Orange Polska
Integrated Report 2020



Integrated
Report 2020
Orange Polska

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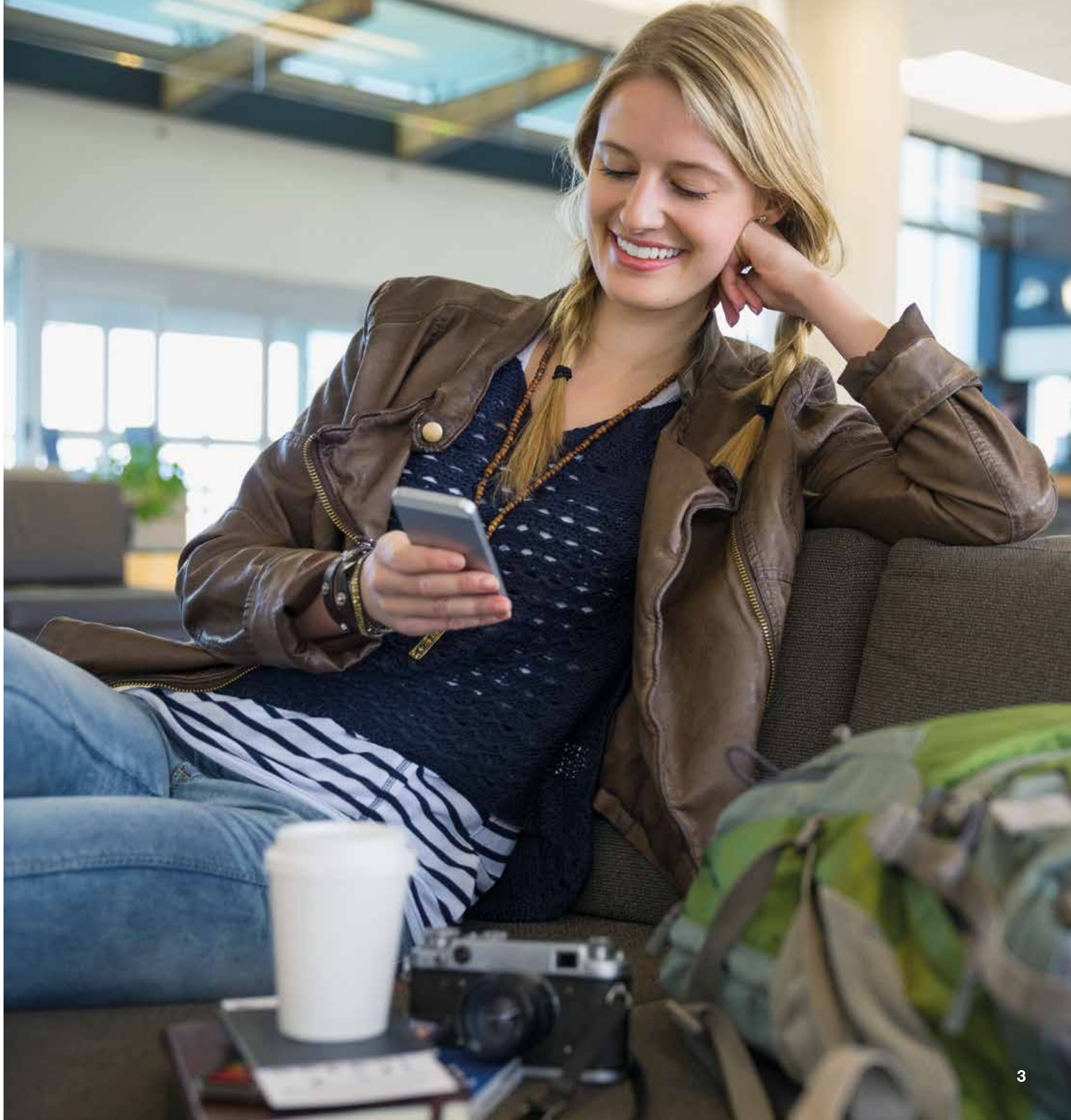
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Introduction



Message from our CEO

Dear All,

Welcome to another edition of Orange Polska's integrated annual report, in which we present both the financial and non-financial results of our business activities in 2020. 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. This context has become even more relevant in 2020, a year marked by the outbreak of the COVID-19 pandemic.

Despite unprecedented challenges resulting from the pandemic, 2020 was a successful year for Orange Polska. We delivered on our financial commitments and completed our breakthrough Orange.one strategy with great success. During the period of prolonged stress for both our society and our economy we were able to put our social responsibility values into action in areas where connectivity has become especially crucial. We lent our support in response to the community's needs in numerous initiatives around the country.

On becoming CEO of Orange Polska, I was very pleased to see that values of a sustainable and responsible approach – values that take into account our impact on the environment and society – are so high among the Company's priorities; they are, in fact, written into our DNA. I am strongly convinced that true economic development must combine financial and non-financial aspects of the business.

Orange Polska is the only listed company in Poland to have a climate officer – a person that coordinates all our efforts related to reduction of our impact on the environment. I am very pleased that just a few weeks ago we adopted our climate strategy with clear goals of CO_2 emissions reduction. This demonstrates that we are very serious about it and that integrated thinking will now be even more a part of our business as usual. Responsibility will be one of the pillars of our new strategy, which we will announce very soon.

Julien Ducarroz

President and CEO of Orange Polska.

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About the report

Our approach to reporting

Orange Polska is pleased to present its fifth integrated annual report. The report is published every year. The previous integrated report was published in April 2020. 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 2020. 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 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, climate impact and diversity information and refers to the Sustainable Development Goals.

Our Integrated Report last year received the distinction in the category the Best Integrated Report in the 14th edition of the Social Reports Competition. The award was given for a mature and comprehensive report and high quality of reports 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

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

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.

Orange Polska purpose

As trusted partner, Orange gives everyone the keys to a responsible digital world.

Orange Polska vision:
Loved by customers
Preferred by employees
Valued by shareholders

Let's win customers' loyalty!

Orange values

helpful
obsessed with customers



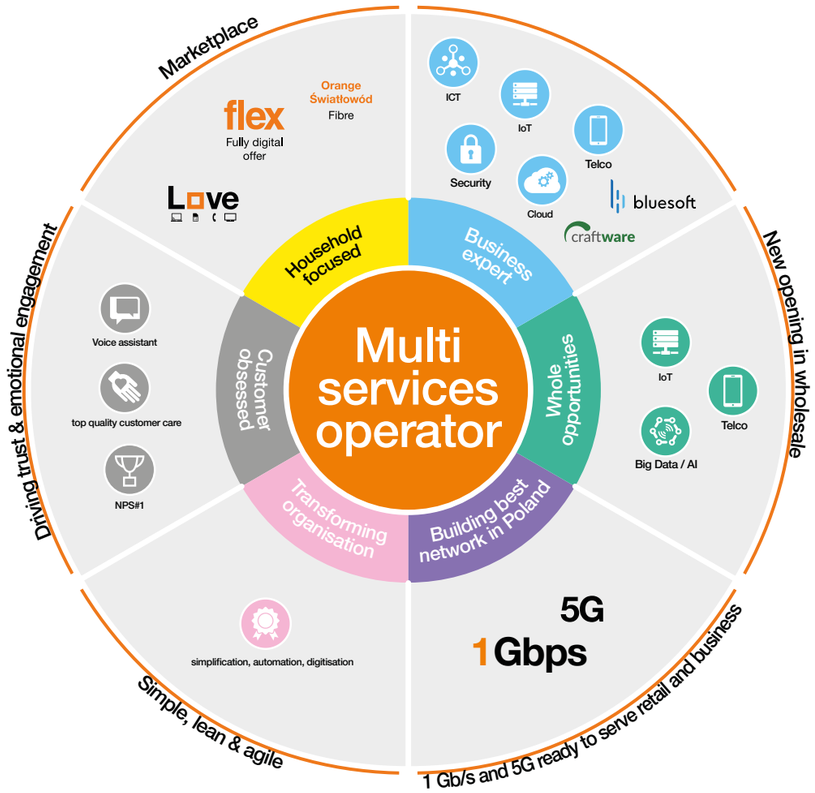
simple
simplification, focus, speed and agility



honest
trusting each other, honest and straightforward

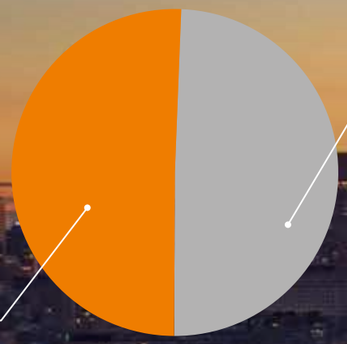


Focused growth through smart use of our assets



Orange Polska in 2020 in numbers

Shareholder structure



49.33%
Other shareholders

50.67%
Orange S.A.

Market cap
8.6 bn PLN
at year end

EBITDAaL
2.8 bn PLN
+2.9% yoy

1.8 bn PLN
eCapex

Revenues
11.5 bn PLN
+0.9% yoy

24.3%
EBITDAaL margin

1,148
No of volunteers among employees

Convergent customers

Convergent Customers (B2C) 1,483,000 (+8.3% yoy)

Mobile accesses (SIM cards)

15,752,000 (+3.1% yoy)

post-paid 10,892,000 (+6.4% yoy)

pre-paid 4,860,000 (-3.7% yoy)

Fixed broadband access (retail)

2,702,000 (+3.6% yoy)

Fibre 725,000 (+39% yoy)

TV customers

1,015,000 (+2.1% yoy)

Fixed voice lines (retail)

2,899,000 (-6.8% yoy)

984,029
Children involved in the safety internet initiatives

2%
Reduction in energy consumption

11,381 Number of employees*

4,600
Educational institutions ran social programmes supported by Orange Polska

5% Reduction in CO_2 emissions

*full time equivalents, including NetWorkS!

Our stakeholders



	Why it is important to engage	Ways we engage	How often we engage	What matters most to them
Investors	As a listed company we take care of our investors and the financial community.	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; opportunity to meet management; turnaround in revenue, EBITDA and cash flow; monetisation from network investment; dividend prospects. (pp 176-177)
Customers	Our customers are vital for the success of our business and we put them at the heart of everything we do.	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 41-43)
Employees	Engagement of adequately skilled and motivated employees plays a critical role in delivering excellent customer service and increasing long-term value generation.	Employee training, and talent development; dialogue with employees: satisfaction survey; dialogue with Trade Unions.	Continuous direct contact; regular satisfaction surveys ones a year.	Friendly and modern work environment; competitive remuneration levels; safety standards; clear career path and motivation system; opportunities for development. (pp 134-137)
Business Partners	Building strategic alliances can help to ensure the quality of our network and broaden our portfolio of customer offers.	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 27,52,56)
Suppliers	Suppliers and contractors impact on our ability to provide products and deliver services.	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 52,56)
Government and regulators	As our industry is regulated, it is essential for us to establish and maintain constructive relationship with the regulator.	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 26,194,196-197)
Communities	Empowering local economies strengthens the socioeconomic context in which we operate.	Co-operation with communities; programme partnership with educational and social institutions.	Regular and on-going contact.	Investment in infrastructure; social investment in communities. (pp 120-122, 124-133)

Business model and value creation

Integrated Report 2020
Orange Polska

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.

Our business model is 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, last year we decided to add “Climate” to our natural resources.

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

Key resources

Natural
- Spectrum
- Energy
- Climate

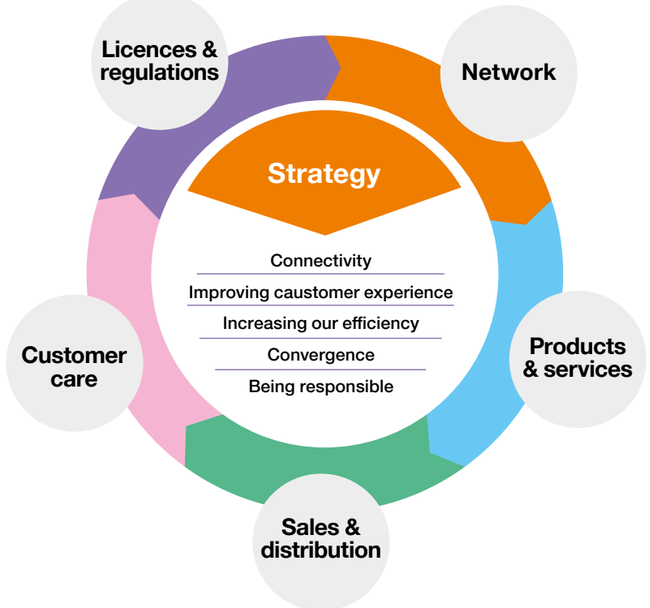
Financial
- Debt
- Equity

Manufactured
- Network infrastructure
- Software
- Points of Sale

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

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

Business model



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

Internal environment (Corporate governance, Corporate culture)

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. In order to reduce CO_2 emissions we have started to purchase energy from renewable sources.

Climate

Poland's energy mix is based on coal, so the only reasonable way towards a sustainable reduction in our climate (carbon) footprint is gaining energy from new renewable sources, coupled by initiatives aiming to optimise consumption volume.

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. We are looking for new sources of renewable energy and contract such energy directly with its producers from facilities developed specifically for our needs in Poland.

Recent studies show that climate change is occurring at a faster pace than previously forecast. According to a report by the UN Intergovernmental Panel on Climate Change (IPCC), global warming needs to be curbed below 1.5°C to avoid the worst effects of climate disaster. 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, including Orange. The overall objective of both Orange Group and Orange Polska is to achieve net zero carbon emissions already by 2040.

Owing to Orange Group's presence in a number of countries, we can act both locally and globally to help mitigate climate change. Operating in Europe, Africa and the Middle East, we are not only working on reducing our carbon footprint, but we are also becoming a partner in digital transformation. The urgent need for green digital transformation is now beyond dispute, and technological innovations are one of the solutions to combat global warming.



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 2020 the duration of debt stood at 1.4 years on average, but a refinancing agreement amounting to PLN 2.700m for 5 years was signed on 29.01.2021. So the duration went up to around 3.5 years. 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, for the last few years we were 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 almost 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 online 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 2020 we had 687 POS all over Poland, of which 46% (317 stores) were modernised in a new visualisation. 140 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 people to deliver their best. Orange Polska Group has 11,381 employees (including 50% of the co-controlled entity NetWorkS!), while outsourced staff number 2,391.

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 Things. R&D and co-operation with start-ups within Orange Fab 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. The 'Oz' programme 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 264 million customers around the world and present in 29 markets.

In 2019 the Brand Finance ranking valued the Orange brand at $20.7 billion, making it the 64th 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 2020 (by PBS Research Agency), Orange was the first choice brand for Polish consumers with respect to Mobile voice (29%), Mobile broadband (26%), Fixed broadband (22%), Packages (23%) and Fibre (25%).

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 brand is first and foremost a human brand, helping us stay close to our customers, in touch with their needs whether they are a multinational company or a teenager with their first phone.

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.

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.

Our activities include both one-off purchases and long-term contracts with
3,317 suppliers.

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

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 co-operation 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.

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.

In order to continue to assure the best customer experience we need to continuously optimise our effective use of spectrum. In 2020 we concluded the 1st phase of Refarming project and extended Orange LTE spectrum resources in 1800 MHz and 2100 MHz band and brought LTE2100 MHz band country wide. During the 1st phase LTE2100 MHz frequency was deployed as a 10 MHz carrier with remaining 5 MHz dedicated to UMTS.

The 2nd phase of Refarming project started in 2020 and will be concluded in 2021. Scope of this phase is aimed at extending LTE2100 10 MHz carrier to 15 MHz by removing UMTS2100 carrier. Afterwards, entire Orange 2100 MHz spectrum is to be dedicated to LTE (or LTE and 5G DSS) service and total Orange LTE bandwidth should reach 50 MHz.

The main point of concern is however the acquisition of frequency resources necessary for 5G development. It is assumed that three bands will be used for the new generation network: 3.4–3.8 GHz, 700 MHz and 26 GHz.

On March 6, 2020, following two rounds of public consultation, the President of UKE announced the launch of an auction procedure to allocate four nationwide frequency blocks in the 3480–3800 MHz range, the primary pioneer band for 5G.

Four licences of 80 MHz each, valid for 15 years, were to be allocated in the process.

Only one entity from each group of companies was eligible to participate in the auction. Each participant (or its group) had to demonstrate a record of investments of at least PLN 1 billion in telecommunications infrastructure between 2016 and 2018 and to hold a frequency licence in the 800, 900, 1800, 2100 or 2600 MHz band (it is of paramount importance, as the 5G network will be initially deployed in a Non-Standalone (NSA) architecture). The starting price for each block was set at PLN 450 million. The auction winners were to launch 5G over at least 700 base stations using the allocated frequencies by the end of 2025.

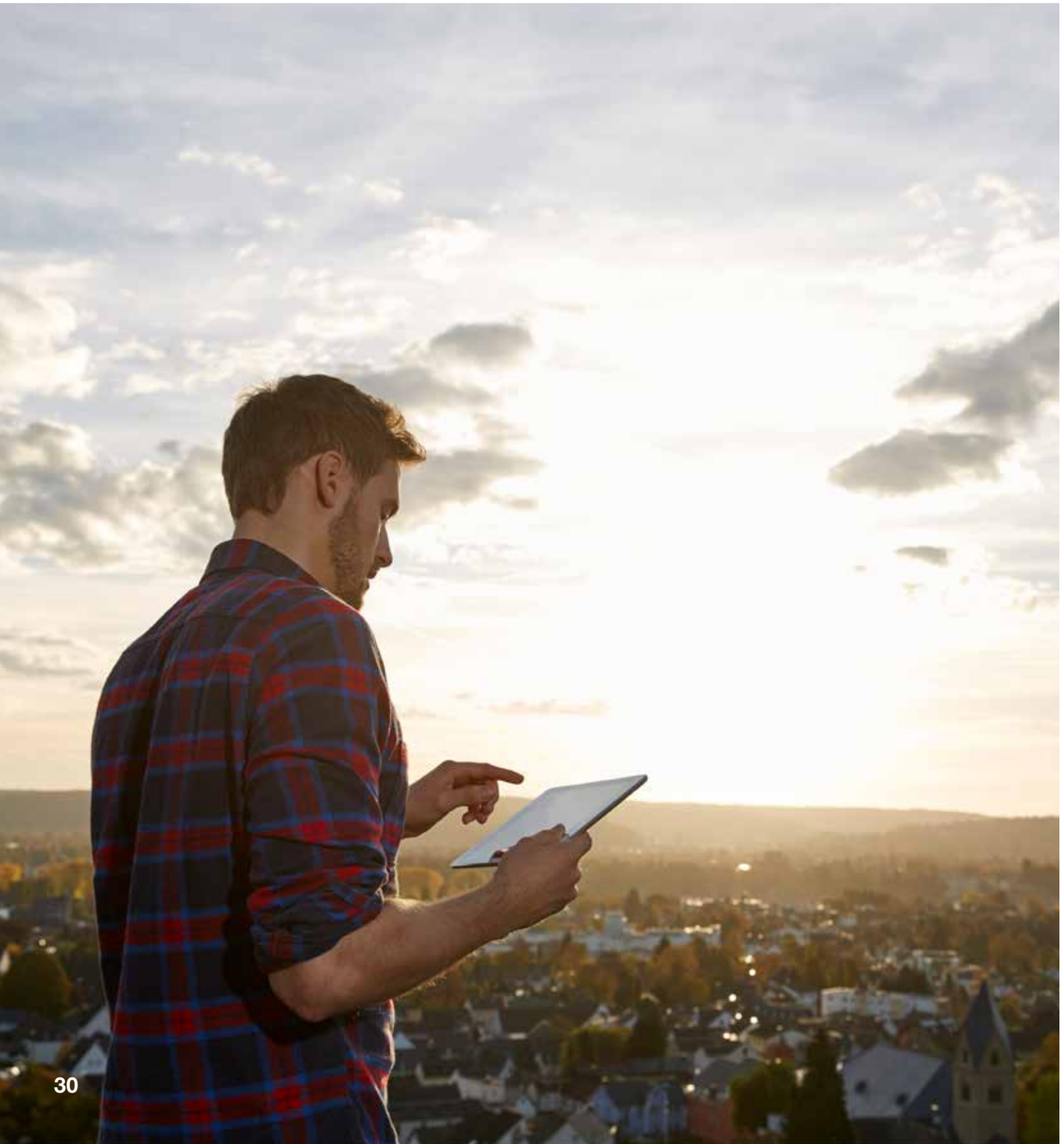
In April 2020, due to the pandemic situation the President of UKE suspended the auction procedure; later, as a consequence of changes in telco law regarding the implementation of the new requirements for the safety and integrity of telecommunication infrastructure and services, auction was cancelled.

Details of telecommunications licences are as follows

(in PLN millions)	Acquisition date	Years to expiration (2)	Net book value At 31 December 2020	Net book value At 31 December 2019
800 MHz	2016	10.1	2,062	2,266
900 MHz	2014	8.5	204	228
900 MHz (1)	2018	-	-	12
1800 MHz (1)	2013	7.0	111	127
1800 MHz	1997	6.6	-	-
2100 MHz	2000	2.0	195	290
2600 MHz	2016	10.1	79	87
Total telecommunications licences			**2,651**	**3,010**

(1) Licences held under agreements with T-Mobile Polska S.A.
(2) Remaining useful life in years as at 31 December 2020.





On June 12, 2020 Orange Polska received a decision on the auction annulment. In September, the Polish parliament appointed the new President of UKE.

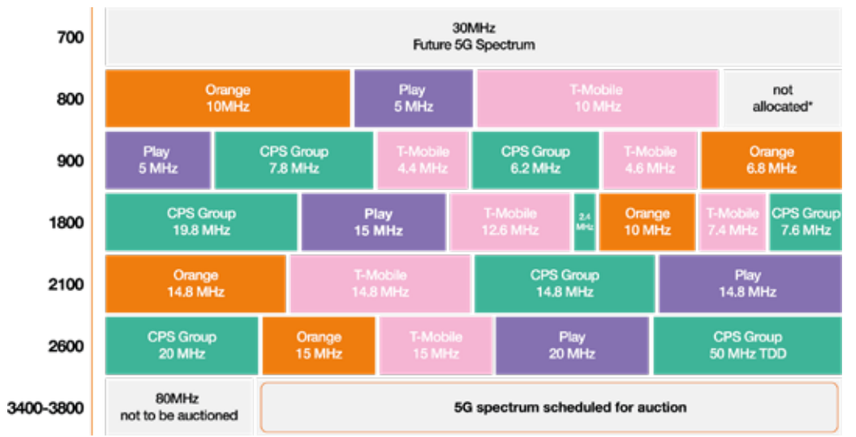
Until May 2021 the new auction process has not yet been relaunched. The delay is linked to prolonging governmental works on cybersecurity act.

Due to the auction annulment in 2020, the Company has decided to implement Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. Currently over 1600 stations enable such 5G service for OPL customers.

700 MHz band is currently required to be available by June 30, 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 still hasn't been decided. There are advanced analyses on the potential allocation of 700 MHz to entity with majority of shares owned by the State which would act as wholesaler (project #Polskie5G). Such a possibility to allocate 700 MHz has been written in the currently proceeded draft versions of Cybersecurity Act and Electronic Communications Law.

Perspectives for allocation of 26 GHz band were consulted by UKE with the market in 2020. Taking into account availability of devices, general level of 5G maturity and delay in C-band allocation we don't expect allocation of this band sooner than in 2023.

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



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

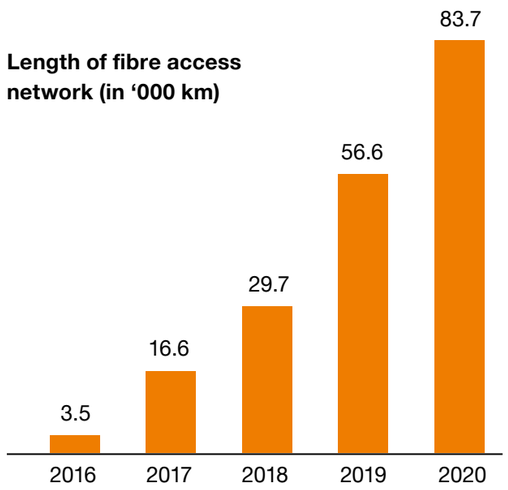
Network

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 (the latter being in the highest demand possible during spring 2020, when COVID-19 lockdown occurred). 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.

Length of fibre access network (in '000 km)



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 15,500 km of fibre in backbone, 91,100 km of fibre in aggregation network and more than 440,200 km of access copper network. The access network is predominantly built in copper technologies; fibre accounts for around 83,700 km at the moment, although it is growing rapidly in line with our intensive fibre investment plans.

Fibre is also increasingly used to connect our mobile base stations, on the one hand to boost our capacity to accommodate growing data consumption, and on the other hand to ensure greater reliability of the network. In 2020 an additional 250 base stations were connected via fibre. At the end of the year, about 55% 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).

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

To ensure the best connectivity and optimal resource allocation, we take the specifics of local markets into account. 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, 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.

At the end of 2020, our fibre access network covered 5 million households in 154 cities and towns. We have delivered on our ambition that we set in our strategy in 2017.

Co-operation with Third-Party Operators has also made a big contribution to the development of our fibre optic network. Thanks to this approach, whenever co-operation is possible, we avoid uneconomical duplication of fibre optic networks. If the extant network meets the standards guaranteed by Orange, we try to use such networks in the first place.

Orange Polska's mobile network services are broadcast from nearly 12,000 base station with over 99% of them offering 4G LTE broadband data covering almost 100% of the population and 98% of the country's territory. 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.

Commercial launch of 5G services in the 2100 MHz band

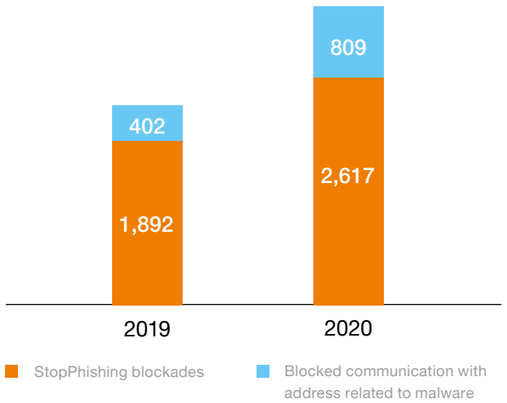
Orange Polska maintains its position that only quick allocation of frequencies in the 3400-3800 MHz spectrum band will enable the launch of full-fledged 5G services of adequate parameters for customers in Poland. Due to the auction annulment, the Company has decided to implement Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. Consequently, as of 1 July 2020 Orange Polska started to offer commercial 5G services via a network of 1,600 base stations located in 370 cities and towns in Poland, to the largest extent in Warsaw, Łódź, Cracow and the Upper Silesian conurbation. In January 2021 we also enabled 5G DSS access in Trójmiasto.

Campus networks

We are also active in the area of building so called campus networks using 5G technology for business customers. Following a series of tests in the Orange Cities project – which started in 2019 in Warsaw and Lublin on the 3.6 GHz band and involved both journalists and our employees and customers – in December 2020 the Company signed an agreement with the Łódź Special Economic Zone for the development of an internal 5G network on the 3.6 GHz band. The network was completed at the beginning of 2021 and provides range inside their headquarters.

In March 2021 we signed a similar contract with the leading households appliances producer Miele which has its factory near city of Łódź. Network for Miele will digitise and automate quality control process for manufactured products and conduct training for employees using virtual reality. Our role is complex, starting from design, through delivery, installation to maintenance.

Number of unique users (k)



Growing customer demand for cybersecurity

Throughout 2020, Orange Polska CERT (Computer Emergency Response Team) observed unusually high activity among phishing campaigns. Distribution channels of these campaigns were e-mail messages, SMS, and – since autumn – popular instant messaging services. Social media were also important sources of cybercrime campaigns. This significant increase in security incidents in the online cyberspace has led to growing customer interest in cybersecurity services. To detect phishing campaigns and collect malware samples, Orange Polska uses internal Threat Intelligence solutions based on Artificial Intelligence algorithms, as well as self-developed 'Honey Pot' platforms (solutions simulating customers' equipment/systems which are exposed to cybersecurity attacks) controlled by Orange Polska. These allow for the proactive collection of malware samples, and identification of new methods of cybersecurity attacks. The chart below shows statistics on phishing and malware attacks blocked in the Orange Polska network. Each blockade represents one customer protected against phishing attack or malware. There was a significant increase over the previous year.

Orange Polska CERT operates around the clock, taking care of all cybersecurity issues that impact users who access the Internet through the Orange Polska network. Customers are protected by CyberTarcza (CyberShield), launched in 2014 as a service to answer a specific market need for the detection of threats in the network and for securing users from malicious activity. Due to the benefit of seamless and automatic work performed in the background, the comfort of use is highly advantageous to the users. Orange Polska is still the unique ISP (Internet Service Provider) in Poland offering advanced cybersecurity services. Almost every day CyberTarcza informs various groups of customers about detected threats related to possible virus (malware) infections on their computers or mobile phones.

In October 2020 The Broadband World Forum awarded Orange Polska with the Best Secured Network Initiative Award for its CyberTarcza (CyberShield). We are very proud that this innovative, technologically advanced and widely available cybersecurity service, which protects Orange Polska customers online, has been noticed and appreciated also in the international forum.





5G network security

Discussion of 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 and 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 January 2020 entitled "Cybersecurity of 5G networks - EU Toolbox of risk mitigating measures." It does not explicitly exclude or prohibit any supplier, but 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.

At national level, there are on-going legislative works (currently at the government level) on the draft law for a national cybersecurity system. This draft law includes inter alia the assessment scheme of the so-called high-risk supplier. Among the assessment criteria there is control over a given supplier by a non-EU, non-NATO state.

The potential introduction of more extensive restrictions in the future would involve the risk of limiting the pool of telecommunications equipment suppliers, and thus could affect the maintenance as well as plans for the construction and development of network infrastructure (including 5G). This may affect the time schedule and/or costs of implementing the 5G network.

5G and electromagnetic field (EMF) emissions

Orange is taking many actions in order to remove all obstacles in the rollout of the 5G system. Many of them are still present from the administrative and public-concern sides.

Active measures, with co-operation with other mobile operators, are necessary to modify national regulations concerning investment procedure and compliance assessment of the mobile base stations. This is necessary even if EMF exposure limits are international since 2020. Many other regulations still follow old limits and provide a major obstacle to 5G rollout. Orange is active in this field including work in the international standardisation bodies.

There is still a need for more work on the public education front, to help people understand that 5G is a vital next step in the evolution of a technology that is both well-known and widely used, and that there is no basis to expect different impacts on the human health.

Network efficiency

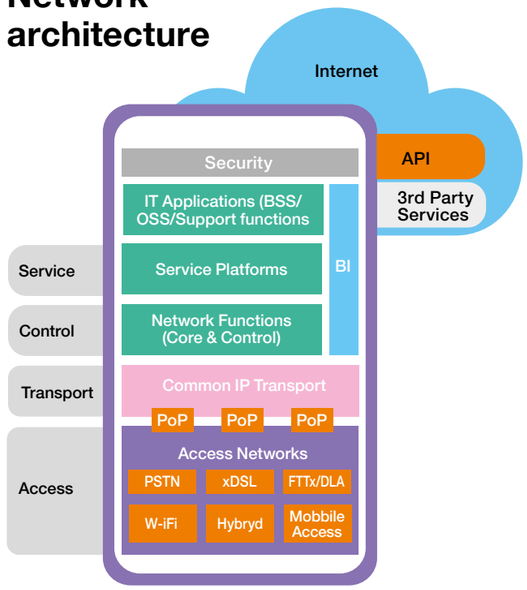
To increase the efficiency of our infrastructure, legacy technologies and solutions which are mainly voice-oriented are being replaced with a converged network capable of handling all types of traffic: voice, data and video. We implement solutions that fully support IP technology, and, thanks to self-healing and dynamic reconfiguration mechanisms, provide for higher service quality while improving cost-effectiveness thanks to massive deployment of 100 Gbps 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 are continuously co-operating with T-Mobile and NetWorkS (a company responsible for network construction and operation). With T-Mobile we share site infrastructure (nearly 12,000 shared sites), which enabled the fast introduction of 4G and optimisation 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 2020, we signed further such agreements, which extended coverage of our fibre services by over 280,000 households. From the beginning of this process we have achieved the additional coverage to OPL's own investment of around one million households.

We participate as a beneficiary in the national Operational Programme 'Digital Poland' (POPC). Planned for the EU's financial perspective 2014–2020, POPC is implementing the Digital Agenda objectives in Poland and providing EU funds to support network construction in areas where standalone commercial investment is not profitable. That allows us to develop our broadband network in less densely populated areas. Orange Polska is now carrying out projects won during the second and fourth POPC competition stage. These include the supply of fast Internet connections (at least 100 Mbps) to 423 municipalities. By the end of 2020 OPL connected around 3,000 schools to fibre. At present Orange Polska continues connecting households, which constitute the major part of the contract with governmental institutions. By the end of 2020 nearly 200,000 of households gained access to OPL broadband services as a result of the implementation of POPC1, POPC2 and POPC4 projects.

Network architecture



#OrangeGoesGreen

As a responsible company Orange Group has declared Carbon Neutrality by 2040, and environmental issues are very important to its Engage 2025 strategy. As a part of this strategy we, as Orange Polska, plan to reduce our CO_2 emissions by 65% in 2025 (compared to 2015) mainly through increase of energy consumption from renewable source to at least 60%. Main CO_2 emissions are from electricity consumption (over 90%), and the majority of Orange Polska's consumption is in Network (over 93% in 2020).

We have a long track record in implementing energy saving initiatives that are consolidated in the Energy Optimisation Program (EOP). Up until 2014, thanks to the EOP, we had energy consumption decreases despite network development and a traffic increase. Between 2015 and 2020 consumption decreased by 15%.

Our activities are grouped in five areas:

- Fix legacy decommissioning by switching off legacy technologies like PSTN, ATM DSLAM, SDH;
- RAN energy efficiency improvement by implementing energy saving features developed by RAN suppliers;
- Technical environment modernisation through modernisation of air conditioning and power-supply swap;
- Building new energy efficient Data Centres and relocating equipment to these new locations;
- Big-data energy savings by using data to optimize energy consumption.

We plan to continue this path in the future but right now we don't see the possibility to totally compensate consumption increases because of network development (mainly 5G).

In parallel with energy efficiency activities, Orange Polska is increasing the volume of green energy used for our needs. In 2021, delivery from our first physical PPA (Power Purchase Agreement) will start. New PPAs are planned in the coming years.

We are also installing PV on our sites using the Solar as a Service model. This installation will be launched on two Data Centres with 0.9 MWp power. Similar installations on rooftops and mobile sites are planned in the future. We see 3.6 GWh/yearly potential of green energy from this.

Because of these activities, despite a planned energy consumption increase, we will be able to decrease CO_2 emissions and meet our goals.



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. In 2019 we 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 generated good sales results. In sales outlets we meet with customers who need assistance in choosing an offer; for time-sensitive customers we offer telesales; and those who prefer to have the complete information set and extensive price comparisons before making their decisions 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;
- Orange Guide (content marketing). In 2020, we published 272 new articles and we already have 442 of them in total. In the Google search engine, we are displayed among the top-five search results for over 3,500 phrases, and in 2020 more than 750,000 users accessed the Orange Guide, making well over 2 million visits.

In 2020, the popularity of the My Orange application continued to grow. Currently, more than one million customers within our network log on to it every month. This is 10% more than in the same period last year. The number of orders placed through the application in 2020 increased five times compared to the previous year.

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 impact of COVID-19 and growth of online sales, traditional points of sale still retain their importance. POS accounted for almost half of total sales in 2020, 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 2020, despite the pandemic situation, we continued the Best Retail Network (BRN) Program – a comprehensive set of activities to improve sales efficiency and customer experience, in four streams:

- Best POS – a modernisation of our shops network, working towards all shops having a highly functional design and visualization supported with IT tools;
- 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 our 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've already observed driving efficiency from tools developed in BRN. In terms of Best POS, solutions that were 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. Movements in Best Location, including relocations to a better and more attractive place, bring additional value and also enhance our customer experience. The Best People and Best Quality streams delivered many achievements for POS channels in the area of sales rep's motivation and service quality, especially during the pandemic period. Thanks to solutions developed



by BRN, like our flexible working model and special safety rules, we were able to conduct sales during lockdown period even across the shops network.

Customer care

Delivering top-quality customer care remains our priority. We want every customer interaction with Orange to be positive, and to ensure a uniform and consistent experience, regardless of the contact channel chosen by customers. To do this, we use the Orange Group's proven customer journey management methodology. Continuing the strategic priorities set out in previous years, and adapted to the pandemic situation, we focused on the development of remote and digital channels of customer care in 2020.

Mix of friendly contact channels

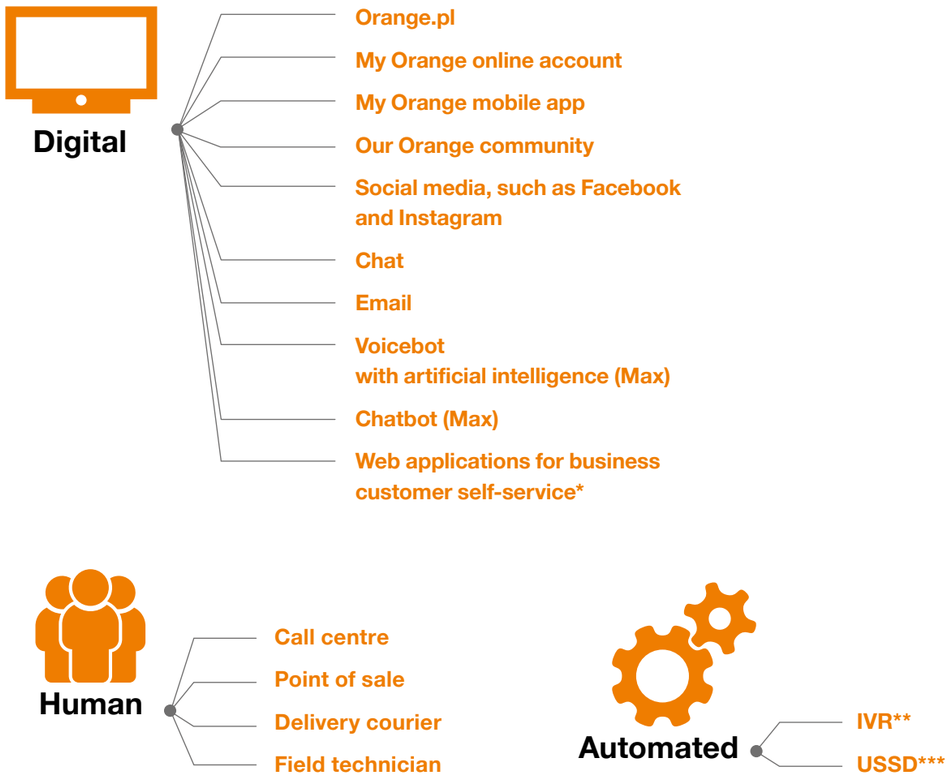
We know how important it is to adapt the available contact channels to the preferences and, recently, the capabilities, of our customers. Therefore, we try to respond to their evolving needs with cutting-edge technologies, while continuously ensuring the best quality and standards.

Like in 2018–2019, in 2020 we prioritised the development of digital channels, primarily our voicebot, Max, and My Orange. 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. As an additional boost to the development of digital channels, we launched the Digital Boost programme in the second quarter of 2020, which aims to support the active use of digital channels by Orange customers.

Artificial intelligence (AI) and robotisation have played a major role in the development of our customer service channels:

- Since 2019, our customers have been supported by Max, the AI voice of Orange. Max answers 100% of calls to our service infolines. In 2020, the scope of assistance of our voicebot Max was extended to include outgoing calls

Customer contact channels mix



* 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).

regarding service purchase offers, overdue payment handling and situations in which customers are not satisfied with how their matter has been handled through traditional contact channels.

- Our customers are increasingly using chat functions. As at the end of 2020, Max was used in all customer service chats, successfully resolving over 15% of all issues without the need for follow-up by a consultant.
- In 2020, we continued to expand the automation and robotisation of customer service processes (RPA), providing for top service quality coupled with cost effectiveness in further processes.

As for improving traditional channels, our priority was further standardisation and related improvement of service quality. We are the only telecom provider in Poland that has been operating in compliance with the global COPC (Customer Operations Performance Center) 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. Our special pioneering achievement was the implementation of the COPC Enterprise standard in the second half of 2020, which encompasses customer operations enterprise-wide rather than concentrating on the efficiency of individual locations.

COVID-19 impact

The pandemic had a major impact on our decisions regarding customer care organisation in 2020. In order to maintain the availability and high quality of customer care, we had to reorganise the functioning of our customer service team. The key change involved migration of our infoline consultants to remote work.

Over 95% of our first-line customer service employees were transferred to remote work over just four weeks at the end of the first quarter and beginning of the second quarter of 2020. Moreover, within a short time we reinforced and expanded the scope of assistance offered to customers through digital channels.

The effectiveness of the introduced solutions was confirmed by a high NPS ratio after infoline calls. Despite the pandemic, the NPS remained at the previous year's level throughout 2020, even exceeding it in some months.

At the end of 2020, we were ranked the #1 operator in terms of customer satisfaction, which had also been our strategic ambition. The highest ever absolute level of NPS is a consequence of our prolonged and consistent efforts to improve all the elements of the 'customer journey', from network connectivity to portfolio structure, sales and customer care. Due to the pandemic, the consumer moods on the entire market in the second half of the year were slightly worsening, which is why we have even greater reason to be satisfied.

Customised service

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

- Senior citizens (over 65).
- People with disabilities.
- Customers preferring digital channels.
- Premium customers.

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

As a result of this customisation, 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 wide sector regulation including the one 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. In particular OPL is obliged to prepare regulatory accounting separation statements and perform cost calculation for LLU and BSA services, which are to be verified by independent auditor annually. 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. OPL, as other beneficiaries of public funds, is also providing wholesale access to its network built within POPC programme based on BSA and LLU as well as access to infrastructure.
- Regulation of call termination services. The level of termination rates will be established in Delegated Regulation, and the rates will be implemented since 1 July 2021.
- The single EU-wide maximum rate for voice call termination on a mobile network (MTR) will be 0.2 eurocent per minute (ec/min) from 1 January 2024. The path to reach this level is as follows:
    - 0.7 ec/min - this rate will apply from July 1, 2021
    - 0.55 ec/min from 1 January 2022 to 31 December 2022,
    - 0.4 ec/min from 1 January 2023 to 31 December 2023.
- The maximum EU-wide rate for terminating a voice call in a fixed network (FTR) is 0.07 ec/min from January 1, 2022. Until then, a transitional of 0.005 PLN/min (0.112 ec/min) will apply in Poland from July 1, 2021.

UKE has recently issued a decision deregulating wholesale market of High Quality Access.

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.

At EU level, the list of markets susceptible for *ex ante* regulation of significant market player has been limited to two markets: Wholesale local access provided at a fixed location (LLU) and Dedicated capacity (incl. mobile backhaul). The implementation of the EC recommendation requires a new market review and relevant UKE’s decisions.

At national level, there are on-going legislative works (currently at the government level) on the draft law on national cybersecurity system. This draft law includes inter alia the assessment scheme of the so called high-risk supplier.

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. The outbreak of COVID-19 pandemic in 2020 significantly affected the Polish economy. This was the first economic recession in Poland for 30 years; however, it turned out to be relatively shallow in comparison to West European countries. Still the active pandemic and its consequences for individuals and businesses make uncertainty the most common word among economy forecasts. Despite this fact,the majority of prognoses indicate an economic rebound already in 2021 and positive dynamics in the years to follow. That is possible thanks to COVID-19 vaccines and growing number of people in the society who are already resistant to the coronavirus.

GDP growth

The pandemic outbreak has dynamically changed the market situation. After 4.5% GDP growth in 2019, the Polish economy noted GDP decline in 2020 (-2.7% according to the Central Statistical Office). It’s worth to be noted that based on European Commission data this last year decline was one of the lowest among EU countries. The negative economic conditions were related to COVID-19 pandemic and resulted mainly from a decline in domestic demand, investments as well as private consumption. Still under some restrictions, the Polish economy is expected to rebound in 2021 and following years. Poland’s economic outlook, especially nowadays, depends also on the condition of other European economies and the “new normal” economic climate in global markets.



Inflation

Average annual CPI reached 3.4% in 2020, well above the inflation target (2.5%). This was the highest level noted since 9 years. Relatively high inflationary pressure (still above the National Bank of Poland's inflation target) is expected to continue in the next few years, mainly due to a rise in electricity prices and administrative costs. Despite continued inflationary pressure, the Monetary Policy Council in the face of the pandemic lowered the reference rate to historically low level of 0.10%.

On the Polish telecom market, price stabilization started in 2019 and continued in 2020 especially thanks to "more for more" strategy adopted by major players.

Acceleration of Polish revolution towards digital thanks to telecommunication services is expected to continue as those services occurred to be essential for individuals, businesses and institutions in COVID-19 reality. New sector investments will need to adapt to the current market situation according to inflationary pressure and the rising convergence competition.

Unemployment and labour costs

The labour market has been also negatively affected by the general macroeconomic climate hit by COVID-19 in 2020. At the end of December 2020 unemployment rate in Poland grew to 6.2% (+1 pp. year-on-year). That was the effect of lockdown in the second quarter of 2020 and following coronavirus-related restrictions harming the business sector. At the same time, an increase in wages in the enterprise sector was reported; however, the pace slowdown in year-on-year comparison (+5.4% year-on-year in nominal terms). A further increase in unemployment may be expected in 2021 as a result of the existing COVID-19 restrictions. Unemployment level will be triggered by business sectors prosperity, depending also on financial support (provided also by the EU budget and recovery plan).

Interest rates

In the face of the pandemic, the Polish central bank lowered the reference rate to its historic low of 0.10%. The Monetary Policy Council does not expect to change its policy in 2021. This policy might be continued until the end of the term of office of the current Council, which ends in 2022. However, a potential increase 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. In 2020, the Polish zloty lost 8.4% against the euro and gained 1.1% against the US dollar. The Polish currency fluctuations were caused mainly by external factors. Any potential depreciation of the Polish zloty should not have a 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. The COVID-19 outbreak in 2020 made the telecom sector visible as never before, as it has significantly accelerated market changes towards digital solutions in Poland. Network quality was revealed to be essential for everyone, which is why we could observe higher market demand for fixed broadband connectivity, especially fibre services. The telecommunications market is also evolving in terms of technology, as we are at the dawn of the 5G era and all the new solutions and services it promises to bring to the Polish market – a transformation of particular importance for business customers. 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 data. In the past, these factors have had a critical impact on the overall performance of the market and resulted in prices of telecom services to be among the lowest in the European Union. The market landscape changed significantly 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 in 2019 very low prices of telecom services, relatively equal market shares among major players and upcoming investments in 5G technology. That is why we expect market participants to continue to focus on value generation.

The Polish telecom market – an improving picture

According to our estimates, after stabilisation in 2018, the value of the Polish telecom market experienced growth in 2019, and remained at a stable level in 2020. Historically, 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 rapid proliferation of affordable mobile services, partial regulation of this segment and 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 compared with 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. The telecommunication market was quite resistant to COVID-19 market turbulence. With new regulations and imposed restrictions, both residential and business customers changed their service consumption patterns. Mobile data surged together with interconnection rrevenues, while roaming services dropped and prepaid and equipment sales varied in selected quarters of 2020. Additionally, fast fixed broadband services reached historically high demand during the COVID-19 pandemic. 2021 is still driven by market uncertainty related to further waves of the pandemic. However, thanks to the vaccine process already underway, 2021 may have a more positive outlook for the market. The telecommunications market is heading towards fixed-mobile services convergence – a direction confirmed in 2020 by market operators.

Expected future market trends shape more positive outlook

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

- Significant investments in high-speed broadband infrastructure will continue and shape the telco market. 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 FiberCo partnership with APG and governmental POPC programme), Poland's fibre network is about to 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. In 2020 we also saw mobile players entering the POPC networks and the announcement from Play, after its acquisition by Iliad, that it would be moving towards the fixed broadband segment – further confirmation that convergence is the formula for the future.
- The major shift on the Polish mobile market is towards 5G. This new technology will significantly change our environment and, thanks to new possibilities like AR/VR, will create new types of services. Individual customers will be able to enjoy new experiences through the likes of gaming, education and purchasing. 5G is also especially important for business customers in industry 4.0 solutions. Private networks (dedicated to large business accounts), AI and data analytics will create additional value and speed up companies' digitalisation on the market.
- Data consumption is on the rise, spurred by the proliferation of mobile devices and the rapid 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
- 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 in 2019 and Craftware in 2020; Cyfrowy Polsat's investment in Asseco Poland shares; the acquisition of 3S by Play; as well as Orange and other market players' investments in data centres.
- Everything is moving online and into the cloud, enabling the evolution of such services as the Internet of Things, Smart Homes and Smart Cities. These solutions will support 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.
- 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 – the first MNO on the Polish market to do so.

Market acceleration towards digital, and the transformation of our customers' daily online activities driven by COVID-19, are based on telecommunication services. 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 us better equipped to capture positive market trends than in the past, thanks to several key enablers:

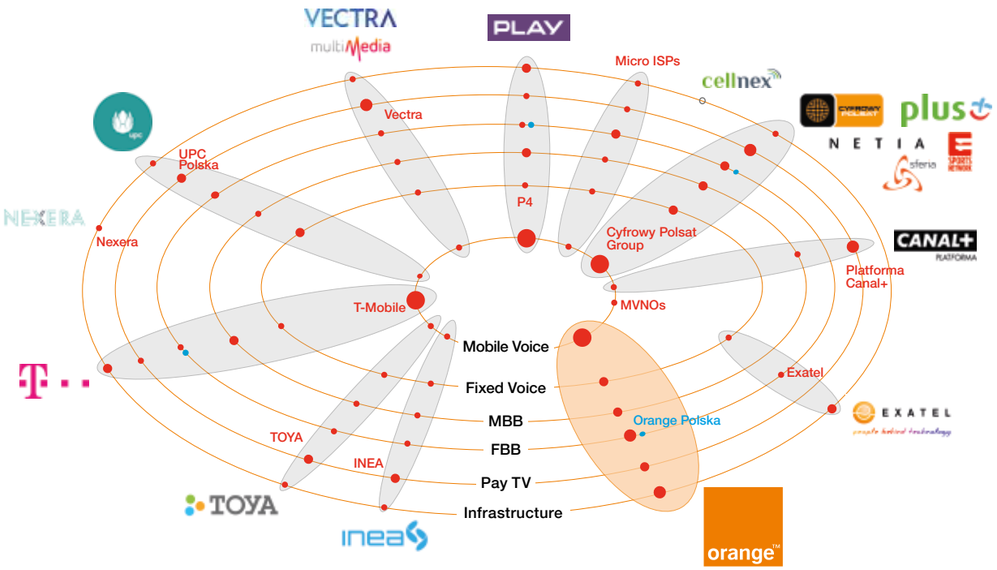
- **Fibre network rollout:** Our significant deployment of the fibre network is gradually closing the technological gap with cable operators, and has already contributed to our return to a growth path. Fibre is future-proof technology that will give us competitive advantage for many years to come. It is also the most environmentally sound, as this technology is up to five times more energy efficient than xDSL (per Gb). After delivering on our ambition to deploy fibre to 5 million households we intend to expand our footprint further. That is why we launched the FiberCo project with the aim to roll-out the FTTH access network to about 1.7 million households in Poland, predominantly in the areas without extant high-speed broadband infrastructure.
- **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. In 2020, all MNO players on the Polish market already started to offer fixed to mobile convergence and have entered in wholesale deals with fixed broadband infrastructure providers.

The trend will accelerate in 2021 because of fixed infrastructure development (e.g. Orange Polska's FiberCo, POPC), operators' moves on mobile infrastructure (Iliad and Cyfrowy Polsat selling the infrastructure to Cellnex) and finally Iliad entering the market and looking for access to fixed as the base for its convergent offer.

- **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 while in 2020 acquired 100% stakes in Craftware, strengthening its position in ICT and the B2B sector.
- **Innovations:** We see enormous market potential in innovations supporting our products and services (also via partnerships) as well as new solutions in customer service (e.g. chatbot Max, paperless contracts).
- **Orange Goes Green:** We are aware of our role and responsibilities in terms of climate change. We have set a goal of reaching Net Zero Carbon by 2040 through our internal actions and focus on new services.

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 61.

Main Players on Polish Telco Market



Note: market view as of EoY 2020
Cellnex: new infrastructure player on PL market, w/o revenues in 2020

In 2020, these key enablers proved significantly important to Orange Polska's activities through the year of the pandemic. Thanks to them we could not only deliver the services and products our customers need, but also support them with the appropriate service for this new market situation. We are convinced that thanks to those enablers, in 2021 we will be able to act in a sustainable way by providing both operating profitability and revenue growth.

Orange Polska: a key player in all market segments

The Polish telecom market is fragmented, both in mobile and fixed segments. In 2020, the mobile market changed as Play was taken over by French operator Iliad, which may have a significant impact on the market dynamics in the future. According to official announcements, Iliad is planning Play's expansion to the fixed market, which confirms the underlying market trend towards convergence. It is not yet clear how Play intends to build the reach of its fixed-line services. The whole market is visibly turning towards mobile-fixed combinations.

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.

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 Co-operation (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 2020, 76 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 co-operatated 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 co-operation. 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 88.6%. 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 2020, 100% 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 co-operate with Orange Polska can register to join a database of potential suppliers, allowing them to participate in the Company's procurement processes.

Social

Poland's standard of living has been improving steadily over the years. The COVID-19 pandemic that struck the world in 2020 hampered the developments but Poland's economy in macroeconomic terms seems less affected than those of other European countries.

At the end of the third quarter of 2020, the employment rate in Poland stood at 69% (4.6 p.p. less than in 2019, first fall since 2004), and for the first time was above EU average of 67.8%. However, the rate in Poland varies considerably across educational attainment levels and with respect to gender. The pandemic only exacerbated the problem. While the employment rate for people with tertiary education rose despite the lockdowns (up to 88.2% as compared to 83.4% in the entire EU27 area), it remains much lower and rapidly shrinking for those with primary and lower secondary education. Only 25% of working age Poles with the lowest level of educational attainment were employed in Q3 of 2020 (the number nearly halved over 12 months and is about 20 p.p. below EU average). In case of women in this educational category the rate stands at mere 16.2%, and it is even lower for youngest of them – only 8.2% are employed (against UE average of 35%). Other problems of the labour market include steep rise in self-employment which replaces job contracts (6.4% over the course of 2020), and rapid loss of jobs under fixed-term or civil contracts (by 14.3% - which stands for nearly 400 thousand jobs). In the light of these facts the surprising fall of unemployment rate to 3.3%, reported by Eurostat in December 2020 (with UE average of 7.5%), might suggest that wider groups of Poles are pushed towards insecure employment forms or are deterred from seeking employment whatsoever.

The above-mentioned trends might undermine the effects of recent efforts to eradicate poverty and reduce inequalities in the country. Since 2015 an increase in the minimum wage, changes in civil contracts and – above all – programmes of social

benefits for families (PLN 500 monthly allowance per child, PLN 300 yearly allowance for school starter kits) have radically improved the situation of many vulnerable groups, particularly those of lower social and economic status. As of 2020, crisis in the labour market, increased inflation that diminishes the impact of social transfers (purchasing power of 500+ fell by 10% since 2016) and risk that social programmes would push women out of the job market become more prominent.

Such developments are especially worrying, as income inequality rates that were steadily falling in Poland since 2005 started rising again even before the pandemic, in 2019. The Gini coefficient of income inequality, which measures the distribution of (equivalised) disposable income across the society, has been falling from almost 35.6 in 2005 to only 27.8 at the end of 2018, but started moving up in 2019, reaching 28.5 – still well below EU average. This trend would be even more alarming if we take into account work of some economists, who argue that for Poland inequality levels based on tax data might be even 25% higher than the official statistics based on declarations – thus placing Poland among the least equal societies in EU (see Blanchet, Chancela, Gethin, 2019).

In addition, Poland is still facing the problems of a rapidly ageing population. 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. In addition to that, the number of births fell by 5% in 2020, reaching the lowest level in 15 years. The economic effects and temporary failures of healthcare system during the pandemic will undeniably strengthen this trend.

In the reality of pandemic, internet access is 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 2020 more than 9 out of 10 Polish households had access to the internet. Almost the same share of them (89.6%) had a broadband connection – a fairly steep rise since 2019, when 83.3% of households had it. The biggest improvement in broadband adoption over 2020 could be seen in rural areas and small towns, nearly closing digital divide to the biggest cities in this respect. Especially mobile broadband gained unprecedented traction with almost 67% of Polish households accessing fast internet by its means (rise by 12.4 p.p. since 2019).

Since the internet became the main means of functioning in many fields of life, digital exclusion touching certain social and demographic groups becomes an especially urgent problem. Use of the internet and modern technologies varies with social and demographic factors, especially age, professional activity, and education. The internet is used by the great majority of young people and very few seniors. Digital divide starts in the 55+ age group, but the most affected group is those aged over 65 – with only 40% of them regularly using the Internet. Education level plays a major role as well, with 98.2% of Poles with tertiary education regularly online, compared to 75.6% of those with upper secondary and 67.8% with primary or lower secondary education. The problem is also greater than average among unemployed, with nearly 20% of them not using the internet regularly in 2020.

What might be worrying in the face of recurring lockdowns and economy shutdowns is the level of digitalization of Polish enterprises. Even though at the end of 22020, 98.6% of enterprises in Poland had broadband internet access, their overall level of the digital intensity index is one of the lowest in EU, with 60.4% of them rated as "very low". Before the pandemic 30% of Polish enterprises didn't have a website (7 p.p. more than the EU average), and mere 16.5% of them were selling goods and services online (as of 2019), which is well below EU average as well.

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 100% of the purchasing team. Rights related to diversity are covered by our diversity management policy (more on p. 137), while privacy and data protection by our customer safety policy (more on p. 107).

A separate corporate social responsibility clause is 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

Digital technology is used daily by 6 billion people worldwide. The ICT sector (fixed and mobile networks, Internet of Things (IoT) devices, VPNs, data centres, as well as user devices: smartphones, computers, set-top boxes, etc.) accounts for about 3.6% of global energy footprint and about 1.4% of global CO_2 emissions[1].

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 to reduce our environmental impact, both direct and indirect. Our target is to become net zero carbon already by 2040 with respect to our own direct and indirect emissions as well as value chain emissions.

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 activities of others. Digital technology is now integrated into all sectors of human activity, and developing its sustainable uses is becoming 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.

Modern digital technologies are a major tool to solve climate issues. Telecommunication services support green transformation and offer solutions which enable our customers to reduce their carbon footprint. Tele- and video-conferences decrease business travel (especially by plane), while IoT solutions, particularly in the Smart City domain, optimise consumption of resources (e.g. electricity or water) and reduce emissions and pollution thanks to smart management and monitoring systems for municipal services (e.g. utilities supply, city lighting, parking places, city bikes or waste collection).

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.

[1] Source: Malmodin and Lundén, Sustainability Journal 2018, International Energy Agency.

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 173.



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 134.

Strategy

Q&A with Julien Ducarroz, Orange Polska CEO



Q: 2020 was obviously defined by the pandemic, how did Orange Polska cope with this unprecedented challenge? What could be its long-term implications for your business?

A crisis like that tests the ability to adapt to unprecedented external challenges. We had to immediately revise our priorities and give top focus to the safety of our employees and our customers, as well as to business continuity. We reacted very swiftly, organising remote work for around 10,000 employees within just a few days and ensuring continuation of all business processes without disruptions.

Fortunately the majority of our revenues and profits are derived from subscription services so our operations proved relatively resilient to the pandemic. This crisis particularly validates the investments in network quality that have always been in the centre of our strategy. As connectivity has become absolutely crucial we rushed to provide social support – for example by upgrading network performance in some hospitals, providing them with smartphones, supporting teachers and pupils in the transition to online learning through a special Orange Flex offer, and supplies of equipment and webinars organised by the Orange Foundation.

However that does not mean our business didn't suffer. Many of our plans had to be cancelled or postponed. Reduced mobility among the population impacted roaming and prepaid business. The biggest change was to our plans regarding the disposal of real estate. We have achieved our 2020 financial goals despite the pandemic, but it would be much more difficult had we not launched exceptional mitigating measures in both operating costs and capex.

We all do hope that our lives will be gradually returning to normal, but I believe that the pandemic will change certain areas of business forever, for example work environment. After the pandemic we will introduce a permanent hybrid work system in Orange Polska and we will work to optimise the usage of office space.

Q: 2020 has completed Orange Polska's .one strategy. How successful was it in your view? What went very well and what could have been done better?

Orange.one strategy was a great success. In fact, it's not an exaggeration to call it a revolution. Why? Because we managed to reverse multi-year negative trends in our key financial metrics. The strategy brought a turnaround and proved that constant downward trends are not a fatality. What is very important is that we delivered on all our financial goals, which means that we are credible.

There were three key pillars of success. Firstly, massive investments in fibre network which provided the basis for our commercial expansion based on fixed-mobile convergence in the mass market and on convergence and partnership in digital transformation in the business market. Secondly, our value strategy. As the first operator in Poland we adopted 'more for more' pricing policy and strictly followed value approach in all our commercial activities. Thirdly, business transformation towards higher efficiency across all areas through the simplification of business processes and, wherever possible, their automation and digitisation.

Being a customer-obsessed business we are particularly proud that we have become the most recommended operator on the Polish market as measured by NPS. This was our strategic goal and we achieved it. Please note that we were still number three in 2018.

At the same time we are aware that in some areas, even though we made clear progress, there is further room for improvement. One example is digitisation of customer relations. Share of online sales is increasing but below the pace of our ambitions. Also, in certain adjacent areas like sale of devices I think that we should be able to secure a greater share of this market away from the retail chains. We will address these topics in the next strategic period.

Q: Orange Polska will soon present its new strategy. What should we expect, a continuation of the previous strategy or new directions?

I just mentioned that Orange.one was a success, so there's no reason to change its main pillars. We see room for further fibre in Poland, we will stick to our value strategy and continue to increase efficiency, but we will put a new dimension to some of these activities and obviously add new elements.

Certainly, the new major element will be the 5G network development, which opens up new perspectives in both business and consumer markets. We also want to become a more innovative company, focusing to a greater extent on artificial intelligence and virtual reality. Furthermore, there are growing volumes of data globally which need to be stored and analysed, and we want to be involved in this process. We see development opportunities for our company in the area of digitisation of e.g. sales and customer-relations processes. Importantly, we strive to consider the impact of our operations on the economy, society, and the environment, so sustainable development will be another major element. We intend to diversify our energy mix, so that a portion of it will come from renewable sources.

Let me leave further details for the announcement time.

Q: The key theme in the industry over the new next few years will be implementation of 5G technology. What opportunities do you see here for Orange Polska?

For us 5G is a natural extension of previous generations of mobile technologies. In its basics 5G will make mobile data transmission much faster but more importantly for its future applications it will have much lower latency (the time needed for two devices to communicate) as well as much bigger capacity (the number of devices that can be connected to the network at the same time). 4G is not able to handle the constantly growing number of connected objects, all of which are transferring more and more data. Development of 5G will be more gradual than it was the case with previous technologies, and its benefits will reveal themselves over the longer term. For mass-market consumers, today 5G does not carry the step change similar to the ones caused by 3G and 4G, which were the possibility of sending pictures and watching and sending video.

From today's perspective it seems that 5G offers more monetisation opportunities on the business market that will go beyond simple connectivity. 5G will open whole array of possibilities to automation processes and use of artificial intelligence in various industries from manufacturing to agriculture. All the devices receive and process data much faster enabling steering of manufacturing processes remotely in real time. It will boost robotisation and machine learning. These processes will be functioning in closed ecosystems often on designated slices of the mobile network. 5G services will enhance a variety of smart-city use cases, including transportation, public safety and security, and citizen services sectors. This means much bigger synergies between connectivity and ICT area, and Orange Polska is very well positioned here to benefit.

We are already active in the area of building so-called campus networks using 5G technology. Earlier this year we signed contracts with Łódź Special Economic Zone and the leading households appliances producer Miele, which has its factory near the city of Łódź. The network for Miele will digitise and automate quality control process for manufactured products and conduct training for employees using virtual reality. Our role is complex, starting from design, through delivery, installation to maintenance.

Q: Orange Polska has just adopted its climate policy. It also has a climate officer - probably the only listed company in Poland to do so. Why do you think engagement into a fight against climate change is important for a telecom company?

In the case of Orange Polska and in my own case, this came from the conviction and motivation that - as inhabitants of this planet - we should realise that we have a problem and that we must address it. The digital industry has a special role to play - our services have the potential to enable the green transformation of our clients across all other sectors. Fast and efficient connectivity and services based on IoT solutions are contributing to the development of smart living, working and manufacturing. According to GSMA estimates, one tonne of emissions by telecom sector could contribute to reducing up to 10 tonnes of CO_2 emissions in other sectors of the economy.

Orange Polska takes full responsibility for its impact on climate change and we committed to act to achieve net climate neutrality (Net Zero Carbon) by 2040. It is 10 years earlier than the EU recommends. Our first milestone is 2025. By this date we will achieve a deep cut of our CO_2 emissions in Scopes 1 & 2 by 65% vs 2015. We will do it primarily by increasing to 60% the share of renewable electricity in our consumption mix using long-term Power Purchase Agreements directly with the producers of green energy. This means that we have to proactively search for and support new projects in this area. We will also continue to optimise energy consumption. Please note that we have been reducing consumed energy volumes each of the past few years despite constant increase of data volumes on our networks. Deployment of new, much more efficient technologies such as fibre and 5G will also contribute here: the average electricity consumption per customer using fibre is around 80% lower compared to consumption using copper.

I strongly believe that this responsible approach goes well with our business. Consumers increasingly pay attention to their own carbon footprint and also the carbon footprint of the products they use. We aim to implement exemplary practices in terms of a circular economy. For example, we will buy back older smartphones and accept for recycling used or broken mobile phones in every Orange store, and we will introduce innovations in our devices to extend their life and reduce energy consumption. All these commitments mean that we are very serious about this topic.

Q: It has now been more than six months since you came to Poland. What is your vision of the Polish market, and Orange Polska, a few years down the road?

Polish telecom market underwent a significant change in 2019 with some operators increasing prices in a 'more for more' formula. Taking into account the very low level of prices of telecom services in Poland compared to other European countries and permanent cost inflation in many areas we believe the sector is, and will further be, focused on value and that the competition will be based mainly on the quality of infrastructure, service and the customer experience.

It is interesting to see that Poland is increasingly becoming a meeting point, of interest to large European telecom operators, with two of them entering in recent months. This is a clear sign this market is attractive and offers growth opportunities. Clearly, all of the key market players are heading towards convergent operations, a model that Orange Polska already adopted several years ago. We were pioneers, now others follow us – which means that our strategy was right.

The pandemic showed that customer behaviours and needs are changing and we need to follow that and reap benefits. Fibre connectivity on the fixed side and 5G on the mobile will define key battlefields in many years to come both in B2C and B2B. As I already mentioned with the Orange.one strategy our Company made a breakthrough but for us it is not time to celebrate – especially since the Polish market is very competitive. We need to complete our journey from a legacy to a digital telco. We need to actively look for innovative and creative ways to pursue business opportunities and the FiberCo project is a good example. We are already seeing high synergies between connectivity and ICT, and I am convinced that this trend will grow much further with the arrival of 5G and trends towards digitisation. We are well positioned here with recent investments into software and integration competencies but we need to further build business on that and explore fully market potential. Looking longer term for new simplification initiatives across our entire value chain, we will strongly consider limiting our number of services platforms. Development of 5G and fibre makes previous generations of technologies more and more obsolete and maintaining them is not efficient. I have in mind 2G and 3G in mobile, and the copper network.

To be better prepared for effective competition it is important for us to continue the cultural change in Orange Polska that was initiated by the previous strategy. We need to be even more open in communication and dynamic. People need to be given more empowerment. I strongly believe in flat and simple management structures with less hierarchy.

So there is a lot of opportunity and many challenges ahead of us. I am an optimist and I see a bright future for our company.

Our Strategy

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**

2020 completes Orange.one strategy…

2020 was the last year of implementation of the Orange.one strategic plan that we announced in September 2017, marking our new approach to long-term value creation. We aimed to become Poland's first-choice telecommunications operator for consumers and businesses, at the same time creating a business model that will generate sustainable growth in sales and profits.

Essential to the value-creation plan were heavy investment in the fibre network and pursuing a convergence strategy. Development of business lines with growth prospects, as well as exploring unique market opportunities were necessary to offset ongoing pressure on our revenues coming from legacy services – which once constituted the core of our operations, and which have been in structural decline for a number of years. At the same time, we were radically transforming our operations to be more agile, digital and flexible, with a strong online presence and highly automated processes.

Moreover, we were 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.

…which has been implemented with great success

We believe that the Orange.one strategy has been a success. In our opinion, Orange Polska has considerably improved its market position in all key segments of the market, and has become a much more efficient operator. The crucial element was our investment in the fibre network, which supports our convergent strategy and provides our long-term competitive advantage. At the end of 2020, 5 million households were connectable with our fibre network, meeting the strategic ambition we formulated in 2017. Our share of fibre customers has tripled over the last three years, reaching 27%. We have achieved a major customer-base increase in all key service categories: convergence, fixed broadband and mobile. Simultaneously, our value strategy and fibre expansion have driven a very significant improvement in ARPO trends.

We have met all the financial goals set in our strategy, reversing prolonged negative trends and returning to growth. Our key measure of operating profitability, EBITDAaL (or, previous to 2019, adjusted EBITDA), has been growing for the last three years, while our revenues have been growing for the last two years. This growth is a result of the implementation of our convergence strategy, monetisation of fibre network investments, steady focus on value generation in our commercial activities, 'more for more' pricing strategy and very high savings on costs. Operating profitability has been improving despite continued structural pressure on high-margin traditional fixed-line services, the erosion of which almost fully filters through to profits. The growing operating profitability has led to an increase in cash generation and a decrease in net debt and leverage ratio.

At the end of 2020, we were ranked the number-one operator in terms of customer satisfaction, which had also been our strategic ambition. The highest-ever absolute level of NPS is a consequence of our prolonged and consistent efforts to improve all the elements of the 'customer journey', from network connectivity to portfolio structure, sales and customer care.

We also believe that there is room for improvement in certain areas, and we will address it in the next strategic period.



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. This investment is structurally improving our competitive position, and gives us leverage to win back market share in densely populated areas. It also constitutes a key engine for our commercial activities, being an important lever for our convergent strategy.

We have completed six years of investments, reaching five million households within the range of the service at the end of 2020, which fulfilled our strategic goal. That number includes the majority of households in big cities and also a significant proportion of smaller cities. It also includes around 200,000 households in more rural areas, where fibre access is covered by the government POPC programme (subsidised by EU funds).

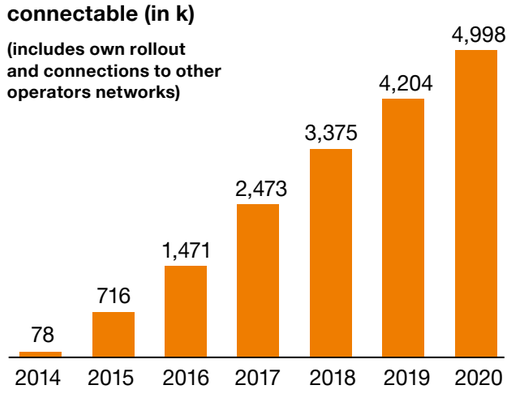
Our FTTH network rollout strategy provides not only for the construction of our own infrastructure but also for wholesale agreements with other fibre network operators, where it is technically possible and economically viable. At the end of 2020 our network coverage included 950,000 households via the infrastructure of other operators.

In 2020 we covered around 800,000 additional households, broadly maintaining the very fast pace of deployment from the previous year. Last year we continued to focus on smaller cities and also on single-family houses as opposed to multi-family residences. Single-family houses constituted more than a third of total deployment in 2020. A substantial part of that deployment was carried out on other operators' infrastructure. In total, at the end of 2020, single-family houses accounted for 15% 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 2020 approached 30%, compared to 14.5% for the whole fibre network.

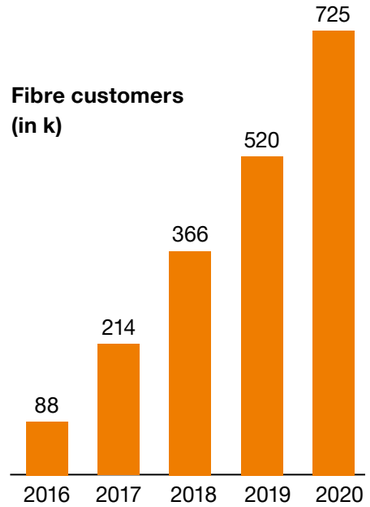
To explore new opportunities and to better monetise our fibre investment, in 2018 we signed an agreement with T-Mobile granting wholesale access to our fibre network. The agreement covers around 1.7 million households located in deregulated zones, with access points built in multi-family residences on Orange Polska's own infrastructure. This wholesale co-operation 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.

Fibre households connectable (in k)

(includes own rollout and connections to other operators networks)



Fibre customers (in k)



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.

2020 was absolutely a record year for fibre customer take-up. We took advantage of the strong market momentum, accelerated by the pandemic, and capitalised on high demand for fast fixed connectivity – which is becoming a basic utility. Fibre generates the highest ARPO of all technologies and is a key driver of a turnaround in overall ARPO in fixed broadband. Customers more and more eagerly choose higher-speed options, which are additionally paid. We also charge customers in single-family houses PLN 15 per-month more to recover the higher deployment costs.

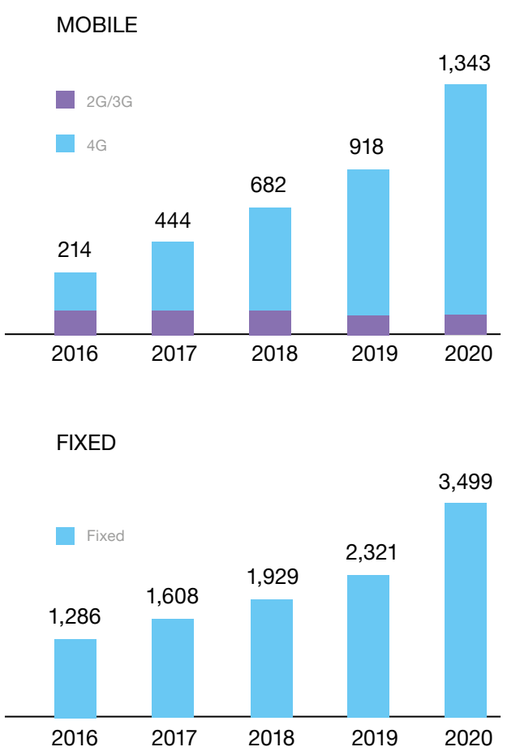
Mobile – more spectrum on LTE

Mobile data traffic growth continues to be very robust. In total, traffic on our mobile network grew by 46% in 2020, with the dynamics being inflated by the pandemic. To address this demand we continually invest in the quality of our network. By the end of 2020 our 4G/LTE mobile network reached almost the entire Polish population on an outdoor basis and 97.3% 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 completed refarming of the 1800 MHz and continued in 2100 MHz. Refarming of the 2100 MHz is being continued in 2021. The plan is to turn off 3G in this band by the end of this year, with the 2100 MHz band becoming fully allocated to LTE or LTE/5G.

After finishing the refarming of the 2100 MHz band, the total bandwidth allocated to LTE services will increase to 50 MHz.

To strengthen network capacity we continue to pursue spectrum aggregation. Almost 85% out of over 11,600 LTE sites enabled carrier aggregation at the end of 2020, a significant advance on 2019. Around 4,000 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 and 700 MHz bands.

Mobile and fixed data consumption (in PB)



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. 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 2020. The total number of B2C convergent customers increased 8% last year to 1.48 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 2020 increased by more than 2% and exceeded one million. That growth consists of robust growth of IPTV technology (16% in 2020), which is driven by expansion of our fibre footprint and a decline in customer base of satellite TV. More than 85% of TV customers were convergent customers.



Best customer experience and evolution towards digitalisation

Summary of our strategic efforts in 2017–2020

We have successfully completed the implementation of our customer experience strategy for 2017–2020, which focused on the following priorities:

- Building positive customer experiences, as measured with NPS.
- Improvements in customer journey, especially with respect to digital paths.
- Customer centricity.

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. Orange Polska achieved the highest NPS score among Polish telecom operators at the end of the first half of 2020 and maintained this position (alone or shared), throughout the second half of the year.

Approach driven by customer journeys and digitisation

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.

Over recent years we have focused on the development of digital paths of customer journey, introducing a number of innovative and often revolutionary solutions to the Polish telecom market:

- **Voicebot implementation:** Since 2019, Max, our voicebot, has been answering 100% of customer calls to our main infolines. Its use of self-service systems – the percentage of issues which Max can resolve without a consultant – has been growing steadily. 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 more than one-third.
- **Chat development:** We expanded the scope of AI-based assistance to include text chat (chatbot Max).
- **Robotic Process Automation (RPA):** Further automation of customer care processes and implementation of innovative automated solutions (e.g. a bot/robot combination) have cut costs and improved operational efficiency by reducing time to complete, enhancing service quality and eliminating errors in business operations. In 2020, Orange Polska's customer operations were supported by more than 100 robots.
- **New invoices:** We introduced a 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.
- **Fully digital Orange Flex offer:** Using a dedicated application, customers can conclude an agreement with us, activate the service with e-SIM and subsequently handle all matters on their own or through chat.
- **Utech:** We have implemented an interactive system for contacting our technical personnel regarding fixed-line installation or failures, which is based on an Internet link. This enables customers to directly contact the technicians commissioned with the task and to monitor the progress of work, including the geographical location of the installation or repairs team (like in the case of some companies offering transport services). In 2020, 500,000 customers used this solution and their satisfaction was significantly higher than in cases using traditional contact channels.

Customer centricity

We involve our entire organisation, from frontline customer service personnel 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.

Since 2018, we have provided an internal e-platform, the Innovation Board. In particular, it is used 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. This produces tangible results: almost 200 ideas were submitted in the fourth quarter of 2020 alone, of which 30 were earmarked for implementation.

At 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 730 such clubs with a total of about 3,700 employees involved in improvement initiatives have been established so far.



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 put 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 to one of greater balance between volume and value. Orange Love convergent offers allowed 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 allowed 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 was supported by more benign competitive environment, especially on the mobile market, where the competition has largely shifted 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 programme to simplify, and where possible to automate and digitalise these processes. As a result, we have realised very significant savings in operating costs and capital expenditures.

Target exceeded for optimising indirect costs

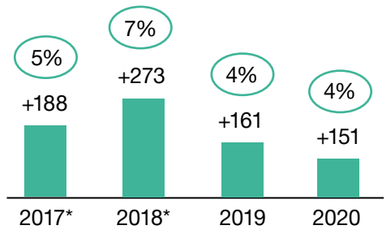
We have been optimising our indirect operating costs for many years, generating hundreds of millions in savings every year. We continued to do this under the Orange.one strategy. The savings came from the above-mentioned process improvements, which freed up resources, as well as from volume optimisations and simplification. We were more focused and more selective in resource consumption. We tackled 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 was net of potential increases related to inflation, pressure on labour costs and costs related to new business development. We reached this target two years in advance: in 2018 our indirect costs were 14% lower compared to 2016. By the end of 2020 we delivered additional savings that bring the total level of reductions to 20%.

The largest cost category, and at the same time the most important source of savings, is labour. Over the past five years (2015-2020) 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 number of outsourced employees between 2016 and 2020 went down by 58%.

Another vital part of our optimisation effort is disposal 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.

Strong pace of net savings in indirect costs...

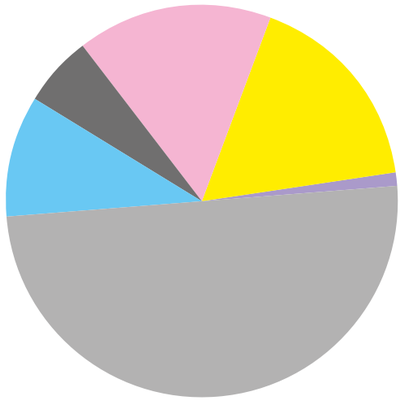
yoy change in PLNm and in %



* 2017-2018 IAS17, 2019-2020 IFRS16

...with 50% coming from non-labour areas

Indirect costs cumulative: 2017-2020

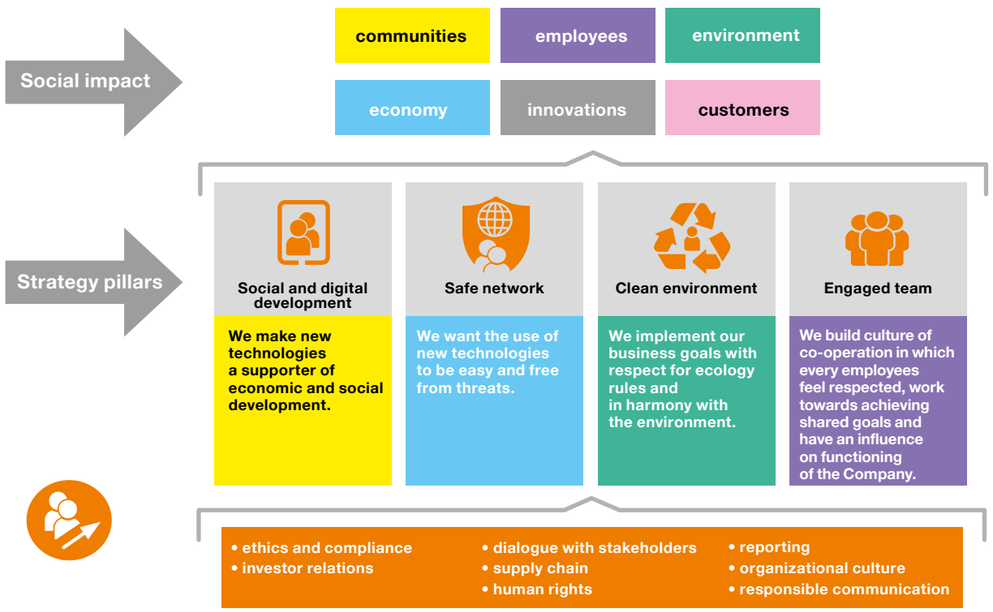


Integrated
Report 2020
Orange Polska



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.



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.

Integrated Report 2020 Orange Polska

Financial turnaround delivered with Orange.one strategy

Until 2018 our financial results were in continuous decline for a number of years. This was chiefly related to the following factors:

- Adjusting 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 was supposed to lead to the development of a business model that would enable us to break this negative trend and gradually return to sustainable growth. 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, for the first time in 13 years.

We have delivered on all of our financial goals set in Orange.one in each year of the strategy. In some cases we even exceeded the initial expectations. Our revenues have been growing for the past two years and EBITDAaL for the past three years. We have kept capex within the limits and have significantly progressed with debt reduction.

This change has been achieved through a combination of a progressive commercial turnaround and our focus on value coupled with great cost optimisation.

We have successfully implemented our convergent strategy, which was made possible thanks to the dynamic growth of fibre as monetisation of our considerable investments in this area has begun. A key element of this success was our particular attention to value in our commercial activities including ‘more for more’ price increases in mobile, convergence and fixed broadband. We also significantly developed the ICT area, which offers high growth potential and considerable synergies with our core telecom operations. These synergies have recently become higher than ever owing to ongoing digitisation processes in enterprises. Over the last three years, we have increased our ICT revenues by 120%, mainly through organic development supplemented by acquisitions.

Simultaneously, we achieved very high cost savings. Since 2017 we have optimised indirect costs by almost PLN 600 million or 15%. This was done despite inflationary pressures in areas such as labour or electricity costs, so the effort to achieve the savings was even greater. Savings were generated across all cost groups, including labour, outsourcing, general and administrative, energy and network maintenance costs. They resulted 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 aimed at simplification, automation and digitisation.

Operating profitability has been improving despite continued structural pressure on high-margin traditional fixed-line services, the erosion of which almost fully filters through to profits. The growing operating profitability has led to an increase in cash generation and a decrease in net debt and leverage ratio.

We reversed multi-year negative trends and delivered a financial turnaround

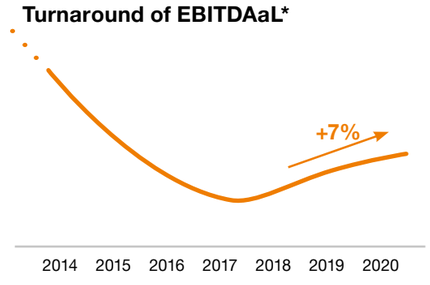
	2018		2019		2020	
	promise	result	promise	result	promise	result
Revenue			stabilisation	+2.9% √	growth	+0.9% √
Adj. EBITDA(aL)	stabilisation	+3.1% √	growth	+4.5% √	growth	+2.9% √
CAPEX (PLN bn)*	2.0-2.2	2.2 √	2.0-2.2	2.1 √	~2.0	1.8 √
Net debt		ND/EBITDAaL 2.5x	decreasing	- PLN 0.6bn √ ND/EBITDAaL 2.2x	decreasing	- PLN 0.5bn √ ND/EBITDAaL 2.0x

* for 2020 it is eCapex

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 IFRS 16. 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.

We reversed multi-year negative trends and delivered a financial turnaround

Turnaround of EBITDAaL*



Revenues	EBITDAaL**	Indirect costs	Net debt
+4%	+7%	-15%	-13%
vs 2017	vs 2018	vs 2017	vs 2017

Room for further improvement

In presenting the Orange.one strategy we also discussed our ambitions regarding development of digital relations with customers and growth in certain adjacent areas, including: Orange Finance, Orange Energy, sale of devices and Orange Smart Care. We made significant progress in these areas, but we see much more room for further improvement and we will address this in our next strategic period.

Our shops remain the most important distribution channel, but we are gradually increasing our share of online sales. We obviously benefit from digitisation of the economy accelerated by the pandemic. We have an ambition to increase our pace of digitisation – through better and more popular IT tools and simpler processes.

We have succeeded in some adjacent areas and failed in others, as should be expected when developing new areas of operations. We gave up Orange Finance a few years ago as we concluded that the model of operations was not optimal. We continue to develop Orange Energy, though it is a challenge given the complicated nature of the energy market. We have ideas on how to grow Orange Energy further, taking into account changes such as the focus on green energy. Sale of devices has grown dynamically. In 2018 we introduced the option for customers to buy equipment independently of their contract for service, which is growing every year. Nonetheless, we believe that we can and should be able to secure a greater share of this market from the retail chains. Finally, we are very pleased with Orange Smart Care as a value-added service. In Orange Smart Care, the customer pays a monthly fee insuring his smartphone against various damages. Revenue growth is very significant here. Every third smartphone we sold in 2020 included Orange Smart Care.

So even though not everything went perfectly, we easily reached the targeted combined level of revenues from these areas.

Towards a new strategy

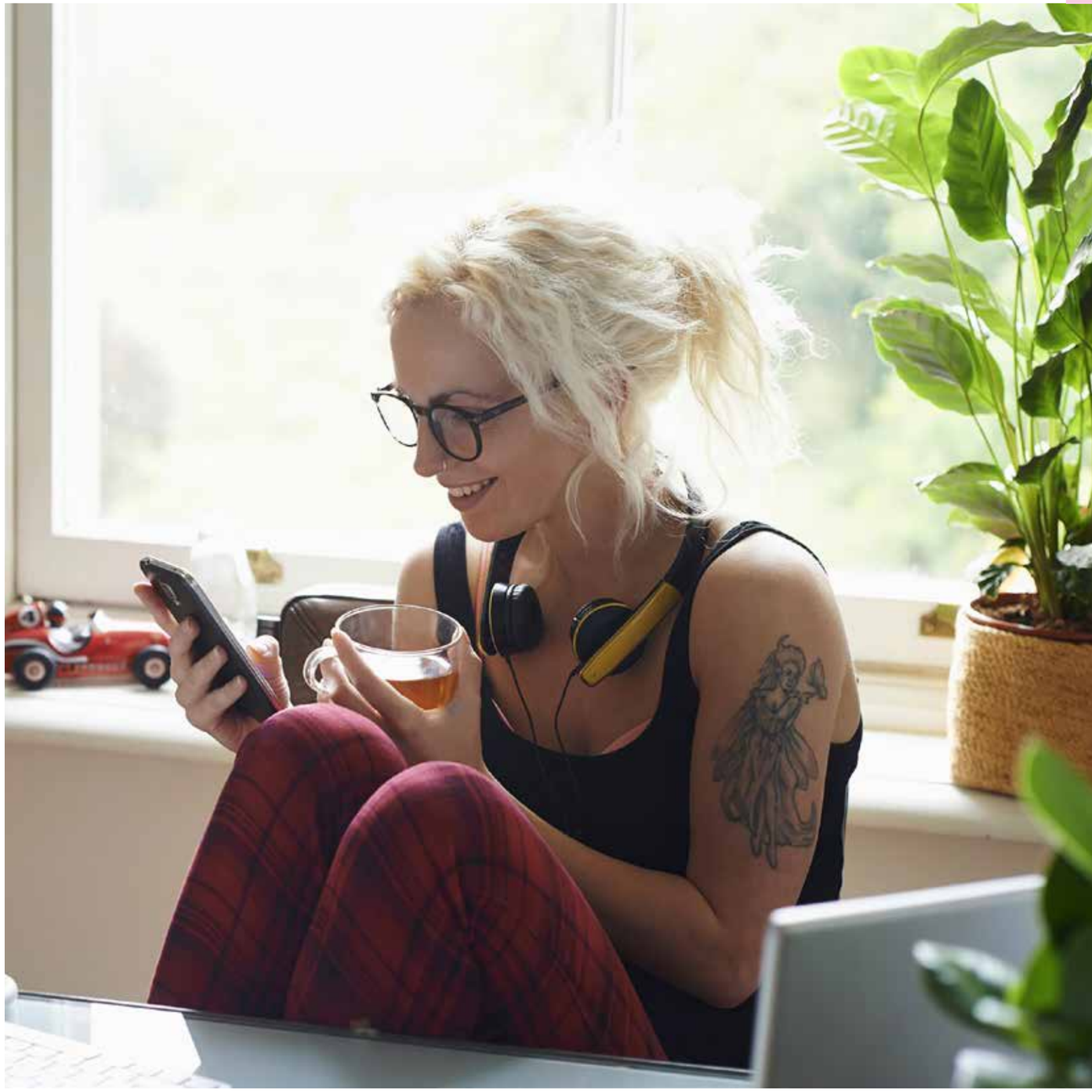
We intend to announce our new strategy in June of 2021. We expect it to be the continuation of Orange.one in its main pillars, while adding some new elements. Certainly, its most important element will be the 5G network development, which opens up a lot of new perspectives in both business and consumer markets. The FiberCo project that we have recently announced will mark our different approach to expanding the pool for our fibre service. This endeavour will allow for investment monetisation in retail and in wholesale operations.

We also want to become a more innovative company, focusing to a greater extent on artificial intelligence and virtual reality. Furthermore, there are growing volumes of data globally which need to be stored and analysed, and we want to be involved in this process. We see development opportunities for our Company in the area of digitisation of e.g. sales and customer-relations processes.

Importantly, we strive to consider the impact of our operations on both the economy and the environment, so sustainable development will be another major element. We intend to diversify our energy mix, so that a portion of it will come from renewable sources. We will assist our customers in making more eco-friendly choices, such as by enabling the recycling of broken handsets and buy-back of those no longer used.

Finally, from financial perspectives our ambition is to continue to improve our results, but unlike in the Orange.one strategy we want growth in the new plan to stem mainly from profitable revenue growth rather than from cost savings.

We also aim to better utilise our assets which should benefit our ROCE (return on capital employed) ratio. We would like also to return to shareholder remuneration.



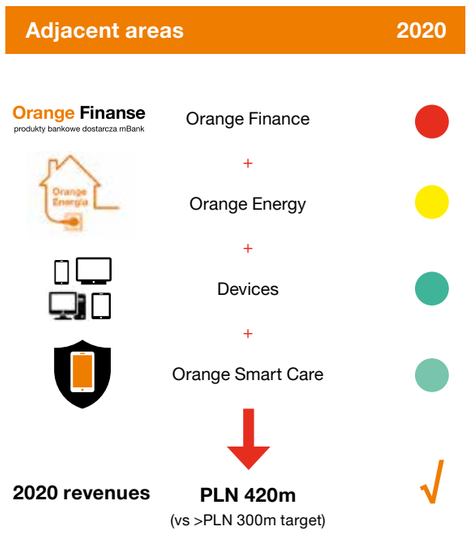
Integrated
Report 2020
Orange Polska

Climate strategy: towards net zero carbon by 2040

Understanding and internalising the climate-related risks and opportunities of the modern green context is a must in today's business environment. Climate has also become an important driver for long-term value creation for all our stakeholders: customers, employees, shareholders, local communities and society at large and, obviously, the environment.

At Orange Polska, we have always prioritised our environmental responsibility, and we are convinced that green must be an integral part of both our strategy and day-to-day business activities. Everything that we plan and do, within Orange Polska's internal and external activities, must be put within a green context. We have named this approach #OrangeGoesGreen.

Within this framework we have developed a climate strategy at Orange Polska of which the key goal is to become climate neutral and achieve Net Zero Carbon by 2040, ten years ahead of the EU climate goals in the Green Deal Strategy or the GSMA recommendations for telecoms operators. Neutrality will cover both direct and indirect own emissions (Scopes 1 and 2 of the GHG Protocol) and emissions in the value chain (Scope 3).



Our first period of action is 2025 and during this period our actions will be concentrated in the three main priorities.

Priority 1: **Responsibility** for reducing our CO_2 emissions and the resources we consume.

- Reducing our CO_2 emissions in Scopes 1 and 2 of the GHG Protocol (direct and indirect own emissions) by 65% compared to 2015.
- This goal will be achieved primarily through increasing the share of renewable energy in our energy mix to at least 60% by 2025, based on long-term procurement agreements directly with renewable energy producers (PPAs), and through further work on network energy efficiency. Deployment of new, much more energy efficient technologies such as fibre and 5G will also contribute here. Average electricity consumption of fibre is around 80% lower compared to copper.
- Preparing for Scope 3 emissions reduction (emissions by suppliers, customers and employees generated in relation to Orange Polska activity), including the implementation of eco-design.
- Optimising other resources consumed by Orange Polska.

Priority 2: **Value** that we can create for our customers and all stakeholders thanks to our climate action.

- Developing and selling commercial services supporting our B2C and B2B customers' green challenges (and in particular solutions allowing them to reduce emissions or resource consumption).
- Dedicated green offers and communication to customers (in particular regarding the climate footprint of Orange Polska services and the possibility of reducing or neutralising that footprint), as well as end-to-end management of green concerns in the experience of Orange Polska customers.
- Circular economy in the operations of Orange Polska:
  - Collecting, buying back, recycling, repairing mobile phones;
  - Refurbishing CPEs (modems, set-top boxes);
  - Using refurbished equipment in Orange Polska's network.
- Priority 3: **Impact** on the green, digital transformation of the Polish economy that we can have as the green leader of Polish business
- Internal communication and education to engage our people.
- External communication and building Orange Polska's image as 'the green leader'.
- Market and regulatory relations.
- Financial and extra-financial reporting.
- Consistently including climate and environmental angles in our decision-making.

Results

Q&A with Jacek Kunicki, Orange Polska CFO



Q: You delivered on your financial commitments in 2020. How difficult was it in a year defined by the pandemic?

It was not trivial but we managed to achieve it through a combination of resilience of our business and significant support from extraordinary mitigating measures on the costs side.

A business like ours derives the majority of its revenues and profits from subscription services. In addition, lockdowns, with the shift to online working and schooling, accelerated demand for fast and reliable connectivity, which has become more essential than ever to the needs of consumers and businesses. This allowed us to rely on a relatively stable and predictable revenue streams and put us in a more comfortable position versus some other industries.

However, the closure of borders and restrictions regarding people's mobility significantly affected our roaming and pre-paid area. There was a slowdown in the IT/IS market and a slump in the real estate market, on which we are trying to actively sell some of our properties as part of our asset-base transformation. We also had to create additional risk provisions. To at least partially mitigate this negative impact and protect our business goals, throughout the year we launched a number of measures impacting operating costs and capex. The most important one was curtailment of the jubilee awards scheme, which resulted in significant provision reversal. We also renegotiated some elements of our social plan and implemented a rigorous cost freeze in all non-essential business areas. In capex we have slowed down certain projects in IT and fibre rollout preparation.

Owing to the relative resilience of our core business and additional compensating measures, we reported 2.9% year-on-year growth of EBITDAaL in 2020, which was in line with our guidance provided at the beginning of the year.

Q: With the Orange.one strategy you have achieved a financial turnaround. What were the key drivers of that?

We have delivered on all of the financial recovery promises that we presented during our strategy announcement in 2017. In some cases we even exceeded the initial expectations.

It has been achieved through a combination of a progressive commercial turnaround coupled with great efforts in cost optimisation.

For commercial turnaround, two factors were crucial. Firstly, we successfully implemented our convergence strategy, which was mainly possible due to dynamic growth of our fibre footprint. Secondly, in all our commercial activities we paid particular attention to value, which included 'more for more' pricing. Simultaneously we significantly increased our efficiency. Since 2017 we have optimised our indirect costs by almost PLN 600 million or 15%. This was done despite inflationary pressures in areas such as labour and electricity costs, so the effort to achieve these savings was even greater.

To sum up, this turnaround has put us in a much better position than we were in 2017 with growing revenues and operating profitability as well as a much safer balance sheet.

Q: Does it mean that Orange Polska is now growing on a sustainable basis?

Orange.one was a breakthrough: it proved that constant declines were not a fatality and that we can grow. However, to grow on a more sustainable basis we need another step forward. Our growth in the past three years resulted from significant effort in the area of cost optimisation. The direct margin generated by our business, which indicates profitability of our revenues, continued to decline although the pace of deterioration has diminished. This was despite increasing revenues. The chief reason behind that is a constant drag from our legacy services, which are in structural decline. So in order to increase the direct margin we first need to offset this decline. Improvement of financial results from cost savings alone cannot be perceived as sustainable. We will certainly continue our transformation, however by definition savings have limits. In order to grow sustainably, growth needs to be driven by revenues, through growth of the direct margin. I think this will be our key financial ambition for the next strategic period.

This is also our plan for 2021.

Talking about our growth ambitions I would like to also mention that our decision regarding capital allocation will be made with an attention to improve our return on capital employed ratio (ROCE)

Q: You have done a tremendous job in cost savings in the past couple of years. What is the scope for more savings going forward?

Yes, as I already mentioned, within the framework of the Orange.one strategy we have introduced a comprehensive transformation programme to simplify, and where possible to automate and digitise, our business processes. This gave us very significant efficiency increase. I am sure that this transformation will continue in the new strategy but its scale is likely to be naturally lower.

Directions in which we see a lot of further potential include automation and digital. Our digitisation initiatives will span into many areas, including distribution channels, product offerings and customer care. We want to accelerate the share of online sales and customer take-up to our fully digital offers. In customer care we already made good progress with artificial intelligence in the form of chat bot Max, but we have ideas of how to develop more digital tools and also push higher usage of our My Orange application in the customer retention process. We will invest more in machine learning and AI solutions in support functions and network maintenance. That among others should allow us to further optimise energy consumption. The pandemic makes us to rethink our working model: for example, I believe we will need much less office space in future.

For Orange Polska, the era of simple cost cutting is long behind us. An increase in efficiency results from the continuing search for new simplification initiatives – a process which

has become a part of our Company's DNA. This is driven by high competition in the marketplace, an environment of inflationary costs and the still-significant burden of our legacy. Inflationary pressure is especially visible in labour and energy costs. The latter may even accelerate along with the rollout of 5G network.

Q: An important element of the new OPL strategy will be the FiberCo project that you recently signed. If fibre is so profitable why share its future benefits with a partner?

FiberCo allows us to realise a few goals at the same time. First and foremost it will build the fibre footprint for an additional 1.7 million households that Orange Polska will use on a wholesale basis. This is the key benefit for us. Secondly, because Światłowód Inwestycje will be a co-controlled entity, its capex and debt will not appear on the Orange Polska balance sheet. This is very important for us in front of the capex cycle related to rollout of 5G technology. Finally, by selling a 50% stake in FiberCo we are able to monetise part of our past investments and additionally strengthen our balance sheet. So such a set-up allows us to combine further expansion of the fibre footprint and at the same time have capacity to invest in 5G, which will include both purchase of the spectrum licence and subsequent network rollout. This would have been much more difficult without the FiberCo transaction.

Q: Do you think that with the new strategy Orange Polska can return to shareholder remuneration?

Meeting investors on many occasions I am aware how important it is for our shareholders that we return to dividends. This is also my wish and I am confident that this moment is approaching. As a result of the Orange.one strategy we are in much better shape as compared to 2017 when we suspended dividend payments. A few weeks ago the management has proposed returning to dividends in 2022. We decided not to recommend our shareholders dividend payment in 2021 taking into account uncertainty around the terms of the forthcoming 5G auction and the final provisions of the cybersecurity regulations. However we have committed to propose PLN 0.25 per share dividend payment in 2022 from 2021 profits provided that our net debt/EBITDAaL ratio will not exceed 2.1x including result of the 5G spectrum auction.

I am sure that during the upcoming presentation of the new strategy we will discuss our approach to shareholder remuneration in greater detail.



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	Effortless and friendly customer experience	Acting in an effective and responsible manner
Providing best connectivity ▪ reliable and resilient network ▪ best connectivity regardless of the customer's location	**Optimal sales channel mix** ▪ optimisation and enhancement of remote sales channels	**Focus on efficiency** ▪ an agile and flexible company with proven ability to find efficiency savings ▪ constant transformation of indirect costs ▪ process optimisation and automation
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	**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	**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

KPI	Our commitment	Performance
Number of households connectable within our fibre network	To offer best connectivity, both in mobile and fixed, regardless of geography of customers ■ To bring around 0.8 million households within the reach of our fibre network in 2020	**Number of HH connectable** ■ 2017: 2.4m ■ 2018: 3.2m ■ 2019: 4.2m ■ **2020: 5.0m**
4G coverage To densify LTE Carrier Aggregation services simultaneously with deploying 5G technology	■ To further develop our LTE coverage and provide best connectivity experience on LTE	**Outdoor** ■ 2017: 99.8% ■ 2018: 99.8% ■ 2019: 99.9% ■ **2020: 99.9%** **Indoor** ■ 2017: 95.9% ■ 2018: 96.8% ■ 2019: 96.9% ■ **2020: 97.3%** **4G Carrier Aggregation** ■ 85.4%

Delivery on our commitments in 2020

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 2020 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. Due to the auction annulment, we have decided to implement Dynamic Spectrum Sharing (DSS) in the 2100 MHz band, which allows dynamic allocation of spectrum resources to 4G or 5G as required. Consequently, as from July 1, 2020 Orange Polska is offering commercial 5G services via a network of 1,600 base stations located in 370 cities and towns in Poland, to the largest extent in Warsaw, Łódź, Cracow and the Upper Silesian conurbation. In January 2021 we also enabled 5G DSS access in Tri-city.

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 customer 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 capitalising on our excellent position in the mobile market. In rural areas, mobile technologies, supplemented by fixed ones, are the primary broadband access solution.

We extend the fibre coverage not only by building completely new networks, but also using our previously built network, on which we launch additional fibre coverage for neighbouring households with low effort (coverage density increase), which previously were not covered by fibre access. Such action allows us to better manage our existing resources, improve financial results and increase customer satisfaction.

We focus also on maintaining infrastructure (poles, sewerage) that guarantees stability and quality for the medium (physical cables) and fixed Internet technology.

We focus our activities on further development the fibre network, while reducing our effort to expand the copper network.

We use possible channels of contacts with customers and our subcontractors to improve the quality of provided services, which is reflected in NPS results compared to other operators.

We implement modern technologies to monitor orders by customers, contact our service technicians (using a mobile application) and base our activities on modern BI/data solutions.

Anticipating ‘the new normal’ after the COVID-19 pandemic, we have been developing new technical possibilities for our customers, giving them the chance to use our services and fix the problems in the self-service mode (or with the remote support of our advisors) – which meets the customers’ demands and is the part of our Orange.one strategy.

In line with our strategy, we continued massive development of fibre lines. As at the end of 2020, almost five million households and companies were connectable with the fibre network, which is an increase of nearly 0.8 million compared to the end of 2019. Our fibre services are available in 154 cities compared to 142 cities at the end of 2019. In 2020, we continued to develop our network in smaller towns, where some districts are dominated by single-family houses. These accounted for 32% of the total network rollout. 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. This was also possible thanks to co-operation with third parties. It gives us access to places where building our own network would be economically unprofitable.

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. The first agreement with the local operator we signed in 2015 as the first in Poland. In 2021 and later years we intend to continue acquiring FTTH coverage from other operators. Under this scheme, we have already been using the infrastructure of 42 operators (wholesale and retail), which accounts for 20% of the total coverage of Orange Polska.

Co-operation with Orange in the service lease models is widely appreciated on the FTTH operators market. It brings benefits on both sides in a win-win approach.

Orange Polska's coverage could be extended through acquisitions of any FTTH existing infrastructure from third-party operators. Orange Polska is not, as a matter of principle, excluding participation in the consolidation process on the Polish telecom market, if such approach is economically justified.

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 2020, we increased the number of OTN transport nodes, thus expanding the aggregate network capacity from 4.6 Tbps at the end of 2019 to 7.0 Tbps at the end of 2020.

Mobile

We have been gradually expanding our network coverage and capacity. In 2020 our customers got access to a further 438 base stations. As data transfer on the Orange mobile network is growing rapidly, with the biggest increase reported in 4G, LTE technology was the top investment priority in our mobile network in 2020. Thanks to our ongoing investments in the mobile network, 4G outdoor coverage for all bands was 99.88% of the population on 98.43% of Polish territory at the end of December 2020. We provided LTE services via 11,611 base stations. In 2020 Orange Polska also focused on increasing the number of sites that enable spectrum aggregation; their number reached 9,831 at the end of December 2020 compared to 8,928 a year earlier.

The first phase of the Refarming project, concluded in 2020, extended Orange LTE spectrum resources in 1800 MHz and 2100 Mhz band and brought the LTE2100 MHz band country-wide. During the first phase LTE2100 Mhz frequency was deployed as a 10 MHz carrier with remaining 5 MHz dedicated to UMTS.

The second phase of Refarming project started in 2020 and is planned to be concluded in 2021. Scope of this phase is aimed at extending LTE2100 10 MHz carrier to 15 MHz by removing UMTS2100 5 MHz carrier. Afterwards, entire Orange 2100 MHz spectrum is to be dedicated to LTE service and total Orange LTE bandwidth should reach 50 MHz.

In addition to the Refarming project, Orange brought a Capacity Boost project to Warsaw Metropolitan Area, Kraków, Łódź, Poznań, Wrocław, Opole, Częstochowa, Rzeszów, Kielce, Bielsko-Biała, Tychy and Tri-city focused on deploying MIMO4x4. As a result Orange customers may benefit with increased LTE performance served from 1,600 sites.

We are gradually implementing the LTE-M technology on the 800 MHz band for Internet of Things. LTE-M is currently available nationwide on 8,831 base stations, which corresponds to 98.18% of all LTE-800 sectors (94% of Poland's territory).

We are conducting intensive VoIMS (Voice over IP Multimedia Subsystem) terminal validations. In 2020, VoIMS capable terminal base increased two times in comparison with 2019. We approved and offered in our portfolio 65 VoLTE (Voice over LTE) and 62 VoWiFi (Voice over WiFi) models supporting such technologies for brand new and older devices.

In our internal testing, we accepted 10 models of DSS terminals for the launch of #hello 5G. At the end of 2020, the terminal base was increased to 33 models from different vendors. The terminals offered to OPL customers are also ready for 5G in C-Band.

For 5G demands we are developing and deploying the phase synchronisation based on a distributed model in the transmission network.

TV services

In 2020 Orange Polska exceeded one million TV customers. We developed and implemented additional TV services as NPVR, CatchUp and StartOver. The technical team developed and implemented Portalization based on Interactive Services. Portalization is a solution that allows for the dynamic creation of an interface with the user's set-top box in order to enable it to be remotely managed by the operator. It allows us to bring new value and digital experience with direct communication to customers through TV set. That solution educates our customers, allowing to perform self-diagnosis of their TV service and WiFi ecosystem and purchase TV packs or smartphones. Additionally Portalization is used to inform Orange Polska consumers about green initiatives (GreenZone) and promotions (e.g. free-of-charge TV channels in March), which has proven very important during the pandemic. GreenZone contains descriptions of our major projects related to the environment, e.g. Orange Energy (using energy from renewable energy sources), saving energy initiatives (economic standby mode for set top boxes), recovery of modems and set-top boxes, e-invoice, etc.
At the end of 2020 Orange Polska developed a new internet modem, FunBox 6, which is to become the first home gateway on the Polish market with WiFi 6 offering the fastest, very stable home connectivity. Consumer tests were done in December and commercial launch of FunBox 6 took place in January 2021 with a great success.





LTE outdoor and indoor coverage

LTE outdoor coverage evolution

Date	Geographical Coverage	Population Coverage	System
31 Dec 2018	98.00%	99.83%	All LTE bands
31 Dec 2019	98.25%	99.86%	All LTE bands
31 Dec 2020	**98.43%**	**99.88%**	**All LTE bands**

LTE indoor coverage evolution

Date	Geographical Coverage	Population Coverage	System
31 Dec 2018	84.08%	96.77%	All LTE bands
31 Dec 2019	85.32%	96.90%	All LTE bands
31 Dec 2020	**86.33%**	**97.27%**	**All LTE bands**

Delivering a palette of services adjusted to customer needs

KPI	Our commitment	Performance
Number of convergent customers	To offer a full palette of services, enriched by non-telco products, to strengthen our position as the unique convergent player in Poland	▪ 2017: 1,035k ▪ 2018: 1,236k ▪ 2019: 1,369k ▪ **2020: 1,483k**
Number of mobile SIM cards		▪ 2017: 14,424k ▪ 2018: 14,805k ▪ 2019: 15,284k ▪ **2020: 15,752k**
Number of mobile handset SIM cards		▪ 2017: 7,270k ▪ 2018: 7,948k ▪ 2019: 7,748k ▪ **2020: 8,095k**
Number of mobile pre-paid SIM cards		▪ 2017: 4,698k ▪ 2018: 4,883k ▪ 2019: 5,047k ▪ **2020: 4,860k**
Number of fixed retail broadband customers		▪ 2017: 2,438k ▪ 2018: 2,560k ▪ 2019: 2,607k ▪ **2020: 2,702k**
Number of fibre customers		▪ 2017: 214k ▪ 2018: 366k ▪ 2019: 520k ▪ **2020: 725k**
Convergence penetration in B2C fixed broadband customer base		▪ 2017: 50% ▪ 2018: 57% ▪ 2019: 62% ▪ **2020: 65%**
Convergence penetration in B2C mobile handset customer base		▪ 2017: 37% ▪ 2018: 46% ▪ 2019: 50% ▪ **2020: 52%**
Number of fixed voice customers		▪ 2017: 3,684k ▪ 2018: 3,407k ▪ 2019: 3,109k ▪ **2020: 2,899k**

Delivery on our commitments in 2020

The market landscape changed in 2019 thanks to mobile operators increasing tariffs in a 'more for more' formula with the visible results also in 2020. 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.

The telecommunication market occurred to be quite resistant to COVID-19 market turbulences. With new regulations and imposed restrictions, both residentials and businesses changed their service consumption patterns. Mobile data surged together with interconnection revenues, while roaming services dropped and prepaid and equipment sales varied in selected quarters of 2020. Additionally, fast fixed broadband services met in COVID-19 reality historically high demand.

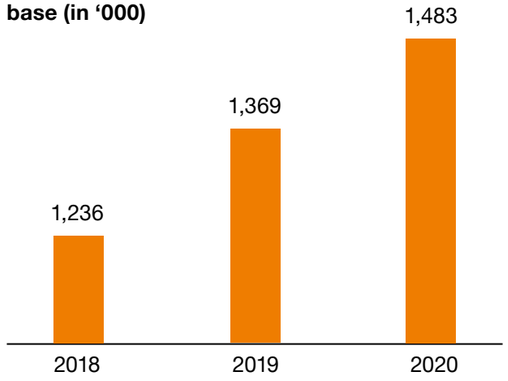
In 2020 our commercial activity remained focused on delivering a package of mobile and fixed services, which we define as convergence. It is our competitive edge, it constitutes a good customer loyalty tool and it allows us to upsell more services, winning a higher share of household media and telecom budgets.

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

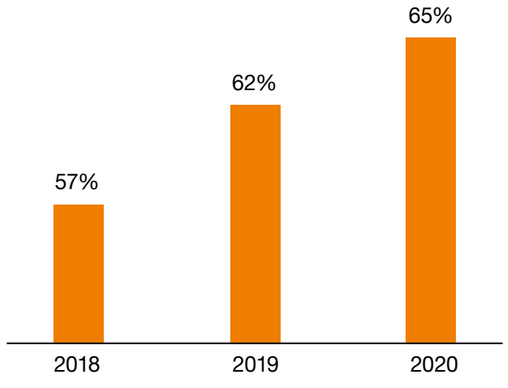
One of the key strategic objectives of Orange Polska is to be the leader in telecommunication services sales to households. Convergence, or sales of mobile and fixed-line service bundles, addresses household telecommunication needs in a comprehensive manner, increasing customer satisfaction and reducing 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.

Our flagship convergent offer, Orange Love, remained unchanged in 2020. The pandemic increased the demand for high-speed fixed broadband access, which was largely reflected in sales of our convergent offer. This could be seen particularly in the second half of the year. Our B2C convergent customer base increased by 114 thousand (or 8%), exceeding 1.48 million. It needs to be noted that saturation of our broadband customer base with convergent services has already reached a significant level (65%). The majority of new mobile and fixed broadband acquisitions 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. The total number of services provided in the convergence scheme among B2C customers reached 6 million, which means that, on average, each convergent residential customer uses more than four Orange services.

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



Convergence penetration in B2C fixed broadband customer base



Improving trends in mobile reflect effective value strategy

The implementation of our commercial plans in 2020 was affected by the COVID-19 pandemic. The key development related to our mobile portfolio was a revision of our mobile plans for business customers, which we introduced in February, shortly before the outbreak of the pandemic. The revision reflected our 'more for more' strategy, but it was not a simple price increase. In three out of four new tariff plans, in addition to unlimited calls and SMSs and a data pool, customers can choose from among seven different value-added services within the subscription fee. These include handset maintenance (Orange Smart Care Premium), CyberShield, a package for international calls, an additional data pool in roaming, and others. These additional services can be switched throughout the term of the contract.

In the consumer market, we modified our pre-paid portfolio by increasing prices of SMSs and MMSs in some tariff plans and increasing prices of calls from PLN 0.30 to PLN 0.32 for all customers charged per price lists.

A major development was the launch of our 5G service in the 2.1 GHz band in the beginning of July. It has been made available exclusively in high-end tariff plans for both residential and business customers. At present, our customers are offered over twenty different smartphones which support 5G technology in these frequencies. About 6 million people in almost 400 cities and towns are within the reach of this service.

As at the end of 2020, Orange Polska had a mobile services base of almost 15.8 million, which is an increase of over 3% vs. the end of 2019. Growth in the post-paid segment offset a decrease in pre-paid services.



In the post-paid segment, SIM card trends were similar to those in 2019:

- Customer base of handset offers was up 4.5%, which was the highest growth in three years, as a result of the consistent implementation of a value-based commercial strategy, concentration on the Orange Love convergent offer in customer acquisition, growing take-up of the Orange Flex offer and strong additions in all segments of the business market;
- The number of mobile broadband services continued 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; however, the rate of decline was lower;
- Rapid growth in the number of SIM cards related to M2M services (up 23% in 2020), partly owing to the execution of a contract with Tauron for the delivery of SIM cards for electricity meters.

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 services only. The number of the former grows rapidly, driven by convergent customer base expansion and upsales of additional SIM cards to Orange Love customers. The number of non-convergent services (excluding M2M) also increased in 2020, after its earlier decline resulting mainly from migration to convergence, churn and lower migration from pre-paid services (as a result of their higher price attractiveness). This rebound was driven mainly by growing business customer base and rapid take-up of the Orange Flex service, which was introduced in 2019.

The number of pre-paid services shrunk by almost 4% in 2020, mainly due to lower activations of new pre-paid cards. This was a consequence of pandemic-related factors, including a decrease in the activity of small businesses, much lower sales to foreign residents and reduced tourism during the summer season.

Blended ARPO (from mobile-only services) amounted to PLN 19.6 in 2020 and was down 2.5% year-on-year. The decrease resulted from a combination of a 4% decline in post-paid ARPO and a 3% increase in pre-paid ARPO.

The post-paid ARPO decline continued to slow down. In 2020 it was 4% versus almost 6% in 2019. The trend improved despite a major negative impact of the drop in international roaming revenues. Excluding roaming, the post-paid ARPO decline was only 0.6%. The 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 and February 2020);
- 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).

As for other key trends in the B2C market, in 2020 there were no significant changes versus 2019:

- 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.

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

Total fixed broadband customer base increased by 95,000 (or 3.6%) in 2020, which was markedly higher growth compared to 47,000 in 2019. The growth acceleration was driven by our fibre service. Our fibre customer base increased by over 200,000 in 2020 or by almost 40% year-on-year. These record-breaking additions can be attributed to three main factors. Firstly, the pandemic and the resulting remote work and learning made high-speed Internet access a basic necessity for a great number of households. Secondly, we are constantly expanding the range of our network, turning increasingly to less competitive areas outside big cities. Finally, as we have improved our sales processes, we are able to increase the service penetration rate in the developed areas more rapidly every year.

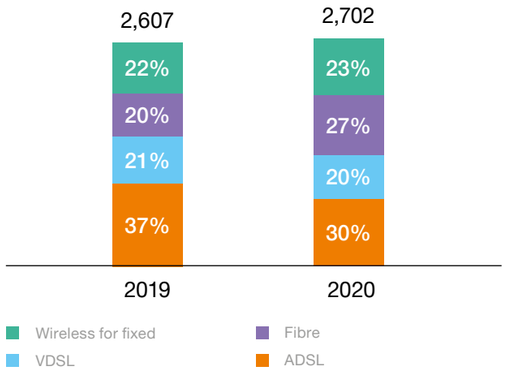
The strong growth in fibre is driving the technological transformation of our broadband customer base. The share of fibre in the total broadband customer base increased to 27% at the end of 2020 from 20% a year earlier, while the share of mostly non-competitive ADSL technology fell from 37% to 30%.

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 continued to shrink as a result of migration to convergence but also due to churn, but at a significantly slower pace: in 2020 the decline was only 19 thousand compared to 86 thousand in 2019. This resulted mainly from the roll-out of our fibre network and higher demand for fixed broadband during the COVID-19 pandemic.

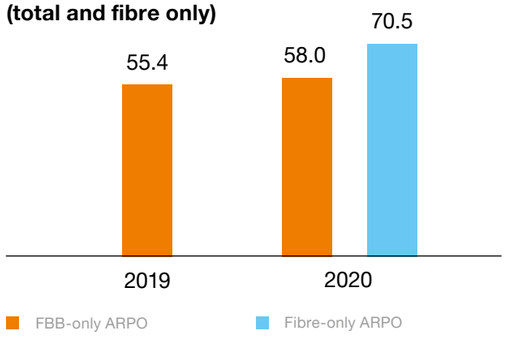
Despite a slight decline in customer base, revenues from fixed broadband-only services remained almost flat year-on-year, which is a major improvement versus a decrease of almost 7% in 2019. It is a consequence of higher broadband ARPO, which rebounded after years of decline. This can be attributed to the following factors:

- Price increases introduced in 2019; and
- Growing share of fibre customers, who generate much higher average revenue per user owing to higher penetration of a TV service, growing share of customers from single-family houses (where the service price is higher), and growing share of customers using high-speed options (600 Mbps and 1 Gbps), which are more expensive.

Broadband customer base (in '000)



Fixed broadband-only ARPO (total and fibre only)



Fixed voice services: unfavourable trends continue

Erosion of the fixed voice customer base (excluding VoIP) totalled 284 thousand in 2020 and was slightly lower than in previous periods.

Reduced churn was a consequence of increased demand for voice communications during the pandemic. The decline in these services 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. After earlier steady decline, average revenue per user was up 2%. A major factor contributing to this improvement was higher traffic on our fixed line network during the peak of the pandemic.

Effortless and friendly customer experience

Optimal sales channel mix

KPI	Our commitment	Performance
To make it easy for all customers to access our products and services through different channels of contact	Number of POSs	▪ 2017: 739 ▪ 2018: 731 ▪ 2019: 708 ▪ **2020: 687**
	% of POSs adapted for customers with disabilities	▪ 2017: 21% ▪ 2018: 20% ▪ 2019: 20% ▪ **2020: 20%**
	Number of POSs modernised (Best Retail Network)	▪ 2017: 14 ▪ 2018: 120 ▪ 2019: 235 ▪ **2020: 317**

Delivering on our commitments in 2020

2020 was undoubtedly different than previous years, bringing challenges that no company has foreseen. Among other trends, customer behaviours have been redefined and shifted to digital channels. Fortunately, back in 2019 Orange took a decision to integrate sales-channel co-operation and shift its focus to an omnichannel experience. This strategy puts the customer at the centre of our actions and concentrates on delivering the most comfortable shopping path possible.

We built the Omnichannel programme on 5 pillars:

- **Personalistion**, which is delivered by predicting the needs of customers and offering them services that suit them most;
- Gathering data during contacts with our customers and ensuring that all points of contact have **Customer 360 view** (sales, customer care, billing, etc);
- In response to customers' changing shopping behavior we consider **online as the digital hub with My Orange app as the heart** of customer relationship management;
- Common stock management in one system allows for real-time management of available devices in our Central Warehouse with a set of delivery options – pick up in POS, courier, EasyPack boxes.
- **Processes and tools** that simplify cross-channel transition – we base this path on an initial contact and then implement tools such as 'Link With Offer', through which the customer completes the order online, for those who couldn't complete the order during first contact with a salesperson in store or on the phone.

We strongly feel that the omnichannel direction is the key step to ensure the best shopping experience to our customers and we are prepared to go all the way with it.

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 digitisation, 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.

We had a chain of 687 points of sale, including 317 recently modernised (of which 23 were Smart Stores), at the end of 2020. A total of 140 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. In 2020, we introduced a new version of our mobile application, developed in co-operation with our customers. The application was very well received and rated by customers (4.3 iOS, 4.2 Android vs. 3.6 in December 2019). It also allows us to effectively retain, upsell or cross-sell new services.

Customers protected by CyberShield in 2020:

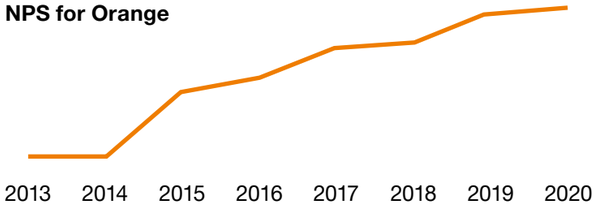
3.5 million times

In 2020 we also developed and launched fully automatic Orange Love sales process, which allowed our customers to place orders for convergent offers without assistance both online and in the mobile app.

2020 was the crucial year for Orange Flex, our innovative app-based offer. Thanks to a 100% digital sales model customers were able to activate their mobile plans directly from home, without visiting a point of sale – particularly significant during the COVID-19 pandemic. During lockdown Orange Flex introduced dedicated offers for distance studies and launched the CSR action to support the Polish education sector. We managed to improve Orange Flex by offering services to small business, as well as a devices shop inside the app. Orange Flex has reached the highest NPS among Orange products.

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 sales force 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 maximise customer satisfaction (NPS).

Making customer journey easy and friendly

Our commitment	KPI	Performance
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.		**NPS for Orange**  #1 position among operators achieved in 2020
To provide security for Internet users at Orange Polska network	Number of activation of our safety solutions	Customers protected by CyberShield in 2020: 3.5 million times

Delivering on our commitments in 2020

Focus on continuous improvement in customer experience

In 2020, we achieved the first position among telecom operators in terms of NPS (Net Promoter Score), improving our score by a further one percentage point versus 2019. Moreover, Orange Polska achieved the top position by the end of the first half of 2020 and maintained that position throughout the second half of the year. It is important to note that our score has been steadily growing year-on-year, both overall and within the individual service segments that make up that overall score. Customers' confidence in us is growing, which produces tangible benefits for the Company.

The increase in our NPS has been driven mainly by the following:

- Portfolio developments: growing customer base for our fibre services and Orange Love bundle, simplification of both mobile and fixed-line offers and their better adjustment to customer needs.
- Network developments: increased capacity of our LTE network, increased coverage of our mobile and fixed-line networks, and the launch of the 5G Hello network.
- Improved customer experience owing to process simplification and automation, development of digital channels and digitisation of customer journey paths and continuous improvement in customer care by salespeople, technicians and infoline consultants in traditional channels.
- Transparent communications with customers across all channels.

Top standards in customer care

The high standards of customer care in traditional channels were reflected in the following awards and certificates granted in 2020:

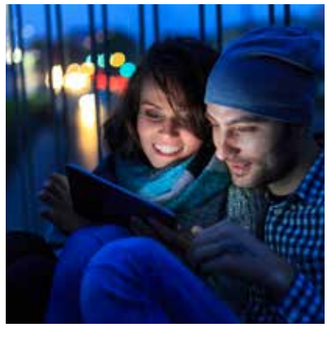
- Customer-Friendly Company Badge, which is awarded by customers on the basis of an independent satisfaction survey (for the second year in a row);
- ‘OK Senior’ certificate for our customer service dedicated to senior citizens, both on our infoline and in our sales outlets;
- Customer Service Quality Star for our nju offer infoline support (for the fifth time);
- COPC (Customer Operations Performance Center) certificate.

The latter is particularly important for customer care. 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 (cost optimisation, efficiency gains). In previous years the COPC certification involved selected locations representing particular customer service processes. Last year we decided to adopt a more comprehensive approach, COPC Enterprise, which monitors customer-care quality and standards on an overall basis. In 2020, we successfully implemented COPC Enterprise for B2C/SOHO-dedicated channels and our certification was formally confirmed in the first quarter of 2021.

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.”









Contact channels

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

- We enhanced our voice assistant Max. Customer satisfaction with issues fully resolved by Max is higher than that with self-service through a traditional IVR system.
- We consistently implemented our strategy to develop digital channels: in 2020, almost 70% of all customer interactions took place via digital communication channels with or without consultant’s assistance.
- We expanded the ‘Our Orange’ community, which in 2020 increased by 23% year-on-year.
- We implemented an interactive system for contacting our technical personnel regarding fixed-line installation or failures, which is based on an Internet link. In 2020, 500,000 customers used this solution and their satisfaction was significantly higher than in cases using traditional contact channels.
- We further developed our integrated tool for customer relationship management: OMNI (introduced in 2019). 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. In 2020, we expanded the functionality of the OMNI platform, making it available to business customers from the SOHO and SME segments. As a result, we could offer to our business customers the same friendly and convenient solution for managing standard services that had been available in the consumer market.
- We continued to develop and actively promote 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.

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 personal data of our customers, employees, business partners, etc. Personal data are one of the categories of confidential information (together with data protected by the telecommunication secret and proprietary information). In order to prevent a potential breach of security of confidential information, including personal data, we have implemented security measures consistent with international standards. The Company has operated the Information Security Management System, which is compliant with the ISO/IEC 27001:2013 standard. Orange Polska has also obtained a certificate of compliance with ISO/IEC 27018:2014. In addition, the Company regularly renews the FIRST and the Trusted Introducer certificates for CERT Orange Polska.

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 2020.

Despite all the precautions taken, considering the modern threats related to information technologies used for processing of information, including personal data, it is not possible to fully exclude the risk of a breach of the security thereof.

Recourse to liability proceedings is facilitated by the General Data Protection Regulation (GDPR). A potential breach of the security of personal data could have a considerable impact on Orange Polska's reputation and a heavy impact on its liability, potentially including criminal liability, and hence have an adverse impact on the Company's future financial performance. In accordance with GDPR, ISO 29134:2017 and the Article 29 Working Party Guidelines, in 2018 we implemented a process to identify and prevent violation of rights and liberties of data subjects.

Furthermore, since 2018 we have delivered dedicated training for Orange Polska's employees and partners. We have also introduced an initial training process for new joiners as well as e-learning courses on information security and personal data protection.

Data security

As expected, as COVID-19 pandemic changed the global activity landscape, it couldn't omit the cybersecurity. At the beginning of local/global lockdowns our customers had to face numerous COVID-related threats, based on their fears, uncertainty and doubts (FUD). The thorough view contained fake news themselves (with high probability served and fuelled by nations/intelligence actors, with an aim to spread FUD among people) as well as variety of phishing threats. In most common cases the threats were either spread by SMS messages, persuading the victim to "pay for package decontamination", redirecting them to false online payment gates; or by e-mail/social media messaging, showing coronavirus related fake news, redirecting the victims to fake Facebook login pages (and stealing their credentials).

Thus at the beginning of pandemic we focused on phishing-related awareness, pointing out the specific parts of those campaigns. Also, on regular basis, 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. Thanks to fine-tuning applied to our systems, in 2020 our CyberShield systems became able to better distinguish malicious/phishing sites, delivering even better protection for Orange Polska network users. It saved close to 3.5 mln customers from infection aftermath, and our systems almost 40 million times prevented potential victims from connecting to several thousand confirmed phishing sites.

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).

Orange Polska delivered input data (base stations parameters and results of PEM measurements) to the Institute of Telecommunication. This data will allow to operate the SI2PEM system. This system will be available on the Internet and will include information on the predicted PEM levels and results of PEM measurements in Poland. Its users will be be able to obtain data regarding PEM levels in their areas of interest.

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	KPI	Performance
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	Indirect costs	**Indirect costs in 2016-2020 (in PLN million)** ▪ 2016: 4,102 ▪ 2017: 3,903 ▪ 2018: 3,567 ▪ 2019: 3,598 ▪ **2020: 3,446**

Delivery on our commitments in 2020

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.

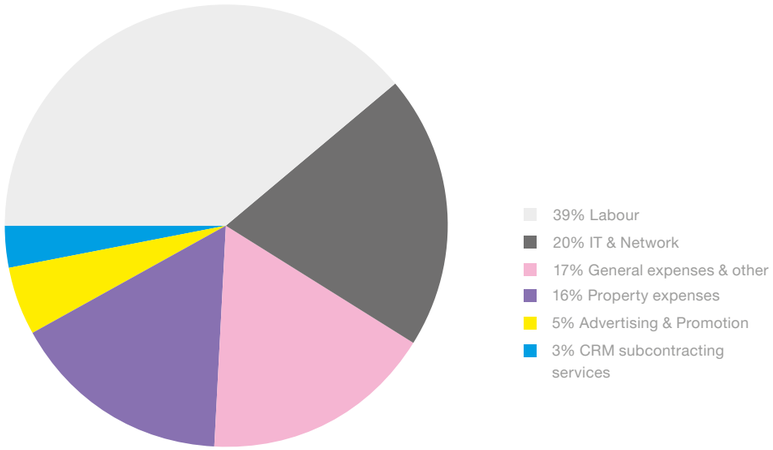
In 2020 we continued with our redefined commercial approach: to become more selective and more balanced between volume and value. In 2019, we took a major step by introducing the first ever tariff increases on the consumer market according to a 'more for more' formula. This followed a number of value-accretive moves in the prior 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 2020 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) was down PLN 72 million year-on-year as positive impact of strong performance of core service revenue lines was more than offset by pandemic-related lower roaming revenues and additional provisions as well as ongoing pressure from legacy fixed voice.

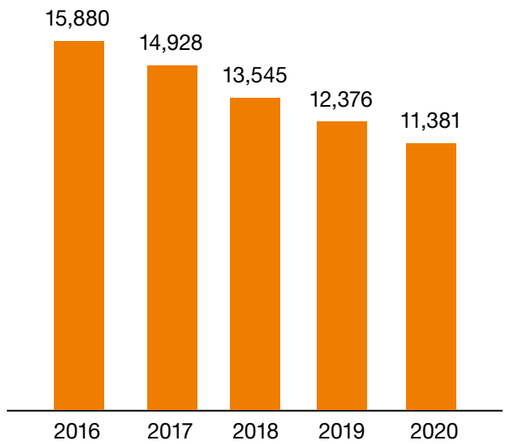
In line with our strategic priorities, we continued to push forward with our comprehensive transformation programme to simplify, and where possible to automate and digitise our business processes. We cut our indirect costs by a further 4% in 2020. These savings on top of results of continued optimisation initiatives in many areas (labour, CRM, general expenses) were significantly supported by exceptional measures taken by the management to offset negative impact of the pandemic. These included mainly curtailment of jubilee awards scheme (resulting in PLN 64 million reversal of provisions for employee benefits) and renegotiation of certain terms of the Social Agreement with trade unions. 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 labour costs decreased by 9 % (year-on-year).



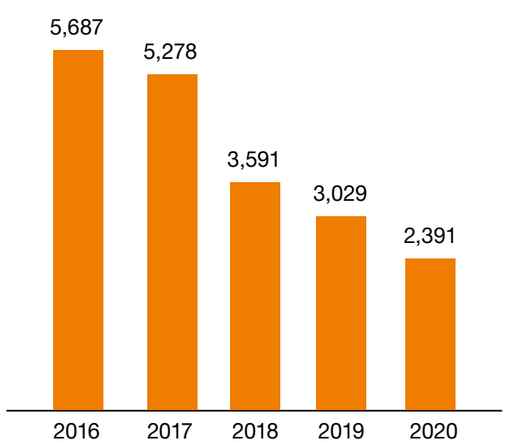
Indirect costs base split in 2020



Employment evolution (in kFTE)



Employment evolution (in kFTO)



Management of our impact on the environment

Our commitment	KPI	Performance
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 centres, supervision over Orange Polska's impact on the environment; increase in number of recycled, re-used and refurbished devices	Energy consumption	**Electricity consumption (GWh)** ■ 2017: 581 ■ 2018: 564 ■ 2019: 552 ■ 2020: **541**
	CO_2 emission	**Total CO_2 emissions ('000 tones)** ■ 2017: 468 ■ 2018: 451 ■ 2019: 426 ■ 2020: **405**
	Number of recycled and refurbished devices	**Collected and recycled phones** ■ 2017: 42,869 ■ 2018: 16,034 ■ 2019: 36,671 ■ 2020: **33,609** **Refurbished and relaunched phones** ■ 2017: 8,138 ■ 2018: 5,600 ■ 2019: 8,561 ■ 2020: **11,515** **Refurbished and relaunched devices** ■ 2017: 465,994 ■ 2018: 491,125 ■ 2019: 410,774 ■ 2020: **503,045**

Delivery on our commitments in 2020

Since 2020, the Orange Group has been operating in line with its new strategic plan, Engage 2025, which in addition to business targets defines also social and environmental objectives. The Group's commitment to curbing global warming is reflected in tangible sustainable development goals and assumes the participation of our stakeholders in transforming its business.

Towards climate neutrality

Our overarching target is to achieve climate neutrality (i.e. become net zero carbon) by 2040. That's ten years before both the deadline for EU climate targets and the recommendations by the GSMA (the global alliance of telecom operators). Meeting this target will involve avoiding and reducing greenhouse gas emissions and, in the final step, neutralisation of the unavoidable or irreducible emissions (in particular by planting sustainable, protected and biodiverse forests), so that ultimately Orange Polska's climate balance will be zero. Neutrality will not only cover our

own emissions, direct (Scope 1) and indirect (Scope 2), but also our value-chain emissions. The first crucial milestone is 2025, when we intend to achieve a significant reduction in our CO_2 emissions from the baseline year of 2015. Climate responsibility is already becoming one of the pillars of our business strategy.

These goals are fully in accordance with the Orange Group's global strategy.

Our approach, #OrangeGoesGreen, is integrated into our daily operations. We optimise electricity consumption and contract renewable energy directly with its producers, from facilities developed specifically for our needs in Poland. Furthermore, we constantly enhance our processes in order to consume energy more wisely and generate fewer CO_2 emissions. We engage in dialogue with our customers, suppliers and partners in order to develop new solutions and to counter climate change.

In Orange Polska, we have the following ambitions by 2025:

- Reducing CO_2 emissions vs. 2015 by at least 65% (for Scope 1+2[2], according to the GHG Protocol, see GRI section below for definitions of Scopes 1, 2 and 3, and data methodology);
- Increase the share of renewable energy in Orange Polska's energy mix to at least 60% based on long-term Power Purchase Agreements (PPA) related to specific facilities, thus also stimulating green transformation of the Polish power industry.
- Become the market leader in circular economy by using refurbished equipment in our networks and data centres, collecting old phones through repurchase/recycling, and offering refurbished handsets and user devices to our customers.
- Become a partner to our customers in their green challenges thanks to our portfolio of commercial services.
- Win a position among the green leaders of Polish business through distinctive consistency in our efforts and a reliable image as a green operator.

[2] For definitions of Scopes 1, 2 & 3 and data methodology please see GRI section, Environmental Data below.



Climate impact management

Environmental issues are a part of Orange Polska's CSR strategy. Clear, formally adopted climate targets will enable improved management in this area and the development of a comprehensive programme. The climate policy is supervised directly by the CEO, and the pursuit of objectives is subject to regular reviews by the Management Board and the Supervisory Board. The climate objectives will constitute an integral element of the Group's new overall strategy to be adopted in 2021.

In 2020, as the first step of our climate impact management, we created the position of Climate Officer. The Officer's role is to coordinate the development and implementation of our climate goals in close co-operation with the entire organisation. The Climate Officer reports directly to the Management Board Member in charge of Strategy and Corporate Affairs.

The Company has determined the reduction in greenhouse gas emissions as well as energy consumption and its mix as being the key indicators for measuring progress towards its climate goals. We have reported them as part of our non-financial reporting for more than a decade. Furthermore, Orange Group is working globally to expand the CO_2 emissions indicator to include Scope 3. The environmental indicators and the relevant methodology are described in detail in the GRI section, Environmental Data below.

In our risk management framework, separate environmental risks have been identified in the social risks domain. These risks are subject to a standard review once a year, the results of which are reported to the Management Board and Supervisory Board. In the climate risk area, Orange Group has defined short-term risks with respect to its annual strategic plans; mid-term risks related to its Engage 2025 strategy for 2020–2025; and long-term risks in the 2050 perspective.

Currently, Orange Polska's environmental risks are identified in the short-term perspective. One of our climate risks has been considered a key risk, which means that it is a subject to an additional monitoring procedure and may be covered by the Annual Internal Audit Plan and the Audit Committee's assessment.

The most important climate risk, which has been included among our TOP risks, is related to failure to achieve the Company's environmental commitments. Its detailed description is included in the Risk Management section below. The analysis of this risk has enabled us to plan strategic actions aimed to minimise it and to implement the relevant mitigation measures, particularly the energy optimisation programme and the renewable energy purchase plan.

Major climate risks also include the issue of business continuity in the case of exposure of Orange Polska's technical infrastructure to damage caused by natural disasters (the frequency of which is growing due to climate change) and the risk related to inefficient electronic waste management which does not take into account the requirements of the circular economy.

Mid-term risks will be defined in 2021 with reference to Orange Group's Engage 2025 strategy, while long-term risks will be defined in the 2050 perspective. On the international level, Orange Group has carried out a climate risk assessment project aiming to determine the physical resilience of business telecommunications assets in a scenario of global warming exceeding 3°C. The project, initially conducted in France, has involved a review of potential effects of climate risks with respect to network elements (data centres, access nodes, cables, poles, antennas, etc.). This has led to the determination of their climate vulnerability thresholds with the focus on the most dangerous risks (heat waves, strong winds, intensive rainfall,

lightning strikes, fires). Based on it, Orange Polska is now developing local climate scenarios, which will be used for the identification of mid-term and long-term risks.

Our climate policy and the heat map in this area are developed in conjunction with experts of international Orange Group and Carbone4. On the local level, Orange Polska collaborates with the AGH University of Science and Technology, Institute of Accountancy and Taxes, Bureau Veritas, social partners (UNEP GRID) and industry associations (Polish Chamber of Information Technology & Telecommunications and Polish Confederation Lewiatan) with respect to its environmental footprint.

Orange Polska's environmental policy

Orange Polska responds to global challenges related to the natural environment and natural resources. We consider energy consumption with related greenhouse gas emissions to be the most important aspect of our environmental impact. As electricity consumption accounts for the vast majority of the Company's greenhouse gas emissions, our primary responsibility lies in this area. Poland's energy mix is based on coal, so the only reasonable way towards a sustainable reduction in our climate (carbon) footprint is gaining energy from new renewable sources, coupled by initiatives aiming to optimise consumption volume.

In 2020, we worked on the implementation of the Orange global strategy by setting our local environmental targets and incorporating them into Orange Polska's business strategy, This ensures a more comprehensive approach to the Company's environmental and climate impact, which is also reflected in our reporting of non-financial information (Directive 2014/95/EU), in line with the Supplement on reporting climate-related information (2019/C 209/01), as well as identifying climate-related opportunities and risks.

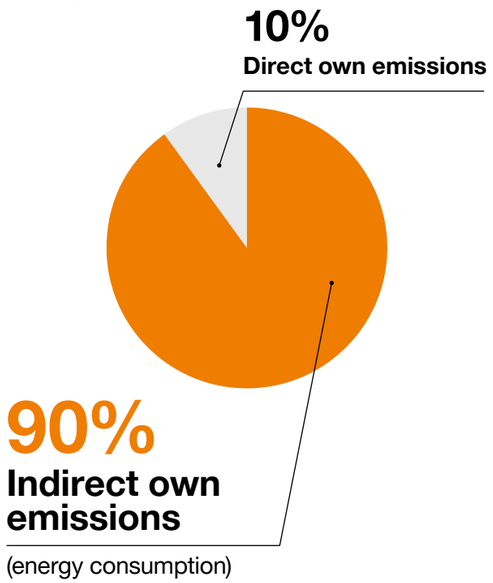
In 2020 we created the position of Climate Officer, who is to indicate and coordinate pro-climate initiatives within the Company. We also developed and launched the #OrangeGoesGreen approach, incorporated into our business activity, in order to accelerate our climate efforts.

Our priorities

Responsibility

Electricity consumption accounts for more than 90% of the greenhouse gas emissions reported by Orange Polska. Therefore, we have focused our environmental efforts on both saving energy and moving to renewable energy sources.

Greenhouse gas emission split CO_2 emissions of Orange Polska in Scopes 1 and 2



All our energy-saving initiatives have been combined into the single Energy Optimisation Programme, covering networks, data centres, sales outlets and offices. Between 2015 and 2020, we completed almost 200 such initiatives, which involved replacement of older technical devices with modern energy-efficient ones, modernisation of cooling systems and introduction of energy-saving functionalities. Between 2015 and 2020 these solutions enabled us to generate total energy savings of 713 GWh, which corresponds to an overall reduction in carbon dioxide emissions of 530 thousand tonnes. Thanks to the Programme, our electricity consumption decreased by 10% between 2015 and 2020, despite our investments in new technologies and development of new services. Without it, our electricity consumption would have increased by 25% in that period.

Currently, the key challenge for Orange Polska is to gain energy from renewable sources. According to our forecasts, our total energy consumption will grow in subsequent years despite optimisation and efforts to improve the energy efficiency of our networks. This is due to our customers' constantly growing data traffic.

Orange Polska's approach is based on long-term contracting of green energy supply directly with producers (under Power Purchase Agreements – PPAs) from identifiable, renewable energy sources, especially those developed specifically for our needs. Thus, we support the development of new, renewable energy sources in Poland, increasing green power capacity and contributing to the transformation of the Polish power industry.

[3] GSMA, The Enablement Effect. https://www.gsma.com/betterfuture/wp-content/uploads/2019/12/GSMA_Enablement_Effect.pdf

Value

Second life of devices

We want to support residential and business customers with our commercial services in their climate challenges and initiatives. The digital technology sector has an important role to play in climate actions due to the character of the products and services it offers. These can help customers to estimate and understand, and then to reduce or eliminate, greenhouse gas emissions and other negative environmental impacts. GSMA estimates that mobile telecommunications enabled a reduction of 2.1 billion tonnes in CO_2 emissions in 2018, which is ten times greater than the sector's own global carbon footprint[3].

Circular economy is also a major aspect of Orange commitment to environmental protection and carbon footprint reduction. It has a positive impact on the rest of our value chain: suppliers and customers. As for products (i.e. network elements, user devices, smartphones, etc.), our planned initiatives are related to eco-design, reuse/repurchase, refurbishment, repairs and recycling. The overarching goal is to deliver goods and services while considerably reducing the consumption and waste of resources.

We try to reduce the amount of materials we use and we ensure that they are reused. We encourage our customers to recycle old mobile devices: they can drop off their old mobile phones or accessories in all Orange stores. A buy-back programme for unwanted mobile phones is one of our key initiatives to extend their life cycle. Our partner company repairs any minor damage, so that the returned handsets can be put back on the market.

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.

In 2020, Orange initiated the global “Give your phone a second life” campaign. In addition, we launched the orange.pl/razemdlaplanety [Together for the Planet] portal, where you can find information on Orange Polska’s environmental initiatives and practical tips on how to use technology in a more eco-friendly way.

Multimedia devices, such as modems and set-top boxes, are leased to customers for the term of provision of telecommunication services. Upon expiration of the agreement, the devices collected from customers are refurbished; then, operating and looking ‘as new’, they can be reassigned to other customers for further use.

In 2020, over 500,000 modems, multimedia and CPE devices were refurbished and returned to the market, which was approximately 60% of the total number in circulation in Poland. About 39 tonnes of plastics and over 1.1 million power supplies, cabling or other accessories were saved as a result of refurbishment and reuse.

Our ‘Refurbishment of Multimedia Devices’ project won the first prize in the third edition of the Stena Circular Economy Award competition in the Entrepreneurs – Practice category. And our phone repurchase offer was recognised in 2020 by an expert panel in the Climate Leadership Programme for tangibly reducing the negative environmental impact of products.

Smart digital solutions may contribute to the improved management of limited natural resources. Innovative IoT solutions, particularly in the Smart City domain, optimise consumption of resources (e.g. electricity or water) and reduce emissions and pollution thanks to smart management and monitoring systems for municipal services (e.g. utilities supply, city lighting, parking places, city bikes or waste collection). Over 80 cities in Poland already use Smart City solutions provided by Orange. Our Company is the Polish leader in the IoT (Internet of Things) and M2M (Machine to Machine) communications. We provide more than 2 million M2M cards, which is about 40% of the Polish market (data for Q4 2020). We operate nationwide fixed and mobile networks, and, as the first operator in Poland, provide open and safe API environment for the Internet of Things. This environment is used in our platform Live Objects, which makes integrated management of municipal services user-friendly and manageable from a smartphone or computer.

Impact

We want to be a reliable and credible partner in climate and environmental initiatives. Therefore, we engage our employees and business partners in seeking new environmentally-friendly solutions.

We are the largest operator in Poland with the most extensive mobile network, covering over 99% of Poland’s population in the 4G technology, and superfast fibre network, reaching up to 5 million houses, flats and businesses. We provide network access to one third of Polish internet users. Owing to the scale of operations, our impact is of paramount importance.

We are aware that while pursuing our business and developing new technologies, we need to monitor their environmental impact on a current basis, so as to reduce the negative impact of our activities and maximise the positive impact of digital technologies. We have been monitoring and reporting energy and other resources consumption as well as carbon dioxide emissions related to our operations for years. We strive to inform our stakeholders about the Company’s



activity in a reliable and comprehensive manner. Therefore, in addition to financial results, we have also been publishing data in the social and environmental areas for over a decade.

E-services and paperless

Digital technology creates the potential for more innovative and sustainable solutions promoting energy conservation and pro-environmental attitudes. Through services that 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, we support others in reducing greenhouse gas emissions.

80% of Orange Polska's customers use electronic invoices. We have also introduced an option to sign an agreement on a tablet in all our outlets. Thanks to e-services, Orange Polska with its customers save about 20,000 trees annually that would otherwise be used for paper production.

Smart cities

The world's urban population is expected to grow by a further 2.5 billion people within the next 30 years. It means that we need more efficient, sustainable cities. One solution is new technology, particularly Internet of Things (IoT) solutions, as they help to reduce consumption of electricity, fuels and water or improve the quality of air.

In Poland, more than 80 cities and towns, both big and small, have already implemented IoT solutions provided by Orange.

Smart Water solutions from Orange are operational in more than 30 municipalities in Poland. In particular, it is used in the right-bank districts of Szczecin, while in Krosno Odrzańskie it encompasses the entire water supply network (3,372 main water meters). The system prevents water waste, generates savings and streamlines management. Smart Water automatically reads water meters on house service lines, and, via a telemetric module with a built-in SIM card, sends the current data to the water utility.



Moreover, current monitoring by Smart Water ensures effective failure identification, which reduces water waste by as much as 12% and prevents costly repairs of streets and sidewalks. The system also reports fraud attempts, such as water meter removal or manipulation. Smart Water provides access to information on a 24-hour basis, while historical data enable analysis, future water consumption forecasts and planning of water supply network repairs and development. The system also makes life easier for residents, as they do not need to arrange visits by meter-reading personnel and they are notified in case of increased water consumption.

Smart Lights ensures efficient and eco-friendly city lighting. Special LED fixtures with built-in GSM cards enable automatic control of illumination of streets, parks, residential districts and other open spaces according to pre-defined parameters Consequently, lamps are only turned on when it is dark and any pedestrian traffic is detected, and lighting intensity is adjusted to the season or the weather conditions. As a result, electricity consumption can be reduced by several dozen percent compared to traditional lighting systems. In addition, LED fixtures are designed to minimise light pollution, which disrupts the natural circadian rhythm of people and animals. A total of eight cities, such as Bolesławiec, Lwówek Śląski and Lubomierz, have already appreciated the Smart Lights solution.

The fourth biking season with **Smart Bike** is over. So far, more than 56,000 bikers from 21 cities have ridden almost 2.4 million kilometres – that's 60 times around the world. Had they covered that distance by car, about 288 tonnes of CO_2 would have been emitted to the atmosphere. Smart Bike is a fourth-generation public bike-sharing system. With it, users can leave their bike anywhere within the designated zone. The operator tracks the location of each bike, in use or available. The bike monitoring system is charged by a solar power supply, so it is possible to see what is happening with bikes all the time. Bikes are equipped with SIM cards and a system monitoring various parameters during the ride. The collected data provide information on how to plan the network and develop further smart, active solutions, as well as how to design the cycle track grid and other cycling facilities. The Smart Bike solution not only facilitates city transport, but also reduces CO_2 emissions and promotes healthy lifestyle.

Other Smart City solutions are **Smart Energy** and **photovoltaics**. Photovoltaic systems use the Internet of Things to communicate with the system that manages electricity flows. Thanks to proper monitoring and analytic tools it is possible to optimise the use of photovoltaic energy. The Smart Energy Controller developed by Orange experts in 2020 is the brain of the system. It monitors both the system and the equipment and circuits connected to it on a 24-hour basis, controlling dozens of power parameters in real time. In case of any irregularities, the system sends notifications or alerts. The built-in 'power guard' enables individual devices or circuits to be switched on and off remotely.

Analysis of data from various city systems gives municipal authorities the complete picture, enabling them to take the right actions. It is facilitated by the **Live Objects** platform. It is Orange's in-house solution, which can be used by companies, cities and institutions. Live Objects integrates all city systems in a single place; then, they can be managed from virtually anywhere in the world as long as there is Internet access. The operations of the platform are based on the analysis of huge amounts of data and M2M communications. The latter is possible thanks to special SIM cards (similar to those used in smartphones) installed in devices to make them automatically send information to the system. There are already more than 2 million devices with such cards provided by Orange all over Poland, which is about 40% of

the Polish M2M market. Through M2M technology, information is sent between devices via a mobile network without human involvement. The LTE-M network is used for these communications, as it can handle thousands of IoT devices per square kilometre. Importantly, this technology reaches also weak coverage sites, such as basements, and is energy-efficient, as devices can operate up to 10 years on a single battery. The latter is achieved by 'awakening' devices only for brief moments when they need to send data.

Eco-efficiency of our infrastructure

We invest in modern technologies to increase the energy efficiency of our networks. For example, we replace copper-based solutions with more energy-efficient fibre.

Orange Polska has been investing PLN 700–800 million annually in its fibre network. As a result, almost one third of Polish households are already within its reach. During the pandemic, our fibre network enabled about 30% higher data traffic compared to older technologies.

Once at optimal usage rates, energy consumption in a fibre network is several times lower than in the case of copper wires, while transmission capacity per customer is higher.

Lower electricity consumption is a comparative advantage of fibre over copper-based solutions. Owing to the characteristics of optical lines, more customers can be connected to a single aggregate device without compromising on service quality. Moreover, as fibre develops, it becomes more effective. According to our analyses, energy consumption per FTTH customer is up to a dozen or so times lower than in networks based on copper technologies.

Fibre network is currently the most energy-efficient technology for Internet access, and its efficiency increases as its capacity is filled. Fibre lines have virtually no physical limitations in terms of data transfer. Optical systems make it possible to achieve transmission range on an unparalleled scale and eliminate a considerable number of active network devices, which would otherwise consume energy.

Currently, we need one-fourth the amount of energy per customer to provide Orange fibre broadband than we did when this technology was introduced to the market in 2015. Thus, migration of our customers to a modern fibre network has a major impact on our green transformation and pursuit of climate neutrality by 2040. As our customers increasingly choose FTTH services, we are able to save 17 GWh of energy annually, which corresponds to 13,000 fewer tonnes of CO_2 released into the atmosphere.

We efficiently manage waste from dismantled copper lines. As much as three-fourths of the elements of removed copper cables can be reused, e.g. to produce power cables or mobile phones. In terms of savings of raw materials, it is a valuable contribution to circular economy. Therefore, at Orange we ensure that the copper cables which are no longer needed are dismantled and recycled in a responsible manner.

Renewable energy sources

As from 2021, Orange Polska intends to meet a portion of its energy needs from renewable sources.

Each year, Orange Group emits 1.5 million tonnes of CO_2 globally. Orange Polska accounts for as much as one-third of these emissions. This is a simple consequence of Poland's energy mix, which is based on coal. Therefore, the energy sources we use as a company are of key importance.

The first step in our response has been to conclude long-term contracts for electricity from two new wind farms built for Orange Polska by WPD in Greater Poland. They will become



operational in mid-2021 and supply almost 50 GWh annually. This is about 9% of our annual energy needs. WPD could complete this project because Orange Polska guaranteed that it would purchase energy from it for many years. As a result, new renewable sources will be added to the market, improving Poland's energy mix.

We will subsequently increase the use of renewable energy from facilities developed specifically for our needs, so as to increase their share to 60% of our annual energy consumption by 2025.

We have also decided to use the roofs and lands on our premises to produce green electricity for our own needs. We will follow the Solar-as-a-Service (SaaS) model. It means that our business partner will develop and maintain a photovoltaic (PV) system at its own expense, while we will lease an installation site and buy the solar energy produced. This benefits both parties and the environment. The first PV systems are scheduled for completion in the Q3 2021. They will supply a total of 900 kWp of energy, which accounts for almost 4% of the annual consumption by our two data centres.

Our Warsaw Data Hub, which is currently under construction, will also be equipped with a PV system of the initial capacity of 500 kWp (which can be subsequently expanded). No data centre operating in Poland has a similar solution at such scale. Furthermore, charging stations for electric cars will be developed on a parking lot in front of the Warsaw Data Hub, and 'grey water' (recycled waste water) will be used to irrigate the greens around the facility. Thanks to the technological solutions implemented in the Warsaw Data Hub, we will prevent CO_2 emissions of about 5,000 tonnes annually, which corresponds to the annual emissions of 1,300 cars.

Integrated Report 2020 Orange Polska

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	**81** Orange Studios in villages and small towns for **729,000** residents
To develop digital competencies among children and schools	Number of participants (schools, children) in educational programmes	**150** schools and **3,000** children in the MegaMission programme **140** schools and **2,866** children in the #SuperCoders programme
To provide and support education on children's online safety in schools and kindergartens all around Poland with the Safety on the internet programme	Number of participants (children) in the Safety on the internet programme	**984,029** children using education materials

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

99.9%
of Poland's population covered by our 4G network

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

154 cities
connectable with our fibre network

11.3 million PLN
spent on social programmes and support to NGOs

41,000 jobs
generated in other companies as a result of their co-operation with Orange Polska

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

4,600
educational institutions ran social programmes supported by Orange Polska

Delivery on our commitments in 2020

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.

During the pandemic, we were able to see how important a role new technologies play in our work, science, public hearing and social life.

Orange's social engagement in the pandemic

Support for relief and health services

One of the key activities of Orange Polska as a mobile operator is to ensure efficient communication in hospitals served by the network. We have expanded network capacity at sites servicing sensitive locations and have secured portable sites, enabling quick reaction if necessary by providing additional network capacity at selected locations.

We have implemented priority FIX service procedures for infectious-disease hospitals, and established direct contact with network administrators in hospitals to be able to react as quickly as possible in case of a failure. We have launched an SMS service (24/7) providing information about the coronavirus risk in Poland for customers returning to the country and for foreigners logging on. The mechanism is managed by a custom-built service.

We provided technological support (telephones and SIM cards) for the Neonatology Clinic of the Polish Mother's Memorial Hospital Research Institute in Łódź. The Neonatology Ward was closed to visitors, even parents of premature babies. Telephones are needed to take photos and videos of children and send them to their parents. Orange Polska also joined the Coalition of Companies supporting the fight against the coronavirus, providing Warsaw Genomics with financial support to perform additional virus tests. The Orange Foundation helped the Children's Memorial Health Institute by purchasing a computer that facilitates remote consultations.

Support for remote education

A week after schools closed, the Orange Foundation invited teachers to webinars about methods of teaching on the Internet. As part of the MegaMission programme, a total of 1,708 participants took part in six open meetings presenting techniques and useful tools for working remotely with students. A further 5,333 people took part in six webinars under the Lesson:Enter programme dedicated to similar topics. The Foundation has also made available tutorials on how to use the tools that diversify remote learning.

They were watched by more than 34,000 teachers. If we add these figures, it turns out that Orange's educational activities could reach every tenth teacher in Poland.

Orange organised the Pomagajmy Gigabajtami (Let's Help with Gigabytes) campaign. It allowed Orange customers to donate unused gigabytes from their Internet packages for tablets for children from orphanages in Silesia. In the first two weeks of the campaign alone, 10,000 of our customers joined in. Orange has donated 160 tablets with free internet to children's homes. Thanks to the Orange Foundation, 12 children's homes and SOS Children's Villages received the hardware needed for online lessons – computers with software, headphones and cameras.

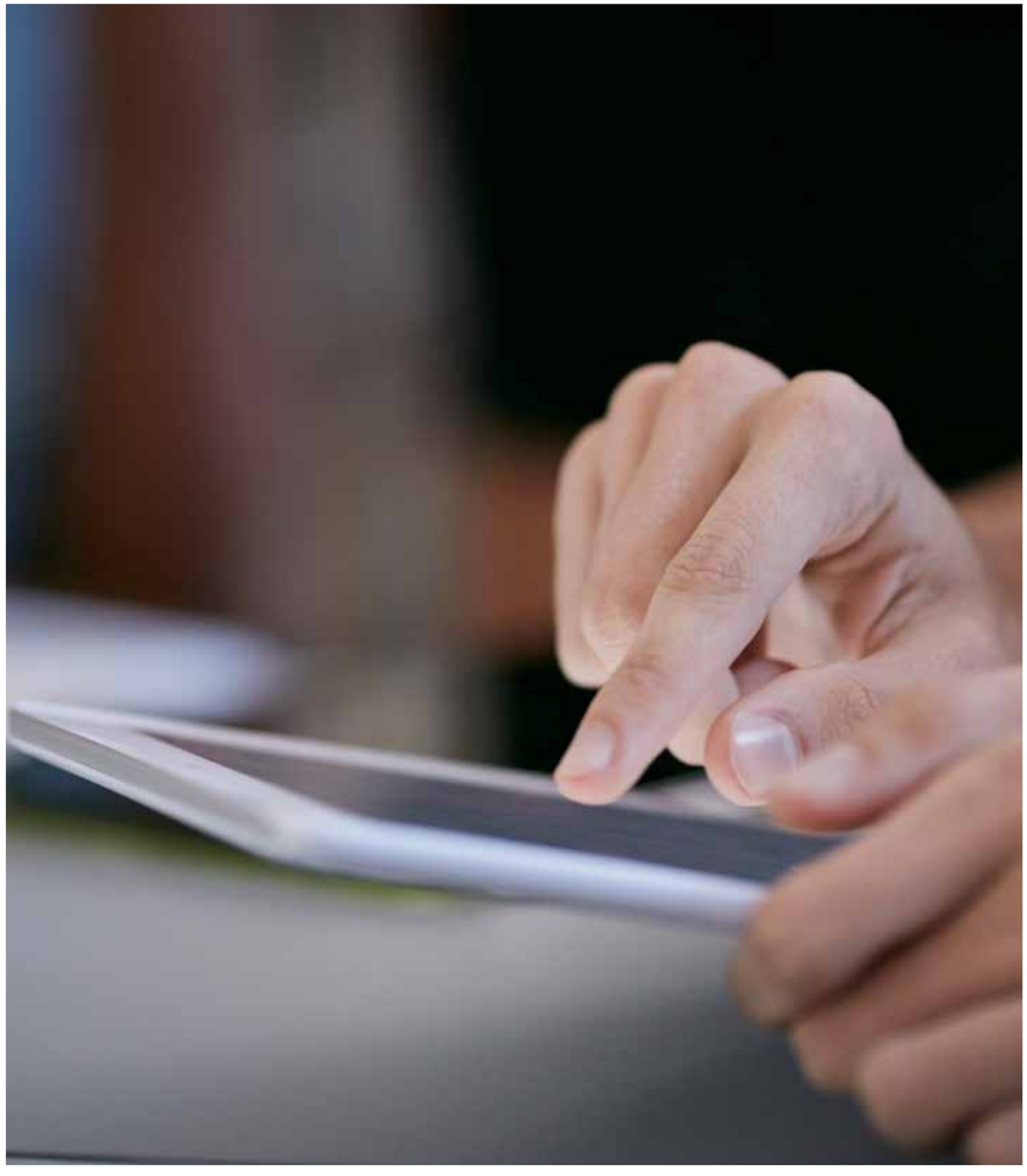
We also invited Orange Flex customers to help children with access to education. In April, in less than 24 hours, they donated unused GB and thus collected a fixed pool, which Orange doubled. A total of 10,000 GB was exchanged for 1,000 LTE modems with Orange Flex cards, which were delivered to 44 schools in 36 locations.

Orange Polska has prepared an offer for students and teachers: as part of Orange Flex they could use the Internet for two months for PLN 1 per month. This means that they had up to 200 GB of data transfer to be used in two months for online learning. With the beginning of the academic year we also supported university students. All current and new Orange Flex users with the student status could activate an additional 100 GB package for free, valid for 180 days. GB could be used freely, for learning and entertainment.

For students, Edu Pass was also launched, i.e. free data transfer to the most popular educational services, such as Librus, Vulcan or Matzoo.

Relief in the pandemic

It wasn't just young people who experienced new and deepening problems because of pandemic-related isolation.



Orange has been involved in setting up a support network for people in crisis who had difficulty accessing assistance in the pandemic. The telecoms operator supported, among others, webinars by the Polish Suicidology Society and Empowering Children Foundation on providing online psychological assistance, which were planned in response to the demand of psychologists who wanted to help online but did not know how to do it. The webinars were attended by 8,360 participants.

The following also received support:

- Empowering Children Foundation and its 116 000 helpline have received many years of support to help solve problems for children and young people.
- Find Help Foundation – for the launch of a helpline for people affected by the COVID-19 pandemic, with psychologists providing psychological support to all who need it.
- Sławek Foundation – a helpline for families in crisis and people drinking dangerously during home isolation. Assistance provided by qualified psychologists.
- Women's Rights Centre Foundation – technological support (SIM cards) for providing psychological and legal assistance to women in need.

Orange Foundation

An important element of our responsibility is constituted by the activities of the Orange Foundation, focusing on social programmes related to 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, schools and non-governmental organisations. Since 2005, we help not only by committing our money, but also our knowledge and skills.

Thanks to the 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 programmes: Orange Studios, MegaMission, #SuperCoders, Lesson:Enter, FabLab, safe use of new technologies and Orange Corporate Volunteering.

Orange Studios

In order to facilitate access to information, knowledge and technology among local communities, we have developed 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 studio leaders are provided with professional training and financial aid to help them manage these modern and attractive meeting places. To date, we have set up a total of 100 Orange Studios across the country. In addition, we have launched an online knowledge-sharing platform for their 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 neighbourhoods. The initiatives are aimed at different groups: children and youth, people with disabilities, young mothers and senior citizens. In 2020, the equipment in the oldest Studios was replaced or retrofitted. In addition, a makerspace (a space supporting the use of new technologies in a DIY approach) was launched in five Orange Studios.

Orange Studios	2019	2020
Active Studios maintained	65	81
Local leaders trained in digital and organisational skills	138	46
Population with access to Studios	585,000	729,000

MegaMission

MegaMission is a nationwide educational programme for primary schools. It can be carried out during lessons or in after-school clubs. It is addressed to kids aged 6 to 10 and their teachers. We aim to enhance knowledge and digital competence of teachers and after-school educators and their pupils. We want children to be safe and conscious multimedia users, and we want their teachers to have access to proven materials which they can use to deliver modern classes. MegaMission provides a solid basis for wisely and safely navigating the world in which we can no longer function without technology. Due to the closure of schools and the need to support teachers, the programme was modified to include a number of additional webinars for teachers to assist them in coping with the remote education challenges. School closure was also reflected in a decrease in the number of children participating in the programme in 2020.

MegaMission	2019	2020
Children trained in the programme	7,000	3,000
Teachers trained in the programme	150	150
School facilities provided with IT equipment and teaching aids	150	150



#SuperCoders

#SuperCoders is a nationwide educational programme aimed at primary school students of grades 4 to 8. Its key element is learning the skill of programming in an innovative manner, as it takes place during science, mathematics, history, music or Polish language classes rather than IT classes. All teaching materials have been based on the Polish school curriculum. Young #SuperCoders develop teamwork skills, creativity and logical thinking. A separate path has been launched for children with special educational needs. The teachers participating in the programme are offered professional training and technical support by expert educators. In 2020, a new educational path was incorporated into the programme. Due to the closure of schools, an additional series of remote classes for children, 'Mornings with #SuperCoders', was introduced.

#SuperCoders	2019	2020
Children trained in the programme	2,894	2,866
Teachers trained in the programme	300	280
Schools provided with equipment to teach programming	150	140

Lesson:Enter

Lesson:Enter is a nationwide digital education programme addressed to teachers and aimed to enhance their digital skills. More than 75,000 teachers (15% from each region of Poland) will be trained in 2020–2023. The programme prepares teachers to use activating teaching methods. They learn how to use educational websites and portals, e-resources and various applications in a responsible and creative way, while observing safety precautions. Training includes a hands-on component, in which teachers create their own digital content for future use during their lessons.

The programme is carried out in conjunction with the Information Society Development Foundation and Institute of Public Affairs. It is implemented in the re-granting scheme by in-service teacher training centres in collaboration with local governments or non-governmental organisations. In 2020, we provided financial and technical support to 54 grant projects. The programme was joined by 1,739 schools, and 7,890 teachers began their training. The programme is co-financed by the European Regional Development Fund in the Digital Poland Operational Programme with almost PLN 49 million.

Orange FabLab

In two cities, Warsaw and Gdańsk, Orange Polska has created FabLabs (fabrication laboratories), that is open studios for people who want to learn how to use modern technologies in a creative way. FabLabs offer support through experienced educators, professional equipment and free workshops for children and young people. FabLab in Gdańsk carried out a project supporting women in the labour market, while FabLab in Warsaw launched a series of classes for children and young people, 'FabLab at Home'. FabLabs and selected Orange Studios became involved in the 3D printing of visors for medical staff.

Safe use of new technologies

One of the most important issues for us is the safety of children and young people on the Internet and preparing them to use new media in a conscious way. These goals are pursued through the educational activities of the Orange Foundation and the Group's services related to customer safety. We support children's online safety education in schools and kindergartens all around Poland. The Orange Foundation, in co-operation with the Empowering Children Foundation, offers a range of educational tools and materials, such as e-learning and educational websites, online brochures and guidelines for pupils, parents and teachers. Adults (especially educators and specialists) can participate in conferences, seminars and workshops, as well as use an online interactive course for parents and guardians teaching them how to protect their children online.

Furthermore, in 2020, the Orange Foundation was a partner to the 'Protect your child's brain!' campaign carried out by the Empowering Children Foundation. The campaign, which promoted introducing screen rules for kids, reached 3,316,064 people.

Key indicators and goals

Safe use of new technologies	2019	2020
Parents and guardians using the educational materials	418,365	174,917
Children involved in the educational initiatives	1,114,868	984,029
Schools participating in the initiatives	3,977	4,600

Seniors

Orange Polska has been awarded the OK SENIOR quality certificate by the National Institute for Silver Economy, for call centre service and for POS.

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. This consists of an automatic menu shortened to a minimum, dedicated advisors and unlimited talk time. In addition, all letters addressed to senior customers are printed using a bigger font.

We also provide workshops for seniors on how to use new technologies. In 2019, we organised stationary workshops for seniors at Orange Studios and elsewhere. In the field of digital education, we co-operate with the National Institute of Senior Economy and we are a partner of the educational and information portal for seniors – ABC Senior. In 2020, due to the pandemic, we implemented online courses for seniors – ABC of the digital world with a smartphone. There were two series of classes, eight workshops each, and the programme was attended by over 300 seniors.

We have prepared a Senior Policy for Orange Polska, which provides for facilities for seniors, digital education and dedicated communication. The strategy will be implemented from 2021.

Orange Fab

At Orange Fab, we develop, test and implement innovative solutions. Startups can rely on mentoring and technical support in the field of access to cloud platforms, such as Live Objects, Integrated Computing and LTE-M or 5G connectivity, as well as the possibility of jointly offering their products and services with Orange Polska. For Orange, such co-operation means access to the unconventional ideas, technologies and business models of our partners. This allows us to identify, define and present new sources of income or savings and build a competitive advantage.

As with most companies, 2020 was a period full of challenges and unexpected changes for us. From the very beginning, our activities focused on the digital transformation of business. We put emphasis on it both when meeting the internal needs of Orange and when preparing products and services for our customers. In the context of COVID-19, the development of new technologies has become more important. Digitisation has proven to be the best way to survive a pandemic. Our earlier approach was therefore in line with the current situation. In activities supporting internal digitisation in Orange, we focused on increasing the effectiveness of online campaigns as well as AR and VR technologies in order to create attractive tools to improve customer service and training for our employees. We have also taken steps to increase the efficiency of the process of creating and modifying applications in an integrated IT environment, to take into account the dynamically changing amount and structure of data.

While working on solutions for our clients, we have chosen to simplify their business operations as a priority. We focused mainly on digitisation and automation of processes in areas such as cashless payments, remote data reading and management of heating and energy infrastructure, taking into account both renewable energy sources and the receivers themselves.

Orange Polska's most important implementations in co-operation with startups in the past year include:

- an analytical platform that integrates business data from various sources in one place. This allows the marketing area to implement more effective promotional campaigns in the online channel;
- solutions for remote reading of electricity meters and controller for managing heat nodes using LTE-M technology. These solutions enabled the creation of new IoT services for the energy and heating sector;
- the virtual Orange Laboratory, thanks to which customer service employees, using VR technology, learn about the devices and services that customers use. These are, among others: Smart WiFi Box, FunBox, Orange TV GO or a multi-recorder.

- Android and iOS mobile application that allows to accept BLIK payments using a smartphone.

We implemented projects in partnerships with other accelerators, including Space3ac, Accelpoint, Brinc, and The Heart. As part of our co-operation with Space3ac, we analysed more than 300 submitted ideas in order to choose solutions that best fit our development needs and the needs of our clients.

The positive results of co-operation with companies as part of Orange Fab in 2020 have shown us that it's the right strategy, and we want it to continue. We see that companies emerging from the acceleration umbrella become reliable business partners, and this opens up the prospect of long-term co-operation beneficial to both parties.

Support for startups

Orange Polska has been a partner of the Sektor 3.0 Fund for 3 years. It is a programme supporting the creation of new tools, applications and digital products that fit the idea of #TechForGood and the digital transformation of social organisations. The fund is a combination of financial support, knowledge and experience necessary to implement the new technology. Experts from Orange Polska are among the people who educate and advise startups in the development and implementation of their ideas.

Orange Polska is a partner of the project **Startups of Positive Impact**. This programme is addressed to enterprises created in the last five years, which implement innovative business models generating economic and social benefits simultaneously. A 'startup of positive impact' is an innovative form of entrepreneurship that creates sustainable value directed at changes in quality and in patterns of lifestyle, production and consumption. Kozminski Business Hub thus starts the process of building an ecosystem of positive impact in the Kozminski University, with the participation of leaders of the Responsible Companies Ranking and the best startups of positive impact in Poland.

Sponsorship

Orange Polska has adopted a sponsorship policy. Our approach reflects the global sponsorship strategy of the Orange Group. In our strategic sponsoring area, which currently is music, we develop long-term, comprehensive, nationwide projects addressed to a large group of our 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. We have established the Sponsorship Committee to centralise project management of sponsorship opportunities in the Orange Polska Group.

Due to the COVID-19 pandemic, Orange music festivals were not held in their usual spots in 2020. However, an online event, Open'er Festival Powered by Orange: TAKE ME THERE!, was organised, which involved rebroadcast of 23 of the best concerts from the last 10 editions of Open'er Festival. The event comprised 30 hours of online concerts and over 113 hours of streaming.

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 charitable organisations, including Caritas Polska, Polsat Foundation, TVN Foundation, Great Orchestra of Christmas Charity and Work of the New Millennium Foundation. In 2020, fundraising numbers were launched for 15 organisations, which raised a total of over PLN 7.2 million.

Grants (in PLN millions)

Grants	2019	2020
Total support granted (in PLN millions)	9.3	11.3

Co-operation with government institutions

Orange Polska is a signatory to Poland's Declaration of Co-operation for the Safety of Children Online. The signatories of the Declaration include the Minister of Digitisation, 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 also a signatory to the Pact for Accessibility-plus 2018-2025. The Pact is a commitment to co-operate 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 equalise 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 organisations, technology companies as well as youtubers and journalists.



Being a digital and caring employer

Our commitment	KPI	Performance
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	Number of employees*	▪ 2017: 14,587 ▪ 2018: 13,197 ▪ 2019: 12,034 ▪ **2020: 11,048**
	Share of women among managers	▪ 2017: 33% ▪ 2018: 33% ▪ 2019: 33% ▪ **2020: 33%** of women among managers
	Number of training hours per year per employee	▪ 2017: 32 ▪ 2018: 25 ▪ 2019: 30 ▪ **2020: 25** training hours per employee
	Employees satisfaction ratio (International Social Barometer)	▪ 2017: 31.5 points ▪ 2018: 31.1 ▪ 2020: 33.9 ▪ **2021: 43.6** (on a scale from -100 to +100)

* excluding NetWorkS!

Delivery on our commitments in 2020

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. Everyone's commitment is key to the achievement of our strategic challenge – being a digital and caring employer. One of Orange Polska's goals is to be the company most preferred by employees.

The year 2020 was marked by the pandemic, which significantly affected our work, lifestyle and social relations.

Employer during the pandemic

As from mid-March 2020, 80% of Orange Polska's own and outsourced employees switched to remote work. At lightning speed, we moved our office and call centre staff to work-from-home and trained our outlet staff in telesales. It was a huge logistics operation – which involved providing employees with the necessary equipment, access and protections – and a great organisational challenge, which required the development of new tools and systems for work, meetings and communications.

These actions were very well-received by our employees: 92% of the respondents assessed our remote work model as good or very good, and 95% declared that the functioning of their team under remote work conditions was good or very good. Moreover, 68% of our employees would definitely like to continue remote work in the future (survey conducted in April 2020).



We also changed our communications in order to provide our employees with the best possible support and access to information at this difficult time. We introduced regular webinars with Management Board Members, which became an important platform for sharing key information and building the sense of security. 93% of our employees positively assessed our corporate communications and perceived it as open and honest.

New work system: SMILE

Initially, hybrid work was to be a short-term response to the pandemic, but it became a trend that will survive and transform the way we manage our organisation.

For Orange Polska, the hybrid system became one of the pillars of the new work model that we called SMILE (**S**afe, **M**obile, **I**ntegrated, **L**eading, **E**fficient). It will be fully introduced once staying in the office will no longer involve strict sanitary regime.

The model was tested, with safety precautions, between July and September 2020, during a decrease in intensity of the pandemic. We assumed the principle: three days at home, two days in the office. Ultimately, teams will be working in the office on the same days and from home also on the same days. The office/home rhythm may change depending on the tasks performed by the team.

A major limitation was that some teams, mostly at call centres, lacked mobile tools. As an investment in improving the work environment,

2,500 desktop computers were replaced with laptops or virtual desktops in 2020.

These changes were supported by an educational module for all employees. First, we provided training and other development activities related to remote work and digital skills, as well as tools supporting teamwork and regular contact. Our employees were also invited to webinars on remote work organisation, mental and physical condition, healthy lifestyle and management of one's family relations or emotions during a period of isolation.

Second, in response to requests by our employees who complained about continuous online meetings, we introduced a rule that meetings could not exceed an hour and suggested a common 'meeting-free hour' during a day.

The pandemic brought a considerable mental burden on us. Therefore, we established a dedicated community on our internal portal Orange Plazza for sharing experiences and problems and providing mutual support. We also offered assistance from our internal coaches and, if required, dedicated psychological support. It has been an important element of our Policy of Investing in Health Quality and Well-being of Employees.

Our buildings remain open, but they are used mostly by people who cannot effectively perform their tasks from home. Sales outlets and technical personnel also work 'on the ground'. Hence, it is important to ensure the safety of our field technicians, salespeople and other persons who cannot perform their duties at home. We have responded to this need by investing in personal protective equipment and safety measures, organising shift work and regularly disinfecting premises.

Apart from meeting the sanitary requirements, we have implemented additional solutions, such as remote mist generators for disinfecting sales outlets. The Company has also allocated funds for additional equipment for technicians and salespeople as well as awards for employees to acknowledge their work and commitment in the difficult pandemic era.

Our employees are consulted about the SMILE solutions, and the ones already introduced have been very well received, as confirmed by surveys.

Organisational culture of Orange Polska

We are building our organisational culture in open dialogue with our employees. The process of culture change, which was initiated in 2017, is based on organisational health surveys (according to McKinsey & Company's methodology). Three editions have been held so far. The results have enabled us to determine the key priorities in changing our organisational culture, which include: open communication and feedback culture, co-operation, simplification, learning from errors, building motivation through appreciation, and employee development. Thanks to this, we have been able to create an organisational culture that supports the implementation of our strategy, as it is customer-centric, while ensuring the involvement of our employees.

Our initiatives:

- Building a feedback culture through Feedback 360° for all employees (every two years), summarising meetings and the monthly Pulsometer.
- Development of employees and managers:
  - Leader in Action – 10 rules which constitute the basis for leader assessment and development;
  - Me in Action – 10 rules or specific behaviours which constitute the basis for employee development, feedback and recruitment.
- Open and two-way communication to engage employees using new communication formats:
  - #bezcukru (No sugar) – regular meetings of Board Members with employees (every week or two); more than 2,000 employees participate on average (with online video streaming to more than 150 Orange Polska locations).
- Co-operation
  - Monthly Pulsometer – a team feedback survey focused on co-operation and achieving goals;
  - Leader in Action community – a common platform for all managers for sharing best management practices and knowledge, and building common understanding of the Company's objectives.
- Motivation:
  - Modification of the incentive system – quarterly bonuses are now included in the base salary, a new two-tier system of financial awards;
  - Building a culture of appreciation through transparent communications and joint celebration of the successes of the Company and individual employees (e.g. annual head-of-function award galas and CEO award gala);
  - O!klaski (Applause!) application enabling employees to express their appreciation, thank them for co-operation and recognise daily successes.
- Simplification, learning from errors, innovation:
  - Simplification of processes across all aspects of the Company's operations – improvement of the processes carried out by employees on the first line (advisers, sellers, technicians, couriers) affecting ergonomics and job satisfaction. So far, 25 initiatives have been implemented, affecting 8,000 employees by improving their day-to-day experiences.
  - 'Listen and Respond' clubs – a project encouraging employees to propose and implement improvements within the Company; 160 such clubs with almost 700 employees involved were established in 2020.
  - Oz – an initiative to support innovation and collaboration among employees.

Orange Polska again among top employers

In 2020, we once again received the Top Employer Polska, Top Employer Europe and Top Employer Global – as well as HR Best Quality – certificates. They reflect our commitment to better working conditions and our focus on employee development, as well as implementation and constant enhancement of good human capital practices.

Diversity management

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

Our Diversity Management Policy aims to bolster the pursuit of our business objectives and support compliance with the values enshrined in the Code of Ethics, CSR goals and the obligations under the Diversity Charter, of which Orange Polska is a signatory. In addition, the Policy refers to the Global Diversity Management and Inclusion Policy in Orange.

The key diversity dimensions in 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 (headquarters vs. region), type of employment, and nationality / ethnic origin.



Diversity Management Policy covers the following areas:

- Creating a working environment open to diverse mindsets;
- Building a corporate culture which derives from diversity;
- Providing adequate conditions for employee development;
- Supporting involvement of all employees;
- Increasing the quality of human capital management in the organisation.

The implementation of our Diversity Management Policy is supported by the Committee for Gender Equality and Diversity in the Workplace. The quality of our diversity management has been confirmed by the Gender Equality European and International Standard (GEEIS) certificate.

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

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

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

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

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

The Supervisory Board currently consists of 14 members, including five independent members. They are appointed by the General Meeting (or, in exceptional cases, by the Supervisory Board). The term of office for the member of the Supervisory Board is three years. There are four 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 a member of the Management Board is three years. There are two women on the Management Board.

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 Diversity Charter is an international initiative implemented in 24 European countries 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 which decide to implement this tool work for cohesion and social equality.

Razem.One

Responding to the need to provide greater support for women in their development and access to management positions, but also combining their professional and family commitments, we have launched the Razem.One (Together.One) programme.

Razem.One is a programme which fits into this culture change, and is addressed to all Orange Polska's employees. It aims to show how important it is for our business to use the potential of each of us by creating sustainable teams, consisting of both women and men.

It encompasses four areas:

- Power – To empower women by increasing their courage to take new challenges, building their self-confidence and supporting them in their return to a professional development and career path after childbirth, as well as helping them to combine their professional and private commitments;
- Awareness – To develop and strengthen broad awareness of the business role of women in raising efficiency, building organisational culture and pursuing business objectives;
- Ambition – To ensure opportunities for career development and promotion by increasing the number of women at managerial positions and the number of female candidates during recruitment to managerial positions, as well as reducing wage gaps at equivalent positions;
- Presence – To increase the presence of women in decision-making roles and technical functions.

In 2020, we launched some new initiatives in the Razem.One programme.

In the Razem.Lokalnie (Together locally) project, through a community of local ambassadors we encourage women to pursue managerial positions, work in the IT area and join initiatives for local communities. This project provides an opportunity for both female and male employees from different locations to participate in inspirational meetings and development activities, such as mentoring, coaching or shadowing. Currently, there are 30 diversity ambassadors and 12 local teams within the Company.

Włącz.One (Turn on.One) is another practice in this domain. Through an educational and informational campaign we encourage women to pursue a career in the field of technology. We want our teams to be built on the basis of diversity of competence and experience, because then we can be more innovative and we can better respond to the needs of our customers, the market and the changing environment. This is the idea behind the Włącz.One campaign, which aims to change the perception of the technology field among women and get them interested in pursuing careers in companies like ours. We strive to strengthen the image of female professionals in technology. We hope to attract more job applications from talented female graduates and

women who already have experience in the IT area. The Włącz.One project is based on the willingness to share knowledge and experience by female ambassadors who are employed and successful in Orange Polska. By showing their profiles and history we inspire and motivate people outside and inside the organisation to work in the field of technology.

Furthermore, Orange Polska is a partner of the Women in Tech Summit Prospects conference, the biggest event for women in science and technology in Europe. We are an active participant of the Women's IT Career Day, an event organised by Future Collars in the #WomanUpdate campaign. Orange Polska was also included in the Strong Leaders Creator in IT 2020 report, which aims to present best corporate practices in supporting women's development in the IT area.

Development and training

Orange Polska, as a technology company, focuses on employee development adapted to the challenges of the modern world. Our employees can develop their competencies through the Orange Learning platform, following development paths for key competencies 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, business simulations, virtual classes and webinars (Practice) to educational communities, coaching, mentoring, peer mentoring and action learning (Deepen). These resources are supplemented by the international Orange Campus programme. In addition, Orange Polska supports the emergence of employee expert communities. In the Knowledge Highway programme, selected internal experts conduct training sessions, sharing their expertise in the particular area with other employees.

The right choice of development activities is supported by the feedback culture we build in the organisation and the relevant tools: 360 Feedback and Pulsometer, i.e. a quick monthly opinion poll on the achievement of objectives and general atmosphere within teams.

Development of managers is based on the leadership model, which comprises 10 Leader-in-Action rules. We offer dedicated development paths based on these rules to our managers. We will also support the emergence of leaders community.

In 2020, the pandemic necessitated quick adaptation to the new needs and implementation of development initiatives supporting remote work and the hybrid work model. Consequently, we have created new training modules in a short, digital form, which work towards developing competencies, such as individual and team efficiency, co-operation and communication, digital mindset, work tools, and the management of stress and well-being.

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

Working environment

We ensure safe and friendly working conditions for our employees, promoting integration and making them feel better in their workplace. We have implemented a competitive package of initiatives to support health and well-being of our employees, creating conditions for development, increased creativity and commitment to the assigned tasks. This in turn enables us to build a valuable offer which supports employee recruitment and retention.

The goals set in the Policy for Investing in Health Quality and Well-being of Orange Polska's Employees are pursued through a comprehensive approach to:

- Physical well-being – we provide comprehensive health care to our employees, support their physical activity, including operation of sports clubs, promote a healthy lifestyle, and create a safe and friendly work environment, particularly during the COVID-19 pandemic;
- Mental well-being – we educate employees in stress reduction techniques, take initiatives to support balance between professional and personal life, strive for healthy workplace relations, implement a culture of feedback and appreciation, and provide psychological support in difficult situations;
- Social well-being – we build a culture of co-operation in which all employees feel respected and can freely pursue their professional goals and life passions, and we support their involvement in social initiatives in the corporate volunteering programme.

Orange Polska's employees are eligible for the following benefits:

- Comprehensive medical services at clinics of the LUXMED Group (to the end of May 2020) or PZU Zdrowie (from June 2020), as well as partner medical facilities nationwide;
- Employee Retirement Plan;
- Company Social Benefits Fund, as a means of social welfare addressed to employees and retired employees in need;
- Central Housing Fund and Central Welfare Fund;
- Discounts by the Group's partners and for Orange products and services in the 'Offer for You' programme;
- Sports, tourist and cultural events, as well as FitProfit cards;
- Tele- or remote work;
- Healthy lifestyle promotional initiatives: webinars, challenges and expert consultations;
- Psychological support by an internal team of psychologists and external specialists.

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.

In 2020, our efforts in the occupational health and safety area focused primarily on ensuring safety at work to all employees and protecting their health during the pandemic. We developed and implemented workplace safety rules for our outlets, call centres and offices, and provided disinfectants and personal protective equipment. We also prepared special operating procedures in case of suspected or confirmed COVID-19 infection.

Continuing workforce optimisation through social dialogue

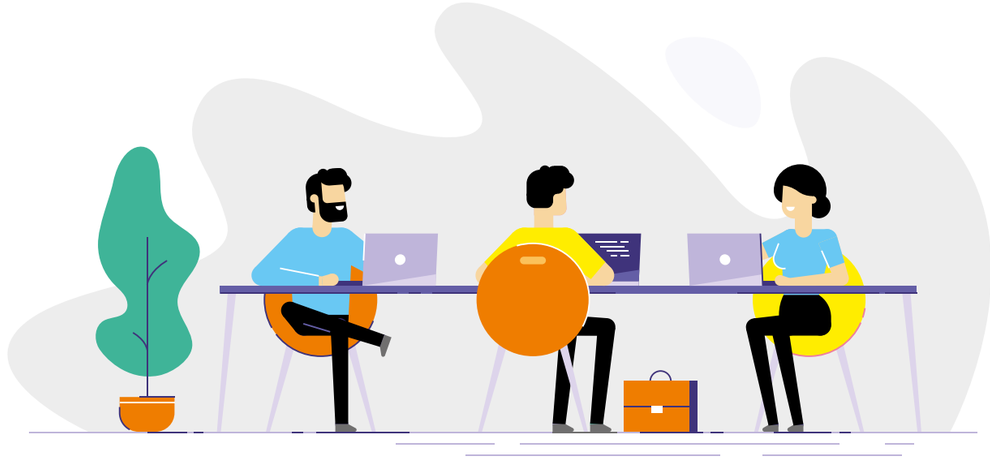
We respect the employees' right to associate and we run continuous dialogue with our Social Partners. As part of this dialogue, we negotiate settlements, agreements or other documents with trade unions in Orange Polska S.A. There is also the Employee Council in the Company, which, pursuant to mandatory regulations, is consulted on matters related to the level, structure and intended changes of workforce and actions aimed at maintaining the workforce level, as well as any significant changes in work organisation or employment terms.

The Intragroup Collective Labour Agreement has been concluded with Social Partners in Orange Polska, which regulates, inter alia, 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.

Furthermore, the Management Board of Orange Polska S.A. concludes Social Agreements with its Social Partners. The current Social Agreement was concluded in December 2019 and remains in force for two years. In particular, it sets the number of voluntary departures, determines a financial package for employees leaving the Company under the voluntary departure scheme, provides for potential basic salary rises and additional compensation for employees reaching retirement age within the next four years, while specifying the position and role of internal mobility in supporting an allocation programme and offering participation in an outplacement programme. In addition, the Social Agreement for 2020–2021 provides for the follow-up of the 'Friendly Work Environment' programme and continuation of medical coverage.

In addition, the Settlement for 2020 was concluded in December 2019, determining the detailed procedures for the implementation of the Social Agreement for 2020–2021 in 2020. The Settlement set the number of employees to leave Orange Polska S.A. in 2020 at 1,250 and determined the terms of voluntary departures in 2020 as well as the amount of severance pay and additional compensation for employees departing in 2020. The Settlement also specified the principles and criteria to be applied by the employer in the process of selecting employees whose employment was to be terminated through no fault of the employee. In June 2020, the Management Board of Orange Polska S.A. and the Signatories to the Intragroup Collective Labour Agreement signed the Additional Protocol regarding the system of jubilee awards for long service.

In June 2020, the Management Board of Orange Polska S.A. signed a Settlement with its Social Partners on amending the Social Agreement for the years 2020–2021 to partially mitigate the negative impact of the COVID-19 pandemic on the Company's business performance. Under the negotiated Settlement, the rate of basic salary increases in 2020 was reduced and the procedure of awarding them was changed, while PLN 8 million from the Central Fund was reallocated for additional financing of the Orange



Vitality Academy, particularly the Friendly Work Environment project. The employer also undertook to minimise the number of dismissals in the process of collective redundancies until the end of 2020; as a result, the quota of departures in 2020 was not fully utilised.

In December 2020, a Settlement was concluded with the Social Partners, which determines the detailed procedures for the implementation of the Social Agreement for 2020–2021 in 2021. The Settlement determines the terms of voluntary departures in Orange Polska S.A. and sets the limit of dismissals in 2021 at 920.

In addition, there is a Collective Labour Agreement at Orange subsidiary – TP Teltech sp. z o.o.

Eco-friendly workplace

Our headquarters, Miasteczko Orange (Orange Town) in Warsaw has been designed and constructed to minimise its environmental footprint. It is an A+ class office complex and has been awarded a BREEAM certificate with the Excellent rating. The certificate confirms that our office complies with the strictest environmental standards and top European construction standards.

So far, we have opened new eco-friendly offices in several other locations in Poland, namely in Gdańsk, Łódź, Radom, Toruń, Bydgoszcz, Wrocław and Katowice. And other cities are waiting down the line: in 2021 we will provide our employees with new offices in Olsztyn, Opole and Zielona Góra. While choosing new office buildings, we consider their BREEAM or LEAD certificates, resource management efficiency (especially with respect to water and energy, as new buildings can help to reduce their consumption by several dozen percent), green areas, municipal waste management system, access to public transport and biking infrastructure.

In our facilities, we reduce energy consumption, segregate waste and digitise internal processes to reduce paper consumption. By eliminating bottled water for office use in all our sites, we save about 500,000 plastic bottles annually. It not only eliminates several tonnes of plastic but also reduces CO_2 emissions by avoiding water transport. In our locations we create communities composed of representatives of different functions, 'Town Councils', which are to initiate eco-friendly campaigns in urban space in co-operation with local municipalities.

We put much attention to the environmental education of our employees. We educate them in eco-driving and organise campaigns to develop zero-waste habits or collect phones for recycling, environmental topical campaigns regarding biodiversity or waste segregation, and webinars and training on climate change and ICT impact on the climate. We introduce electric and hybrid cars to our fleet. In 2021, electric cars will become available in our car rental for employees in the Orange Town.

In 2021, we will also launch a city bike rental station by the Orange Town. We are talking with other municipalities to introduce a similar solution in other cities.

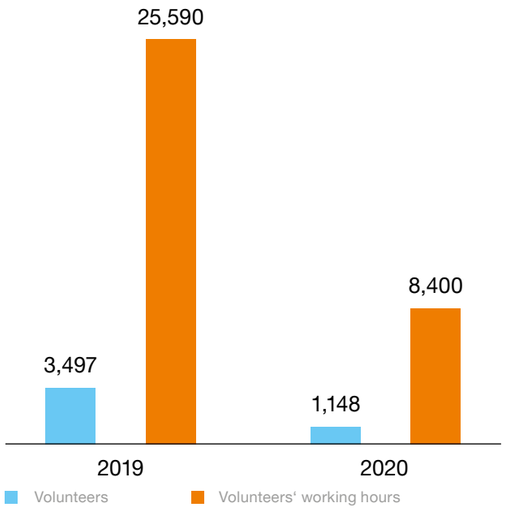
We have launched the Eco-Fridays series on Orange Polska's corporate blog, in which we discuss the impact of technology on the environment and climate. We have also created a community of employees committed to protection of the natural environment.

We have constructed an apiary in the Orange Town in Warsaw, thus supporting the idea of urban beekeeping and simultaneously highlighting the impact of climate change on biodiversity. Apiaries will also appear in our other office sites. Furthermore, we ensure proper management of green areas in our locations.

Volunteering programme

Orange Polska has the biggest employee volunteering programme in Poland, which has been running for 16 years. Our employees share their knowledge, skills and experience, teaching children and seniors how to use the Internet safely and wisely and carrying out their own projects for local communities with the support of the Orange Foundation. In 2020, the scope and nature of volunteering activities had to change and quickly adapt to the new needs due to the pandemic. Our volunteers focused on mitigating the pandemic impact by sewing of masks, 3D-printing of visors, delivering personal protective equipment and meals to hospitals or doing shopping for senior citizens. During the pandemic, 400 Orange volunteers helped 15,000 people-in-need by implementing 82 projects.

Key corporate volunteering indicators



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 CEOs who are 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** (previously the 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 in charge of Human Capital.





Financial review in 2020

Financial Key Performance Indicators (KPIs)

We use the following financial and operational KPIs to track Orange Polska's performance

Data for 2017 and 2018 are presented according to IAS18*



KPI	2020 Outlook and guidance	Performance	2021 Outlook and guidance
Revenues (in PLN million)	Growth vs 2019		Low single digit growth vs 2020
Adjusted EBITDA/EBITDAaL**** (in PLN million)	EBITDAaL growth Growth vs 2019		Low single digit growth vs 2020

	2017	2018	2018**	2019	2019***	2020
Adjusted EBITDA/ EBITDAaL margin	26.5%	27.5%	25.3%	26.4%	23.8%	**24.3%**
Adjusted EBITDA/ EBITDAaL		3,104	2,809	3,006	2,718	**2,797**

KPI	2020 Outlook and guidance	Performance						2021 Outlook and guidance
CAPEX (in PLN million)	PLN 1.7-1.9bn, depending on proceeds from asset disposal. Similar structure of investments as in 2019.		2017	2018	2018**	2019	2020	PLN 1.7-1.9bn, depending on proceeds from asset disposal (excluding spectrum)
		Capex	1,933	2,250	2,114	2,140	**1,893**	
		eCapex	-	-	1,866	1,701	**1,801**	
Organic Cash Flow (OCF) (in PLN million)			2017	2018	2018**	2019	2020	
		OCF	111	453	411	737	**642**	
Net debt/ adjusted EBITDA/EBITDAaL	Decreasing on comparable basis (2.4x in 2018)		2017	2018	2018**	2019	2019**	2020
		Net debt/ adjusted EBITDA/EBITDAaL	2.1	2.2	2.4	2.0	2.2	**2.0**
Divided per share (DPS) (in PLN)	In line with our statement during Orange.one strategy presentation in September 2017, the management will once again recommend not paying dividend in 2020		2017	2018	2019	2020		We will address future dividends in our new strategy that will be announced in June 2021
		DPS	0	0	0	**0**		

Please see information about accounting standards on page 74.
** 2018 comparable data.
***2019 comparable data.
*** Both adjusted EBITDA (until 2018) and EBITDAaL (from 2019) are key measures of operating profitability used by the Management Board.



2020 revenues up by 0.9% year-on-year driven by core telecom services and IT/IS

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 11,508 million in 2020, up PLN 102 million or 0.9% year-on-year.

Convergence remains a strategic drive for revenue growth, but there was also a major trend improvement in mobile-only and fixed broadband-only revenues. Mobile-only revenues decreased by only 1.6% year-on-year compared to a 4.7% decline in 2019. This significant improvement was achieved despite a slump by about 40% in international roaming revenues due to the COVID-19 pandemic and resulted from growing customer base and improvement in ARPO trend, mainly as a result of price increases in 2019. Fixed broadband-only revenues were almost flat compared to a 7% decline in 2019. The improvement was driven by an increase in ARPO, following its earlier decline, mainly an outcome of price increases, as well as a significantly growing share of fibre customers, who generate the highest ARPO. As a result, combined revenues of these two categories and convergence (comprising the set of core telecommunication services) were up 2.9%, that is more than double the growth rate in 2019 (1.4%).

ARPO from convergent customers accelerated its growth rate to 3.2% year-on-year, reaching PLN 105.7. This was largely due to our value strategy, increasing share of fibre and TV services, and upsell of additional services.

Blended ARPO (from mobile-only services) amounted to PLN 19.6 in 2020 and was down 2.5% year-on-year. The decrease resulted from a combination of a 4% decline in post-paid ARPO and a 3% increase in pre-paid ARPO.

The post-paid ARPO decline continued to slow down. In 2020 it was 4% versus almost 6% in 2019. The trend improved despite a major negative impact of the drop in international roaming revenues. Excluding roaming, the post-paid ARPO decline was only 0.6%. The 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 and February 2020);
- 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 high growth rate (24% year-on-year), owing to a combination of robust organic growth as well as the consolidation of BlueSoft acquired in 2019 and, to a minor extent, Craftware acquired in December 2020. A major factor supporting organic growth was the execution in the first half of 2020 of a contract with the Polish Post for the delivery of tablets for postmen and provision of accompanying services.

Revenue evolution in 2020 was also influenced by the following factors:

- A further structural decline in fixed voice telephony legacy revenues (by 13% year-on-year);
- A 13% decrease in equipment sales reflecting temporary closure of a considerable part of distribution network and a drop in customer purchases due to the COVID-19 pandemic;
- A 6% increase in wholesale revenues, resulting mainly from much higher mobile traffic owing to the impact of the pandemic;
- A 14% decrease in other revenues due to a change in business terms of energy resale versus 2019.



Revenue evolution (yoy change in PLN mn)



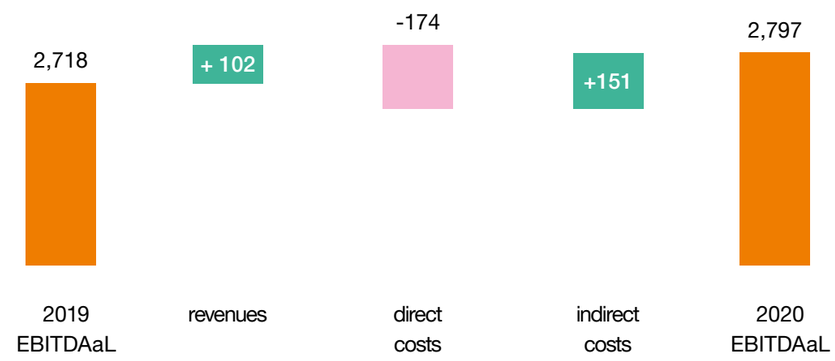
The 3rd consecutive year of operating profitability growth: 2020 EBITDAaL (EBITDA after Leases) up 2.9% year-on-year, driven by strong performance of core telecom services and exceptional efforts on cost savings

In 2020, total operating costs (defined as EBITDAaL less revenues) increased, yet less than revenues. As a result, EBITDAaL was up 2.9% (or PLN 79 million) year-on-year. Operating margin (ratio of EBITDAaL to revenues) increased by 0.5 pp to 24.3%. Profitability was positively influenced by improvements in key telecommunication services and previous year's price increases. EBITDAaL was significantly affected by developments related to the COVID-19 pandemic. Taking measures to mitigate its negative impact, Orange Polska introduced changes regarding jubilee awards for long service. This enabled us to reverse PLN 64 million of balance-sheet provisions for employee benefits, which was directly reflected in our financial result. On the other hand, we recorded additional provisions, estimating the risk related to bad debts and non-performance of other contractual obligations.

Cost evolution can be attributed mainly to the following factors:

- A decrease of 5% in commercial expenses, resulting from a decline in handset sales as well as savings in advertising and marketing costs;
- A decrease of 9% year-on-year in labour costs, owing to release of provisions for jubilee awards and workforce optimisation related to the implementation of the new Social Agreement;
- An increase of 10% in network and IT costs due to a significant increase in the electricity unit price and the unit distribution fee; and
- An increase of 9% in interconnect expenses due to an exceptional increase in traffic during the peak of the pandemic.

EBITDAaL evolution (yoy change in PLN mn)



2020 bottom line reflects much lower gains on real estate disposals and FX losses

Net income for 2020 was PLN 46 million versus PLN 82 million generated in 2019. Operating income was slightly lower year-on-year as growth of EBITDAaL was offset by much lower gains on sale of assets and slightly higher depreciation (due to our network investments). Financial costs were PLN 34 million higher year-on-year only due to foreign exchange losses mainly on EURO denominated long-term leasing liabilities.

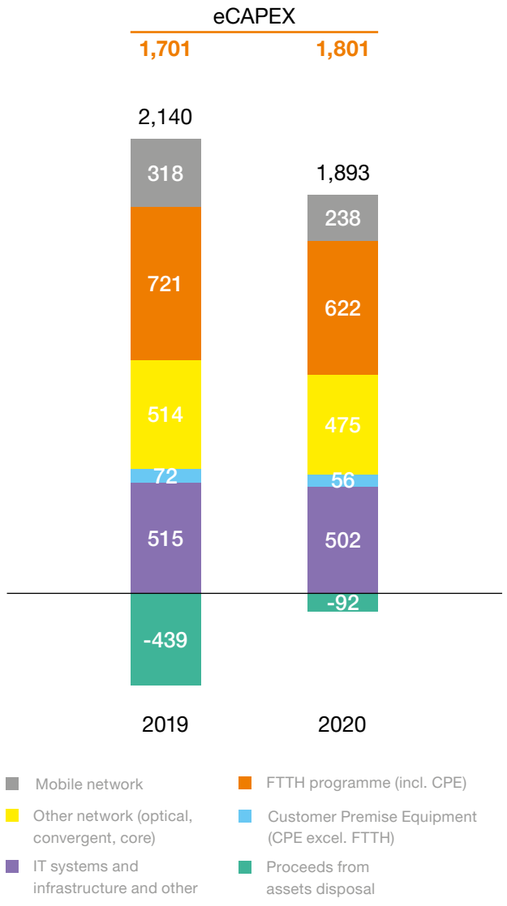
2020 eCapex (economic capex) at PLN 1.8 bn, in line with the guided range

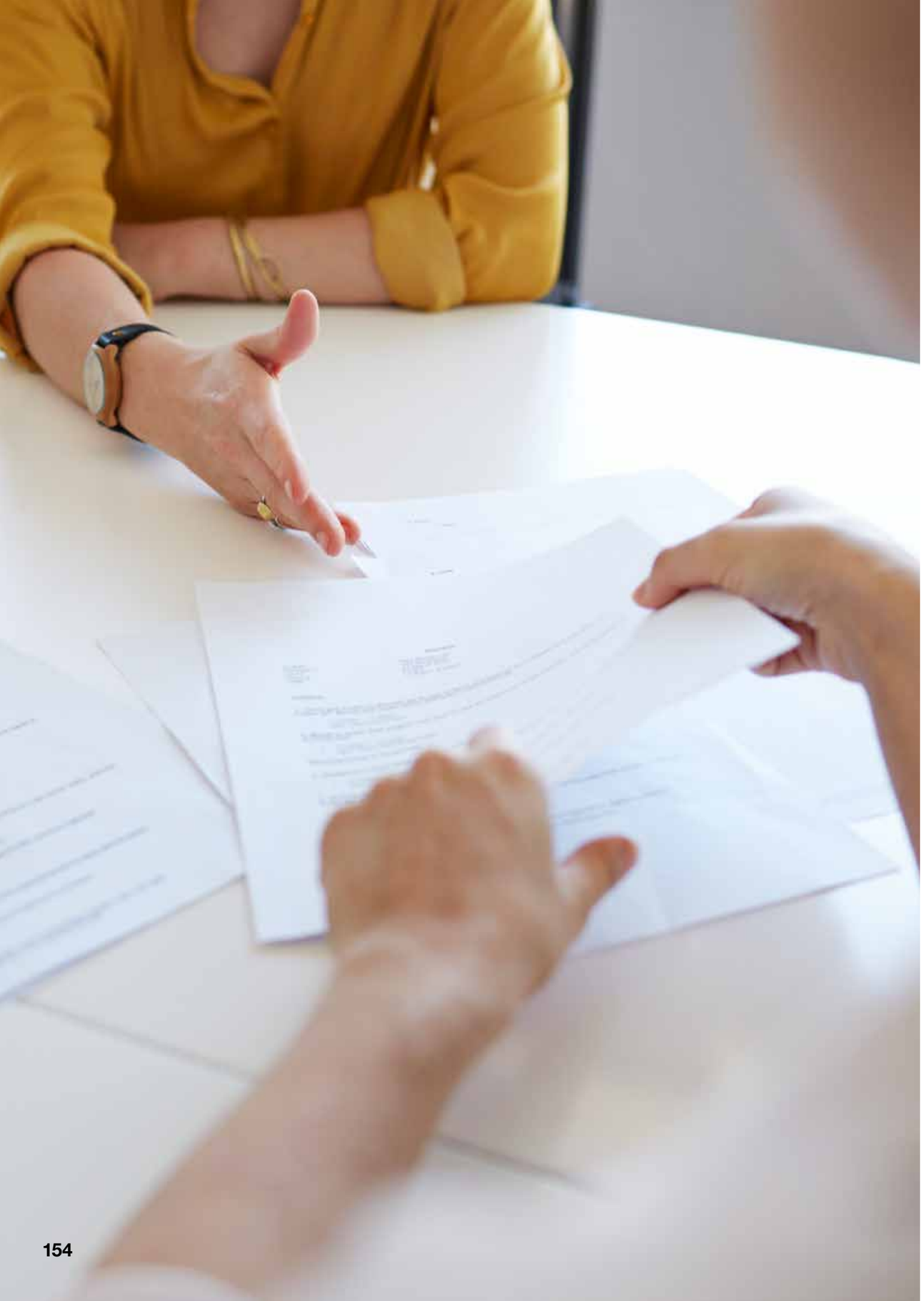
Group's economic capital expenditures (starting from 2020, this measure includes accrued proceeds from asset disposals) in 2020 amounted to PLN 1,801 million and were higher by PLN 100 million year-on-year.

These included mainly the following:

- Roll-out of our fibre access network in the announced investment programme, which covered 0.8 million households in 2020. Including the lines developed in 2014 to 2019, there are now 5 million households connectable with our fibre network, available in a total of 154 cities (compared to 142 cities at the end of 2019);
- Investments to enhance the range of LTE services and the mobile network connectivity, expand the capacity and range of GSM/UMTS services, and adapt the mobile access network to the 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 the portfolio development and sales and customer service processes as well as the modernisation and enhancement of the IT technical infrastructure; and
- Proceeds from sale of assets lower by PLN 347 million year-on-year.

Split of CAPEX (PLN mn)





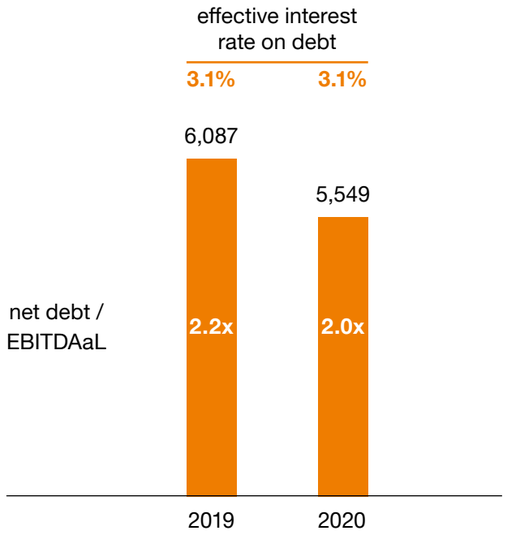
Organic Cash Flow reflects strong cash generation from operating activities and much lower proceeds from sale of assets

Organic cash flow for 2020 was PLN 642 million, which was PLN 95 million below the level generated in 2019. However, excluding PLN 440 million lower cash proceeds from sale of assets (an outcome of on the one hand record high real estate sales in 2019 and on the other hand pandemic-related market slowdown in 2020), level of cash generated was PLN 345 million better than the year before. This was down to two main factors. Firstly, growth of EBITDAaL and higher working capital release (mainly as a result of lower growth of receivables related to equipment instalment sales) translated into PLN 147 million better year-on-year cash from operating activities. Secondly, capital expenditure cash outflows were PLN 262 million lower year-on-year and reflected some slowdown of investments introduced to offset more difficult property market due to the pandemic.

Leverage ratio down to 2.0x

Our net financial debt in 2020 decreased by around PLN 538 million to PLN 5,549 million mainly due to strong cash generation. Our leverage ratio stood at 2.0x at the end of 2020, 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 99% from 96% at the end of 2019. In January we concluded an agreement to refinance PLN 2.7 billion of our debt. In consequence, our average cost of debt will fall to ~2.8% from Q2 of 2021.

Net Debt in PLNm



Future dividends to be addressed in the strategy update

Successful completion of Orange.one strategy brings us closer to resumption of dividend payments. It is also management intention to reinstate dividends in the future, on permanent basis. There are two key conditions for that. Firstly, we need sustainable growth of EBITDAaL and organic cash flow. Sustainable means that it should be driven by revenues and not only by cost savings. Secondly, structure of our balance sheet needs to be safe. In this context, an important uncertainty is related to the costs of 5G technology rollout, including acquisition of spectrum licence. We will address dividend topic in the strategy update in June 2021.

Risk Management

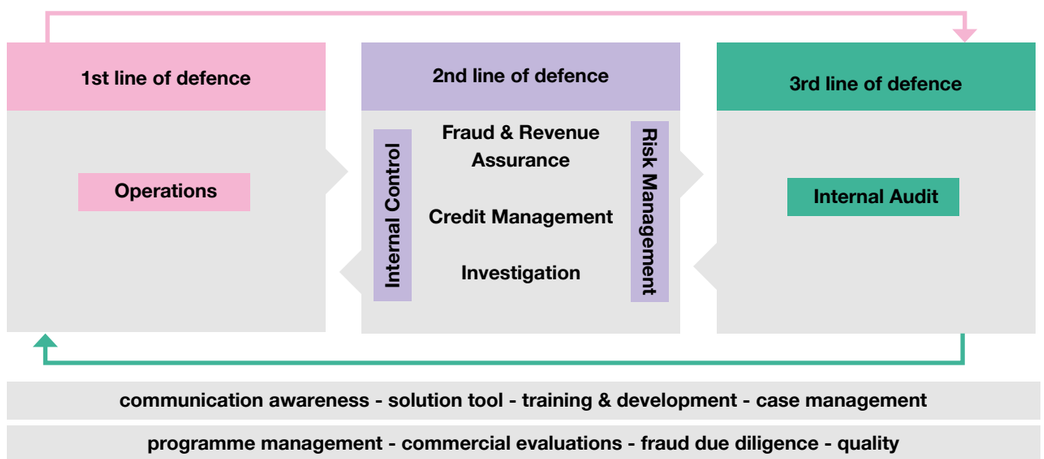
Risk Management

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.

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 constitute an input for the development of the Annual Internal Audit Plan.

Orange Polska's three lines of defence



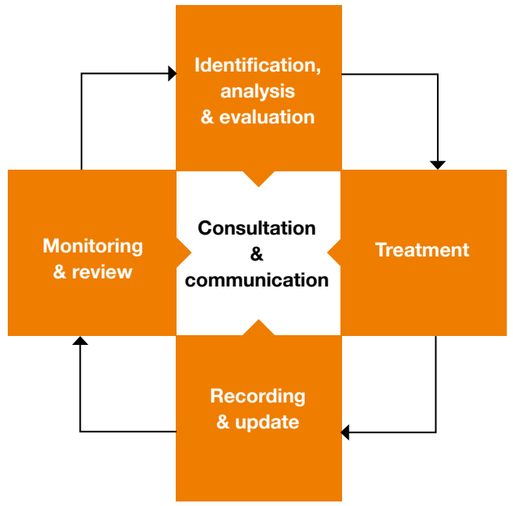
Risk clusters and domains

In addition, the identified similar risks are grouped into clusters to ensure consistent and effective risk management across the Orange Polska Group. The risk assessment process, illustrated in Fig. 2 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 of similar consequences (cause and effect analysis). The social risk cluster is associated with the Vigilance Plan, which includes all companies and contracting parties in the international Orange Group and covers risks related to human health, safety and security, environmental damage and serious violation of human rights or fundamental freedoms.

Risk management process

A list of TOP risks is developed as a result of 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 is shown in the diagram below.



Reporting

Indicative heat maps are used to report and evaluate risks.

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. The report on the system design and operation is reviewed by the Audit Committee.

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

Sample heat map

Likelihood						
	5					
	4					
	3	PR		BC		
	1					
	1					
		1	2	3	4	5
		Impact				

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

TOP risks

The TOP risks, which are set out in the table on pages 162–171 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 2020 we determined that risks resulting from introduction of handsets with embedded SIM eSIM – risks such as losing our relationship with customers to OTT operators – had been sufficiently mitigated.

We also identify and monitor risks related to our impact on society and the natural environment. Due to the increasing importance of climate change and its impact on the functioning of the Company and society, climate risk is among the TOP risks.

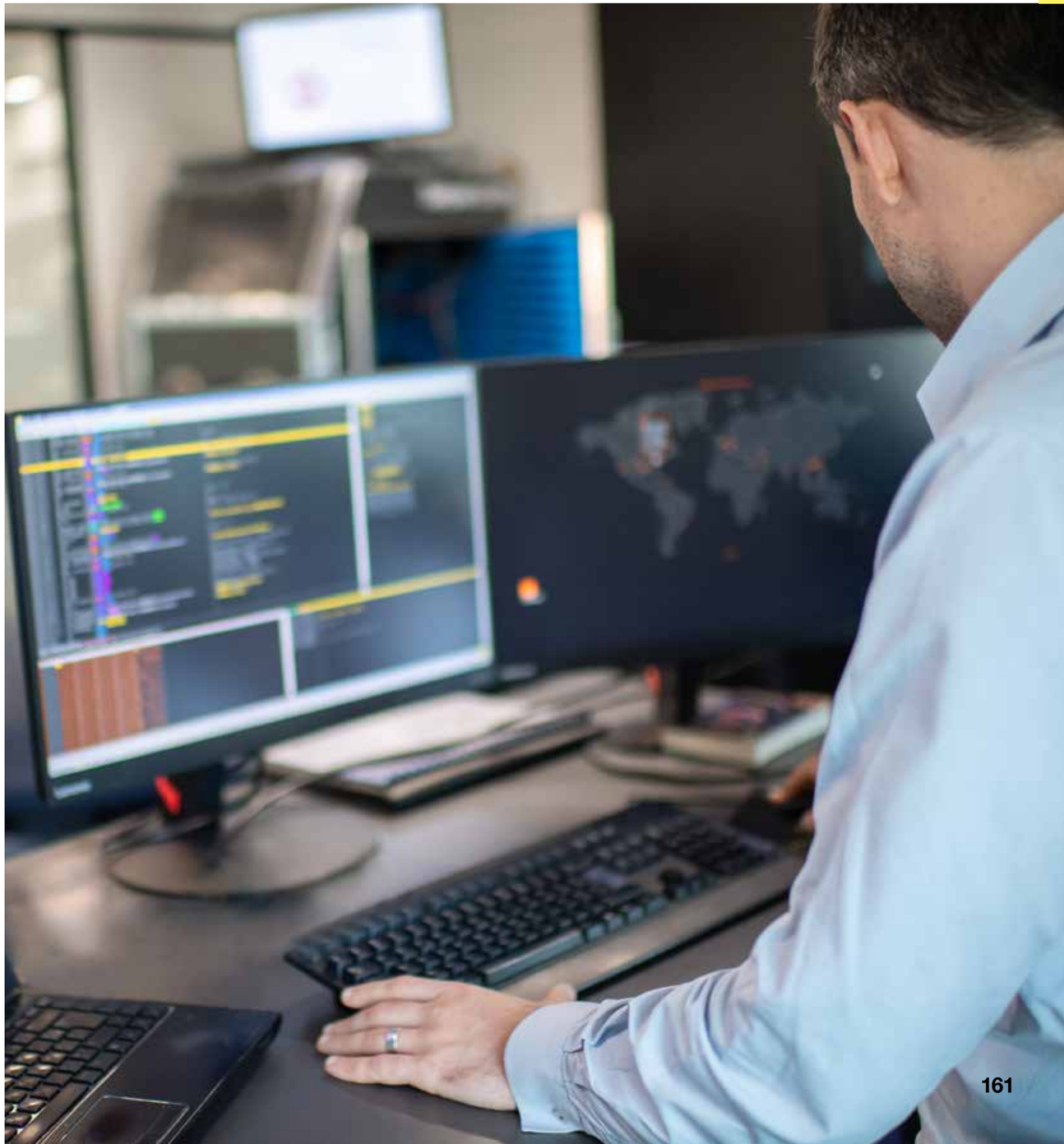
In 2020, one of these key social risks turned out to be the impact of the pandemic on the operations of the Company, its employees and customers.

Pandemic

The COVID-19 pandemic deeply transformed the setting in which Orange Polska conducts its telecommunications business. Although the pandemic is not a risk anymore, it may trigger new risks for the business, some of which we identify in the table below. As for the rest of the risks it should be noted that the pandemic is taken into account by their assessment even if it is not directly mentioned.

Risk exposure

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



Risk exposure

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

Increasing ↗ **Reducing** ↘ **Stable** →

Risk area	Main business objective / Strategy reference	Risk exposure year-on-year change	Key risks, issues or areas of uncertainty	Potential impact	Management approach and mitigation measures
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 ▪ Increased competition in the convergent market ▪ Failure to obtain the expected return on investment in fibre and loss of broadband market share ▪ Additional pressure on telco operators taking part in tenders for the public sector ▪ Emergence of new types of fraud with new technologies	The main markets in which Orange Polska operates are under growing competitive pressure resulting from entrance of new players and growing number of operators pursuing fixed-mobile convergence strategy. This could be facilitated by more fibre networks being open for wholesale access including those built with POPC projects and recently announced FiberCo partnership. These market changes and trends could limit OPL ability to deliver convergence ambitions as the market will be more crowded and impact our value strategy as stronger competitors could put pressure on retail market pricing. Market changes could also decrease return on investment from OPL FTTH investments as some demand could be utilized with new open access wholesale providers. Government spreading its ownership in the telco sector may cause direct impact on OPL revenues from the public sector. Moreover, with the 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.	In response, Orange Polska has chosen to consider more openness on wholesale market to allow other operators to sale on OPL FTTH network (e.g. T-Mobile), what will boost network profitability. In order to further expand fibre footprint we have signed FibreCo partnership which will build fibre network to additional 1.7m households by 2025. FiberCo will operate as wholesale service provider only providing access to its network on equal terms to OPL and other interested operators. Additionally, OPL is actively engaging other FTTH infrastructure providers to obtain more fibre coverage to keep advantage of scale over other ISPs. We are also continuing operational and cost transformation to make our business model more robust and efficient, what will deliver more flexibility in case of any market disruptions. Due to width of our offer and multi-year experience in providing convergent services we believe we have tools to differentiate our service offer to keep it competitive and fit it best to customer demand. We are constantly investing in the quality of our sales channels and customer care service. We are currently the most recommended telecom operator on the Polish market.
Telecommunications services Increase in the number and duration of service interruptions	Effortless and friendly customer experience Unmatched data connectivity for households and businesses	→	▪ 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	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. The interruptions in service provision may be prolonged if engineers who fix network's malfunctions get infected or the infection spreads among members of technical groups. 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.

Risk area	Main business objective / Strategy reference	Risk exposure year-on-year change	Key risks, issues or areas of uncertainty	Potential impact	Management approach and mitigation measures
Information security Breach of security of information, including personal data	Acting in an effective and responsible manner Effortless and friendly customer experience	↗	▪ Breach of security of information, including personal data	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. Like in the case of personal data, Orange Polska faces a risk of unauthorised disclosure, publication or communication to unauthorised entities of proprietary information constituting corporate secrets, particularly the details of intended 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 behalf 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 telecommunications and ICT, hosting, collocation, cloud computing, cybersecurity and personal data processing in cloud computing. In addition, Orange Polska holds a certificate of compliance with the 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 ICS (Integrated Computing Standard), ICM (Integrated Computing Managed) and smart CCaaS (smart Contact Centre as a Service) cloud computing. Furthermore, the Company holds and maintains FIRST and Trusted Introducer certificates for CERT Orange Polska.
Financial risk Risks related to financial markets	Acting in an effective and responsible manner	→	▪ Increase of interest rates ▪ Depreciation of the local currency	In 2020, the Polish Central Bank decreased the reference rate to a historic-low of 0.10%. The market expects that the Monetary Policy Council will keep interest rates unchanged in 2021 and stable until the end of the MPC's current members' tenure i.e. 2022. Foreign exchange rate fluctuations affect Orange Polska's liabilities when denominated in foreign currencies, and settlements with foreign operators.	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. 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.



Risk area	Main business objective / Strategy reference	Risk exposure year-on-year change	Key risks, issues or areas of uncertainty	Potential impact	Management approach and mitigation measures
Corporate governance and regulatory, tax and legal environment Regulatory obligations resulting from legislation changes and administrative decisions	Acting in an effective and responsible manner	↗	▪ Risks related to acquisition of new spectrum for high-tech telecommunications services (including 5G) ▪ Potential consequences of US – China Dispute ▪ Legislative process of Electronic Communications Law (will replace the current Telecommunications Law) ▪ Proceedings by UOKiK and European Commission related to network sharing ▪ Financial corrections or compensation for delays in POPC investments ▪ 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 in corruption schemes	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 legislative changes and administrative decisions. Regulatory decisions and changes in the regulatory environment may have an adverse effect on Orange Polska. Adjustments of operations to the provisions of the new Electronic Communications Law will be required in 2021. The new law (currently going through the legislative process) will replace the Telecommunications Law and will constitute a new legal framework for the telecommunications operators. There are on-going legislative works at the government level on the draft law on national cybersecurity system. This draft law includes inter alia the assessment scheme of the so called high-risk supplier. Among the assessment criteria there is control over a given supplier by a non-EU, non-NATO state. If a vendor is recognised as a high-risk supplier through immediately enforceable administrative decision, then telecommunications operators (and other entities subject to regulations) will be obliged to: ▪ not put into use ICT services/products/processes indicated in the decision and provided by the high-risk vendor; ▪ withdraw the indicated ICT services/products/processes no later than within seven years (general regulation) or five years (applies to telecommunication operators if the decision covers critical functions of the network). For telecom operators, such as Orange Polska, imposition of such regulations could affect the range of telecommunications equipment suppliers available on the market, which may bring delays or increase in costs of implementation of the 5G network. New regulations could also entail other costs related to obligation of withdrawal of products/services/processes provided by a high-risk vendor. There is a risk of failure to achieve the expected return on investment due to decrease of co-financing or obligation to extend the scope of investment 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.	In 2020, there were a number of changes in the legal environment with respect to both general law and provisions specific to the telecom sector. The legislative process of the Electronic Communication Law began in 2020; work continues, and the new act should come into force probably in 3Q 2021. The legal and regulatory environment requires constant and diligent monitoring, as well as allocating resources to implement new regulations and prevent any non-compliance. At the European level, in 2019 the European Union commenced work to develop a concerted approach to 5G network security, particularly carrying out a risk assessment and identifying the key risks affecting 5G networks. As a result, a general approach to the 5G network security was presented in the report "Cybersecurity of 5G networks - EU Toolbox of risk mitigating measures" published in January 2020. This document 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 that Member States will carry out risk-profile analysis and, depending on their results, introduce appropriate restrictions and exclusions especially for key resources. This is also done at the national level, as reflected in the signing of the U.S.-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 tracks this area of possible regulation and will act to comply with any new obligations if they are put in force. 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 trainings and information campaigns to raise awareness of anti-corruption laws and rules among employees. In 2019 new anti-corruption training program "Zero tolerance for corruption" was implemented within Orange Polska. Trainings were profiled according to the risk exposure of particular groups of employees.



Risk area	Main business objective / Strategy reference	Risk exposure year-on-year change	Key risks, issues or areas of uncertainty	Potential impact	Management approach and mitigation measures
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	There might be increased concerns in future about the effects on human health of exposure to electromagnetic fields (EMF). Based on the Governance's assessment of the scientific evidence, 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 new scientific evidence gave rise to greater concern in future, 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



Integrated Report 2020 Orange Polska

Risk area	Main business objective / Strategy reference	Risk exposure year-on-year change	Key risks, issues or areas of uncertainty	Potential impact	Management approach and mitigation measures
Loss of reputation due to negative climate impact **Orange Polska's failure to successfully implement its climate strategy could lead to negative impact on reputation, incising of operational cost and loss of some investors and customers.**	Acting in effective and responsible manner	new	Failure to execute the green strategy by assuring green energy meets the determined level. Insufficient regulatory support in development of renewable energy in Poland. Low interest on the part of customers in adopting carbon neutral and/or emission-reduction solutions. ▪ Lack of a national Polish net zero emission strategy	Failure to deliver on declared climate objectives (and in the worst case: increase in CO_2 emission) may result in negative media publications, adverse opinions of environmental organisations and rating agencies, which may reduce Orange's position in WIG-ESG ranking (Environmental, Social, Governance responsible companies index). This can reduce investor interest in our Company. In a longer run it could also be reflected in lower customer satisfaction/loyalty. Clients', investors' and other stakeholders' awareness about climate changes and broadly understood sustainable development is growing. It is necessary to reduce the environmental impact of our activity, as well as the products and services we provide. If we fail to keep pace with changes in stakeholders' expectations when it comes to reducing the environmental impact of our activities, we may lose market share and the confidence of investors, customers and other stakeholders. Many stakeholders expect high standards in environmental protection and continued reduction of the Company's impact on climate change, in line with science-based targets needed to reach the Paris Agreement climate objectives. Furthermore, increasing regulatory pressure is expected in the near future in line with climate neutrality objectives introduced by the EU and its Member States. While 5G is more energy efficient than older technologies, continuously increasing data traffic volume will increase the overall electricity consumption and could, therefore, mean higher CO_2 emissions (as electricity use is the principal emission driver in telco). Increasing the share of renewable energy used by OPL through long-term Power Purchase Agreements is crucial to reducing OPL's emissions despite this growth.	Green is at the core of the Orange Group and Orange Polska business strategy. Orange Polska's objective is to achieve Net Zero Carbon by 2040 and significant GHG emissions reduction by 2025. Appointment of a Climate Officer (in particular to set climate objectives, working closely with the Group's business strategy and Engage 2025, and to implement and pilot relevant action plans for 2025) and developing a green strategy and action plan (#OrangeGoesGreen). Open dialogue with stakeholders on OPL's engagement and actions as well as the positive impact of telco industry on reducing emissions in other sectors. Purchase of green energy through long-term Power Purchase Agreements directly with producers to reach 60% of such energy in consumption mix in 2025. Continued action to optimise the energy used, including but not limited to technology evolution and further deployment of more energy-efficient solutions (e.g. 5G vs 4G, fibre vs. copper).



Consequences of further COVID-19 restrictions	Unmatched data connectivity for households and businesses	new	▪ Bad debts increase ▪ Revenue decrease in roaming services	The consequent lockdown due to COVID-19 waves may pose a threat for Orange Polska, both in its functions and in results for the business and the way it will operate. Deterioration of the financial situation of some of Orange Polska customers may increase the level of telco bad debts. The market turbulence caused by COVID-19 may also decrease sales prices for receivables or even stop potential buyers from their acquisition. Lockdown in tourism and business travel may decrease revenue in roaming services.	OPL complies with all governmental restrictions. All safety and sanitary measures are provided to its offices and shops for employees and customers usage on a daily basis. The management monitors customers' behaviour, including statistics such as payments ratio, bankruptcies, frauds and delays in payments, to adjust recovery actions as well as credit management process immediately.

Corporate governance

Our approach to corporate governance

Letter from the Chairman of the Supervisory Board

Dear stakeholders,

Last year was of course marked by the outbreak of the COVID-19 pandemic, and turned out to be extremely different from what anyone had expected. The crisis tested our Company's ability to adapt to dramatic, unexpected changes to external conditions. The Supervisory Board has been impressed with the way management coped with the situation, both immediately after the outbreak and later during the year. Remote work for about 10,000 employees was organised within just few days ensuring the continuity of all our business processes, and all services were provided to customers under the new COVID-safe regime without compromising on quality. Even though the pandemic negatively impacted our business, all financial goals were achieved, with significant support from extraordinary mitigation measures. Key to these achievements were our strong organisational set-up, efficient business processes and highly motivated and skilled employees.

2020 was the last year of implementation of Orange.one strategy. I have no doubts it was a great success. We proved that constant declines of key financial metrics are not necessarily fatal, and we delivered a turnaround. The key enablers to this strategy were fibre, commercial strategy based on value, growth in ICT and big efficiency gains. We managed to diminish and offset the burden of legacy businesses, transforming Orange Polska into a modern digital telco. Based on these already strong fundamentals, it's time to refocus on profitable growth of revenues, rather than cost savings, as our primary driver of growth. I am convinced that this will be addressed by the new strategy that will soon be announced and implemented under our new CEO, Julien Ducarroz.

The pandemic showed that fast and reliable connectivity has become more essential than ever to the needs of consumers and businesses. It particularly validated the investments in network quality that have always been at the centre of our strategy. The proof of this statement is the joint-venture project Światłowód Inwestycje that Orange Polska has recently announced in the partnership with APG. On the one hand, it allows the Company to continue to explore market potential independent of Orange Polska's balance sheet; on the other, to obtain significant proceeds that will support the Company's future strategy. The Supervisory Board has been very enthusiastic about this endeavour.

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 further in this chapter.

The frequency of the Supervisory Board and its committees' meetings mean that we are in close contact with the Management Board. In 2020, six Supervisory Board meetings and 14 meetings of the Supervisory Board's committees took place, with an average participation rate of 96.3%. Written votes were used on four occasions when resolutions were required between meetings. To adjust to limitations imposed by the pandemic we have enabled shareholders to participate and vote during the General Meeting in a fully remote way.

Looking forward to 2021, in the opinion of Supervisory Board, the key strategic tasks for the management include execution of the Światłowód Inwestycje partnership, obtaining 5G spectrum, and design and announcement of the new strategy covering 2021-2024.

I am convinced that Orange Polska's strong fundamentals and the prudent actions of the Management Board supported by the Supervisory Board will enable the Company to sustain momentum in financial performance, and that in due course this success will be shared with shareholders in the form of dividends.



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 and, as of 2021, approval of the remuneration report; 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, senior executives and members of the Company's Management Board 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 both in Poland and abroad, and participate in the majority of regional and telecom industry investor conferences.

Orange Polska Group's financial results are presented quarterly during conferences, which are also available via live webcast. In 2020, the Company held four results presentations, one conference on the impact of the COVID-19 pandemic on Orange Polska's performance and about 150 meetings with investors and analysts from Poland and a number of other countries. (Due to the pandemic situation the conferences were held online.)

Orange Polska's activity and performance are monitored by analysts representing both Polish and international financial institutions on a regular basis. In 2020, around 15 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/.

On 2 March 2020, the CFO of Orange Polska answered retail investors' questions during an investor chat held by the Association of Individual Investors. Several dozen individual investors asked questions during the chat.

On 27 November 2020, Orange Polska took part in the WallStreet 24 online conference, an annual event organised by the Association of Individual Investors for investors from Poland and other countries in Central and Eastern Europe. The Company's input included an online discussion with individual investors and an interview with CFO Jacek Kunicki, published on the Association's website and distributed among the conference participants.

The key purpose of all of Investor Relations efforts is to enable investors to have a reliable assessment of the Company's financial standing, its market position and the effectiveness of its business model, taking into account both the strategic development priorities (in the context of the telecom market), and the Polish and international macroeconomic environment.

In 2020, Orange Polska published its fourth integrated annual report, the Integrated Report 2019. It covers both financial and non-financial aspects of the Company's business. The report presents the Company's business model and value creation story; the economic and social context of its operations; its 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's 2019 report received honourable mention in the integrated report category at the 14th edition of the Social Reports Competition. The award was given for 'consistently high quality of non-financial reporting, transparent data presentation and development of a report which may provide an inspiration for other organisations.' The Social Reports Competition is organised by the Responsible Business Forum and Deloitte. Its partners include the Ministry of Finance, the Ministry of 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 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 to 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 separate and strictly assigned to these governing bodies. The Supervisory Board consists of shareholders' representatives, elected at the General Meeting. In order to exercise its obligations the Supervisory Board may at any time examine any Company documents, 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 in our Company among investors, customers, employees and the general public. We have paid the utmost attention to constructing a corporate governance system that promotes ethical, responsible and transparent practices. By introducing these rules we demonstrate the Company's commitment to the highest standards of governance and we ensure 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 our 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.
- WIG ESG Index of socially responsible companies.

In 2020, 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 60 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 companies' performance across environmental, social and governance (ESG) areas.

2020 brought losses in the indices on the Warsaw Stock Exchange (WSE). Orange Polska shares were down 7%, which is similar to the large-cap index, WIG20, which lost almost 8% in the period.

Compliance with Warsaw Stock Exchange Best Practice

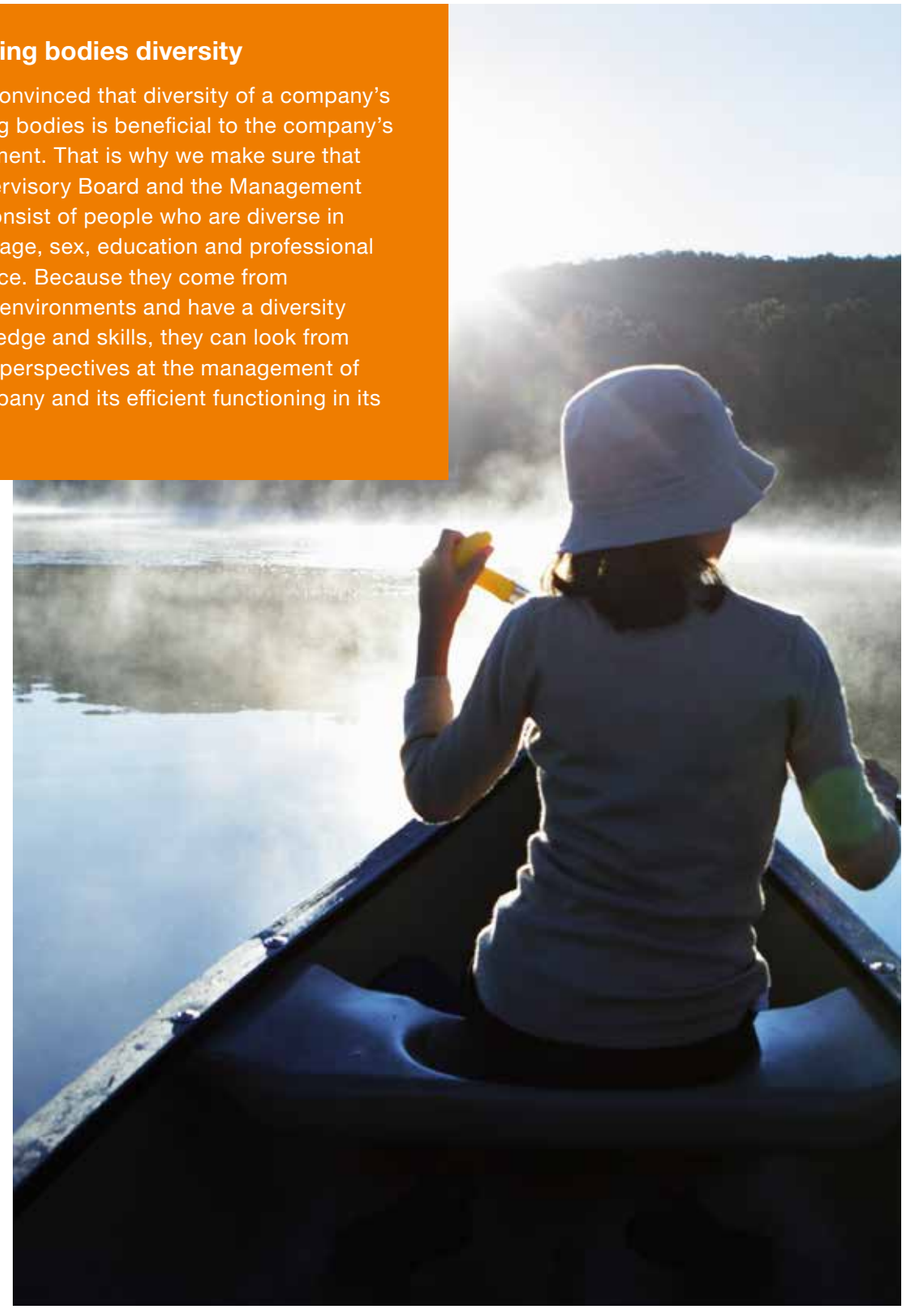
Orange Polska S.A., as an issuer of securities listed on the Warsaw Stock Exchange, is obliged to follow the 'comply or explain' rule stipulated in the Best Practice for GPW Listed Companies 2016.

In 2020, the Company complied with this corporate governance best practice.

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/.

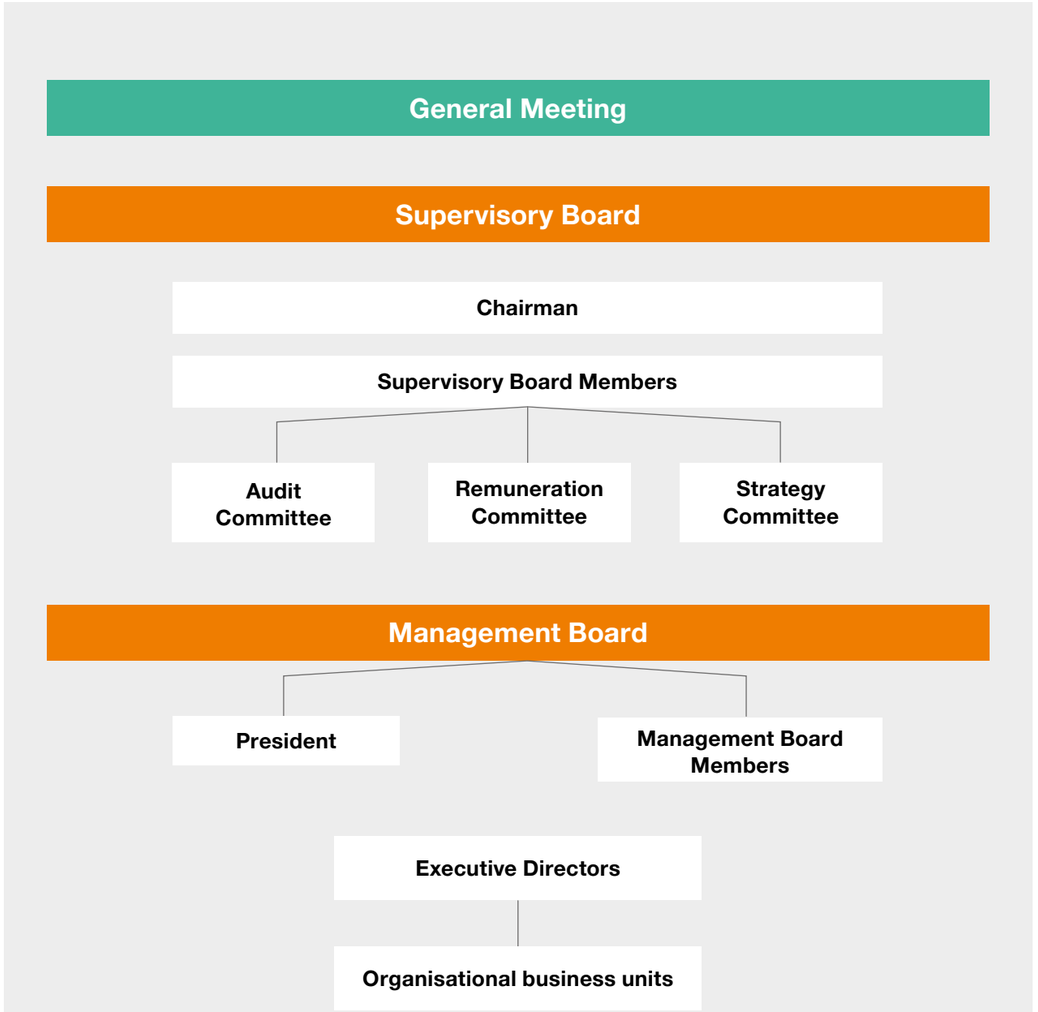
Governing bodies diversity

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 consist 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 statements 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/.

The Supervisory Board is responsible for supervision of 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 the 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 Meeting;
- 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, and fixing, their remuneration;
- appointing an auditor to examine or inspect financial statements;
- stating an opinion on annual and long-term strategies and business plans and the annual budget;
- stating an opinion on incurring liabilities in excess of the equivalent of EURO 100,000,000 as well as on disposal of assets in excess of the equivalent of EURO 100,000,000;
- submitting a concise evaluation of the Company's standing to the General Meeting;
- submitting a remuneration report 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.





Criteria for independent Supervisory Board members

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

- not to belong, or have belonged to the senior management for the previous 5 years, and not to be or have been either a member of the Management Board of the Company or its affiliated entity;
- 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;
- 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;
- 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;
- 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 relationships 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;
- not to be, or have been within the previous three years:
  - an owner, partner (including a general partner) or a shareholder of a current or former audit firm conducting an audit of financial statements of the Company or its affiliated entity, or
  - 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
  - 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 financial statements of the Company or its affiliated entity, or
  - 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;
- 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;
- not to be a member of the Supervisory Board of the Company for more than 12 years;
- 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 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;
- 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:

- covers in particular any participation in a share option or any other performance-related pay scheme;
- 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 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/.

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 interest which make impossible or limit his/her 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 S.A.'s nominees abstain from voting on transactions involving Orange S.A. or its subsidiaries on Supervisory Board meetings and Audit Committee meetings and when resolutions are adopted by circulation. Also other members of the Supervisory Board performing functions in other companies which enter into transactions with the Company are not involved in making decisions on matters relating to such transactions.

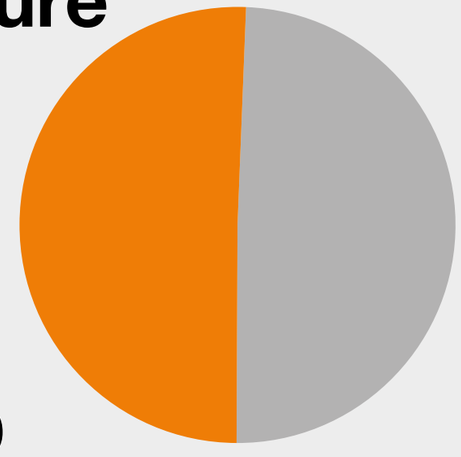
Orange Polska governing bodies' activities in 2020

Ownership structure

Number of shares held*

* 1 share = 1 vote at AGM

Orange S.A.	50.67%	664,999,999
Other shareholders	49.33%	647,357,480
Total		**1,312,357,479**



General Meeting activities in 2020

The Annual General Meeting took place on 17 June 2020 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 2019;
- approved Orange Polska S.A. financial statements for the financial year 2019;
- approved the consolidated financial statements for the financial year 2019;
- granted approval of the performance of their

duties by members of Orange Polska S.A.'s governing bodies in the financial year 2019;

- adopted a resolution on distribution of Orange Polska S.A.'s profit for the financial year 2019, pursuant to which Orange Polska S.A.'s profit of PLN 88,282,929.11 disclosed in the Company's financial statements for the financial year 2019 was allocated to the reserve capital;
- did not adopt a resolution on paying a dividend in 2020, 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 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) and, from 2020, also by electronic communication means.
- 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 2020

Supervisory Board Members (as of 31 December 2020)

Maciej Witucki	Chairman of the Supervisory Board
Ramon Fernandez	Deputy Chairman of the Supervisory Board
Marc Ricau	Secretary of the Supervisory Board
Dr. Henryka Bochniarz	Independent Board Member
Thierry Bonhomme	Board Member
Eric Debroeck	Board Member
John Russell Houlden	Independent Board Member and Chairman of the Audit Committee
Marie-Noëlle Jégo-Laveissière	Board Member
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 Chairwoman of the Remuneration Committee
Jean-Michel Thibaud	Board Member
Jean-Marc Vignolles	Board Member and Chairman of the Strategy Committee

In 2020, Orange Polska had five independent members on the Supervisory Board, 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

Changes in the composition of the Supervisory Board in 2020

On 17 June 2020, the mandates of Messrs. John Russell Houlden and Patrice Lambert-de Diesbach expired. On the same day, the Annual General Meeting appointed the aforementioned persons, that is John Russell Houlden and Patrice Lambert-de Diesbach, for another term of office.

On 20 October 2020, Mr. Gervais Pellissier resigned his position as Member of the Supervisory Board and Deputy Chairman of the Supervisory Board of Orange Polska. On the same day, the Supervisory Board appointed Ms. Marie-Noëlle Jégo-Laveissière as Member of the Supervisory Board of Orange Polska.

Supervisory Board attendance register 2020

Actual number of meetings attended / Maximum number of scheduled meetings which the directors could have attended

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

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
29%

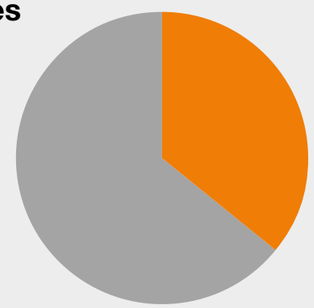
Male
71%



Nationalities

Local
36%

International
64%



Length of tenure



Age profile



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	•	•		•				
Ramon Fernandez	•	•	•				•	
Marc Ricau	•	•		•		•		
Henryka Bochniarz	•	•			•		•	•
Thierry Bonhomme		•		•		•		•
Eric Debroeck		•	•	•				
John Russell Houlden	•	•					•	
Marie-Noëlle Jégo-Laveissière		•		•		•		•
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 Chairpersons 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.

The tasks and the principles of the operation of the Supervisory Board and its permanent committees are defined in the Regulations of the Supervisory Board which are available on the Company's website.

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 2020

The summary of activity of the Supervisory Board in 2020

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 2020 the Supervisory Board fulfilled its duties resulting from the provisions of the Commercial Companies Code including the appraisal of Orange Polska's financial statements, the Management Board's report on activity and the Management Board's motion on covering the Company's profit for the 2019 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:

- expressing opinions on motions addressed to the General Meeting;
- preparing opinions on Orange Polska S.A. and Orange Polska Group budget;
- preparing the report on the Supervisory Board's activity in 2019 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;
- deciding on the composition of the Management Board and the evaluation of its performance.

Throughout 2020, the Supervisory Board focused on the following issues:

- **Implications of the pandemic**
  The Supervisory Board closely monitored the impact of the COVID-19 pandemic on operations of Orange Polska, and management's measures to cope with the unprecedented challenges. After the initial crisis the main focus was shifted to adjusting to the new situation and on lessons learned after the Company's introduction of a hybrid working model. Discussions also focused on implications of the pandemic to 2020 financial goals and the Orange.one strategy. The Supervisory Board commended the extraordinary mitigating measures taken by management that significantly contributed to the Company's ability to meet its 2020 goals. The measures concerned operating costs (mainly renegotiation of the jubilee awards scheme and a renegotiation of certain elements of the 2020-2021 Social Agreement) and capex (necessary to offset much lower proceeds from real estate disposals as a result of freezing property market).
- **Developments around 5G auction**
  The Supervisory Board closely watched developments around the 5G auction which was disturbed by the pandemic, requiring deep legal analysis of the situation. Following two rounds of market consultations, the long-awaited 5G auction procedure was launched by the Regulator in March 2020. However, on the back of legal uncertainties triggered by pandemic-related legislations, the auction was quickly suspended and then cancelled. Relevant for the future of this process was a change in the position of the head of the Regulator that took place over the summer as well as a draft of cybersecurity law that was published in September.
- **Acquisition of Craftware**
  The Supervisory Board gave its positive opinion on the acquisition of ICT company Craftware. This will further strengthen B2B operations and enable OPL entry into a fast-growing market of CRM systems leveraging competencies already existing in our portfolio. An important argument for the Supervisory Board was the positive experience in the acquisition of BlueSoft, which was successfully integrated and which has seen its financial performance exceed expectations.
- **Monitoring of operating and financial results and budget realisation**
  The Supervisory Board monitored commercial and financial results and realisation of 2020 budget constantly. This was especially important in the light of the challenges related to the impact of the pandemic. In particular it was analysed how the economic situation influences customer receivables collection.
- **The Management Board composition**
  On 6 February 2020, the Supervisory Board reappointed Mariusz Gaca, Jacek Kowalski and Maciej Nowohoński for the next terms of office as members of the Management Board. In accordance with the Best Practice for GPW Listed Companies, the renewals were made more than four months before the expiry of their terms of office. On 21 July 2020, the Supervisory Board appointed Julien Ducarroz as the President of the Management Board, effective on 1 September 2020, and appointed Jacek Kunicki as a member of the Management Board.

The Supervisory Board met six times in 2020 and adopted 41 resolutions, of which four were in writing (by circulation). The overall attendance at these meetings was 95.7%.

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

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

During discussing specific matters at the meeting, the Chairpersons of the committees presented appropriate recommendations and proposals for decisions to the Supervisory Board. In addition, the Supervisory Board regularly received the minutes from the committees' meetings.

The committees of the Supervisory Board received relevant and reliable information and reports from the Management Board on time, enabling them to carry out their tasks in 2020.

Self-assessment of the work of the Supervisory Board

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 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;
- the Supervisory Board performed its duties in 2020 properly and with due care.

Assessment of Orange Polska Group's standing on consolidated basis

This section contains the Supervisory Board assessment of the Orange Polska Group's performance in 2020 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 2020 financial results of the Group (the Company and its subsidiaries) as well as on the information obtained by the Supervisory Board in 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 evaluating 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 2020 were:

- 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 to both the individual and business client market;
- further monetisation 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.

2020 was obviously a year marked by the COVID-19 pandemic. The management reacted very swiftly, organising remote work for around 10,000 employees within just a few days, ensuring continuation of all business processes without disruption and focusing on the safety of employees and customers. Although our operations proved relatively resilient to the pandemic, the business was negatively affected, creating additional challenges to meeting full-year targets.

The Company delivered on all of its financial goals, which was significantly helped by special mitigating measures launched by the management. An important implication of the pandemic that was discussed by the Management Board and Supervisory Board was development of a new working model based on a hybrid formula. Its design engaged all employees. It requires the development of various new digital skills and new tools in our offices, but will contribute to optimisation of our office space after the pandemic.

A key topic for the Supervisory Board in 2020 was the situation regarding the auction for 5G C-Band spectrum. Unexpectedly, the auction procedure, already in progress, was annulled in April by the regulator, which resulted in some legal uncertainties. The Management Board kept the Supervisory Board informed on various aspects of this situation. Two further changes will prove relevant to the future of this process: the appointment of a new head of the regulator in the summer of 2020, and a draft cybersecurity law that was published in September. The latter was important in the context of future selection of vendors for the 5G network rollout. Eyeing significant delay in C-Band spectrum distribution the management decided to launch 5G on 2.1 GHz spectrum that is also used for 4G technology. In line with the value strategy, a 5G option became available only in the high-end tariffs.

The Supervisory Board also approved acquisition of Craftware. It shared Management Board view that Craftware is an appropriate target given its premiere exposure to the fast-growing market of connected CRM and given expected scale of synergies with OPL existing ICT competencies. An important argument was the positive experience in the acquisition of BlueSoft (made in 2019), which was successfully integrated, with its financial performance exceeding expectations.

The Supervisory Board was interested in the Management Board's view regarding potential changes in the competitive environment in Poland following acquisition of Play by Iliad and announced plans of expansion in fixed broadband and convergence.

The Supervisory Board also followed the Management Board's views regarding further expansion of the fibre footprint. It shared the views about further market potential especially given strong demand for high-speed Internet among customers and significant value-creation potential for the Company. The track record so far indicates that fibre generates an attractive return on investment significantly above WACC.

2020 was the last year of Orange.one strategy implementation. The Supervisory Board shared management's view that the strategy was a great success. Orange Polska has considerably improved its market position in all key segments of the market, and has become a much more efficient operator. The crucial elements to this success were investments in the fibre network, which support the convergent



strategy and provide for the Company's long-term competitive advantage. The Company has met all its financial goals set in the strategy, reversing prolonged negative trends and returning to sustainable growth. At the end of 2020, the Company was ranked the number-one operator in terms of customer satisfaction, which had also been the strategic ambition. The highest-ever absolute level of NPS is a consequence of our prolonged and consistent efforts to improve all the elements of the 'customer journey', from network connectivity to portfolio structure, sales and customer care.

Financial standing of the Group

The Management Board kept the Supervisory Board informed of the 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 2020 despite unprecedented challenges resulting from the COVID-19 pandemic. EBITDAaL increased by almost 3%, marking a third year of consecutive growth, significantly helped by the exceptional efforts with respect to cost savings which offset the negative financial impacts of the pandemic stemming from roaming and risk provisions. Revenue dynamics were positive for the second year in a row, helped by a strong year-end, mainly in the ICT area.

In the opinion of the Supervisory Board it is especially worth noting that revenues from key telecom services, which are essential to margin generation (combining convergence, mobile and fixed broadband), more than doubled to 2.9% in terms of growth rate. This trend was driven by the Company's focus on value, combining strong customer volumes and improving trends in ARPO and was achieved despite significant drop in roaming revenues due to the pandemic.

Net profit in 2020 amounted to PLN 46 million versus PLN 82 million in 2019. The drop resulted from much lower gains on sale of assets, slightly higher depreciation (due to network investments) and financial costs being affected by foreign exchange losses.

Organic cash flow in 2020 amounted to PLN 642 million, which was PLN 95 million below the level generated in 2019. However, excluding PLN 440 million lower cash proceeds from sale of assets (an outcome of record-high real estate sales in 2019 versus a pandemic-related market slowdown in 2020), the level of cash generated was PLN 345 million better than the year before. This is due to the growth of EBITDAaL, higher working capital release and lower cash capex.

Increased EBITDAaL on one hand and improved level of cash generated on the other led to a decrease of the debt indicator net debt / EBITDAaL down to 2.0x (from 2.2x), which was one of the targets the Supervisory Board set for the Management Board.

In 2020, the Group did not pay a dividend, which the Supervisory Board assessed as a positive decision. As in the previous three years, this decision 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 2021

The Group has met its operational and financial goals for 2020 thanks to consistent implementation of the strategy, value orientation, comprehensive business transformation and significant measures taken by the management to mitigate negative impacts of the pandemic. The Group has successfully completed implementation of Orange.one strategy building a company that is structurally better prepared for future competitive challenges and business opportunities, and which is able to grow in a sustainable way. In 2021, Orange Polska will focus on development on the new strategy and its presentation to the financial community in 2Q 2021.

The Supervisory Board shares the Management Board's opinion that in 2021 the Group should focus its operations in particular on the following key aspects:

- Sustaining strong commercial momentum with special focus on fibre, convergence and B2B.
- Execution on FiberCo project.
- COVID-19 impact management including plan for new operating model after the pandemic.
- Acquisition of 5G spectrum.
- Further cost transformation with special focus on automation and digital customer interactions.
- Increased focus on digital and Green including finalisation of first projects, contributing to increasing energy consumption from renewable sources.
- Fulfilment of published financial forecasts and expectations regarding revenue growth and EBITDAaL.
- Preparation of a new strategy for 2021-2024 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 facilitates 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 assurance that the risks significant to the Group are identified and addressed, but such assurances can never be absolute.

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 2020, published on 17 February 2021.

In 2020, the Company 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 2020.



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.

The 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 the 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, the Group's requirements in the scope of current anti-corruption regulations.

Orange Polska's anti-corruption policy, 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 cases of violation of anti-corruption procedures. Under the due diligence process, verification of 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. The Compliance Management function conducts cyclic reviews of corruption risks, also taking into 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 they suspect a 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 Orange Polska's employees were informed about compliance rules. Additional training and meetings were also held with top-level management. Dedicated training sessions taking into account the exposure of individual areas of Orange Polska to the risk of corruption, and communication activities aim to constantly increase knowledge and build employee awareness. The Company also conducts regular reviews in this area, making all necessary improvements, and monitors the correctness of payments made.

Compliance management activities and the results of planned inspections, as well as the results of inspections initiated by notification of irregularities (whistleblowing), are monitored on the basis of reports submitted periodically. Applied actions and mechanisms ensure the effectiveness of compliance and maintenance of the Group's anti-corruption standards.

The Supervisory Board is also presented with information on the implementation and effectiveness of the compliance programme on an annual basis. This includes information 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 the annual internal audit programme and analyses Orange Polska's internal audit reports.

Assessment of the compliance with the corporate governance principles and the manner of compliance with related disclosure obligations

This section contains the Supervisory Board assessment of the Company's performance of its obligations concerning compliance with the corporate governance principles as defined in the Exchange Rules, and with the regulations on current and periodic reports published by issuers of securities in 2019 in accordance with 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 publication of current reports regarding the application of detailed Corporate Governance rules is governed by the Resolution of the WSE Board (no. 1309/2015) dated 17.12.2015. According to the WSE regulations, when a given rule is not applied in a consistent way or is broken incidentally, the Company is obliged to publish a report on its website in the analogical way as it is applied for an issuance of current reports. Reports concerning the application of detailed rules of the corporate governance are passed by means 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 Corporate Governance included in the Management Board report about the activity of Orange Polska S.A. and the Orange Polska Group in 2020. This declaration defines in a detailed way the issues concerning 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 described the application of all rules and recommendations of Best Practice for Warsaw Stock Exchange Listed Companies, and this is welcomed by the Supervisory Board.

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

In the Supervisory Board's 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 its 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.

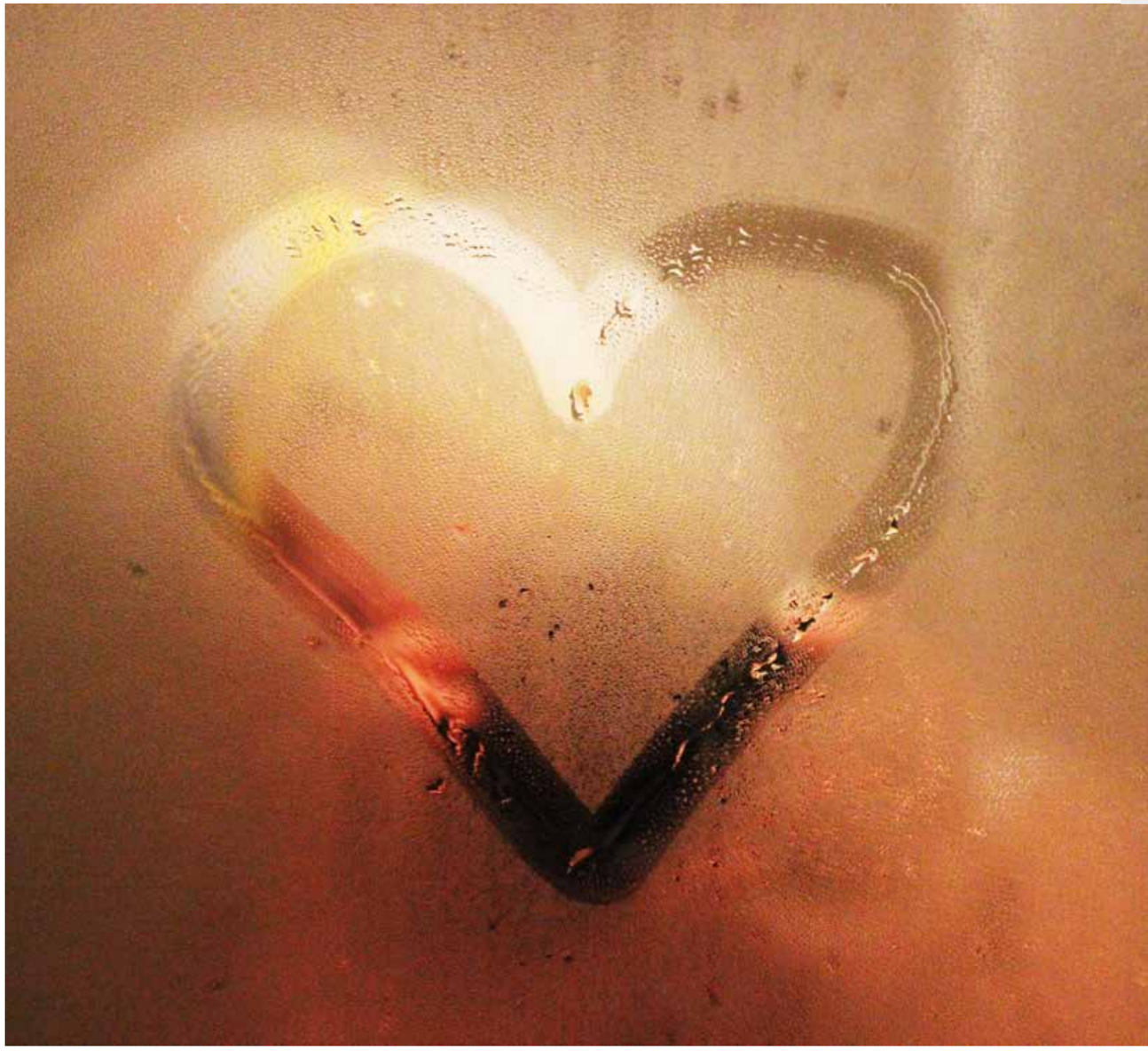
Assessment of the rationality of the sponsorship and charity policy

This section contains the Supervisory Board assessment of the compliance and rationality of the Group's sponsorship and charity policy in 2020 in line with recommendation no. II.Z.10.4 of Best Practice for GPW Listed Companies.

The Supervisory Board analysed the amounts expensed by Orange Polska Group in support of culture, sports, charities, the media, social organisations, trade unions, etc. in 2020.

The Supervisory Board states that the sponsorship strategy, led by the Company and focused in 2020 on music as the main area supporting the brand, brought the appropriate financial and marketing efficiency, although it was curtailed by the COVID-19 pandemic. According to the adopted strategy, in the strategic sponsorship area Orange Polska creates complex long-term projects across the whole of Poland. These projects, in which Orange Polska acts as titular or main sponsor, address the largest possible group of its clients (present and potential).

The Supervisory Board appreciates the charity activity led by Orange Polska in both forms – one led by the Donations' Fund and the other led by the Orange Foundation (created by the Company). The Orange Foundation acts for the modern, wise and creative education of children and youth. Through creative initiatives, the Foundation supports people and institutions in the development of digital competences and building communities using new technologies.



Audit Committee activities in 2020

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.



Letter from the Chairman of the Audit Committee

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 2020 was monitoring the impact of the COVID-19 pandemic on the Company as well as on the Polish economy. In particular, the Audit Committee monitored the way in which that impact was reflected in the Company's financial reporting and its communication to the market. The Audit Committee received periodic reports on COVID-19 impact and had regular discussions with management in this regard. The Audit Committee also received an internal audit review of the impact of COVID-19 on the internal control environment. The Audit Committee is satisfied with the way that the COVID-19 impact is reflected in the Company's financial information as well as its external communication.

The Audit Committee finalised the auditor selection process and recommended the reappointment of Ernst & Young as the auditor for 2020 and KPMG for the years 2021-2025.

Another significant part of the Audit Committee's activities in 2020 related to monitoring the implementation of changes to International Financial Reporting Standard 16 (Leases) with regard to the approach to cancellable leases and lease period valuation resulting from the interpretation of the International Financial Reporting Interpretations Committee (IFRIC) issued in December 2019. The Audit Committee thoroughly reviewed the manner of implementation proposed by management and discussed the judgements and estimates which were made, and the reasons behind them, with both management and the auditor. 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 the Group. As part of this, we review all significant accounting judgements and estimates proposed by management. In addition to monitoring the COVID-19 impact and IFRS 16 implementation as mentioned above, the most significant areas requiring the exercise of judgement were those regarding the presentation of financial figures and disclosures related to the acquisition of Craftware. 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 Audit Committee worked 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 interactions with management.

Last, but not least, the Independent Directors on 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.

Russ Houlden
Chairman of the Audit Committee

Audit Committee members	
John Russell Houlden	Chairman (Independent Director)
Dr. Maria Pasło-Wiśniewska	(Independent Director)
Marc Ricau	
Monika Nachyła	(Independent Director)
Jean-Michel Thibaud	

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.

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 Management report on the Company's activity, 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 also reviewed Orange Polska Group's strategic plan and 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 the financial performance of the Company, accounting policies and procedures, accounting estimates and judgements, 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 2020, as a result of significant changes in accounting standards, the Committee put special attention to 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 an 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.

Our approach to monitoring the performance of the 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 2020 was the sixth year of Ernst & Young being the auditor of the Orange Polska Group. The reappointment of Ernst & Young for a sixth year was authorised by the Financial Supervisory Authority as required by law.

The Audit Committee reviewed the external auditors' proposed audit plan for 2020 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 order to assess the performance and independence of the auditor, as well as the relationship with the auditor more generally, feedback was sought from all members of the Audit Committee, the Management Board, key members

Main responsibilities of the 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 must consist of at least three members, the majority of whom, including the Chairman, are independent of the Company. The Audit Committee must meet (physically or virtually) at least on a quarterly basis before the publication of the financial statements.

The Audit Committee held six meetings in 2020. The meetings were attended by the Chief Executive Officer, Chief Financial Officer, as well as 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.

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 July 2020. The Audit Committee also asked the auditor for its feedback on the co-operation with the Company. The conclusions were discussed and it was noted that over previous periods the co-operation had improved significantly and so there were now no issues requiring special attention.

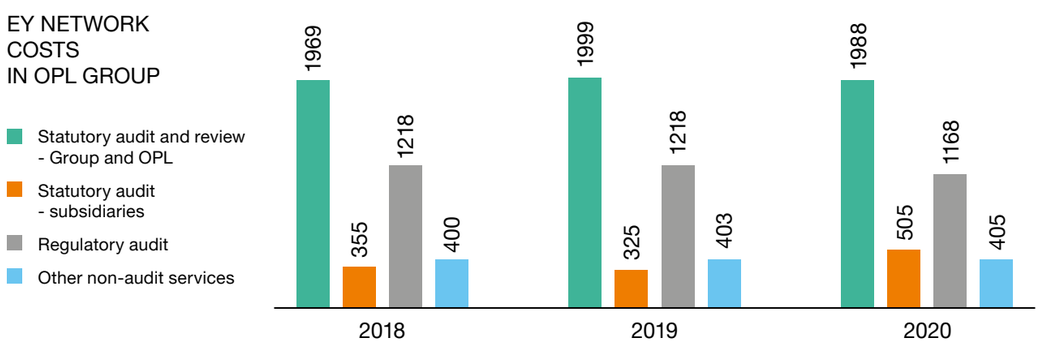
In summary, the Audit Committee concluded that the overall external audit process and services were effective and met the Group's high audit-quality requirements.

Our approach to assessing the independence of the external auditor

There are three 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 Regulation (EU) No 537/2014 of the European Parliament and of the Council (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 non-audit service allowed by the law 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% 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 Ernst & Young were 17% of the audit fee in 2020, similar to 2019. Ernst & Young also provides a regulatory audit relating to the costs of regulated services rendered by the Company, which 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.



Third, 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 a threat to the auditor's independence 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, around the same time as the Orange S.A. 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 S.A. 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 S.A. 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, adding a new requirement limiting the time 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.

In 2019, the Company launched the tenders for statutory audit services for 2020 (if Ernst & Young turned out to have submitted the best offer) or 2020-2021 (if another company had submitted the best offer: it is not possible to appoint a new auditor for less than two years). Tender was simultaneously launched 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, including discussions with the Financial Supervisory Authority.

As regards the year 2020, the offer of Ernst & Young was assessed to be the best based on a high-quality audit team, knowledge of the Polish telecom market and also 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 high-quality auditing standards and the special situation facing the Group in the year 2020, which was the last year of implementation of its long-term strategic plan and also included a large 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.

As regards the following five-year period: the offers of KPMG and Deloitte both met the Group's high standards and were similarly priced. The Audit Committee selected KPMG partly because of the high quality of the audit team proposed and partly to provide a fresh view of the audit given that KPMG, unlike Deloitte, had not audited the Group in the last decade. As a result, the Audit Committee recommended KPMG to the Supervisory Board as the auditor for the years 2021-2025.

The Supervisory Board followed both recommendations 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:

- COVID-19 pandemic. As a result of the COVID-19 pandemic, the year 2020 was a turbulent period for the worldwide economy and businesses. The Company was no exception and its business has been and continues to be affected generally by the crisis and specifically by some of the restrictions aimed at slowing the pace of the pandemic within Poland. The Audit Committee reviewed the Company's approach to the analysis of the COVID-19 impact on its financial statements, and the results of the analysis. The Audit Committee paid special attention to the impact on the Company's financial plans and impairment tests, bad debt allowance calculation, valuations based on interest rates and FX rates, as well as all other potentially affected areas including provisions and commitments.
- The Group's key judgements and estimates related to significant one-off transactions such as:
  - Acquisition of Craftware, a company operating in the area of analysis, design and implementation of customer relationship management (CRM) systems. The Audit Committee focused on the recognition and valuation of the assets and treatment of post-transaction services,
  - Amendment to the Collective Labour Agreement. The Audit Committee focused on the impact of the amendment on the value of the related provision and on the income statement.
  - New accounting standard IFRS 16. The new standard was implemented by the Company in 2019 but, in December 2019, IFRIC issued an interpretation which necessitated a significant change to the accounting policy adopted in 2019; since the Company had to revise its approach to cancellable leases and their lease period valuation.
  - 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.
  - Approach to immaterial errors identified in 2020.
  - Impairment indicators and impairment test prepared by Management as well as goodwill recognition and deferred tax recoverability.
  - Management's assessment of the length of the economic useful life of assets.
  - Disclosures in the Financial Statements and Management Report relating to new matters.
  - 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, with the results then 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 2020 and the Audit Committee was satisfied that management's conclusion was reasonable in light of the reports it had received.

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.

The Internal Audit function 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 internal audit plan is approved by the Management Board President and then submitted for the Audit Committee to review. 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 des Auditeurs et Contrôleurs Internes (the French Chapter of the IIA). Following the assessment carried out in 2020, 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.

Risk management

Risks are identified within all relevant business units. The risks which are perceived by members of the Management Board or by 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 Supervisory Board received a report on top and emerging risks in July 2020.

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 Audit Committee monitors the effectiveness of the risk management system. The report on the system's design and operation was reviewed by the Audit Committee in July 2020.

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, security and anti-corruption. As part of its periodic reports, the Compliance Management area informs the Audit Committee about activities carried out, including among others the corruption-risk map, communication activities and results of inspections initiated by notification of irregularities through dedicated channels. Orange Polska actively co-operates with the Compliance areas within the international Orange Group, sharing good practice and maintaining the Group's anti-corruption standards.

Orange Polska's Compliance Management Programme 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.

Also, in order to prevent potential risks of corruption, non-compliance with economic sanctions, money laundering, terrorism financing and frauds, Orange Polska applies due diligence procedures in relationships with its business partners.

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 has a variety of dedicated communication channels through which all employees and stakeholders can report their doubts or observed irregularities (such as conflicts of interest, cases of corrupt behaviour or other violations of applicable laws), 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.

Monitoring changes in the legal environment and 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, which also considered how Orange Polska Group approached and implemented them. In particular, the Audit Committee looked into the Company's preparation for the implementation of the European Single Electronic Format, its approach to the General Presentation and Disclosures to be adopted by the International Accounting Standards Board and climate-related financial disclosures.

Other areas of interest

The Audit Committee reviewed and issued opinions on significant transactions with related parties, in line with internal regulations and best practices of corporate governance. Orange S.A.'s nominees are excluded from voting at Supervisory Board meetings and Audit Committee meetings on transactions involving Orange S.A. or its subsidiaries. The Committee reviewed other matters of interest, including but not limited to revenue assurance, hedging, insurance, tax and M&A transactions. The Audit Committee also 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.



Strategy Committee activities in 2020



Letter from the Chairman of the Strategy Committee

Dear Shareholders,

The year 2020 was a year of unprecedented challenges for the telecom market and for the whole world. It was also a year of accelerated digital transformation for our customers and for our internal operations.

The COVID-19 pandemic has led to an inevitable surge in the use of digital technologies and revealed the importance of telecommunication services, especially fast and reliable Internet connection.

Orange Polska has been investing in its fibre network rollout since 2015 and to date has covered more than 5 million households in 154 Polish cities. The overview of market potential for further development of fibre infrastructure in Poland, and the most value creation opportunities for the Company rollout, were the top priority topics discussed during our three Committee meetings in 2020.

With final year of successful execution of Orange.one strategy a lot of Committee's attention was also devoted to long-term vision of the Company including sustained impact of the COVID-19 pandemic on future market environment and customer needs.

I want to thank all Committee members and guests for their valuable contribution to the development of the Company's investment plan and for strategic discussion which has enriched the formulation of Orange Polska's long-term vision.

Jean-Marc Vignolles
Chairman of the Strategy Committee

Strategy Committee members in 2020	
Jean-Marc Vignolles	Chairman
Dr. Henryka Bochniarz	(Independent Director)
Thierry Bonhomme	(since 17 June 2020)
Eric Debroeck	
Patrice Lambert-de Diesbach	
Monika Nachyła	(Independent Director)
Dr. Maria Pasło-Wiśniewska	(Independent Director)
Gervais Pellissier	(until 20 October 2020)

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.

Issues on the Strategy Committee's agenda for 2020

FTTH market perspectives and FiberCo concept

Considering the market perspectives for further development of the fibre network in Poland, strong demand for high-speed Internet among customers and significant value-creation potential for the Company, the Committee analysed the concept of continuation of roll-out of FTTH access network in areas devoid of high-speed broadband infrastructure in a dedicated company created in co-operation with an external partner. The FiberCo would operate as an open network granting access to Orange Polska and other retail operators on wholesale terms.

OPL long-term vision

The Committee discussed long-term trends for evolution of the telco environment, including accelerated digitisation in society and business, as well as changes to consumer needs resulting from the COVID-19 pandemic and future macroeconomic conditions. The principal assumptions and directions of the OPL long-term vision were analysed.

Cash perspectives and dividend policy

The Committee reviewed the current financial situation and the most probable cash scenarios for the coming years, considering investors' expectations regarding the prospects of further business development of the Group.

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.

Remuneration Committee activities in 2020

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.



Letter from the Chairwoman of the Remuneration Committee

Dear Shareholders,

To start with a formal matter, I would like to inform you that in June 2020, the composition of the Remuneration Committee changed – Mr. Thierry Bonhomme left the Committee and we were joined by Mr. Jean Marc Vignolles.

Thank you very much, Thierry, for your contribution to the work of the Committee and welcome Jean Marc with the hope that you strengthen the Committee.

The year 2020 was unique. The Company had to adjust its functioning to the unexpected conditions set by the COVID-19 pandemic. It was not an easy task. The Members of the Committee supported the Management Board and executive directors with an advisory voice in the preparation of new rules for the organisation and functioning of the Company that could ensure both the safety of employees and business continuity. Connectivity has become extremely important to people due to the isolation caused by the pandemic. Orange Polska served clients continuously. This crisis management exam, taking place on an unprecedented scale, has been passed successfully.

At the same time, the Committee faced the challenge of replacing Jean-François Fallacher, the CEO of Orange Polska, who was asked to take responsibility for the management of Orange Spain. The Committee recommended the Supervisory Board appoint Julien Ducarroz as the Company's new CEO.

Additionally, at the same time Mariusz Gaca, the deputy CEO in charge of the Consumer Market was promoted to the position of the CEO of Orange Moldova. Following the discussion with the new CEO, it was decided that for some time the managers of Consumer Market will report directly to him. A possible new division of duties among Management Board Members will be discussed later after Julien Ducarroz is able to take in the Company's situation and design a proposal.

Besides these extraordinary tasks the Committee carried out all its planned activities.

You will find all the details of the Remuneration Committee's 2020 activities in the report below, which I am pleased to present to the shareholders.

As I mentioned before, the year 2020 was a great challenge for the Management Board and all employees of the Company. It was also a challenge for the Members of the Committee. The common goal was the implementation of the Company's strategy, keeping the high quality of customer services and strengthening the position of Orange Polska on the market as the best ways of delivering value to the Shareholders.

I can proudly say that this was done successfully. So let me take this occasion to express my gratitude to all Members of the Committee, to our colleagues from HR division, supporting us in the performance of our tasks, and to all employees of Orange Polska.

I wish everyone good health, so that we can successfully continue service of the growing number of Poles who have trusted us.

Maria Pasło-Wiśniewska
Chairwoman of the Remuneration Committee

Main responsibilities of the Committee

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 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 the 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 resignation 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 the remuneration policy for most senior executives, and on the general policy for the wider Orange Polska Group, in both cases having regard to the relative positioning on the market of Orange Polska Group's terms of engagement and remuneration levels;
- producing a report for the Supervisory Board on the activity of the Committee and assessment of the remuneration policy of Orange Polska Group.

Remuneration Committee members	
Dr. Maria Pasło-Wiśniewska	Chairwoman (Independent Director)
Thierry Bonhomme	until 17 June 2020
Prof. Michał Kleiber	(Independent Director)
Marc Ricau	
Jean-Marc Vignolles	since 17 June 2020

On the Remuneration Committee's agenda for 2020

The Remuneration Committee had five meetings in 2020. During these meetings the Committee discussed and made recommendations to the Supervisory Board on the following matters:

- appointment from 1 September 2020 and the conditions of employment of the new CEO of Orange Polska;
- appointment from 21 July 2020 and the conditions of employment of the new CFO of the Company, as well as changes in the division of duties among Management Board Members;
- appointment of the Management Board Members in charge of Consumer Market, Wholesale Market & Real Estate Sale and Human Capital for the next term of office starting from 17 June 2020;
- changes in the remuneration of the Management Board Members in charge of Consumer Market, Wholesale Market & Real Estate Sale and Human Capital in order to adjust it to the scale of their contribution to the implementation of the Company's strategy and tasks as well as the market levels of remuneration of persons of similar qualifications holding comparable positions;
- assuming direct responsibility for the Consumer Market function by the new CEO after the deputy CEO in charge of this division left for the position of the CEO of Orange Moldova;
- establishment of the common and individual goals for the Management Board Members for 2020, and determination of the rules of variable components of their remuneration depending on the level of implementation of these objectives;
- evaluation of the achievement by the individual Management Board Members of their goals in each half of 2020, and determination of their bonuses for these half-year periods, provided that the bonuses for the first half of the year constitute an advance payment towards their annual variable remuneration, which is contingent upon the achievement by the Company of its annual objectives;
- terms of participation of the Members of the Management Board of Orange Polska in the Orange S.A. Group Long Term Incentive Plan for 2020–2022;
- the list of eligible persons to acquire the Second Supplementary Pool Phantom Shares according to the Orange.One Incentive Programme.

The Remuneration Committee was actively involved in the process of preparation and implementation of the "Remuneration Policy for Members of the Management Board and Supervisory Board of Orange Polska S.A." in line with the Act of 16 October 2019 amending the act on public offering and the conditions for introducing financial instruments to the organised trading system and on public companies, and certain other acts.

This Policy was approved by the Shareholders at the Annual General Meeting held on 27 August 2020.

The Remuneration Committee assessed the implementation of the Remuneration Policy in 2019 and, in accordance with Best Practice for GPW Listed Companies 2016, submitted its assessment to the Supervisory Board in a report, which is a part of the Orange Polska Integrated Report 2019.

The Remuneration Committee was very much focused on keeping the highest standards of reporting information for Shareholders.

In order to ensure the performance by the Committee of all its tasks in 2021, the working plan for 2021 was prepared. In addition to the Committee's permanent responsibilities related to:

- the appointment of and division of duties among the Management Board Members;
- monitoring the adequacy of the Company's remuneration system to its strategy and the market situation;
- establishment of the goals for the Management Board Members, their evaluation and determination of the variable components of their remuneration;
- the Committee, as part of its advisory role to the Management Board and Supervisory Board, planned discussions on the subjects related to human resources management in the rapidly changing economic and social environment in Poland and worldwide.

Report on the Remuneration of the Members of the Management Board and Supervisory Board of Orange Polska S.A. in 2019–2020 (*)

(*) subjected to Annual General Meeting approval

This Report on the Remuneration of the Members of the Management Board and Supervisory Board of Orange Polska S.A. ("the Remuneration Report") has been developed by the Supervisory Board of Orange Polska S.A. ("the Company") in compliance with the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to the organised trading system and on public companies ("the Public Offering Act").

The Report covers the financial years 2019–2020 and provides an overview of the remuneration granted in line with the Remuneration Policy of Orange Polska S.A. and, from 17 June 2020, also the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A. with subsequent amendments ("the Remuneration Policies"). The Remuneration Policies support the implementation of the Company's strategy and the protection of its long-term interests. In particular, by ensuring market-competitive base salaries and additional benefits, the Company strives to recruit and retain the Company's key people. The purpose of the short-term and long-term variable remuneration, which depends on the Company's key financial indicators, is to motivate the Management Board Members to achieve strategic goals, which are subsequently cascaded to employees at lower levels in the form of management goals.

The Remuneration Policies applied by the Company are also an element of its 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. they provide people prepared to achieve the strategic goals of the Company.

Remuneration levels within Orange Polska S.A. are regularly compared to the practices of competitive companies in the market. Total remuneration depends in particular on the Company's financial results as well as one's individual contribution and performance.

1. Changes in the Company's Boards

On 19 February 2019, the Supervisory Board reappointed Jean-François Fallacher for the next term of office as the President of the Management Board of Orange Polska. On 6 February 2020, the Supervisory Board reappointed Mariusz Gatza (Gaca), Jacek Kowalski and Maciej Nowohoński for the next terms of office as Members of the Management Board. In line with the Best Practice for GPW Listed Companies, the renewals were made three months before the expiration of the current terms of office.

Effective on 31 March 2020, the following decisions on further changes in the composition of the Company's Management Board were made:

i. Jacek Kunicki was appointed to the position of the Chief Financial Officer as the Executive Director in charge of Finance and, from 21 July 2020, as the Management Board Member in charge of Finance;

ii. The scope of responsibilities of Maciej Nowohoński as the Management Board Member changed. Currently, he is in charge of Carriers Market and Real Estate Sales (previously he was in charge of Finance and, from 6 February 2020, also Carriers Market).

Julien Ducarroz has been the President of the Management Board since 1 September 2020.

Ultimately, as of 31 December 2020, the Company's Management Board was composed of: Julien Ducarroz, Bożena Leśniewska, Witold Drożdż, Jolanta Dudek, Piotr Jaworski, Jacek Kowalski, Jacek Kunicki and Maciej Nowohoński.

Regarding Supervisory Board Members, on 24 April 2019 the mandates of Federico Colom Artola, Eric Debroeck, Prof. Michał Kleiber, Gervais Pellissier, Marc Ricau, Dr. Wiesław Rozłucki and Maciej Witucki expired. On the same day, the Annual General Meeting appointed the following persons as Members of the Supervisory Board: 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).

On 17 June 2020, the mandates of John Russell Houlden and Patrice Lambert-de Diesbach expired. On the same day, the Annual General Meeting appointed the aforementioned persons, that is John Russell Houlden and Patrice Lambert-de Diesbach, for the next terms of office.

On 20 October 2020, Gervais Pellissier resigned his position as a Member of the Supervisory Board and the Deputy Chairman of the Supervisory Board of Orange Polska S.A. On the same day, the Supervisory Board appointed Marie-Noëlle Jégo-Laveissière as a Member of the Supervisory Board.

2. Description of the Remuneration Policies

In line with the requirements set in the Public Offering Act, on 17 June 2020 the Annual General Meeting adopted the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A., which was subsequently amended on 27 August 2020. Under this Policy, the Company's remuneration system for the Management Board Members consists of fixed and variable components, including:

i. base salary;

ii. performance-based bonus (variable component of remuneration);

iii. benefits and allocation benefits;

iv. long-term capital remuneration;

v. base premium for participation in the pension scheme;

vi. jubilee awards;

vii. employment termination benefits;

viii. other benefits arising out of the provisions of labour law.

The remuneration paid in 2019–2020 was structured in compliance with the adopted Remuneration Policies and thus furthered the key objectives thereof.

The detailed terms of remuneration have been regulated in individual employment contracts with Members of the Management Board.

Some remuneration components due to the Management Board Members employed by the Company (including employee pension scheme premiums or some non-pecuniary benefits) were granted based on internal regulations which apply also to other employees of the Company.

In line with the Company's Articles of Association, Members of the Management Board were appointed by the Supervisory Board. The term of office of each Member of the Management Board is three years. Remuneration payments to the Management Board Members were effected pursuant to employment contracts concluded for their term of office.

Julien Ducarroz, who has been the President of the Management Board of Orange Polska S.A.

since 1 September 2020, remains employed by Orange Global International Mobility S.A. (“OGIM”), an Orange S.A. Group company, and performs his duties as the CEO based on posting to Orange Polska S.A.

Members of the Supervisory Board are appointed and removed by the General Meeting. Their term of office is three years. No contracts related to their functions in the Supervisory Board are concluded with Supervisory Board Members. Their remuneration is payable pursuant to the relevant resolution appointing the Supervisory Board Member, Resolution No. 33 of the General Meeting of Orange Polska S.A. dated 9 March 2015 on the terms of remuneration of Members of the Supervisory Board, and the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A. Simultaneously, the Supervisory Board Members other than Independent Members may remain employed by an Orange S.A. Group company; then, no remuneration is due to such Supervisory Board Members for their functions in the Supervisory Board of Orange Polska S.A. At least four members of the Supervisory Board of Orange Polska S.A. should be Independent Members, meeting the independence criteria specified in the Articles of Association of Orange Polska S.A. and the Act of 11 May 2017 on certified auditors, audit firms and public supervision with respect to Independent Members of the Audit Committee. Until 24 April 2019, Orange Polska S.A. had four independent Members in the Supervisory Board, namely Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber and Dr. Maria Pasło-Wiśniewska.

From 24 April 2019, the independence criteria are met by five Members of the Supervisory Board, namely Dr. Henryka Bochniarz, John Russell Houlden, Prof. Michał Kleiber, Monika Nachyła and Dr. Maria Pasło-Wiśniewska.

3. Remuneration of the Members of the Management Board

a. Base salary

The terms of base salaries of the Management Board Members take into account the remuneration standards for particular positions related to the scope of duties and the market valuation 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 other companies in the Polish market.

In the reported period, Orange Polska S.A. determined remuneration terms based on non-discrimination, particularly with respect to gender, age, disability, race, religion, nationality, political opinion, trade union membership, ethnic origin and sexual orientation. The Company regularly reviewed its remuneration practices for non-discrimination.

Furthermore, with respect to the Management Board Members, the Remuneration Committee of the Supervisory Board has the right to recommend the terms or employment, including the amount of base salary, based on the following premises:

i. scope of responsibilities and complexity specific to the position;

ii. market competitiveness of the remuneration;

iii. recommendation of the President of the Management Board (does not apply to the remuneration of the latter);

iv. recommendation of the Member of the Management Board in charge of Human Capital in the Company (does not apply to the remuneration of the latter);

v. Individual contribution of the Management Board Member to the implementation of the Company‘s strategy.

Based on recommendations of the Remuneration Committee of the Supervisory Board, the Supervisory Board determined base salaries of the Management Board Members. The Supervisory Board accepted recommendations as to the base salaries of Jean-François Fallacher and Bożena Leśniewska in 2019 and of Mariusz Gatza (Gaca), Jacek Kowalski, Maciej Nowohoński and Jacek Kunicki in 2020. On 21 July 2020, the Supervisory Board of Orange Polska S.A., upon a positive recommendation of the Remuneration Committee of the Supervisory Board, determined the terms of performance of the function of the President of the Management Board by Julien Ducarroz based on posting from OGIM, an Orange S.A. Group company.

b. Benefits

The Company provided a package of benefits to its employees, including Members of the Management Board of Orange Polska S.A., in order to build a valuable offer supporting employee recruitment and retention, improving the quality of life and promoting employee integration. 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. Furthermore, Members of the Management Board were provided with benefits aimed to enable and facilitate the performance of their duties within the Company.

Members of the Management Board employed by Orange Polska S.A. were entitled to the following non-pecuniary remuneration components:

i. training and studies aimed at improving professional qualifications;

ii. medical care package for Members of the Management Board and their relatives (children, partners/spouses);

iii. life insurance;

iv. landline Internet at the place of residence (Orange Polska S.A.’s telecommunications infrastructure permitting);

v. protection in the case of liability arising from the performance of the Management Board Member’s duties, including in the form of insurance protection;

vi. other non-pecuniary benefits to which the Company’s employees are entitled in accordance with the internal regulations of Orange Polska S.A.

Members of the Management Board posted to Poland are entitled to all or some of the benefits listed above or benefits available according to regulations of the posting company, provided that they are approved by the Supervisory Board of Orange Polska S.A.

In 2019–2020, Members of the Management Board employed by Orange Polska S.A. were actually granted the following benefits (accounted for in the Table 1 below):

i. medical care package for Members of the Management Board and their relatives;

ii. life insurance;

iii. landline Internet at the place of residence.

Members of the Management Board were also entitled to liability insurance in 2019–2020.

Members of the Management Board were granted some benefits from which also persons closely associated with them could benefit in line with the terms of their employment contracts. The value of such benefits was indicated in the Table 1 below.

While performing the duties of the President of the Management Board of Orange Polska S.A., Jean-François Fallacher and Julien Ducarroz were entitled to benefits resulting from the International Mobility Policy of the Orange Group, payable by Orange Polska pursuant to the employment contract in the case of Jean-François Fallacher or an agreement between Orange Polska S.A. and OGIM in the case of

Julien Ducarroz. The amount of remuneration and benefits is shown in the Table 1 below.

In the reported period, Members of the Management Board of Orange Polska S.A., excluding Julien Ducarroz posted to the position of the President of the Management Board, did not receive remuneration from other Orange S.A. Group companies except for eligibility to participate in the Long Term Incentive Plan (LTIP).

c. Other benefits eligible to Members of the Management Board on the same terms as to all employees

Members of the Management Board employed by Orange Polska S.A. had the right to join the Employee Pension Scheme ("EPS"), which is financed by Orange Polska S.A. This scheme is a pension fund (Orange Polska Employee Pension Fund). Members of the Management Board become eligible after they have worked for at least six months in Orange Polska S.A. The Company finances a monthly base premium in the amount of 7% of the gross remuneration amount which constitutes the base for calculation of pension and disability insurance premiums. In 2019–2020, Members of the Management Board employed by Orange Polska S.A. made use of this benefit.

Members of the Management Board employed by Orange Polska S.A. had the right to jubilee awards for long service, namely for 10, 15, 20, 25 and 30 years of work, in accordance with the provisions of the Collective Labour Agreement for Employees of Orange Polska S.A. In 2019 no jubilee awards were granted, while in 2020 jubilee awards were granted to Jolanta Dudek and Mariusz Gatza (Gaca).

d. Benefits related to termination of employment with Orange Polska S.A.

In case of employment termination, employment contracts with Members of the Management Board employed by Orange Polska S.A. are terminated with a six-month notice, and they are entitled to base salary during this period.

In case of employment termination by Orange Polska S.A., in the cases specified in the employment contracts, Members of the Management Board were entitled to severance pay in the amount of their six-month base salary.

All Members of the Management Board are obliged to refrain from engaging in any competitive activities for twelve months after the termination of employment with Orange Polska S.A., and in return for refraining from competitive activities they are entitled to receive compensation in the amount of their six-month base salary.

In 2020, Jean-François Fallacher and Mariusz Gatza (Gaca) received compensation for the termination period and severance pay on the account of termination of their employment contracts.

On 21 July 2020, the Supervisory Board of Orange Polska S.A. determined the terms related to the end of tenure of Julien Ducarroz as the President of the Management Board of Orange Polska S.A.

e. Variable remuneration component

Each Member of the Management Board was entitled to variable remuneration component dependent on the achievement of annual and semi-annual financial and non-financial objectives.

The purpose of the bonus system was to motivate Members of the Management Board to achieve high performance by attaining the predefined and agreed objectives which support the implementation of the Company's strategy and growth of customer satisfaction. In addition, the system of objectives stimulated co-operation among employees and business units by setting some solidarity objectives in addition to individual ones.



For Members of the Management Board, the variable component of remuneration is more related to the Company's performance and depends more on the achievement of solidarity goals, which are financial objectives shared by all Members of the Management Board, than in the case of other employees of the Company.

The variable component of remuneration was determined in semi-annual settlement periods, and its calculation was based on the evaluation of the achievement of objectives defined for each Member of the Management Board in their individual task sheets.

The annual and semi-annual objectives for Members of the Management Board depended on the Company's business plans for a given period, scope of responsibility of the particular Member of the Management Board, recommendations of the President of the Management Board and recommendations of the Member of the Management Board in charge of Human Capital in the Company.

Solidarity objectives included EBITDAaL (EBITDA after leases), Organic Cash Flow, Revenues (for the whole Orange Polska Group or certain segments of its activity), Perception NPS (customer satisfaction with Orange services), and in 2019 also Fibre & Convergent Net Adds. Individual objectives were related to functional performance and management quality.

If objectives were assessed to have been achieved in 100%, the amount of the variable remuneration component was 50% of the base salary due for a given period under the employment contract. The achievement of the set objectives below or above 100% entailed a lower or higher amount of the variable remuneration, respectively. Performance in 2019 and 2020 permitted granting the variable remuneration component to all Members of the Management Board, which is reflected in the Tables 2a and 2b below.

In addition, the President of the Management Board of Orange Polska S.A. was entitled to the Stretch Bonus based on EBITDAaL and eCAPEX as financial triggers. This bonus was up to 35% or, from August 2020, 40% of his annual base salary. The Company's financial performance permitted payment of the Stretch Bonus for 2019. The amount of and the conditions of granting the Stretch Bonus were determined by the Supervisory Board in 2020. The amount of the Stretch Bonus for 2019 is included in the variable remuneration of the President of the Management Board in the Table 1a below.

Table 1a. Total remuneration of Members of the Management Board in 2019

Full name	1. Fixed remuneration (PLN '000)						2. Variable remuneration (PLN '000)[1]			Total enuneration for 2019 (PLN '000)	Proportion between fixed and variable remuneration granted in 2019 (%)	Variable remuneration for 2018 paid in 2019 (PLN '000)
	Base salary	Benefits	Benefits for relatives	Compensation and severance pay	Other payments (including EPS)	Total fixed remuneration	Granted for the first half of 2019	Granted for the second half of 2019	Total variable remuneration			
Jean-François Fallacher	1516	579	27	-	989	3111	310	961*	1271	4382	71%/29%	681
Bożena Leśniewska	1320	25	0	-	141	1486	310	437	747	2233	67%/33%	365
Mariusz Gatza (Gaca)	1500	36	0	-	163	1699	341	489	830	2529	67%/33%	443
Witold Drożdż	864	29	0	-	82	975	196	282	478	1453	67%/33%	86
Jolanta Dudek	900	26	0	-	97	1023	207	298	505	1528	67%/33%	252
Piotr Jaworski	888	32	0	-	85	1005	204	289	493	1498	67%/33%	85
Jacek Kowalski	1044	31	0	-	114	1189	240	338	578	1767	67%/33%	314
Maciej Nowohoński	1080	29	0	-	117	1226	247	348	595	1821	67%/33%	323

[1] Figures in the Table include the 2019 Stretch Bonus for the President of the Management Board

Table 1b. Total remuneration of Members of the Management Board in 2020

Full name	1. Fixed remuneration (PLN '000)						2. Variable remuneration (PLN '000)[1]			Total enuneration for 2019 (PLN '000)	Proportion between fixed and variable remuneration granted in 2020 (%)	Variable remuneration for 2019 paid in 2020 (PLN '000)
	Base salary	Benefits	Benefits for relatives	Compensation and severance pay	Other payments (including EPS)	Total fixed remuneration	Granted for the first half of 2020	Granted for the second half of 2020	Total variable remuneration			
Bożena Leśniewska	1320	25	0	-	151	1496	379	373	752	2248	67%/33%	437
Witold Drożdż	864	28	0	-	100	992	251	244	495	1487	67%/33%	282
Jolaznta Dudek	900	25	0	-	179	1104	259	261	520	1624	68%/32%	298
Piotr Jaworski	871	28	0	-	101	1000	253	251	504	1504	66%/34%	289
Jacek Kowalski	1131	29	0	-	127	1287	326	322	648	1935	67%/33%	338
Jacek Kunicki[1]	377	4	0	-	27	408	0	206	206	614	66%/34%	0
Maciej Nowohoński	1167	29	0	-	130	1326	325	321	646	1972	67%/33%	348
Jean-François Fallacher[2]	1176	329	3	1718	1181	4407	503	167	670	5077	87%/13%	961
Mariusz Gatza (Gaca)[2]	1304	21	0	1560	308	3193	440	296	736	3929	81%/19%	489

[1] Remuneration for a period from the date of appointment

[2] Remuneration for a period to the date of termination of employment

Table 1c. The amounts paid by Orange Polska S.A. on account of the reimbursement of the costs related to posting of the President of the Management Board

Full name	1. Fixed remuneration (PLN '000)	2. Variable remuneration (PLN '000)[1]	Total remuneration (PLN '000)	Proportion between fixed and variable remuneration (%)
Julien Ducarroz[2]	1036	303	1339	77%/23%

[1] The figure includes bonuses accrued in 2020 and payable in 2021

[2] From the date of appointment as the President of the Management Board of Orange Polska S.A.

f. Variable remuneration objectives for Members of the Management Board

The indicators presented above constituted the basis for setting solidarity objectives for Members of the Management Board and were settled in direct relation to the Company's annual performance. The total remuneration of each Member of the Management Board complied with the adopted Remuneration Policy of Orange Polska S.A. and the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A. The objectives and the way of setting them were approved, following a review, by the Remuneration Committee of the Supervisory Board.

The objectives for the Management Board Members were settled on a semi-annual basis (with reference to the Company's annual results) by the Supervisory Board of Orange Polska S.A. upon recommendations of the Remuneration Committee of the Supervisory Board. Orange Polska S.A. reports the financial indicators which determine the Company's financial standing to the stock exchange. The objectives pursued by the Management Board were closely related to these financial indicators, and the achievement thereof had a direct impact on the amount of the variable component of remuneration payable to each Member of the Management Board. Therefore, the achievement of these objectives contributed to the long-term performance of the Company.

Solidarity goals in 2019 and 2020 were as follows:

i. In 2019: EBITDAaL, Organic Cash Flow, Fibre & Convergent Net Adds, Perception NPS;

ii. In 2020: EBITDAaL, Organic Cash Flow, Revenues, Perception NPS.

The variable component of remuneration was determined on the basis of the achievement of both solidarity objectives and individual objectives.



Table 2a. Year-average share (%) of different categories of objectives in the amount of variable remuneration granted for 2019

Full name	Share of solidarity objectives (%)	Share of individual objectives (%)
Jean-François Fallacher	89%	11%
Mariusz Gatza (Gaca)	76%	24%
Bożena Leśniewska	74%	26%
Jolanta Dudek	75%	25%
Piotr Jaworski	75%	25%
Maciej Nowohoński	75%	25%
Jacek Kowalski	75%	25%
Witold Drożdż	76%	24%

Table 2b. Year-average share (%) of different categories of objectives in the amount of variable remuneration granted for 2020

Full name	Share of solidarity objectives (%)	Share of individual objectives (%)
Jean-François Fallacher	79%	21%
Julien Ducarroz[1]	82%	18%
Mariusz Gatza (Gaca)	76%	24%
Bożena Leśniewska	77%	23%
Witold Drożdż	76%	24%
Jolanta Dudek	76%	24%
Piotr Jaworski	77%	23%
Jacek Kowalski	76%	24%
Jacek Kunicki[2]	80%	20%
Maciej Nowohoński	80%	20%

[1] From 1 September 2020

[2] Accounting for twelve months of 2020

In 2019–2020, Orange Polska S.A. did not exercise the option to demand the return of the variable components of remuneration.

g. Orange Polska S.A. Incentive Programme in the form of phantom shares settled in cash

On 4 September 2017, the Supervisory Board of Orange Polska S.A. adopted the incentive programme for the key executives of Orange Polska S.A., including Members of the Management Board of Orange Polska S.A., based on derivatives (phantom shares), where the underlying instrument is the price of Orange Polska S.A. shares listed on the Warsaw Stock Exchange (WSE).

The purpose of the Programme was to link remuneration of Members of the Management Board to the Company's share price in the long term. According to the Programme Regulations, Members of the Management Board of Orange Polska S.A. voluntarily purchased phantom shares from the basic pool for a price of PLN 1 per phantom share and, as the NPS ranking condition specified in the Programme Regulations was met, they also purchased an additional package of phantom shares. Consequently, each Management Board Member and Executive Director purchased 9,000 additional phantom shares, while other programme participants purchased 4,500 additional phantom shares each. The price per phantom share was PLN 1. In 2020, the condition of the minimum Orange Polska share price on the WSE, obligating the participants to purchase an additional package of phantom shares, was not met.

According to the Programme Regulations, phantom shares will be bought back from Members of the Management Board by the Company at the average Orange Polska S.A. share price in the first quarter of 2021, provided that it is not lower than the arithmetic mean of

Orange Polska share closing prices in the third quarter of 2017, which was PLN 5.46; otherwise, phantom shares will not be bought back and the participants will lose the invested funds.

Table 3. Incentive Programme in the form of phantom shares and the related costs recognised by Orange Polska S.A.

Full name	Award date	Additional pool award date	Effective purchase date	Purchase price	Phantom shares – initial pool (number)	Phantom shares – additional pool for the NPS condition (number)	Phantom shares – additional pool for the share price condition (number)	Recognised cost for 12 months of 2019 (PLN '000)	Recognised cost for 12 months of 2020 (PLN '000)[4]
Jean-François Fallacher[1]	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	0	0	0	324	-423
Mariusz Gatza (Gaca)[2]	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-94
Bożena Leśniewska	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-7
Witold Drożdż	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-5
Jolanta Dudek	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-7
Piotr Jaworski	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-5
Jacek Kowalski	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-7
Jacek Kunicki[3]	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	15 000	9 000	0	n/a	30
Maciej Nowohoński	4 Sep 2017	1 Oct 2020	1 Apr 2021	PLN 1	50 000	9 000	0	246	-7

[1] On 31 August 31 2020, Jean-François Fallacher ceased to be the President of the Management Board of Orange Polska and withdrew from further participation in the Programme; the Company redeemed his phantom shares and returned the amount of PLN 70 000 which had been paid for them.

[2] Costs to the end of tenure as the Member of the Management Board of Orange Polska S.A.

[3] Costs from the date of appointment as the Member of the Management Board of Orange Polska S.A.

[4] Costs recognised in 2020 are negative mainly as a result of reversal of costs of an additional pool of phantom shares recognised in previous years, as the condition of the Orange Polska S.A. share price was not met in the third quarter of 2020. In case of Jacek Kunicki, reversal was related to the costs recognised before the date of his appointment as the Member of the Management Board, so it was not accounted for in the table above.

h. Long Term Incentive Plan of the Orange Group

The Long Term Incentive Plan of the Orange Group is effected in three-year editions. It includes key managers in the Orange Group and conjuncts with the Orange Group's strategic plan.

Members of the Management Board were awarded a predefined number of free shares of Orange S.A. under the following conditions: continuous service in the Orange Group throughout the Plan and some performance-based criteria.

The Plan aims to recognise the engagement of the Group's key managers, to share the value created by the Orange Group's strategic plan, to achieve a balance between short-term and long-term remuneration, and to rely on well-known, monitored performance indicators.

The first edition of the Plan functioned between 2017 and 2019.

In July 2018, the next edition of the Long Term Incentive Plan of the Orange Group for 2018–2020 was made available.

In July 2019, the next edition of the Long-term Incentive Plan of the Orange Group for 2019–2021 was made available, and in October 2019 the Plan became operational.

In July 2020, the next edition of the Long Term Incentive Plan of the Orange Group for 2020–2022 was made available.

The conditions for receiving a predefined number of free shares of Orange S.A. are indicated in the Table 4 below. In the Long Term Incentive Plan of the Orange Group for 2017–2019, 2018–2020 and 2019–2021, shares were or are awarded upon achieving the objective in 100%. The Board of Directors of Orange S.A. can modify the number of awarded shares by 15% depending on some criteria resulting from the strategic plan. Simultaneously, each participant of the Plan cannot realise a greater number of shares than awarded in the initial pool.

The terms of the Long Term Incentive Plan of the Orange Group for 2020–2022 were modified so that shares based on the achievement of the Organic Cash Flow objective can be awarded upon achieving it at the level equal to or greater than 95% of the target. With respect to other objectives, shares are awarded upon achieving them in 100%.



Table 4. Detailed parameters of the Long Term Incentive Plan

Name of the Plan	LTIP 2017–2019	LTIP 2018–2020	LTIP 2019–2021	LTIP 2020–2022
Performance assessment period	Years 2017–2019	Years 2018–2020	Years 2019–2021	Years 2020–2022
Award date	19 July 2017	18 July 2018	18 July 2019	21 July 2020
Ending date of the edition	31 December 2019	31 December 2020	31 December 2021	31 December 2022
Award condition	Continuous service in 2017–2019	Continuous service in 2018–2020	Continuous service in 2019–2021	Continuous service in 2020–2022
a) Financial indicator **b) Indicator weight**	a) Organic Cash Flow[1] b) 50%	a) Organic Cash Flow[1] b) 50%	a) Organic Cash Flow[1] b) 50%	a) Organic Cash Flow[1] b) 40%
a) Financial indicator **b) Indicator weight**	a) Total Shareholder Return[2] b) 50%	a) Total Shareholder Return[3] b) 50%	a) Total Shareholder Return[3] b) 50%	a) Total Shareholder Return[3] b) 40%
a) Financial indicator **b) Indicator weight**	n/a	n/a	n/a	a) CSR[4] b) 20%

[1] The Orange Group's Organic Cash Flow should be higher than budgeted in each year of the performance assessment period.

[2] The increase in Total Shareholder Return should be higher than in TSR for the Stoxx Europe 600 Telecos index between the first four months of the year preceding the first year of performance assessment and the last four months of the last year of performance assessment.

[3] The increase in Total Shareholder Return should be higher than in TSR for the Stoxx Europe 600 Telecos index between the last four months of the year preceding the first year of performance assessment and the last four months of the last year of performance assessment.

[4] 10% of the CSR objective corresponds to the achievement of the goal related to using energy from renewable sources at the end of the assessment period and the remaining 10% of the CSR objective corresponds to the intensity of CO_2 emissions with respect to customer service at the end of the assessment period.

Table 5a. Number of shares held in the Long Term Incentive Plan

Full name	Shares to be awarded (number)				Disposable shares awarded in LTIP 2017–2019 (number)
	LTIP 2017–2019	LTIP 2018–2020	LTIP 2019–2021	LTIP 2020–2022	
Julien Ducarroz	-	2 000	2 000	2 000	-
Jean-François Fallacher	2 000	2 000	2 000	2 000	1 717
Mariusz Gatza (Gaca)	2 000	2 000	2 000	2 000	1 717
Bożena Leśniewska	2 000	2 000	2 000	2 000	1 717
Witold Drożdż	2 000	2 000	2 000	2 000	1 717
Jolanta Dudek	2 000	2 000	2 000	2 000	1 717
Piotr Jaworski	2 000	2 000	2 000	2 000	1 717
Jacek Kowalski	2 000	2 000	2 000	2 000	1 717
Jacek Kunicki	-	1 000	1 000	1 000	-
Maciej Nowohoński	2 000	2 000	2 000	2 000	1 717

Table 5b. Cost of share-based payments in the Long Term Incentive Plan recognised by Orange Polska S.A.

Full name	Cost of share-based payments (PLN '000)							
	LTIP 2017-2019[1]		LTIP 2018-2020		LTIP 2019-2021		LTIP 2020-2022	
	For 12 months to 31 December 2019	For 12 months to 31 December 2020	For 12 months to 31 December 2019	For 12 months to 31 December 2020	For 12 months to 31 December 2019	For 12 months to 31 December 2020	For 12 months to 31 December 2019	For 12 months to 31 December 2020
Julien Ducarroz[2]	n/a	n/a	-	11	-	9	n/a	10
Jean-François Fallacher[2]	24	n/a	30	22	12	18	n/a	3
Mariusz Gatza (Gaca)[2]	24	n/a	30	28	12	23	n/a	7
Bożena Leśniewska	24	n/a	30	33	12	27	n/a	12
Witold Drożdż	24	n/a	30	33	12	27	n/a	12
Jolanta Dudek	24	n/a	30	33	12	27	n/a	12
Piotr Jaworski	24	n/a	30	33	12	27	n/a	12
Jacek Kowalski	24	n/a	30	33	12	27	n/a	12
Jacek Kunicki[2]	n/a	n/a	-	7	-	6	n/a	6
Maciej Nowohoński	24	n/a	30	33	12	27	n/a	12

[1] The Plan was settled in 2020. Disposable shares were awarded upon completion of the Plan.

[2] Costs corresponding to the tenure as the Management Board Member.

4. Remuneration of the Members of the Supervisory Board

The remuneration of the Members of the Supervisory Board was determined by the General Meeting of Orange Polska S.A.

Members of the Supervisory Board were entitled to fixed monthly remuneration regardless of the number of meetings held in a given month. Members of the Supervisory Board were also entitled to additional remuneration depending on functions performed in the Supervisory Board, particularly sitting on any of the Committees of the Supervisory Board.

Within the Supervisory Board, there are three standing committees: Audit Committee, Remuneration Committee and Strategy Committee. Furthermore, the Supervisory Board may establish other Committees and define their tasks at its own discretion. In 2019–2020, the Supervisory Board did not establish any further Committees. If a person was a Member or the Chairman of several Committees of the Supervisory Board in the reported period, they did not receive the sum of additional remuneration but the highest remuneration to which they were entitled.

Members of the Supervisory Board employed by Orange S.A. or Orange S.A.'s subsidiaries did not receive remuneration for performing the function of Members of the Supervisory Board of Orange Polska S.A. or its Committees.

All Members of the Supervisory Board were entitled to reimbursement of costs related to their participation in the Board's work. Members of the Supervisory Board could be covered by protection against liability arising from the performance of the Supervisory Board Member's duties, particularly in the form of insurance.

In 2019, Members of the Supervisory Board were granted additional benefits in the form of invitations to sports, cultural, business events, etc.

Table 6a. Remuneration of the Members of the Supervisory Board for 2019

Full name	Remuneration for performing the function (PLN '000)	Of which: Remuneration for sitting on a committee (PLN '000)	Notes
Maciej Witucki	432	0	
Gervais Pellissier	0	0	1
Marc Ricau	0	0	1
Dr. Henryka Bochniarz	221	79	
Thierry Bonhomme	210	79	
Federico Colom Artola	0	0	1, 2
Eric Debroeck	0	0	1
Ramon Fernandez	0	0	1
John Russell Houlden	394	263	
Prof. Michał Kleiber	214	79	
Patrice Lambert-de Diesbach	0	0	1
Monika Nachyła	155	54	
Dr. Maria Pasło-Wiśniewska	287	151	
Dr. Wiesław Rozłucki	104	58	2
Jean-Michel Thibaud	0	0	1
Jean-Marc Vignolles	0	0	1

[1] A person employed by Orange S.A. who did not receive remuneration for the function performed.

[2] A person who was not a Member of the Supervisory Board of the Company as at 31 December 2019.



Table 6b. Remuneration of the Members of the Supervisory Board for 2020

Full name	Remuneration for performing the function (PLN '000)	Of which: Remuneration for sitting on a committee (PLN '000)	Notes
Maciej Witucki	422	0	
Gervais Pellissier	0	0	1, 2
Ramon Fernandez	0	0	1
Marc Ricau	0	0	1
Dr. Henryka Bochniarz	217	79	
Thierry Bonhomme	210	79	
Eric Debroeck	0	0	1
Marie-Noëlle Jégo-Laveissière	0	0	1
John Russell Houlden	394	263	
Prof. Michał Kleiber	218	79	
Patrice Lambert-de Diesbach	0	0	1
Monika Nachyła	215	79	
Dr. Maria Pasło-Wiśniewska	317	184	
Jean-Michel Thibaud	0	0	1
Jean-Marc Vignolles	0	0	1

1 A person employed by Orange S.A. who did not receive remuneration for the function performed.

2 A person who was not a Member of the Supervisory Board of the Company as at 31 December 2020.

5. Derogations from the remuneration policy and from the process of its implementation

In 2019 and 2020, Orange Polska S.A. effected remuneration payments in line with the adopted Remuneration Policies, and there were no derogations from the rules specified therein.

6. Information on changes in remuneration terms and the Company's performance

On 27 August 2020, the General Meeting adopted a resolution on amendment to the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A.

Total remuneration of Members of the Management Board, selected financial metrics of Orange Polska S.A. and remuneration of employees other than Members of the Management Board and the Supervisory Board, for 2020 and the preceding five years, are shown in the Table 7 below. Remuneration of all persons performing the function of Management Board Members in 2015–2020 is included in the Table, excluding the impact of benefits related to the termination of employment.

The Table indicates percentage changes in individual indicators versus their value in the preceding year.

Table 7. Changes in the remuneration of Members of the Management Board and performance of Orange Polska S.A. over the last five years

Dynamics of changes in Orange Polska's consolidated results (%/PLN million)						
The Orange Polska Group reports a single operating segment in its IFRS financial statements as decisions about resources to be allocated and assessment of performance are made on a consolidated basis.						
Annual results	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
EBITDA/EBITDAaL[1]	3 521	3 163	3 011	2 881	3 006	2 797
EBITDA/EBITDAaL evolution[2]	-	-10,1%	-4,8%	3,1% (3)	7% (1)	2,9% (4)
Revenue	11 840	11 538	11 381	11 101	11 406	11 508
Revenue evolution[2]	-	-2,4%	-1,4%	-0,7% (3)	2,9%	0,9%
NPS (Net promoter score - place on the Polish market of telecommunications operators)	3	3	2	3	2	1

[1] Starting from 2019, following the adoption of IFRS 16 "Leases", Orange Polska redefined the performance measures used and EBITDA was replaced by EBITDAaL (EBITDA after leases).

[2] Evolution of performance measures was calculated on a comparable basis. Where applicable, previous year's results were restated to reflect changes in accounting policies, deconsolidation of subsidiaries and to conform to new definitions of performance measures.

[3] In 2018, Orange Polska adopted IFRS 15 "Revenue from Contracts with Customers". Evolution of Orange Polska's results in 2018 was calculated on a comparable basis, i.e. based on IAS 18 "Revenue" and other standards and interpretations concerning revenue recognition applicable in 2017.

[4] Starting from 2020, gains on disposal of assets are excluded from EBITDAaL. Evolution of EBITDAaL in 2020 was calculated on a comparable basis to conform to new definition used in 2020.

Management Board remuneration in PLN ‘000 (gross)[1,3]

Full name	2015	2016	2017	2018	2019	2020
Julien Ducarroz[2]	n.a.	n.a.	n.a.	n.a.	n.a.	1 339
Fallacher Jean-François[1,3]	n.a.	1 989	3 804	3 772	4 382	3 359
Mariusz Gatza (Gaca)[1,3]	2 148	2 186	2 544	2 422	2 529	2 369
Jolanta Dudek[3]	292	1 272	1 339	1 377	1 528	1 624
Jacek Kowalski	1 725	1 729	1 776	1 712	1 767	1 935
Bożena Leśniewska[3]	327	1 449	1 820	1 960	2 233	2 248
Maciej Nowohoński	1 607	1 696	1 783	1 771	1 821	1 972
Witold Drożdż[3]	n.a.	n.a.	n.a.	242	1 453	1 487
Piotr Jaworski[3]	n.a.	n.a.	n.a.	244	1 498	1 504
Jacek Kunicki[3]	n.a.	n.a.	n.a.	n.a.	n.a.	614
Piotr Muszyński[1, 3]	2 476	2 443	3 134	n.a.	n.a.	n.a.
Bruno Duthoit[1,3]	3 140	1 799	n.a.	n.a.	n.a.	n.a.
Michał Paschalis-Jakubowicz[1,3]	340	775	n.a.	n.a.	n.a.	n.a.
TOTAL	**12 055**	**15 338**	**16 200**	**13 500**	**17 211**	**18 451**

Comments:
n.a. - not applicable

[1] Remuneration without taking into account paid compensation and severance pay in connection with termination of employment (including compensation for non-competition after termination of employment).

[2] The amount borne by Orange Polska S.A. for reimbursement of costs related to the delegation to perform the function of the President of the Management Board.

[3] Total remuneration and benefits for Members of the Management Board (including the Employee Pension Programme) without benefits from the social fund due from the date of appointment as a Member of the Management Board until the end of tenure as a Member of the Management Board.

[4] Total salaries and benefits for employees (including the Employee Pension Programme) excluding benefits from the social fund.

[5] In October 2016, Orange Polska S.A. merged with Orange Customer Service Sp. z o.o. which influenced the average salary and employment in Orange Polska S.A.

[6] Average annual employment according to the GUS methodology (excluding the Management Board) in full-time equivalents.

Employee remuneration (excluding the Management Board and Supervisory Board)[1,4]

	2015	2016	2017	2018	2019	2020
Average total gross salary[5] in PLN ‘000	106	107	105	110	115	122
Total employee remuneration[5] in PLN ‘000 (gross) in subsequent years	1 379 765	1 370 370	1 488 359	1 410 988	1 338 585	1 275 836
Management Board remuneration to employee remuneration ratio (%)	0,87%	1,12%	1,09%	0,96%	1,29%	1,45%
Number of employees [5, 6]	13 078	12 840	14 109	12 873	11 687	10 489

The evolution of the total remuneration of Members of the Management Board was the result of changes in its composition during 2015-2020, in particular, it was related to appointments to the Management Board in the fourth quarter of the year - hence, for example, the decrease in remuneration in 2018 and an increase in 2019, where the Management Board operated in full composition throughout 2019. The increase in remuneration of Management Board Members in 2018-2020 was correlated with the improvement in the trend of revenue dynamics and operating profitability (EBITDA/EBITDAaL) in this period.

This Report presents developments related to the remuneration of Members of the Management Board and Supervisory Board, while omits developments related to changes in the terms of remuneration of the employees of Orange Polska other than Members of the Management Board or Supervisory Board, which occurred in 2019. The latter were disclosed in the Orange Polska Integrated Report 2019.

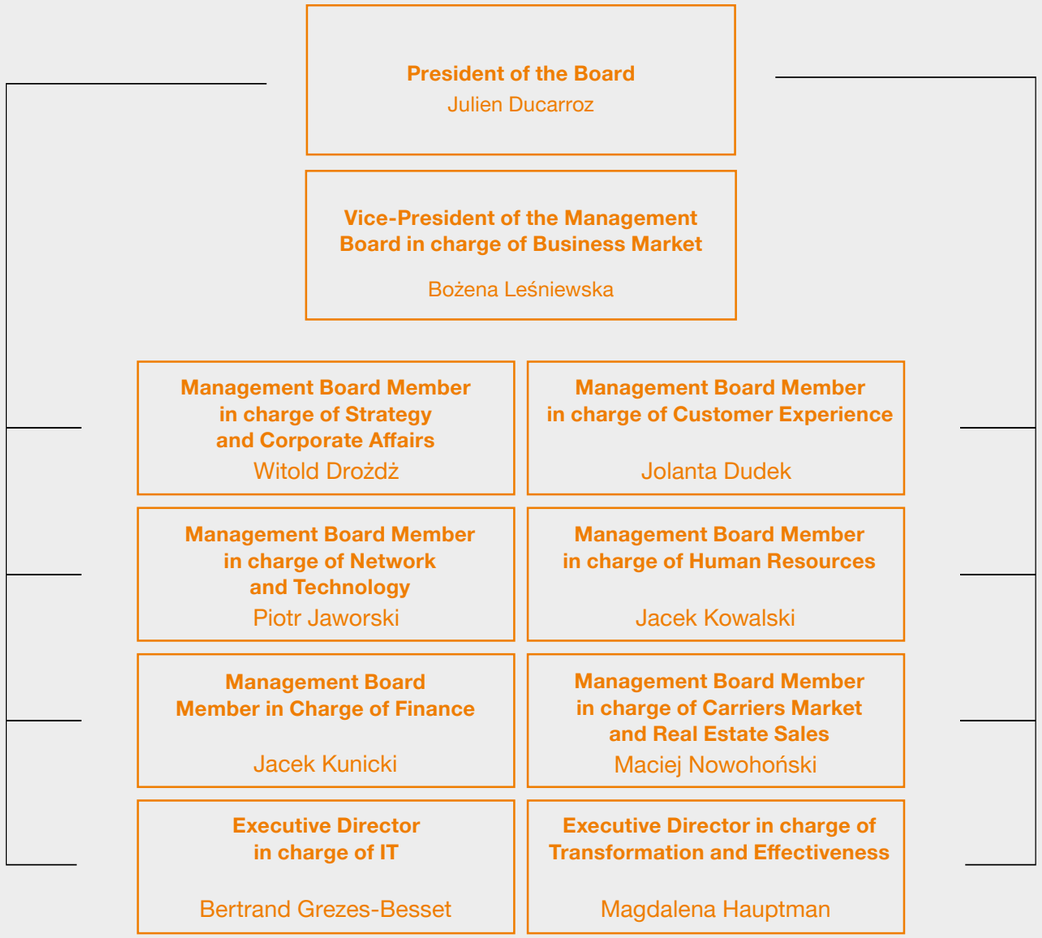
In 2020, changes were made in the Remuneration Policy of Orange Polska S.A., which applies to all employees. These were disclosed in the Management Board‘s Report on the Activity of the Orange Polska Group in 2020.

The detailed regulations concerning remuneration of the Members of the Management Board and Supervisory Board of Orange Polska S.A. are set out in the Remuneration Policy for Members of the Management Board and the Supervisory Board of Orange Polska S.A., which was adopted at the General Meeting on 27 August 2020.

Management Board's activities in 2020

Management Board composition as of 31 December 2020

- Julien Ducarroz – President of the Board
- Bożena Leśniewska – Vice President of the Board
- Witold Drożdż – Board Member
- Jolanta Dudek – Board Member
- Piotr Jaworski – Board Member
- Jacek Kowalski – Board Member
- Jacek Kunicki – Board Member
- Maciej Nowohoński – Board Member



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 Annual 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

The following changes took place in 2020:

On 31 March 2020, Maciej Nowohoński, previously in charge of Finance and Carriers Market, became the Management Board Member in charge of Carriers Market and Real Estate Sales, while Jacek Kunicki, previously the Group's Chief Controller, became Orange Polska's Chief Financial Officer as the Executive Director in charge of Finance. On 21 July 2020, Jacek Kunicki was appointed by the Supervisory Board as the Management Board Member.

On 12 June 2020, Jean-François Fallacher informed Orange Polska that he had accepted an offer to become the CEO of Orange Spain as of 1 September 2020. He remained the President of the Management Board of Orange Polska to 31 August 2020.

On 21 July 2020, the Supervisory Board appointed Julien Ducarroz as the President of the Management Board, effective on 1 September 2020.

On 21 July 2020, Mariusz Gaca informed Supervisory Board that he had accepted an offer to become the CEO of Orange Moldova. He stepped down from the Management Board of Orange Polska on 31 October 2020.

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, by an absolute majority of votes, but only if all members have been notified of the content of the draft resolution.

Profiles of Management Board Members



Julien Ducarroz

Responsibilities: CEO and President of the Management Board

Appointment to the board:

September 2020

Qualifications:

He is a graduate of the Swiss Federal Institute of Technology of Lausanne and Zurich.

Career experience:

Julien Ducarroz has extensive experience in the telecom industry, with more than 10 years on executive positions, gained in different countries in many different areas, including strategy and commercial functions. He joined the Orange Group in 2002 in its International Division, then continued as business intelligence and value-based marketing manager in Orange Group Marketing in London (2003-2004). Subsequently he became Deputy Chief Marketing Officer in Orange Nederland (2006-2007). In 2007 he joined Orange Romania as a strategy director, and from May 2009 to May 2016, he managed sales, marketing and marketing communication as Chief Commercial Officer. Between 2016 and 2020 he was the CEO of Orange Moldova where his achievements include launch of convergent services with the acquisition of main cable operators, cultural transformation to implement entrepreneurial mind-set and adoption of agile ways of working across the organization and preparation of entry of mobile financial services.



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 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 the Responsible Leadership Council organised by the Responsible Business Forum in Poland, a member of the Orange Foundation Council and a member of Professional Women Network (PWN). She is also the Head of LiderShe association.

Furthermore, she is an active mentor in mentoring programmes held by Vital Voices, Perspektywy Foundation and others. She is co-author of Europe's first studies designed for women – Women's Leadership Academy at Leon Koźmiński 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.



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 sits on the Orange Foundation Board and Employers of Poland Board.

Witold Drożdż

Responsibilities: Management Board Member in charge of Strategy and Corporate Affairs

Appointment to the board:

November 2018



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 École des Hautes Études 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. In addition, she is 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 2013, 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 2013, she served as CEO of Orange Customer Service (till 2016) and Executive Director in charge of Customer Care in Orange Polska (till 2015).

Jolanta Dudek

Responsibilities: Management Board Member in charge of Customer Experience

Appointment to the board:

October 2015



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 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 (formerly 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. Between 2007 and 2020, he was a member of the OPL Ethics Committee. He is also the Chairman of the TP Teltech Supervisory Board as well as the Chairman of the NetWorkS! Supervisory Board.



Jacek Kowalski

Responsibilities: Management Board Member in charge of Human Capital

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 Organizations Management, also at the University of Warsaw. He has Trainer of Trainers Certificate – TERM Programme 1995-96 from Sheffield International College.

Career experience:

Previously, from 2009 he was the Executive Director in charge of Human Resources at Telekomunikacja Polska (now Orange Polska) and Competencies Management and Employees Development Director. He started his career in the Orange Group as Manager of Training and HRBP for Sales at PTK Centertel. Before he started working at Orange, he was a Director and a Board Member in Infor Training (an INFOR Media Group Company) in charge of Development, Training and Entrepreneurship for B2B market. He has additional experience in educational institutions: as a private school teacher, project manager, certified trainer, trainings and educational materials architect, publisher. He also worked as Director of the National In-Service Teacher Training Centre, responsible for the implementation of training programmes supporting the development of education in Poland and Poland's joining the EU.

He is Chairman of Supervisory Board for Polish Pension Fund at Orange Polska and also a member of Advisory Board of the Polish Human Resources Management Association.

He is a member of the Human Explorers, an informal group that is focused on sharing good HR practices, and also Pro Bono Leaders initiative.



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 TP Teltech entities (part of Orange Polska Group).

Before joining Orange, Jacek worked in the finance team of a telecom Energis Polska.

Jacek Kunicki

Responsibilities: CFO

Appointment to the board:

July 2020



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.

Maciej Nowohoński

Responsibilities: Management Board Member in charge of Carriers Market and Real Estate Sales

Appointment to the board:

March 2014

Profiles of Executive Directors



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 responsible for budget management in the Network and IT area. 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 Company's transformation programme covering both business and the cultural change area. The scope of her responsibilities also includes sourcing and the process of implementing new products and services for customers (TTM).



Bertrand Grezes-Besset

Responsibilities: Since February 2021, he has worked as Executive Director in charge of IT.

Qualifications:

He graduated in France from École Polytechnique in Fundamental Physics and from Telecom Paristech.

Career experience:

He has almost 30 years of professional experience in the telecommunications and IT industry, on various functions from CIO to Business Unit manager and startup entrepreneur. He worked in several countries on the implementation of innovation projects around Middle East, Africa and Europe.

He joined Orange Polska in 2018 as an advisor to the CEO on technology innovation.

Since 2019, he has managed the ICT offer portfolio comprising integration services, cybersecurity, cloud and software development. His missions included management of Integrated Solutions and BlueSoft.

Selected financial data

Orange Polska Group selected financial information for the year ended 31 December 2020

As published on 17 February 2021

The full report on Consolidated full year 2020 results is available on our website
https://www.orange-ir.pl/results-center/



Consolidated income statement

(in PLN millions, except for earnings per share)	Note	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Notes 2.2, 33.4)
Revenue	**6**	**11,508**	**11,406**
External purchases	7.1	(6,535)	(6,417)
Labour expense	7.2	(1,359)	(1,488)
Other operating expense	7.3	(448)	(423)
Other operating income	7.3	260	235
Impairment of receivables and contract assets	7.3,18	(151)	(138)
Gains on disposal of assets	8	61	270
Employment termination expense	15	13	(190)
Depreciation and impairment of right-of-use assets	13.1	(434)	(392)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	9,11,12	(2,511)	(2,448)
Operating income		404	415
Interest income	18	33	40
Interest expense on lease liabilities	18	(62)	(66)
Other interest expense and financial charges	18	(216)	(236)
Discounting expense	18	(43)	(48)
Foreign exchange gains/(losses)		(54)	2
Finance costs, net		**(342)**	**(308)**
Income tax	26.1	(16)	(25)
NET INCOME		46	82
Net income attributable to owners of Orange Polska S.A.		46	82
Net income attributable to non-controlling interests		–	–
EARNINGS PER SHARE (IN PLN)	33.4	0.04	0.06
Weighted average number of shares (in millions)	27.1	1,312	1,312

Consolidated statement of comprehensive income

(in PLN millions)	Note	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Note 2.2)
Net income		**46**	**82**
Items that will not be reclassified to profit or loss			
Actuarial losses on post-employment benefits	17	(3)	(8)
Income tax relating to items not to be reclassified		1	2
Items that may be reclassified subsequently to profit or loss			
Losses on cash flow hedges	23	(13)	(27)
Income tax relating to items that may be reclassified		2	5
Other comprehensive loss, net of tax		**(13)**	**(28)**
Total comprehensive income		33	54
Total comprehensive income attributable to owners of Orange Polska S.A.		33	54
Total comprehensive income attributable to non-controlling interests		–	–



Consolidated statement of financial position

(in PLN millions)	Note	At 31 December 2020	At 31 December 2019 Restated (see Note 2.2)	At 1 January 2019 Restated (see Note 2.2)
ASSETS				
Goodwill	10	2,285	2,263	2,147
Other intangible assets	11	4,184	4,545	4,871
Property, plant and equipment	12	10,301	10,402	10,290
Right-of-use assets	13.1	2,768	2,681	2,412
Trade receivables	14.1	382	455	552
Contract assets	14.2	70	65	27
Contract costs	14.3	106	99	56
Derivatives	23	-	44	48
Other assets		41	65	53
Deferred tax assets	26.2	800	810	834
Total non-current assets		**20,937**	**21,429**	**21,290**
Inventories		230	218	240
Trade receivables	14.1	1,850	2,132	2,371
Contract assets	14.2	87	117	138
Contract costs	14.3	368	329	297
Derivatives	23	147	1	52
Other assets		240	227	214
Prepaid expenses		83	65	46
Cash and cash equivalents	22	358	404	611
Total current assets		**3,363**	**3,493**	**3,969**
TOTAL ASSETS		**24,300**	**24,922**	**25,259**
EQUITY AND LIABILITIES				
Share capital	27.1	3,937	3,937	3,937
Share premium		832	832	832
Other reserves		(123)	(89)	(58)
Retained earnings		5,951	5,875	5,790
Equity attributable to owners of Orange Polska S.A.		**10,597**	**10,555**	**10,501**
Non-controlling interests		2	2	2
Total equity		**10,599**	**10,557**	**10,503**
Trade payables	16.1	242	348	473
Lease liabilities	13.1	2,216	2,125	1,737
Loans from related party	20	2,406	6,431	5,258
Other financial liabilities at amortised cost		2	8	11
Derivatives	23	100	55	31
Provisions	15	657	649	468
Contract liabilities	14.4	338	344	331
Employee benefits	17	53	164	136
Other liabilities	16.2	50	50	26
Total non-current liabilities		**6,064**	**10,174**	**8,471**
Trade payables	16.1	2,236	2,367	2,469
Lease liabilities	13.1	488	447	405
Loans from related party	20	3,584	11	2,074
Other financial liabilities at amortised cost		19	61	10
Derivatives	23	32	20	19
Provisions	15	254	242	217
Contract liabilities	14.4	476	471	460
Employee benefits	17	204	185	201
Income tax liabilities		18	28	54
Other liabilities	16.2	326	359	376
Total current liabilities		**7,637**	**4,191**	**6,285**
TOTAL EQUITY AND LIABILITIES		**24,300**	**24,922**	**25,259**

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 2020 (restated, see Note 2.2)	3,937	832	(50)	(59)	20	5,875	10,555	2	10,557
Total comprehensive income for the 12 months ended 31 December 2020	-	-	(13)	(3)	3	46	33	-	33
Share-based payments (see Note 27.3)	-	-	-	-	-	3	3	-	3
Transfer to inventories	-	-	(26)	-	5	-	(21)	-	(21)
Other movements (see Note 27.4)	-	-	-	-	-	27	27	-	27
Balance at 31 December 2020	3,937	832	(89)	(62)	28	5,951	10,597	2	10,599
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 (restated)	-	-	(27)	(8)	7	82	54	-	54
Share-based payments (see Note 27.3)	-	-	-	-	-	3	3	-	3
Transfer to inventories	-	-	(3)	-	-	-	(3)	-	(3)
Balance at 31 December 2019 (restated)	3,937	832	(50)	(59)	20	5,875	10,555	2	10,557

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Consolidated statement of cash flows

(in PLN millions)	Note	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Notes 2.2, 33.4)
OPERATING ACTIVITIES			
Net income		46	82
Adjustments to reconcile net income to cash from operating activities			
Gains on disposal of assets	8	(61)	(270)
Depreciation, amortisation and impairment of property, plant and equipment, intangible assets and right-of-use assets	9,11,12,13.1	2,945	2,840
Finance costs, net	18	342	308
Income tax	26.1	16	25
Change in provisions and allowances		(150)	74
Operational foreign exchange and derivatives gains, net		(10)	(1)
Change in working capital			
(Increase)/decrease in inventories, gross		(5)	29
Decrease in trade receivables, gross	14.1	383	367
(Increase)/decrease in contract assets, gross	14.2	26	(18)
Increase in contract costs	14.3	(46)	(75)
Decrease in trade payables		(64)	(67)
Increase/(decrease) in contract liabilities	14.4	(1)	24
Increase in prepaid expenses and other receivables		(22)	(96)
Increase/(decrease) in other payables	16.2	(33)	9
Interest received		33	40
Interest paid and interest rate effect paid on derivatives, net		(370)	(386)
Exchange rate effect received on derivatives, net		2	-
Income tax paid		(26)	(27)
Net cash provided by operating activities		**3,005**	**2,858**

(in PLN millions)	Note	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Notes 2.2, 33.4)
INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment and intangible assets	11,12	(2,015)	(2,272)
Investment grants received	16.2	177	136
Investment grants paid to property, plant and equipment and intangible assets suppliers	16.2	(221)	(153)
Exchange rate effect received on derivatives economically hedging capital expenditures, net		10	5
Proceeds from sale of property, plant and equipment and intangible assets		60	500
Cash paid for subsidiaries, net of cash acquired	4	(75)	(132)
Payments on other financial instruments, net		-	(3)
Net cash used in investing activities		**(2,064)**	**(1,919)**
FINANCING ACTIVITIES			
Repayment of long-term loans from related party	21	-	(17)
Repayment of lease liabilities	21	(421)	(361)
Decrease in revolving credit line and other debt	21	(568)	(826)
Exchange rate effect received on derivatives hedging debt, net	21	-	58
Net cash used in financing activities		**(989)**	**(1,146)**
Net change in cash and cash equivalents		**(48)**	**(207)**
Effects of exchange rate changes on cash and cash equivalents		2	-
Cash and cash equivalents at the beginning of the period	22	404	611
Cash and cash equivalents at the end of the period	**22**	**358**	**404**

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. Group performance is currently evaluated by the Management Board based on revenue, EBITDAaL, net income, organic cash flows, eCapex (economic capital expenditures), net financial debt and net financial debt to EBITDAaL ratio based on cumulative EBITDAaL for the last four quarters. Starting from 2020, in order to better capture economic transformation of asset base, proceeds accrued on disposal of assets offset capital expenditures, while gains on their disposal are excluded from EBITDAaL. As a result, eCapex (economic capital expenditures) replaced Capex (capital expenditures) as the key measure of resources allocation used by the Group. Additionally, the amount of EBITDAaL in comparative period was restated to conform to new definition used in 2020.

Since the calculation of EBITDAaL, organic cash flows, eCapex 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.

EBITDAaL is the key measure of operating profitability used by the Management Board and corresponds to operating income before gains on disposal of assets, 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, disposal and integration of businesses, employment termination programs, restructuring costs, significant claims, litigation and other risks as well as other significant non-recurring items.

Organic cash flows are the key measure of cash flow generation used by the Management Board and 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, disposal and integration of businesses not included in purchase price and payments relating to significant claims, litigation and other risks.

eCapex (economic capital expenditures) is the key measure of resources allocation used by the Management Board and represents acquisitions of property, plant and equipment and intangible assets excluding telecommunications licences, offset by the proceeds accrued on disposal of these assets (‘proceeds accrued on disposal of assets’). eCapex does not include acquisitions of right-of-use assets.

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 19.

Basic financial data of the operating segment is presented below:

(in PLN millions)	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated
Revenue	11,508	11,406
EBITDAaL [1]	2,797	2,718
Net income	46	82
Organic cash flows	642	737
eCapex	1,801	1,701

[1] The amount of EBITDAaL in comparative period was restated due to changes in accounting policies (see Notes 2.2 and 33.4) and to conform to new definition used in 2020 (see above).

	At 31 December 2020	At 31 December 2019 Restated
Net financial debt (in PLN millions, see Note 19)	5,549	6,087
Net financial debt/EBITDAaL ratio [1]	2.0	2.2

[1] The amount of net financial debt/EBITDAaL ratio in comparative period was restated due to changes in accounting policies (see Notes 2.2 and 33.4) and to conform to new definition of EBITDAaL used in 2020 (see above).

Calculation of performance measures of the operating segment is presented below:

(in PLN millions)	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Notes 2.2, 33.4)
Operating income	404	415
Less gains on disposal of assets [1]	(61)	(270)
Add-back of depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,511	2,448
Interest expense on lease liabilities	(62)	(66)
Adjustment for the impact of employment termination programs	(22)	181
Adjustment for the costs related to acquisition, disposal and integration of subsidiaries (see Notes 4 and 12)	27	10
EBITDAaL	2,797	2,718

[1] Gains on disposal of assets in 2019 include PLN 1 million of loss on disposed subsidiary that was already excluded from EBITDAaL calculation under the previous definition and presented separately in the table above in 2019 as an adjustment for the impact of deconsolidation of subsidiaries.

(in PLN millions)	12 months ended 31 December 2020	12 months ended 31 December 2019 Restated (see Note 2.2)
Net cash provided by operating activities	3,005	2,858
Payments for purchases of property, plant and equipment and intangible assets	(2,015)	(2,272)
Exchange rate effect received on derivatives economically hedging capital expenditures, net	10	5
Proceeds from sale of property, plant and equipment and intangible assets	60	500
Repayment of lease liabilities	(421)	(361)
Adjustment for payment for costs related to acquisition, disposal and integration of subsidiaries	3	7
Organic cash flows	642	737

(in PLN millions)	12 months ended 31 December 2020	12 months ended 31 December 2019
Acquisitions of property, plant and equipment and intangible assets	1,893	2,140
Proceeds accrued on disposal of assets	(92)	(439)
eCapex	1,801	1,701

Appendices

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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. 12
	GRI 102-2	Activities, brands, products, and services	pp. 13,15, 38-39
	GRI 102-3	Location of headquarters	p. 290
	GRI 102-4	Location of operations	p. 12
	GRI 102-5	Ownership and legal form	pp. 14, 187
		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 2020, Orange Polska S.A. was included in a prestigious group of socially responsible listed companies WIG-ESG.	
	GRI 102-6	Markets served	p. 13
	GRI 102-7	Scale of the organisation	p. 15
	GRI 102-8	Information on employees and other workers	Attachment A. Social Data
	GRI 102-9	Supply chain	p. 52, 56-57
	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	pp. 8-9
	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 Co-operation for the Safety of Children on the Web (https://www.gov.pl/web/cyfryzacja/razem-przeciw-cyberprzemocy-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 Standard Title	Disclosure Number	Disclosure Title	Reference
	GRI 102-14	Statement from senior decision-maker	pp. 7, 62-66
	GRI 102-15	Key impacts, risks, and opportunities	Indicator reported partially.pp. 156-171
	GRI 102-16	Values, principles, standards, and norms of behavior	pp. 13, 76, 179
		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	Iinternal and external mechanisms for seeking advice about ethical and lawful behavior, and organisational integrity	p. 180
	GRI 102-18	Governance structure, including committees under the highest governance body	pp. 182-183, 189-191
	GRI 102-22	Composition of the highest governance body and its committees (number of members and their gender)	pp. 182-183, 189-190, 192, 206, 215, 218
	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. 174-175, 189, 192, 240-242
	GRI 102-24	Criteria used for nominating and selecting members of the highest governance body and its committees	pp. 184, 190-193,
	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	pp. 186-187
	GRI 102-26	Role of the highest governance body in setting the organisation's purpose, values and development strategy	pp. 183, 186, 204-205, 214, 216-217, 240-241
	GRI 102-27	Collective knowledge of highest governance body	
	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. 220-239
	GRI 102-36	Process for determining remuneration	pp. 221-226
	GRI 102-40	List of stakeholder groups engaged by the organisation	pp. 16-17
	GRI 102-41	Employees covered by collective bargaining agreements	pp. 142-143
	GRI 102-42	Identifying and selecting stakeholders	pp. 16-17
	GRI 102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	pp. 16-17

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
	GRI 102-44	Key topics and concerns raised by stakeholders, and how the organisation has responded, including through its reporting	pp. 16-17
	GRI 102-45	Entities included in the consolidated financial statements and covered by the report	p. 8-9
	GRI 102-46	Defining report content and topic boundaries	p. 8-9, 282-283
	GRI 102-47	List of material topics	pp. 20-21, 282-284
	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. 8
	GRI 102-51	Date of the most recent report (published)	p. 8
	GRI 102-52	Reporting cycle	p. 8
	GRI 102-53	Contact point for questions regarding the report	p. 290
	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	268-284
	GRI 102-56	Policy and current practice with regard to seeking external assurance for the report	pp. 287-288
Management Approach	103		
Economic			
		Network development	
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp. 32-37, 68-70
	GRI 103-2	The management approach and its components	pp. 32-37, 64
	GRI 103-3	Evaluation of the management approach	pp. 32-37
		Customer care	
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp. 38-43, 72-72,
	GRI 103-2	The management approach and its components	pp. 38-43, 66-67
	GRI 103-3	Evaluation of the management approach	pp. 38-43, 66-67, 102-108

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Social			
		Digital and caring employer	
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp. 38-43, 97-88, 123-145, 200-201
	GRI 103-2	The management approach and its components	pp. 89, 134-145
	GRI 103-3	Evaluation of the management approach	pp. 196, 200-201, 212-213
		Social and digital development	
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp.76-77, 125-133
	GRI 103-2	The management approach and its components	pp. 76-77, 124
	GRI 103-3	Evaluation of the management approach	pp. 76-77, 159
Environmental			
		Towards climate neutrality	
	GRI 103-1	Explanation of topics identified as material and their boundaries	pp. 113-114
	GRI 103-2	The management approach and its components	pp. 64, 82-83, 115-123
	GRI 103-3	Evaluation of the management approach	pp. 115-123, 170-171
ECONOMIC	200		
Market Presence	**202**		
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Attachment A. Social Data
Indirect Economic Impacts	**203**		
	203-1	Infrastructure investments and services supported	pp. 32-37,72-73, 90-95, 107-108
	203-2	Significant indirect economic impacts	pp. 22-27, 32-37, 124-133
Anti-corruption	**205**		
	205-1	Operations assessed for risks related to corruption	
		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 Standard Title	Disclosure Number	Disclosure Title	Reference
	205-2	Communication and training about anti-corruption policies and procedures	Attachment A. Social Data
	205-3	Confirmed incidents of corruption and actions taken	No incidents
Anti-competitive Behavior	**206**		
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No incidents
ENVIRONMENTAL	300		
Materials	**301**		
	301-1	Materials used by weight or volume	Attachment B. Environmental Data
	301-3	Reclaimed products and their packaging materials	pp. 117-118
Energy	**302**		
	302-1	Energy consumption within the organisation by fuel types used	Attachment B. Environmental Data
	302-4	Reduction of energy consumption	pp. 117-118
	302-5	Reductions in energy requirements of products and services	pp. 117-118, 122
Water	**303**		
	303-1	Water withdrawal by source	Indicator reported partially. Attachment B. Environmental Data,
Emissions	**305**		
	305-1	Direct (Scope 1) GHG emissions	Attachment B. Environmental Data
	305-3	Other indirect (Scope 3) GHG emissions.	Attachment B. Environmental Data
	305-5	Reduction of GHG emissions	pp. 116-117
Effluents and Waste	**306**		
	306-2	Total weight of waste by type and disposal method	Attachment B. Environmental Data
Environmental Compliance	**307**		
	307-1	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No violations

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
SOCIAL	400		
Employment	**401**		
	401-1	New employee hires and employee turnover	Attachment A. Social Data
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 140-141
Occupational Health and Safety	**403**		
	403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Indicator reported partially. Attachment A. Social Data, p.142
		No collective or fatal accidents were reported in 2020. One serious accident was reported. The weather conditions and physical load (permitted by the relevant regulations) contributed to the exacerbation of idiopathic disorders in a male employee. The accident occurred during the removal and re-installation of a 7 kg door. Due to severe injuries suffered by the man, the accident investigation team in consultation with a physician classified the accident as serious.	
	403-10	Work-related ill health	No identified
Training and Education	**404**		
	404-1	Average hours of training per year per employee	Attachment A. Social Data
	404-2	Programs for upgrading employee skills and transition assistance programmes	p. 140
	404-3	Percentage of employees receiving regular performance and career development reviews by gender and employment category	Indicator reported partially. Attachment A. Social Data
Diversity and Equal Opportunity	**405**		
	405-1	Composition of the organisation's governance bodies and workforce by gender, age and other diversity categories	pp. 190-193
	405-2	Ratio of basic salary and remuneration of women to men by position	Attachment A. Social Data
Non-discrimination	**406**		
	406-1	Incidents of discrimination and corrective actions taken	No such incidents were reported to the Ethics Committee in 2020.
Child Labor	**408**		
	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**		
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor and corrective actions taken	No such risk was identified.

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Human Rights Assessment	**412**		
	412-2	Employee training on human rights policies or procedures	Attachment A. Social Data
Local Communities	**413**		
	413-1	Operations with local community engagement, impact assessments, and development programmes	pp. 124-133
	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.ondes-radio.orange.com/pl	
Public Policy	**415**		
	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 2020, no financial and no in-kind contributions were granted to political parties, politicians or related institutions by country.	
Customer Health and Safety	**416**		
	416-1	Assessment of the health and safety impacts of product and service categories	pp. 108-109
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents
Marketing and Labeling	417		
	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.	
	417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents
	417-3	Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	No incidents

GRI Standard Title	Disclosure Number	Disclosure Title	Reference
Customer Privacy	**418**		
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
		Our customers lodged 80 complaints with the President of the Personal Data Protection Office (UODO) in 2020. In his eight decisions issued in 2020, the President of UODO confirmed proper processing of personal data by Orange Polska S.A. He also stated that Orange Polska S.A. took actions to minimise the risk of breach of personal data and that the Company complied with the principles set out in the personal data protection regulations, which made it possible to avoid potential breach of privacy charges. 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 2020. In 2020, 414 infringement incidents were reported to UODO. None of the applications concerned collective incidents.	
Socioeconomic Compliance	**419**		
	419-1	Non-compliance with laws and regulations in the social and economic area	No incidents



Social DATA

	Social Data	2018	2019	2020
GRI	**Employment**			
G102-8	**Total workforce (persons)***	**13,222**	**12,058**	**10,967**
	Gender			
	men	8,052	7,406	6,776
	women	5,170	4,652	4,191
	% of women in the workforce	39.1%	38.6%	38.2%
	Age			
	up to 30 years of age	893	1,004	822
	31-50 years of age	9,046	8,378	7,481
	over 50 years of age	3,283	2,676	2,664
	Regular employees (active full-time positions)	**13,197**	**12,034**	**10,952**
	men	8,047	7,399	6,770
	women	5,150	4,634	4,182
	Employees on open-ended contracts	**12,761**	**11,611**	**10,583**
	men	7,842	7,184	6,593
	women	4,919	4,427	3,990
	Employees on fixed-term contracts	**461**	**447**	**384**
	men	210	222	183
	women	251	225	201
	Full-time employees	**13,139**	**11,978**	**10,912**
	men	8,038	7,390	6,763
	women	5,101	4,588	4,149
	Part-time employees	**83**	**80**	**55**
	men	14	16	13
	women	69	64	42
	Outsourced employees (full-time positions)**	**4,344**	**3,203**	**2,534**
	* active employees 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	**1,643**	**1,447**	**1,339**
	men	1,103	974	896
	women	540	473	443
	% of women in managerial positions	32.9%	33%	33.1%
	% managers up to 30 years of age	2.0%	2.3%	1.7%
	% managers 31-50 years of age	76.1%	78.5%	77.5%
	% managers over 50 years of age	21.9%	19.1%	20.8%
	Supervisory Board			
	% of woman			22.4%
	% members up to 30 years of age			-
	% members 31-50 years of age			44.9%
	% members over 50 years of age			55.1%
	Managment Board			
	% of woman			18.2%
	% members up to 30 years of age			-
	% members 31-50 years of age			76.7%
	% members over 50 years of age			23.3%
	People with disabilities			
	% of employees with disabilities	1.8%	2%	2%
	* applies mainly to the call center for the customer service area, telesales and customer market service - operators.			
G405-2	**Ratio of basic salary of women to men by employee position (men's salary = 100%)***			
	general	79.5 %	80.2%	81%
	non-managerial positions	81.8%	82.4%	81.7%
	managerial positions	82.5%	82.9%	85.8%
	Ratio of salary of women to men within the same pay grades (men's salary = 100%)*	97.1%	97.7%	97%
	* 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-wage positions (call center and outlet staff), while technical positions (network engineers, IT specialists) are held chiefly by men. Only for Orange Polska			
G404-1	**Development and education***			
	Total employees trained (in '000)	13.9	10.3	11.2
	Total hours of training (in '000)	337.8	304	272.6
	Number of training hours per employee per year	25	25	24.3
	Gender			
	men	21.09	24.3	23.3
	women	25.03	29.4	25,9
	Position			
	managers	35.5	47,3	30.7
	non-managers	23.4	22	23.6
	* From 2020 data refer to Orange Polska and Integrated Solution, TELTECH, Orange Szkolenia.Orange Energia, Fundacja Orange, Pracownicze Towarzystwo Emerytalne. Before only from Orange Polska. Data by the status of the training database - 31.12.2020			
GRI412-2	**Human rights and ethics training**			
	Total hours of ethics training of employees	259	5	156
	Total hours of ethics training of partners	208	22	28

GRI205-2	**Anti-bribery and corruption training**			
	Total hours of compliance training of employees (in '000)	1.1	0.9	16
	Total hours of compliance training of partners (in '000) *	0.6	0.2	11.3
	* persons employed by our Contractor, working for the benefit of Orange Polska			
GRI205-2	**Professional mobility**			
	Total number of new employee hires	**476**	**492**	**311**
	Gender			
	men	275	284	195
	women	201	208	116
	Age			
	up to 30 years of age	223	122	131
	31-50 years of age	238	322	158
	over 50 years of age	15	30	22
	Departures, total	**1,487**	**1,489**	**1,218**
	Departures, excluding voluntary	**469**	**474**	**375**
	Gender			
	men	285	287	260
	women	184	187	115
	Age			
	up to 30 years of age	90	122	77
	31-50 years of age	343	322	261
	over 50 years of age	36	30	37
	Turnover*	**2.8%**	**3%**	**2.4%**
	Gender			
	men	2.9%	3.3%	2.8%
	women	2.7%	2.7%	1.8%
	Age			
	up to 30 years of age	8.5%	10.9%	4.4%
	31-50 years of age	3%	3.0%	2.5%
	over 50 years of age	0.5%	0.7%	1.2%
	* 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	26	32	26
	Accident frequency rate**	2.2	2.7	2.4
	Days off work due to work-related accidents	1,584	1,120	859
	Accident severity rate***	61.0	35	33
	fatal accidents	0	0	0
	serious accidents	0	0	1
	other accidents	26	32	25
G403-2	* Only for Orange Polska ** Number of persons injured in work-related accidents per 1,000 employees *** Number of days off per accident			
	Number of accidents *	31	36	31
	Days off work due to work-related accidents	1,792	1,449	1,076
	fatal accidents	0	0	0
	serious accidents	0	0	1
	other accidents	31	36	30
	* for Orange Group			
GRI404-3	**Employee assessment**			
	% of regularly evaluated employees*	80.2%	80.2%	97%
	Gender			
	men	81.3%	81.3%	97.4%
	women	78.5%	78.5%	96.2%
	Age			
	up to 30 years of age			90.8%
	31-50 years of age			96.9%
	over 50 years of age			98.4%
	% of employees with individual development plans **	81.5 %	78.6%	52.1%
	% of regularly evaluated outsourced employees	35.7%	35.7%	43.8%
	% of outsourced employees with individual development plans	42%	42%	25.4%
	* The assesment data for the Orange Polska Group cover the following: Orange Polska S.A., Integrated Solution, Orange Energia 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 (2018, 2020). Only with front-line employees (responsible for customer care), development conversations are carried out annually. ** Only for Orange Polska			
GRI404-3	**Wages***			
	Average basic salary (in PLN)	7,114	7,423	8,070
	Ratio of wages at the lowest positions to the legal minimum wage	138%	141%	131%
	* Only for Orange Polska			
	Working conditions			
	% of employees eligible for health care	100%	100%	100%
	% of employees covered by the Employee Retirement Plan*	83.3%	83.6%	84.1%
	* 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.			
G403-2	**Social dialogue**			
	% of employees in trade unions	30.3%	31.4%	31.1%
	% of employees covered by the Collective Labour Agreement	95.3%	94.8%	94%

All indicators for the Orange Polska Group unless indicated otherwise dated on 31 December 2020

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Environmental DATA

	Environmental data *	Unit	2018	2019	2020
GRI	Scope 1***				
	Direct energy consumption by primary energy sources				
	Fuel oil (all buildings, all uses)	‘000 m^3	2.0	2.0	1.4
	Gas	‘000 m^3	2,842	2,306	2,014
	Coal	tonnes	55.6	51	13
	Gasoline for company cars	‘000 litres	1,072	1,549	1,813
	Diesel fuel for company vehicles	‘000 litres	2,863	2,315	886
	Scope 1: Total energy	GWh	92	85	62
	Scope 1: CO_2 emissions from fuel, gas and coal	‘000 tonnes	11.1	11.9	9.2
	Scope 1: CO_2 emissions from vehicles	‘000 tonnes	10.4	9.8	6.5
	Scope 1: CO_2 emissions from greenhouse gases	‘000 tonnes	16.1	5.3	7.1
	Scope 1 – Direct CO_2 emissions	‘000 tonnes	37.6	21.7	22.8
	Scope 2 – Indirect CO_2 emissions				
	Energy consumption – electricity	GWh	564	552	541
	Scope 2: CO_2 emissions (location-based)	‘000 tonnes	412	397	382
GRI302-1	Total CO_2 emissions (Scope 1+2)	‘000 tonnes	449.3	424.5	404.6
	Scope 3				
	Business trips: distance travelled by plane	‘000 km	6,398	5,740	526
	Business trips: distance travelled by train	‘000 km	4,988	4,800	1,227
	Scope 3 – CO_2 emissions	‘000 tonnes	1.7	1.4	1.3
GRI305-1 GRI305-2	Total CO_2 emissions (Scope 1+2+3)	‘000 tonnes	451	426	405
	KPI: Electricity consumption/customer	kWh/ customer	26.5	25.8	26.2
	KPI: CO_2 emissions from electricity consumption/customer	kg/customer	19.3	18.6	18.5
	KPI: Scope 1+2 CO_2 emissions during electricity consumption/customer	kWh/ customer	30.8	29.8	29.2
	KPI: Scope 1+2+3 CO_2 emissions (all energies)/customer	kg/customer	21.2	19.9	19.6
GRI301-1	Materials				
	Paper	‘000 tonnes	0.8	0.6	0.4
GRI303-1	Water				
	Water consumption	‘000 m^3	255.7	242.6	215
	Waste management				
	Internal WEEE (network & tertiary)	tonnes	94.6	112.2	38.5
	Wooden poles	tonnes	321.5	216.3	9.2
	Cables	tonnes	179.9	126.2	20.2
	Batteries	tonnes	115.7	92.6	3,670
	Paper / Cardboard	tonnes	18.8	14.7	41.2
	Other hazardous waste (including PCB)	tonnes	2.6	3.4	2.9
	Other non-hazardous waste	tonnes	2,067.2	1,233.7	4,911
GRI306-2	Waste recycled internally	tonnes	2,774.2	1,799	8,693
	Electrical and electronic equipment				
	Collected and recycled handsets	pcs.	16,034	36,671	33,609
	Refurbished and relaunched handsets	pcs.	5,644	8,561	10,248
	Refurbished and relaunched multimedia (broadband) devices	pcs.	491.125	410.774	503.045
	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. In line with global guidelines and adopted objectives, only CO_2 emissions are monitored.

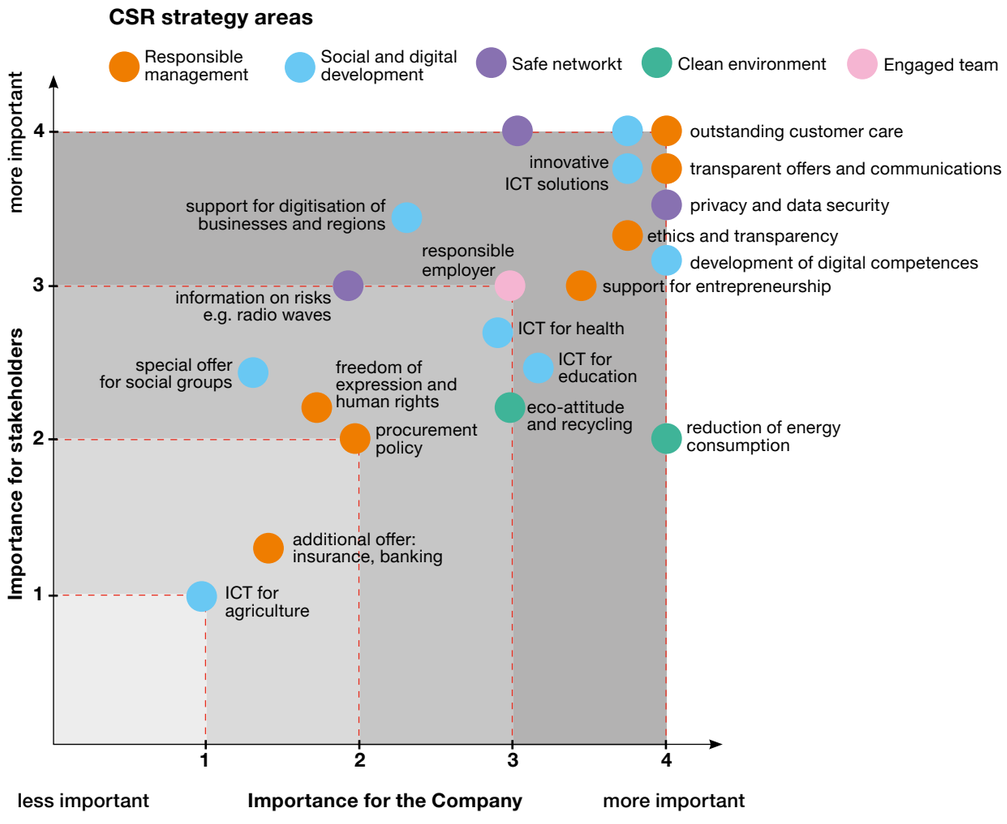
**** Waste is generated during liquidation of fixed assets or in the course of investments/repairs. The summary below indicates major drops in some items, such as cables, wooden poles or used-up equipment, while large increases in other categories, such as batteries or other waste not classified otherwise. The increases resulted from a process of replacement of network infrastructure elements related to their service life and investments in new solutions.



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
- Stakeholders' dialogue "How to be responsible in the digital world post-COVID"



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

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

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Sustainable	Reference
1 NO POVERTY	pp. 124-133
3 GOOD HEALTH AND WELL-BEING	pp. 140-142
4 QUALITY EDUCATION	pp. 128-130
5 GENDER EQUALITY	pp. 137-140
8 DECENT WORK AND ECONOMIC GROWTH	pp. 32-37, 140-143
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	pp. pp.32-33, 68-70, 131-132

Sustainable	Reference
10 REDUCED INEQUALITIES	pp. 38-39,56,137-140
11 SUSTAINABLE CITIES AND COMMUNITIES	pp. 68-69
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	pp. 120-122
13 CLIMATE ACTION	pp. 82-83,113-123
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	pp. pp.56,179
17 PARTNERSHIPS FOR THE GOALS	pp. 133



Relationship between strategic topic and GRI ndicators 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

IP TV – 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 2020" (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 2020 to 31 December 2020.

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).

his 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 2020" has been prepared i 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 TIC Council[2], cross 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

Justyna Wysocka-Golec
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[1] Certificate of Registration No. 44 100 160145 issued by TUV NORD CERT GmbH
[2] TIC Council Compliance Code EDITION 1 December 2018



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