



ORLEN

ORLEN. S.A.

2023

report on entertainment expenses, legal expenses, marketing expenses, public relations and social communication expenses, and management consultancy fees in 2023



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A. INTRODUCTION

This report on entertainment expenses, legal expenses, marketing expenses, public relations and social communication expenses, and management consultancy fees (the "report on expenses") has been prepared pursuant to Art. 9.11 of the Articles of Association of the Company in conjunction with Art. 17.6 of the Act on State Property Management of 16 December 2016 (Dz. U. of 2016, item 2259, as amended).

This report on expenses has been prepared on an accrual basis, with amounts given net of VAT. All amounts are stated in thousands of zloty (PLN '000).

The increase in marketing expenses in 2023 was mainly attributable to the recognition of the full-year expenses of the former LOTOS and PGNIG Groups in 2023 (in 2022 they were included from the merger date).

B. MARKETING EXPENSES

	2023	2022	Share in revenue	
			2023	2022
Marketing expenses	578,778	410,833	0.231%	0.200%

The objectives of using marketing services were to support the sales staff in meeting their annual operational targets and maintaining the Company's leading market position, to build and maintain strong ORLEN brand recognition, and to promote the desired attributes of the ORLEN brand as well as the key product brands and business lines. In 2023, marketing activities supported strategy implementation in the following areas:

- support for retail sales;
- fostering loyalty of current ORLEN customers and reaching new customer groups;
- ORLEN's communication as a multi-utility group and regional leader of the energy transition;
- building the ORLEN brand on international markets;
- merger and rebranding processes;
- corporate social responsibility.

Marketing expenses included primarily expenditures on:

- production of advertising materials (ATL and BTL communication);
- purchase of advertising space in the media;
- activities for the loyalty schemes, especially related to e-commerce and the mobile application;
- events, VITAY loyalty programme;
- marketing research.

CSR activities were guided by the Group's 2030 Strategy, the ORLEN Group Sustainable Development Strategy 2021–2023, the ORLEN Group Code of Ethics, and Agenda 2030. The year 2023 saw a focus on projects that enhance social support and development, promote health and safety in a broad sense, and protect the natural environment.

Marketing expenses do not include donations, which are presented under gratuitous services in Note 12.10 to ORLEN's separate financial statements for 2023.

INCLUDING:

B.1. SPONSORSHIP

	2023	2022	Share in revenue	
			2023	2022
Sponsorship expenses	386,220	266,758	0.154%	0.130%

The purpose of ORLEN's sponsorship activities was to enhance the global recognition of the ORLEN brand and contribute to building lasting relations with local communities. The key project in 2023 was the cooperation with the Formula 1 Scuderia AlphaTauri team and continued support for Robert Kubica as the ORLEN brand ambassador. Sponsorship of the F1 team provided an essential marketing and communication platform for the Czech and German markets, where it supported the rebranding of the Benzina and Star service station networks, and in Slovakia and Hungary, where it supported the opening of new outlets. Thus, it significantly contributed to the implementation of the ORLEN2030 Strategy, which provides for vigorous development of the Group's retail arm, based on the network expansion and significant additions to the retail offering. In 2023, the ORLEN Group backed dozens of individual athletes, including those with disabilities, over 70 clubs, 13 sports federations, and 2 committees: the Polish Olympic Committee and the Polish Paralympic Committee. Support was also provided to sports academies and programmes, which provide training to nearly 500 thousand children and youth. In 2023, 38 sports, culture and social outreach projects were carried out as part of the ORLEN for Plock programme, an initiative embodying ORLEN's commitment to the city and the broader region, and giving effect to the objectives set out in the Group's Sustainable Development Strategy. The Group's CSR efforts included supporting institutions and events promoting Polish cultural heritage.

The key projects in the area of culture included sponsorship of Teatr Wielki – Polish National Opera, Fryderyk Chopin National Institute., the Royal Castle in Warsaw, and the National Museums in Warsaw and Poznań. Sponsorship and communication activities helped strengthen ORLEN's leadership among the most recognised sponsors in Poland.

The main categories of sponsorship expenses were consideration paid under sponsorship agreements, communication services related to sponsorship projects, and events.

C. PUBLIC RELATIONS AND SOCIAL COMMUNICATION EXPENSES

	2023	2022	Share in revenue	
			2023	2022
Public relations and social communication expenses	51,863	25,965	0.021%	0.013%

PR expenses comprised spending on internal and external communication activities.

In the case of external communication, the expenditure included communication of the 2030 Strategy and key projects, which involved cooperation with the media to highlight important business themes, as well as development and creation of various materials (infographics, animations, videos) for social media, and public opinion surveys (CCS, SMR). Expenditure was also made on the organisation of events involving representatives of the ORLEN Management Board, field trips, briefings to communicate new business projects, broad communication of initiatives related to the development of alternative fuels within the ORLEN Group, the hydrogen strategy, and the H2 Academy programme. Furthermore, the Company's support for local communities, including Gdańsk and Płock, was communicated on an ongoing basis.

With respect to internal communication, the funds were spent on the maintenance and development of internal communication channels, such as the in-house TV Studio GO! television, MGO! printed employee magazine, intranet and the Group's common intranet, as well as on the creation of photographic images and videos, communication of M&A processes, and projects addressed to ORLEN employees.

D. MANAGEMENT CONSULTANCY FEES

	2023	2022	Share in revenue	
			2023	2022
Management consultancy fees	73,189	68,578	0.029%	0.033%

Management consultancy fees related mainly to consultancy on M&A projects and projects pursued as part of delivery of the ORLEN Group Strategy, pre-project costs throughout ORLEN's value chain, and regulatory compliance consultancy services.

E. LEGAL EXPENSES

	2023	2022	Share in revenue	
			2023	2022
Legal expenses	55,006	54,761	0.022%	0.027%

Legal expenses covered the cost of legal services and legal advice provided on an ongoing basis to ORLEN and the costs of conducting proceedings before courts and other authorities. Services of legal advisers were used specifically in the preparation and negotiation of major contracts, for legal and regulatory matters, and in cases where knowledge of foreign legal systems was required. A significant part of these expenses involved legal services purchased to meet the high demand for support reported by the Business Areas in connection with their ongoing projects.

F. ENTERTAINMENT EXPENSES

	2023	2022	Share in revenue	
			2023	2022
Entertainment expenses	6,646	2,934	0.003%	0.001%

Entertainment expenses were mainly for organising activities of ORLEN representatives at various industry events in Poland and abroad, aiming to communicate the 2030 Strategy, which had been revised at the beginning of 2023, present the company's position on challenges in energy transformation and security in Central and Eastern Europe and implementation of the Group's investment projects, and to foster both existing and new business relationships.

G. SUMMARY

	2023	2022	Share in revenue	
			2023	2022
Marketing expenses	578,778	410,833	0.231%	0.200%
<i>including sports, culture, and media sponsorship</i>	386,220	266,758	0.154%	0.130%
Public relations and social communication expenses	51,863	25,965	0.021%	0.013%
Management consultancy fees	73,189	68,578	0.029%	0.033%
Legal expenses	55,006	54,761	0.022%	0.027%
Entertainment expenses	6,646	2,934	0.003%	0.001%
TOTAL	765,482	563,071	0.305%	0.274%

This report on expenses was signed by the Management Board of ORLEN S.A. on 24 April 2024.

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Ireneusz Fařara
President of the Management Board

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Witold Literacki
Vice President of the Management Board

.....
Kazimierz Mordaszewski
Member of the Supervisory Board
delegated to temporarily perform
the duties of Management Board Member

.....
Józef Węgrecki
Member of the Management Board

.....
Tomasz Zieliński
Member of the Supervisory Board
delegated to temporarily perform
the duties of Management Board Member