

# **Warsaw and London Stock Exchanges**

## **Report 1-2014 EBI**

### **Orange Polska SA**

**Warsaw 27 March 2014**

**Orange Polska SA's Supervisory Board documents related to Corporate Governance to be presented to the Annual General Assembly including: report on the activity of the Supervisory Board of Orange Polska S.A. and its committees and concise assessment of the Orange Polska Group's standing in 2013, including an assessment of the internal control system and the risks management system.**

#### **REPORT**

#### **on the activity of the Supervisory Board of Orange Polska S.A. and its committees and concise assessment of the Orange Polska Group's standing in 2013**

##### **I. COMPOSITION:**

Supervisory Board composition as of January 1, 2013:

1. Prof. Andrzej K. Koźmiński - Chairman
2. Benoit Scheen - Deputy Chairman and Chairman of the Strategy Committee
3. Marc Ricau - Secretary
4. Timothy Boatman - Board Member and Chairman of the Audit Committee
5. Dr. Henryka Bochniarz - Board Member
6. Thierry Bonhomme - Board Member
7. Jacques Champeaux - Board Member
8. Dr. Mirosław Gronicki - Board Member
9. Sławomir Lachowski - Board Member
10. Marie-Christine Lambert - Board Member
11. Pierre Louette - Board Member
12. Gérard Ries - Board Member
13. Dr. Wiesław Rozłucki - Board Member and Chairman of the Remuneration Committee

In 2013 the following changes occurred in the composition of the Supervisory Board:

On April 11, 2013, the mandates of Mr. Thierry Bonhomme, Mr. Jacques Champeaux, Mr. Mirosław Gronicki and Mr. Marc Ricau expired.

On the same day, Mr. Eric Debroeck, Mr. Mirosław Gronicki, Mr. Gervais Pellissier and Mr. Marc Ricau were appointed by the Annual General Assembly as Members of the Supervisory Board.

On September 19, 2013, Mr. Jean-Marie-Culpin and Mr Maciej Witucki were appointed by the Extraordinary General Assembly as Members of the Supervisory Board.

Supervisory Board composition as of December 31, 2013:

1. Maciej Witucki - Chairman
2. Prof. Andrzej K. Koźmiński - Deputy Chairman
3. Benoit Scheen - Deputy Chairman and Chairman of the Strategy Committee
4. Marc Ricau - Secretary
5. Timothy Boatman - Board Member and Chairman of the Audit Committee
6. Dr. Henryka Bochniarz - Board Member
7. Jean-Marie Culpin - Board Member
8. Eric Debroeck - Board Member

9. Dr. Mirosław Gronicki - Board Member
10. Sławomir Lachowski - Board Member
11. Marie-Christine Lambert - Board Member
12. Pierre Louette - Board Member
13. Gervais Pellissier - Board Member
14. Gérard Ries - Board Member
15. Dr. Wiesław Rozłucki - Board Member and Chairman of the Remuneration Committee

At present, the Supervisory Board has six independent members, namely Messrs. Prof. Andrzej K. Koźmiński, Timothy Boatman, Dr. Henryka Bochniarz, Dr. Mirosław Gronicki, Sławomir Lachowski and Dr. Wiesław Rozłucki.

Three permanent committees operate within the Supervisory Board. Their composition was the following (as of December 31, 2013):

- **Audit Committee:** Timothy Boatman – Chairman, Marc Ricau, Sławomir Lachowski and Marie-Christine Lambert – members;
- **Remuneration Committee:** Dr. Wiesław Rozłucki – Chairman, Prof. Andrzej K. Koźmiński, Benoît Scheen and Marc Ricau – members;
- **Strategy Committee:** Benoît Scheen – Chairman, Dr Henryka Bochniarz, Eric Debrock, Dr. Mirosław Gronicki, Sławomir Lachowski and Gérard Ries – members.

## II. OPERATION

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 2013 the Supervisory Board fulfilled its duties resulting from the provisions of the Commercial Companies Code:

1. Evaluation of the Management Board's report on Orange Polska SA operations and the financial statements for the financial year 2012 and the Management Board's motion for distribution of the Company's profit;
2. Evaluation of the Management Board's report on Orange Polska Group's operations and the consolidated financial statements for the financial year 2012;
3. Filing with the General Assembly of the Shareholders reports presenting the results of the above mentioned evaluation.

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 Practices for Companies listed on the Warsaw Stock Exchange, of which the following should be mentioned:

- 1) expressing opinions on motions addressed to the General Assembly including the motion on amendments to the Articles of Association,
- 2) selecting an independent auditor to audit the Company's financial statements,
- 3) preparing opinions on Orange Polska S.A. and Orange Polska Group budgets,
- 4) concise assessing of the Orange Polska Group's standing in 2012, including an assessment of the internal control system and the significant risks management system,

The Supervisory Board met 7 times in 2013. The SVB adopted 29 resolutions, of which 9 in writing (by correspondence).

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

The reports of the three permanent committees of the Supervisory Board on their activities in 2013 are attached hereto.

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

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

### **III. CONCISE ASSESSMENT OF ORANGE POLSKA GROUP'S STANDING IN 2013**

This section contains the Supervisory Board assessment of the Orange Polska Group's performance in 2013 in accordance with the recommendation no. III. 1.1 of the Code of Best Practices for WSE Listed Companies, introduced by the Warsaw Stock Exchange. The assessment is based on the 2013 financial results of the Group (the Company and its subsidiaries) as well as on the information obtained by the Supervisory Board during conducting its statutory tasks.

Throughout 2013, the Supervisory Board focused on the following issues:

- a) Group's financial results and performance in comparison to the budget;
- b) Development and beginning of implementation of the medium term action plan for 2013-2016;
- c) Concluding financing agreements with Orange Group;
- d) Monitoring of the key programs for the Group's future, particularly the program of mobile access network sharing with T-Mobile;
- e) Disposal of a subsidiary, Wirtualna Polska;
- f) Merger of the main Group entities, Telekomunikacja Polska S.A. and PTK Centertel, into Orange Polska S.A.;
- g) Customer satisfaction – the customer excellence programme.

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

#### **Group's Operational Review**

Despite intensive competitive environment, Orange Polska achieved a visible improvement in its commercial momentum in 2013. In particular, the commercial focus placed on convergence, resulted in a dynamic growth of the Orange Open product, which reached 286,000 customers, up from 33,000 at the end of 2012. Roughly 58% of these customers bought additional services when entering into Orange Open, underscoring the upsell potential of Open. Group's mobile customer base expanded by 430,000, including 310,000 customers added in post-paid. This was well supported by the Group's second mobile brand, nju.mobile, which was launched in April 2013. Its customer base reached 353,000, mostly gained from the competition. In fixed line, the Group limited the loss of its fixed voice customers to 345,000 in 2013, versus 590,000 customers lost in 2012. The customer base of fixed broadband decreased by 44,000, mainly due to services based on ADSL and CDMA, while the Group increased the number of clients using its VDSL services by 38,000. The Group continued to bundle fixed broadband with television and VoIP, and these efforts resulted in a 103,000 increase in its 3P bundles in 2013. The number of clients of Group's mobile broadband clients increased by 180,000, also due to commercial actions including subsidised equipment (netbooks, tablets).

Another major event was the merger of the Group's fixed and mobile entities, TP S.A. and PTK Centertel, into Orange Polska S.A. The process was completed on December 31, 2013. It is an important step for the Group, as it will further facilitate the implementation of the Group's convergent product strategy.

In 2013, the Group continued to implement its co-operation with T-Mobile, concerning a common use of their mobile access networks. At the end of the year, ca 8,200 sites (out of the total target of 10,000) have been modernised and put in common use. The co-operation was enlarged to the 4G LTE technology, and subsequently the Group gained access to the 1 800MHz LTE spectrum, which is owned by T-Mobile. As a result of the co-operation, the Group launched services based on 4G LTE, and enlarged its service coverage to ca. 90% of population in 3G and achieved ca. 16% coverage (in population) in 4G.

In line with its strategy of disposing of non-core assets, on October 23, 2013 the Group signed a sale agreement to dispose its wholly owned subsidiary, Wirtualna Polska, to O2 sp. z o.o., subject to an approval by the Competition Office (UOKiK). Following the approval by UOKiK, the transaction was finalised in 2014, for a total price of PLN 383 million.

On December 9, 2013 the Group reached an agreement with its trade unions, regarding a new social plan for years 2014-2015. Pursuant to this agreement, the Group will help those employees, who cannot adjust their professional profile to the changing environment, by enabling them to take advantage of a voluntary leaves program, which includes severance packages. Up to 2,950 employees will be able to leave the Group on a voluntary leaves basis in 2014-2015, including 1,530 in 2014.

## **Group's Financial Overview**

The Group's key goals in 2013 were to:

- Effect the merger of TP S.A. and PTK Centertel Sp. z o.o.;
- Monitor business performance closely so as to be able to react quickly to unfavourable trading conditions caused by the continued volatility of the financial markets;
- Effectively promote Orange Open-like convergent services and, consequently, strengthen the leadership in value in fixed voice, mobile and broadband markets;
- Take actions to enable the Group's growth outside the telecommunication business in line with the strategic plan;
- Review outsourcing options for various activities and dispose of non-core assets to improve efficiency;
- Increase customer satisfaction and loyalty, also by implementing the customer excellence program;
- Monitor the Group's EBITDA margin;
- Optimise capital expenditure to below PLN 2 billion;
- Mitigate foreign exchange effect on commercial expenses, financial costs and capital expenditure;
- Intensify the cost base optimisation;
- Maintain financial stability, including taking advantage of Orange S.A. funding opportunities, and monitor the level and prognosis of debt ratios closely;
- Generate organic cash flow of at least PLN 0.8 billion<sup>1</sup>; later revised to at least PLN 1 billion;
- Develop a shareholder remuneration approach based on changing market dynamics;

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<sup>1</sup> Excluding spectrum acquisition, change in consolidation and impact of risk and litigation.

Organic cash flow = Net cash provided by operating activities – (CAPEX + CAPEX payables) + proceeds from sale of property, plant and equipment and intangible assets.

- Complete the execution of the Memorandum of Understanding with the Regulator;
- Further enhance internal control and risk management measures;
- Continue with the network infrastructure and frequency sharing cooperation with T-Mobile Polska through the NetWorkS! joint venture.

The Group achieved notable commercial successes, resulting from the implementation of its new medium term action plan for 2013-2016. Nevertheless, it continued to be significantly affected by adverse impact stemming from the cuts of the Mobile Termination Rate, which was reduced by 65% since December 31, 2012, as well as by a negative impact of price pressure in the mobile segment, which was accelerated in 2012 in anticipation of the MTR decreases, and which contributed to a decline in mobile ARPU. As a result of a combination of these factors, the Group's revenue totalled PLN 12,923 million and decreased by 8.6% over 2012. Excluding the PLN -693 million regulatory impact, which was mainly due to the MTR cuts, the revenue declined by 3.7% year-on-year. The restated EBITDA margin<sup>2</sup> stood at 31.6%, while the organic cash flow totalled PLN 1,105 million, compared with PLN 1,593<sup>3</sup> million generated in 2012.

Group's net debt decreased to PLN 4,512 million at the end of 2013. The Group has a solid balance-sheet with net gearing at 26% and the net debt to EBITDA ratio at 1.1. This, coupled with an effective hedging policy, enabled the Group to maintain its solid credit rating (Baa1/BBB with a negative outlook at December 31, 2013).

In 2013, the Group paid a dividend of PLN 656 million, an equivalent of PLN 0.5 per share, payable in cash.

## Conclusions and 2013 Recommendations

The Polish telecom market underwent important changes, driven by MTR cuts and price wars in the mobile post-paid market. As a result, this has forced a major adaptation at the Group, reflected in the new medium term action plan for 2013-2016. Despite these pressures, the Group delivered results within the revised guidance in 2013. The Supervisory Board believes that the Management Board will make the appropriate efforts to reach Group's 2014 objectives.

The Supervisory Board's opinion is that in 2014 the Group should focus its activities on further implementing the new medium term action plan. In order to do so, the Group needs to build a much leaner and more flexible organisation, and also to:

- Draw benefits from the merger of TP S.A. and PTK Centertel Sp. z o.o. and to put further focus on convergent product strategy and the Orange Open;
- Monitor business performance closely so as to be able to react quickly to unfavourable trading conditions caused by the continued volatility of the financial markets;
- Strengthen the leadership in value in fixed voice, mobile and broadband markets;
- Take actions to enable the Group's growth outside the telecommunication business in line with the strategic plan;
- Increase customer satisfaction and loyalty, also by further implementing the customer excellence program;
- Monitor the Group's EBITDA margin;
- Optimise capital expenditure to below PLN 1.8 billion, excluding one-off spectrum;
- Mitigate foreign exchange effect on commercial expenses, financial costs and capital expenditure;
- Intensify the cost base optimisation;

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<sup>2</sup> excluding PLN 147mn restructuring costs and PLN -33mn adjustment linked to the TPSA/PTK merger (VAT and inventories).

<sup>3</sup>OCF for 2012 excluding EUR 550 million payment to DPTG.

- Maintain financial stability, including taking advantage of Orange S.A. funding opportunities, and monitor the level and prognosis of debt ratios closely;
- Generate organic cash flow of at least PLN 1.1 billion<sup>4</sup>;
- Remunerate shareholders on a reasonable level, taking into consideration the Group's financial structure and future capital requirements;
- Further enhance internal control and risk management measures;
- Continue with the network infrastructure and frequency sharing cooperation with T-Mobile Polska through the NetWorkS! joint venture;
- Pursue the rollout of 4G LTE services and make reasonable efforts to ensure access to the 4G LTE spectrum.

#### **IV. ASSESSMENT OF THE GROUP'S INTERNAL CONTROLS INCLUDING RISK MANAGEMENT**

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.

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

The 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 2013, published on February 12, 2014.

In 2013, the Group again completed a comprehensive assessment of its processes of internal control over financial reporting within the framework of the Sarbanes-Oxley Program of Orange S.A. 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 December 31, 2013. Continued efforts by the Management in this regard are also needed in 2014.

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.

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<sup>4</sup> Excluding spectrum acquisition, and impact of risk and litigation.

Organic cash flow = Net cash provided by operating activities – (CAPEX + CAPEX payables) + proceeds from sale of property, plant and equipment and intangible assets.

**Report  
from the activities of  
Orange Polska S.A. Supervisory Board's Audit Committee in 2013**

The Audit Committee was established by virtue of the resolution of the Supervisory Board no. 324/V/2002 dated June 14, 2002 (amended i.a. by the resolution of the Supervisory Board no. 9/12 dated March 14, 2012) regarding the establishment of the Audit Committee as a consultative body acting under the Supervisory Board.

The task of the Committee is to advise the Supervisory Board on the proper implementation of budgetary and financial reporting and internal control (including risk management) principles in the Orange Polska S.A. (the "Company"), Orange Polska Group (the "Group") and to liaise with its auditors.

**Composition**

In 2013, the Audit Committee was composed of the following persons:

Chairman: Mr. Timothy Boatman ("Independent Director"), Chartered Accountant (British)

Members: Ms. Marie Christine Lambert  
Mr. Sławomir Lachowski ("Independent Director")  
Mr. Marc Ricau

The Secretary of the Committee was Mr. Jerzy Klonecki.  
Mr. Jacques de Galzain, Management Board member and Chief Financial Officer and Mr. Jacek Chaber, Director of Internal Audit, attended all meetings of the Audit Committee. Other members of the Management Board, in particular the Chief Executive Officer, attended the meetings where appropriate.

**Functions of the Committee**

The key functions of the Audit Committee include:

- 1) Monitoring the integrity of the financial information provided by the Company and the Group in particular by reviewing:

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

### **Activity in 2013**

The Audit Committee held 10 meetings in 2013, out of which 8 were regular meetings and

2 dedicated ad-hoc meetings, and in particular performed the following:

- 1) Reviewed the Company's and Group's published quarterly and annual financial statements, notably the relevance and consistency of the accounting methods used by the Company and the Group, particular attention was paid to those aspects where judgment is required, e.g. impairment of assets including goodwill



and trade receivables, provisions for legal, tax and regulatory cases, revenue recognition and deferred tax;

- 2) Reviewed the Group's system of internal control and risk management as reported by the Management Board and, in particular, whether the Management Board sets the appropriate "control culture" and the way risks were identified, managed and disclosed by the Management. The Audit Committee received reports from Management on action plans in response to comments on internal controls from the internal and external auditors. The Audit Committee was briefed on the updated Internal Control Integrated Framework issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO) on May 14, 2013;
- 3) Reviewed the annual plan of the Internal Audit, its budget and progress reports, as well as monitored the responsiveness of management to Internal Audit findings and recommendations. In addition, the Committee met privately with the Director of the Group's Internal Audit. The Audit Committee was provided with a report regarding the renewal in 2013 of the certification of Internal Audit activities by Institut Français de l'Audit et du Contrôle Interne (IFACI). The Audit Committee reviewed also the independence of the Internal Audit;
- 4) Reviewed the prior year performance of the external auditor and made recommendation to the Supervisory Board on the external auditor, its remuneration and terms of engagement. In accordance with the Code of the Best Practices for companies listed on the Warsaw Stock Exchange, the Audit Committee recommended to the Supervisory Board the appointment of Deloitte Audit Sp. z o.o. to the audit of the Company and the Group for the financial year 2013 and to review half-yearly financial statements for the period of six months ended June 30, 2013. Deloitte Polska Sp. z o.o. Sp. k. (formerly Deloitte Audyt Sp. z o.o.) was first appointed as statutory auditor for the year ended December 31, 2009;
- 5) Kept under review the scope and the results of the external audit, independence and objectivity (including scepticism) of the auditors and reported its conclusions to the Supervisory Board. All non-audit services provided by external auditors were approved in advance by the Chairman of the Audit Committee. In addition, the Audit Committee reviewed the external auditors' proposed audit plan for the financial year 2013, including the materiality level set for audit testing, in the light of the Group's present circumstances and changes in accounting and auditing standards; monitored the Company's responsiveness to the recommendations from the external auditor made in its management letter. In addition, the Committee met privately with the lead partner of the statutory audit firm;
- 6) Reviewed the operations of the Group's Ethics Committee, of the Group's Compliance office, the revenue assurance, anti-fraud, hedging, insurance, cyber security (including CERT), data security, including personal data, business continuity & crisis management and disaster recovery functions managed by the Management Board; monitored results of investigations initiated by whistle-blowing;
- 7) Reviewed the Group's 2013 budget and addressed recommendations on it to the Supervisory Board;
- 8) Reviewed the 2013 shareholders' remuneration proposed by the Management;
- 9) Issued opinions on other matters referred to the Committee by the Supervisory Board and/or the Management Board including the merger of the Company with its subsidiary PTK-Centertel Sp. z o.o., M&A transactions, including disposal of Wirtualna Polska SA and participation in the tender for 1800 MHz frequency reservation;

10) Received reports from the Management on the implementation of the Memorandum of Understanding with UKE signed in 2009.

The Audit Committee materially complied with the *Recommendations on the work of the Audit Committee* issued in November 2010 by the Office of the Financial Supervision Authority in Poland.

In the year under review, the Audit Committee, especially its independent members, reviewed and gave opinions to the Management Board on significant transactions with related parties as defined by the corporate rules, in particular the new financing arrangements with Orange Group (and the operation thereof), and received reports on them from the Group's Internal Audit.

Timothy Boatman  
Chairman of the Audit Committee of the Supervisory Board

*March 17, 2014*

**Report  
from the activities of the Strategy Committee  
of the Supervisory Board of Orange Polska S.A. in 2013**

The Strategy Committee was established by virtue of the Resolution of the TP Supervisory Board no. 417/05 dated June 15, 2005.

The major goal for the Strategy Committee is to give necessary support and advice for the Management Board in the area of Orange Polska Group strategic plans and initiatives of strategic importance.

**Strategy Committee members in 2013:**

Chairman:

Benoit Scheen

Members:

Dr. Henryka Bochniarz ("Independent Director")

Jacques Champeaux – until April 11, 2013

Eric Debroeck – from April 11, 2013

Dr. Mirosław Gronicki ("Independent Director")

Sławomir Lachowski ("Independent Director") – from September 19, 2013

Gérard Ries

Permanent guests:

prof. Andrzej K. Koźmiński, Chairman of the Supervisory Board – until September 19, 2013

Maciej Witucki, Chairman of the Supervisory Board – from September 19, 2013

Timothy Boatman, Chairman of the Audit Committee

The Secretary of the Strategy Committee was Vincent Lobry, Management Board Member in charge of Value Management and Convergence.

### **Activities in 2013:**

In 2013, the activities of the Strategy Committee concentrated on the validation and monitoring of execution of Orange Polska mid term strategy including the approach to new growth areas (eg. ICT) and new projects: Orange Finance and Orange Energy. Among subjects discussed during the Committee meetings was also Orange Polska investment strategy (with specific focus to LTE network and National Broadband Plan).

In all these areas the members of the Management Board actively participated.

There were three Strategy Committee meetings in 2013: January 24<sup>th</sup>, July 11<sup>th</sup> and October 17<sup>th</sup>.

Benoit Scheen  
Chairman of the Strategy Committee

*March 17, 2014*

## **REPORT**

### **on the activity of the Remuneration Committee of the Supervisory Board of Orange Polska S.A. in 2013**

The Remuneration Committee was established by virtue of the Resolution of the Supervisory Board no. 385/04 dated June 16, 2004 regarding TP S.A. Supervisory Board's Remuneration Committee establishment as consultative body acting under the Supervisory Board.

The task of the Committee is to advise the Supervisory Board and Management Board on general remuneration policy of Orange Polska Group and to make recommendations on appointments to the Management Board, performance objectives, conditions of remuneration and amounts of bonuses for the Members of the Management Board.

### **Composition:**

In 2013, the Remuneration Committee was composed of the following persons:

Chairman:

Dr. Wiesław Rozłucki ("Independent Director")

Members:

Benoit Scheen  
Andrzej K. Koźmiński (“Independent Director”) – from September 19, 2013  
Marc Ricau  
Sławomir Lachowski (“Independent Director”) – from April 11 until  
September 19, 2013

The Secretary of the Committee was Jacek Kowalski, Management Board Member in charge of Human Resources.

**Activity in 2013:**

In 2013, the Remuneration Committee held 6 meetings and in particular developed recommendations for Supervisory Board consideration focused on the following remuneration-related issues:

1. Debate on Compliance of the Management Board remuneration structure and policy with the provisions of the European Commission Recommendation.
2. Discussion and acceptance of the Remuneration Policy in Orange Polska.
3. Discussion on the bonus system for the Management Board Members: 6 months versus 12 months and recommendation for the SVB.
4. Acceptance of the draft of resolution “on obligations of a TP S.A. management Board Member serving as a supervisory board or a management board member of an entity not being a subsidiary of Orange”.
5. Recommendation to the SVB regarding appointment and conditions of employment for CEO.
6. Recommendation to the SVB regarding level of variable part of remuneration of CEO.
7. Discussion on the Remuneration policy in Orange Polska in the context of the variable part of the remuneration.
8. Evaluation of MBOs of the Management Board Members for H2 2012, overview and final approval of the goals for H1 2013 and for H2 2013.

Wiesław Rozłucki

Chairman of the Remuneration Committee

*March 17, 2014*