor of the Company. Ernst & Young was eligible to be reappointed for another year only in exceptional circumstances based upon consent of the Financial Supervisory Authority ("KNF").

In 2019, the Company launched the tenders for statutory audit service for 2020 (if Ernst & Young turned out to have submitted the best offer) or 2020-2021 (if another company have submitted the best offer as it is not possible to appoint a new auditor for less than two years) and also for the following five year period. The Audit Committee Chairman monitored the process of the audit firm's selection and actively participated in this process. The offer of Ernst & Young was assessed to be the best based on a high quality audit team, the knowledge of the Polish telecom market and also the knowledge of the Orange Polska Group. Therefore, the Company applied to the Financial Supervisory Authority for its consent for Ernst & Young being reappointed for another year explaining its special situation in the year 2020 being, among others, the last year of implementation of its long term strategic plan and number and diversity of lease contracts to be assessed in response to the December decision of IFRIC. In January 2020, the Financial Supervisory Authority issued its consent and the Audit Committee recommended to the Supervisory Board the reappointment of Ernst & Young as the



statutory auditor for 2020. [The Supervisory Board followed the recommendation of the Audit Committee.]

Significant issues considered by the Audit Committee in relation to the financial statements and how these were addressed

In relation to the group's financial statements, the Audit Committee reviewed the following principal areas of judgement:

1) The Group's key judgments and estimates related to significant one-off transactions such as:
   a) Accounting treatment of acquisition of BlueSoft and Essembli entities operating in the IT services busi-

ness. The Audit Committee focused on the valuation of the goodwill and treatment of post-transaction services which required deep knowledge of the transaction itself and understanding of the business of the acquired entities;

b) Accounting treatment of sale transactions of real estate in Warsaw. The Audit Committee focused mainly on assessment of the moment of recognition of gain on sale and valuation of the gain on sale. As some of the real estate was partially leased back, the Committee assessed the accounting approach to the lease back and its impact on the valuation of the gain;

c) Accounting treatment of an agreement under which OPL sells selected receivables arising from sales of mobile handsets in instalments. The Audit Committee focused on the assessment of the assets derecognition criteria and valuation of receivables;

d) Accounting treatment of a social agreement concluded with Trade Unions and its impact on OPL's financial statements. The Audit Committee focused on valuation of the impact of this agreement on provision for employees termination and employee-related payables and actuarial provisions;

2) New accounting standard IFRS 16 with a particular focus on:
   a) Identification of lease contracts
   b) Assessment of lease period
   c) Other assumptions used in lease assets and lease liability valuation including discount rate
   d) The Audit Committee also focused on the interpretations of IFRS 16 published in 2019 related to treatment of subsurface contracts, discount rate and lease period and their impact on OPL's financial statements, including disclosures
3) Management's assessment of risks related to claims and litigation as well as other matters and the level of related provisions or decisions on the lack of provisions;
4) Impairment indicators and impairment test prepared by Management as well as goodwill recognition and deferred tax recoverability;
5) Management's assessment of the length of the economic useful life of assets;
6) Disclosures in the Financial Statements and Management Report relating to new matters
7) Distributable capital calculation.

Internal control

Management implements internal controls at various levels of the organisation. The scope of these controls includes, but is not limited to, transactional level controls, line managers' or corporate reviews, trend analysis, reconciliation controls and entity level controls. The aim is to provide reasonable assurance in safeguarding assets, detecting errors, the accuracy and completeness of accounting records, and the overall reliability of the financial statements. The Company continuously monitors the evolution of the control environment. It ensures that all significant changes are sufficiently controlled and any identified deficiencies in the internal control system are addressed with action plans. On a quarterly basis, the internal control system is monitored in a self-assessment tool implemented by the Company and, in addition, senior managers certify the effectiveness of the internal controls in their areas of responsibility. On a yearly basis, the controls are subject to testing by the internal control team, internal and external auditors, and the results are reported to the Audit Committee.

The Audit Committee received reports from Management on the internal control system, and monitored the appropriateness of the "control culture" as well as the way risks were identified, managed and disclosed. The Committee also reviewed reports from Management on implementation of actions in response to comments on internal controls from the internal and external auditors. In addition, the Audit Committee received assurance from management after completion of a yearly comprehensive assessment of Orange Polska Group's internal controls over financial reporting. All deficiencies identified were corrected or appropriate action points have been adopted. Management concluded that there were no weaknesses that would materially impact internal control over financial reporting in the year ended 31 December 2019.

Monitoring changes in the legal environment and changes in accounting standards

Relevant changes in the legal environment, together with updates to accounting standards and recommendations from regulatory bodies, were considered by the Audit Committee, as well as the question of how Orange Polska Group approached and implemented them.

Other areas of interest

The Committee reviewed and issued opinions on significant transactions with related parties, in line with internal regulations and best practices of corporate governance. Orange SA's nominees are excluded from voting at Supervisory Board meetings and Audit Committee meetings on transactions involving Orange SA or its subsidiaries. The Committee reviewed other matters of interest, including but not limited to revenue assurance, hedging, insurance, tax and review of the exposure of the Company resulting from the implementation of the General Data Protection Regulation. Also the Committee issued opinions on other matters referred to the Committee by the Supervisory Board and/or the Management Board including financing and granting bank guarantees to OPL's subsidiaries.

Risk management

Risks are identified within all relevant business units. The risks which are perceived by members of the Management Board or Executive Directors as most significant for Orange Polska operations are qualified as top risks. In addition to top risks, emerging risks which may become top risks in the longer term are also identified. Review of top risks along with emerging risks and their update is done and reported twice a year.

The Audit Committee receives a report on top and emerging risks once a year in April. Every year in October top and emerging risks are reported to the Supervisory Board.

The top risk analysis is taken into account in the preparation of the annual Internal Audit plan. The plan addresses different aspects of top risks. The plan is submitted for review from the Audit Committee and approval from to the Management Board President.

The Audit Committee reviewed the effectiveness of the risk management system and verified the key risks in terms of their impact on the strategic objectives of Orange Polska, Management's approach to the risks and effectiveness of the assigned mitigation actions.

Internal audit function and assessing the effectiveness of the internal audit function

The Internal Audit function provides the Audit Committee, the Management Board and senior management with independent and objective assurance and advice on governance, risk management and internal control. It assists the organisation in reaching its objectives by systematically and methodically evaluating its processes, risk management and internal control system.

In addition to reviewing the effectiveness of these areas and reporting on aspects of the Orange Polska Group's compliance with them, Internal Audit makes recommendations to address any key issues and improve processes. Once any recommendations are agreed with management, Internal Audit monitors their implementation and reports to the Audit Committee on progress made at every meeting.

Internal Audit considers all of Orange Polska Group's activities, and reports to the Audit Committee, and to the Management Board President. The Director of Internal Audit attends all scheduled meetings of the Audit Committee, and also has the power to raise any matters with the members of the Committee without the presence of management.

Internal Audit responsibilities are clearly defined and approved, as stated in the internal audit charter which is reviewed and approved annually by the Audit Committee. The Internal Audit function acts in conformity with the Standards for the professional practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors (IIA). Internal Audit plans are drawn up annually and take account of risk assessment, changing business needs and issues raised by management, follow-up on prior audit findings and cyclical review planning. The approach also builds reserved hours into the plan for ad-hoc, specially requested audits, and for urgent audit issues that arise throughout the year. The annual plan of Internal Audit is submitted for review of the Audit Committee and approval of the Management Board President. Progress against the annual Internal Audit plan is monitored and regularly reported to the Audit Committee.

In the course of its work, the Internal Audit function also liaises with the statutory auditor, discussing relevant aspects of their respective activities and assisting them in internal control testing which ultimately supports the assurance provided to the Audit Committee and management.

The effectiveness of the Internal Audit is monitored using the quality assurance and improvement programme which is composed of internal assessment activities and annual external assessment by IFACI - l'Institut Francais de l'Audit et du Controle Internes (the French Chapter of the IIA). Following the assessment carried out in 2019, Orange Polska's Internal Audit maintained its IIA certification from IFACI.

The Audit Committee reviews the annual plan of Internal Audit, its budget and progress reports. The Committee monitors the periodic reporting on internal audit actions and findings and responsiveness of management to Internal Audit recommendations. In addition, the Committee meets privately with the Director of Internal Audit and reviews the independence of the Internal Audit process.

Compliance

Matters related to the implementation of the Compliance Management Programme are reported to the Audit Committee in the following areas: ethics, general compliance with laws and regulations, anti -fraud, se-

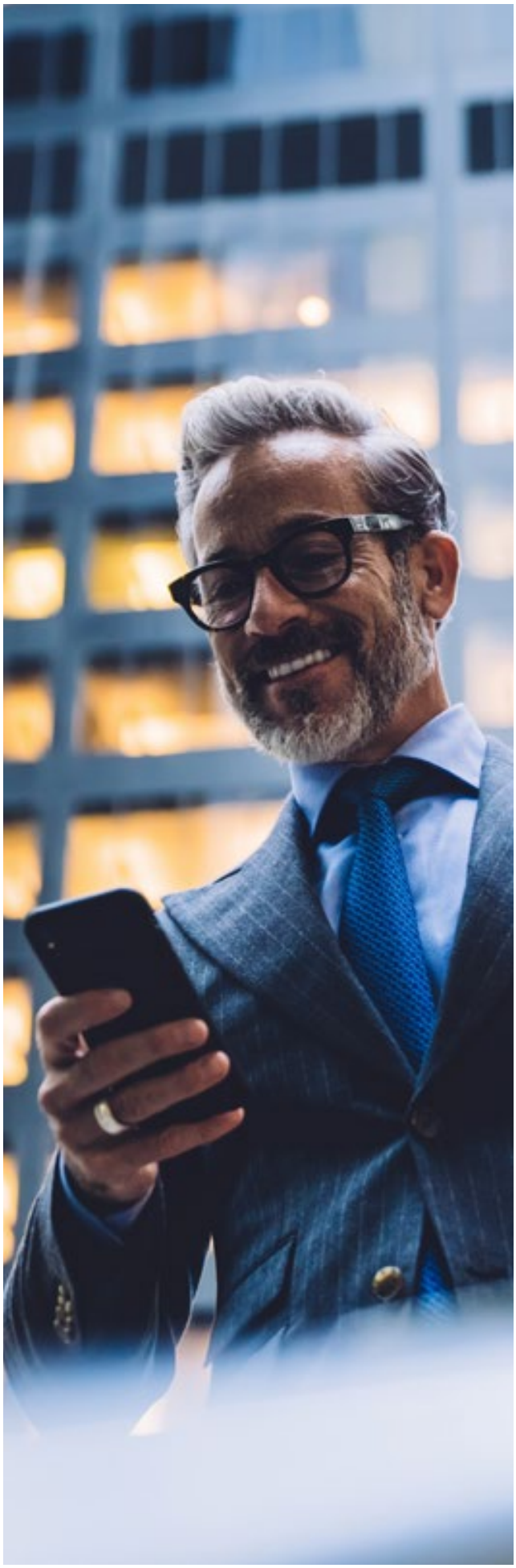
curity and anti-corruption. As part of its periodic reports, the Compliance Management function informs the Audit Committee about activities carried out, including the results of inspections initiated by notification of irregularities through dedicated channels. Orange Polska actively cooperates with the Compliance functions within the international Orange Group, sharing good practice and maintaining the Group's anti-corruption standards.

The Compliance Management Programme in Orange Polska embraces the Company's obligations to act in line with the law, applicable standards, regulations, market and industry standards, as well as ethical principles, both in dealings with clients and business partners and between employees. One of the key elements of the Compliance Management Programme is the Anti-Corruption Policy, through which the Company adopts a zero-tolerance approach towards corruption with regard to every aspect of its activities. The correct application of Anti-Corruption Policy rules is supported by internal regulations with detailed guidelines and instructions aiming to identify and effectively prevent irregularities.

Another integral part of the Programmme is the Anticorruption Guidelines which introduced thresholds for offering and accepting gifts, meal and entertainment in scope of business relations. The Compliance Management area provides continuous information and training to build employees' awareness and knowledge. If a problematic situation arises, employees can access ongoing consultation, advice and opinions.

Whistleblowing

The Company provides different channels of communications where all employees and stakeholders can also report their doubts or observed irregularities (such as conflict of interest, cases of corrupt behavior or other violations of applicable laws) through dedicated channels, either anonymously or openly, without fear of negative consequences. All such notifications are treated confidentially and examined and addressed with due diligence. The whistleblowing system is fully confidential and guarantees anonymity. The Audit Committee reviews the summary of cases reported via the whistleblowing system.



Strategy Committee activities in 2019



Letter from the Chairman of the Strategy Committee

With view on OPL's improving financial indicators the Committee in 2019 focused on developing the best strategies in the very important areas for the future of the Company, which are: implementation of 5G technology and content for our booming FTTH services.

Dear Shareholders,

Another year of our activity has passed. It was a year full of challenges, but also a year of stabilization of Company's financial results, which is crucial for strengthening our market position in 2020.

During three ordinary meetings the Committee focused in 2019 precisely on the most important topics from the point of view of the coming years, primarily around the groundbreaking 5G technology and its impact on the Company's further operations. With a view to 5G launching in the perspective of the next year, the Committee carefully looked at the lessons learned from the implementation of 4G technology. As a result, the most important conclusions from a technical and marketing perspective were formulated.

With widely developed Orange Polska fibre network and ongoing further rollout a lot of Committee's attention last year was also devoted to the content services. Global and local trends regarding customer needs, as well as operators' business expectations in terms of TV offer were being analyzed with various options for its future development.

I want to thank all Committee members and guests for their contribution to effective work for the sustainable development of the Company and its market success last year.

Jean-Marc Vignolles
Chairman of the Strategy Committee





Strategy Committee members in 2019

Jean-Marc Vignolles	Chairman
Dr. Henryka Bochniarz	(“Independent Director”)
Eric Debroeck	
Prof. Michał Kleiber	(“Independent Director”) – *until 24 April 2019*
Patrice Lambert-de Diesbach	
Monika Nachyła	(“Independent Director”) – *since 24 April 2019*
Dr. Maria Pasło-Wiśniewska	(“Independent Director”)
Gervais Pellissier	

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. Supervisory Board members and Orange Polska Management Board actively participated in the works of the Committee, whenever appropriate.

In 2019 the Strategy Committee held three ordinary meetings.

On the Strategy Committee's agenda for 2019

Orange Polska spectrum strategy and approach towards 5G

Current spectrum situation in Poland has been presented as well as OPL's challenges, including existing spectrum optimization and 5G requirements. Discussion also covered possible timeline of 5G spectrum distribution in Poland and harmonization of EMF level.

During the last Committee meeting of 2019 the updated information on 5G spectrum acquisition timeline has been discussed, 5G spectrum international price benchmark, results of 5G field tests in OPL, as well as illustrative 5G rollout schedule for OPL.

OPL strategy concerning financial services

The Committee discussed OPL experience gained in previous years with the Orange Finanse offer as well as plans for future financial services business model for Orange Polska.

Content strategy

Considering global and local trends regarding customer needs, as well as operators' business expectations in terms of content and Company's ambitions in convergence, various options for further development of TV offer were discussed.

Cash perspectives and dividend policy

Bearing in mind investors' expectations regarding the prospects of further business development of the Group, the Committee analyzed current financial situation and the most probable cash scenarios for the coming years.

4G lessons learned

The Committee analyzed the most important conclusions from the implementation of the previous technology (4G), especially in the phase of the 4G frequency auction, marketing strategy and the LTE commercial offers launch. Business assumptions from 2015 were compared with actual results.

Strategy Committee at a glance

The Strategy Committee should meet at least twice a year. The Committee gives its opinions and recommendations to the Supervisory Board on the strategic plans set out by the Management Board, as well as any further suggestions to strategic plans made by the Supervisory Board, in particular concerning key strategic directions. The Strategy Committee may also provide recommendations to the Supervisory Board regarding Management's planning processes. The Committee is consulted on all strategic projects related to the development of Orange Polska Group, the monitoring of the evolution of industrial partnerships within the Orange Polska Group and projects involving strategic agreements for Orange Polska 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:

- strategic agreements, alliances, and technological and industrial co-operation agreements, including aspects of the strategic partnership between Orange Group and Orange Polska Group
- significant acquisitions and sales of assets

The issues submitted to the Strategy Committee contain, in particular, the information necessary for assessing the risks involved in these operations.

Given the potential impact of these risks on the Company's accounts, the Chairman of the Audit Committee is entitled to attend the Strategy Committee meetings as a permanent guest, along with the Chairman of the Supervisory Board.



Remuneration Committee activities in 2019



Letter from the Chairwoman of the Remuneration Committee

The Remuneration Committee is tasked with advising the Supervisory Board and Management Board on general remuneration policy within Orange Polska Capital Group and making recommendations on appointments to the Management Board.

Dear Shareholders,

In April 2019, after the end of the term of office of Wiesław Rozłucki I had the honour of taking the position of Chairperson of the Remuneration Committee.

I would like to thank very much my predecessor for his commitment and creating the good practices in chairing the Remuneration Committee.

I would like to welcome Professor Michał Kleiber who joined the Remuneration Committee in April 2019.

In 2019 the Remuneration Committee was composed of five members. I would like to express my thanks to all of them for their work, readiness to share their best knowledge and experience and their support in taking over my duties as new chairperson.

Making all the Remuneration Committee's recommendations and decisions we tried to contribute to implementation of Orange Polska strategy. Keeping in mind that employees are a key asset of the Company we looked for solutions enabling recruitment, retention, development and motivation of the best managers and professionals in the Company.

The Remuneration Committee fulfilled all its duties, including:

- considering and recommending to the Supervisory Board appointment of Jean-François Fallacher as CEO for the next 3 years term of office,
- reviewing and adjusting some of the employment conditions of the Management Board Members as well as the Executive Directors,
- evaluating the performance of the Management Board Members and recommending to the Supervisory Board the amounts of their bonuses.

With a view of keeping talented people in the Company as the best way to deliver the Orange Polska strategy, focused on dynamic development of fibre optics and 5G technology tests which may strengthen the Orange Polska business position in the coming years, Remuneration Committee gave its positive recommendation to the Supervisory Board on the Orange SA Group Long Term Incentive Program for 2019 – 2021.

All details about Remuneration Committee activities in 2019 you will find below.

At the end let me thank our colleagues from HR Department for their professional support which allowed us to meet all our obligations.

Maria Pasło-Wiśniewska
Chairwoman of the Remuneration Committee



Remuneration Committee members

Dr. Maria Pasło-Wiśniewska	("Independent Director") – Member and, since 24 April 2019, the Chairwoman
Dr. Wiesław Rozłucki	the Chairman – *until 24 April 2019*
Thierry Bonhomme	
Prof. Michał Kleiber	("Independent Director") – *since 24 April 2019*
Marc Ricau	

On the Remuneration Committee's agenda for 2019

In 2019 the Remuneration Committee gave a positive recommendation to the Supervisory Board of the appointment of Jean-François Fallacher to the position of the President of the Management Board of Orange Polska for the next 3 year term of office starting from 24th April 2019.

The Remuneration Committee reviewed the employment conditions of the Management Board Members and gave its positive recommendation to the Supervisory Board on:

- the employment conditions and the non-competition agreement after the expiry of employment with Jean-François Fallacher as the President of the Management Board of Orange Polska,
- the award of the Stretch Bonus for Jean-François Fallacher for 2018,
- the conditions of the Stretch Bonus for Jean-François Fallacher for 2019,
- an inclusion of the life insurance into the Management Board Members' contracts as the last element of the employment contract standardization,
- the change in the remuneration of the Vice-President of the Management Board in charge of the Business Market, from 1st January 2019.

The Remuneration Committee was involved in matters related to all top management of Orange Polska and the Committee:

- acknowledged major employment conditions of the Executive Director in charge of IT from 1st July 2019,
- accepted the evaluation of the MBO goals for H2 2018, establishment and evaluation of the MBO goals for H1 2019 and establishment of the MBO goals for H2 2019 (with positive recommendation to the Supervisory Board for the evaluation of the Management Board Members' goals for H2 2018 and for H1 2019),
- accepted and positively recommended to the Supervisory Board the Orange SA Group Long Term Incentive Program for 2019 – 2021.

The Remuneration Committee accepted and gave a positive recommendation to the Supervisory Board on:

- the Annual Report on the activities of the Remuneration Committee in 2018,
- the part of the Management Board's Report on the Activity of Orange Polska S.A. in 2018, and of the Orange Polska Integrated Report 2018, including the remuneration policy of the Company, in accordance with Best Practice for GPW Listed Companies 2016.

The Remuneration Committee also reviewed the Group Leader Tool for self-evaluation by SVB Members.

The Remuneration Committee took note of the analysis of human capital in Orange Polska and of the new model of bonus system in the Company that will be implemented in the Company starting from January 2020.

The Remuneration Committee accepted working plan of the Committee for 2020.

The Remuneration Committee took note of the new legislation concerning the remuneration policy of Management Board and Supervisory Board's Members – Polish Act of 16 October 2019 – Amending the Polish Act on Public Offering, Conditions of Governing the Introduction of Financial Instruments to Organized Trading and Public Limited Companies, and Amending Certain Other Acts.



Remuneration Committee at a glance

The Remuneration Committee should meet at least four times a year. The task of the Committee is to advise the Supervisory Board and Management Board on the general remuneration policy of Orange Polska Capital Group and to make recommendations on appointments to the Management Board.

The Committee's detailed tasks include:

- determining the conditions of employment and remuneration of the Members of Management Board
- considering proposals made by the President or the Supervisory Board concerning new appointments to the Management Board, taking part in the final stage of the process and making the appropriate recommendation to the Supervisory Board about the candidates
- considering proposals made by the President or the Supervisory Board regarding dismissal or reports regarding resignations of any member(s) of the Management Board and making if necessary a relevant recommendation to the Supervisory Board
- giving recommendations to the Supervisory Board regarding the amounts of bonuses for the Members of the Management Board
- providing an opinion on remuneration policy for most senior executives, and on the general policy for the wider Orange Polska Capital Group: in both cases having regard to the relative positioning on the market of Orange Polska Capital Group's terms of engagement and remuneration levels.
- producing a report for the Supervisory Board on the activity of the Committee and assessment of remuneration policy of Orange Capital Group.

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 Intragroup 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 Intragroup 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.

A new element that was introduced in 2017 is a long-term incentive program dedicated to key managers, including the Management Board Members and Executive Directors. The success in the programme is measured as an increase in the Company's value and customer satisfaction. Participation in the programme is voluntary and requires managers to contribute their own resources. The programme will be settled in the first half of 2021.

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 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 2019:

(PLN '000)	12 months ended 31 December 2019			
	Fixed compensation expense in 2019	Variable compensation expense in 2019[1]	Total compensation expense in 2019	Additionally: Variable compensation expense in 2018, paid in 2019
Jean-François Fallacher	3 111	1 271	4 382	681
Mariusz Gaca	1 699	830	2 529	443
Jolanta Dudek	1 023	505	1 528	252
Jacek Kowalski	1 189	578	1 767	314
Bożena Leśniewska	1 486	747	2 233	365
Maciej Nowohoński	1 226	595	1 821	323
Witold Drożdż	975	478	1 453	86
Piotr Jaworski	1 005	493	1 498	85
Total	11 714	5 497	17 211	2 549

[1] Includes bonuses accrued in 2019 to be paid in 2020, excludes bonuses accrued in 2018 and paid in 2019.

Persons that were Members of the Management Board of the Company as at 31 December 2018.

(PLN '000)	12 months ended 31 December 2018			
	Fixed compensation expense in 2018	Variable compensation expense in 2018[1]	Total compensation expense in 2018	Additionally: Variable compensation expense in 2017, paid in 2018
Jean-François Fallacher	2 849	923	3 772	631
Mariusz Gaca	1 683	739	2 422	395
Jolanta Dudek	962	415	1 377	210
Jacek Kowalski	1 183	529	1 712	274
Bożena Leśniewska	1 348	612	1 960	287
Maciej Nowohoński	1 260	511	1 771	248
Witold Drożdż[2]	156	86	242	-
Piotr Jaworski[2]	159	85	244	-
Total	9 600	3 900	13 500	2 045

[1] Includes bonuses accrued in 2018 to be paid in 2019, excludes bonuses accrued in 2017 and paid in 2018.
[2] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

The Supervisory Board compensation was as follows.

(PLN '000)	12 months ended 31 December 2019	12 months ended 31 December 2018
Maciej Witucki	432	431
Gervais Pellissier (1)	-	-
Marc Ricau (1)	-	-
Dr. Henryka Bochniarz	221	220
Thierry Bonhomme (3)	210	18
Federico Colom Artola (1) (2)	-	-
Eric Debroeck (1)	-	-
Ramon Fernandez (1)	-	-
John Russell Houlden	394	394
Prof. Michał Kleiber	214	215
Patrice Lambert-de Diesbach (1)	-	-
Monika Nachyła	155	-
Dr. Maria Pasło-Wiśniewska	287	212
Dr. Wiesław Rozłucki (2)	104	321
Jean-Michel Thibaud (1)	-	-
Jean-Marc Vignolles (1)	-	-
Total	2 017	1 811

(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 2019 but were Members of the Supervisory Board of Orange Polska S.A. in 2018.
(3) Person appointed to the Supervisory Board of the Company, whose employment in Orange S.A. was terminated in 2018. For the period of employment in Orange S.A., remuneration for the function in the Supervisory Board of Orange Polska S.A. was not due, while it was due after the termination of employment in Orange S.A.

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 Orange Polska's Revenues, EBITDAaL (in 2019 the EBITDA ratio was replaced by EBITDAaL) 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 restrain 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 the Management Board is entitled to the Stretch Bonus based on the EBITDAaL 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.

Orange Polska S.A. Incentive Programme in the form of phantom shares settled in cash

On September 4, 2017, the Supervisory Board of Orange Polska S.A. adopted the Orange.one Incentive Programme for the key executives of Orange Polska S.A., including the Management Board Members, based on derivatives (phantom shares), where the underlying instrument is the price of shares of Orange Polska S.A. on the regulated market maintained by the Warsaw Stock Exchange.

According to the Programme Regulations, Members of the Management Board are eligible to voluntary purchase of a total of 370,000 phantom shares of PLN 1 each from the initial pool, and they will acquire additional blocks of phantom shares after meeting the conditions for the average price of the shares of Orange Polska S.A. and the NPS ranking. A total maximum number of phantom shares in additional pools will be 126,000 and 54,000, respectively.

Phantom shares will be bought back at the average price of the shares of Orange Polska S.A. in the first quarter of 2021, provided that it is not less than the average price of the shares of Orange Polska S.A. in the third quarter of 2017, which amounted to PLN 5.46.

If the conditions for additional blocks of phantom shares are not met, the phantom shares will not be bought back and the participant will lose the invested funds. The table below presents the number and payment cost based on the phantom shares granted by Orange Polska S.A. to the Management Board Members (included in the Orange Polska's costs).

	Options for additional phantom shares			The cost of share-based payments for 12 months till December 31, 2019 (PLN '000) [1]	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000) [1]
	Phantom shares - initial pool (number)	Condition of the share price (number)	Condition of NPS (number)		
Jean-François Fallacher	70 000	21 000	9 000	324	84
Mariusz Gaca	50 000	21 000	9 000	246	63
Jolanta Dudek	50 000	21 000	9 000	246	63
Jacek Kowalski	50 000	21 000	9 000	246	63
Bożena Leśniewska	50 000	21 000	9 000	246	63
Maciej Nowohoński	50 000	21 000	9 000	246	63
Witold Drożdż [2]	50 000	21 000	9 000	246	30
Piotr Jaworski [2]	50 000	21 000	9 000	246	30
Total	420 000	168 000	72 000	2 046	459

[1] For cost calculation assumptions please see Note 16.2 to the Orange Polska Group IFRS Consolidated Financial Statements for 2019.
[2] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

Long Term Incentive Plan (LTIP) of the Orange Group

The table below presents the number of shares granted by Orange S.A. to the Management Board Members under LTIP. The Long Term Incentive Plan is a 3-year plan from 2017 to 2019.

	Shares (number)	The cost of share-based payments for 12 months till December 31, 2019 (PLN '000)	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000)
Jean-François Fallacher	2 000	24	37
Mariusz Gaca	2 000	24	37
Jolanta Dudek	2 000	24	37
Jacek Kowalski	2 000	24	37
Bożena Leśniewska	2 000	24	37
Maciej Nowohoński	2 000	24	37
Witold Drożdż [1]	2 000	24	6
Piotr Jaworski [1]	2 000	24	6
Total	16 000	192	234

[1] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

Currently, LTIP includes key managers who occupy key positions in the Orange Group and is conjuncted with the Essentials 2020 strategic plan.

Selected Executives and Leaders are awarded a defined number of free shares of Orange S.A. under the following conditions: continuous service in the Orange Group throughout the plan until 31 December 2019 and performance conditions.

The aim of the Programme is to recognise the engagement of the Group's key Executives and Leaders, to share the value created by the Essentials 2020 strategic plan, to achieve a balance between short-term and long-term remuneration and to rely on well-known, monitored performance indicators.

In July 2018 the next edition of the Long-term Incentive Plan of the Orange Group for 2018-2020 was made available. Number of shares granted by Orange S.A. as part of the program, to the Management Board Members are specified in the table below.

	Shares (number)	The cost of share-based payments for 12 months till December 31, 2019 (PLN '000)	The cost of share-based payments for 12 months till December 31, 2018 (PLN '000)
Jean-François Fallacher	2 000	30	17
Mariusz Gaca	2 000	30	17
Jolanta Dudek	2 000	30	17
Jacek Kowalski	2 000	30	17
Bożena Leśniewska	2 000	30	17
Maciej Nowohoński	2 000	30	17
Witold Drożdż [1]	2 000	30	7
Piotr Jaworski [1]	2 000	30	7
Total	16 000	240	116

[1] From the date of appointment as the Member of the Management Board of Orange Polska S.A.

In October 2019 the next edition of the Long-term Incentive Plan of the Orange Group for 2019-2021 was made available.

Number of shares granted by Orange S.A. as part of the program,to the Management Board Members are specified in the table below.

	Shares (number)	The cost of share-based payments for 12 months till December 31, 2019 (PLN '000)
Jean-François Fallacher	2 000	12
Mariusz Gaca	2 000	12
Jolanta Dudek	2 000	12
Jacek Kowalski	2 000	12
Bożena Leśniewska	2 000	12
Maciej Nowohoński	2 000	12
Witold Drożdż	2 000	12
Piotr Jaworski	2 000	12
Total	16 000	96

Non-financial Remuneration Components for Management Board Members and Key Managers

The Management Board Members and Executive Directors are entitled to the following non-financial remuneration components: health care package, life insurance in Orange Polska, company car, legal indemnity in the event of personal liability, and access to Orange services in line with the relevant Company's policies. In addition, the Management Board Members and Executive Directors, having worked at Orange Polska 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 Company's policies. In addition, all key managers, having worked at Orange Polska 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.

Assessment of Remuneration Policy in 2019

Like in previous years, our bonus systems support directly execution of: EBITDAaL, NPS, transformation projects, sales targets for convergent offers and fibre services. In 2019, bonuses for all people are stronger connected with EBITDAaL. Bonuses for first managerial line (the Board and Executive Directors) depend on EBITDAaL in 50%. All employees in non-sales teams received diverge level of bonus even in case of 100% individual performance, depending on the Company's EBITDAaL. The adopted bonus model focuses engagement of all people on EBITDAaL improvement.

In our opinion there is need to enhance culture change in the Company, therefore we opened in 2019 possiblitity to award employees for exemplary attitude which suport high level performance, co-operation and building friendly work environment.

The Company offers a competitive level of remuneration in relation to the market; as a result, the level of staff turnover at the initiative of employees remains relatively low.

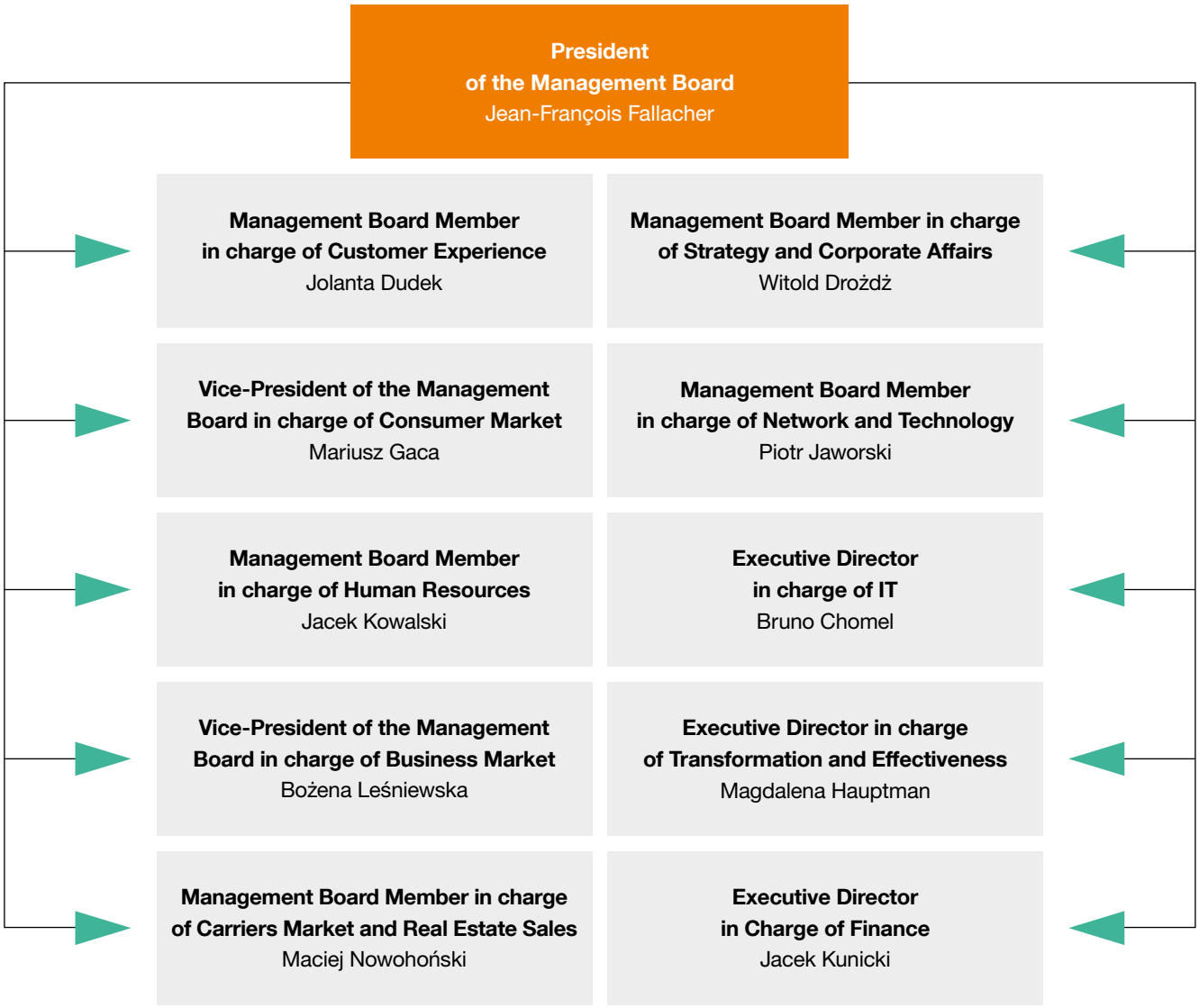
At the same time, we note a growing pressure on remuneration growth related to an increase in demand for labour on the market, especially in new technology professions and direct contact with the customer. Systematic salary reviews are based on setting remunerations in the Company against the market and allow us to respond flexibly according to market changes. Therefore, our annual salary review is supplemented by additional microreviews and a salary rise process in the first and fourth quarters for selected professional groups that see dynamic wage growth in the market, which might lead to higher employee turnover in these groups.

Management Board's activities in 2019

Management Board composition as of 1 January 2020

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. **Witold Drożdż** – Board Member
5. **Jolanta Dudek** – Board Member
6. **Piotr Jaworski** – Board Member
7. **Jacek Kowalski** – Board Member
8. **Maciej Nowohoński** – Board Member

Executive structure



Management Board members' term of office

The term of office of each member of the Management Board is three years. The President and other members of the Management Board are appointed and removed by the Supervisory Board. The resolutions of the Supervisory Board regarding the appointment or re-appointment of the President or other members of the Management Board are adopted by a simple majority of the votes cast. The mandates of Management Board members expire at the latest on the date of the General Meeting which approves the financial statements for the second full financial year of his/her service as a member of the Management Board.

Members of the Management Board may be at any time removed or suspended for important reasons by the Supervisory Board before the expiration of their term of office.

Changes in the Management Board and Executive Directors structure

On 19 March 2020 the CEO of Orange Polska, Jean-François Fallacher, took the following decisions regarding changes in the Executive Committee of the Company:

- Jacek Kunicki was appointed Executive Director in charge of Finance
- Maciej Nowohoński will evolve in his responsibilities as the Management Board Member. He will now be in charge of Carriers Market and Real Estate Sales (previously he was in charge of Finance and since 6 February 2020 also in charge of Carriers Market)

These changes are effective as of 31 March 2020.

The decision to appoint Jacek Kunicki as an Executive Director followed the meeting of the Supervisory Board of Orange Polska which due to COVID-19 epidemic threat was held entirely remotely. The agenda of the meeting included voting on nomination of Jacek Kunicki as Management Board member. However, according to Polish law this vote could not take place, given the physical absence of the Supervisory Board members. The Supervisory Board intends to approve this nomination at the next in-person meeting.

Management Board at a glance

The President of the Management Board acts as chairman and manages the activities of the Management Board. Board Members report to the President on the execution of their duties, while he monitors and evaluates the results of their work.

Members of the Management Board manage the Company's affairs directly, according to the division of duties defined in Organisational Regulations of Orange Polska. Meetings of the Management Board are held on average twice a month on dates specified in working schedules. Participation of the Management Board Members in meetings is obligatory and each Management Board Member may place matters on the agenda of the meeting. Participation of other persons in meetings is at the discretion of the President of the Management Board, who presides at meetings. Resolutions of the Board are adopted by absolute majority of votes of all appointed Board members. A resolution can also be adopted outside the meeting by circulation, but only if all the members sign it.

Profiles of Management Board Members



Jean-François Fallacher

Responsibilities: CEO and President of the Management Board

Appointment to the board: May 2016

Qualifications: He obtained engineering degrees from École Polytechnique, École Nationale Supérieure des Télécommunications in Paris, and completed the International Business Development program at ESSEC Business School.

Career experience: Jean-François has an extensive professional know-how in the telecom market, in both business and residential sectors, gained in various European markets.

Between 2011 and 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 the 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.



Mariusz Gaca

Responsibilities: Vice-President of the Management Board in charge of Consumer Market (B2C)

Appointment to the board: February 2014

Qualifications: He is a graduate of the 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.

Career experience: He began his professional career in the Elektrim Group in 1995. From 2001 he worked at the Telekomunikacja Polska Group as Director of Multimedia and was responsible for the development of Internet access for the consumer market. From 2009 he was the TP Group Executive Director and CEO of PTK Centertel (TP Group's mobile telecommunication operator) – a position which he held until the merger of PTK Centertel with Telekomunikacja Polska in 2013. From 2014 to 2016, he was the Vice-President of the Orange Polska Management Board in charge of Business Market.

He is also Chairman of the Ethics Committee of Orange Polska. Furthermore, he is Vice President of Employers of Poland and Chairman of the Polish Section of Business and Industry Advisory Committee to the OECD (BIAC).



Bożena Leśniewska

Responsibilities: Vice-President of the Management Board in charge of Business Market

Appointment to the board: October 2015

Qualifications: She is a graduate of the Philology Faculty of the Jagiellonian University, the Academy of Leadership Psychology at Warsaw University of Technology Business School, the Academy of Mentoring, and Advanced Management Programme at INSEAD.
She is a board member of Responsible Leadership Council organized by Responsible Business Forum in Poland, a member of the THINKTANK Board of Experts and a member of associations LiderShe and Professional Women Network (PWN).
Furthermore, she is an active mentor in mentoring programmes held by Vital Voices, Foundation for Women Entrepreneurs and others. Co-author of Europe's first studies designed for women – Women's Leadership Academy at Leon Kozmiński Academy.

Career experience: She began her professional career at DHL International Ltd. in 1992. She has over twenty years' experience in the telecommunications sector. From 1996 she was responsible for the sales market in Polkomtel S.A., initially as Sales Director, then Regional Director, Mass Customers Department Director and Deputy Director of the Business Customers Department. In 2006 she joined the Orange Polska team in PTK Centertel as Deputy Branch Director of Sales for Business Market, then Branch Director of Business Market Sales. From 2008 she was Branch Director for Business Customers, then Sales Director in both PTK Centertel and Orange Polska. In November 2013, she became Executive Director in charge of Sales in Orange Polska, and two years later she was appointed the Management Board Member in charge of Sales and Commercial Digitisation. Since January 2017, as Vice-President of the Management Board of Orange Polska, she has been responsible for the business market as well as Integrated Solutions and BlueSoft.



Witold Drożdż

Responsibilities: Management Board Member in charge of Strategy and Corporate Affairs.

In 2012-2018 Executive Director in charge of Corporate Affairs at Orange Polska.

Appointment to the board: November 2018

Qualifications: He is a graduate of Law and International Relations at the University of Warsaw and has completed the Stanford Executive Program at Stanford University.

Career experience: From 2010 to 2012, he was the Vice-President of the Management Board and then acting President of the Management Board for PGE Energia Jądrowa S.A. Between 2007 and 2010, he served as Deputy Minister of the Interior and Administration, responsible for the development of information society and public records, as well as Chairman of the government Committee "Digital Poland" and a member of the government Committee for Energy Security and the inter-ministerial Committee for Digital TV and Radio Broadcasting.

He was awarded Info-Star (2009), INFOSTAT (2009) and Electronic Economy Ambassador (2008) awards. He sits on the Orange Foundation Board.



Jolanta Dudek

Responsibilities: Management Board Member in charge of Customer Care and Customer Excellence

Appointment to the board: October 2015

Qualifications: 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) and the Warsaw School of Economics (SGH). She is also a graduate of postgraduate studies at the Academy of Leadership Psychology, Warsaw University of Technology Business School. She is also an experienced Lead Auditor of Quality Management System ISO 2002 and Customer Operations Performance Center (COPC®) Co-ordinator.

Career experience: She began her career in telecommunications at PTK Centertel in 2000, holding management positions related to mass customer care and taking part in the development of customer service for the "Idea" mobile network. Between 2004 and 2010, she served as Director of Business Customer Service for the Orange network.

In October 2010, she was appointed Director of Mobile Business Customer Service in Orange Customer Service. From November 2013, she was the Executive Director in charge of Customer Care in Orange Polska. Until incorporation of Orange Customer Service into Orange Polska's main structure in 2016, she served as CEO of Orange Customer Service. She has been responsible for the area of Customer Care and Customer Excellence in Orange Polska since 2014.



Piotr Jaworski

Responsibilities: Management Board Member in charge of Network and Technology

From 2016, the Network and Technology Executive Director responsible for mobile, fixed network and IT infrastructure as well as supervision of both companies: NetWorkS! and TP Teltech.

Appointment to the board: November 2018

Qualifications: He graduated from electronic engineering in the the Warsaw University of Technology and holds MBA qualifications from the University of Gdańsk and the University of Strathclyde in Glasgow.

Career experience: Piotr Jaworski has been working at Orange Polska (former Telekomunikacja Polska) since 1991, initially as the Technical Manager in the Telecommunications Plant in Białystok, then, in the Company's Headquarters, as Director of the Business Customer Relations Department and Regional Executive Director (for South and Central Regions). Between 2007 and 2013, he was the Technical Customer Service Director. Then, until 2016, he worked as the Service Delivery and Maintenance Director, responsible for technical processes of service provision and maintenance (for both Orange customers and alternative operators), network investments (including VHBB FTTH roll-out) and active network maintenance. He has been the leader of several projects in customer experience development.

He has been involved in charity work for years. He is a member of the Orange Network Experts Committee and the Orange Polska Ethics Committee. He is also the Chairman of the TP Teltech Supervisory Board.



Jacek Kowalski

Responsibilities: Management Board Member in charge of Human Resources

Appointment to the board: January 2011

Qualifications: He is a graduate of the Faculty of History at the University of Warsaw and undertook postgraduate studies in Local Government and Non-Governmental Organisations Management, also at the University of Warsaw.

Career experience: Previously, from 2009 he was the Executive Director in charge of Human Resources at Telekomunikacja Polska (now Orange Polska). He has worked for the Company for over ten years. He started his career in the Group in 2001 as Manager of Human Resources in Sales & Marketing at PTK Centertel. From 2005, he was the Branch Director for Employee Competence and Development Management. Prior to that, he worked as the Director of the Entrepreneurship and Human Resources School in Infor Training (an Infor Media Group company) and Director of the National In-Service Teacher Training Centre, responsible for the implementation of training programmes supporting the development of education in Poland.

He is a member of the Advisory Board of the Polish Human Resources Management Association.

Profiles of Executive Directors



Maciej Nowohoński

Responsibilities: Management Board Member in charge of Carriers Market and Real Estate Sales

Appointment to the board: March 2014

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

Career experience: He has been with Orange Polska since 2003 and held several positions of growing responsibility in finance, including Orange Polska Group Controller in 2006–2014. He was a Member of the Management Board of Emitel from 2010 to 2011 and the Chief Financial Officer of PTK Centertel between 2011 and 2013. From March 2014 till March 2020 he served as the CFO of Orange Polska.

Furthermore, he sits on supervisory boards of selected subsidiaries of Orange Polska. Prior to joining the Orange team, he worked for Arthur Andersen & Andersen Business Consulting.



Bruno Chomel

Responsibilities: Since September 2016 he has worked as Executive Director in charge of information technology.

He is responsible for strategic plans, policies, programmes and schedules for OPL businesses to accomplish their corporate goals and objectives. He also ensures day-to-day improvement and quality of related applications.

Qualifications: Bruno graduated from ENSEEIHT (France's computer science "Grande Ecole").

Career experience: Bruno has over 20 years of professional experience in Information Systems & Digital transformation, spanning Telecoms, E-commerce & Media.

His professional track-record includes high-level managerial positions in telecoms (CTO / Board Member at AOL France, and Director for digital transformation at Vimpelcom) and e-commerce (CIO/Board Member at La Redoute, and Deputy CIO co-leading a massive mainframe decommissioning program at 3SI - OTTO group).

He started his carrier in R&D at France-Telecom in 1994 then joined Wanadoo France as Billing manager at its inception in 1996. He was later appointed as CIO for Wanadoo Netherlands, then Solutions Director for Orange (Mobile). He then moved to the UK as Wanadoo CIO.



Magdalena Hauptman

Responsibilities: Since November 2013, she has worked as Executive Director in charge of Transformation and Effectiveness

Qualifications: She graduated from the Warsaw School of Economics, Management and Marketing Department; she also holds qualifications from the Musicology Department, Warsaw University, and postgraduate studies in Positive Psychology at SWPS (University of Social Sciences and Humanities).

She holds the International Coaching Community certificate (2010) and International Coaching Federation certificate (2013).

Career experience: A member of the Orange Polska team since 1994, she began her employment at PTK Centertel where she was responsible for ERP implementation. From 1998 to 2001, she was the Budget Controller for Network and IT areas. In 2001 she joined Telekomunikacja Polska S.A. where, as the Sourcing Director, she was responsible for the creation and development of a Sourcing Organisation working within the France Telecom Group. As Property Director in 2010-2013, she coordinated the concept development and construction of the Miasteczko Orange (Orange Town) facility. At the same time, she supervised the sale of properties from Orange Polska's portfolio.

Currently, as Executive Director in charge of Transformation and Effectiveness, she is responsible for Orange. One - transformation program aiming at Orange Poland 2020 strategy implementation. Her scope of responsibilities includes Sourcing and Time To Market process as well.



Jacek Kunicki

Responsibilities: Executive Director in Charge of Finance

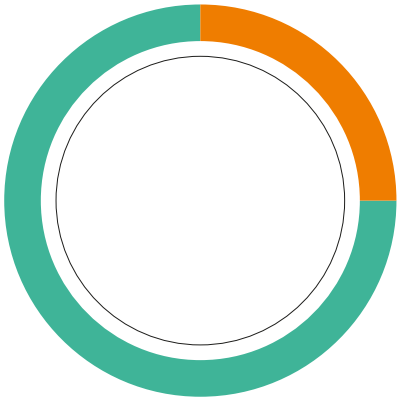
Qualifications: He graduated from the Higher School of Management in Warsaw and holds an MBA from the Oxford Brookes University.

Career experience: He has worked in Orange Polska since 2003 holding a number of managerial positions of growing responsibility within the finance area, in particular he was the Director of Investor Relations from 2010 to 2014 and Orange Polska Group Chief Controller from 2014. From 31 March 2020 he holds the position of Orange Polska'a Chief Financial Officer.

Jacek Kunicki is a supervisory board member of Networks! and Teltech entities (part of Orange Polska Group).

Before joining Orange, Jacek worked in the finance team of a telecom Energis Polska.

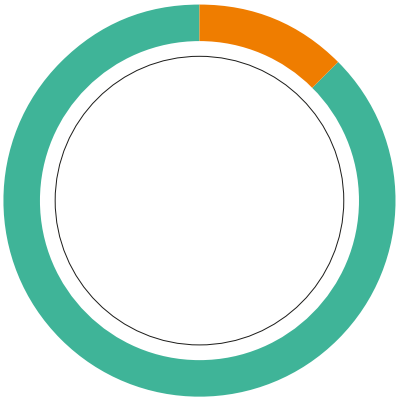
Management Board diversity



Gender

Female 25%

Male 75%



Nationalities

International 12.5%

Local 87.5%

Length of tenure

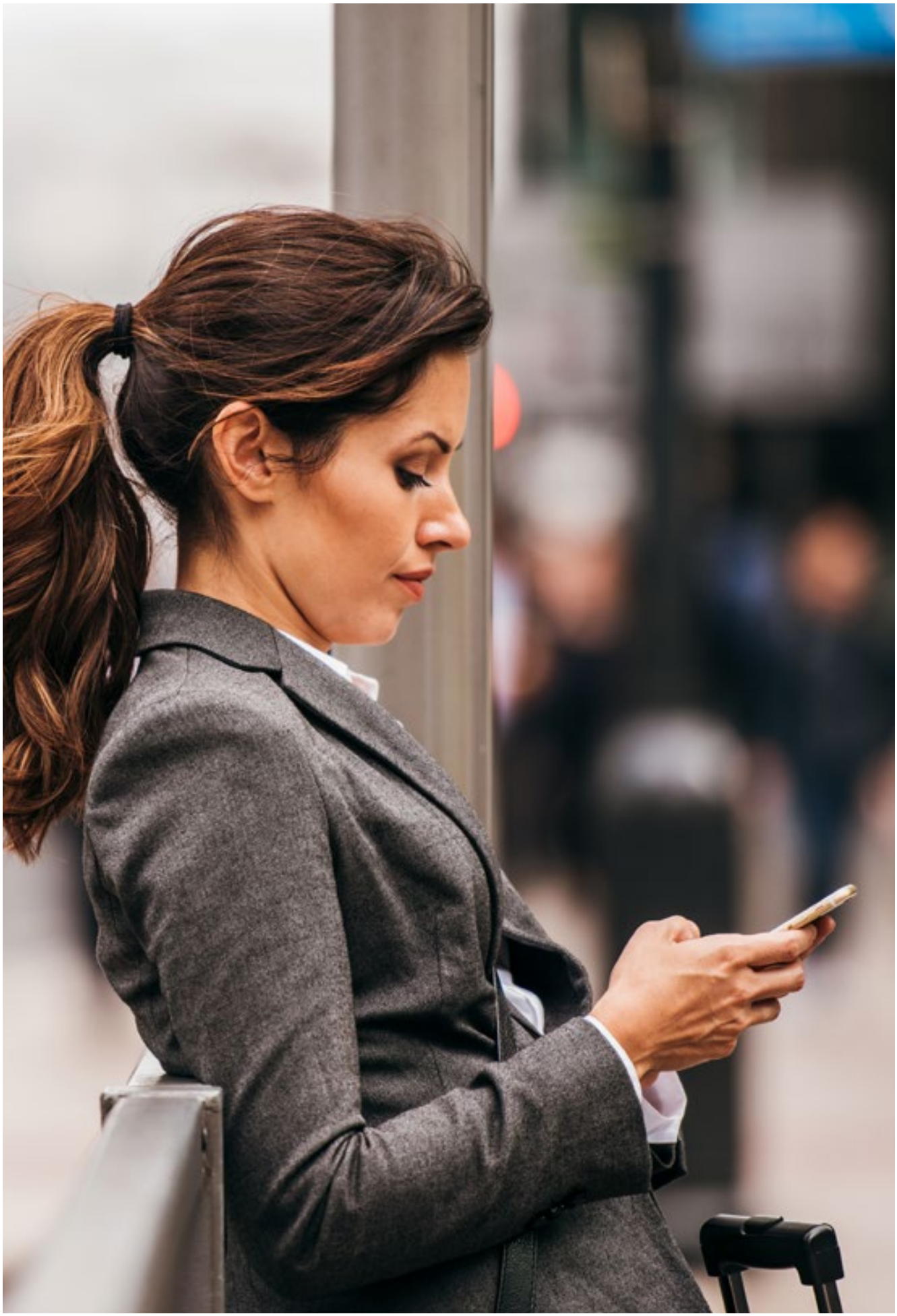
0-5 years	5 persons	Jean-François Fallacher, Bożena Leśniewska, Jolanta Dudek, Witold Drożdż, Piotr Jaworski
5-8 years	2 persons	Mariusz Gaca, Maciej Nowohoński
8+ years	1 person	Jacek Kowalski

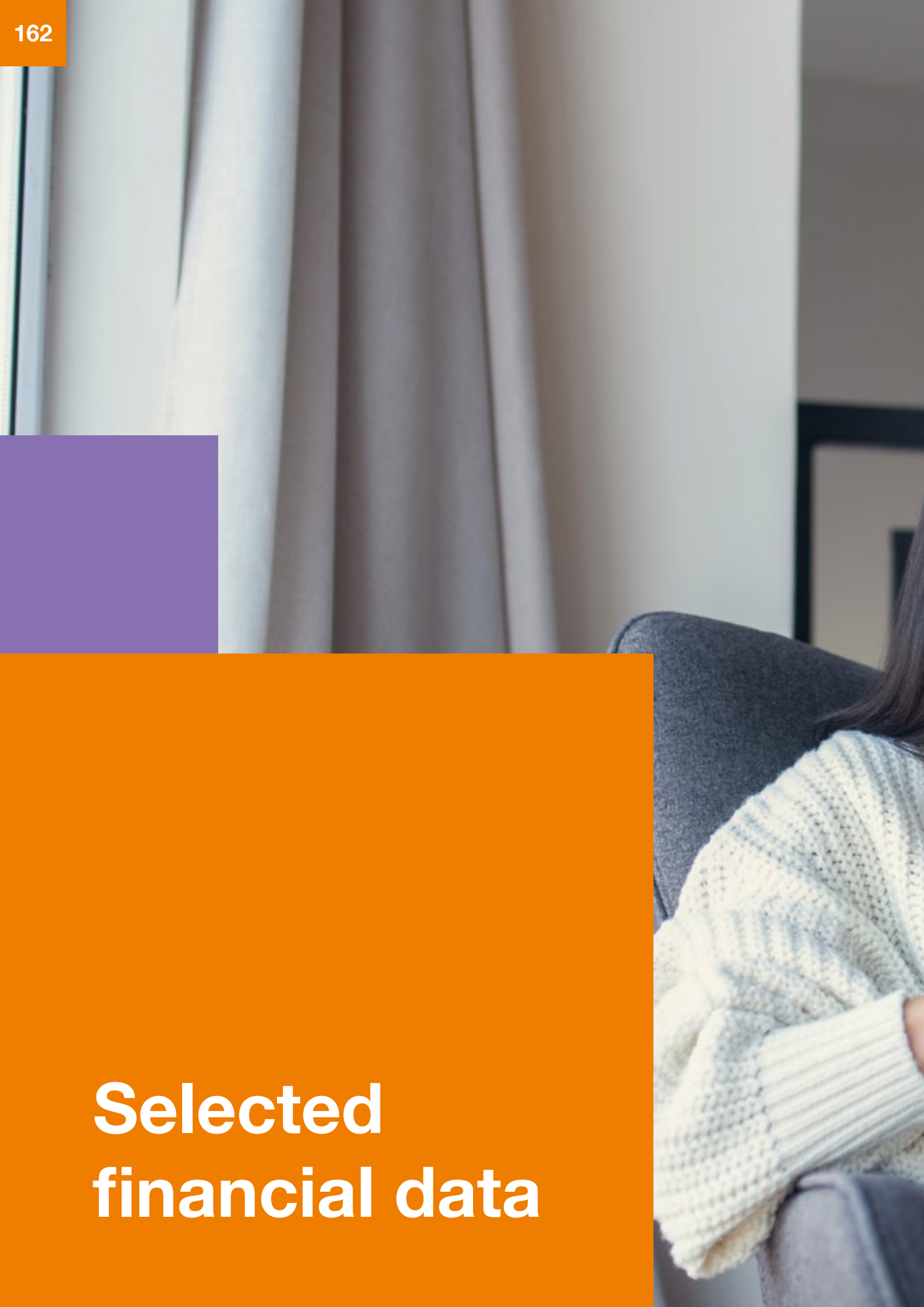
Age profile

45-50 years	51-56 years	56-60 years
37.5%	50%	12.5%

Management Board skills matrix

	Economics and Finance	Management and Strategy	Law and administration	Engineering and Technology	Psychology and Humanities	Sales and Marketing
Jean François Fallacher	✓	✓		✓		✓
Mariusz Gaca		✓		✓		✓
Bożena Leśniewska		✓			✓	✓
Witold Drożdż		✓	✓		✓	
Jolanta Dudek		✓			✓	✓
Piotr Jaworski		✓		✓	✓	
Jacek Kowalski		✓			✓	
Maciej Nowohoński	✓	✓				✓





Selected financial data



Orange Polska Group selected financial information for the year ended 31 December 2019

As published on 12 February 2020



The full report on Consolidated full year 2019 results is available on our website **http://orange-ir.pl/results-center/results/2019**

Consolidated income statement

(in PLN millions, except for earnings per share)	*Note*	*12 months ended* 31 December 2019 IFRS 16 basis	*12 months ended* 31 December 2018 IAS 17 basis (see Note 2.2)
Revenue	**5**	**11,406**	**11,101**
External purchases	6.1	(6,514)	(6,449)
Labour expense	6.2	(1,488)	(1,582)
Other operating expense	6.3	(420)	(472)
Other operating income	6.3	238	253
Impairment of receivables and contract assets	6.3,17	(138)	(162)
Gains on disposal of assets	7	270	192
Employment termination expense	14	(190)	5
Depreciation and impairment of right-of-use assets	12.1	(300)	-
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets, including:	8,10,11	(2,448)	(2,541)
- depreciation of property, plant and equipment financed by finance lease		-	*(41)*
Operating income		416	345
Interest income	17	40	39
Interest expense on lease liabilities	17	(50)	(4)
Other interest expense and financial charges	17	(240)	(257)
Discounting expense	17	(48)	(83)
Finance costs, net		**(298)**	**(305)**
Income tax	25.1	(27)	(30)
Net income		91	10
Net income attributable to owners of Orange Polska S.A.		91	10
Net income attributable to non-controlling interests		-	-
Earnings per share (in PLN)	32.4	0.07	0.01
Weighted average number of shares (in millions)	26.1	1,312	1,312

Consolidated statement of comprehensive income

(in PLN millions)		*12 months ended*	
	Note	***31 December 2019*** *IFRS 16 basis*	***31 December 2018*** *IAS 17 basis*
Net income		91	10
Items that will not be reclassified to profit or loss			
Actuarial losses on post-employment benefits	16	(8)	(4)
Income tax relating to items not to be reclassified		2	1
Items that may be reclassified subsequently to profit or loss			
Losses on cash flow hedges	22	(27)	(13)
Income tax relating to items that may be reclassified		5	3
Other comprehensive loss, net of tax		(28)	(13)
Total comprehensive income/(loss)		63	(3)
Total comprehensive income/(loss) attributable to owners of Orange Polska S.A.		63	(3)
Total comprehensive income/(loss) attributable to non-controlling interests		-	-

Consolidated statement of financial position

(in PLN millions)	***Note***	***At 31 December 2019*** *IFRS 16 basis*	***At 31 December 2018*** *IAS 17 basis (see Note 2.2)*
ASSETS			
Goodwill	9	2,263	2,147
Other intangible assets	10	4,545	4,871
Property, plant and equipment	11	10,402	10,738
Right-of-use assets	12.1	2,101	-
Trade receivables	13.1	455	552
Contract assets	13.2	65	27
Contract costs	13.3	99	56
Derivatives	22	44	48
Other assets		65	53
Deferred tax assets	25.2	808	834
Total non-current assets		20,847	19,326
Inventories		218	240
Trade receivables	13.1	2,132	2,371
Contract assets	13.2	117	138
Contract costs	13.3	329	297
Derivatives	22	1	52
Other assets		227	214
Prepaid expenses		65	46
Cash and cash equivalents	21	404	611
Total current assets		3,493	3,969
TOTAL ASSETS		24,340	23,295

(in PLN millions)	Note	*At 31 December 2019 IFRS 16 basis*	*At 31 December 2018 IAS 17 basis (see Note 2.2)*
EQUITY AND LIABILITIES			
Share capital	26.1	3,937	3,937
Share premium		832	832
Other reserves		(89)	(58)
Retained earnings		5,884	5,790
Equity attributable to owners of Orange Polska S.A.		10,564	10,501
Non-controlling interests		2	2
Total equity		10,566	10,503
Trade payables	15.1	348	473
Lease liabilities	12.1	1,633	112
Loans from related party	19	6,431	5,258
Other financial liabilities at amortised cost		8	11
Derivatives	22	55	31
Provisions	14	649	468
Contract liabilities	13.4	344	331
Employee benefits	16	164	136
Other liabilities	15.2	50	26
Total non-current liabilities		9,682	6,846
Trade payables	15.1	2,367	2,469
Lease liabilities	12.1	348	66
Loans from related party	19	11	2,074
Other financial liabilities at amortised cost		61	10
Derivatives	22	20	19
Provisions	14	242	217
Contract liabilities	13.4	471	460
Employee benefits	16	185	201
Income tax liabilities		28	54
Other liabilities	15.2	359	376
Total current liabilities		4,092	5,946
TOTAL EQUITY AND LIABILITIES		24,340	23,295

Consolidated statement of changes in equity

(in PLN millions)	Share capital	Share premium	Other reserves			Retained earnings	Equity attributable to owners of OPL S.A.	Non-controlling interests	Total equity
			Cash flow hedge reserve	Actuarial losses on post-employment benefits	Deferred tax				
Balance at 1 January 2019	3,937	832	(20)	(51)	13	5,790	10,501	2	10,503
Total comprehensive income for the 12 months ended 31 December 2019	-	-	(27)	(8)	7	91	63	-	63
Share-based payments (see Note 26.3)	-	-	-	-	-	3	3	-	3
Transfer to inventories	-	-	(3)	-	-	-	(3)	-	(3)
Balance at 31 December 2019	3,937	832	(50)	(59)	20	5,884	10,564	2	10,566
Balance at 1 January 2018	3,937	832	(2)	(47)	9	5,779	10,508	2	10,510
Total comprehensive loss for the 12 months ended 31 December 2018	-	-	(13)	(4)	4	10	(3)	-	(3)
Share-based payments (see Note 26.3)	-	-	-	-	-	1	1	-	1
Transfer to inventories	-	-	(5)	-	-	-	(5)	-	(5)
Balance at 31 December 2018	3,937	832	(20)	(51)	13	5,790	10,501	2	10,503

Consolidated statement of cash flows

(in PLN millions)	Note	12 months ended 31 December 2019 IFRS 16 basis	12 months ended 31 December 2018 IAS 17 basis (see Note 2.2)
OPERATING ACTIVITIES			
Net income		91	10
Adjustments to reconcile net income to cash from operating activities			
Gains on disposal of assets	7	(270)	(192)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	8,10,11, 12.1	2,748	2,541
Finance costs, net		298	305
Income tax	25.1	27	30
Change in provisions and allowances		74	(685)
Operational foreign exchange and derivatives gains, net		(7)	(3)
Change in working capital			
(Increase)/decrease in inventories, gross		29	(25)
(Increase)/decrease in trade receivables, gross	13.1	367	(225)
(Increase)/decrease in contract assets, gross	13.2	(18)	166
(Increase)/decrease in contract costs	13.3	(75)	51
Decrease in trade payables		(67)	(1)
Increase in contract liabilities	13.4	24	232
Increase in prepaid expenses and other receivables		(96)	(34)
Increase/(decrease) in other payables	15.2	9	(22)
Interest received		40	39
Interest paid and interest rate effect paid on derivatives, net		(371)	(363)
Exchange rate effect paid on derivatives, net		-	(5)
Income tax paid		(27)	(7)
Net cash provided by operating activities		2,776	1,812
INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment and intangible assets	10,11	(2,272)	(2,166)
Investment grants received	15.2	136	5
Investment grants paid to property, plant and equipment and intangible assets suppliers	15.2	(153)	(64)
Exchange rate effect received on derivatives economically hedging capital expenditures, net		5	5
Proceeds from sale of property, plant and equipment and intangible assets		500	156
Cash paid for subsidiaries, net of cash acquired	4	(132)	(2)
Payments on other financial instruments, net		(3)	-
Net cash used in investing activities		(1,919)	(2,066)
FINANCING ACTIVITIES			
Repayment of long-term loans from related party	20	(17)	-
Repayment of lease liabilities	20	(279)	(42)
Increase/(decrease) in revolving credit line and other debt	20	(826)	261
Exchange rate effect received on derivatives hedging debt, net	20	58	-
Net cash provided by/(used in) financing activities		(1,064)	219
Net change in cash and cash equivalents		(207)	(35)
Cash and cash equivalents at the beginning of the period	21	611	646
Cash and cash equivalents at the end of the period	21	404	611

Segment information and performance measures

The Group reports a single operating segment as decisions about resources to be allocated and assessment of performance are made on a consolidated basis. Starting from 2019, following the adoption of IFRS 16 "Leases" (see Note 2.2), the Group redefined the performance measures used. Group performance is currently evaluated by the Management Board based on revenue, EBITDAaL, net income, organic cash flows, capital expenditures, net financial debt and net financial debt to EBITDAaL ratio based on cumulative EBITDAaL for the last four quarters. Comparative amounts were adjusted accordingly.

Since the calculation of EBITDAaL, organic cash flows, capital expenditures and net financial debt is not defined by IFRS, these performance measures may not be comparable to similar indicators used by other entities. The methodology adopted by the Group is presented below.

Starting from 2019, EBITDAaL is the key measure of operating profitability used by the Management Board. The Group decided to replace EBITDA with EBITDAaL (EBITDA after leases) as EBITDA is no longer a relevant measure of operating profitability after the adoption of IFRS 16 because it excludes expenses related to leases.
EBITDAaL corresponds to operating income before depreciation, amortisation and impairment of property, plant and equipment and intangible assets decreased by interest expense on lease liabilities and adjusted for the impact of deconsolidation of subsidiaries, costs related to acquisition and integration of new businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items. Calculation of EBITDAaL for the 12 months ended 31 December 2019 is presented in the table below.

Organic cash flows are the key measure of cash flow generation used by the Management Board. Starting from 2019, organic cash flows include repayment of capital of lease liabilities. Organic cash flows correspond to net cash provided by operating activities decreased by payments for purchases of property, plant and equipment and intangible assets and repayment of lease liabilities, increased by impact of net exchange rate effect received/paid on derivatives economically hedging capital expenditures and lease liabilities and proceeds from sale of property, plant and equipment and intangible assets and adjusted for the payments for acquisition of telecommunications licences, payments for costs related to acquisition and integration of new businesses not included in purchase price and payments relating to significant claims, litigation and other risks. Calculation of organic cash flows for the 12 months ended 31 December 2019 and 2018 is presented in the table below.

Capital expenditures are the key measure of resources allocation used by the Management Board and represent acquisitions of property, plant and equipment and intangible assets. Starting from 2019, this measure excludes capital expenditures financed by leases and acquisition of telecommunications licences.

Net financial debt and net financial debt to EBITDAaL ratio are the key measures of indebtedness and liquidity used by the Management Board. The calculation of net financial debt is presented in Note 18.

Additionally, to give a better representation of underlying performance, revenue from the Group's activities for the comparative period is adjusted for the impact of deconsolidation of subsidiaries.

Basic financial data of the operating segment is presented below:

(in PLN millions)	*12 months ended*	
	31 December 2019	*31 December 2018*
Revenue	11,406	11,087 [(1)]
EBITDAaL [(2)]	3,006	Not applicable
Adjusted EBITDA [(2)]	Not applicable	2,881
Net income	91	10
Organic cash flows	737	411 [(3)]
Capital expenditures	2,140	2,114 [(4)]

(1) Includes PLN (14) million of adjustment for the impact of deconsolidation of subsidiaries for the 12 months ended 31 December 2018.
(2) Starting from 2019, EBITDAaL is the key measure of operating profitability used by the Management Board. Calculation of EBITDAaL in comparative period is not applicable for the purpose of segment reporting due to the modified retrospective adoption of IFRS 16 by the Group (see Note 2.2).
(3) Includes PLN (42) million of repayment of capital of finance lease liabilities in the 12 months ended 31 December 2018.
(4) Excludes PLN 136 million of capital expenditures financed by finance leases in the 12 months ended 31 December 2018.

	At 31 December 2019	At 31 December 2018
Net financial debt (in PLN millions, see Note 18)	6,087	6,672
Net financial debt/EBITDAaL ratio	2.0	Not applicable
Net financial debt [1] /adjusted EBITDA ratio	Not applicable	2.4

[1] Including finance lease liabilities recognised under IAS 17 (see Note 18).

Calculation of performance measures of the operating segment is presented below:

(in PLN millions)	12 months ended 31 December 2019
Operating income	416
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,448
Interest expense on lease liabilities	(50)
Adjustment for the impact of employment termination programs	181
Adjustment for the costs related to acquisition and integration of new subsidiaries (see Note 4)	10
Adjustment for the impact of deconsolidation of subsidiaries	1
EBITDAaL	3,006

(in PLN millions)	12 months ended 31 December 2018
Operating income	345
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,541
Adjustment for the impact of employment termination programs	(5)
Adjusted EBITDA	2,881

(in PLN millions)	12 months ended	
	31 December 2019	31 December 2018
Net cash provided by operating activities [1]	2,776	1,812
Payments for purchases of property, plant and equipment and intangible assets	(2,272)	(2,166)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	5	5
Proceeds from sale of property, plant and equipment and intangible assets	500	156
Repayment of lease liabilities [1]	(279)	(42)
Adjustment for payment for costs related to acquisition and integration of new subsidiaries	7	-
Adjustment for payment of European Commission fine	-	646
Organic cash flows	737	411

[1] Amounts for 2019 and 2018 are not comparable due to the modified retrospective adoption of IFRS 16 by the Group (see Note 2.2).





Appendices

GRI Index Table

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Foundation	GRI 101		
General Disclosures	GRI 102		
	GRI 102-1	Name of the organisation	p. 10
	GRI 102-2	Activities, brands, products, and services	pp. 11, 13, 30-31
	GRI 102-3	Location of headquarters	pp. 187, 190
	GRI 102-4	Location of operations	p. 10
	GRI 102-5	Ownership and legal form	pp. 12, 120
Since November 1998, shares of Orange Polska S.A. (formerly Telekomunikacja Polska S.A.) have been listed on the primary market of the Warsaw Stock Exchange (WSE) within the continuous listing system. The Company's shares are included in the following indices: WIG20 and WIG30 large-cap indices; WIG broad-market index; WIG telecommunication industry index; and WIG - ESG Index (continuation of RESPECT Index) of socially responsible companies. In 2019, Orange Polska S.A. was included in a prestigious group of socially responsible listed companies WIG-ESG. In addition, Orange Polska S.A. has been included in the FTSE Russell's ESG Ratings, a global index that measures company's performance across environmental, social and governance (ESG) areas.			
	GRI 102-6	Markets served	p. 10
	GRI 102-7	Scale of the organisation	p. 13
	GRI 102-8	Information on employees and other workers	Attachment A. Social Data
	GRI 102-9	Supply chain	pp. 39, 41
	GRI 102-10	Significant changes to the organisation's size, structure, ownership or supply chain in the reported period.	No changes
	GRI 102-11	Precautionary Principle or approach	p. 7
	GRI 102-12	External initiatives, declarations or principles concerning economic, environmental or social issues, which the company has signed or which it applies	
Broad Alliance on Digital Skills in Poland, Memorandum of Co-operation for Improving Service Quality in the Telecommunications Market, Cell Phone Safety Good Practises, Partnership for Environment (www.gridw.pl/partnerstwo), Programme Accessibility Plus https://www.funduszeeuropejskie.gov.pl/strony/o-funduszach/fundusze-europejskie-bez-barier/dostepnosc-plus/partnerstwo-na-rzecz-dostepnosci/. Declaration of Cooperation for the Safety of Children on the Web (https://www.gov.pl/web/cyfryzacja/razem-przeciw-cyber-przemocy-wobec-dzieci). These initiatives are voluntary.			
	GRI 102-13	Membership of associations	
Domestic organisations: Employers of the Republic of Poland, "Lewiatan" Confederation, National Chamber of Commerce, Polish Chamber of Information Technology and Telecommunications, French-Polish Chamber of Commerce, Responsible Business Forum, Business Centre Club, Foundation for the Development of Radiocommunications and Multimedia Technologies, Association of Stock-Exchange Issuers. Membership of these organisations is of strategic importance for the Company. The Company's representatives sit on their boards and the Company pays membership fees, supporting statutory tasks, and participates in additional projects. **Foreign organisations:** European Telecommunications Network Operators' Association (ETNO), Forum for International Irregular Network Access (FIINA), Global Compact (on the Group level), Global Settlements Carrier Group (GSCG), International Cable Protection Committee (ICPC), International Inbound Services Forum (IISF), International Telecommunication Union (ITU), RIPE Network Coordination Centre (RIPE NCC), TeleManagement Forum (TM Forum), Forum of Incident Response and Security Teams (FIRST), GSM Association (GSMA), European Internet Exchange Association (Euro-IX). These are industry organisations and the Company's membership involves payment of membership fees and participation in various projects.			
	GRI 102-14	Statement from senior decision-maker	pp. 6, 46-47
	GRI 102-15	Key impacts, risks, and opportunities	pp. 100-109 Indicator reported partially
	GRI 102-16	Values, principles, standards, and norms of behavior	pp. 10, 54, 112
Each employee of Orange Polska must read and understand our Code of Ethics, and the Ethics in Orange Polska e-learning course is a part of mandatory training for new joiners. Also our suppliers and business partners shall read and understand our Code of Ethics under the compliance clause of our standard contracts. The Code in Polish is available on our website, at www.orange.pl/kodeksy.phtml. Issues related to compliance with ethical standards are analysed by the Ethics Committee. It consists of five members: Chairman, two permanent members (Management Board Member in charge of Human Resources and Internal Audit Director) and two members appointed for three-year terms. In addition, the operations of the Committee are supported by two permanent Secretaries.			
	GRI 102-17	linternal and external mechanisms for seeking advice about ethical and lawful behavior, and organisational integrity	p. 115
	GRI 102-18	Governance structure, including committees under the highest governance body	pp. 117-119, 122-124
	GRI 102-22	Composition of the highest governance body and its committees (number of members and their gender)	pp. 117, 122-124, 133, 141, 143, 153

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
	GRI 102-23	Information whether the chair of the highest governance body is also an executive officer in the organisation (if yes, his or her function within the management and the reasons for this arrangement)	pp. 113-114, 122-123, 153-154
	GRI 102-24	Criteria used for nominating and selecting members of the highest governance body and its committees	pp. 114, 118-119, 122-123, 133, 134-135
	GRI 102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed, and indication whether conflicts of interest are disclosed to stakeholders	p. 119
	GRI 102-26	Role of the highest governance body in setting the organisation's purpose, values and development strategy	pp. 43, 118, 132, 140, 143, 153-159
	GRI 102-32	The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered	
The integrated report has been reviewed by the Management and Supervisory Board Members, and validated by the Chairman of the Audit Committee.			
	GRI 102-35	Remuneration policies for the highest governance body and senior executives	pp. 114-152
	GRI 102-36	Process for determining remuneration	pp. 118-119, 140-143
	GRI 102-40	List of stakeholder groups engaged by the organisation	pp. 14-15
	GRI 102-41	Employees covered by collective bargaining agreements	pp. 91-92
	GRI 102-42	Identifying and selecting stakeholders	pp. 14-15
	GRI 102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	pp. 14-15
	GRI 102-44	Key topics and concerns raised by stakeholders, and how the organisation has responded, including through its reporting	pp. 14-15
	GRI 102-45	Entities included in the consolidated financial statements and covered by the report	p. 7
	GRI 102-46	Defining report content and topic boundaries	pp. 7, 180
	GRI 102-47	List of material topics	pp. 18-19, 182
	GRI 102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements (e.g. mergers or acquisitions, or change of base years or periods, nature of business or measurement methods)	There were no restatements of information in previous reports
	GRI 102-49	Changes in reporting	No significant changes
	GRI 102-50	Reporting period	p. 7
	GRI 102-51	Date of the most recent report (published)	p. 7
	GRI 102-52	Reporting cycle	p. 7
	GRI 102-53	Contact point for questions regarding the report	pp. 187, 190
	GRI 102-54	Claims of reporting in accordance with the GRI Standards: Core or Comprehensive option	This report has been prepared in accordance with the GRI Standards: Core option
	GRI 102-55	GRI content index	pp. 174-181
	GRI 102-56	Policy and current practice with regard to seeking external assurance for the report	p. 188
Since 2010 the report has been subject to external verification. We choose experienced, professional units specialized in this field. This year verification has been carried out by Bureau Veritas sp. z o.o.			

GRI Standard Title	Disclosure Number	Disclosure Title		Reference
Management Approach	103			
	GRI 103-1	Explanation of topics identified as material and their boundaries	Economic	pp. 18-19, 184
			Environmental	pp. 18-19, 184
			Social	pp. 18-19, 22-23, 184
	GRI 103-2	The management approach and its components	Economic	pp. 35-39, 46-47, 54, 60-61
			Environmental	pp. 42, 54
			Social	pp. 40-41, 54
	GRI 103-3	Evaluation of the management approach	Economic	pp. 54, 127-129
			Environmental	pp. 54, 78-81, 127-129
			Social	pp. 54, 82-86, 127-129
ECONOMIC	200			
Market Presence	201			
	GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Attachment A. Social Data
Indirect Economic Impacts	203			
	GRI 203-1	Infrastructure investments and services supported		pp. 26-29, 51-52, 64-71, 74, 82-86
	GRI 203-2	Significant indirect economic impacts		pp. 18-23, 26-29, 34, 82-86
Anti-corruption	205			
	GRI 205-1	Operations assessed for risks related to corruption		pp. 137-138
All processes are assessed for risks related to corruption, and in case of operations that are burdened with a higher risks of corruption (e.g. joint venture, mergers and acquisition, real estate sales) additional procedures are applied				
	GRI 205-2	Communication and training about anti-corruption policies and procedures		Attachment A. Social Data
	GRI 205-3	Confirmed incidents of corruption and actions taken		No incidents
Anti-competitive Behavior	206			
	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No incidents
ENVIRONMENTAL	300			
Materials	301			
	GRI 301-1	Materials used by weight or volume		Attachment B. Environmental Data
	GRI 301-3	Reclaimed products and their packaging materials		pp. 78-81
Energy	302			
	GRI 302-1	Energy consumption within the organisation by fuel types used		Attachment B. Environmental Data
	GRI 302-4	Reduction of energy consumption		pp. 20, 78-81
	GRI 302-5	Reductions in energy requirements of products and services		p. 23
Water	303			
	GRI 303-1	Water withdrawal by source		Attachment B. Environmental Data
Emissions	305			
	GRI 305-1	Direct (Scope 1) GHG emissions		Attachment B. Environmental Data
	GRI 305-3	Other indirect (Scope 3) GHG emissions.		Attachment B. Environmental Data
	GRI 305-5	Reduction of GHG emissions		p. 78

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Effluents and Waste	306		
	GRI 306-2	Total weight of waste by type and disposal method	Attachment B. Environmental Data Indicator reported partially
Environmental Compliance	307		
	GRI 307-1	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	
No fines for non-compliance with environmental laws and regulations were imposed in 2019.			
SOCIAL	400		
Employment	401		
	GRI 401-1	New employee hires and employee turnover	Attachment A. Social Data Indicator reported partially
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 89
Occupational Health and Safety	403		
	GRI 403-1	Workers representation in formal joint management–worker health and safety committees, which advise on and monitor occupational health and safety programmes	100%
	GRI 403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Attachment A. Social Data Indicator reported partially
In 2019, the Company received a decision of the District Sanitary Inspector for the City of Warsaw recognising a case of occupational disease, namely a chronic disease of the vocal organ related to excessive voice effort (lasting at least 15 years), involving paresis of the intrinsic laryngeal muscles with spindle-shaped glottal insufficiency and permanent dysphonia (item 15.3). The decision concerned a former female employee, who between 1982 and 2018 worked as a telephone operator, equipment operator, clerk, senior residential customer advisor, senior customer advisor and senior customer service & sales specialist at Orange Polska S.A. and companies to which Orange Polska is the legal successor. The proceedings began in 2018. Currently, the Company's appeal is pending. In 2019, the proceedings on the Company's appeal against a decision of 2018 on recognising a case of occupational disease, namely a chronic disease of the vocal organ related to excessive voice effort (lasting at least 15 years), involving paresis of the intrinsic laryngeal muscles with spindle-shaped glottal insufficiency and permanent dysphonia, were closed. The Regional Administrative Court rejected Orange Polska's complaint and upheld the decision on recognising occupational disease in a female employee who worked as a telephone operator in the 1990s, then, from 1999, successively as a clerk, cashier, residential customer advisor and customer service & sales specialist.			
	GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	
There are no positions involving high incidence or high risk of occupation-related diseases.			
	GRI 403-4	Health and safety topics covered in formal agreements with trade unions	
Health and safety topics have been covered in the Group Collective Labour Agreement.			
Training and Education	404		
	GRI 404-1	Average hours of training per year per employee	Attachment A. Social Data
	GRI 404-2	Programs for upgrading employee skills and transition assistance programmes	pp. 89-90
	GRI 404-3*	Percentage of employees receiving regular performance and career development reviews by gender and employment category	Attachment A. Social Data
* Indicator reported partially.			
Diversity and Equal Opportunity	405		
	GRI 405-1	Composition of the organisation's governance bodies and workforce by gender, age and other diversity categories	pp. 124, 160
	GRI 405-2	Ratio of basic salary and remuneration of women to men by position	Attachment A. Social Data
Non-discrimination	406		
	GRI 406-1	Incidents of discrimination and corrective actions taken	No such incidents were reported to the Ethics Committee in 2019.

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Child Labor	408		
	GRI 408-1	Operations and suppliers at significant risk for incidents of child labor and corrective actions taken	No such risk was identified.
Forced or Compulsory Labor	409		
	GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor and corrective actions taken	No such risk was identified.
Human Rights Assessment	412		
	GRI 412-2	Employee training on human rights policies or procedures	Attachment A. Social Data
Local Communities	413		
	GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	pp. 82-86
	GRI 413-2	Operations with significant actual and potential negative impacts on local communities	
In case of a telecommunications company, issues related to the safe use of services mean not only the utmost care for meeting security requirements, but also reliable information on the devices and technologies used. In response to inquiries regarding potential negative influence of radio waves emitted by telecommunication devices and other devices that use new technologies, we have prepared a global Orange portal on radio waves, which explains in simple terms how mobile telephony works. It includes sections presenting latest scientific reports and recommendations for use of mobile devices to reduce exposure to radio waves. The portal has been also translated to Polish and it is available at www.radio-waves.orange.com/pl/			
Public Policy	415		
	GRI 415-1	Total monetary value of financial and in-kind contributions to political parties, politicians or related institutions by country	
In line with Chapter 7 of the Orange Polska Anti-corruption Guidelines, Orange prohibits all kinds of contributions from the Company (cash, valuable items, goods or services, loans, loan securities) made directly or indirectly to political parties. In the period from 1 January to 31 December 2019, no financial and no in-kind contributions were granted to political parties, politicians or related institutions by country.			
Customer Health and Safety	416		
	GRI 416-1	Assessment of the health and safety impacts of product and service categories	p. 75
	GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents
Marketing and Labeling	417		
	GRI 417-1	Requirements for product and service information and labeling	
All products in Orange Polska's portfolio have the relevant labelling, namely: - name and address of the manufacturer and operation manual in Polish; - CE marking pursuant to the Regulation of the Minister of Infrastructure of 15 April 2004 on the assessment of compliance of telecommunication terminal devices to be connected to public network terminating segments and radio devices with the essential requirements and on marking thereof; - the 'basket' icon pursuant to the Act of 29 July 2005 on waste electrical and electronic equipment; - Declaration of Conformity (DoC) pursuant to the Regulation of the Minister of Transport and Construction of 3 February 2006; - Specific Absorption Rate (SAR) information pursuant to the Regulation of the Minister of Transport and Construction of 3 February 2006.			
	GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents
	GRI 417-3	Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	No incidents
Customer Privacy	418		
	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
Our customers filed 18 complaints with the President of Personal Data Protection Office (UODO) in 2019. In 10 decisions issued in 2019, the President of UODO confirmed the correct processing by Orange Polska S.A. personal data. 5 decisions of the President of UODO ordered OPL to disclose data to external entities. By one decision, the President of UODO admonished OPL for sending a marketing message to the client. In 2019, no penalties were imposed on the Company for violating the provisions on the protection of personal data. At every stage of data collection and processing, we care about the obligation to inform the customer, including about the purpose and scope of processing his data, the right to access them and the possibility of correcting them.			

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Socioeconomic Compliance	419		
	GRI 419-1	Non-compliance with laws and regulations in the social and economic area	

There were no other penalties, except from the penalty imposed by UOKiK described in 417-3.

Social Data

GRI	Social Data	2017	2018	2019
GRI102-8	**Employment**			
	Total workforce (persons)*	**14,615**	**13,222**	**12,058**
	Gender			
	men	8,695	8,052	7,406
	women	5,920	5,170	4,652
	% of women in the workforce	40.5%	39.1%	38.6%
	Age			
	up to 30 years of age	1,024	893	1,004
	31-50 years of age	10,204	9,046	8,378
	over 50 years of age	3,387	3,283	2,676
	Regular employees (active full-time positions)	**14,587**	**13,197**	**12,034**
	men	8,688	8,047	7,399
	women	5,899	5,150	4,634
	Employees on open-ended contracts	**14,128**	**12,761**	**11,611**
	men	8,485	7,842	7,184
	women	5,643	4,919	4,427
	Employees on fixed-term contracts	**487**	**461**	**447**
	men	210	210	222
	women	277	251	225
	Full-time employees	**14,514**	**13,139**	**11,978**
	men	8,678	8,038	7,390
	women	5,836	5,101	4,588
	Part-time employees	**101**	**83**	**80**
	men	17	14	16
	women	84	69	64
	Outsourced employees (full-time positions)**	**5,480**	**4,344**	**3,203**
	* Active employees (without NetWorkS!) are employees whose remuneration for absence (e.g. sick leave) is paid by the employer. The exception are employees on parental leave, who are counted as active, despite the fact that the benefit is paid by ZUS (The Polish Social Insurance Institution). ** Only for Orange Polska- applies mainly to the call center for the customer service area, telesales and customer market service - operators			
	Employees in managerial positions	**1,819**	**1,643**	**1,447**
	men	1,224	1,103	974
	women	595	540	473
	% of women in managerial positions	32.7%	32.9%	33%
	People with disabilities			
	% of employees with disabilities	1.7%	1.8%	2%

GRI	Social Data	2017	2018	2019
GRI405-2	**Ratio of basic salary of women to men by employee position (men's salary = 100%)**			
	general	79.4%	79.5 %	80.2%
	non-managerial positions	82%	81.8%	82.4%
	managerial positions	83.5%	82.5%	82.9%
	Ratio of salary of women to men within the same pay grades (men's salary = 100%)*	**no data**	**97.1%**	**97.7%**
	* In order to better account for differences in salaries between men and women, we have introduced an additional indicator for individual pay grades. This shows a lower gender pay gap. It means that the differences between men's and women's salaries result from a different structure of positions, as more women hold low grade positions (call center and points of sales staff), while technical positions (network engineers, IT specialists) are held chiefly by men. The presented indicator applies only to specialist positions.			
GRI404-1	**Development and education**			
	Total employees trained (in '000)	15.14	13.9	10.1
	Total hours of training (in '000)	484.5	337.8	301.9
	Number of training hours per employee per year	32	25	25
	Gender			
	men	30.0	21.09	22.9
	women	35.9	25.03	28.4
	Position			
	managers	35.8	35.5	47.3
	non-managers	30.75	23.4	22
	* Data refer to Orange Polska and Integrated Solution, TELTECH, Orange Szkolenia.Orange Energia, Fundacja Orange. Data by the status of the training database - 31.12.2019			
GRI412-2	**Human rights and ethics training**			
	Total hours of ethics training of employees	635	259	5
	Total hours of ethics training of partners	588	208	22
GRI205-2	**Anti-bribery and corruption training**			
	Total hours of compliance training of employees (in '000)	1.8	1.1	0.9
	Total hours of compliance training of partners (in '000)*	1.0	0.6	0.2
	* Persons employed by our Contractor, working for the benefit of Orange Polska			
GRI401-1	**Professional mobility**			
	Total number of new employee hires	**552**	**476**	**492**
	Gender			
	men	307	275	284
	women	245	201	208
	Age			
	up to 30 years of age	238	223	228
	31-50 years of age	293	238	251
	over 50 years of age	21	15	13
	Departures, total	**1,301**	**1,487**	**1,489**
	Departures, excluding voluntary	**568**	**469**	**474**
	Gender			
	men	359	285	308
	women	209	184	166
	Age			
	up to 30 years of age	154	90	122
	31-50 years of age	376	343	322
	over 50 years of age	38	36	30

GRI	Social Data	2017	2018	2019
	Turnover*	**3.8%**	**2.8%**	**3%**
	Gender			
	men	4.0%	2.9%	3.3%
	women	3.4%	2.7%	2.5%
GRI401-1	Age			
	up to 30 years of age	16.8%	8.5%	10.9%
	31-50 years of age	3.5%	3%	3%
	over 50 years of age	1.1%	0.5%	0.7%
	* Rate of turnover, excluding voluntary departures (for reasons unrelated to the employee) and departures at the employer's initiative, as well as intra-group transfers			
	Occupational health and safety*			
	Number of accidents**	45	26	32
	Accident frequency rate***	3.0	2.2	2.7
	Days off work due to work-related accidents (calendar days)	994	1,584	1,120
	Accident severity rate****	22.1	61.0	35
	fatal accidents	0	0	0
	serious accidents	0	0	0
	other accidents	45	26	32
GRI403-2	* Only for Orange Polska ** An event caused by an external cause causing injury or death, which occurred in connection with work *** Number of persons injured in work-related accidents per 1,000 employees **** Number of days off per accident			
	Number of accidents*		31	36
	Days off work due to work-related accidents (calendar days)		1,792	1,449
	fatal accidents		0	0
	serious accidents		0	0
	other accidents		31	36
	* For Orange Group			
	Employee assessment*			
	% of regularly evaluated employees**	94.4%	80.2%	80.2%
	Gender			
	men	94.8%	81.3%	81.3%
	women	93.8%	78.5%	78.5%
GRI404-3	% of employees with individual development plans**	82.3%	81.5 %	81.5%
	% of regularly evaluated outsourced employees	97.8%	35.7%	35.7%
	% of outsourced employees with individual development plans	73.4%	42%	42%
	* The development and education data for the Orange Polska Group cover the following: Orange Polska S.A., TP Teltech, Integrated Solutions and Orange Foundation. ** The assessment of employees and managers is based on 360 feedback, and the related development plans are implemented on a two-year basis. The last feedback process was completed in 2018 and another edition is scheduled for 2020. Only with front-line employees (responsible for customer care), development conversations are carried out annually.			
	Wages			
GRI202-1	Average basic salary (in PLN)	6,791	7,114	7,423
	Ratio of wages at the lowest positions to the legal minimum wage	149%	138%	141%
	Working conditions			
	% of employees eligible for health care	100%	100%	100%
	% of employees covered by the Employee Retirement Plan*	81.5%	83.3%	83.6%
	* The Employee Retirement Plan has been expanded to include additional companies. Now, employees of Orange Polska, Telefony Podlaskie, Orange Szkolenia, TP Teltech, Pracownicze Towarzystwo Emerytalne Orange Polska S.A., Fundacja Orange (Orange Foundation) and Integrated Solutions Sp. z o.o. are eligible for participation.			
	Social dialogue			
GRI102-41	% of employees in trade unions	30.8%	30.3%	31.4%
	% of employees covered by the Collective Labour Agreement	95.7%	95.3%	94.8%

All indicators for the Orange Polska Group unless indicated otherwise dated on 31 December 2019.

Enviromental Data

GRI	Environmental data*	Unit	2017	2018**	2019**
GRI302-1	**Scope 1*** **				
	Direct energy consumption by primary energy sources				
	Fuel oil (all buildings, all uses)	'000 m^3	2.2	2.0	2.0
	Gas	'000 m^3	3,103	2,842	2,306
	Coal	tonnes	71	55.6	51
	Gasoline for company cars	'000 litres	765	1,072	1,549
	Diesel fuel for company vehicles	'000 litres	3.239	2,863	2,315
	Scope 1: Total energy	GWh	97	92	85
	Scope 1: CO_2 emissions from fuel, gas and coal	'000 tonnes	12.0	11.1	11.9
	Scope 1: CO_2 emissions from vehicles	'000 tonnes	10.7	10.4	9.8
	Scope 1: CO_2 emissions from greenhouse gases	'000 tonnes	22.7	16.1	5.3
	Scope 1 – Direct CO_2 emissions	**'000 tonnes**	**27.0**	**37.6**	**21.7**
	Scope 2 – Indirect CO_2 emissions				
	Energy consumption – electricity	GWh	581	564	552
GRI305-1 GRI305-2	Scope 2: CO_2 emissions (location-based)	'000 tonnes	439	412	397
	Total CO_2 emissions (Scope 1+2)	**'000 tonnes**	**465.4**	**449.3**	**424.5**
	Scope 3			**656**	**638**
	Business trips: distance travelled by plane	'000 km	8,029	6,398	5,740
	Business trips: distance travelled by train	'000 km	6,263	4,988	4,800
	Scope 3 – CO_2 emissions	**'000 tonnes**	**2.1**	**1.7**	**1.4**
	Total CO_2 emissions (Scope 1+2+3)	**'000 tonnes**	**468**	**451**	**426**
	KPI: Electricity consumption/customer	kWh/customer	27.4	26.5	25.8
	KPI: CO_2 emissions from electricity consumption/customer	kg/customer	20.7	19.3	18.6
	KPI: Scope 1+2 CO_2 emissions during electricity consumption/ customer	kWh/customer	32.0	30.8	29.8
	KPI: Scope 1+2+3 CO_2 emissions (all energies)/customer	kg/customer	22.1	21.2	19.9
GRI301-1	**Materials**				
	Paper	'000 tonnes	1.8	0.8	0.6
GRI303-1	**Water**				
	Water consumption	'000 m^3	315	255.7	242.6
GRI306-2	**Waste management**				
	Internal WEEE (network & tertiary)	tonnes	70.4	94.6	112.2
	Wooden poles	tonnes	190.9	321.5	216.3
	Cables	tonnes	287.9	179.9	126.2
	Batteries	tonnes	101.8	115.7	92.6
	Paper / Cardboard	tonnes	13.8	18.8	14.7
	Other hazardous waste (including PCB)	tonnes	7.0	2.6	3.4
	Other non-hazardous waste	tonnes	1 050.4	2,067.2	1,233.7
	Total waste	tonnes	1,722.2	2,774.2	1,799

GRI	Environmental data*	Unit	2017	2018**	2019**
	Electrical and electronic equipment				
	Collected and recycled handsets	pcs.	42,869	16,034	36,671
	Refurbished and relaunched handsets	pcs.	8.138	5,644	8,561
	Refurbished and relaunched multimedia (broadband) devices	‘000	396	491	411
	Electromagnetic field emissions				
	Compliance with the relevant standards		yes	yes	yes

* The presented environmental indicators are the same for the Group and Orange Polska, as the latter owns the buildings and network infrastructure which constitute the basis for determining energy consumption and greenhouse gas emissions. Emissions generated by business trips (gasoline and diesel combustion) are determined for the Orange Group, whereas other indicators, i.e. EMF emissions and handset recycling/refurbishment, are specific to Orange Polska only.

** The presented full-year figures consist of actual data for Q1, Q2 and Q3 and estimates for Q4. Environmental data are based on reporting to the Orange Group’s global database INDICIA. Electricity consumption in Orange Polska’s buildings is determined on the basis of records in the electricity database (BEE), which contains readouts of individual electricity meters. GHG emissions are calculated according to the GHG Protocol. For electricity, GHG emissions are calculated using emission factors derived from International Energy Agency (IEA). There are no biogenic GHG emissions in the Company.

*** Scope 1 (direct) GHG emissions are defined as emissions from sources (resources, processes) that are owned or controlled by the organisation. Due to global guidelines and adopted objectives, only CO_2 emissions are monitored.

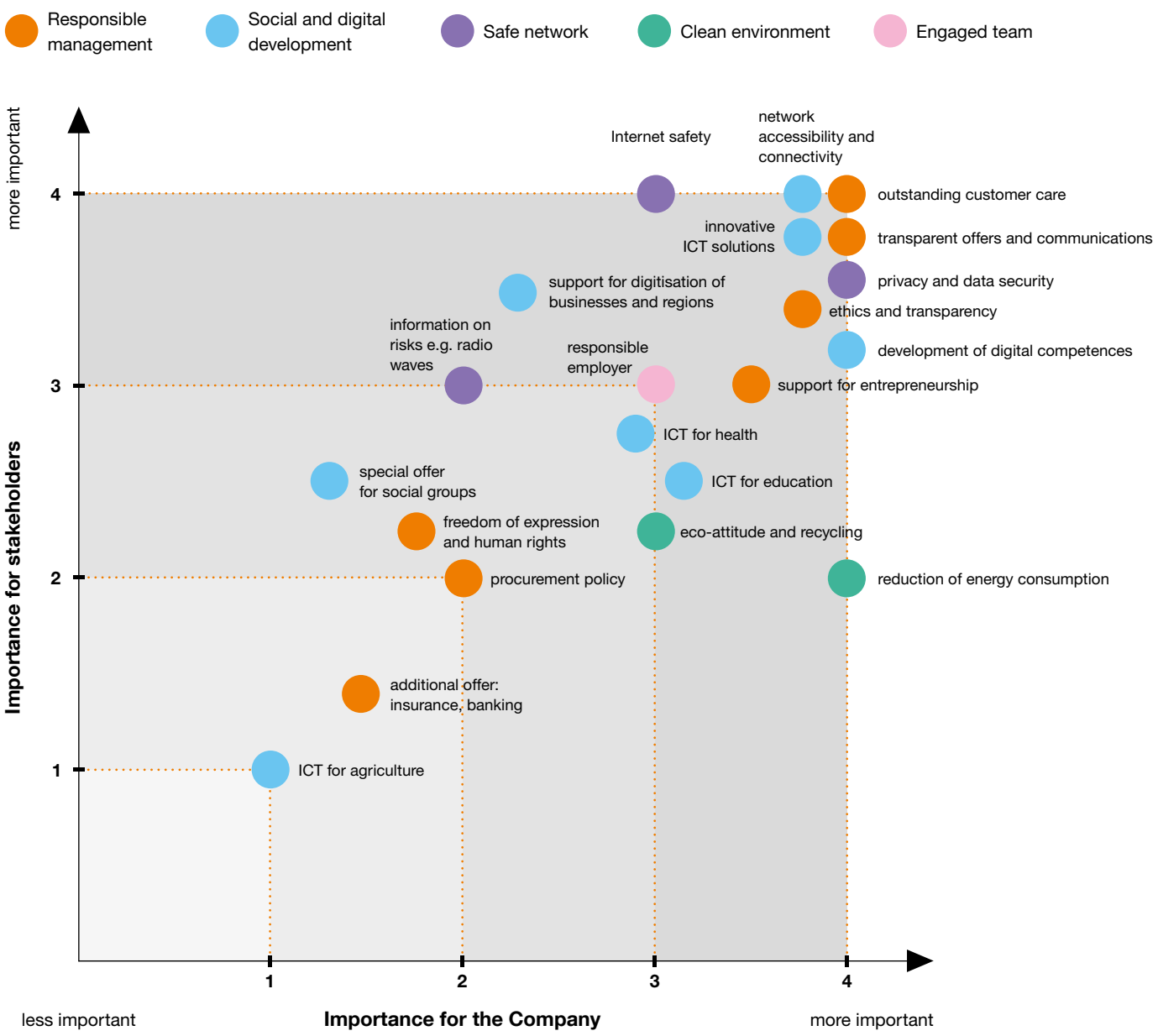


The process of defining the Report's content

A process of defining the key aspects of reporting for Orange has involved the following:

- Analysis of surveys of public opinion and residential and business customers regarding important issues for a responsible telecom operator as well as media publications concerning the Company;
- Analysis of employee satisfaction surveys;
- Analysis of the key indicators of Orange Polska's social impact
- Orange Group's non-financial reporting standards;
- Review of challenges facing the telecommunications industry in Poland and worldwide as well as activities of other telecoms in this respect;
- Dialogue with stakeholders around Orange Polska's CSR strategy for 2016–2020;
- Dedicated dialogue with stakeholders on service accessibility, diversity management and circular economy;
- Review of documents defining the challenges for businesses in the context of sustainable development: Strategy for Responsible Development, Sustainable Development Goals;
- Requirements of the Directive 2014/95/EU regarding disclosure of non-financial and diversity information and the supplement on reporting climate-related information (2019/C 209/01),
- Stakeholder feedback on our last year's report
- Supervisory Board recommendation regarding report's improvement

CSR strategy areas



Sustainable Development Goals

Orange Polska has embraced the Sustainable Development Goals (SDGs). The Company signed the Declaration of Partnership for Sustainable Development during a conference "The 2030 Agenda for Sustainable Development – goals for the world, challenge for the country, responsibility for all" organised by the Ministry of Development

Sustainable Development Goals	Reference
	pp. 82-86
	p. 89
	pp. 82-86, 89
	pp. 82-86
	pp. 26-29, 86, 89
	pp. 26, 49-50, 82

Sustainable Development Goals	Reference
	pp. 30, 41, 88-89
	pp. 49, 87
	pp. 74-82
	pp. 78-82
	pp. 41, 115
	pp. 82-86

Relationship between strategic topic and GRI ndicators

Very important topics	GRI indicators
internet safety of family and children	GRI 102-2, 416-1, 418-1
network accessibility and connectivity	GRI 203-1,2
innovative ICT solution	GRI 203-1,2
outstanding customer care	GRI 102-2
privacy and data security	GRI 418-1
responsible employer	GRI 102-8,41, 400-1,2, 403-1,2,3,4, 404-1,2,3, 405-1,2, 406-1, 408-1, 409-1
support of entrepreneurship	GRI 102-2
information for risks	GRI 416-1,2
support of digitalization of business and regions	GRI 203-1,2
development of digital competences	GRI 203-1,2, 413-1
ethic and transparency	GRI 102-16, 205-1,2,3, 206-1
transparent offer and communications	GRI 417-1,2,3,
Important topics	
ICT for health	GRI 102-2
ICT for education	GRI 404-2, 413-1
special offer for special groups	GRI 102-2
procurement policy	GRI 102-9
freedom of expression and human rights	GRI 403-4, 412-2
eco-attitude and recycling	GRI 301-1,3, 302-1,4,5, 303-1, 305-1,4,3, 306-2, 307-1
reduction of energy consumption	GRI 302-1,4

Methodological note for non-financial indicator

workforce data

The workforce data presented in this Report have been collected using the HR-Info system, which accounts for variables such as employee's gender or position. The data fed to HR-Info are based on the data contained in the HR systems of the member companies of Orange Polska and are reported in line with the Orange Group's.

standards managers (employed under employment contracts as at the end of the reported period)

The management rate refers to middle to top managers employed under employment contracts. Employees are classified as "managers" on the basis of their employment groups, according to their competence profile, in line with the Orange Group's standards.

accidents at work

This rate corresponds to the number of occurrences that were classified as accidents at work during the reported period. Under Polish regulations, this is ultimately determined by the date of the employer's decision to recognise an occurrence as a work-related accident rather than the date of accident itself.

environmental data

Environmental data are based on reporting to the INDICIA database. In 2017, Orange Polska reported about 100 environmental indicators on a quarterly basis.



energy

Electricity consumption is determined on the basis of the actual data from the Electrical Energy Database, where they are recorded from invoices, for each meter separately. The data for Q4 2019, however, have not been received by the publication date of this Report. Therefore, electricity consumption for the period has been estimated as the mean daily consumption times the number of missing days in particular months.

Fuel consumption refers to the total consumption of all fuels (heating oil, diesel oil, petrol and heavy fuel oil), excluding motor vehicles. Indicators adopted for calculating energy in GWh are set by the Group and are subject to independent verification at Group level.

transport

The CO_2 emissions from "short haul" air travel of the GHG Protocol (180 g CO_2/km passenger) were used for all flights (short-, medium- and long-haul).

CO_2 emissions

For electricity consumption, the emissions are calculated according to the GHG Protocol (2009) with the most recent update (2012). Emission factors for fuels (gas, fuel oil, coal, petrol, diesel oil and LPG) are derived from the GHG Protocol (2007). Emission calculations are conducted at the global level using emission factors derived from IAE (International Energy Agency), in its updated version of January 2017.

emissions from refrigerants

Reporting of refrigerant emissions, which are included in Scope 1 emissions, is not yet exhaustive; even though this emissions item is negligible (Carbon 4 study on Bilan Carbone), the Group is working to improve monitoring of these emissions.

electronic and electrical waste collection

The "E-waste collected from customers" corresponds to the total amount of handsets, desktop telephones and multimedia devices delivered to sale outlets, sent by mail or collected by service providers. This also accounts for waste mobile phones of Orange Polska's employees as well as batteries and chargers collected. This indicator is not used in the Group companies which do not have the relevant channel for e-waste collection and recycling. The rate is calculated by dividing the number of mobile handsets collected by the number of mobile handsets sold by Orange through controlled channels.

Glossary

4G – fourth generation of mobile technology, sometimes called LTE (Long Term Evolution)

5G – term used to describe the next-generation of mobile networks beyond LTE mobile networks

Access Fee – revenues from monthly fee from New Tariff Plans (incl. Free minutes)

ARPO – Average Revenues per Offer

AUPU – Average Usage per User

BSA – Bitstream Access Offer

CATV – Cable Television

CDMA – Code Division Multiple Access, second generation wireless mobile network used also as a wireless local loop for locations where cable access is not economically justified

EBITDA – Operating income + depreciation and amortisation + impairment of goodwill + impairment of non-current assets

EBITDAaL – EBITDA after leases

F2M – Fixed to Mobile Calls

FBB – Fixed Broadband

FTE – Full time equivalent

FTTH – Fibre To The Home

FVNO – Fixed Virtual Network Operator

Home Zone (or Office Zone for business customers) – area within range of predefined base stations which cover the particular location (home/office).

ICT – Information and Communication Technologies

ILD – International Calls

IPTV – TV over Internet Protocol

Liquidity Ratio – Cash and unused credit lines divided by debt to be repaid in the next 18 months

LLU – Local Loop Unbundling

LTE – Long Term Evolution, standard of data transmission on mobile networks (4G)

M2M – Machine to Machine, telemetry

MTR – Mobile Termination Rates

MVNO – Mobile Virtual Network Operator

Net Gearing – net gearing after hedging ratio = net debt after hedging / (net debt after hedging + shareholders' equity)

Organic Cash Flow – Organic Cash Flow = Net cash provided by Operating Activities – (CAPEX + CAPEX payables) + proceeds from sale of assets

RAN agreement – agreement on reciprocal use of radio access networks

RIO – Reference Interconnection Offer

SAC – Subscriber Acquisition Costs

SIMO – mobile SIM only offers without devices

SMP – Significant Market Power

SRC – Subscriber Retention Cost

UKE – Urzad Komunikacji Elektronicznej (Office of Electronic Communications)

UOKiK – Urzad Ochrony Konkurencji i Konsumentów (Office for Competition and Consumer Protection)

USO – Universal Service Obligation

VDSL – Very-high-bit-rate Digital Subscriber Line

VHBB – Very high speed broadband, above 30 Mbps

VoIP – Voice over Internet Protocol

Wireless for fixed – LTE broadband access offers dedicated to use within the Home/Office Zone, consisting of a fixed router (Home Zone) plus large or unlimited data packages, which are a substitute for fixed broadband and are provided by all mobile operators in Poland, including Orange Polska.

WLL – Wireless Local Loop

WLR – Wholesale Line Rental

INDEPENDENT LIMITED ASSURANCE STATEMENT

To: The Stakeholders of Orange Polska Group

Introduction and objectives of work

BUREAU VERITAS Polska Sp. z o.o. (Bureau Veritas) has been engaged by Orange Polska S.A. (Orange Polska) to provide limited assurance of Selected information included in its integrated report "Orange Polska Integrated Report 2019" (the Report). This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over GRI Standards Disclosures, Core option included in the Report for the period 1 January 2019 to 31 December 2019.

Excluded from the scope of our work is any assurance of other information included in the Report.

Reporting Criteria

The Selected Information needs to be read and understood together with the standards for sustainability reporting The GRI Standards as set out at https://www.globalreporting.org.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Positional statements (expressions of opinion, belief, aim or future intention by Orange Polska, and statements of future commitment).

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Orange Polska.

Bureau Veritas was not involved in the drafting of the Report or the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of Orange Polska.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

Summary of work performed

As part of our independent verification, our work included:

1. Assessing the appropriateness of the Reporting Criteria for the Selected Information;
2. Conducting interviews with relevant personnel of Orange Polska;

3. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
4. Reviewing documentary evidence provided by Orange Polska;
5. Agreeing a selection of the Selected Information to the corresponding source documentation;
6. Reviewing Orange Polska's systems for quantitative data aggregation and analysis;
7. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information is not fairly stated in all material respects.

Evaluation against GRI Standards

Bureau Veritas Polska Sp. z o.o. undertook an evaluation of The Report against the GRI Standards. This included cross checking the GRI index table against all the reference documents to provide an opinion on the self-declared GRI application level.

Based on our work, it is our opinion that integrated report "Orange Polska Integrated Report 2019" has been prepared in accordance with standards for sustainability reporting The GRI Standards, Core option.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified[1] Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)[2], across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities.

BUREAU VERITAS POLSKA Sp. z o.o.

Warsaw, May 2020

Witold Dżugan
Member of the Board

Michał Stalmach
Lead Assuror

1 Certificate of Registration No. 44 100 160145 issued by TUV NORD CERT GmbH

2 International Federation of Inspection Agencies – Compliance Code – Third Edition

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