



LOTOS GROUP
CORPORATE SOCIAL RESPONSIBILITY REPORT
2006-2007





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Ladies and Gentlemen,

We present you with the first Corporate Social Responsibility Report for the LOTOS Group. The decision to compile a report in a way which presents and documents the existing actions of the Group in the field of Corporate Social Responsibility, CSR, in a holistic manner, was made in line with the development of a comprehensive CSR Strategy for our Group.

The growing knowledge of the best corporate responsibility practices and more readily available tools which support management in that area of corporate activities resulted in the presentation of all CSR issues in the long-term framework of the corporate responsibility strategy, closely connected to strategic goals of corporate development.

Grupa LOTOS S.A. is one of the quickest growing petroleum corporations in Central Europe. The consolidated exploitation, processing and distribution potential puts the LOTOS Group among the top Polish companies. By operating in a diligent and responsible manner, we increase the energy security of Poland and stimulate the creation of new workplaces. High standards of management backed with respect for the principles of corporate governance and investment in development and initiatives allow us to effectively pursue the goal of increasing value for shareholders.

Based on the principles of social responsibility and balance development, we are reaching towards the expectations of our stakeholders. All LOTOS Group products are environment-friendly and considerably exceed environmental standards effective in Poland and the European Union. Our environmental responsibility is directed towards cleaner manufacture and safe products. In line with our business strategy, we have regularly increased oil processing yet considerably expanded the scope of our pro-environmental investments. We have examined our corporate impact on the natural environment. Our concern for the natural environment and effective self-reduction in environmental impact is an integral part of the LOTOS Group development strategy.

Grupa LOTOS S.A. was the first fuel company in Poland which obtained a certificate of the Integrated Management System, which confirmed our strong position in terms of product quality, professional management procedures, work safety and observance of the principles of environmental protection not only in the domestic, but also in the

international markets. Regular audits have proven the management system standards and high awareness and involvement of our staff in fulfilling the standards. The implemented principles allow us to establish and improve relations with customers, buyers and business partners in a diligent, responsible and mutually satisfactory manner.

Being a socially responsible company, Grupa LOTOS S.A. has been sensitive to social cohesion and equal opportunities of children and youths. Through our involvement in educational, social and sports programmed addressed to the children and the youth, we have been investing in the future of the next generations.. We are also one of the largest employers in Poland. Because of that, the fundamentals of our social policy include respect for human rights, and respect for the intellectual capital and experience of the people who determine our success and prospects.

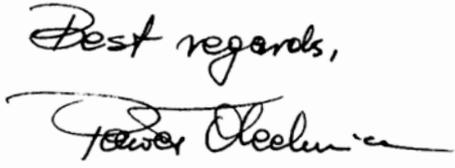
We treat the principles of corporate social responsibility as the pillars of our corporate system of values and behaviour, as reflected in our mission. The LOTOS Group has followed the best practices in this field for years. Today, as a responsible participant of the capital market, who respects the principle of transparency, we present you with an overview of the key procedures, mechanisms and premises which determine the directions of our corporate responsibility.

This is the first attempt to report on the corporate social responsibility in the LOTOS Group. We have followed international standards of voluntary reporting on non-financial aspects of activities included in the guidelines of the Global Reporting Initiative.

This marks the beginning of our actions in this field, thus we are open to the dialogue, which may improve our CSR reporting practice. In the forthcoming years we shall do our best to ensure that this information reported by the LOTOS Group is as complete and representative for key areas of our activities as possible.

I am certain that all employees of the LOTOS Group do their best to pursue the idea of the corporate social responsibility at the highest level. Corporate social responsibility is an investment in society, which not only pays off to direct stakeholders but the whole country. The involvement in improved opportunities of social development, social cohesion and balance development is an investment in a better future for all of us.

I hope you will enjoy reading this report.



Best regards,
Paweł Olechnowicz

Paweł Olechnowicz
President of the Management Board
Chief Executive Officer
Grupa LOTOS S.A.

1

Organisational profile

Name [2.1]

This corporate social responsibility report covers activities of the LOTOS Group, in particular, the parent

company, Grupa LOTOS S.A. (Company).

Operating profile and area [2.2, 2.5, 2.8, 3.17]

The LOTOS Group is a national petroleum group which deals in oil exploitation and processing and the wholesale and retail of high quality petroleum products. The Company markets lead-free petrols, diesel oil, heating oil, aviation fuel and industrial oil. The Group is also the leader in the sale of car oil, bitumen and paraffin in Poland. The commercial offer also responds to the needs of specific areas such as the power industry, metallurgic, mining or machine industry. The Company provides hydraulic and paraffin oils, and sells specialised lubricants.

According to the By-Laws, the Company operates in Poland and abroad.

Besides Grupa LOTOS S.A. (the parent company which manages the Gdańsk Refinery) and LOTOS Czechowice S.A., LOTOS Jasło S.A. and an exploration and exploitation company, Petrobaltic S.A., the national LOTOS Group also comprises 16 LOTOS companies. Two of them have their main offices abroad, in Lithuania and Norway.

The scale of activities and their indirect impact on the surroundings is well manifested by the development of the enterprise. In 2001, there were just under

2,000 employees. At the end of 2007, LOTOS Group employs 4,764 persons. The development of the company has a certain impact on the national economy. The share of sales revenues of the LOTOS Group in the reported years was 1% of the Polish GDP.

Since 9 June 2005, Grupa LOTOS S.A. has been listed on the Warsaw Stock Exchange. On 19 September 2005, shares of Grupa LOTOS S.A. were included in the WIG20 index, the twenty largest companies listed on the WSE.

Output capacity of the Gdańsk refinery is 6 m tons of petroleum per annum. In 2007, Grupa LOTOS S.A. sold over 7.1 m tons of petroleum derivative products, including over 4.6 m tons of fuels (petrol, diesel oil and light heating oil). The Group's share in the national fuel market reached 23.9% in 2007.

Consolidated sales revenues of LOTOS Group after 4 quarters of 2007 exceeded PLN 13.1b. Net profit of the Group for shareholders of the parent company reached nearly PLN 763.5m.

As part of the development strategy adopted in June 2006, LOTOS Group plans by 2012 to:

increase petroleum processing at the Gdańsk Refinery to 10.5 m tons p.a.,

increase exploitation from the Baltic Sea to 1m tons p.a.,

obtain direct access to oil accumulations abroad,

increase its share in the retail fuel market in Poland to 10% and in the wholesale market to 30%

The Group's potential is best represented by the results achieved in the SOLOMON study, the most important petroleum report in the world. In the group of 106 refineries from Europe, Northern Africa and the Middle East, Grupa LOTOS S.A. ranks:

2nd in terms of processing capacity use,

6th in terms of energy management,

9th in terms of return on investment.

The high rank of Grupa LOTOS S.A. in terms of energy effectiveness, namely the quantity of heating and

electrical energy consumed by the refinery in comparison to its size, should be stressed in particular. The very low energy consumption of the Gdańsk Refinery proves the competitiveness of the manufacturing process, since the energy costs constitute over 50% of refinery operating costs.

In terms of return on investment, Grupa LOTOS S.A. did not only rank high in the total list, but was the leader among 18 refineries from Central and Southern Europe.

Every two years the SOLOMON study compares over 350 refineries, both petrol and petroleum refineries, from all around the world. In 2004, the Gdańsk Refinery of Grupa LOTOS S.A. was included in the study, and in 2006 took part in the study for the second time. The study depicts the whole refinery industry in the world. Companies are evaluated in multiple areas covering manufacture and costs incurred.

Operating structure [2.3, 2.4]

Grupa LOTOS S.A. with its offices in Gdańsk is the parent company of the LOTOS Group. Direct subsidiaries of the LOTOS Group:

Direct subsidiaries as of 31 Dec 2007	Office	Operations
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail of fuels, light heating oil, management of LOTOS petrol filling station network
LOTOS Gaz S.A. (LOTOS Mazowsze S.A. until June 2007)	Mława	Sale of LPG and sulphur
LOTOS Oil S.A.	Gdańsk	Manufacture and sale of lubricant oils, lubricants and domestic sale of base oils and softening agents
LOTOS Asphalt Sp. z o.o.	Gdańsk	Manufacture and sale of bitumen and heavy heating oil
LOTOS Ekoenergia S.A.	Gdańsk	Has not started operating activities yet
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electrical traffic, instrumentation and control; repairs
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory analyses
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property security services
LOTOS Parafiny Sp. z o.o.	Jasło	Sale and manufacture of paraffin mass and sale and manufacture of candles

LOTOS Group has implemented segment management model. The segment, as a separated area of business activities, described by specialisation or separation of functions or processes, is managed by an appointed member of the management board responsible for organisational divisions of Grupa LOTOS S.A. and LOTOS Group companies, as per the scope of their operating activities.

The following segments can be identified within the LOTOS Group:

Management – this segment is responsible for increasing LOTOS Group goodwill, through management of all activities, including strategy development and monitoring, setting development directions for various business areas, coordination of support functions (human resources management, main business process management, system management, marketing and communication policy, CSR policy, legal and administration activities, IT, internal audit and physical security).

Exploration and exploitation: this segment is responsible for the development strategy of the LOTOS Group in the field of oil exploration and exploitation, management and supervision of exploration and exploitation activities, and LOTOS Group strategy in the exploitation sector.

Operating activities – this segment is primarily responsible for the management, coordination and supervision over all the issues related to the refining manufacture and technology, including fulfilment of 10+ Programme. This segment is also responsible for

development of the refining manufacture policy, supervision over works related to manufacturing R&D, coordinating all the activities related to investment projects in the field of technical and technological development, creation of strategy in the field of manufacturing facility maintenance and expansion.

Commercial activities – this segment is responsible for effective management of the processes of sales, supply and distribution within the LOTOS Group, and for creating and pursuing the sales policy, planning of sales for all business sectors, management of all channels of distribution, approving long- and short-term plans and policies of commercial activities, approving the rules and standards of sales and market research, and developing the strategy of optimising the chain of supplies.

Financial activities – this segment is responsible for managing all financial and accounting activities of the LOTOS Group, for creating policy and supervising internal capital flows and dividends, creating and monitoring the financial, fiscal and insurance strategies, managing the budgeting and controlling processes, supervising activities in the field of organisation of financing development programmes for the LOTOS Group, coordination of implementation and observance of the corporate governance, development and approval of the financial risk management strategy approved by the Management Board.

Grupa LOTOS S.A. acts as an integrator of key management and support functions among companies of the LOTOS Group.

Members of the Supervisory Board and Management Board from 2006 to 2007:

Members of the Supervisory Board of Grupa LOTOS S.A. in 2006

from 1 January 2006 to 30 January 2006

Cezary Nowosad – Chairman
Janusz Rachoń – Vice-Chairman
Grzegorz Urban – Member
Beata Zawadzka – Member

Anna Andrzejczak – Member
Piotr Krupa – Member
Robert Karwowski – Member
Jacek Mościcki – Member
Katarzyna Dawidczyk – Secretary

On 30 January 2006, the General Assembly, passed a decision to recall the following members of the Supervisory Board: Cezary Nowosad, Janusz Rachoń, Grzegorz Urban, Anna Andrzejczak, Piotr Krupa, Robert Karwowski and Katarzyna Dawidczyk. In addition, the General Assembly appointed the following members to the Supervisory Board: Jan Szomburg, Jan Stefanowicz, Henryk Siodmok, Jacek Tarnowski and Grzegorz Szczodrowski. Members of the Supervisory Board following the decision:

from 30 January 2006 to 31 December 2006

Jan Szomburg – Chairman
(until 16 June 2006 – resigned from membership in the Supervisory Board)
Jan Stefanowicz – Vice-Chairman
Beata Zawadzka – Member
Jacek Mościcki – Member
Henryk Siodmok – Member
Jacek Tarnowski – Member
Grzegorz Szczodrowski – Secretary

Members of the Supervisory Board of Grupa LOTOS S.A. in 2007

from 1 January 2007 to 28 May 2007:

Jan Stefanowicz – Vice-Chairman
Beata Zawadzka – Member
Jacek Mościcki – Member
Henryk Siodmok – Member
Jacek Tarnowski – Member
Grzegorz Szczodrowski – Secretary

On 28 May 2006, the General Assembly, recalled Jacek Tarnowski and appointed Jan Stefanowicz, who until then acted as the Vice-Chairman of the Supervisory Board of Grupa LOTOS S.A., as the Chairman. New members of the Supervisory Board were appointed: Marta Busz and Izabela Emerling.

On 14 June 2007, the Supervisory Board nominated Henryk Siodmok the Vice-Chairman of the Supervisory Board. After the changes, there were the following members of the Supervisory Board:

from 28 May 2007 to 31 December 2007

Jan Stefanowicz – Chairman
Henryk Siodmok – Vice-Chairman
Beata Zawadzka – Vice-Chairman
Marta Busz – Vice-Chairman
Izabela Emerling – Vice-Chairman
Jacek Mościcki – Vice-Chairman
Grzegorz Szczodrowski – Secretary

Members of the Management Board of Grupa LOTOS S.A. in 2006

from 1 January 2006 to 19 June 2006

Paweł Olechnowicz – President of the Management Board, CEO
Marek Sokołowski – Vice-President of the Management Board, COO
Wojciech Kowalczyk – Vice-President of the Management Board, Sales Director

On 19 June 2006, the fifth term of the Management Board of Grupa LOTOS S.A. expired. The Supervisory Board decided to considerably strengthen the Management Board and change its operating model. In addition, it was decided that the Management Board

would consist of at least five members. As a result, the Supervisory Board decided to run a competition for the positions of three members of the Management Board of Grupa LOTOS S.A. of the sixth term, responsible for sales, exploration and exploitation, and manufacture and development.

Until the competition procedure is completed, in order to ensure continuity of management, the Supervisory Board appointed Paweł Olechnowicz the President of the Management Board of Grupa LOTOS S.A. of the sixth term, and Marek Sokołowski and Mariusz Machajewski Vice-Presidents of the Management Board.

from 19 June 2006 to 9 October 2006

Paweł Olechnowicz – President of the Management Board, CEO

Marek Sokołowski – Vice-President of the Management Board, Production and Development Director

Mariusz Machajewski – Vice-President of the Management Board, CFO

Two members of the Management Board were selected in the competition: Marek Sokołowski was re-appointed to the Management Board as Vice-President for manufacture and development, and Jarosław Kryński was appointed Vice-President responsible for sales. No member of the Management Board respon-

sible for exploration and exploitation was appointed. Members of the Management Board of the sixth term from 9 October 2006 comprised:

from 9 October 2006 to 31 December 2006

Paweł Olechnowicz – President of the Management Board, CEO

Marek Sokołowski – Vice-President of the Management Board, Production and Development Director

Mariusz Machajewski – Vice-President of the Management Board, CFO

Jarosław Kryński – Vice-President of the Management Board, Sales Director

Members of the Management Board of Grupa LOTOS S.A. in 2007**from 1 January 2007 to 13 November 2007**

Paweł Olechnowicz – President of the Management Board, CEO

Marek Sokołowski – Vice-President of the Management Board, Production and Development Director

Mariusz Machajewski – Vice-President of the Management Board, CFO

Jarosław Kryński – Vice-President of the Management Board, Sales Director

At its meeting of 13 November 2007, the Supervisory Board recalled Jarosław Kryński from the Man-

agement Board of Grupa LOTOS S.A., and entrusted his duties to the President of the Management Board until a new member of the Management Board is appointed.

from 13 November 2007 to 31 December 2007

Paweł Olechnowicz – President of the Management Board, CEO

Marek Sokołowski – Vice-President of the Management Board, Production and Development Manager

Mariusz Machajewski – Vice-President of the Management Board, CFO

Ownership [2.6]

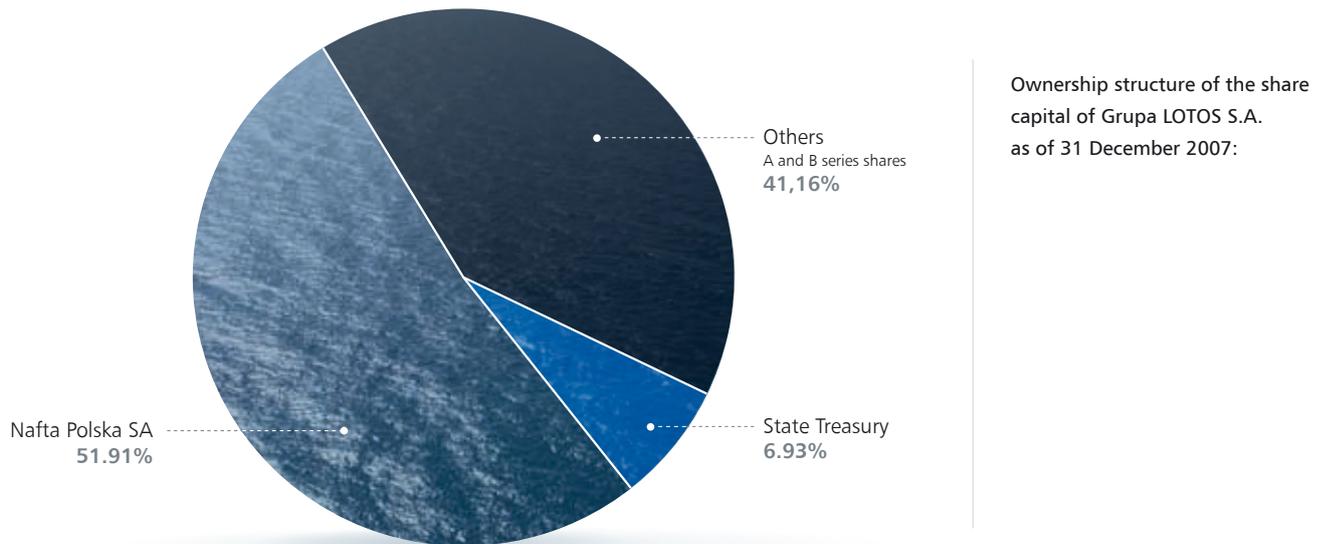
Grupa LOTOS is a joint-stock company listed on the Warsaw Stock Exchange. Share capital of Grupa LOTOS S.A. as of 31 December 2007 was PLN 113,700,000

and was divided to 113,700,000 ordinary inscribed and bearer shares worth PLN 1 each.

Shareholder	Number of shares	Share in %
Nafta Polska S.A	59,025,000	51.91
State Treasury	7,878,030	6.93
Others* (series A and B shares)	46,796,970	41.16
Total	113,700,000	100.00

* Series A shares – 11,796,970 shares, 10.38%

* Series B shares – 35,000,000 shares, 30.78%



As of 31 December 2007, Nafta Polska S.A. owned 51.91% of shares of Grupa LOTOS S.A.. Nafta Polska S.A. is controlled by the State Treasury, which as of 31 December 2007 directly owned 6.93% of shares

of Grupa LOTOS S.A. At the end of 2007, the State Treasury owned, directly and indirectly, 58.84% of Company shares.

Stakeholder groups [2.9]

As a group with international operations, which represents an industry with considerable impact on the environment, Grupa LOTOS S.A. is committed to responsible business in line with the idea of sustainable development, and to combining the economy with the ethics and ecology of operations. This challenge is treated as an obligation to all current and future stakeholders.

The obligations of Grupa LOTOS S.A. apply to corporate responsibility towards society and the natural environment by delivering products in such a manner so as not to allow degradation of the social and environmental equity. Another major aspect is business responsibility for the product to the state, market, partners, customers and employees. It is inscribed within the group management strategy oriented towards growth increase and bringing measurable social and business benefits.

The LOTOS Group addresses its responsible practices to four key groups of stakeholders:

employees, subsidiaries, trade unions,

market environment: international and domestic partners, business partners, subcontractors, industry organisations, institutions which issue quality certificates and competitors,

social environment: shareholders, investors, local communities, governmental agencies, territorial self-government units, NGOs, consumers and consumer organisations,

natural environment: inhabitants of the immediate neighbourhood of manufacturing plants, environmental organisations and the natural environment.



Report profile

GRI guidelines [2.17]

Global Reporting Initiative (GRI) is an independent institution acting for development and popularisation of the Sustainability Reporting Guidelines. GRI Guidelines are applied on a global scale and are available to all companies which would like to report on their economic, environmental and social activities. The GRI initiative was developed in 1997 by the Coalition for Environmentally Responsible Economies (CERES). In 2002, the GRI became an independent institution cooperating with the United Nations Development Programme (UNDP).

The GRI recommendations define with some flexibility the scope of voluntary, non-financial reporting on various aspects of activities related to corporate social responsibility and sustainable development. The guidelines were helpful in presenting the picture of LOTOS Group activities which supported the evaluation of the existing involvement of the LOTOS Group and comparisons of certain aspects of operations with the activity of other companies.

Report reliability and completeness [2.20, 2.21]

By compiling this Corporate Social Responsibility Report, the LOTOS Group began the long-term process of implementing GRI standard requirements in this scope. Given the current status of advancement of works in this field, not all the requirements could already have been met. Therefore, it must be stressed that this Report was developed with reference to, but not full conformance to, the GRI standard. It is the goal of the LOTOS Group to perfect this process so that the requirements can be met in the forthcoming years. In preparation of this Report, the Company referred to the GRI Sustainability Reporting Guidelines of 2002.

In the presentation of various operating activities included in the GRI indicator framework, the corporate social responsibility Report of the LOTOS Group is

based on both figures and the description of procedures or principles of the policy applicable to a given field, as well as statements of selected persons responsible for the fulfilment of certain tasks within the organisation, or active participants.

All the data presented in the Report were gathered in a reliable and responsible manner directly from persons in charge of various operating areas of the LOTOS Group. Financial figures match the information presented in the financial statements of respective periods. Some data are presented for the first time, since there was no obligation to present them before.

This Report was not subject to an external audit. However, it should be stressed that the majority of

financial figures from the years which were the subject of this report were audited by independent auditors, 'Ernst&Young'. Simultaneously, in connection with the implementation of the Integrated Management System, the Company has independent audits performed to evaluate the organisation in the envi-

ronmental protection aspect, occupational health and safety, and quality standards.

An external advisor on corporate social responsibility, Martis CONSULTING, was involved in works which accompanied the development of this Report.

Reporting period [2.11]

The Corporate Social Responsibility Report of the LOTOS Group covers operations of the organisation from 2006 to 2007. Where necessary, given previous incomplete presentation of certain data and

programmes, the information also refers to previous years. The goal of such an extension was to facilitate the understanding and proper evaluation of facts presented in the Report for all the stakeholders.

Previous reports [2.12]

This Corporate Social Responsibility Report is the first publication of this kind by the LOTOS Group. In 2007, the Environmental Report of Grupa LOTOS S.A. was

issued for the first time, along with the Annual Report of Grupa LOTOS S.A.

Report limitations [2.13]

In most cases, the financial data presented in this Report match the data included in financial statements of Grupa LOTOS S.A.. In the majority of problem fields, the information pertains to the Company itself. However, due care was paid to include, where possible, consolidated data of the LOTOS Group. In individual cases, in order to illustrate good practices, the Report presents solutions applied by selected sub-

siidiaries of the LOTOS Group. In each case, the Report clearly states the subsidiary which the data refer to.

In the forthcoming years, the Company intends to include more results and achievements of all entities within the LOTOS Group in its corporate social responsibility reporting system.

3

Management structure and system

Management structure [3.1]

In accordance with the statement of the Management Board of Grupa LOTOS S.A. of 15 May 2006, the Company committed itself to follow the principles of corporate governance described in 'Good practices in public companies 2005', except principles nos. 14, 20, 27, 28, 38 and 43. In 2007, there were no deviations from the principles which the Management Board committed to observe in the statement of 2006.

Detailed information on the aforementioned principles of the corporate governance which were not observed by the Company from 2006 to 2007, with a full statement by the Management Board, are available in the investor relations service of Grupa LOTOS S.A. at www.ir.lotos.pl, www.lotos.pl and in the report on the application of principles of corporate governance prepared in accordance with the provisions of 'Good Practices of Companies Listed on the WSE', attached as an integral part of the Annual Report of Grupa LOTOS S.A. for 2007.

Shareholders

General Meetings of Shareholders (GMS) of Grupa LOTOS S.A. can be attended by owners of inscribed shares entered into the book of shares at least a week before the GMS, as well as owners of bearer's shares if at least a week before the GMS, the inscribed certificate of deposit issued by the entity which holds the securities account is placed at the office of the Company, in accordance with provisions on public trading in securities.

Shareholders may participate in the GMS and exercise

the right to vote in person or through proxies. In accordance with the By-Laws of Grupa LOTOS S.A., competencies of the General Meetings of Shareholders cover, among others: review and approval of the annual financial statements of the Company, the annual report on the Company's operations, and the consolidated financial statements of the LOTOS Group and the report on operations of the LOTOS Group for the previous financial year, approval of the fulfilment of duties of members of the Supervisory Board and the Management Board, passing decisions on distribution of profits and coverage of losses, appointment and recalling of the Supervisory Board, increasing and reducing the share capital, issue of bonds and granting consent for the implementation of motivational programmes.

All the issues submitted at the General Meetings of Shareholders are first presented to the Supervisory Board for review. The rules of participation in the GMS and exercising the right to vote are regulated by the Regulations of General Meetings of Shareholders of Grupa LOTOS S.A. The Regulations also include provisions on the method of convening and cancelling the GMS, opening the Meeting and progress of the meeting, as well as the method of holding elections to the Supervisory Board.

One share gives the right to one vote at the General Meeting of Shareholders; however, as long as Nafta Polska S.A. owns Company shares which amount to at least one fifth of the total votes in the Company, the right to vote of shareholders of the Company is limited so that none of the shareholders at the General Meeting of Shareholders can exercise more than

one fifth of the total votes in the Company on the day of the General Meeting of Shareholders.

The By-Laws and Regulations of General Meetings of Shareholders of Grupa LOTOS S.A. are available to the public at www.lotosp.pl.

Management Board

In accordance with the By-Laws, the Management Board consists of three to seven members, including the President and Vice-Presidents of the Management Board. The Management Board is appointed by the Supervisory Board, which first appoints the President of the Management Board, and then, at the motion of the President, Vice-Presidents and other members of the Management Board. The term of office of the Management Board is a shared term of three years. The President, Vice-Presidents and other members of the Management Board and the whole Management Board may be recalled or suspended by the Supervisory Board for major reasons at any time before the expiry of their term of office.

The Management Board handles the Company's affairs and represents the Company in all court and out-of-court activities related to undertaking the running of the Company, except activities reserved by the provisions of the Code of Commercial Companies or the By-Laws for competencies of the General Meeting of Shareholders or the Supervisory Board and matters which fall outside the usual management and which need a resolution of the Management Board, as well as matters reserved by the Regulations of the Management Board for members of the Management Board. The scope of matters which require a resolution is defined in the Regulations of the Management Board of Grupa LOTOS S.A. available to the public at www.lotosp.pl.

Supervisory Board

In accordance with the By-Laws of the Company, the Supervisory Board consists of six to nine members, including the Chairman, Vice-Chairman and Secretary. The number of members of the Supervisory Board is determined at the General Meeting of Shareholders. The Supervisory Board is appointed and recalled at the General Meeting of Shareholders. Irrespective of that, as long as the State Treasury remains a shareholder of

the Company, the State Treasury, represented by the minister competent for the State Treasury, may appoint and recall one member of the Supervisory Board.

The term of office of the Supervisory Board is a shared term of three years. Members of the Supervisory Board and the whole Supervisory Board may be recalled at any time before the term of office expires. The Chairman of the Supervisory Board is appointed at the General Meeting of Shareholders. The Vice-Chairman and Secretary are appointed by the Supervisory Board out of other members of the Supervisory Board.

The Supervisory Board supervises ongoing activities of the Company. The Supervisory Board submits a brief evaluation of the Company's situation each year to the General Meeting of Shareholders, in such time so that shareholders of the Company may read the evaluation before the Ordinary General Meeting of Shareholders. Regulations of the Supervisory Board of Grupa LOTOS S.A. are available to the public at www.lotosp.pl.

Committees of the Supervisory Board

The Supervisory Board may appoint, out of its members, standing or ad hoc committees to review various issues. A committee consists of three to five members. The Chairman of the Committee is elected by the Supervisory Board out of its members.

Standing Committees at the Supervisory Board of Grupa LOTOS S.A.:

Strategy and Development Committee, responsible for passing on opinions and presenting the Supervisory Board with recommendations on planned investments of significant impact on the Company's assets,

Organisation and Management Committee, responsible for presenting the Supervisory Board with opinions and recommendations on the management structure including organisational solutions, the remuneration system and selection of personnel, in order to facilitate the achievement of strategic goals of the Company,

Audit Committee, responsible for regular advisory duties to the Supervisory Board on matters regarding proper implementation on principles of budgetary and financial reporting, internal auditing and cooperation with statutory auditors of the Company.

Independent members of the Supervisory Board [3.2]

Principle no. 20 of the corporate governance described in 'Good practices in public companies 2005' provides that:

- a) At least half of the members of the supervisory board should be independent members, subject to point d). Independent members of the supervisory board should be free from connections with the company and shareholders or employees, which might considerably affect their capacity as an independent member to pass unbiased opinions;
- b) Detailed criteria of independence shall be specified in the by-laws,
- c) Without the consent of the majority of independent members of the supervisory board, no resolutions on the following matters should be passed:
 - a) any remuneration paid by the company or any other entities related with the company to members of the management board;
 - b) the granting of a consent for the company or its subsidiary to enter into a major contract with

an entity related with the company, member of the supervisory board or of the management board and entities related therewith;

- c) the appointment of a statutory auditor to audit the financial statements of the company.
- d) In companies where one shareholder holds a package of shares which entitles him to over 50% of the total votes, the supervisory board should consist of at least two independent members, including an independent chairman of the audit committee, if such a committee was established.

Given the current shareholder structure and the role of the Company in the Polish fuel group, the institution of independent members does not exist in Grupa LOTOS S.A.. However, the Company might adopt necessary regulations in the future. Still, the Supervisory Board established the following standing committees: Organisation and Management Committee, Audit Committee and Strategy and Development Committee.

Risk management [3.4]

With a concern for safety and changing business environment, the Supervisory Board and Management Board of Grupa LOTOS S.A. have undertaken initiatives to improve risk management systems. There is an Internal Audit Office in the organisational structure of the Company, reporting directly to the Board President. In 2007, Regulations for the Internal Audit Office of Grupa LOTOS S.A. were prepared, which define objectives, rights, responsibilities and location of the were prepared in the organisational structure of Grupa LOTOS S.A. The basic objective of the were prepared is to identify and evaluate threats to operations of Grupa LOTOS S.A. operations and to participate in improvement of risk management and internal control system.

At the same time, works started on the development of the Risk Management System in the LOTOS Group to integrate existing management systems in the Company used to manage various risk categories and to establish effective methods of identification, evaluation, monitoring and response to risk.

Incorporation of risk management in business processes on the corporate scale will not only constitute framework of the internal control system, but will also reduce the risk of decisions and improve the best business results.

In 2007 the Company worked on the development of the financial and non-financial risk management system. In connection with performance of the 10+ Programme, the Management Board implemented new procedures related to investment process management and introduced new strategies for hedging financial risks, including hedging of raw material and oil product prices, and currency exchange rate hedging. These actions are to increase safety of 10+ Programme financing. A description of basic internal and external risks related to Company's activities is provided in the Annual Report of Grupa LOTOS S.A. for 2007.

Bonus and company results [3.5]

The By-Laws of Grupa LOTOS S.A. endows the General Meeting of Shareholders with the right to define rules of remuneration and define the monthly remuneration of members of the Management Board. Competencies of this body also include the right to define the amount of the annual award for the president of the Management Board. The By-Laws do not introduce rules of employment of members of the Management Board solely on the basis of an employee relationship or the contract of management, and stipulate that the rules of employment are an issue which the General Meeting of Shareholders is responsible for. In accordance with the Regulations of the Supervisory Board, the Supervisory Board is responsible for applying to the General Meeting of Shareholders for defining rules of remuneration for members of the Management Board.

The rules of remuneration for members of the Management Board of Grupa LOTOS S.A. and the chief accountant are specified by the Act of 3 March 2000 on remuneration paid to managers of certain legal entities, the so-called 'Chimney Act'. The Act is applicable to commercial law companies where the State Treasury holds more than 50% of the share capital or 50% of shares.

In accordance with Art. 8 of the Act, the maximum monthly remuneration cannot exceed quadruple monthly remuneration in the enterprise sector, without bonuses paid from the profit, in the fourth quarter of the previous year, as published by the President of the Central Statistical Office.

Persons subject to provisions of the 'Chimney Act' are entitled to additional benefits. In accordance with Art. 11 of the Act, these benefits include employment benefits, including livelihood, social, communication benefits and personal and property insurance. The amount of additional benefits awarded in a year cannot exceed twelve average monthly remuneration used to calculate monthly remuneration of such persons.

In accordance with Art. 10 of the Act, the annual bonus may be awarded depending on the financial results achieved or performance of other tasks, namely when requirements of the Ordinance of the Minister of the State Treasury of 12 March 2001 are fulfilled. The amount of the annual bonus cannot exceed triple average monthly remuneration of persons subject to the Act in the year preceding the bonus, namely a maximum of 25% of the annual basic remuneration.

A report published in the stock exchange newspaper, 'Parkiet', (9 July 2007) on remuneration in management boards of stock-listed companies from 2005 to 2006 proves that remuneration of the Management Board of Grupa LOTOS S.A. is definitely the lowest out of WIG20 companies, both in terms of value and share of such remuneration in profit after tax in a given year.

A condition necessary for effective fulfilment of development programmes defined in the 'Strategy of Grupa LOTOS S.A. by 2012' is to implement a motivational system of remuneration for members of the Management Board of the Company. The aforementioned limitations imposed on remuneration of members of the Management Boards in State-owned companies, resulting from current regulations in this respect, show lack of options for proper motivating top managerial staff of the Company and growing disproportions in remuneration between the state and private sectors, and impaired competitiveness of such companies in the market.

The situation may change if the legislator adopts the proposal of the Polish government to allow competent ministers to exclude State-owned companies from the 'Chimney Act' provisions.

It should be stressed that in the last five years the Management Board of Grupa LOTOS S.A. despite the poor level of salaries, proved their competencies by multiplying the Company goodwill by six times.

Mission, vision, system of values [3.7]

Mission

The mission of the LOTOS Group is innovative development in the field of exploitation, the processing of petroleum and the distribution of products of the highest quality; in a manner that is friendly to the environment, compliant with the energy security policy, ensuring complete customer satisfaction, continuous improvement and utilisation of employee potential.

Vision

Using its natural location on the Baltic Sea, the LOTOS Group intends to be the best evaluated petroleum company in the Baltic Sea region in terms of:

- quality of petroleum products,
- quality of customer service,
- professional management.

Primary strategic goal

The primary strategic goal of the LOTOS Group is the development of shareholder value, which the LOTOS Group intends to achieve through optimal use of the existing potential and the execution of development projects in the following areas:

- Exploration and exploitation
- Technological Development (10+ Programme)
- Trade Development and Optimisation
- Value Increase Creation

System of CSR values

The system of key values of the corporate social responsibility of the LOTOS Group is associated with key values of the LOTOS brand based on three pillars: human resources, natural environment and energy security. Each of them relates to crucial aspects of the Group's operations.

PILLARS OF CSR STRATEGY OF THE LOTOS GROUP



HUMAN BEING = SOCIAL RESPONSIBILITY

task = establish social values
work conditions, diversity, human rights, fighting exclusion



NATURAL ENVIRONMENT = ENVIRONMENTAL RESPONSIBILITY

task = establish environmental values
eco-effectiveness, 'double benefit' investments



ENERGY SECURITY = BUSINESS RESPONSIBILITY

task = establish economic values
risk management, intellectual capital, market share, brand value, reputation

The social, environmental and business responsibility of Grupa LOTOS S.A. is justified by the system of key values for the social policy of the LOTOS Group, namely:

cleanliness,

openness,

innovation,

responsibility.

Each of these components of the system of values is the LOTOS Group's response to the most vital needs, problems and challenges identified in its neighbourhood.

CLEANLINESS is not only reflected in the context of taking care of adherence to the highest standards of environmental protection, but also the LOTOS Group's understanding of the premises of its business activities. This is a declaration of ethical and honest competition, counteracting the corruption and violation of human rights.

Social dialogue [3.8-3.12]

The LOTOS Group has implemented transparent rules of communication with stakeholder groups which are key to the organisation.

All the news and information relating to the Integrated Management System (IMS), including the IMS policy and certificates, is presented online and within the corporate intranet. The www.lotos.pl website includes a contact e-mail address where all questions and doubts should be sent to – lotos@grupalotos.pl.

In addition to current and periodical reports, the Company also prepares annual reports with reports on activities of the LOTOS Group, in particular environmental activities. In 2006, the Environmental Report of Grupa LOTOS S.A. was released.

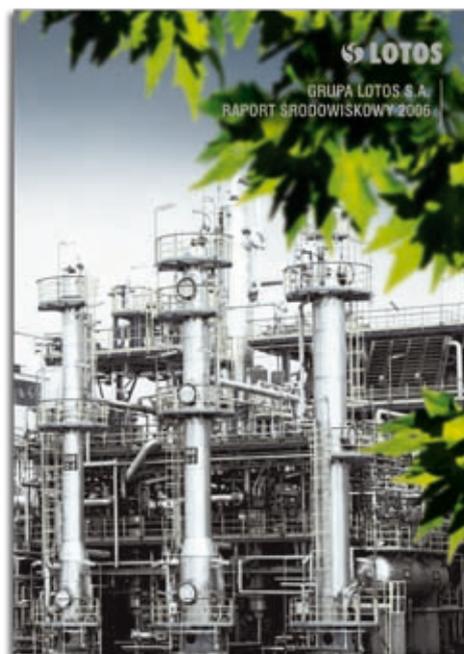
In 2007, the first comprehensive environmental report of Grupa LOTOS S.A. was published

Employees of the LOTOS Group also participate in various seminars and conferences in Poland and world-

This philosophy is supported with **OPENNESS** to changes, needs of the world and human expectations. It brings a perspective which goes beyond 'here and now', oriented towards the future and dynamic growth of activities in the international dimension.

Fulfilment of these premises is based on the postulate of **INNOVATION**, with particular appreciation for the intellectual capital of the LOTOS Group and competencies of the people who, with their active approach to the processes, determine the strength and market prospects of the LOTOS brand.

This predestines the Group to attain the leading position in its business neighbourhood. It also strengthens the imperative of **RESPONSIBILITY** towards the future of man and the natural environment, the country and security of its global position.



In 2007 the Environmental Report of Grupa LOTOS S.A. was issued.

wide, to discuss issues pertaining to the organisation and management systems. The meetings support the exchange of experience, comparison with other organisations and access to best practices.

Grupa LOTOS S.A. is also a full member of two organisations: Klub Polskie Forum ISO 9000 (*ISO 9000 Polish Forum Club*) and Klub Polskie Forum ISO 14000 (*ISO 14000 Polish Forum Club*). LOTOS Group specialists participate in meetings organised by the associations.

Companies of the LOTOS Group also focus on ensuring awareness of the rules of the Integrated Management System among service providers. Organisational solutions implemented in the companies support the application of internal requirements of the organisation, among others, in the field of occupational health and safety, to all the subcontractors.

Contracting parties

Grupa LOTOS S.A. follows clear and transparent principles of choosing contracting parties, by strict application of internal procedures and instructions. One of the elements which ensure clarity and transparency in choosing the contracting party is the definition of measurable criteria of evaluation and the definition of their importance upon selection while requests for proposals are being drafted. In addition, transparency is ensured through the written nature of the contracting party selection process and observance of whether the formal requirements of the request for proposals are fulfilled, such as the presentation of valid registry documents, statements on no arrears in payments for public institutions, and relevant powers of attorney.

In addition, in certain cases, contracting parties must submit relevant statements or certificates which guarantee that they meet, in accordance with provisions of the law, external corporate or international standards, and conditions necessary to provide certain services.

Following the principle of equality of entities, the LOTOS Group applies uniform conditions to all the con-

tracting entities. The corporation keeps and updates a list of qualified providers of goods and services.

In the context of the LOTOS Group's social policy, it is important that Grupa LOTOS S.A. incorporates ethical, environmental and ecological clauses in all contracts with contracting parties.

In accordance with the principles of ethics, contracting parties must fulfil their contracts with the highest professional diligence based on their knowledge, experience, skills and qualifications and in an effective, rational and prompt manner. In its contracts, the Company incorporates clauses on the need to apply governing provisions of tax and accounting laws with regard to correctness of settlements with international parties and the need to observe confidentiality of mutual relations with the contracting party.

Grupa LOTOS S.A. makes particular effort to be treated as a company which meets the strict requirements and standards of environmental protection through fulfilment of the objective of reducing detrimental impact on the environment as included in the Policy of the Integrated Management System of Grupa LOTOS S.A..

The aforementioned principles are incorporated in the agreements the fulfilment of which result in the generation of waste. In such a case, Grupa LOTOS S.A. takes care of proper waste management, in accordance with the Act of 27 April 2001 on waste, or obligates the contracting party to sign a statement that he holds exemptions relevant for the subject and location of the contract, or fulfils the notification obligation specified in the provisions on waste. The contractor must also regularly and diligently keep a register of waste, prevent waste accumulation and mixing, and leave the area and neighbourhood clean and safe.

Each time, contracting parties of Grupa LOTOS S.A. are obliged to verify the compliance of their materials and accessories with relevant attestation and certificates, and to deliver waste for recycling, neutralisation and transport by companies which are permitted to carry out activities of waste transport and management, subject to provisions on the transport of hazardous cargo.

Customers and partners

Given the nature of the LOTOS Group's activities, relations with individual customers and commercial partners are largely determined at LOTOS petrol filling stations. There are three sorts of stations: own sta-

surveys, open audits of standards, and 'mystery shopper' surveys.

LOTOS Paliwa organises regular meetings with franchisers who run LOTOS own stations. In 2007, there were several such meetings, both local and central. As 2007 was a period during which the franchis-



In accordance with the standards effective within the LOTOS Group, LOTOS Oil applied strict criteria in the selection of carriers and monitoring of services to check whether the carriers observe quality, environmental and ethical standards.

Every company invited to a tender must have developed high quality standards of customer service and environmental protection. We require ISO 9001 from all contractors. For general cargo (given the specific nature of the service) we require the ISO 140001 certificate. An internal control system implemented by the contractor is an additional advantage. The carriers must also have valid contracts with insurance companies for risks related to the distribution of all LOTOS

Oil products. This ensures total safety and increases the quality of services provided to our customers.

Carriers are evaluated with an internal procedure. Evaluation criteria include quality, time, service time, delivery time, certificates, staff professionalism and punctuality of deliveries. In the context of cooperation, we analyse the efficiency of deliveries based on regular reports coupled with online monitoring. Evaluation criteria include prompt delivery and the number of confirmed returns of undelivered shipments. In the process of carrier evaluation, LOTOS Oil also performs a complaint procedure. The evaluation criteria are the number of customer complaints for a given type of distribution. We use questionnaires to examine service quality and carrier professionalism.

We have implemented these procedures to monitor threats related to our activities. This means that in land transport we've been running continuous examination of threats resulting from the specific nature of our activities. We are able to predict and counteract the threat in advance.

Jacek Neska

President of the Management Board of LOTOS Oil S.A.

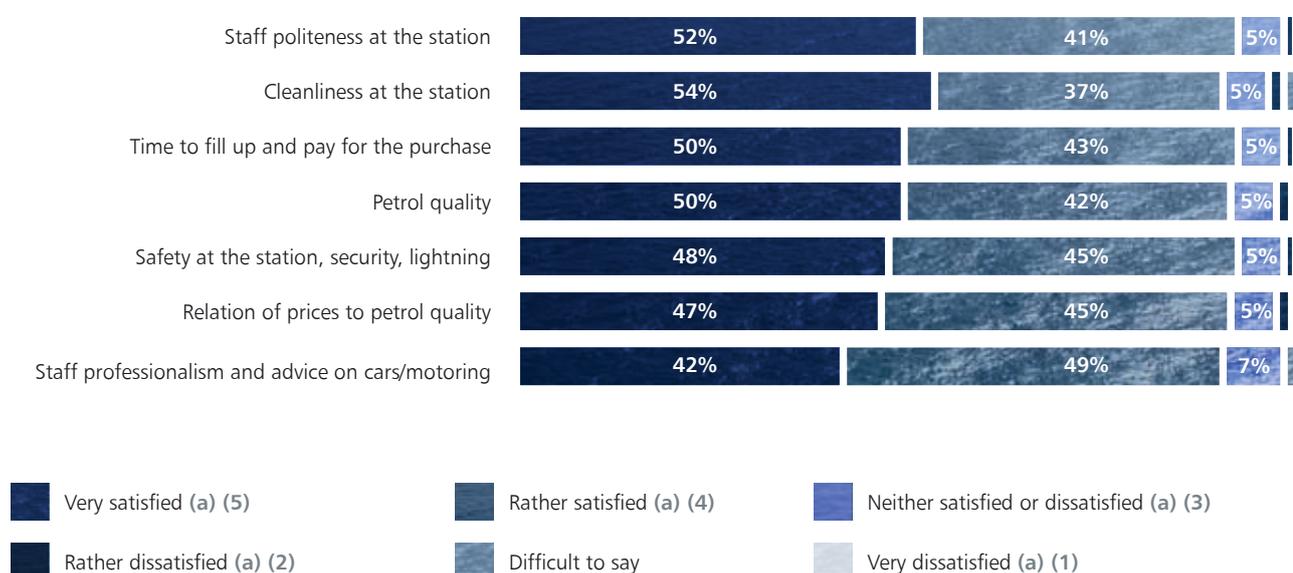
tions (run by own staff of LOTOS Paliwa or franchisees), partner stations and patronage stations (see Glossary).

Activities of the petrol filling station network are constantly monitored in all major areas: quality of fuels and services, level of standards and human and environmental safety. In addition, stations run general

ing system incorporated stations that had previously been run as own stations with their own personnel, the meetings addressed the issues of transformation. **In 2007, the Company was particularly involved in social dialogue to secure the rights of employees moving from LOTOS Paliwa to partner stations franchising the Company stations.**

Employees of LOTOS Paliwa remain in regular contact with contracting parties who own partner stations. They offer help in running and improving station operations, and offer advice and support. The Programme Council is established to work on passing on opinions on projects involving partner stations. The Programme Council consists of five representatives of LOTOS Paliwa and five representatives of the Partners (owners of partner stations). The Programme Council meets once every three months.

In order to obtain opinions, in certain cases, the partners fill in anonymous questionnaires which provide opinions and modifications to presented subjects. The presence and active participation of representatives of the Management Board and dialogue with invited customers on the general forum and on individual basis is a key element in the fulfilment of assumptions of the social dialogue. Problems with the dialogue usually stem from different attitudes with regard to legal regulations applicable to the sector, which are



LOTOS petrol filling station customer satisfaction survey (Respondents most frequently using LOTOS stations, N=301, 2006, IQS Quant Group)

LOTOS Paliwa organises regular, annual conferences with the participation of patronage station owners. The meetings with station owners are accompanied by a series of training courses and presentations, which may be used by station owners in their activities related to the LOTOS brand network.

In addition to annual meetings with all the owners of patronage stations, Group representatives regularly visit the stations. During the visits, the representatives inspect the stations, verify the standards at the stations and whether contractual clauses are properly fulfilled. The representatives also discuss current affairs related to station operations with the station owners.

beyond the Company’s control, as well as elements of the commercial policy, which the partners are particularly sensitive to.

Complaints system

Own station network

All complaints of customers of LOTOS own station network are received by LOTOS Paliwa. The receipt and review of complaints is coordinated by the Contact Centre.

A considerable increase in the number of complaints related to the quality of service is explained by the fact that

in 2007, own stations were transferred into the franchising system.

Partner station network

The partner, who is the station owner, deals with customer complaints related to the quality of petrol or services.



not review complaints regarding the quality and quantity of petrol sold by owners of patronage stations. Still, a customer filing a complaint regarding the quality and quantity of petrol purchased at a patronage station may count on the Company's assistance in mediation between the customer and station owner. Every time a complaint regarding

Employees were transferred to the new system in accordance with the governing labour code. Employees who entered the franchise system were guaranteed their jobs for one year, but they shouldn't worry after that time.

To improve employee communications, LOTOS Paliwa started its own helpline for all issues related to the transfer of part of the stations to the franchise system.

We kept all the additional benefits, such as jubilee awards, higher retirement severance pay and medical cover for the employees who were transferred to the new system. Some of the employees signed agree-

ments with the Company for co-financing education until graduation.

Employees and franchisers keep receiving information with regard to employment: explanations and interpretations of provisions of the labour code or the eligibility for awards. HR and payroll services of LOTOS Paliwa provide assistance in the clarification of issues to employees. We also help in calculating years of service or the amount of jubilee awards.

Both employees and franchisers were not left by themselves during the changes. All the services in the Company offer help so that the system is effective.

Hanka Krzyżańska

President of the Management Board of LOTOS Paliwa Sp. z o.o.

Patronage station network

Complaints related to patronage stations fall into three basic groups:

1. Quality or quantity of petrol sold

Because of the nature of patronage station agreements and the fact that patronage stations are run by separate economic entities, LOTOS Paliwa can-

the quality of petrol sold is filed, LOTOS Paliwa orders immediate testing of the quality of petrol sold at the station in subject. The customer is notified in writing or by e-mail of the results of the lab tests.

2. LOTOS discount cards

By the end of November 2007, discount cards for the purchase of petrol and diesel oil with a 4 groszy

discount were valid at some of the patronage stations. Most frequent complaints involving discount cards were: the amount of discount for the LPG (granted at the sole discretion of the station owner) or refusal to accept discount cards (only selected stations participated in the discount card programme; the programme was not obligatory for patronage stations). In each case, customers received comprehensive information in writing or by e-mail regarding the rules of using discount cards. In justified cases, the station owner was called to

Environmental issues

Treating environmental protection as one of the priorities enshrined in the corporate mission, at the stage of planning investment processes, Grupa LOTOS S.A. selects only environmentally friendly technologies, which meet the requirements of the best available techniques (the so-called BAT). The emission criteria, high energy effectiveness and process efficiency minimise the negative environmental impact.

Complaint type	Number of complaints at own stations	
	2006	2007
Petrol quality	34	37
Amount of petrol sold	29	24
Quality of service	27	64
Goods in the shop	7	-
Total:	97	125

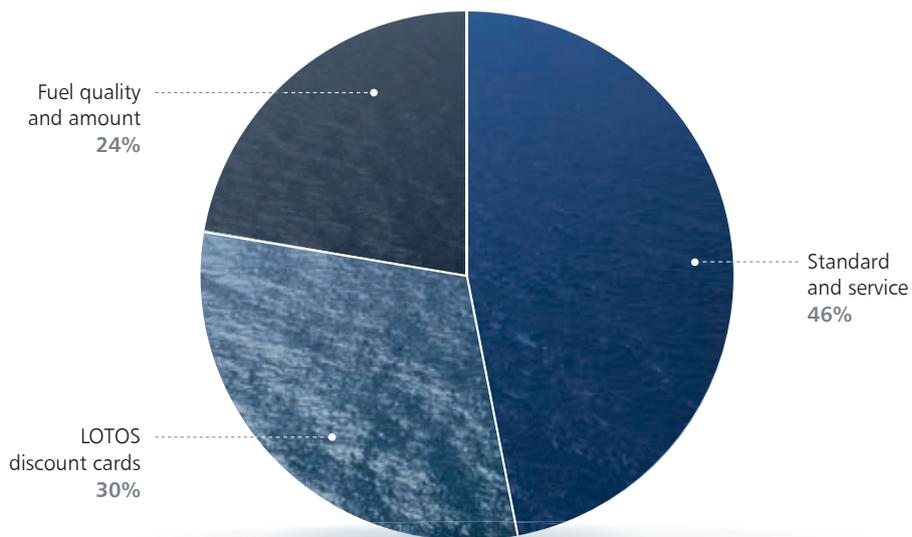
undertake steps to eliminate the causes of the complaints, for example to clearly state that discount cards are not accepted for LPG purchases.

3. Quality of service at the station

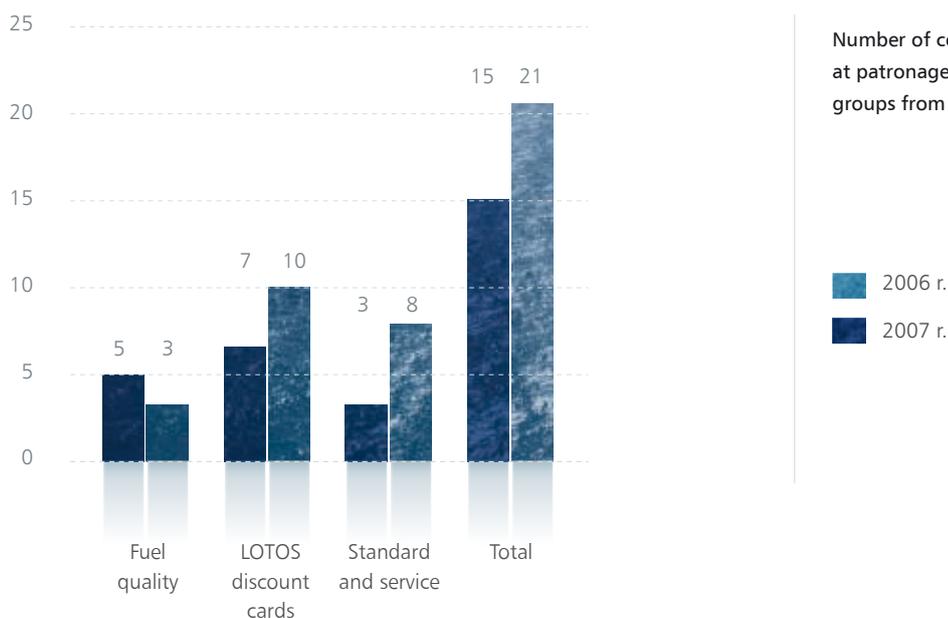
When LOTOS Paliwa receives complaints regarding the quality of service at patronage stations, action is immediately undertaken to investigate the situations described by customers. Station owners are requested to respond and explain incidents described by customers. Station contact persons maintain direct relations with station owners to carry out additional training courses for station staff in proper customer service. After such interventions, some of the station owners organised their own actions to clarify disputes. In addition, in each case, the complaining customer received a written apology for the incident and was informed of the actions undertaken to clarify the incident.

The Company also constantly monitors its environmental impact and each planned investment is preceded with an independent expert assessment of the projected environmental impact of designed development projects.

As part of cooperation with local authorities, Grupa LOTOS S.A. participates in administrative procedures which cover the issue of decisions, permits and resolutions. Group employees take part in meetings and conferences on the subject of environmental quality in the region, organised by governmental and self-government administration bodies. In June 2007, representatives of the Company actively participated in a conference on air quality in the Tri-city; they presented the LOTOS Group's achievements in the reduction of emissions to air and the monitoring of pollution.



The structure of complaints at patronage stations – accumulated data covering 2006 to 2007.



Number of complaints at patronage stations in various groups from 2006 to 2007.

Since 1998, Grupa LOTOS S.A. has been involved in works of the Forum Local Agenda 21, which is the discussion panel addressing key issues of environmental protection in Gdańsk. Because of its location, the Group pays particular attention to the environmental concerns related to the Baltic Sea. In the forthcoming years, the development of maritime logistics will be accompanied by the Company’s initiatives for the

cleanliness of the Baltic Sea and the sea beaches. It is the goal of Grupa LOTOS S.A. to integrate the largest companies of the Baltic Sea region in their actions to preserve the abundance of fauna and flora. For this purpose, the LOTOS Group cooperates with scientific institutes and research centres which specialise in these issues.

Residents of areas neighbouring with the refinery and local self-government

Grupa LOTOS S.A. maintains dialogue with stakeholders for the benefit of whom the Group actively works, as well as with other organisations acting for the benefit of society. In 2007, a good neighbourhood meeting was organised with residents of one of the communes neighbouring the refinery (the commune of Pruszcz Gdański, Przejazdowo) to present the environmental impact of the plant. During the meeting, the Environmental Report of the LOTOS Group for 2006 was presented and discussed. Company representatives presented the residents with plans of Grupa LOTOS S.A.'s development related to the 10+ Programme. During the meeting, the residents came forward with their expectations towards the Grupa LOTOS S.A. regarding issues where the corporation might support residential and communal initiatives. Priorities and involvement options of the Group were agreed with communal authorities. During the next meeting with residents, the will to cooperate was reassured. Specific activities will be undertaken in 2008.

The Company plans to participate in meetings in the commune of Pruszcz Gdański at least once a year. Grupa LOTOS S.A. also plans to meet with residents of other districts directly adjacent to the Company to present them with corporate development plans and declare the will to cooperate with the local communities. The Company plans to establish relations with the representatives of the territorial self-government.

As part of actions pursued for the benefit of local communities, the Company meets with representatives of institutions which operate in the areas adjacent to the LOTOS Group to learn their expectations. However, these meetings are not regular. Activities undertaken by Grupa LOTOS S.A. in the field of social activeness are largely the response to the demand for such actions. However, the LOTOS Group intends to change this state of affairs and become more pro-active in undertaking its own actions.

An example worth recommending to other companies is 'Pomerania Project' (*Projekt Pomorze*) which has

been pursued since 2006. As part of the programme, we cooperate with authorities of the Pomeranian Voivodship on the development of the region through undertaking economic projects and initiatives which promote the voivodship.

Equity market

There are approximately 70 meetings a year with stakeholders of the equity market, namely analysts and investor representatives. The main subject of the meetings is the presentation of the LOTOS Group, its development strategy and financial results. Key tools applied by the LOTOS Group in communication with the equity market:

one-on-one meetings,

participation in analyst and investor conferences, road shows,

teleconferences and videoconferences,

investor relations website (www.ir.grupalotos.pl),

annual Open Day for Analysts and Investors in Grupa LOTOS S.A.,

publication of financial statements and key information on the Company and the LOTOS Group,

regular telephone and e-mail contact with equity market participants.

Research and development

The LOTOS Group pursues its own R&D activities as evidenced by many examples of effective cooperation with:

domestic industry scientific institutes on new product, process and management technologies,

domestic technical universities on research, process modernisation, assistance in the education of students through student apprenticeship, student stay,

teaching activities and knowledge sharing,



The name 'Pomerania Project' (Projekt Pomorze) evokes a natural association and reference to all the activities of the LOTOS Group within business, promotion, image creation and media aimed at emphasizing the role of the Company in the Baltic Sea region. We have been an integral part of the economic landscape of TriCity and the Coast for more than 30 years. We have taken full advantage of our seaside location, and by fulfilling the ambitious expansion strategy, we intend to become a driver behind the dynamic development of our region.

The basis for the Pomerania Project in the LOTOS Group is the effective implementation of the business strategy to 2012. We are particularly interested in the exploration and production area. The strategy envisages the fulfilment of high market and ecology requirements. Owing to the strategic 10+ Programme, the crude oil processing will increase to 10.5 m tonnes per annum. This growth will imply the higher economic efficiency of the LOTOS Group, its greater commercial activity and strengthening its position among European refineries. However, there is more to it – the Programme implies also new jobs and cooperation with local companies. We are positive that the further business expansion of the Concern in the region according to the strategy will become the success not only for the LOTOS Group but also for the TriCity metropolitan area and the whole Pomerania. The partnership cooperation between our Company and local authorities and self-governments has been necessary for setting common aims, working for the universal good and perceiving the resulting benefits. We will act for the integration of Pomeranian communities.

Being a responsible and at the same time the largest company in the region, we want to share our successes within the CSR policy and support valuable initiatives for the common benefit. Therefore, in January 2007 we signed an agreement with the TriCity presidents and mayors, the Voivod and the Voivod Marshal, in order to create a platform for the economic, social and cultural development of TriCity and Pomerania. We took the obligation to promote the agglomeration and the region in Poland and the European Union.

The dynamic growth of our firm, which is more and more focused on international expansion, particularly within the upstream and market activities, requires from us to communicate main areas of our interest for the following years. Within the Pomerania Project, we are trying to communicate the main directions of our development to a group of receivers for whom such information is an impulse for meeting our needs and expectations. The knowledge within the strategic projects should become an inspiration and partly the reference point for other businesses in our region.

Joint initiatives bring the synergy effect that is beneficial for all partners and the Region. For example, the watercourse of the Motława in the vicinity of the refinery has been dredged and made navigable within the Dead Vistula Project. As a result, the LOTOS Group will be able to transport its products by sea and on the other hand, it will be favourable for the Port of Gdańsk, as it will contribute to developing commercial and tourist navigation. Another project that will be of growing importance is the preparation for the football Euro Cup 2012 to be held in Gdańsk.

Jowita Twardowska
Director of the Board Office and Coordinator of the Pomerania Project

leading international research centres on petroleum processing, new technologies of industrial processes, and development trends in various product segments to ensure ongoing monitoring of the progress and implementation of new standards.

Representatives of the Group regularly participate in international scientific and technical conferences, and industry congresses on petroleum processing and environmental protection. Grupa LOTOS S.A. also organises training meetings for domestic and international customers to present development trends, pass on information on manufacturing processes, and the methods of attesting and certifying product quality. We also regularly meet with customers so that they may learn technological processes and major procedures related to manufacture and product quality certification.

Employees

The Employee Board and trade unions are active within Grupa LOTOS S.A. This topic is addressed in detail in the chapter on social aspects of activities. In addition to the employer dialogue with representatives of employees in the aforementioned entities and organisations, the Company also provides ongoing access to corporate information to all the interested parties through well-developed channels and tools of internal communication, such as:

an intranet website,

a corporate monthly,

regular employee meetings with the management,

a corporate PA system which broadcasts news and announcements,

meetings and events, including open days, integration and sports events

We use special projects for the communication of the business strategy and organisational changes:

on the intranet:

- a special website devoted to the communication of 2012 strategy, comprising news, interviews, Q&As,
- interviews and news on organisational changes, schemes which display structural changes,

in the corporate newsletter:

- special theme sections which present the advancement of works in the investment programme, a green page which describes the LOTOS Group's involvement in environmental protection,
- interviews and information on the fulfilment of the strategy and development programmes of the LOTOS Group.

Development of a bidirectional communication model is supported by effective use of available interactive tools of internal communication, such as the contact box and 'ask a question' events in the intranet.

The Company tries to regularly obtain employee opinions and survey their expectations of their employer. The following methods are used for this purpose:

communication audit,

theme surveys in the intranet,

usage statistics for various intranet sections,

questionnaire surveys,

employee feedback on a particular event described in the corporate newsletter.

The Group also has experience in running information campaigns addressed to all employees of the LOTOS Group.

Strategy communication

In 2006, Grupa LOTOS S.A. adopted a new business strategy of the LOTOS Group. The Management Board decided to launch a comprehensive project of reaching all the employees, namely 5,600 persons, with information on the strategic goals of the LOTOS Group. The primary method of communication was direct meetings with the participation of the President of the Management Board of Grupa LOTOS S.A., Paweł Olechnowicz, and the presidents of the 15 largest subsidiaries. In the autumn of 2006, a total of 135 meetings were organised, based on a detailed scenario, which involved an anonymous survey designed for quick gathering of feedback. The goal of the project was to achieve employee understanding and approval for the new strategy of the Group and provide answers to questions related to planned changes. Nearly 80% of the issued questionnaires were filled in.

The gist of the project was to provide the employees with information on the new strategy and highlight the role of employees at various positions in the strategy. What is particularly important is that the key task was the commencement of the process of changes in the existing model of internal communication, namely support for the development of a bidirectional system, oriented towards interaction and open to the information needs of various professional groups.

The project is an example of good practice in corporate social responsibility of the employer, who voluntarily obligates himself to notify all the employees of strategy changes. The project was ranked the best internal communication campaign of 2006 by the experts and awarded the 'GOLDEN CLIP 2007' (*Złoty Spinacz 2007*) award the Association of Public Relations Companies in a competition aimed to improve standards and professionalism of communication by promoting the best domestic projects.



President of the Management Board of Grupa LOTOS S.A., Paweł Olechnowicz, participated in all meetings during which the new corporate strategy was presented to employees

Membership in industry organisations [3.15]

Grupa LOTOS S.A. is a member of the following domestic and international organisations:

Industry organisations:

Scientific and Technical Association of Engineers and Technicians of the Gas and Oil Industry (Stowarzyszenie Naukowo Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazownictwa),

Polish Organisation of Oil Industry and Trade (Polska Organizacja Przemysłu i Handlu Naftowego),

Conciliation of Clean Air and Water in Europe (CONCAWE),

World Petroleum Council – Polish National Committee,

Institute for Fuels and Renewable Energy (Instytut Paliw i Energii Odnawialnej).

Business organisations:

Business Center Club,

Gdańsk Business Club (Gdański Klub Biznesu),

Polish Higher Education-Business Forum
(Polskie Forum Akademicko – Gospodarcze),

Pomeranian Chamber of Commerce and Industry
(Pomorska Izba Przemysłowo – Handlowa),

European League for Economic Cooperation
(Liga Europejskiej Współpracy Gospodarczej)
– Polish Section.

ISO 14000 Polish Forum Club (Klub Polskie Forum
ISO 14000),

ISO 9000 Polish Forum (Polskie Forum ISO 9000),

Polish Economic Society (Polskie Towarzystwo
Ekonomiczne),

Polish District Chamber of Civil Engineers (Polska
Okręgowa Izba Inżynierów Budownictwa),

Accountants Association in Poland (Stowarzyszenie
Księgowych w Polsce).

Specialised organisations:

Confederation of Polish Employers
(Konfederacja Pracodawców Polskich),

Association of Stock Exchange Issuers
(Stowarzyszenie Emitentów Giełdowych),

Management support programmes [3.19-3.20]

Successful management requires systematic, effective and goal oriented actions. The Integrated Management System (IMS) is an integral part of the general management system of the LOTOS Group. It was designed as a tool for the continuous improvement of effectiveness and efficiency of organisation operations.

The Integrated Management System, implemented and certified by the Polish Centre for Testing and Certification (Polskie Centrum Badań i Certyfikacji), is based on the following standards:

PN-EN ISO 9001: 2001
Quality management systems,

PN-EN ISO 14001: 2005
Environmental management systems,

PN-N-18001: 2004
Occupational health and safety management
systems.

The first component of the IMS is the quality management system designed to manifest the capability of regular delivery of a product that meets customer requirements and to increase customer satisfaction by efficient application of the system, including continuous improvement processes.

The second component of the system is related to environmental activities. Taking care of the natural environment is one of key elements of the development strategy of companies within the LOTOS Group. Technologies applied within the LOTOS Group today and those planned for the future, meet the domestic and international environmental requirements. Implementation of the environmental management system is determined by constant care for the environment. The sole task of the system is to support activities related to environmental protection and preventing pollution in balance with social and economic needs.

Implementation of the occupational health and safety management system (OHS), which clearly assumes

participation of employees in system development and operation, obligates the Company to undertake regular steps for the improvement of the OHS. This follows the fact that proper management is the most effective method of ensuring the high level of the OHS required to observe legal regulations in this field and meet social expectations, as well as to obtain economic effects for the organisation and the country.

In 2003, Grupa LOTOS S.A., as the first company in the chemical industry and the second company in Poland, received the certificate of the Integrated Management System.

In June 2007, the Company successfully underwent the IMS re-certification audit (renewal), aimed at evaluating system conformance with the requirements of the standards. The re-certification audit is performed every three years from the moment the certificate is received to renew its validity and receive a new certificate.



At present, the Integrated Management System has been implemented and certified in all branches of eight companies of the LOTOS Group: LOTOS Asphalt, LOTOS Gaz, LOTOS Lab, LOTOS Kolej, LOTOS Parafiny, LOTOS Ochrona, LOTOS Straż and LOTOS Serwis. The quality management system has been certified in LOTOS Oil and LOTOS Paliwa. LOTOS Asphalt holds

a certificate of compliance in the activities related to the manufacture of bitumen with the requirements of the Company Manufacture Control. In addition, LOTOS Lab has been accredited by the Polish Centre for Accreditation in accordance with the PN-EN ISO / IEC17025:2005 standard at the Gdańsk and Czechowice branches.

The LOTOS Group is working on the implementation of several new management system projects.

The first one is the Enterprise Risk Management (ERM). It is designed to raise awareness of strategic goal risks, supplement the right of priorities with actions which reduce key risks and to implement and monitor such activities. Effective enterprise risk management prepares the Company for unwanted situations, allows the Company to operate in a crisis situation and undertake informed decisions, provides the framework for the internal control system, and improves stakeholder relations.

Given the fact that the importance of information has been on the increase compared to other material assets of the Company, in order to protect its information resources the Company has begun to implement an Information Security System based on ISO 27001:2005. System implementation ensures credibility, trust, certainty, higher competitiveness, expense savings and continuity of operations.

Grupa LOTOS S.A. is also working on the implementation of the quality management system to comply with the requirements of NATO AQAP 2110 'NATO quality assurance requirements for design, development and production'. AQAP 2110 obliges an organisation to meet detailed requirements regarding the assurance of manufacture and delivery of products for military institutions. It addresses responsibility of all involved parties for the product quality so that the delivery of safe, reliable and materially economical products is ensured. System requirements are based on the ISO 9001 structure and include additional specific NATO requirements.

In order to support management systems which have already been implemented, the LOTOS Group

uses various IT tools. The **mySAP.com Integrated Information System** supports the performance of various business processes in Group companies and ensures the effectiveness and flexibility of management. SAP provides a wide range of IT solutions which support processes such as trade and finance, and allows optimising cooperation with partners and customers.

The LOTOS Group also operates the Integrated Management System website. It is used for efficient dis-

tribution and easy access to documentation. The system comprises all the documents accessible to Group employees, based on their access rights. IMS website functionality is constantly being improved and expanded with new applications.

All the aforementioned works finally contribute to the development of a strong organisation based on business processes and supported by the Integrated Management System.



The Integrated Management System and Company Production Control implemented in LOTOS Asphalt and certified in 2006 systematised and standardised the procedure of quality control of bitumen manufactured in various manufacturing departments. Quality control is performed at multiple stages of manufacture, from receipt of raw materials to product shipment. Procedures which involve testing and dealing with a non-compliant product allow us to reduce to the minimum the risk of delivering non-compliant bitumen to the customer.

The challenge we face is the certification of the Company Production Control system to the European harmonised standards for bitumen applied in the construction industry, which are scheduled for implementation in 2009. Harmonisation of construction product standards is aimed at standardising the requirements, research methods and systems of product evaluation in the whole European Union. This will eliminate obstacles in bitumen sales in the Member States which are derived from technical specifications for road bitumen which are different in each Member State.

LOTOS Asphalt is open to all suggestions and comments on the quality of our products and services. We review every customer complaint for failure to meet quality requirements, regardless of the form of complaint delivery. In 2006, we reviewed 29 and admitted 10 complaints. In 2007, we reviewed 20 and admitted 6 complaints. We are certain that application of certified management and production systems will result in the reduction of process non-compliance with adopted standards and requirements.

It should be stressed that LOTOS Asphalt maintains tight cooperation with the Polish Asphalt Pavement Association (Polskie Stowarzyszenie Wykonawców Nawierzchni Asfaltowych) and the Polish Economic Road Association (Ogólnopolska Izba Gospodarcza Drogownictwa) to popularise modern solutions in bitumen technologies for road surfaces, to initiate and agree on standardisation activities regarding bitumen, and to disseminate the best solutions of road staff health protection. We also cooperate with scientific centres and research institutes by supporting their research work to improve the quality of bitumen surfaces.

Krzysztof Brygała

President of the Management Board of LOTOS Asphalt Sp. z o.o.



*Towards increased
shareholder value
and safety*

GRUPA LOTOS S.A. INTEGRATED MANAGEMENT SYSTEM POLICY

Corporate Mission

The LOTOS Group's mission is to achieve innovative growth in the area of crude oil production, refining and distribution of top quality products by operating in a manner that is environmentally friendly, compliant with the energy security policy, guarantees full satisfaction of customers, and ensures continuous development of the employees and capitalization on their potential.

We aim to:

- ensure that our company operates safely
- develop our technology in response to rising Polish and European quality and ecological requirements
- improve economic effectiveness and consolidate our position among European refineries
- continuously pursue to consolidate our position in exploration and production
- develop our activity in the Baltic Region
- increase our share in retail and wholesale fuels market
- continuously improve our customer service standards

The objectives mentioned above are realized by:

- fulfilling Integrated Management System requirements and continuous improvement of its effectiveness
- ensuring the fulfillment of consolidated and standardized procedures in conformance with legislative regulations
- concentrating on processes that create value within the framework of Grupa LOTOS S.A. core-business activities
- reducing environmental impact
- preventing work-related accidents, occupational diseases and near misses
- developing employees and improving their competences as well as recruiting new employees with competences important for our company's strategic goals
- continuous improvement in all areas of our business

I commit to provide adequate funds and means in order to successfully introduce this policy and increase employees' engagement in its implementation.

Paweł Olechnowicz
President of the Management Board
Chief Executive Officer

Gdańsk, 24.10.2007
3rd Edition



Implementation of an Integrated Management System brings multiple benefits to the Group. It allows the Group to:

pursue activities which allow it to improve work organisation, change staff behaviour and mentality;

improve information flow by definition of rules, channels and data to be communicated;

increase employee involvement in the improvement process;

raise employee awareness with training, meetings and project groups;

monitor activities related to the fulfilment of IMS goals, tasks and programmes;

increase organisation effectiveness and efficiency in achieving goals;

pursue activities to increase the capacity of the organisation and of its suppliers to create added value by mutually beneficial relations;

evaluate effectiveness and efficiency of actions with IMS audits;

introduce supporting IT tools to manage documentation, audits, non-compliance, corrective and preventive actions, and occupational risk within the whole LOTOS Group;

carry out environmental activities of the LOTOS Group to protect the environment;

foster development and participate in solving environmental issues;

implement rules of monitoring and evaluating impact of environmental activities;

stimulate the Company's OHS activities supported by the management;

introduce effective actions as a result of identified near-miss events;

initiate and/or implement improvement activities which result in:

- lower consumption of raw materials, energy and materials,
- reduction in pollution and waste and recycling costs,
- reduction in fees for environment use,
- better cooperation with public administration bodies and society,
- more effective planning of funds,
- increase in work safety,
- decrease in occupational risk,
- fewer accidents, occupational diseases, reduction in employee exposure to hazardous factors.



The distinctive offices of Grupa LOTOS S.A. and the investment area of 10+ Programme became the landmark of the Gdańsk urban area.

Integrated Management System audits

As part of actions to improve IMS operations, in 2007, the Company organised a series of training courses for internal IMS auditors supported by the European Special Fund. In addition, the Auditor School in the LOTOS Group started to operate at the LOTOS Academy (for more details see the 'Training and education' chapter). The goal of the School is to train qualified and experienced auditors to perform audits at various companies of the LOTOS Group in accordance with the highest, uniform corporate standards. Because of new business ventures and the need to apply uniform

standards within the Group, it is necessary to prepare employees who can run effective and efficient audits yielding unified results in all fields of the organisation.

The LOTOS Group performs numerous audits to verify whether the IMS has been effectively implemented and maintained and whether it meets the planned actions and requirements of the standard. Audits are planned taking into account the status and validity of actions or areas and results of previous audits. Audit results are presented during management reviews and are used to perfect the management systems.

Audits conducted in the LOTOS Group from 2006 to 2007

Audit type	2006	2007
Audits in Grupa LOTOS S.A.	14	37
Corporate audits in subsidiaries of the LOTOS Group	5	15
Audits of suppliers – contractors which perform works for Grupa LOTOS S.A.	15	6
Number of auditors involved	21	22
	132 audit-days	142 audit-days

Awareness of customer requirements

The satisfaction of customers and end users of the product depends on understanding their needs and expectations. One of goals of IMS implementation in the LOTOS Group is to raise awareness about the importance of fulfilling customer requirements. This is primarily realised during training courses. The Adaptation Programme for new employees of Grupa LOTOS S.A. (for more information see the 'Training and education' chapter) serves to present the concept and requirements of the Integrated Management System, including the importance of effective system operations to raise customer satisfaction. Employees promoted to managerial posts are presented with tasks and their given scope of managerial responsibility. Each training course is designed to raise staff

awareness of the importance of fulfilling requirements of both external and internal customers within the organisation.

In addition, LOTOS Paliwa has been organising detailed customer service training for petrol filling station staff. In 2007, the first series of training was completed. The training was attended by employees of all stations.

Perfection of customer service quality standards is one of key goals of the LOTOS Group. Our obligations in this scope are reflected, among others, in the Policy of the Integrated Management System of Grupa LOTOS S.A. The IMS Policy is publicly available on the Group's websites, and all employees have become familiar with the Policy





The Integrated Management System implemented and certified in our enterprise serves for customers as a guarantee of our care for the quality of products and services. For the environment, it is the proof of our environmental concern, and for our employees, it ensures work safety.

In addition, to standardise management standards in the LOTOS Group, in addition to the governing documentation in the form of procedures, instructions and other internal documents, three major documents addressing the conduct of the employees were developed: the Corporate Ten Commandments,

the Employee Code of Conduct of the Grupa LOTOS S.A. and the Manager Code.

The Corporate Ten Commandments reflect the principles of management which address adherence to the principles of the corporate governance, promotion of effective communication, employee involvement and partnership relations, optimisation of employment within the LOTOS Group with retention of jobs, and encourage continuous development.

The Employee Code of Conduct of the LOTOS Group lays down the rules to be followed in relations with customers and commercial partners, rules of honesty and professional ethics, and relations between co-workers.

The Manager Code of Conduct of the LOTOS Group illustrates the skills and features required from a manager. According to the Code, a manager follows rules of social conduct and good manners, obeys the law, does not abuse his/her influence, demonstrates an exemplary attitude, his/her behaviour is described in terms of loyalty and honesty, he/she assumes responsibility for his/her decisions and the effects of team work, and respects the needs of his/her employees.

We are aware that today implementation of a certified management system and high standards of conduct in the field of business ethics, production process quality and product quality, and concern for the natural environment and work safety has increasingly become the requisite for establishing and maintaining cooperation with customers and business partners.

Halina Stasiewicz

Process Management Office Manager, representative of the Management Board for the Integrated Management System in Grupa LOTOS S.A.

Innovations and competitiveness [2.7]

In line with the mission of Grupa LOTOS S.A., all technological and R&D work undertaken by the Group is aimed at modernising manufacturing processes, and constant product development operations in keeping with the latest trends, with negative environmental impact of manufacturing processes and manufactured products kept to the minimum. This results in ongoing use of global technical solutions, which in many cases result in the manufacture

of products of much improved quality parameters in terms of functionality and environmental protection.

Grupa LOTOS S.A. was the first petroleum company in Poland to market low sulphur diesel oil, petrol and heating oil, which considerably exceeded EU requirements on sulphur content in the ready product.

Research conducted at domestic and international R&D centres allowed us to introduce Dynamic brand fuels in 2007, which considerably exceeded standard requirements. Long-term contracts for the delivery of fuels to network buyers in Poland and Europe are a testament to the competitiveness quality of the Group's offer.

The LOTOS Group applies the same approach towards quality in all of its operating fields. In the segment of lubricants, attention is paid to the implementation of products which meet new quality standards. It is worth noticing that out of concern for competitive advantage in terms of quality and prices, the Company has focused its research on maximising the use of its own base oils. The research was successful. The Group obtained independent quality approvals by global hardware manufacturers for new ranges of oils, such as turbine, hydraulic and gear oils.

The lubricant market is a very specific and distributed market, and conditions of operation often vary. Therefore, Grupa LOTOS S.A. establishes very wide technical cooperation in its relations with customers. Upon customer request, we offer assistance in solving operational problems. This allows us to learn as much as possible about product suitability under the actual operating conditions. Regardless of that, the customer is fully informed of the technical status of the tested equipment. In addition, we educate on the issues of operation and service. This comprehensive approach allows us to minimise risks for the customer, solve many customer problems and deliver product know-how. This partnership approach to the customer builds trust, and raises the feeling of safety and satisfaction in commercial relations.

Heavy residual products are natural oil constituents and valuable raw materials for a number of technological processes. Close cooperation with R&D centres allows Grupa LOTOS S.A. to obtain high-quality products in terms of functional properties, as well as technical approval for the products. This is particularly important for products not covered by any domestic standards, such as modern bitumen. European standards or the system of approvals issued by the industry institute apply to such products. All the research

focuses on two aspects: quality and environment. The analyses are aimed at reducing the amount and damaging nature of constituents to the environment during the manufacturing stage, thus reducing the unwanted constituents in the final product.

The key actions of Grupa LOTOS S.A. in this field focused on:

developing technologies of new generations of petroleum softening agents which meet stringent European standards. The inclusion of such a product in the offer allows us to join a small group of manufacturers and secure supplies of the raw material to customers (from 1 January 2010 onwards, no petroleum softening agents with a higher content of hazardous components will be allowed in the European Union).

developing the technology of hydrofining the slack wax. The hydrofixed slack wax meets the stringent standards of the German Quality Assurance Institute and RAL Color Space System. This will support the additional application and visual improvement of paraffin products.

developing the 'deodorizing' project for bitumen pouring. Because of the physicochemical properties, logistic operations on bitumen require high temperatures. The side effect is the distinctive, noxious smell. This is an environmental action aimed at reducing the hot emissions into the atmosphere.

The constant development and high quality of all products of the LOTOS Group is ensured through:

inclusion of precise clauses in the Integrated Management System procedures which apply to all fields of operations,

implementation of the NATO-compliant quality assurance system,

standardisation activities: the Company voluntarily finances and participates in the implementation of international executive standards to describe product quality,

cooperation with global leaders in the development of various product segments (lubricant oils, paraffin, bitumen, fuels) to continue to introduce modern products in a given market segment,

continuous cooperation with engineering offices on new process, equipment, software and control solutions to adapt new solutions to manufacturing processes,

cooperation with CONCAWE (the CONservation of Clean Air & Water in Europe) on exchanging information on products, processes, joint cooperation in projects devoted to quality, research, harmonisation with legal regulations, registration of substances in accordance with requirements of the REACH Commission Regulations (Registration, Evaluation and Authorisation of Chemicals),

regular SOLOMON ratings to determine rank compared to the top global refineries in terms of product quality, effectiveness of various operating areas, manufacturing organisation and environmental impact,

obtaining of approvals, certificates and quality attestations by independent institutions and hardware vendors,

participation of LOTOS Lab in the ASTM programme (the American Society for Testing and Materials is the ultimate organisation which defines standards in the US) to determine the quality of analyses by accredited laboratories worldwide.

Awards and prizes

Grupa LOTOS S.A. and companies within the LOTOS Group have won a number of prestigious awards and prizes. What is particularly important to us is the fact that the majority of the prizes are based on the positive evaluation of the Group's achievements in the fields which constitute the gist of the social policy – in relations with employees, commercial partners, and local communities.

Below are the major awards received by Grupa LOTOS S.A. and selected companies of the LOTOS Group from 2006 to 2007.

Best Manager of a State-Owned Company in 2007 for Paweł Olechnowicz, President of the Management Board of Grupa LOTOS S.A., in a poll by Forbes,

A medal for the implementation and world-class application of technical solutions in the field of electrical engineering and instrumentation and controls awarded by Prof. Stanisław Szpor Medal Chapterhouse, which was founded by the Association of Polish Electrical Engineers (Stowarzyszenie Elektryków Polskich),

Business Superbrand Polska 2007 awarded for the first time in the business-to-business (B2B) category in the Business Superbrands competition, which lists the strongest and best recognizable brands in the Polish market, organised in 70 countries by The Superbrands Ltd.,



6th place in the 'Stock exchange listed Company of 2007' a ranking organised by Puls Biznesu and Pentor,

LOTOS Czechowice S.A. won the Silver Laurels in the **Fair Play Company** competition organised by the Institute for Private Enterprise and Democracy at the Polish Chamber of Commerce (Instytut Badań nad Demokracją i Przedsiębiorstwem Prywatnym przy Krajowej Izbie Gospodarczej). The award goes to companies which won the Fair Play Company title seven times,

(Związek Pracodawców Warszawy i Mazowsza) and Europa 2000 Consulting,

The 'Communication of the new strategy of Grupa LOTOS S.A. to employees' project won the first prize, **'Golden Clip 2007'** in the Polish competition of the Association of Public Relations Companies (Związek Firm Public Relations),



Tadeusz Szkudlarski, president of the Management Board of LOTOS CZECHOWICE S.A. with Silver Laurels for the Fair Play Company

Nomination in **Arts & Business Awards Partnership of the Year** awarded to Grupa LOTOS S.A. and the State Baltic Opera for their contribution in the development of partnership relations between business and cultural institutions,

First prize for the best company in the 'Road and Engineering Infrastructure' category for LOTOS Asphalt Sp. z o.o. in the **'Eagles of Polish Construction Industry'** competition organised by the Association of Warsaw and Mazowsze Employers



LOTOS Semisynthetic oil manufactured by LOTOS Oil S.A. was awarded at the 6th edition of the **'Best in Poland'** Product Quality Consumer Competition,

Award for the best corporate newsletter **'Tuba 2007'**, in the 3rd Polish Forum of Corporate Newsletter Editors organised by SARTO,

LOTOS Gaz S.A. won the 3rd edition of the **'Reliable Entrepreneur 2007'** competition organised by Media Project,

9th Diamond to the Golden Statue of the Polish Leader awarded by the Business Centre Club,

2nd prize **Customer Golden Laurels** in the petrol filling station category awarded by Przegląd Gospodarczy,

Medal at the 3rd International Infrastructure Fairs **TRAFFIC - EXPO 2007** in Kielce for LOTOS Asphalt Sp. z o.o. for MODBIT modified bitumen,

Business Gazelle 2007 for LOTOS Kolej Sp. z o.o. for 5th place in the ranking of the most dynamically growing Pomeranian companies awarded by Puls Biznesu,

Business Gazelle for LOTOS Parafiny Sp. z o.o. awarded by Puls Biznesu in the ranking of the most dynamically growing companies in 2006,

Polish Ecology Partner certificate awarded in the 8th edition of the National Environmental Protection Competition 'Environment Friendly',

'**Entrepreneur of the Year 2006**' for LOTOS Czechowice S.A. awarded by the Bielski Starost,

Sports Partner 2006 – a statue awarded by the President of the City of Gdynia,

A special prize awarded by the Association of Private Investors (Stowarzyszenie Inwestorów Indywidualnych) for the best annual report submitted for 'The Best Annual Report 2005 – first ISFR/IAS annual report',



'**Pearls of the Polish Economy 2005**' awarded to Petrobaltic S.A. by the Polish Market magazine,

'**Manager of the Year 2005**', best manager title in Poland for Paweł Olechnowicz, President of the Management Board of Grupa LOTOS S.A.,

Social Solidarity Medal awarded by the Business Center Club and NADZIEJA Foundation of the Warsaw Archdiocese for Helping the Poor and Unemployed,

'**Economic Gryphon 2006**' in the exporter category awarded by the Economic Council of the Pomeranian Voivodship,

Medal of Autostrada 12th International Road Construction Fairs – Polska in Kielce for LOTOS Asfalt Sp. z o.o.,

Economic Prize of Podkarpacki Business Club for LOTOS Jasło S.A. for the highest charity donation and sponsoring donation in 2005,

'**Patron of Culture 2005**' in Pomerania, a Pomeranian Gryphon statue,

'**Virtual Telephones**' prize awarded for the implementation and development of ICT technologies, by Mobile Internet monthly,

Skills and Competencies Laurels for Paweł Olechnowicz, President of the Management Board of Grupa LOTOS S.A. awarded by the Regional Economic Chamber in Katowice,

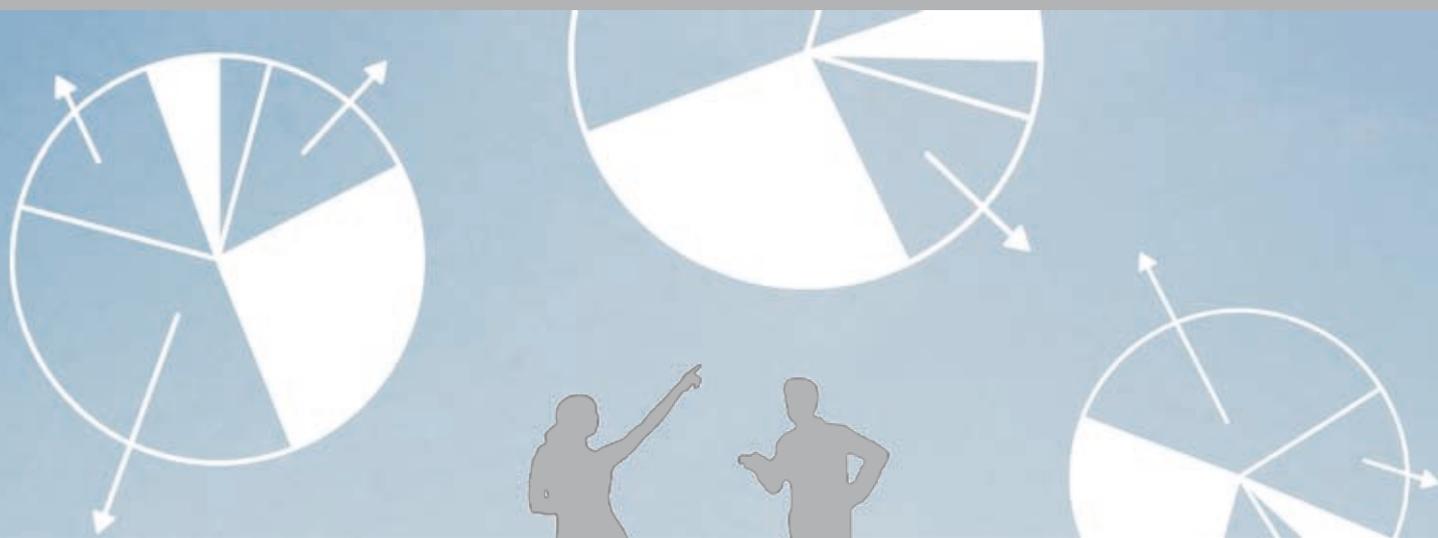
'**Super Patron of Gdańsk Sports**' awarded by the President of the City of Gdańsk,

Winner of **Human Resources Management Leader 2007** competition organised by the Institute of Labour and Social Affairs.



Patron of Jasło Culture 2005 for LOTOS Jasło S.A.,

Patron of Youth Sports, awarded by the Pomeranian Regional Basketball Association.



4

Economic aspects of activities

Customers

GRI no. **EC1***

Net sales

2007

Grupa LOTOS S.A.: PLN 11,866,594,000
 LOTOS Group: PLN 13,125,123,000

2006

Grupa LOTOS S.A.: PLN 11,629,821,000
 LOTOS Group: PLN 12,798,084,000

GRI no. **EC2**

Geographic breakdown of markets

Key products of the Group include petrols, diesel oil, light heating oil, propane-butane (LPG) and aviation fuels. Below is a description of product markets from 2006 to 2007 and shares of the Group in various segments.

Petrols

The analysis of the Polish market of engine petrols shows that in 2007, the consumption grew by 4.1% compared to 2006, and exceeded 4,700,000 tons. This means that the growth trend prevailing since 2005 has been on the increase. The growing demand for petrols in the light of the pan-European drop in interest in this fuel could be explained by the excellent condition of the Polish economy, and thus, a considerable rise in car sales. The financial situation of the Poles has also improved and they have used their cars more frequently.

Diesel oil

Since 2005 consumption of diesel oil has been growing rapidly. In 2007, there was an increase by 21%, which translates to reaching the level of 10,490,000 tons. In general, we have seen shortages of diesel oil in the market resulting from a considerable increase in interest in this group of products, which cannot be met by domestic manufacturers. The deficit balance

in diesel oil trade has deepened every year. This trend is expected to prevail in the forthcoming years. The interest in diesel oil is related to European trends and the increase in transport services dominated by diesel oil use.

Light heating oil

Consumption of light heating oil since 2005 has been steadily dropping. In 2007, consumption fell by 25% to 1,434,000 tons. A considerable drop in the manufacture and consumption of light heating oil has been recorded in the Polish market, in line with global trends. This may follow the fact that consumers use other sources of energy at relatively lower prices than light heating oil (e.g. natural gas), as well as a reduced practice of using light heating oil for propelling vehicles.

Propane-butane (LPG)

After years of quick growth in the LPG market, since 2006, we have seen a slow stabilisation. According to POPIHN figures, in 2007, LPG consumption was approx. 3% lower than a year ago and reached 2.37m tons. The growth rate of the Polish LPG market slowed down. The main reasons for the slowdown include the growing LPG price compared to the petrol price, growing costs of gas installations in new cars, and in-

* Main GRI indicators in navy blue, additional indicators in black

creased interest in diesel powered cars. The tax policy of the state may also considerably affect LPG development trends in Poland.

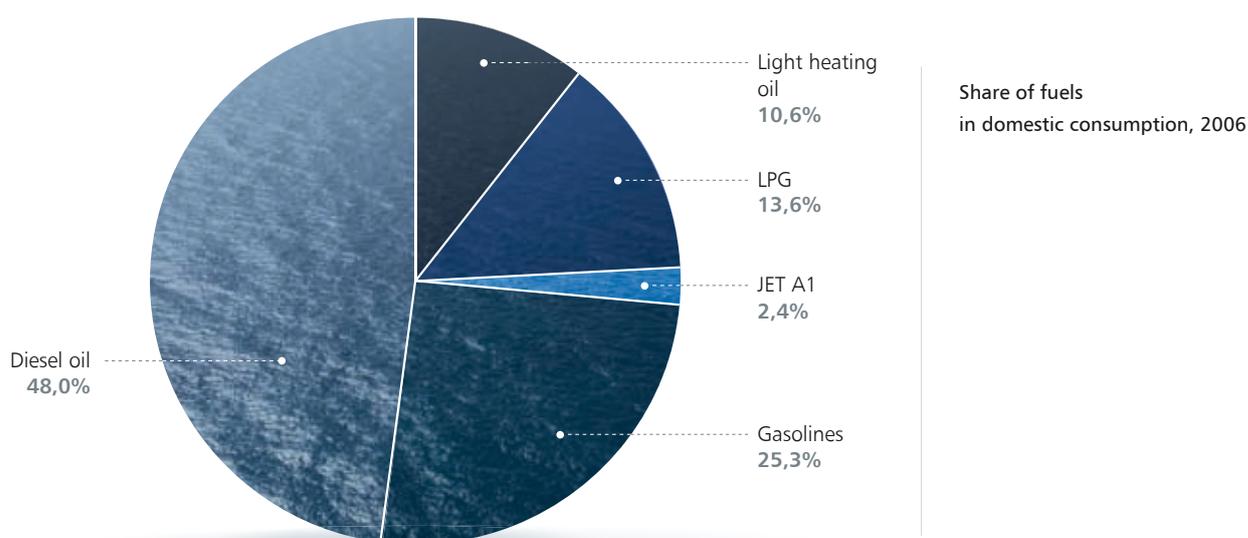
JET A1

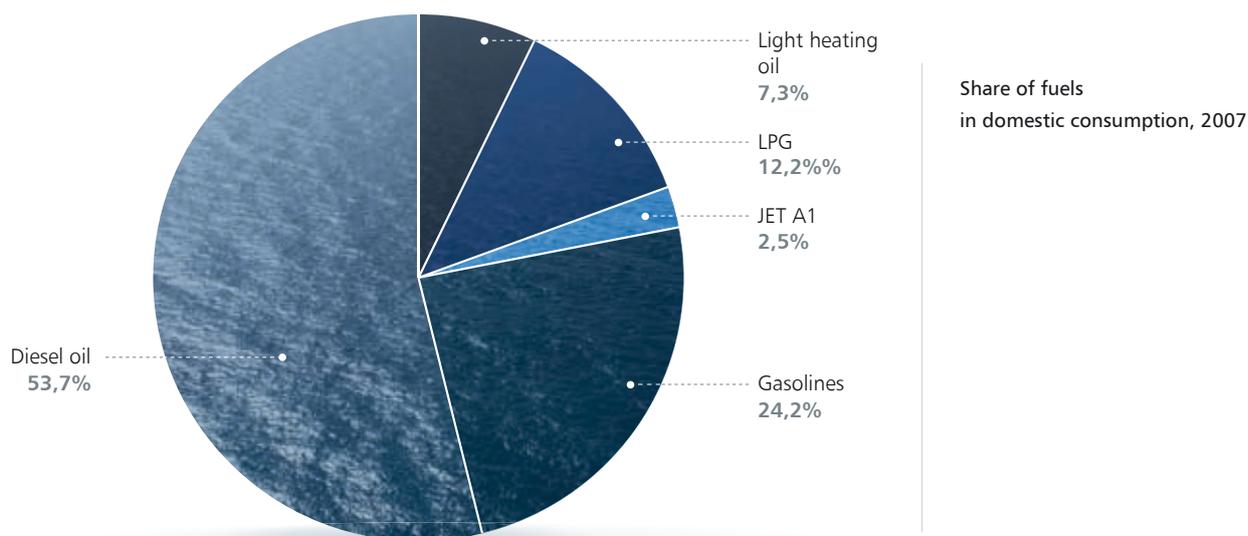
The domestic aviation market is currently taking shape. Since Poland joined the European Union, there has been a dynamic growth in the sale of jet fuel. A similar trend persisted in 2007. It is estimated that domestic production of that fuel grew by 15% to 490,000 tons in 2007. According to passenger flight

statistics, the Polish market has been one of the fastest growing markets in the world for the last three years, in particular as a result of the arrival of budget airlines and the development of smaller regional airports. It is forecast that the average annual growth in aviation fuel consumption in Poland from 2008 to 2009 will reach 11% p.a..

Domestic fuel consumption 2006-2007 [in tons]

	2006	2007	Change
Gasolines	4,543,106	4,729,417	4.1%
Diesel oil	8,626,241	10,490,022	21.6%
Light heating oil	1,912,506	1,434,022	-25.0%
LPG	2,450,000	2,373,389	-3.1%
JET A1	426,000	490,000	15.0%





Grupa LOTOS S.A. market share from 2006 to 2007

Fuel	2006 acc. to Nafta Polska*	2006 acc. to POPIHN	2007 acc. to POPIHN	Change
Gasolines	28.9%	26.3%	23.7%	-2.6%
Diesel oil	25.7%	25.3%	23.9%	-1.4%
Light heating oil	24.9%	23.4%	23.2%	-0.1%
LPG		4.25%	6.41%	2.2%
JET A1		20.23%	20.90%	0.7%

* Shares communicated to the public in 2007, based on then available figures of Nafta Polska and the Ministry of the Economy. As POPIHN launched the monitoring, it is recommended to base on

data published by that Organisation, starting from 2006. This will support data comparability and ensure consistent methodology.

Suppliers

GRI no. **EC3** Cost of all goods, materials, and services purchased

2007

Grupa LOTOS S.A.: PLN -10,851,429
LOTOS Group: PLN: -11,346,692

2006

Grupa LOTOS S.A.: PLN -10,712,102,000
LOTOS Group: PLN -10,97,033,000

GRI no. **EC4** Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements

2007

Indicator: interest to average trade liabilities at 0.08%.
The LOTOS Group paid 99.92% of its liabilities in time.

2006

Indicator: interest to average trade liabilities at 0.14%.
The LOTOS Group paid 99.88% of its liabilities in time.

GRI no. **EC11****Supplier breakdown by organisation and country**

2007

Suppliers with a share in supply of over 10% of revenues of the LOTOS Group:

J&S Service Investment Ltd with its registered office in Cyprus: 38.32%,
Petraco Oil Company Ltd with its registered office in the UK: 16.71%

2006

Suppliers with a share in supply of over 10% of revenues of the LOTOS Group:

J&S Service Investment Ltd with its registered office in Cyprus: 44.2%,
Petraco Oil Company Ltd with its registered office in the UK: 20.7%

EmployeesGRI no. **EC5****Total payroll and benefits**

2007

The total remuneration fund was PLN 87,775,000 including:

PLN 87,102,000 – salaries,
PLN 673,000 – supplemental payroll.

Employee benefits (excluding compulsory social insurance premiums) paid by the employer:

PLN 1,976,000 of holiday leaves,
PLN 2,562,000 of premiums for individual employee insurance and investment fund.

PLN 305,300 of retirement severance pay was paid out of the payroll fund to retiring employees who terminated their contracts of employment.

2006

The total remuneration fund was PLN 74,160,000 including:

PLN 73,721,000 – salaries,
PLN 439,000 – supplemental payroll.

Employee benefits (excluding compulsory social insurance premiums) paid by the employer:

PLN 1,601,000 of holiday leaves (organised by the employer),
PLN 1,486,000 of premiums for individual employee insurance and investment fund.

PLN 299,500 of retirement severance pay was paid out of the payroll fund to retiring employees who terminated their contracts of employment.

InvestorsGRI no. **EC6****Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed**

2007

The LOTOS Group:

Dividends paid to parent company shareholders and minority shareholders: PLN 49,525,000;
End-of-year loan and credit liabilities: PLN 1,360,117,000.

2006

The LOTOS Group:

Dividends paid to parent company shareholders and minority shareholders: PLN 2,521,000;
End-of-year loan and credit liabilities: PLN 504,232,000.

GRI no. **EC7****Increase/decrease in retained earnings at end of period**

2007

Grupa LOTOS S.A.: PLN 3,990,864,000
LOTOS Group: PLN 4,746,221,000

2006

Grupa LOTOS S.A.: PLN 3,268,105,000
LOTOS Group: PLN 4,014,432,000

Public sector

GRI no. **EC8**

Total sum of taxes of all types paid

2007

The LOTOS Group: PLN 7,194,536,000

2006

The LOTOS Group: PLN 5,968,567,000

GRI no. **EC9**

Subsidies received

2007

The LOTOS Group: PLN 5,170,000.

2006

The LOTOS Group: PLN 4,256,000.

GRI no. **EC10**

Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group

2007

Cash donations for social purposes: PLN 1,121,000
Tangible donations for social purpose: PLN 28,000

2006

Cash donations for social purposes: PLN 1,899,000

The support granted by Grupa LOTOS S.A. to various non-governmental organisations and institutions working for social purposes exceeded one million zlotys in the reported period. The Group rarely participates on its own in activities for society. Instead, it cooperates with reliable, specialised social partners who enjoy social trust and respect. This results in greater effectiveness of the aid. The effectiveness and full evaluation of the goals may be performed when the cooperation is long-term and both parties are well aware of the social needs in their neighbourhood and

have knowledge of the most effective methods of providing aid.

To illustrate the Group's involvement in the realisation of social purposes, it should be stressed that in 2007 alone there were 73 institutional beneficiaries of Grupa LOTOS S.A.. The breakdown by various fields of public life, according to the charity policy of the Group, is shown below:

Fields of public life supported by Grupa LOTOS S.A. in 2007	Number of institutional beneficiaries
Education	23
Health protection and promotion	13
Sports, including children and youth leisure	12
Charity including equalisation of social opportunities and aid to the poorest	9
Culture and arts, including preservation of national traditions	9
Environmental protection and ecology	2
Other including safety and security	5
Total	73



5

Environmental aspects of activities

Materials and raw materials

GRI no. **EN1*** Total materials used other than water, by type [tones]

2007

2006

petroleum and petroleum condensate: 6,071,318.2,
third-party components and raw materials: 1,086,941.6,
enrichments: 1,780.5.

petroleum and petroleum condensate: 6,100,400,
third-party components and raw materials: 979,169.6,
enrichments: 1,961.5.

GRI no. **EN2** Percentage of materials used that are wastes (processed and unprocessed) from sources external to the reporting organization

Grupa LOTOS S.A. does not use waste raw material and materials from external sources.

Energy

GRI no. **EN3** Direct energy use segmented by primary source [GJ]

2007

2006

heating gas: 7,788,609
heating oil: 3,275,563
heat energy: 6,362,056,
electrical energy: 1,258,601
Total energy consumption: 18,684,829

No primary energy sources.

heating gas: 8,041,840
heating oil: 3,438,630
heat energy: 6,369,998
electrical energy: 1,274,307
Total energy consumption: 19,124,775

No primary energy sources.

GRI no. **EN4** Indirect energy use

No data available.

Water

GRI no. **EN5** Total water use – surface and underground [m³]

2007

2006

surface water: 2,598,158
underground water: 144,907
Total: 2,743,065

surface water: 2,559,165
underground water: 168,110
Total: 2,727,275

* Main GRI indicators in navy blue, additional indicators in black

GRI no. EN22

Total recycling and reuse of water [m³]

2007

Processing water from waste: 891,708.

2006

Processing water from waste: 801,575.

Biodiversity

GRI no. EN6

Location and size of land owned, leased or managed in biodiversity-rich habitats

Area of Grupa LOTOS S.A.

Manufacturing units of Grupa LOTOS S.A. occupy an area of 234.50 ha.

The refinery area in Gdańsk was developed in consideration of the requirements of technological processes and fire safety. All installations and facilities are accessible through internal company roads from north to south and east to west. The basic technological facilities are located in the central part of the plant in three strips called the fuel, oil and hydrocracking block, with a hydrogen works and sulphur recovery plant. The eastern part of the refinery houses storage tanks for raw materials, semi-ready products and fuel products. Tanks for semi-ready products and oil block products are west of the technological facilities.

A transformer station, power supply centre, heat and power engineering plant, water and condensate treatment plant, and nitrogen works are located in the southern-western part of the plant. This part also features areas reserved for future facilities.

A waste treatment plant, pumping station and fire water tank holding 10,000 m³ of water is located in the southern-eastern part of the plant. This part occupies 16.2 ha. The separated southern-western part, south of national road no. 7, includes station facili-

ties and railway facilities leased by LOTOS Kolej for the needs of Grupa LOTOS S.A.

Relations with the neighbourhood

Grupa LOTOS S.A. is connected with outer areas for technological and communication purposes. Petroleum is supplied by pipelines from the Storage Base of the Oil Pipeline Operation Company (PERN).

Petroleum products manufactured by Grupa LOTOS S.A. in Gdańsk and components for fuel production delivered by sea are stored on refinery grounds.

Refining products are expedited by product pipelines to the Northern Port in Gdańsk and railway and road tankers.

Processing and fire water is drawn from the bank intake on the Mottawa river near Przejazdowo, and then fed from the storage reservoir by two 600 mm wide pipelines.

The electrical energy from two steam turbine generators does not meet the refinery demand. The electrical energy balance requires network supplies by three 110 kV lines.



Land development

The area owned by Grupa LOTOS S.A. is described in local land development plans. The plans describe the area as designated for service and manufacturing facilities, storage and warehouses.

Natural conditions

1. Landform and geological structure of the foundation

The area is situated in Żuławy Wiślane in the inter-embankment zone of the Martwa Wisła (between the Martwa Wisła river-bed to the north and Rozwójka, also called the Czarna Łacha channel, to the south). The natural profile is typical for the delta area. Initially, the home area of Grupa LOTOS S.A. was almost flat with datums resulting in the depression of approx. 30% of the area. During construction, the area was almost completely transformed. Because of low-bearing soil (aggraded mud and peat), most of the structures were located on embankments.

The refinery area is situated in the area of the Peribaltic Syncline. The latest sediments in the syncline are Cretaceous, Tertiary and Quaternary sediments.

2. Hydrogeologic conditions, underground and surface waters

Hydrogeologic conditions in Żuławy Wiślane are complex because of its geological structure, waters at various water-bearing layers and sediments of various age mix. There are two water-bearing layers in the plant area. The upper includes waters in Tertiary and Quaternary sediments, the lower includes waters in the Upper Cretaceous layers.

Water-bearing layer in the Upper Cretaceous formations

Water of the water-bearing layer in the Upper Cretaceous formations is exploited in the refinery area through two water intakes and used as drinking water.

Surface waters

Żuławy Wiślane is interspersed by a dense grid of channels and drainage ditches within polder boundaries. The majority of surface waters in Żuławy Wiślane lost their natural features as a result of long-term human interference. They are described by a minimum slope, and the level of waters is similar to sea level. All waterways are basically channels with artificially regulated levels. The main waterway in Żuławy is the Vistula river, which along with the Nogat divides Żuławy into three parts: Żuławy Gdańskie, Żuławy Malborskie and Żuławy Elbląskie. Each of the parts has a separate hydrographic layout. Żuławy Gdańskie is completely situated within the Martwa Wisła basin.

The hydrographic grid is considerably developed in the area. The grid is partly shaped by natural conditions, and partly by anthropogenic conditions. The Martwa Wisła is the dominant feature. The hydrologic parameters of the river were shaped following the cutting of the Vistula in 1895. The Martwa Wisła is the northern border of Grupa LOTOS S.A., while Rozwójka / Czarna Łacha is the southern border. The surface water intake is located on the Motława.

According to the map plotted by the Polish Geological Institute (Państwowy Instytut Geologiczny) and the Polish Hydrogeological Service (Państwowa Służba Hydrogeologiczna), the area occupied by Grupa LOTOS S.A. lies within a high flood risk region.

The Martwa Wisła

River-bed and water level in the Martwa Wisła

The Martwa Wisła river-bed is 300 to 500 m wide, and 4.7 m deep on average. The river is not very well studied from the hydrological aspect. No routine flow studies are conducted. The main measured parameter is fluctuations in the surface water level.

Average water levels in the Martwa Wisła fall within the range of 4.7 to 5.5 m a.s.l..

Average annual water statistics for the Martwa Wisła result in the following description:

Two to four times a year there is storm accumulation of water above 5.50 m a.s.l.. The accumulation

usually lasts approx. 30 hours. Once a year, a storm emergency level is recorded above 5.80 m a.s.l.. Such an accumulation lasts 9 to 24 hours. Once every two years, a so-called great storm accumulation in excess of 6.0 m a.s.l. occurs. The intensity of accumulation increase is from 22 to 58 cm/hour.

Since the Martwa Wisła receives sea and river inflows (the Motława) and is affected by the wind, random bidirectional flows are typical, depending on the hydrometeorological conditions in the Gdańsk seaside region. The Martwa Wisła was not studied for ice caps. Based on observations of drainage services, it might be stated that the ice cap appears no earlier than in December and melts by the first decade of April at the latest. Ice caps last from 48 (lowest recorded) to 116 days (highest recorded) a year. The average annual duration of continuous ice cap is 56 days a year, and the average duration of ice phenomena is 74 days.

The Rozwójka canal

River-bed and water levels in the Rozwójka

The Rozwójka is a watercourse which channels waters from the former Płonia Mała polder. The refinery facilities were constructed on the northern edge of the polder. The current drainage system, south of the plant, has been reconstructed. Rozwójka waters are channelled gravitationally to the Martwa Wisła in the area of a storm pumping house and partially through the old river-bed to run off to the Motława if the difference of water levels is positive. If there is storm freshet in the Martwa Wisła, Rozwójka waters are run off artificially through the storm pumping house with the maximum capacity of 2.30 m³/s.

Storm freshets in the Martwa Wisła usually occur in November, December, January and February. Total precipitation in those months is 97 mm on average. On the embanked section, the Rozwójka has no natural basin. The banks of the Rozwójka are covered with turf. There are also trees and bushes which prefer a wet habitat (alder, willow, ash). Water can be exchanged in the Rozwójka in approx. 125 days.

Drainage system connected with the Rozwójka

The drainage system in the Rozwójka area is established mainly by drainage ditches and closed polder systems. Waters from the polders are run off to the Rozwójka through the pumping house only. The pumping houses operate when there is an excess or shortage of waters in the polder area, as required for farming purposes.

Within the aforementioned polders there are no industrial facilities which could have a considerable impact on the quality of rainwater drained from these areas.

Balance of waters in the Rozwójka

The Rozwójka receives waters from the drainage system of the surrounding polders. If the water level in the Martwa Wisła is lower than the water level in the Rozwójka, the water runs off by gravitation through open storm gates. When the water levels in the Martwa Wisła are higher than in the Rozwójka, the storm gates are automatically closed and the storm pumping station starts the pumping process with the maximum output of $2 \times 1.15 = 2.30 \text{ m}^3/\text{s}$. In accordance with engineering calculations, this is enough to maintain proper and safe water levels, assuming that all pumping stations in the drainage area operate properly.

This means that the pumping station efficiency is sufficient to run off waters accumulated in the Rozwójka when the water dams in the Martwa Wisła.

3. Soil

There is no natural soil surface in the area of the Gdańsk Refinery. The surface was largely transformed through the laying of permanent surfaces and the erection of buildings.

4. Weather conditions

Żuławy is situated in the Baltic climate region, under a strong oceanic influence. The plain area supports the free inflow of a marine climate into the interior, which quickly dies out. Żuławy also stands out because of high air and soil humidity, which results from shallow underground waters. There are very frequent shallow fogs. Żuławy enjoys rather cold summers and mild winters.

Relative air humidity

The analysed area is characterised by high relative humidity of approx. 80% on an annual basis. In winter months, the air saturation with steam rises to 90 – 100%. High air humidity is an adverse feature from the aerosanitary viewpoint as it accelerates the conversion of gas pollutants, in particular sulphuric and nitric oxides, to sulphuric and nitric acids, more hazardous than the parent substances. This produces fogs which prevent the diffusion of pollutants. Fogs usually occur in the late autumn and winter. There are frequent shallow fogs and hazes in the morning.

Precipitation

Precipitation is advantageous to the self-purification of atmospheric air from pollutants. The level of air self-purification depends on the number of precipitation days. The highest precipitation in the area is during the summer; the average monthly precipitation in the summer exceeds 70 mm.

Wind speed and direction

Winds, their direction, speed and frequency have a crucial impact and significance on the propagation of substances. The average wind speed in the analysed area is 4.2 m/s, with the fastest winds blowing from the west at 5.2 m/s, north-west at 5.3 m/s and north at 5.4 m/s. Such a high speed of wind during the year improves the aerosanitary conditions of the area. Winds blow most frequently from the west (approx. 16%), south-west and the north. As a result, emitted substances usually propagate to non-residential areas.

The propagation of substances is affected by atmospheric silence, which fosters the accumulation of substances at the place of their 'production'. This situation takes place on 10 days in a year on average. Poor propagation of substances also takes place with wind speeds below 2 m/s. Such winds blow in Gdańsk for one third of the year.

In general, there are good conditions for the propagation of substances in air in the subject area.

Vertical equilibrium of the atmosphere

The factor which stimulates dilution of pollution is the air mass dynamics determined by the thermal and dynamic air vertical equilibrium. Effective dilution of pollution is facilitated by an unstable equilibrium, which in the subject area accompanies southerly and south-easterly winds with speeds of up to 2 to 5 m/s. The stable equilibrium, least beneficial for pollution diffusion, maintains for 12.4% of the year.

Analyses conducted with regional climate models forecast that the average annual air temperature will rise in Poland by approx. 1°C by the end of 21st century. Climate warming brings a considerable threat to the Baltic coast, namely a rise in the sea level. Until now, the sea level rose by approx. 1.5 to 2.9 mm a year. It is estimated that by 2080 the sea level will rise from 0.1 to 0.97m. According to scientific sources, 1,789 sq.km. of the Polish coast faces the risk of flooding. Gdańsk is also endangered. 880 ha of Gdańsk area is one metre above sea level and 1,020 ha is 1 to 2.5 m a.s.l.. Current flood risk may dramatically rise as a result of the increased intensity and frequency of storms. It is estimated that in the future, the number of windy days on the Polish coast may rise by 50%, with the maximum 16% increase in wind speed.

Based on the analysis of studies conducted as part of the SEAREG programme for Gdańsk, the refinery area of Grupa LOTOS S.A., given its location and links with the sea through channels and the Martwa Wisła, will face flooding. Żuławy Wiślane is at risk in particular areas nearer the sea surface. The natural result of the rising sea level, as the base for underground water drainage, will be the increase in the water level of all usable water-bearing levels.

5. Protected areas

Fauna and flora in the area and neighbourhood of the Gdańsk Refinery

Initially, the area occupied by the facilities was used for farming. Current flora in the refinery area was shaped by human activities. The crust vegetation consists of artificial turf, ruderal communities, and decorative green areas. There are also smaller areas of rushes,

bushes and plants which prefer a wet habitat in the areas not transformed by man. During operations of the Grupa LOTOS S.A. refinery, poplars were planted for insulation purposes. The flora within the plant area and its surroundings is not used as foodstuff nor for animal feeding.

Protected areas

The area owned by Grupa LOTOS S.A. has no natural value and is not subject to any protection of the natural environment. It includes trees and bushes which serve as a baffle board and reduce air pollution. The following areas are subject to various forms of natural environment protection:

Reserves

- 'Ptasi Raj' bird reserve, 2.2 km north-east of the refinery boundaries, with an area of 188.45 ha, is situated on the coast of the Gdańsk Bay at the mouth of the Wiśła Śmiała. It lies on one of main bird migration routes. The reserve is situated within the boundaries of the Special Bird Preservation Area – the Vistula Mouth.
- 'Mewia Łacha' reserve, 12 km east of the refinery boundaries. The reserve was established in 1991 and covers an area of 150.49 ha. The reserve in-

cludes a detrital fan in Przekop Wisły with diversified flora and a tern breeding colony. It is also the habitat for various species of the plover and duck family. This reserve is also situated within boundaries of the Special Bird Preservation Area – the Vistula Mouth.

Landscape parks

Established in 1979, the Tri-city Landscape Park, 11 km north-west of the refinery, covers an area of 19,930 ha. It occupies the edge of the moraine plateau near the Tri-city. Forests account for 90% of the park.

Mierzeja Wiślana Landscape Park is located 26 km east of the refinery. The park, covering 4,410 ha, extends from the Vistula Spit between Sztutowo and the national border, with stretches of dunes and pine forests interspersed with oak and beech, planted in the mid 19th century. In 1994, the Mierzeja Wiślana Landscape Park was proposed for the list of HELCOM BSPA Baltic Sea Protected Areas.

Protected landscape areas

- Sobieszewska Island Protected Landscape Area, 2 km north-east of the refinery area, covering 1,228 ha and a part of the Vistula Spit. The area includes dune flora, and rushes and halophytes at the Vistula mouth. The reserves mentioned above are situated in this area. The coastal part of the Sobieszewska Island Protected Landscape Area was included in the Special Bird Preservation Area – the Vistula Mouth.
- The border of Żuławy Gdańskie Protected Landscape Area is 2 km south of the refinery area; it covers 30,092 ha and includes the delta plain of the Vistula with a complex hydrographic system (polder-gravitational).

Existing or designed areas of Natura 2000 closest to the Gdańsk Refinery:



'Zatoka Pucka' - Special Bird Preservation Area,

'Twierdza Wisłoujście' – special habitat preservation area,

'Ujście Wisły' – Special Bird Preservation Area,

'Ujście Wisły' – special habitat preservation area currently being designed,

proposed 'Zatoka Pucka i Półwysep Helski' – special habitat preservation area – proposed for enlargement in accordance with the 'Shadow List'*

GRI no. EN7

Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater, and marine environments

No adverse impact of the manufacturing activities of Grupa LOTOS S.A. on biodiversity in terrestrial,

freshwater, and marine environments has been ascertained.

GRI no. EN23

Total amount of land owned, leased, or managed for production activities or extractive use

The total land occupied by Grupa LOTOS S.A. facilities and installations, including land leased and/or managed by the Group, covers 365.2 ha, including:

own land designated for manufacturing activities: 234.5 ha, storage and distribution bases in Piotrków and Poznań: 5.7 ha.

Emissions, waste and wastewater

GRI no. EN8

Greenhouse gas emissions (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆)

Emissions [tons/year]		
	2007	2006
CO ₂	1,152,505	1,153,625

GRI no. EN9

Use and emissions of ozone-depleting substances

Grupa LOTOS S.A. does not use or emit any ozone-depleting substances.

GRI no. EN10

NO_x, SO₂ and other significant air emissions by type

Emissions [000s tons/year]		
	2007	2006
SO ₂ [000s tons/year]	4.8084	4.8587
Maximum permitted values of SO ₂	6.0556	8.2561
NO ₂ [000s tons/year]	1.583	1.601

* Pawlaczyk P., Kepel A., Jaros R., Dzieciolowski R., Wylegała P., Szubert A., Sidło P. O., Proposal for the optimum network of Natura 2000 areas in Poland –'Shadow List'. A detailed analysis of the implementation of the Habitats Directive. Synthetic approach to the implementation of the Birds Directive, Warsaw 2004

Maximum permitted values of NO ₂	2.262	2.262
Dust from the heat and power engineering plant [000s tons/year]	0.0823	0.0939
Maximum permitted values of dust	0.1634	0.1634

AdBlue

Out of concern for the environment, in 2007, the Group began to market AdBlue at LOTOS petrol filling stations.

In accordance with EU Directives on 1 October 2006, more stringent emission regulations became effective (Euro 4), which will become even more stringent (Euro 5) in October 2008. Euro 4 and Euro 5 regulate the reduction of hazardous substances, passed by the European Union for vehicles over 3.5 tons. The regulations cover substances such as nitrogen oxide (Nox), particulate matter (PM), hydrocarbon (HC) and carbon monoxide (CO). AdBlue is a solution of high-

purity urea in demineralised water containing 32.5% of urea. The urea solution is clear, non-toxic and safe to handle, and safe to the environment.

AdBlue is applied in the new generation of diesel engines, in a process called Selective Catalytic Reduction (SCR) for the chemical reduction of hazardous oxides of nitrogen to a harmless form, namely water and nitrogen. Lorries have an AdBlue tank installed, from which the solution is injected to the SCR gas catalyser under high pressure. This solution reduces the emission of harmful combustion gas which contributes to the greenhouse effect and acid rains. The product is purchased by transport and forwarding companies.

GRI no. **EN11**

Total amount of waste by type and destination

	Year [Mg]	
	2007	2006
Waste generated	9,100	8,294
Maximum permitted values	57,991	57,991
Recycled waste	8,765	8,369
Neutralised waste	101	361

GRI no. **EN12**

Significant discharges to water by type

	Parameters for purified waste discharged to the receiver			2006
	2007			
	ROZWÓJKA until August	MARTWA WISŁA from August	ROZWÓJKA from August	
ChZT [mg O ₂ /dm ³]	50.9	56.4	50.8	43.4
Permissible values [mg O ₂ /dm ³]*	100.0	100.0	-	100.0

ChZT [kg/year]	121.665.6	21.380.1	75.349.0	171.966.1
BZT ₅ [mg O ₂ /dm ³]	7.5	2.6	8.2	7.4
Permissible values [mg O ₂ /dm ³]	20.0	20.0	-	20.0
BZT ₅ [kg/year]	17.927.1	985.6	12.162.6	29.475.2
Total suspension [mg/dm ³]	7.3	5.6	6.8	7.2
Permissible values [mg/dm ³]*	35.0	35.0	35	35.0
Total suspension [kg/year]	17.449.1	2.122.8	10.086.1	28.683.0
Total nitrogen [mg N/dm ³]	4.9	3.1	-	5.7
Permissible values [mg N/dm ³]*	25.0	25.0	-	25.0
Total nitrogen [kg/year]	11.712.4	1.175.1	-	22.741.8
Total phosphorus [mg P/dm ³]	0.4	0.4	-	0.5
Permissible values [mg P/dm ³]*	2.5	2.5	-	2.5
Total phosphorus [kg/year]	956.1	151.6	-	1.980.4
Sulphides [mg S/dm ³]	0.012	0.004	-	0.008
Permissible values [mg S/dm ³]*	0.16	0.16	-	0.16
Sulphides [kg/year]	28.68	1.52	-	29.70
Volatile phenols [mg /dm ³]	0.011	0.002	-	0.009
Permissible values*	0.08	0.08	-	0.08
Volatile phenols [kg/year]	26.29	0.76	-	34.70
Ether extract [mg/ dm ³]	2.2	2.7	-	1.1
Permissible values* [mg/ dm ³]	40.0	40.0	-	40.0
Ether extract [kg/year]	5.258.6	1.023.5	-	4.290.9
pH	7.8	7.5	-	7.9
Permissible values*	6.5 – 9.0	6.5 – 9.0	-	6.5 – 9.0

* Permissible values stated in administrative decisions valid in a given year.

Since August 2007, Grupa LOTOS S.A. has changed its method of discharging treated waste. Clean and drained rainwater is discharged to the Rozwójka, while

processed wastewater, sewage and oiled rainwater is discharged to the Martwa Wisła. It was permitted to monitor oil-derivative

GRI no. **EN13**

Significant spills of chemicals, oils and fuels in terms of total number and total volume

2007

Two spills of hydrocarbons to the environment (soil) as a result of a break-in to the Port-Refinery pipeline and one spill of processing wastewater from the pipeline in the area of the sewage treatment plant.

2006

Four spills of hydrocarbons to the environment (soil) as a result of a break-in to the Port-Refinery pipeline.

This table presents accidental environmental spills. These spills were recorded in the incident log. It is not possible to determine the amount or volume of spills.

As a result, in 2006, the Voivodship Inspectorate for Environmental Protection conducted four intervention inspections and issued two post-inspection recommendations on soil and underground water tests for hydrocarbon pollution. If any pollution is found, Grupa LOTOS S.A. must reinstate the environment to the state as prescribed by standards and guidelines. The reclamation method must be agreed with the City Hall of Gdańsk and the Voivodship Office on each

occasion. In one case, the tests did not prove pollution of the soil and water environment, in the other they did. As a result, the polluted area is being reclaimed.

In 2007, the Voivodship Inspectorate for Environmental Protection conducted three intervention inspections and issued three post-inspection recommendations on soil and underground water tests for hydrocarbon pollution. In one case, the tests did not prove pollution of the soil and water environment, in the other two they did. As a result, the polluted area will be reclaimed.

Goods and services

GRI no. **EN14**

Significant environmental impacts of principal products and services

The proper use of Grupa LOTOS S.A. products in accordance with the data sheet has no significant

environmental impacts.

GRI no. **EN15**

Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed

Grupa LOTOS S.A. does not manufacture goods which must be reclaimed and recycled. Base oils manufactured by Grupa LOTOS S.A. are sold to LOTOS Oil, which manufactures lubricant oils which are subject

to the statutory reclamation and recycling obligation, just like oil packaging, at the percent specified in the applicable regulations of the Ministry of the Environment.

Compliance with regulations

GRI no. **EN16**

Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues

There were no cases of non-compliance with governing environmental provisions in Grupa LOTOS S.A..

Transportation

GRI no. **EN34**

Significant environmental impacts of transportation used for logistic purposes

Grupa LOTOS S.A. operates a system of product pipelines connecting the refinery with the Northern Port. This type of transportation may have an environmental impact in the event of leaks resulting from e.g. corrosion or, in the majority of cases, breaks in the pipeline.

In the case of product spills to the soil and water environment, the incident is reported to the Voivodship Inspectorate for Environmental Protection, which orders that the soil and water environment be tested in accordance with post-inspection recommendations. If quality standards of soil or guidelines for underground

waters are exceeded, the soil and water environment must be reinstated to the required status. As a result, land reclamation is ordered. The process consists of pumping out polluted water from the wells and purifying the water.

The process in progress is monitored by sampling underground waters from the wells and observation piezometers. When the process is complete, tests are conducted and a report requesting process completion is filed. Incidents in the pipeline system were described in EN13.

Environmental expenditures

GRI no. **EN35**

Total environmental expenditures by type [PLN 000s]

The following table presents expenditures related to fees for economic use of the environment.

	2007	2006
Emission of pollutions into air	3,521	3,518
Water intake	100	109
Sewage removal	280	266
TOTAL	3,902	3,893

The following table presents investments which reduce the negative environmental impact in relation to the total investment value.

Outlays [PLN 000s]		
	2007	2006
Investments (total outlays)	858,462	284,104
Outlays on pro-environmental investments	99,880	34,387

The current modernisation and expansion of the Gdańsk Refinery will increase the annual petroleum processing capacity from 6 to 10.5m tons. One of the key goals of the investment programme (10+ Programme) is to meet stringent environmental quality

requirements for fuels and reduce the environmental impact of the Company.

Every year Grupa LOTOS S.A. performs environmental investments. The Company continues to

improve technologies used for petroleum processing to minimise the environmental impact. The main activities undertaken by Grupa LOTOS S.A. to reduce the environmental impact from 2003 to 2006 include:

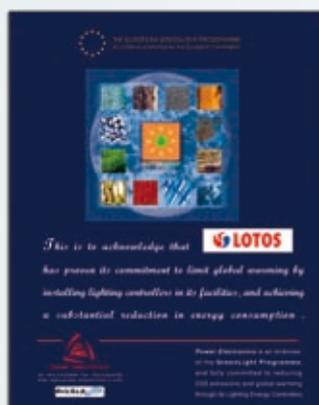
- securing LPG storage tanks,
- autofiller upgrading and construction of the new autotanker terminal,
- modernisation of sewage treatment plant control,
- modernisation of the Port-Refinery pipeline metering and control system,
- modernisation of the air pollution emission metering system,
- construction of a chlorine dioxide manufacturing facility,
- construction of a foam pumping house,
- modernisation of the bio-purification section,
- construction of a purified sewage pipeline to the Martwa Wiśła,
- modernisation of power boiler burner systems,
- modernisation of the heating oil refining system, and a new firing gas system in the heat and power engineering plant.

The Company also continues works on the following projects (investment start year in brackets):

- xylene separation facility (2005),
- oil desulphuring facility (2005),
- anti-theft monitoring on the Port-Refinery pipeline (2006).

In 2007 alone, Grupa LOTOS S.A. spent over PLN 100m on environmental investments. For comparison, Company environmental expenditures are nearly five times higher than the expenditures in 2006 and 277 times higher than in 2003.

Grupa LOTOS S.A., by remitting fees for economic use of the environment, every year contributes substantial amounts to communal and poviast funds, the General Inspectorate for Environmental Protection and environmental funds. These monies support communes and plants operating in the communes which have problems with observing permissible emissions, as prescribed by the environmental provisions.



LOTOS Paliwa participates in 'The European Greenlight Programme' project, organised under the auspices of the European Commission.

Since December 2007, LOTOS Paliwa has started to install Bricks & Bits power reducers on its own petrol filling stations. The reducers support controlled voltage reduction in external lighting systems. As a result, the Company was awarded the certificate confirming that LOTOS Paliwa reduces global warming. With the installation of LEC controllers, the company may achieve approx. 20% savings on the electrical energy used for lighting purposes.

The energy savings programme is the result of the Company's strategy aimed at environmental care and reduction of operating costs of its own LOTOS petrol filling stations.



Given the nature of its activities, Grupa LOTOS treats environmental protection as one of its priorities and an important element of corporate social responsibility. We believe it is our duty to take care of the environment we operate in. Starting with the planning of investment processes which facilitate our development, we only choose environmentally friendly technologies based on the best available techniques (BAT), described by low emissions and high effectiveness of manufacturing processes. Given the close neighbourhood of Gdańsk, the Tri-city Landscape Park,

the Protected Birds Reserve on the Sobieszewska Island and NATURA 2000 areas, we pay great attention to activities aimed at minimising direct environmental impact. We care about air quality and water purity. Our environmental monitoring system allows us to keep our impact under control.

Given the social interest, we have voluntarily and consistently reduced our environmental impact. For example, we carry out sewage treatment plant upgrades in line with our development programme. Despite the fact that we apply very efficient methods of pollution removal in the process of sewage treatment, much below the level required by the standards, currently we are carrying out the process of air-tight sealing of existing equipment used for sewage treatment and in the part of the sewage plant under development, in connection with the development plan of Grupa LOTOS S.A. This will eliminate the short-term nuisance which our neighbours may feel today.

We also feel responsible for the gradual elimination of indirect pollution originating at the places where our products are used. The environmental nature of fuels is determined by a number of factors. As the first company to do so in Poland, Grupa LOTOS introduced enrichments to petrols and diesel oils. These additions ensure purity of the fuel inlet system and the combustion chamber, as well as protect these systems from corrosion, resulting in longer life of engines and proper combustion. The effectiveness of enrichments used in the fuel manufacturing processes by Grupa LOTOS is subject to multiple engine tests in Poland and abroad. High effectiveness of engines protects the natural environment from the impact of substances created by incomplete fuel combustion.

Modernisations completed in Grupa LOTOS eliminated the harmful tetraethyl lead from petrol manufacture in 2000. Since then, we have only manufactured lead-free petrols. In 2000, with the new hydrocracking facility, 100% of our diesel oil was high-desulphured oil, with a sulphur content below 0.005% wag – the level required in the Member States from 2005. During diesel oil manufacture, Grupa LOTOS uses components which improve the operating properties of the fuel, improve engine starting, slow down the natural pollution of injection nozzles, reduce the so-called black smoke in fumes and reduce engine noise.

The current 10+ Programme will allow us to further reduce our environmental impact on the closest neighbourhood, and indirect impact, with the highest quality of our products. Our involvement in corporate social responsibility is also manifested by the numerous, prestigious environmental awards and prizes that we have received.

Mieczysław Broniszewski

Head of the Environmental Protection Office of Grupa LOTOS S.A.



6

Social aspects of activities

Employment and labour respect

Employment

GRI no. **LA1***

Breakdown of the workforce, where possible, by region/country, status (employee/non-employee), employment type (full-time/part-time), and by employment contract (indefinite or permanent/fixed term or temporary)

2007

2006

Number of employed

Grupa LOTOS: 1,098
 LOTOS Group: 4,764

Employment type

full time: 1,089
 part time: 9

Employment contract:

indefinite: 818
 permanent: 280
 substitute: 0

Number of employed

Grupa LOTOS: 945
 LOTOS Group: 5,624

Employment type

full time: 939
 part time: 6

Employment contract:

indefinite: 750
 permanent: 195
 substitute: 0

GRI no. **LA2**

Net employment creation and average turnover segmented by region/country

2007

2006

Number of new workplaces: 82
 Average employment rotation: 23.95%

Number of new workplaces: 92
 Average employment rotation: 4.44%

Average employment rotation in 2007 in Grupa LOTOS S.A. reached 23.95%. Compared to 2006, the ratio rose considerably as a result of Grupa LOTOS

S.A. taking over 71 employees of LOTOS Partner and consolidation of the Financial and Accounting Centre with 25 employees.

GRI no. **LA12**

Employee benefits beyond those legally mandated

Benefits are provided to all employees, pensioners and disability pensioners and spouses of deceased employees and pensioners, as well as persons on child-upbringing leaves.

The Management Board of Grupa LOTOS S.A. and trade unions decided to increase the basic write-off for the company social benefits fund as provided for by the Act of 4 March 1994 to 100% of the

average monthly employment in the national economy per each employee and additionally 6.25% per each pensioner and disability pensioner covered by the Company's social care. Consequently, this will amount to PLN 2,417.63 per employee in FTEs in 2008.

Grupa LOTOS S.A. pursues joint social activities with subsidiaries under the Agreement and the Regula-

* Main GRI indicators in navy blue, additional indicators in black

tions of using the Company's social benefits fund as adopted by those companies.

In 2007, approx. 5,500 persons enjoyed various forms of leisure and social aid in the LOTOS Group to the total amount of PLN 7m. This amount has been growing each year along with the Company's growth and the increasing number of new employees.

Social aid

Grupa LOTOS S.A. offers various forms of social aid: from co-financing holiday leaves and summer holidays for children, rehabilitation of disabled children to granting low-interest loans for housing purposes (purchase of a flat, building of a house, adaptation of premises for housing purposes and adaptation of flats for people with impaired physical fitness) to granting non-returnable hardship benefits to the employees and pensioners most in need, who are in a difficult situation. The Company, in cooperation with the trade unions, organises New Year and Christmas parties with gifts for children aged 2 to 15. Grupa LOTOS S.A. does not have its tourist base. However, employees with their families may go on organised integration trips.

Pensioners Association

The Pensioners Association with 660 members has been active at Grupa LOTOS S.A. for years. The As-

sociation organises annual pre-Christmas meetings for former employees. Twice a year, pensioners go on several day trips, participate in annual outdoor integration meetings with current employees, visit their former plant to see what has changed over the years. The Management Board of the Pensioners Association also visits pensioners at their homes.

Medical care

All employees, pensioners and disability pensioners of Grupa LOTOS S.A. and subsidiaries are covered with medical care of a non-public health care centre (unlimited access to specialists in addition to occupational medicine), through multiple health care centres nationwide. The basic, additional care is provided to employees working at the main offices by COMED. LUX-MED, which operates in many Polish cities, offers the employees consultations with physicians of all specialities, treatment of chronic diseases, specialised diagnostic examination, physiotherapy and rehabilitation and minor surgery. Employees may use medical services in many centres in Poland while travelling. In addition, Grupa LOTOS S.A. takes care of their employees and pensioners by providing them with both preventive and treatment dental care.

Employee relations

GRI no. **LA3**

Percentage of employees represented by independent trade union organisations or other bona fide employee representatives or percentage of employees covered by collective bargaining agreements

The Collective Bargaining Agreement is effective in Grupa LOTOS S.A. The Collective Bargaining Agreement covers all Company employees.

There are six trade unions in Grupa LOTOS S.A.. Three of them are member or organisational unions of inter-

company trade unions. Two of the organisations have the status of representative organisations. 38% of the Grupa LOTOS S.A. crew belong to trade unions.

The Collective Bargaining Agreement valid in the Company was signed on 29 December 2004. The public

side is represented by five trade unions operating in the Company. The Collective Bargaining Agreement has been changed six times by means of signing addi-

tional protocols. The Collective Bargaining Agreement covers all employees of Grupa LOTOS S.A.

GRI no. **LA4**

Policy and procedures involving information, consultation, and negotiation with employees over changes in the Company

An **Employee Council** is active in Grupa LOTOS S.A. The Council was established through designation on 13 July 2006. The Employee Council consists of 7 employees, members of trade unions. The Employer and the Employee Council entered into the agreement laying down the rules of informing and consulting as referred to in Art. 5 of the Act of 7 April 2006, on informing and consulting employees.

The aforementioned agreement defines information which must be provided by the employer to the Council. In accordance with statutory requirements, the Employee Council is informed of:

the activities and economic situation of the enterprise and any expected changes in this regard,

the status, structure and expected changes in employment and activities aimed at maintaining the employment level,

any actions which may cause major changes in the work organisation or employment basis.

The agreement also lays down the duration of relieving the Council members from their obligation to work and guarantees provision of a required room and means of communication. The Employee Council of Grupa LOTOS S.A. meets at least once a quarter so that the Council members have ongoing access to information on company development plans.

Until compilation of this Report, no legal incidents which require undertaking statutory procedures have occurred.

The social dialogue in Grupa LOTOS S.A. has involved negotiations on the annual increase ratio of the average salary. These negotiations follow the provisions of the Collective Bargaining Agreement for employees of

Grupa LOTOS S.A. All trade unions participate in the negotiations.

The position of an **Employee Representation Specialist** has been established in Grupa LOTOS S.A.. The specialist monitors whether trade union rights are respected and monitors relations between the employer and social organisations.

Out of concern for regular improvement in occupational health and safety and to provide the trade unions with proper conditions to maintain effective control over adherence to provisions of the labour code, in accordance with the Act of 24 June 1983 on social labour inspection, Grupa LOTOS S.A. established the **position of a Company Social Labour Inspector**, currently Mr Krzysztof Chyliński, and the following group social inspectors: Adam Badowski, Wojciech Bojko and Marcin Kot.

The inspectors are responsible for the improvement of occupational health and safety through inspections and support provided to the employer. The Social Labour Inspector represents the interests of the employees related to safety and compliance with the labour law. Pursuant to the decision of the Management Board made at the request of the trade unions, the Social Labour Inspector is relieved from his obligation to perform work for the term of his office.

The Social Labour Inspector also acts as a deputy chairman of the OHS Commission, chaired by the Employee Representation Specialist.

GRI no. LA13

Provision for formal worker representation in decision-making or management, including corporate governance

None of the persons in the Supervisory Board or the Management Board of Grupa LOTOS S.A. from 2006

to 2007 was a representative of the workers.



The market economy and stock exchange position requires companies to undertake steps to increase profits and find cost-cutting solutions through effective use of company resources. This results in constant changes in company structure and organisation. Changes and large investments may lead to uncertainties, an unclear situation or non-compliance with the labour law, the Act or safety in general, in certain areas. What are the benefits for the employer of appointing a Social Labour Inspector? Appointment of the Inspector allows the employer to quickly respond to comments and recommendations and avoid any adverse effect of such comments on public company quotations.

Benefits for the employees of appointing a Social Labour Inspector are obvious: the Social Labour Inspector is a local person who knows issues in the workplace; on the other hand, employees can directly apply to the Social Labour Inspector for help or advice. Social Labour Inspectors have rights which give them extensive capabilities in the field of labour law, technical safety at work and protection of the natural environment.

The Social Labour Inspector is also a member of the Company OHS Commission. This is an important field, which allows the Inspector to carry out OHS tasks and undertake steps to directly eliminate hazards.

With the intention of optimally adapting the social labour inspection organisation to the needs resulting from the company structure, the trade unions in Grupa LOTOS decided that a two-level structure is the most reasonable one. Group Social Labour Inspectors are closer to employees; their operating scope is limited to their community. Cooperation consists of the exchange of opinions and information and aid in solving problems reported by the employees on site.

Krzysztof Chyliński

Social Labour Inspector in Grupa LOTOS S.A.

Occupational health and safety

Given the number and physicochemical properties of utilities employed in technological processes, Grupa LOTOS S.A. is an employer with a high risk of failure or other threats. Therefore, the priority is to raise awareness of threats in the plant and increase the in-

volvement of all employees to follow the rules of safety at work. Managers stress that from the viewpoint of occupational health and safety management, the human being and his work environment are the most important. It is important to ensure the active partici-

pation of all employees in actions aimed at continuous improvement of labour conditions, involvement in raising the level of safety and the implementation of good practices.

The proper safety level is also related to the application of process and technological measures in Grupa LOTOS S.A. which use the best available techniques and organisational measures based on internal procedures and ordinances, which strictly define responsibility for actions.

Every year, employees and management become more aware and involved in accident prevention and the implementation of good OHS practices. Employees more often report hazardous situations, participate in fire-fighting training, paramedic training, or workshops on the identification of hazards and occupational risk evaluation. Employees have grown more eager to cooperate during training on how to respond to failures. Training courses are organised with refinery emergency services, namely the LOTOS Fire Brigade, Chemical Rescue and LOTOS Security. Employees are interested in educational actions which promote rules of safety at work and a healthy lifestyle, which inform of dangerous events in Poland and worldwide, and OHS competitions.

The joint involvement and encouragement of employees to work for the improvement of safety at work has

a number of benefits. Employees feel safer, know that their work is important and that it affects their safety and the safety of their colleagues.

Fulfilment of the 10+ Programme investment

The need to raise employee sensitivity to OHS issues and encourage greater care for observing fundamental rules of OHS grew considerably in 2007 as a result of the forthcoming challenge of performing strategic investments of the 10+ Programme. The project will involve the work of several thousands of people, most of them outsourced. All persons working under contracts with Grupa LOTOS S.A. are informed in detail on the code of conduct at the plant and undergo thorough training in safety at work. External companies also undergo quarterly evaluation with regard to OHS compliance.

During preparations for the implementation of the investment project, Company specialists try to eliminate all hazards on an ongoing basis and inform the contractors of potential hazards, and quite importantly, hazards the contractors create themselves. Prompt performance of the 10+ Programme and related issues, such as the pace of works or the large number of outsourced staff may increase the hazards. This is why OHS specialists constantly monitor works performed by outsourced teams and are always present in the areas of new investments to provide assistance to persons in charge of the works.

In addition, regular training and inspections are conducted at all manufacturing facilities.



GRI no. **LA5****Practices on the recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on the Recording and Notification of Occupational Accidents and Diseases**

The system of actions related to recording and notification of occupational accidents and diseases in Grupa LOTOS S.A. is based on requirements of national law.

In order to ensure fast practices on the recording and notification of occupational accidents and diseases, which is compliant with national laws and executive provisions, the following procedures have been implemented in Grupa LOTOS S.A.:

Reporting and investigating occupational accidents at the Company,

Rules of reporting and analysing hazardous situations,

Prevention of and preparation for failures and accidents at work.

In accordance with the guidelines included in the ILO Code of Practice on the Recording and Notification of Occupational Accidents and Diseases:

the company established uniform procedures for occupational accidents in the Company's area,

causes and effects of occupational accidents are analysed,

conclusions are drawn and corrective and preventive actions are taken to prevent similar incidents in the future,

occupational accidents and other hazardous events are properly documented,

hazardous situations are identified and analysed and proper proactive and reactive actions are undertaken to prevent similar situations in the future.

GRI no. **LA6****Description of formal joint health and safety committees comprising management and worker representatives and the proportion of the workforce covered by any such committees**

In accordance with the Labour Code Section X, 237¹² § 1., an employer who employs more than 250 employees shall appoint an Occupational Health and Safety Committee, hereinafter referred to as the OHS Committee, as his advisory and opinion-forming body. The OHS Committee shall consist in equal numbers of the employer's representatives including OHS service employees and the preventive care physician, and employees' representatives including the Social Labour Inspector. Art. 237¹³ § 1. stipulates that the OHS Committee shall inspect conditions of work, perform a regular evaluation of occupational health and safety, pass on opinions on measures applied by the employer to prevent occupational accidents and diseases, formulate recommendations on the improvement of conditions of work, and cooperate with the employer in fulfilling his obligations in the field of occupational health and safety.

In accordance with provisions of the Labour Code, the Occupational Health and Safety Committee has been established in Grupa LOTOS S.A.. Members of the Committee are:

an employee representation specialist,

the OHS service,

the preventive care physician,

the Social Labour Inspector,

trade union representatives.

The OHS Committee inspects working conditions in various workplaces and undertakes various protective measures, such as:

identification of threats and evaluation of occupational risk, elimination of hazardous or noxious factors,

implementation of effective technical, organisational and human protective measures, use of the BAT, development of organisational procedures which define responsibility for safety in a given area, application of personal protective measures and collec-

tive protective measures in manufacturing facilities, employee health and safety, including development of an effective system of paramedical aid.

GRI no. **LA7**

Standard injury, lost day, and absentee rates and number of work-related fatalities

2007

2006

Main types of injuries are minor limb injuries.

Days lost

Grupa LOTOS: 133
LOTOS Group: 2,008

LTIF ratio

Grupa LOTOS: 3.1
LOTOS Group: 5.6

Number of accidents

Grupa LOTOS: 6
LOTOS Group: 50

No serious group accidents or fatalities.

Main types of injuries are minor limb injuries.

Days lost

Grupa LOTOS: 177
LOTOS Group: 2,819

LTIF ratio

Grupa LOTOS: 4.5
LOTOS Group: 6.9

Number of accidents

Grupa LOTOS: 7
LOTOS Group: 70

No serious group accidents or fatalities.

Grupa LOTOS S.A. classifies occupational accidents in accordance with Polish law. Preventive measures are applied to registered hazards classified using the European scale for hazardous situations, near-misses, and accidents resulting in the inability to work for more than one day (LTI – Lost Time Injury), used to

calculate LTIF (Lost Time Injury Frequency). We gather information on first aid provided and road accidents. The ratios are updated monthly for all companies of the LOTOS Group. Suppliers and subcontractors must report occupational accidents on an ongoing basis.

GRI no. **LA8**

Description of policies or programmes (for the workplace and beyond) on HIV/AIDS

No such programmes are in place. There are no HIV infections / AIDS patients among the crew.

GRI no. **LA14**

Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems

Grupa LOTOS S.A. operates the ISO 9001, ISO 14001 and PN-N-18001 compliant Integrated Management System. The system has been certified by a domestic

certification authority, the Polish Centre for Testing and Certification.

GRI no. LA15

Description of formal agreements with trade unions covering health and safety at work

The OHS part of the Collective Bargaining Agreement contains provisions which extend beyond obligations prescribed by the generally applicable law. In particular, this consists in the medical cover for all employees, and a preferential cover for members of employee families.

With the employer's decision issued at the request of the trade unions, the Company Social Labour Inspector in Grupa LOTOS S.A. was released from the obligation to perform professional work.

The OHS Committee, established under the provisions of the Labour Code, operates in the Company. The Company Social Labour Inspector is the Vice-Chairman of the OHS Committee. Rules of the Com-

mittee's work are stipulated by the internal order of the employer, and the method of work is prescribed by the Regulations agreed with the employees. The OHS Committee is particularly involved in OHS consultations with the employees, as referred to in art. 23711a of the Labour Code. Grupa LOTOS S.A. pursues the rule of employee participation in the OHS Committee, in particular during the aforementioned consultations.



Our job is not only to ensure safe working conditions for our employees, but also for our subcontractors. Before work, outsourced staff undergo training in a safe stay at the refinery, and they are watched by OHS specialists during their work. Upon signing the contract, the management of the companies to which we outsource work must communicate to their staff our internal requirements presented in the 'Brochure on the code of conduct in the area of Grupa LOTOS S.A.', as well as requirements included in current documents of the Company.

In terms of safety at work, we have been well appraised by representatives of global corporations, visiting external auditors or representatives of insurers. We aim to develop shared standards of work safety in the LOTOS Group and reach the LTIF ratio below the European refinery average. We strive to improve safety by using our own ideas in this field and using international solutions in work safety and process and technical safety.

Our goal is to raise the awareness of all employees, propagate a safety culture, and involve each one of us in the continuous improvement of work safety, the identification and immediate elimination of all threats. Our motto in our everyday work is: 'no work is urgent or important enough to forget about safety.'

Jarosław Józwiak

Head of Health and Safety Office of Grupa LOTOS S.A.

The activities undertaken by Grupa LOTOS S.A. for adherence and popularisation of OHS requirements are obligatory. Still, many of them are voluntary commitments of the employer to increase and improve safety of employees in their workplaces.

OBLIGATORY activities required by provisions of the law and pertaining to general occupational health and safety and process and technical safety include:

OHS inspections,

audits,

OHS Committee,

cooperation with the social labour inspection, employee physician and external units,

OHS training,

threat identification and evaluation of occupational risk related to chemical and biological agents, noise, etc. in the workplace,

workplace adaptation to requirements of the law and ergonomics,

provision of safe working conditions, provision of protective clothing and enforcement of individual and collective protection measures,

proper organisation of work and workplaces to protect the employees from accident risks, factors harmful to health and strenuous work, taking into account the psychophysical health of employees,

application of system-wide instead of action-related solutions to eliminate abnormalities, reasons for occupational accidents, hazardous situations, etc.

elimination of employee health and life threats by using technology, equipment, materials and substances which do not pose such threats.

VOLUNTARY activities prescribed by PN-N-18001 OSHA and global standards and solutions in Health and Safety (HS):

application of the best available techniques (BAT),

application of the best quality technical elements in manufacture,

own employee training in the form of workshops and team groups with training films, photographs, multimedia presentations,

health promotion training,

training of a specialised group of employees in comprehensive paramedical first aid before the physician arrives,

informing the employees of international and domestic innovations through Company resources such as the OHS box, intranet, e-mail, OHS boards,

Safety Fuse OHS quarterly, news printed in the Company's monthly and broadcast on the PA,



Safety Fuse OHS quarterly

OHS competitions,

cooperation with external companies – contractors in the refinery area, including training, provision of teaching materials and internal requirements in several language versions,

annual evaluation of external companies for observation of internal provisions and regulations in the Company and fulfilment of requirements of safe work: a pre-requisite for renewing the contract of employment or the agreement with the contractor,

proper response training of all employees on how to act in the event of an occupational accident, chemical emergency, evacuation from buildings, emergency scenarios described in the Safety Report in cooperation with the LOTOS Fire Brigade and Chemical Rescue,

provision of welfare and medical services to employees (health care centre, ambulance, etc.).

Training and education

GRI no. **LA9**

Average hours of training per year per employee by category of employee

2007

Average hours of training per employee by category of employee:

management: 42.2,
specialised, technical and auxiliary staff: 24.5.

Number of trained employees by category of employee:

management: 30,
specialised, technical and auxiliary staff: 876.

2006

Average hours of training per employee by category of employee:

management: 33.2,
specialised, technical and auxiliary staff: 22.4.

Number of trained employees by category of employee:

management: 12,
specialised, technical and auxiliary staff: 728.

GRI no. **LA16**

Description of programmes to support the continued employability of employees and to manage career endings, and support programmes for retiring or allocated employees

Grupa LOTOS S.A. supports employee retirement decisions by entering into a two-year contract with a one-time increase in basic salary by 8.5% for the duration of the contract and pays one-time retirement cash leave under conditions more favourable than those regulated by the Labour Code. Detailed regulations are included in the Collective Bargaining Agreement of Grupa LOTOS S.A.. This solution has also been implemented in companies of the LOTOS Group.

Since 2006, employee allocation programmes have been carried out in the companies of the LOTOS Group: a Motivational Programme in LOTOS Serwis and a Mobilisation Programme in LOTOS Oil, which provide financial support and mobilisation to employees to change their work location as a result of

the need to adjust the employment structure to operational needs.

Since 2005, two programmes of employment restructuring in LOTOS Jasło and LOTOS Czechowice have been implemented, namely the Voluntary Leave Programme and the Voluntary Transfer Programme, in connection with rules effective in Grupa LOTOS S.A. and its subsidiaries regarding flat employment status in the LOTOS Group and refraining from group dismissals without providing other workplaces in other subsidiaries of the Group. The Voluntary Leave Programme is launched in each company of the LOTOS Group which requires employment optimisation, rationalisation or restructuring, according to rules effective in the Group.



The LOTOS Group also operates Group Life Insurance with the Third Pillar Investment Fund, which provides additional retirement capital from premiums paid by the employer and voluntary payments by the employees. Participation in the Insurance is voluntary and open to all employees aged below 70 who are employed in the Group based on a contract of employment. The insurance programme offer covers

life insurance and an investment fund. The employee chooses the insurance option and the investment fund.

GRI no. **LA17**

Specific policies and programmes for skills management or for lifelong learning

The rules of identifying the needs for training, and the planning and organisation of training of Grupa LOTOS S.A. employees are described in an internal procedure. According to the procedure, training requirements are defined by managers of various organisational units, using tools such as corporate strategy, scope of duties, rights and responsibilities, job description sheets, appraisal results, and all the information on employee education and professional experience, required obligatory training and professional development tracks planned in cooperation with the Human Resources Management Office. Superiors plan employee development during training covering technical knowledge required for the present job. Depending on their knowledge, employees are directed to seminars, courses, training, conferences or school education, namely, bachelor degree studies, master of engineering, master of arts or post-graduation studies.

Development programmes prepared by the Group are tightly related to the corporate strategy. The **LOTOS Academy** offers programmes which promote the rules of professional ethics, the culture of work and the development of desirable behavioural patterns, starting with the **Adaptation Programme**, to training addressed to all employees: **'On the road to perfection'** and **'Training calendar'**. The Company's response to the 10+ Programme is the **Personnel 2009 10+ Programme** and the **knowledge certification programme** for manufacturing department employees, which addresses the change of approach to job training by conveying general and hands-on knowledge required for the proper performance of tasks as a process operator. As a result, the training

process is no longer limited to mastering the facility operation, but also provides the basics of technical and technological knowledge.

In the forthcoming years, Grupa LOTOS S.A. will pursue an aggressive human resources management strategy, which requires employee support of the Company's development, creativity, operating dynamics, innovation, and high acceptance of risk in actions. The key aspect of these assumptions is the preparation of managerial staff capable of fulfilling strategic corporate goals in the human resources management area. For this purpose, the **'Future Leader 2007 – 2009'** Programme was developed to prepare leaders-managers for future challenges.



AKADEMIA
LOTOS

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area. For this purpose, the 'Future Leader 2007 – 2009' Programme was developed to prepare leaders-managers for future challenges.

Grupa LOTOS S.A. has offered a comprehensive skills management and lifelong learning programme since 2004, with the establishment of the LOTOS Academy. The mission of this long-term project is to implement the culture of work and management philosophy based on the employee who consciously participates in creating the added value required by customers and shareholders.

The LOTOS Academy supports the implementation of process management and improvement of the organisational culture by system-wide improvement of employee competencies. Activities pursued in the LOTOS Academy are aimed at increasing Company effectiveness and strengthening its value and brand significance in the market. When the employees are provided with development opportunities, the Company gains loyal and committed specialists, who take care of the good company image in their relations with customers, investors and local communities. Professional development offered by the Company is one of the strongest elements of the employee motivational system during the change process.

The Academy applies various human resources management methods and tools, such as:

Skills Map,

Periodical Employee Appraisal System (SOOP),

'On the road to perfection' training programmes,
Training calendar,

Seminars for the managerial staff,

Dedicated programmes: 'Adaptation programme for new employees', 'Knowledge certification for employees in the manufacturing department', 'Human Resources Development Programme', 'Future Leader 2007-2009', etc.

Skills Map

The Skills Map was developed to gather information which supplements the human resources manage-

ment system in the Company, in particular the recruitment, training, and periodical employee appraisal systems. The Skills Map serves as the grounds for evaluating the status of human resources and their development progress. It is also used to supplement employee documentation with key requirements for the performance of various processes, which is further used during recruitment as the set of key requirements which must be met by the candidates. It is also the basis for developing training plans and methods of evaluating their effectiveness.

Periodical Employee Appraisal System

Works on the development and implementation of the Periodical Employee Appraisal System (SOOP) started with the evaluation of the existing appraisal practices in the Group.

The majority of surveyed managers of organisational units supported the idea of an appraisal system implementation (74% of respondents), pointing to benefits which the system may provide, such as uniform appraisal criteria for all employees. In addition, the managers referred to the motivational aspect of the system, since informing the employees about the positive and negative results of their work will support the development of the action plan to improve existing results. The survey proved that 83% of surveyed managers informed their subordinates of their work results; however, the majority focuses on failures and does not provide any information on what the employees do well. The majority of respondents hoped that the implemented system would allow them to change these proportions.

The goal of the SOOP project is to establish and implement a systematised methodology of employee appraisal in the LOTOS Group, and create a uniform shape of the employee appraisal system. The project assumptions provide for the following goals:

update of human resources information by identifying training needs, among others,

improvement of processes through feedback to employees about the needs and quality of tasks performed during the process, and information for the

managerial staff on the progress of their subordinates,

support of managerial functions (planning, organisation, motivation and control) by the delivery of tools which support managerial work, e.g. the setting of goals and evaluation of goal achievement, employee communication,

improvement of employee satisfaction by setting clear appraisal criteria, the development of communication procedures (feedback provision), support for the professional development process (participation in training, individual skills management programmes, analysis of promotion options).

The appraisal system implementation brought the following benefits for employees:

feedback on work results (level and method of performing activities), expectations of their superior and their own strengths and weaknesses,

information on opportunities and methods of improving work effects,

support for exchange of ideas and views on the work performed,

agreement on their own work-related needs (e.g. training, working conditions),

improvement of relations with superiors.

'On the road to perfection' training programme

The LOTOS Academy pursues the 'On the road to perfection' training programme addressed to all employees of the Company. The programme offers the following training courses:

'Goodwill management', which conveys knowledge of the economic rules of enterprise operations.

'Added value chain', which presents the issues of added value chain effectiveness.

Workshops on the principles and methods of periodical employee evaluation.

'Communication within the organisation', 'Interpersonal communication', 'Written communica-

tion' – diversified training courses which improve communication skills in the Company.

The goal of the programme is to increase the business awareness of the employees, related to understanding mutual relations between various links in the company and understanding factors which affect the total added value. The programme also increases management quality and customer service quality by improving communication skills.

Training calendar

Training calendar is a project addressed to all employees of the LOTOS Group. It comprises training courses with subjects based on the analysis of the Skills Map, SOOP results and other development plans of employees in various organisational units. The training calendar is available for all employees online in the intranet network.

The following courses were prepared for all employees in 2007:

- 'Communication' (interpersonal, written, organisational) and 'Communication workshops' – attended by 115 employees,
- 'Time management' – attended by 65 employees,
- 'Effective organisation of meetings. Public speeches.' – attended by 44 employees,
- 'Presentations as business communication skills' – attended by 13 employees,
- 'Negotiations' - attended by 75 employees,
- 'Advanced negotiations' - attended by 75 employees,
- 'Rights, obligations and responsibilities of managerial staff' – attended by 78 representatives of managerial staff at various levels,
- 'Professional recruitment' – attended by 20 representatives of managerial staff,
- IT training – attended by 64 employees,
- 'Effective project management' – attended by 51 employees,
- 'Effective manager' – workshops for a 12-person management group,
- 'Situational leadership' – a pilot programme for 10 representatives of the top managerial staff.

Seminars for the management

The goal of seminars organised as part of the LOTOS Academy is the general extension of managerial staff competencies. The seminars address the main aspects related to company operations in the changing environment and present new management tools and methods. From 2006 to 2007, the LOTOS Academy organised seminars on key managerial skills, Corporate Social Responsibility with regard to various business areas of the company, performance of the strategic 10+ Programme, and its effect on the goodwill increase.

Dedicated programmes

Knowledge certification programmes for employees of the manufacturing department

The goal of the Programme is to strengthen the professional preparation of process operators so that they can effectively perform their tasks. The first stage

pany. The trained employees did not work during the training. The courses were run by specialist employees of the Group. The training ended with an examination and the examination results were taken into account during decisions on contract renewal.

In Q3 and Q4 2007, 44 process operators attended in two editions of the programme.

Further stages of Programme works aim at developing standards of eligibility criteria for various jobs and functions in the manufacturing department, at various levels of the job hierarchy.

Human Resources Development Programme

The Human Resources Development Programme was pursued from 2003 to 2006. The goal of the Programme was to ensure management process continuity through the preparation of selected and professionally educated candidates to replace current managerial staff and to assume key specialised jobs. The Programme allowed



The training I underwent as part of the Knowledge Certification Programme for employees of the manufacturing department allowed me to understand technological processes in the refinery, relations between the facilities and operating and handling principles for basic equipment and installations.

I received many additional materials on the manufacturing process and the plants and installations, with knowledge which cannot be found in technological instructions. This allowed me to learn and understand certain issues.

Marek Żukowski
Oil Plant, Grupa LOTOS S.A.

of the Programme assumed the standardisation of eligibility criteria of education for new employees of the manufacturing department. A 24-module, fortnight training course was prepared for process operators who had worked for at least one month in the Com-

the employees to use their qualifications properly and develop professionally in the direction required by the Company.

88 employees of the LOTOS Group graduated the Programme.

In order to equalise the diverse level of skills and knowledge, selected employees participated in a seven-module training block. The Programme allowed the participants to extend their knowledge of company finance management, capital group management, project management, marketing management, team leadership and conflict management. The training was conducted using intensive and interactive methods with a large number of examples, exercises and computer simulations.

Individual training plans were developed for Programme participants. The Programmes were based on the analyses of Development Questionnaires prepared by superiors and employees. The employee's situation, such as their job and organisational unit, was also taken into account. A large amount of information to plan customised training programmes was received from the EQFPL® test, a system of evaluating emotional intelligence at work, based on the evaluation of employees of companies which operate in Poland. The emotional quotient describes the ability to manage emotions and achieve success in each aspect of private and professional life through proper, effective

and creative use of predisposition, knowledge and experience. The reports, which diagnose the level of emotional competence and professional predisposition, allowed the organisers to select proper training courses and workshops in planning career paths. Results for the evaluated persons were broken down into three competence groups:

psychological competencies (self-awareness, self-appraisal, self-control) – which describe relations with self,

praxeological competencies (diligence, adaptation, motivation) – which describe qualities related to effective actions,

social competencies (empathy, persuasion, leadership and cooperation) – which describe relations of the evaluated person with other people.

The report also included information on secondary competencies, such as:

competencies required in the workplace,

competencies specific for managerial functions.



my knowledge and work experience. Graduation will surely prepare me to face future professional challenges.

Participation in the Human Resources Development Programme from 2003 to 2006 proved to be very important to me. Thanks to participating in the training sessions during the Programme, I extensively broadened my knowledge and consequently, made great progress.

The Knowledge Tournament for the Award of the President of Grupa LOTOS was undoubtedly the greatest event of the whole Programme. Thanks to participation in the Programme and awards won by my Group, I was able to enrol on MBA studies at the University of Gdańsk. The studies allow me to enhance

Karina Hajdamowicz

Project Manager at LOTOS Paliwa Marketing Office
won the MBA studies in the Knowledge Tournament

When the individual plans were complete, participants entered customised training. In mid 2006, the last stage of the Programme started: the 'Knowledge tournament for the award of the President of the Management Board of Grupa LOTOS S.A.' The tournament consisted of a competition among teams of several persons who had to develop a draft solution of a managerial task and present the solution during the finals.

61% of employees changed their post as they were vertically promoted to a managerial post, or horizontally promoted to a more responsible job or a more demanding project.

Individual Coaching Programme

The Individual Coaching Programme is addressed to LOTOS Oil managers. The Programme has been



The Human Resources Development Programme was certainly a milestone in my professional career. It was an immensely interesting and useful series of training courses, completed with a competition for the best team work. The competition, in addition to technical interpretation, was an opportunity for great creative and emotional competition. Thanks to the excellent cooperation and huge effort of the whole team, we won the competition. As a reward, I attended English language courses in London. My friends enrolled in MBA studies. I think the Company prepared the Programme very well and conducted it in a professional manner.

Marek Troka
specialist in the Supply and Trading Department
won the language course in London

Members of the winning team were sent to Master of Business Administration managerial studies and English language courses in the United Kingdom.

The first edition of the Programme integrated the participating employees around the idea of developing managerial skills and became a part of the comprehensive educational strategy of the LOTOS Academy, as it developed personal and professional competencies and improved operating effectiveness of all the participants.

The Programme effectiveness is best demonstrated by the number of participant promotions:

designed to improve competencies and increase operating effectiveness of managers through:

- discovering their own potential to boost progress at work and define personal and professional aims,
- assumption of responsibility for achieving professional goals,
- practical broadening of business knowledge.

At the first stage of the Programme, coaching needs were diagnosed, then the rules of cooperation of a programme participant and the coach were defined. Currently, the Programme is pursued through individual work with external coaches. Sessions take place

once a month. After each session, the participant receives tasks to be done in-between the sessions.

Competence Management – development programme at Petrobaltic

The goal of the programme is to identify persons of the greatest potential within the organisation and offer them an individual professional development path. In 2007, works were carried out on improving the method of selecting programme participants and on the principles of evaluating, defining the subject scope of development activities, and the method of communicating information about the programme among Company employees. The programme is scheduled to launch in 2008. Selected persons will be able to benefit from the individual development path. The programme will be regularly held and every person of exceptional potential and commitment to work will be able to participate in the programme.

'Future Leader 2007- 2009' Programme

The goal of the 'Future Leader 2007 – 2009' Programme is to train leaders-managers for challenges which the Company will face in the future. This is done by identifying the most valuable employees in the Company and providing them with extensive possibilities of development. The Programme implementation ensures the following benefits:

- identifies the potential of the organisation and facilitates the mobility of employees in corporate structures,
- supports a more complete use of the potential of the persons employed,
- allows the creation and pursuit of innovative tasks or solutions,
- raises competitiveness,
- facilitates motivation to develop competencies which are vital from the viewpoint of the organisation,
- provides the opportunity of creating individual development plans adequate to requirements and spread over time,
- allows the retention of employees valuable to the organisation.

Progress of the Programme.

Works on the Programme started with a panel of experts and the development of competence profiles for selected jobs. The analyses resulted in the creation of the so-called developmental competence profile, which met the requirements of the LOTOS Group. The profile was the starting point for choosing Programme candidates. Next, the selected persons participated in the Development Centre (DC), one of the most advanced methods of employee professional potential appraisal. This produced individual reports that described the actual competence level of each participant. Development actions were proposed in areas where the level was different from the so-called 'developmental competence profile of Grupa LOTOS S.A.'.

The assessor reports based on the Development Centre surveys were used to narrow down the candidate list to the participants with the highest development potential. Individual talks were held with participants of the Programme to identify areas for development and to plan further actions to move closer towards the Group's required competence profile. A series of development actions was started within the 'Management 2008®' training project prepared by the Canadian International Management Institute and the Harvard Business School Publishing. The participants advanced their knowledge of the economy, finance, marketing, sales, strategic management, managerial effectiveness, etc. The classes take the form of seminars and workshops, case studies (Polish and international), business games to simulate various strategies and behaviours and to evaluate their effectiveness. Employees who are interested in polishing their English language skills are offered individual conversation sessions.

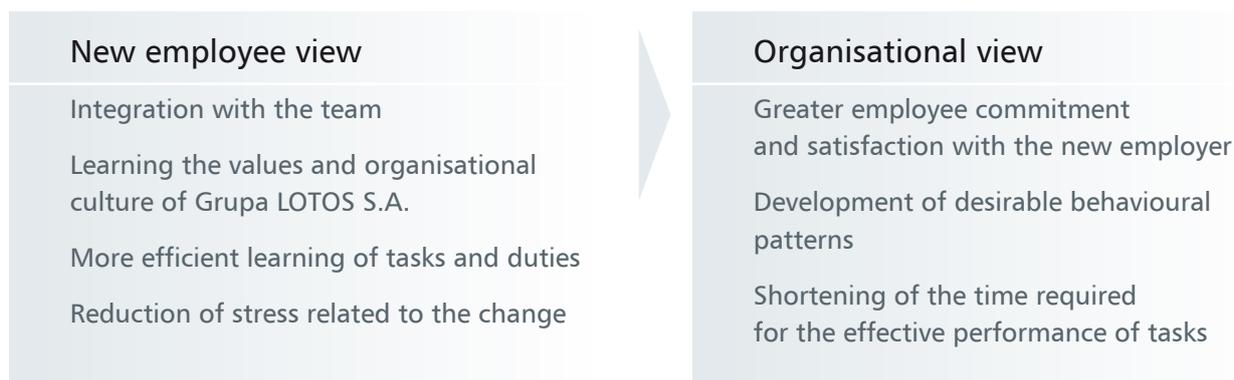
Adaptation programmes for new employees

It is often thought that the employee selection and recruitment process ends with signing the contract of employment with the candidate. This is a simplified approach. The selection process is actually complete when the person adapts to their job. Starting work at a new job is a challenge for each person. The first days of a new employee are usually stressful since that person has to integrate with the group, learn his/her tasks

and often prove that he/she will be a valuable member of the team. Time is needed so that the employee can fully learn the scale of tasks, choose methods of performing the tasks, and become familiar with the company and its organisational culture. The duration

of this depends on whether the employee is left on his/her own or whether the company helps him/her to get accustomed to tasks defined for the particular job. This is why Grupa LOTOS S.A. developed the adaptation programme for its new employees.

Goals of the adaptation programme



Assumptions of the adaptation programme

During the first months, the adaptation programme is based on cooperation between specialists of the Human Resources Management Office and superiors and team colleagues of the new employee. The adaptation process is largely the responsibility of the superior and the organisational unit of the new employee.

The idea of the adaptation programme is not only to convey knowledge about the company and employee duties, but also to foster open communication of employees, information flow, and a feeling of safety and acceptance.

The adaptation programme takes up to one year, from recruitment to the first periodical appraisal and breaks down into two parts:

direct introduction to the job

duration: one month for office and administration and specialists three months for technical jobs.

The person responsible for the direct introduction of the new employee is the Coach who takes care of the employee until the introduction is complete and the Adaptation Sheet is filled in. The Sheet may be customised, depending on the job of the newly employed person. When the filled-in Sheet is received, the Human Resources Management Office sends an evaluation questionnaire to the new employee to evaluate the job introduction process.

organisational adaptation period

This starts when the Adaptation Sheet is returned. The employee no longer has his/her formal Coach; however, he/she may ask his/her colleagues for information regarding the scope of duties and information regarding work organisation. During that time, the employee undergoes training related to the Employee Periodical Appraisal System, masters his/her skills and is trained in the LOTOS Academy. The adaptation process ends after the first Periodical Appraisal. At that time, the employee receives a questionnaire to evaluate the annual adaptation process.

The adaptation process of a new employee always leads to the following activities:

- implementation of an internal action plan from the moment the candidate is officially selected for employment,
- coordination of the adaptation process based on the Adaptation Sheet,
- presentation of the employee with the Employee Handbook when the contract of employment is signed

The Employee Handbook of Grupa LOTOS S.A. contains:

as a book:

strategy of the Group,

information about the mission and vision of the Group, subsidiaries of the LOTOS Group, stock exchange news and information about development plans,

Work Rules,

Collective Bargaining Agreement,

Depending on the job: Employee Code of Conduct, Manager Code of Conduct or Corporate Ten Commandments,

as a leaflet:

Presentation of the Management Board of the Group,

organisational chart of the Group,

Organisational guide.

Another assumption of the Adaptation Programme is the organisation of a daily training series once a month for all new employees. The training covers the following issues:

general information about organisational culture, values important for the employees and useful information about the Company,

the Integrated Management System,

general knowledge about the specific nature of the refinery operations.

The daily training series ends with a tour of the refinery.



In 2007, a total of 8 training courses for 109 employees were organised. The Adaptation Programme is scheduled for implementation in selected subsidiaries .

Recruitment practice

Given the skills and qualifications of our staff, applications of the LOTOS Group's employees are reviewed first during recruitment projects. This manifests our concern for the employee's development and also facilitates effective knowledge flow among various subsidiaries. We also recruit candidates from outside the Group by receiving applications sent in response to recruitment advertisements, press and online information, and information distributed during Job Fairs and meetings with students.

The candidate selection process follows the governing procedures which ensure maximum objectivity.

PARTICIPANTS OF THE ADAPTION PROGRAMME FOR NEW EMPLOYEES



I believe that the adaptation programme is an excellent project, which allows the new employee to smoothly integrate in the new environment and learn unwritten things about the company. Selection of the coach is very important. The coach must also have the opportunity to perform their functions in this programme. Because of their new duties, the coach is partly excluded from their work, which must result in a reorganisation of work in the whole team. This may pose certain problems, in particular in small or new teams.

As for the sequence of steps, given the specific nature of activities pursued by our team, new people learn the procedure first, contrary to the programme schedule.

I know that such programmes are becoming a more frequent solution. Looking at the experience of other companies, I think that our adaptation programme may develop further in the future, for example consider weekly apprenticeship in various departments. Regardless of the job of the new employee, the employee would pass through the whole company, spending a week or several days in every department. Consequently, new employees integrate with the team sooner and are more aware of dependencies among the processes. Obviously, such activities must always be adapted to the size and profile of the organisation.

Barbara Sokółowska
Head of the Corporate Service Office – COACH



The adaptation programme was a crucial element which allowed me to learn about the new workplace, the specific nature of the job, but most of all, my colleagues.

The credit for proper adaptation of an employee to new conditions largely goes to the 'coach'. My adaptation was quick and appropriate. I think this is the result of the accurate matching of the coach and the new employee.

I came across an adaptation programme in my previous job (the legal office I worked for). As in Grupa LOTOS, the new employee was coached by the 'trainer'. That programme mainly focused on the technical training of the employee, not presentation of the company and integration with other team members. I think that discovering the Company, the structure and the people is the basic advantage of the Grupa LOTOS programme. Finding my place in the team speaks for the programme's success.

The current adaptation programme is totally accepted by the 'coach' (a function which I have also performed) and the new employee. The programme results in more effective communication, employee commitment in his own work and that of the team, and contributes to the development of partnership relations within the company. I think that these three factors prove the adaptation programme to be successful.'

Sebastian Kruszyński
Specialist in the Corporate Service Office – AN INTRODUCED EMPLOYEE

It consists in evaluation of specialised competencies resulting from knowledge, skills and personal qualities which are necessary for the tasks prescribed for the given job. Still, there are standard skills mastered by each employee of the LOTOS Group and sought from the candidates. These skills include business awareness, creativity and innovation, adaptation skills, interpersonal skills and team work skills.

Job fairs

In performing its employment plans, Grupa LOTOS S.A. provides employment and development opportunities to candidates who apply for a job each year. In order to meet the expectations of the region, the Company cooperates with Job Centres responsible for professional activation of wide social groups. As part of that cooperation, the Group regularly participates in Job Fairs organised by the Poviast Job Centre in Gdańsk and Gdynia.

Apprenticeship

The LOTOS Group supports the educational and professional development of students. **In 2007, the Group had 115 apprentices.** The largest group of apprentices were the students of the following Faculties of the Technical University of Gdańsk: Management and Economics, Electronics, Telecommunications and Informatics, Mechanical Engineering, Chemical Faculty, Civil and Environmental Engineering, Electrical and Control Engineering, Applied Physics and Mathematics. In addition, we had interns from the University of Gdańsk, Gdańsk School of Banking, the Academy of International Economic and Political Relations, the Maritime Academy, the State Higher School of Vocational Education in Elbląg and Gdańsk Higher School of Humanities.

Grupa LOTOS S.A. also had 17 apprentices from Tri-city secondary schools.

Grants and student stay

Grupa LOTOS S.A. cooperates with the Technical University of Gdańsk in supporting talented, committed

and creative students. The cooperation was sealed with **endowing 30 student grants worth a total of PLN 120,000** and four money prizes in the competition for works related to activities of the LOTOS Group. All thirty grantees also received monthly stays in the Group.

Holiday student stay

The Company tries to help students and graduates of Tri-city universities to move from a university to a professional environment and support them in finding a job. In 2007, the Company again participated in the 'Holiday Student Stay' programme organised by the City Hall in Gdańsk under the patronage of the President of the City of Gdańsk. To develop relations between students and business, in the last edition, **Grupa LOTOS S.A. funded 15 student and graduate stays** to students of: the Faculty of Management, Faculty of Economics and Informatics of the University of Gdańsk and the Faculty of Electrical and Control Engineering, Mechanical Engineering, and Management and Economics of the Technical University of Gdańsk.

Play an Apprenticeship

Two workplaces were created for the nationwide action 'Play an Apprenticeship' (*Grasz o Staż*) in 2007: in the Financial and Accounting Centre for a student of the University of Gdańsk and in the Technology Management Office for a student of the Technical University of Gdańsk. This is the most recognized student-stay initiative among students, started in 1996. The programme allows the employers to find outstanding students and graduates. Companies declare their intention to offer student stay to young people and provide them with an opportunity of taking up their first job and gaining experience. In return, the companies often find excellent employees, in addition to marketing benefits.

'PLAY AN APPRENTICESHIP' WINNERS IN GRUPA LOTOS S.A.



more confident.

The atmosphere at work was great and I fondly remember people I met. All the people were nice and kind to me. I could always turn to them for help. They were eager to share their knowledge and experience. I was treated as an equal partner. I would like to work in such a company and in such an environment.

Sylvia Szleszyńska

'Grasz o staż' winner, student stay at the Financial and Accounting Centre



I had two student stays in Grupa LOTOS: the 'Wakacyjny Staż 2005' initiative, organised by the President of the City of Gdańsk, during which I stayed in the Technical Supervision Department, and 'Grasz o staż 2007', as part of the competition organised by PriceWaterhouseCoopers in cooperation with Gazeta Wyborcza. I stayed in the Planning and Mechanical Maintenance Department and Power Utilities and Water and Waste Water Management Division. During my stay, I directly cooperated with the Technical Supervision Department.

During my holiday student stay (Wakacyjny Staż), I worked on supplementing the data-

base, developing measurement and reporting instructions and participated in drawing up expert opinions on the technical condition of selected parts of the facility.

During this stay at the Technical Supervision Department I worked with all employees in that Department, because the manager had to teach me my duties. Given the approach and kindness of the coach, Włodzimierz Zaborowski, and the whole team, who eagerly shared their hands-on knowledge, this was a positive experience for me. Since the student stay matched my interests and my major at the Technical University of Gdańsk, one of my professional goals is to get a job in the LOTOS Group.

During my 'Grasz o staż 2007' student stay, I was coached by Wojciech Rasmus of the Planning and Mechanical Maintenance Department. My ultimate task was to prepare the script on steel used to manufacture pipelines and devices in Grupa LOTOS S.A. The experience I gained while performing this task allowed me to master my skills in using DIN, AISI and ASTM standards, and broaden my knowledge in the application of various types of steel.'

Artur Sitko

The doctoral student at the Material Engineering Institute in the Mechanical Faculty of the Technical University of Gdańsk had two student stays in the Group

Cooperation with technical universities

Grupa LOTOS S.A. developed a specialised employment programme called 'KADRA 2009 – 10+ Programme'. The programme involves the recruitment of 30 engineers and 90 secondary technical school graduates, such as chemists, mechanical engineers, electricians and instrumentation and control special-

ists, who were offered jobs and training programmes in connection with the construction of the 10+ Programme's modern technological facilities. The facilities will be launched in the Gdańsk Refinery from 2009 to 2010. Given the need to prepare and train the employees, the Company began to look for the employees several years before the new facilities are launched.



Since 2007, Grupa LOTOS has been implementing the 10+ Programme. The Programme is one of the strategic assumptions pursued as part of the refinery development strategy adopted by the LOTOS Group. In terms of size and value, it is one of the greatest investment projects in Polish industry by 2010. As part of the 10+ Programme, last year the construction started of a facilities complex. This will make the refinery one of the most modern and environmentally friendly refineries in Central Europe and on the Baltic Sea. This is a great challenge involving multiple operating areas of the Group. The 'Kadra 2009 - 10+ Programme' comprises the main aspects of

the 10+ Programme related to human resources.

The goal of the project is to acquire employees required for the proper performance of the 10+ Programme and operation and maintenance of the technological process on new facilities. As part of the new project, we are pursuing projects aimed at acquiring a large group of employees with proper qualifications, university and secondary school graduates, to ensure an efficient launch and proper and effective operation of the new facilities.

The project is completed in three stages:

- *information visits to promote the 10+ Programme and Grupa LOTOS at universities and secondary technical schools, information in regional media and during Labour Fairs, receipt of applications,*
- *proper process of external recruitment, selection and employment,*
- *internal recruitment: transfer of eligible employees to target 10+ Programme facilities.*

Candidate selection is based on the application review, the result of interviews and competence tests. The employees undergo obligatory training. By the end of Q1 2008, 82 process operators were hired.

In its actions in the labour market, the Company goes beyond the Pomeranian Voivodship. Besides universities in our region, our specialists visit the AGH University of Science and Technology in Kraków, Technical University in Kraków and Technical University in Wrocław, namely, universities which teach the subjects of petroleum processing.

It is worth stressing that the 10+ Programme also stimulates the employment and promotion of technical universities and secondary technical schools. It also creates opportunities of satisfactory work in Poland. Well educated persons may pursue interesting careers in one of the top Polish companies.

Joanna Tyszka

Human Resources Office Manager, coordinates the process of employee recruitment for the 10+ Programme



In the academic year of 2007/2008, a new major was launched at the Chemical Faculty of the Technical University of Gdańsk – technology of the refining and petrochemical industry. This was possible with the technical assistance (lectures, lab work and apprenticeship) of Grupa LOTOS S.A..

The new major is a significant advantage to the University, its students and the industry. The University has certainly improved its position in the ranking of universities and gained the support of the Ministry. It may attract a new group of students and may explore new research areas in the field of refining and petrochemical industries. Cooperation with large industrial

plants becomes a reality and the Consultation Council at the Chemical Faculty of the Technical University of Gdańsk has new arguments and opportunities for promoting the cooperation.

The experience of our employees is used to create and carry out the teaching process, both the theoretical part in the form of lectures and seminars, as well as the laboratory part, by conducting lab works and apprenticeships in well equipped labs of LOTOS Lab, a company within the LOTOS Group. Most of all, students are certain that with their skills they will be soon spotted in the labour market. With education gained through cooperation with the industry, they may be certain that the adaptation process in their new job will be short, and their knowledge will prove up-to-date and practical, and that is something we cannot say of every major. The students who major in this field have the greatest opportunities of apprenticeship in companies of the LOTOS Group, and the best of them may receive grants funded by the Group.

It should also be mentioned that jobs offered by the Group for chemists in this field provide development and promotion opportunities. The benefit for industrial plants such as Grupa LOTOS and its subsidiaries, is the access to young, energetic specialists who are eager to work. The Group will promote employment opportunities in its facilities, labs and technological offices in a natural way, by supporting the teaching process. The young graduates will consciously choose this professional career, and this will certainly reduce personnel fluctuation and the efflux of employees to other employers.

Wojciech Marjański

President of the Management Board of LOTOS Lab, member of the Consultation Council at the Chemical Faculty of the Technical University of Gdańsk

It is estimated that during the 10+ Programme, up to 2,500 persons will be employed on the construction of new technological facilities. With the investment worth PLN 5.6m, the Gdańsk Company will raise its output from 6m to 10.5m tons, becoming one of the most modern refineries on the Baltic Sea.

The 'KADRA 2009' programme met with great interest in the labour market. There had been nearly 1,600 applications since the Group started recruitment.

460 persons qualified for the next stage and 75% of the planned personnel have already been employed. For the next ten-odd months, new employees will undergo intense training and gain experience on the existing hydrocracking, oil and fuel facilities.

Grupa LOTOS S.A. also remembers about specialists who will enter the labour market in a few years, therefore, one of the Group's priorities is to provide preferential conditions for students of universities which teach petroleum industry specialists. The

goal of the Group is to carry out joint projects with reputable teaching centres in the field of research, knowledge sharing, and mutual scientific support.

In the academic year of 2007/2008, a new major was launched at the Chemical Faculty of the Technical University of Gdańsk in cooperation with Grupa LOTOS S.A. – technology of the refining and petrochemical industry. The common goal of the university and the refinery is to diversify specialist education, as there is a shortage of technical university graduates, also chemistry graduates, in the labour market. The Consultation Council at the Chemical Faculty of the Technical University of Gdańsk includes the Group's experts: Technology Development Manager Wojciech Blew, head of the Environmental Protection Office, Mieczysław Broniszewski, and the President of the Management Board of LOTOS Lab, Wojciech Marjański.

Grupa LOTOS S.A.'s advantage is guaranteed professional stability, attractive pay, and career development through regular improvement of qualifications. An employee interested in active expansion of his/her professional knowledge and gaining practical skills may be promoted in three to five years from an operator to process operator or control operator to foreman.

Equal opportunities

GRI no. **LA10**

Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring

In accordance with the Polish labour law and internal regulations on the organisation and progress of the recruitment process, Grupa LOTOS S.A. observes the

principles of equal opportunity in employment and immediately responds to all signs of improper treatment of employees.

GRI no. **LA11**

Composition of senior management and corporate governance bodies (including the Board of Directors), including female/male ratio and other indicators of diversity as culturally appropriate

2007

Women in Grupa LOTOS S.A. accounted for:

31.15% of all the employed.
23.37% of managerial staff.
15.38% of upper managerial staff.

2006

Women in Grupa LOTOS S.A. accounted for:

26.77% of all the employed.
19.72% of managerial staff.

Human rights

Equal treatment

GRI no. **HR1**

Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results

In all of its operating fields, the LOTOS Group up-ports and applies fundamental principles of human

rights, employee rights, environmental protection and counteracting corruption.

GRI no. **HR2**

Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors

For more information see 'Social Dialogue' chapter.

GRI no. **HR3**

Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring

For more information see 'Social Dialogue' chapter.

GRI no. **HR8**

Employee training on policies and practices concerning all aspects of human rights relevant to operations

Grupa LOTOS S.A. covers the issues of human rights in training in ethics and corporate social responsibility.

No discrimination

GRI no. **HR4**

Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring

Grupa LOTOS S.A. observes the rules of equal treatment of all employees and does not discriminate against any person for their age, sex or beliefs. This

is reflected by the recruitment advertisements where no sex of the prospective candidate is specified. In selected subsidiaries of the LOTOS Group, the new

employees receive information on equal treatment in employment based on provisions of chapter II a (art. 183a – art. 183e) of the Labour Code, within 7 days of their employment.

There is an Internal Audit Office in Grupa LOTOS S.A. where the employees may report any abnormalities found.

Suppliers and subcontractors are selected regardless of their sex, age, race, religion, nationality, political views, trade union membership, ethnic background, beliefs, sexual orientation, etc.

Freedom of association and collective agreements

GRI no. **HR5**

Description of freedom of association policy and the extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue

Independence and self-governance of trade unions guaranteed by the labour law is respected and unquestioned by the employer and social organisations in Grupa LOTOS S.A.. Performance of these and other statutory guarantees endowed to the trade

unions is supervised by the Employee Representation Specialist.

Employment of adolescents

GRI no. **HR6**

Description of policy excluding child labour as defined in ILO Convention 138 and the extent to which this policy is visibly stated and applied, as well as procedures/programmes to address this issue, including monitoring systems and results of monitoring.

In accordance with the governing law, LOTOS Group renounces any forms of adolescent labour.

Forced work

GRI no. **HR7**

Description of policy to prevent forced and compulsory labour and the extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring

In accordance with the governing law, LOTOS Group renounces any forms of forced labour.

Social environment

Local communities

GRI no. **SO1**

Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring

Obligations defined in the mission of Grupa LOTOS S.A. largely refer to social and environmental corporate responsibility. Since the beginning of its activities, the Group has closely monitored and analysed major social problems in its surroundings. This is manifested by the responsible attitude to those stakeholder groups whose life and work the Group may actually affect, and who in turn affect development of the Company. Therefore, the Company does not restrict its activities to basic activities only.

The Group focuses on major social issues, supports NGOs and R&D centres. It not only responds to the needs, but also reaches forward to support valuable projects through expert cooperation, its own social programmes, customer relations, sponsoring or charity.

Grupa LOTOS S.A. has been involved in corporate social responsibility activities for years. However, it has not become a member of any domestic or international organisation of corporations which are economic leaders in accordance with the rules of corporate social responsibility. This means that the Company does not regularly participate in the exchange of experience of corporations which pursue social policy; it has not actively propagated practices relating to activities performed by the Group. Participation in competitions, such as the Benefactor of the Year, has not been publicized. In 2007, the Company entered the Arts & Business Awards, which selects companies, organisations, institutions or individual persons who promote partnership between the worlds of arts and business. The entry, resulting in an award nomination, referred to cooperation with the National Baltic Opera.



Speaking of the LOTOS Group as a Baltic Concern, we naturally refer to the location of our refinery by the Baltic Sea. At the same time, such reference is synonymous to the values we cherish: development and openness to international prospects, crossing regional boundaries as well as dialogue and cooperation with business and social partners.

Being a universal Group, we attach as great importance to producing and processing crude oil as to the quality of finished products offered on the market. All the stages of the Group's operation have to follow our mission, i.e. be environmentally-friendly manner – so that LOTOS can be identified with a socially responsible brand, a brand that takes conscious

care of the environment and people. The strategy implemented by the LOTOS Group provides for the development of our Company for the benefit of the key stakeholder groups in the areas that are important for the country, the society and the natural environment. By following the principles of sustainability, we invest in the future, both in the meaning of technology development and in order to fulfil the needs of our environment.

We hope that this feeling of empathy and openness is the distinctive feature of LOTOS in the group of large companies. This is even more significant as the LOTOS Group is not limited to the complex of companies in Gdańsk, but it comprises a number of firms with long traditions that are located in the south of Poland. In each of these places, we try to build close relationships with the environment through sponsoring, charity programmes and cooperation with local communities, so as to build mutual trust and the confidence that the Group's proximity may support the further development of the regions.

Our regional brand ambassadors are of key importance for our Group. With their knowledge of local conditions, we may support the beneficiaries for whom our aid becomes an opportunity for a major and permanent positive change. Therefore, we emphasize initiatives within children and youth sport education, we act for providing equal opportunities and promote unique and rare cultural heritage in the regions where our production facilities are located.

All such decisions are taken collectively, based on the comments received in the course of long-term cooperation. Being a public company, we put special emphasis on such cooperation, because developing trust to our brand as well as the quality and reliability of our social and environmental initiatives may affect the growth of the Company's value. The value that comes both from economy and the respect and recognition among our employees and local communities.

Beata Jurkschat

Head of the Communication Office of Grupa LOTOS S.A.

'Good Neighbour' Programme

Social dialogue maintained by Grupa LOTOS S.A. with the closest neighbours of the Gdańsk Refinery resulted in the initiation of a long-term 'Good Neighbour' programme in 2006. Activities of the Group have become part of good co-existence of the manufacturing plant with the residents of districts and places directly neighbouring the plant.

Because of social pathologies prevailing in the districts covered by the programme, as well as the fact that these districts are some of the poorest, it is not enough to just explain the specifics of the operations and organisation of the plant. Information on the quality of installations which prevent the emission of hydrocarbons will not convince the neighbours that the bad odours are not harmful. The Company must become involved in works for the local communities to equalise the noticeable social and educational disadvantages compared to other districts of the city, by supporting activities which in particular take care of the younger generation.

The strategic goal of the Programme is to increase awareness of the essence of environmental protection and environmental activities by supporting children's education.

Operating goals of the Programme are to:

Create a positive image of the Group among the district residents by targeting the education of the youngest;

Become involved in the life of local communities by supporting events which are important to residents.

Support environmental actions in the nearest neighbourhood of the refinery, in particular the Sobieszewska Island;

Support selected investments of self-governmental authorities to improve the living quality of residents in the districts covered by the Programme;

Raise awareness of residents about understanding the specific nature of the Company's activities and convince them that the Group has installed the latest

environmental protection measures. These activities are undertaken in line with supporting education of the children and are addressed to representatives of various districts;

Minimise social disadvantages by supporting public benefit organisations and institutions, in particular those taking care of the children;

Be involved in long-term initiatives for residents of districts neighbouring the refinery, in particular initiatives for the children, such as construction of playgrounds, sports grounds, and reclamation of parks.

Beneficiaries of the Good Neighbour Programme:

residents of districts which neighbour the refinery, including primary school pupils and middle school students;

charges of public benefit foundations and organisations which operate within the scope of the programme for the benefit of local communities;

sports clubs which function in the district covered by the Programme;

district councils and commune council members.

The Programme is a long-term project. The Group has continuously perfected the Programme. In the forthcoming years, the Company plans to expand the social actions to areas which neighbour former refineries in the south of Poland, i.e. LOTOS Czechowice and LOTOS Jasło.

As part of the fulfilment of the basic assumptions of the Programme, a meeting with the Commission for Spatial Development of the City Council of Gdańsk was held. The goal of the meeting was to present the city officials with planned investments in the operating area of Grupa LOTOS S.A., including installations which prevent the emission of harmful substances, and to present the officials with the environmental policy of the Group.

Listed below are initiatives supported by Grupa LOTOS S.A. within the 'Good Neighbour' Programme from 2006 to 2007
a/ financial support:

Entity	Purpose
Beaumont Social Aid Foundation	grants for children, summer holidays for children and young people
Zielona Olszynka Residents Association	children's leisure
'OSTOJA' Welfare Centre	children's leisure
Virgin Mary of Sorrows Parish, Gdańsk	co-financing of summer play centres
'Pomóż Sobie i Innym' Foundation	co-financing of summer play centres and children's meals
Primary School no. 11, Gdańsk Stogi	co-financing of summer holidays, organisation of the Earth Day
'Pomóż Sobie i Innym' Foundation	co-financing of Christmas Eve and holiday gifts
Public Middle School in Przejazdowo	purchase of books for the School Library
Middle School no. 11, Gdańsk Stogi	co-financing of the gym hall renovation
Primary School, Wiślinka	co-financing of school ceremonies

b/ material aid to support the organisation of initiatives:

Entity	Purpose
Community Centre – Treasure Island	family picnic on the Sobieszewska Island
Day-care Facility no. 3	family picnic
'59 Motława' Student Sports Club	support for sports teams
Beaumont Foundation	'Sunny Holidays' children's summer camp
Olszynka District Council	'Fun, Activities and Sports' picnic
Wiślinka Village Council	'Me and my child play together' family picnic
'Pomóż Sobie i Innym' Foundation	summer play centre
'OSTOJA' Welfare Centre	summer play centre
'Treasure Island' Culture Centre	'Picnic with the Unemployed'
Janusz Samopolski, Administrator of Przejazdowo Village	sports and family picnic
Primary School in Wiślinka	naming of the School

The list does not include the partial repair of Jesionowa Street in Przejazdowo (Pruszcz Gdański commune) by Grupa LOTOS S.A.

Sponsoring and charity

Sponsoring and charity is focused on social activities coherent with the mission and development strategy of the Group and the values represented by LOTOS in areas important for the life of customers and residents of LOTOS neighbourhoods.

In accordance with the rules of corporate social responsibility, the Group tries to be involved in the following fields of life:

Environmental protection and ecology – support to initiatives in the field of environmental protection and ecology,

Health care and promotion – by providing financial support to public health institutions for the purchase of medical equipment, support for R&D projects of medical centres, and actions for the disabled,

Science and education – aimed at the equalising of opportunities of talented youth with low economic potential, investing in the development of science, in particular chemistry, instrumentation and control, information technology, environmental protection and ecology; the provision of financial support to educational institutions in initiatives which go be-

yond adopted educational curricula for the classes, in particular issues of road safety and environmental protection and ecology programmes for the Baltic Sea region,

Sports – investment in the development of physical culture, sports education of the youth, promotion of sightseeing and popularisation of active and safe rest for children and youths,

Culture and arts – involvement in the protection of cultural achievements, support for cultural and artistic initiatives valuable for the Baltic Sea region to promote particular advantages of the location and its residents in Poland and abroad.

As part of its social initiatives, the Group invests nationwide, in particular in the areas where the Company operates (areas of offices of companies within the LOTOS Group and where the companies operate) and in the immediate neighbourhood, namely the following voivodships:

Pomeranian,

Silesian, PodkarpackieMałopolskie,

Warmińsko-Mazurskie.

Organisation of activities and internal regulations

These are system-wide activities. Decisions are taken jointly and all organisational and jurisdictional issues related to this field of activities are regulated by an internal procedure.

The regulations are accompanied by uniform standards and guidelines for drafting agreements with the beneficiaries of social programmes. Detailed rules of conducting social activities are also provided for by the Corporate Social Responsibility Strategy of the LOTOS Group. In 2008, the Company also plans to present all of its potential beneficiaries with guidelines of its sponsoring and charity policy to support dialogue with the beneficiaries.

Below are selected initiatives which depict the scope and nature of long-term social programmes pursued by Grupa LOTOS S.A.

Sports education of children and youths

Play with LOTOS – LOTOS for Schools

Since 2003, Grupa LOTOS S.A. has pursued the largest, in this part of Europe, original social programme in youth sports education: Play with LOTOS – LOTOS for Schools. The programme promotes basketball among girls. The main goals of the programme are to:

develop physical fitness by participation in the games, which facilitates participation in everyday life,

popularise physical development and physical leisure among the youth,

find the best middle school teams in Poland.

The social and sports programme of the Group is nationwide with the participation of approx. 3,000 middle school teams.

Key project features in the 2006/2007 and 2007/2008 seasons:

3,000 middle school teams,

36,000 girl players,

6,000 middle schools covered by the programme promotion,

25 sports venues selected for the games,

over 400 persons involved in preparing the competition from the voivodship level,

over 4,000 team and individual prizes awarded, including 385 balls,

over 1,000 medals and cups and over 2,000 personal diplomas and gifts handed in,

game kits for 16 Voivodship Champions,

complete sets of tracksuits, singlets and sports bags for the players of 16 teams from the National Finals,

the Euroleague away with the LOTOS Gdynia team for the winning school,

coverage by 41 national and regional media, including 20 patronage media,

over 100 press, radio and TV journalists covering the competition.

'Finding the Champion's successors'

The 'Finding the Champion's successors' programme was created in 2004 out of an initiative by Grupa LOTOS S.A. and the Polish Ski Association. The main ideas behind the programme are to:

promote ski jumping among children and youths,

find the most talented Polish jumpers to compete for Poland in the future on the most famous ski jumps in the world.

The basic assumption of the programme was to launch a system of active support for clubs which operate youth ski jump sections. From 2004 to 2007, the most talented young jumpers from 17 Polish clubs received:

135 sets of skis with bindings,

100 ski suits,

100 helmets,

100 pairs of ski boots.

By donating 435 pieces of professional sports equipment in three years, the programme has supported the complete training of the youngest jumpers. Thus, the largest sponsored programme for supporting sport clubs was launched.

The programme displayed the potential of Polish junior ski jumping. In three seasons, there was a considerable growth in the number of young people going in for ski jumping, and the cycle of the junior LOTOS Cup championship and the Unofficial Winter World Championship for children and youths organised in 2007, were recognized by the trainers and observers as among the best organised events for young jumpers in the world.

Over 220 young jumpers from 10 national representations participated in the international LOTOS Cup 2006.

Nearly 130 jumpers from 12 national representations, including the Polish team selected from the table leaders of the LOTOS Cup, competed for medals in the Zakopane 2007 Unofficial Winter World Championship for children and youths. Poland won the medal ranking of the Championship. Our representation won a total of 12 gold, 7 silver and 6 bronze medals.

Over 170 jumpers competed in twenty four junior competitions in 2005, 2006 and 2007 in the World Cup formula on ski jumps in Szczyrk, Wisła, Zagórze and Zakopane.

In the third year, the 'Finding the Champion's successors' trained the first jumper from the programme to receive a national cap in the senior national team. Maciej Kot of Start Krokiew Zakopane participated in the tournament competition of the FIS World Cup in Lahti, Finland. Thus, one of the main premises behind the programme, namely finding the greatest talents in Polish ski jumping, and young jumpers to represent Poland on the most famous world ski jumps, became true.

Before the 2008 season, 12 of out 22 jumpers in A, B and C teams of the Polish Ski Association are former or current grant holders of the 'Finding the Champion's successors' programme.



Thirty six jumpers in sub-junior and junior categories in the top six in the general ranking of the LOTOS Cup from 2004 to 2007, received one-year sport grants within the programme. Eighteen jumpers of the youngest age category received material awards.

Grant holders of the 'Finding the Champion's successors' in the national teams of the Polish Ski Association

Name	Team	Club	LOTOS grant
Kamil Kowal	A	Start Krokiew Zakopane	2007-2008
Krzysztof Miętus	A	Start Krokiew Zakopane	2006-2007 2007-2008
Maciej Kot	A	Start Krokiew Zakopane	2005-2006
Dawid Kubacki	B	TS Wisła Zakopane	2006-2007 2007-2008
Jakub Kot	B	Start Krokiew Zakopane	2005-2006 2006-2007 2007-2008
Jan Ziobro	B	TS Wisła Zakopane	2006-2007 2007-2008
Mateusz Cieślak	B	KS Wisła Ustronianska	2005-2006 2006-2007 2007-2008
Klemens Murańka	C	TS Wisła Zakopane	2007-2008
Tomasz Byrt	C	KS Wisła Ustronianska	2006-2007 2007-2008
Paweł Słowiak	C	KS Wisła Ustronianska	2005-2006 2006-2007 2007-2008
Adam Cieślak	C	KS Wisła Ustronianska	2006-2007 2007-2008
Grzegorz Miętus	C	Start Krokiew Zakopane	2006-2007 2007-2008

Culture

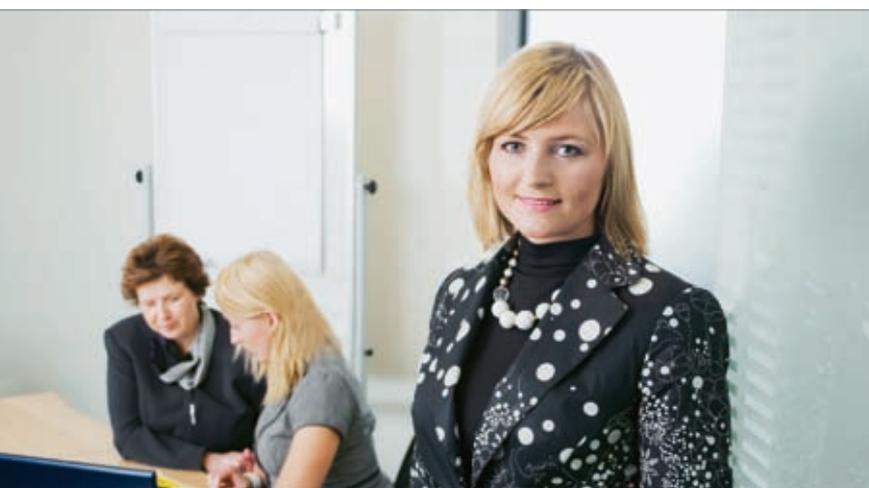
Grupa LOTOS S.A. is involved in cultural events most important to regions where the subsidiaries of the LOTOS Group are located. In the Pomeranian Voivodship the Group is focused on events

in Gdańsk, Sopot and Gdynia. The Company's involvement in some of the events is agreed with the self-governments of the cities. In other regions, the Company considers the local communities' expectations of the Company and the role of cultural initiatives in promoting the local heritage.

Below are the most important cultural events supported by Grupa LOTOS S.A. in 2007.

Entity	Event	City/town
Pomeranian Film Foundation	XXXI Polish Film Festival	Gdynia
National Baltic Opera	strategic sponsor	Gdańsk
Arts Institute in Kraków	Festival of Stars	Gdańsk
TP S.A. Branch in Gdańsk	Polish Radio and Television Theatre Festival 'Dwa Teatry Sopot 2007'	Gdańsk

Video Studio Gdańsk	Good Humour Festival	Gdańsk
Theatrum Gedanense Foundation	XI Shakespearean Festival	Gdańsk
ART 2000 Foundation	Teatr Atelier im. Agnieszki Osieckiej	Sopot
'Moje Bieszczady' Bieszczady Enthusiast Association	'Bieszczadzkie Anioły' Assorted Arts Association	Cisna, Dołżyce
Arts and Theatre Association	LOTOS Jazz Festival - Bielska Zadymka Jazzowa	Bielsko-Biała
Jewish Culture Festival Association	Jewish Culture Festival	Kraków
Regional Community Centre	Beskidy culture week	Wisła, Szczyrk, Żywiec, Oświęcim, Maków Podhalański



The sponsoring and charity activities of our Company primarily focus on social oriented actions in fields vital to the lives of our customers and residents living near the manufacturing plants. We pursue numerous activities in this field in agreement with local and regional self-governments and NGOs. We undertake activities compliant with the mission and strategy of the Group's development, in respect for the values represented by the LOTOS brand.

An example of the Company's involvement in such projects is the cooperation with the self-government of the region where our refinery

operates, affirmed by an agreement signed in January 2007 between Grupa LOTOS and the Voivodship Office, the Office of the Marshal of the Pomeranian Voivodship and the self-governmental authorities of Gdańsk, Sopot and Gdynia. The cooperation provides for ongoing communication between our Company with representatives of the Voivodship and self-governmental authorities on the subjects of shared social and cultural projects and events and plans for the future. Our project involvement is agreed together, and the basic selection criterion is the social dimension of projects and their importance for the region's promotion in Poland and abroad.

We try to support the organisation of local cultural events which go beyond the region in both impact and size, and contribute to the promotion of our voivodship. A good example of such activity is the involvement in the Polish Radio and Television Theatre Festival 'Dwa Teatry Sopot 2007' and the Festival of Stars. However, we do not forget about events which are more social, regional and addressed to our closest neighbourhood. Our approach to our neighbourhood is best proven by our commitment to the organisation of major Tri-city events, such as the Celebrations of the City of Gdańsk, the Celebrations of Bohaterów Monte Cassino Street in Sopot, the Celebrations of Świętojańska Street in Gdynia, the Summer Begins in Gdynia, and the Świętojańska Carnival in Gdynia.

I think that this model of cooperation has multiple benefits both to the Company, which effectively manages the sponsoring budget and to the self-government, for which a regular and trusted partner is a long-term guarantee of the fulfilment of a comprehensive strategy of regional promotion.

Katarzyna Sikorska

CSR Team Manager, Communication Office of Grupa LOTOS S.A.

Road safety

'Safe walk to school with LOTOS'

'Safe walk to school with LOTOS' is an educational and preventive programme aimed at preventing road accidents involving primary school children. The action is targeted towards first Key Stage 1 children to draw their attention to important matters of road safety. The goal of the programme is to encourage children to learn road and safe crossing rules. The organisers intend to prevent road accidents involving children. The discussed topics include safe road crossing and safe places to play. The police also instruct the children how to cross the road safely.

The basic goals of the programme are to:

- propagate rules of safe behaviour on the road,
- provide education in road rules.

Programme reach

The Programme is pursued at the locations of subsidiaries of the LOTOS Group, namely in the Pomeranian Voivodship and the poviats under direct impact of LOTOS Czechowice and LOTOS Jasło. Activities in Jasło have been pursued since 1998, in the Pomeranian Voivodship since 2001, and in Czechowice-Dziedzice since 2004.

The 'Safe walk to school with LOTOS' programme assumes the cooperation with partners who work for the road safety. In the past editions of the programme, the Company cooperated with the following entities:

a/ in the Pomeranian Voivodship:

- Voivodship Police Headquarters in Gdańsk,
- Pomeranian Road Traffic Centre in Gdańsk,
- Youth Community Centre in Gdańsk,

b/ in Jasło:

- Jasło Motor and Road Rescue Club,
- Police Voivodship Headquarters in Rzeszów,

- Police Poviats Precinct in Jasło,
- Road Transport Inspector,
- Voivodship Road Traffic Centre in Krosno,
- Municipal Police in Jasło,
- Town Hall in Jasło,

c/ in Czechowice-Dziedzice:

- Road Safety Foundation,
- Police Precinct in Czechowice-Dziedzice,
- Police Precinct in Bielsko-Biała.

From 2006 to 2007, the following actions were performed as part of the 'Safe walk to school with LOTOS' programme:

meetings on the rules of road safety were organised and children were presented with reflectors and taught how to use them, 'Free the reflectors' an art contest was organised for the youngest children to create attitudes and behaviour related to road safety.

The programme covered:

in 2006: 8,000 children including 5,000 children from the Pomeranian Voivodship and 1,500 children each from Jasło and Czechowice-Dziedzice, in 2007: 15,000 children including 9,000 pupils from the Pomeranian Voivodship (121 schools), and 2,000 children each from Jasło and Czechowice-Dziedzice,

'Safe 8'

In 2007, LOTOS S.A., through its subsidiary, LOTOS Paliwa, became involved in a pioneer social campaign 'Safe 8'. The campaign was originated by the Ministry of Transport in cooperation with the General Directorate for National Roads and Motorways and units of the central and local administration. The goal of the project was to improve road safety on national road no. 8. Ultimately, the Ministry of Transport plans to cover 88 national roads in Poland with the project. The project con-

sists of running an information campaign in areas with particularly high accident rates. The campaign is addressed to all road users to draw their attention to threats and make them more aware of the need to become more careful.



The project must gain enough publicity to be successful; therefore, all petrol filling stations along national road no. 8 were invited to participate in the project.

21 LOTOS Paliwa petrol filling stations along the road joined the project. The stations are situated in the Podlaskie, Mazowieckie, Łódzkie and Dolnośląskie Voivodships. All employees of LOTOS petrol filling stations were involved in the 'Safe 8' social campaign. This certainly fostered the shaping of voluntary attitudes within the Group.

Health care

In accordance with the rules of corporate social responsibility, Grupa LOTOS S.A. provides financial support to public health institutions. The money is appropriated for purchases of medical equipment used in the activities of the institutions and for health promotion.

Below is a list of beneficiaries which use medical equipment funded by the Company from 2006 to 2007.

2006

Entity	City/town	Support goal
Medical Academy	Gdańsk	co-financing of development costs of the Invasive Treatment Centre conceptual project
Medical Academy	Gdańsk	CAT scanner purchase for the Eye Disease Clinic
Medical Academy	Gdańsk	co-financing of room renovation in the Cardiac Surgery Clinic
Specialised Health Care Centre for the Mother and Child	Gdańsk	X-ray lamp purchase
Polish Mothers' Memorial Hospital-Research Institute	Łódź	outpatient clinic equipment purchase
H. Klimontowicza Specialised Hospital	Gorlice	co-financing of an operating lamp purchase
St. Adalbert Specialised Hospital	Gdańsk	purchase of an infusion pump and apnea sensor for the Paediatric-Allergy Ward

2007

Entity	City/town	Support goal
Pomeranian Centre of Oncology	Gdynia	purchase of a gamma radiation detector for the oncologic surgery ward
Gdynia Bridge of Hope Foundation	Gdynia	purchase of rehabilitation equipment
SPZOZ University Hospital	Kraków	equipment for diagnosing ischemic heart disease
Medical Academy – Child Diabetology Ward	Gdańsk	room equipment for the Child Diabetology Ward
Pomeranian Centre of Traumatology, Voivodship Specialised Hospital – Child Cardiac Surgery Ward	Gdańsk	nitrogen oxide therapy equipment
Polanki Hospital	Gdańsk	purchase of a pulseoxymetre for the child internal medicine ward

Corporate volunteering

Currently, employees of Grupa LOTOS S.A. are not systematically involved in projects beneficial to society. There are cases of valuable social activity of employees; however, these are not initiated by the Company.

One example is the activity of the **Honorary Blood Donor Club** supported by Grupa LOTOS S.A. with 81

members. In 2006, the club members donated 26 litres and 400 ml of blood; in 2007, they donated 45 litres and 200 ml of blood.

Grupa LOTOS S.A. is currently considering undertaking steps towards implementing a long-time corporate volunteering programme by encouraging employees to face additional challenges or duties for those in need.



We decided to bring a Christmas gift to those most in need. We believe that this event will help ill children and their mums.’, President of the Management Board of LOTOS Paliwa Hanka Krzyżańska summed up the filling-up event.

The first project of this type was an action organised in the Tri-city in December 2007. Group managers personally sold Dynamic petrol at selected stations. The action provided support for a major social cause since part of the margin on the sold petrol was appropriated for the purchase of medical equipment for the Specialised Health Care Centre for Mother and Child in Gdańsk Oliwa. During the charity event, twenty managers sold 46,784 litres of petrol. Each one of them poured petrol for customers at nine LOTOS stations in the Tri-city. 10 groszy from the sale of each litre of Dynamic diesel or Dynamic 98 went to support the Hospital. The Hospital used the money to buy a pulsoxymeter, a device for checking the concentration of oxygen and carbon dioxide in the blood without taking blood samples. This is particularly important in cystic fibrosis therapy, which the Child Internal Medicine Ward specialises in, as the only centre in Pomerania.

Environmental protection

As a company acting in the chemical industry, Grupa LOTOS S.A. feels particularly obliged to undertake socially minded actions for the protection of the natural environment. In the aspect of its sponsoring policy, this is reflected not only by pursuing educational projects, but also by cooperation with bodies involved in reducing the industrial impact on the natural environment. Below are representative initiatives within that scope.

Cooperation with the Foundation: Agency of Regional Air Quality Monitoring in the Gdańsk Metropolitan Area

Cooperation with the Foundation: Agency of Regional Air Quality Monitoring in the Gdańsk Metropolitan Area (ARMAAG) is a system-wide activity. Grupa LOTOS S.A. contributed to the establishment of the ARMAAG Foundation in 1995 and built and delivered to the Foundation two completely fitted measurement stations in Gdańsk. These were the first ARMAAG measurement stations, which allowed the Foundation to launch the regional air quality monitoring network. The regional air quality monitoring network in the Gdańsk Metro Area, currently consisting of ten-odd measurement stations, is one of the largest and most renowned regional networks in Poland.

This was proven in 2001, when the ARMAAG station was incorporated in the European Environment Information and Observation Network (EOINET).

In 2006 and 2007, the Foundation received a grant from the Group to purchase a numerical weather forecast, generated by the Interdisciplinary Centre for Mathematical and Computational Modelling of the University of Warsaw, to forecast pollution for the area covered by the ARMAAG measurement network.



ARMAAG Manager, Krystyna Szymańska, stresses that Grupa LOTOS, by purchasing an air monitoring station, was the godmother of the foundation. 'As the first in Poland, we started to implement EU regulations with the Group's help, which opened for inspection to prove that it was friendly to the environment.'

Example initiatives in environmental education in which Grupa LOTOS S.A. participated in 2007

Entity	Activities
Polish League for Environmental Protection	voivodship eliminations to the 22nd Polish Environmental Knowledge Contest
Support Centre for Non-Governmental Initiatives – Our Home Europe Association	7th National Environmental Contest: Friendly to the Environment, Polish Ecology Partner
Development Foundation of the University of Gdańsk	2nd Scientific Film Festival, screening of 'Uncomfortable truth'. The film discusses major climate changes on our planet to draw attention of local communities to environmental issues, make them more aware of climate changes, and finally convince them of supporting alternative energy sources

Grant programmes

Since the academic year 2004/2005, Grupa LOTOS S.A. has cooperated with the Technical University of Gdańsk (PG), which actively and effectively participates in developing a knowledge-based economy. This is best proven by its vast number of publications, patents, and implementations performed by the scientific personnel, doctoral students and ordinary students. This cooperation brings measureable benefits to the Group, which operates in the highly advanced technologies field. As part of the cooperation, the Group funds grants to the students and provides apprenticeships.

In the academic year 2006/2007, the Company awarded 30 grants to the best students of the Technical University of Gdańsk of the Chemical Faculty and Electrical and Control Engineering. The grant holders were selected by a Commission consisting of representatives of both parties. The winning criteria were the top average of student grades up to date, knowledge of foreign languages and predisposition to work in Grupa LOTOS S.A. and its subsidiaries. LOTOS also funded five prizes for competition work related to activities of the LOTOS Group. In the academic year of 2007/2008, a grant and prize programme is being offered to students of the Technical University of Gdańsk. 20 grants for top students in the summer term of 2006/2007 are planned, as well as two mon-

ey prizes for best Master's Degrees at the Chemical Faculty in the academic year of 2007/2008.

In total, since 2004, the Company has awarded nearly half a million zlotys in grants and prizes to PG students. In the last four years, students and doctoral students received 85 scholarships and prizes for the best Master's and Doctoral theses, as well as business plans prepared for economic and innovative enterprises.

In the academic year of 2007/2008, Grupa LOTOS S.A. started a similar initiative with the AGH University of Science and Technology in Kraków. As part of the cooperation, 10 grants were funded for the best AGH students in Kraków from the Faculty of Mining and Geoengineering, the Faculty of Geology, Geophysics and Environmental Protection, the Faculty of Mining Surveying and Environmental Engineering, the Faculty of Drilling, Oil and Gas and the Faculty of Fuels and Energy.

Investments in the charity projects of educational institutions

In pursuing its charity policy, Grupa LOTOS S.A. supports initiatives for the benefit of children and youths in difficult financial situations. The Group organises holiday leisure activities for children. With the Group's financial support provided to NGOs in 2007, social

grants were funded for children and young people under NGO care. Organisations which Grupa LOTOS S.A. has cooperated with are:

Beaumont's Foundation for Social Aid: 17 children from low-earning, multi-children families from the Gdańsk powiat, where the children have good grades.

Servi Pacis Foundation: 5 children (orphans and children of soldiers injured in military actions in Iraq and Afghanistan) from Poland.

In the holiday seasons of 2006 – 2007, Grupa LOTOS S.A. co-financed summer holidays for a total of 472 children.

The Company also provided financial support for material or renovation investments in educational institutions. One of the examples is the modernisation of the chemical lab in Secondary School no. 3 in Gdynia, the

best secondary school in the Pomeranian Voivodship and one of the best in Poland. Investment covered exhaust systems and a drain system resistant to caustic substances. Five specialised cabinets with fume exhaust systems, so-called fume cupboards, were purchased to perform chemical experiments, and cabinets to store reagents. The Company also funded a specialised lab table and a special table with professional scales, as well as 14 new burners. Students of Secondary School no. 3 in Gdynia are successful in chemical contests and take up chemistry as one of the examination subjects of the International Baccalaureate. Grupa LOTOS S.A. treats this kind of cooperation as an investment in future personnel, which will stimulate the development and innovative nature of the industry and the Company.



The 'Pomóż Sobie i Innym' Foundation (Help Yourself and the Others) pursues its statutory goals with funds from sponsors. For several years, Grupa LOTOS has provided financial and material support for our activities. As a result, children from poor families may participate in trips organised by the foundation. With the Group's support, we were able to provide extra meals to the poorest families and organise a Christmas party for the poorest. I realise that these words do not reflect our gratitude for the help received by our charges from Grupa LOTOS. Let the joy and smiles of our children for which you open your hearts be the perfect thank you.

Bogumiła Rydlewska
President of the Management Board
of 'Pomóż Sobie i Innym' Foundation

Bribery and corruption

GRI no. **SO2**

Description of policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption

In fulfilling their ultimate strategic goal of creating shareholder value, employees of the LOTOS Group remember to combine economic effectiveness with the respect for ethics. For this purpose, we adhere to the following current and future ethical programmes in the Company:

'Employee Code of Conduct of Grupa LOTOS S.A.', created in 2005, helpful in keeping the highest standards of personal and professional ethics and

thus, improving the organisational culture of the Company.

'Manager Code', which reminds us of the need to observe the law and act following the rules of social conduct and good manners.

'Corporate Ten Commandments', an expression of the values and rules deemed by the Management Board to be crucial for the LOTOS Group.

Political contributions

GRI no. **SO3**

Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions

Ethic principles adopted by Grupa LOTOS S.A. provide for the apolitical stance of the Group, which does not support any political parties in any way.

Grupa LOTOS S.A. has no procedures or mechanisms relating to political lobbying.

Competition

GRI no. **SO6**

Court decisions regarding cases pertaining to anti-trust and monopoly regulations

With a decision of the President of the Office of Competition and Consumer Protection (UOKiK) of 21 March 2005, an anti-monopoly investigation was instituted ex officio in connection with the agreement between Polski Koncern Naftowy ORLEN S.A. in Płock and Grupa LOTOS S.A. in Gdańsk on the simultaneous termination of manufacture and distribution of U95 universal petrol. In the opinion of the Management Board of the Company, given continued manufacture and sale of U95 universal petrol, UOKiK charges are unfounded. In April 2005, the Management Board applied for a deci-

sion stating that no practices detrimental to competition were found in Grupa LOTOS S.A.

In July 2005, the Company filed a complaint with the Anti-Monopoly Court regarding the UOKiK decision on restricting access to part of the evidence gathered for the case. Regardless of the complaint, in September 2005, the Company submitted another application for a decision stating that no practices detrimental to competition were found in Grupa LOTOS S.A. In October 2005 another decision of the UOKiK was received

regarding restriction of access to part of the evidence gathered for the case. The Company filed a complaint to that decision to the Anti-Monopoly Court. The Circular Court – Court for Competition and Consumer Protection dismissed the complaints. Grupa LOTOS S.A. appealed against the dismissals to the Appellate Court in Warsaw, which were also dismissed.

With a decision of 18 April 2007 passed upon the request of PKN ORLEN S.A., the right to view the evidence in the anti-monopoly proceedings comprising materials gathered during the inspection at PKN ORLEN S.A. in Plock was restricted for Grupa LOTOS S.A. These materials included parts of appendices to the reports of inspection carried out at the Plock offices. Access was also restricted to the report of inspection carried out at the Warsaw offices and appendices. The same decision

also refused admission of the PKN ORLEN S.A. request to restrict the right to access evidence comprising report of inspection carried out at the applicant's offices in Plock. On 26 April 2007, the complainant (Grupa LOTOS S.A.) filed a complaint against the decision which restricted the right of Grupa LOTOS S.A. to view the evidence. On 9 May 2007 Grupa LOTOS S.A. was requested by the UOKiK to provide information pertaining to the change of U95 and Pb95 prices. On the same day, the Company sent the requested information to the UOKiK. On 2 August 2007, Grupa LOTOS S.A. sent a letter to the UOKiK stating that U95 petrol was no longer manufactured. On 31 December 2007 the UOKiK President imposed a fine on Grupa LOTOS S.A. at PLN 1,000,000. An appeal against that decision was filed to the Circular Court in Warsaw on 17 January 2008. The case is pending.

Product liability

Customer health and safety

GRI no. **PR1**

Description of policy for preserving customer health and safety during use of products and services, and the extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring

For paraffin products offered by the Group (LOTOS Parafiny), rules of customer health safety and protection regarding product use are communicated in the information on the conditions of storage and properties of goods as specified in the Technical Conditions provided to the customer, as well as in Product Safety Sheets. Information on rules of the safe use of paraffin products is stated on the packaging. Products are PZH (National Institute of Hygiene) attested. Similarly, all oil products offered by the Group (LOTOS

Oil) hold Safety Data Sheets which describe product properties which affect user health and safety and the procedure to be followed in the event of a health-threatening use. The Data Sheets provide the telephone number for emergencies. There is a Data Sheet management system in operation.

Goods and services

GRI no. **PR2**

Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling

The specific nature of oil products manufactured by the Group (LOTOS Oil) requires the provision of tech-

nical details on product properties to the customer. Given the intermediate links in the sale and use of

LOTOS products, such as car workshops, it is necessary to provide reliable product information. Such information is included on labels and product data sheets. These labels and sheets contain details on compliance with renowned specifications and approvals of car manufacturers. There is an approval management system in place.

General rules of packaging labelling are provided for by the Act on Packaged Goods. In addition to the requirements on product packaging specified in separate provisions, marketed packaged goods should be labelled as follows: product name, nominal amount, packager ID.

Detailed rules of product labelling are provided for by the Ordinance of the Council of Ministers of 5 November 2002 on detailed regulations on packaged goods labelling.

Pursuant to the Act on General Product Safety, the manufacturer is obliged to provide the consumers with the following information:

information to assess threats related to products during regular or foreseeable duration of use if such threats are not, with the lack of proper warning, immediately noticeable;

information pertaining to options of counteracting any such threats.

These activities may consist of:

stating the manufacturer's name and address on the product or its packaging and placing product identification, or if necessary, product lot identification, unless omission of such information is justified;

taking samples of marketed products, analysing consumer complaints and if necessary, keeping a register of complaints and notifying the distributors of the audit;

Pursuant to the Standardisation Act of 12 September 2002, products which meet the requirements of the Polish Standards may optionally carry the Polish Standard compliance mark, provided that a certificate of compliance is obtained. The sole right to grant

consent for placing the Polish Standard compliance mark lies with the national standardisation unit.

The Ordinance of the Council of Ministers of 6 April 2004 on the Polish Classification of Products and Services issued under Art. 40.2 of the Act of 29 June 1995 on Public Statistics provides that the Polish Classification of Products and Services (PKWiU) is introduced into the statistics, registration, documentation and accounting, as well as into official registers and information systems of public administration. Product labelling with the proper PKWiU code allows the sellers to charge proper tax on the product as the code is used to determine VAT fiscal obligations.

The Act on Freedom of Economic Activities provides in Art. 20. that the enterprise marketing the product in the territory of Poland must place Polish language information on the product, label or instructions stating:

enterprise name and address;

product name;

other denotations and information required by separate provisions of the law.

Hazardous preparations and substances

The Act on Chemical Substances and Preparations and executive provisions thereto obligate the enterprise to label hazardous substances and preparations.

Domestic provisions impose labelling rigours on hazardous preparations defined in the Act, while EU regulations impose requirements to the full and limited extent (trademark and preparation application and details of the person marketing the preparation and detailed requirements under Appendix V to Directive 99/45), with regard to preparations not classified as hazardous, but which contain at least one substance which is hazardous or which may pose particular threat as it contains substances listed in the appendix, as well as preparations available in aerosols containing substances not completely tested and preparations not classified as irritating but containing at least one irritating substance (based on the 'Comparison

of EU and domestic regulations in labelling chemical preparations', 1st April 2006).

Given the aforementioned, the Group's oil product labels provide the following information:

- product name;
- product description and application;
- approvals and specifications which the product meets;
- manufacturer's address;
- nominal amount of the product;
- barcode;
- hazardous substance labelling for oils containing hazardous substances (e.g. lubricants in aerosols).

For paraffin products offered by the Group (LOTOS Parafiny), the following regulations pertaining to information printed on packaging have been applied:

- The technical and manufacturing documentation supervision procedure, which lays down the rules on information printed on the packaging and labels of paraffin products, states persons/departments responsible for print and packaging specimens and information printed on packaging.
- The goods identification procedure to ensure product identification at all manufacturing stages and

the possibility to identify the product in the scope prescribed by the organisational requirements, as well as to ensure identification and status of the product with reference to control and test requirements.

- The product protection procedure and quality monitoring,
- The procedure of dealing with a non-compliant product,
- Technological instructions,
- Technical conditions,
- Specimens of labels and prints,

The Safety Data Sheet Supervision Procedure, which lays down the rules on product safety data sheets. The Polish Standard for Candles PNC 98000, which defines signs and information on the packaging, applies to candles.

GRI no. PR8

Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction

Research carried out within the LOTOS brand communication strategy, which mainly focuses on LOTOS brand image and perception, relates Grupa LOTOS S.A. to society (target groups) through information which is used to identify potential opportunities and better understanding of market activity and recognition of the means to increase the efficiency of specific actions.

In its market research, the Group follows fundamental rules which are to observe applicable domestic

and international laws and ethical and professional responsibility. In all the research, we follow the rule of objectivity and compliance with accepted rules of science. Cooperating research companies which conduct the research are selected in accordance with the internal procedures of Grupa LOTOS S.A.

Since 2004, the LOTOS brand has ranked high in the Most Precious Polish Brands Ranking published by Rzeczpospolita. The basic criterion of brand rating is their Polishness, understood as the place of establish-

ment and the relief from royalty generally applied in the world. LOTOS brand value in 2007 was PLN 416.7 m and grew by 53% compared to 2006.

In 2007, Grupa LOTOS S.A. received the Business Superbrand Polska 2007 title, awarded for the first time in the business-to-business (B2B) category to the strongest and best recognized brands in the Polish market. The Brand Council of The Superbrands Ltd. evaluated over 1,000 brands.

Customer satisfaction research and monitoring constitutes an important part of the Group's product area activities. The activities are not only aimed at maintaining high quality of products and services, but also

of all sales-related activities. The key factors are the procedures and mechanisms developed by two entities of the LOTOS Group, which satisfy the needs of private and corporate customers of the Group to the largest degree.

The satisfaction level of customers using products and services of LOTOS Paliwa is surveyed in accordance with the following process sheet:

Process measure			
INDIVIDUAL CUSTOMERS			
Measure name		Frequency of measurement	Measurement method
Brand awareness factor	spontaneous prompted	1-2 times a year	OMNIBUS or CAPI Sample of at least 1,000
Quality evaluation factor		1 a year / 2 years	Individual tests CAPI or PAPI
Station general evaluation factor (image)		1 a year / 2 years	Individual tests

Process measure		
CORPORATE CUSTOMERS		
Measure name	Frequency of measurement	Measurement formula
Customer satisfaction with cooperation	1 a year, 2 years	CATI – Sample of at least 400, Individual tests
Customer satisfaction with key account		
Customer satisfaction with Customer Service		
Functionality evaluation index		
Brand image index		

The satisfaction of customers using LOTOS Oil products and services is analysed once a year based on two sources:

External: AutoScan research (until 2006) and MotoScan (2007). These are regular research studies into the market of engine oils for passenger cars. These cover many subjects and present the following ratios which reflect customer satisfaction:

supported and prompted brand awareness ratios,

loyalty towards the brand,

engine oil brand selection criteria,

benefits expected upon purchasing engine oils,

place of purchase of engine oils and criteria of choosing the place of purchase.

Internal: questionnaire survey of direct customers and Authorised Distributors. This consists of the evaluation of LOTOS Oil compared to the best competitor by a given criterion. The criteria also undergo weight evaluation. This covers the following operating areas:

general evaluation of cooperation,

products,

sales and trade,

logistics and transportation,

marketing.

Advertising

GRI no. PR9

Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising

Marketing activities of Grupa LOTOS S.A. are based on the principle of responsibility for the effects of marketing activities. The Strategic Marketing Office of Grupa LOTOS S.A., responsible for the management of all the issues related to the development and fulfilment of corporate brand strategy and the building of values and desired image of the LOTOS brand, applies the rules of 'no deliberate harm' in actions, the observance of governing rules and the proper practical use of education, professional preparation and experience of employees in development, management, promotion, distribution and market research.

These principles complement the governing and abided provisions of the law, in particular:

the Polish Constitution,

the Civil Code,

the Act on counteracting unfair competition,

the Act on Press Law,

the Act on radio and television,

the Act on the protection of certain rights of consumers,

the Act on the electronic provision of services,

the Act on personal data protection,

the Act on copyright and related rights,

the industrial ownership law,

the Code of Advertising Ethics.

In addition, the media advertising and sponsoring activities are pursued with respect for human dignity, sex equality, without any controversial content which may be offensive to social groups and without negative emotions.

At its own petrol filling stations, Grupa LOTOS S.A. may fully select the range of products. However, there

may be unwanted situations, which the Group may still quickly identify and eliminate.

At partner stations, Grupa LOTOS S.A. has a limited influence on the range of stocked products. In general, marketing content must be approved by the

Group. Both at its own and partner stations, LOTOS Paliwa Regional Managers are attentive to any sensitive subjects and prevent the occurrence of any undesirable content.

GRI no. **PR10**

Number and types of breaches of advertising and marketing regulations

None recorded.

Respect for privacy

GRI no. **PR3**

Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy

In respect of the protection of privacy in advertising, Grupa LOTOS S.A. observes all the regulations arising out of constitutional standards, which assure the citizen privacy rights and the right to protect personal information, as well as statutory regulations on personal data protection.

Particular protection is provided to personal data included in databases administered by Grupa LOTOS S.A. subsidiaries, which were collected during promotional activities and which are used for marketing purposes. These data are protected under the Act on personal data protection of 29 August 1997. Databases with customer information have been notified to the Inspector General for the Protection of Personal Data,

in accordance with governing provisions of the law. In accordance with the Ordinance of the Minister of Internal Affairs and Administration of 29 August 2004 on documentation for personal data processing and technical and organisational conditions to be met by devices and information systems applied for personal data processing, the Company has installed the required data protection measures.

Detailed regulations are included in the internal documents of the subsidiaries, namely the Security Policy, Administration Instructions for the information system used to process personal data

GRI no. **PR11**

Number of substantiated complaints regarding breaches of consumer privacy

No data available.

GRI CONTENT INDEX according to Sustainability Reporting Guidelines 2002

The Company refers to GRI Sustainability Reporting Guidelines 2002 (G2).

Additional indices in italics.

● reported ◐ partially reported ○ not reported ⊗ not applicable

INDICES	REPORTED
VISION AND STRATEGY	
1.1 Company statement on vision and strategy with regard to contribution into sustained development	● Letter of the President of the Management Board of Grupa LOTOS S.A.
1.2. Letter of the President of the Management Board of Grupa LOTOS S.A. describing key message of the report	● Letter of the President of the Management Board of Grupa LOTOS S.A.
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2.2 Operating profile and area	● Operating profile and area
2.3 Operating structure	● Operating structure
2.4 Organisational units in the company structure	● Operating structure
2.5 Geographical scope of activities	● Operating profile and area
2.6 Ownership	● Ownership
2.7 Market description	● Innovativeness and competitiveness; Customers / Market structure and division
2.8 Scale of activities	● Operating profile and area
2.9 Stakeholder groups	● Stakeholder groups; Social environment
REPORT SCOPE	
2.10 Contact person	● Final information
2.11 Reporting period	● Reporting period
2.12 Previous report publication date	● Previous reports
2.13 Report limitations	● Report limitations, Letter of the President of the Management Board of Grupa LOTOS S.A.
2.14 Changes in organisational structure, ownership relations and product offer since last report	⊗
2.15 Comparability with previous reports	⊗
2.16 Corrections of information contained in previous reports	⊗
REPORT PROFILE	
2.17 Observance of GRI rules in the report	● GRI guidelines
2.18 Criteria applied to calculate the economic, environmental and social costs and revenues	◐ Grupa LOTOS S.A. 2007 annual report
2.19 Changes in methodology of measuring economic, environmental and social data	⊗
2.20 Report reliability and completeness	● Report reliability and completeness
2.21 Independent report verification	● Report reliability and completeness
2.22 Acquisition of additional information on the economic, environmental and social aspects of activities	● Acquisition of additional information, www.grupalotos.pl

MANAGEMENT STRUCTURE	
3.1 Management structure and scope of responsibility	● Management structure
3.2 Independent members of the supervisory board	● Independent members of the Supervisory Board
3.3 Acquisition of management information	○ Risk management programmes
3.4 Risk management	● Risk management
3.5 Bonus system and organisation results	● Bonus system and Company results
3.6 Structures responsible for ongoing monitoring of economic, environmental and social aspects of activities	● Management structure, Risk management
3.7 Mission, vision, system of values of the organisation	● Mission, vision, values
3.8 Mechanism of consultation with stakeholders	● Social dialogue / Social environment
CONSULTATION WITH STAKEHOLDERS	
3.9 Identification of key stakeholders	● Social dialogue
3.10 Approach to consultations with key stakeholders	● Social dialogue
3.11 Types of information acquired during consultations	● Social dialogue
3.12 Method of using consultation results	● Social dialogue
MANAGEMENT SYSTEM	
3.13 Application of preventive measures and procedures in the field of social initiatives	○
3.14 Participation in voluntary social initiatives	● Local communities
3.15 Membership in organisations	● Membership in organisations
3.16 Vertical systems of management	● Operating structure
3.17 Indirect impact of the organisation	● Operating profile and area; Whole report
3.18 Change of location or scope of activities	○
3.19 Management support programmes	● Management support programmes
3.20 Certification of management systems	● Management support programmes
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EC1 Net sales.	● Economic aspects of activities / Customers
EC2 Geographic breakdown of markets.	● Economic aspects of activities / Customers
EC3 Cost of all goods, materials, and services purchased.	● Economic aspects of activities / Suppliers
EC4 Percentage of contracts that were paid in accordance with agreed terms	● Economic aspects of activities / Suppliers
EC5 Total payroll and benefits	○ Economic aspects of activities / Employees
EC6 Distributions to providers of capital broken down by interest on debt and borrowings	● Economic aspects of activities / Investors
EC7 Increase/decrease in retained earnings at end of period.	● Economic aspects of activities / Investors
EC8 Total sum of taxes of all types paid	● Economic aspects of activities / Public sector
EC9 Subsidies received	● Economic aspects of activities / Public sector
EC10 Donations to community, civil society, and other groups	● Economic aspects of activities / Public sector
EC11 Supplier breakdown	● Economic aspects of activities / Suppliers
RESPECT FOR THE NATURAL ENVIRONMENT	
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EN2 Percentage of materials used that are wastes from sources external to the reporting organization.	● Environmental aspects of activities / Materials and raw materials
EN3 Direct energy use segmented by primary source	● Environmental aspects of activities / Energy
EN4 Indirect energy use	○ Environmental aspects of activities / Energy
EN5 Total water use	● Environmental aspects of activities / Water
EN6 Location and size of land owned, leased or managed in biodiversity-rich habitats	● Environmental aspects of activities / Biodiversity
EN7 Description of the major impacts on biodiversity associated with activities	● Environmental aspects of activities / Biodiversity
EN8 Greenhouse gas emissions	● Environmental aspects of activities / Emissions, sewage, waste
EN9 Use and emissions of ozone-depleting substances	● Environmental aspects of activities / Emissions, sewage, waste
EN10 NOx, SOx, and other significant air emissions	● Environmental aspects of activities / Emissions, sewage, waste
EN11 Total amount of waste by type and destination	● Environmental aspects of activities / Emissions, sewage, waste
EN12 Significant discharges to water	● Environmental aspects of activities / Emissions, sewage, waste
EN13 Significant spills of chemicals	● Environmental aspects of activities / Emissions, sewage, waste
EN14 Significant environmental impacts of principal products and services	● Environmental aspects of activities / Goods and services
EN15 Percentage of the weight of products sold that is reclaimable at the end of the products' useful life	● Environmental aspects of activities / Goods and services
EN16 Incidents of and fines for non-compliance with all applicable environmental regulations	● Environmental aspects of activities / Compliance with regulations
EN22 Total recycling and reuse of water	● Environmental aspects of activities
EN23 Total amount of land owned, leased, or managed for production activities	● Environmental aspects of activities / Biodiversity
EN34 Significant environmental impacts of transportation used for logistical purposes	● Environmental aspects of activities / Transport
EN35 Total environmental expenditures	● Environmental aspects of activities / Environmental expenditures
SOCIAL INDICES	
LA1 Breakdown of workforce, by status, employment type and by employment contract	● Social aspects of activities / Employment
LA2 Net employment creation and average turnover	● Social aspects of activities / Employment
LA3 Employees represented by independent trade union organisations OR percentage of employees covered by collective bargaining agreements	● Social aspects of activities / Employee relations
LA4 Policy and procedures involving information, consultation, and negotiation with employees	● Social aspects of activities / Employee relations
LA5 Practices on recording and notification of occupational accidents and diseases	● Social aspects of activities / Health and safety
LA6 Description of formal joint health and safety committees comprising management and worker representatives	● Social aspects of activities / Health and safety
LA7 Standard injury, lost day, and absentee rates and number of work-related fatalities	● Social aspects of activities / Health and safety
LA8 Description of policies or programmes on HIV/AIDS	⊗
LA9 Average hours of training per year per employee by category of employee	● Social aspects of activities / Training and education
LA10 Description of equal opportunity policies	● Social aspects of activities / Equal treatment
LA11 Composition of senior management and female/male ratio	● Social aspects of activities / Equal treatment

LA12 Employee benefits beyond those legally mandated	● Social aspects of activities / Employment
LA13 Provision for formal worker representation in decision-making	● Social aspects of activities / Employee relations
LA14 Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems	● Social aspects of activities / Health and safety
LA15 Description of formal agreements with trade unions covering health and safety at work	● Social aspects of activities / Health and safety
LA16 Description of programmes to support the continued employability of employees and to manage career endings	● Social aspects of activities / Training and education
LA17 Specific policies and programmes for skills management or for lifelong learning	● Social aspects of activities / Training and education
HR1 Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations	● Social aspects of activities / Equal treatment
HR2 Evidence of consideration of human rights impacts as part of investment and procurement decisions	● Social aspects of activities / Equal treatment
HR3 Description of policies and procedures to evaluate and address human rights performance within the supply chain	● Social aspects of activities / Equal treatment
HR4 Description of global policy and procedures/programmes preventing all forms of discrimination in operations	● Social aspects of activities / No discrimination
HR5 Description of freedom of association policy and extent to which this policy is universally applied	● Social aspects of activities / Freedom of association and collective agreements
HR6 Description of policy excluding child labour	● Social aspects of activities / Child employment
HR7 Description of policy to prevent forced and compulsory labour	● Social aspects of activities / Forced labour
HR8 Employee training on policies and practices concerning all aspects of human rights relevant to operations	● Social aspects of activities / Equal treatment
HR10 Description of non-retaliation policy and effective, confidential employee grievance system	○
SO1 Description of policies to manage impacts on communities	● Social aspects of activities / Local communities
SO2 Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	● Social aspects of activities / Bribery and corruption
SO3 Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions	● Social aspects of activities / Support for political parties
SO6 Court decisions regarding cases pertaining to anti-trust and monopoly regulations	● Social aspects of activities / Competition
PR1 Description of policy for preserving customer health and safety during use of products and services	● Social aspects of activities / Customer health and safety
PR2 Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling	● Social aspects of activities / Goods and services
PR3 Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy	● Social aspects of activities / Respect for privacy
PR8 Description of policy, procedures/management systems, and compliance mechanisms related to customer satisfaction	● Social aspects of activities / Goods and services
PR9 Description of policies, procedures/management systems, and compliance mechanisms for adherence to standards and voluntary codes related to advertising	● Social aspects of activities / Advertising
PR10 Number and types of breaches of advertising and marketing regulations	● Social aspects of activities / Advertising
PR11 Number of substantiated complaints regarding breaches of consumer privacy	○

Glossary

PHRASES RELATED TO REFINERY ACTIVITIES

Biofuel	fuel manufactured by adding a so-called biocomponent (over 5% biocomponents) obtained through processing plant products to petrol or diesel fuel. Biocomponents are usually made by alcoholic fermentation (most often ethanol) – benzine products with ethanol additives, or by processing the seeds of oil-producing plants (e.g. rapeseed oil) – in biodiesel. Raw benzine – a benzine fraction coming directly from atmospheric distillation of crude oil or from other processes in the petrochemical or coke processing industry. It is an intermediate product from which finished benzine products are obtained.
Hydrocracking	the complex of hydrocracking installations was launched at the Gdańsk refinery at the beginning of the year 2000. It manufactures the components needed to produce high-quality fuels with minimum sulphur contents.
Slack wax hydrorefining	cleansing of paraffins through reaction with hydrogen on the catalyser
Light heating oil	LHO – a product characterized by lower sulphur content and lower density than heavy heating oil. LHO is mainly used in household boiler rooms. Grupa LOTOS S.A. sells high-quality LHO under the LOTOS Red trade name.
LPG	Liquefied Petroleum Gas is a liquefied gas, being a mixture of propane and butane, obtained in the processing of crude oil. Among its other applications, LPG is used as engine fuel or as fuel for household gas stoves.
Base oil	the main component of lubricating oils, usually petroleum-derived (paraffin or naphthene) or synthetic (e.g. hydrocarbon, ester, polyglycol, silicone) which is the product of the synthesis of various initial materials. When additional adjuvant packages are added in the blending process, final lubricating oils are obtained.
Lubricant oil	a composition of base oil and adjuvants (additives which improve its properties). The quantity, type and relative proportions of these components are decisive for the class of the oil manufactured. Their main task is to reduce friction between the surfaces of movable parts of mechanical devices which touch each other and work together. Lubricant oils are used in the automotive industry and for industrial applications. Base oil – an unrefined oil, without adjuvants, obtained in the processing of crude. It represents the base input in the manufacture of lubricant oils. Oxidation – one of the main technological processes used for as-

	phalt manufacture, as a result of controlled oxidation of heavy vacuum residue. In the process, asphalt of increased firmness (penetration) is obtained, which, among other uses, can be used as a binder for road construction.
Jet A1 fuel	high-quality airplane fuel designed for jet engines and obtained in the 'naphtha sweetening' process in Merox installations. About 80% of Jet A1 manufactured in 2006 by Grupa LOTOS S.A. was exported, for example to the UK, Sweden, Denmark, Norway, Finland and the Czech Republic. The fuel is also successfully delivered to Polish airports in Wrocław, Szczecin, Bydgoszcz, Rzeszów, and Gdańsk.
Paraffin	a mixture of solid saturated hydrocarbons, separated from the fractions of crude oil. It is used, among others, to manufacture candles, floor polish and as insulation material.
Semi-finished product	in the manufacturing process in the Gdańsk refinery, semi-finished products include, among others, raw benzine or base oil.
Plasticizers	additives to polymer products. Grupa LOTOS manufactures hydrocarbon plasticizers for the rubber industry
10+ Programme	a programme comprising the development of a series of modern technological facilities to be built by 2010 in the refinery area. With the facilities, the plant will considerably improve its processing and manufacturing capacities. When the 10+ Programme is complete, the Gdańsk company will become one of the most technologically advanced and effective refineries in Europe.
Partner petrol filling stations	Stacje działające pod marką LOTOS w ramach partnerstwa handlowego na podstawie długookresowej umowy franczyzowej.
Patronage petrol filling stations	stations which operate under the flag of the Gdańsk refinery on the basis of a patronage agreement.
Own petrol filling stations	stations owned by LOTOS Paliwa S.A., run either by managers or agents.
Petroleum-derivative goods	products available on the market, obtained in the process of crude oil processing. The most popular petroleum-derivative products are, among others, benzines, diesel oil, lubricants or engine oils.
Company Manufacturing Control	regular and permanent internal product and manufacturing process control by the manufacturer to ensure manufacturing process stability and obtain repeatable product properties in accordance with technical requirements. The CMC must be adhered to by manufacturers of construction products: the system of construction product compliance was

defined in the Ordinance of the Minister of Infrastructure of 11 August 2004 on methods of declaring compliance of construction products and methods of labelling the products with the construction mark, which displays required compliance systems for various groups of construction products.

CORPORATE SOCIAL RESPONSIBILITY PHRASES

Donation	An agreement in which the donator is obliged to provide a free benefit to the beneficiary, at the expense of the donator's assets. The donation may be granted by natural and legal persons. The subject of the donation may include real property and movable property, as well as economic rights. The donation cannot include the provision of services.
Social dialogue	Exchange of information and presentation of attitudes on social issues and problems among parties such as public institutions, enterprises and NGOs. A form of representation of interests of the parties. The key to success is reliable information and cooperation among the parties.
Business ethics	Consideration of the moral aspect in business, namely the application of solutions which combine moral standards and the strategic interest of a company. Business ethics defines standards of behaviour, norms, values and codes of conduct in an enterprise.
Stakeholder	A person or entity interested in the activities of a company and yielding various risk related to activities of the company. Also persons or entities affected by the company's activities. Contrary to a shareholder interested primarily in the operating profit, stakeholders are a wider group comprising employees, customers, lenders, suppliers, governmental administration, and in the wider context, the local community, natural environment and the public. A concept introduced by the Stanford Research Institute in 1963.
Socially responsible investing	Integration of the company interest with the social interest in undertaking investment decisions. Socially responsible investing takes into account the financial needs of the enterprise and the social impact of its activities.
Human capital	Company employees who contribute to the operations and development of the company, who have certain knowledge, skills and talents.
Code of ethics	A set of provisions which regulate the moral life. The code of ethics in business, in addition to general guidelines on diligence and honesty required in economic activities and undertaking steps to foster social

	development without violating moral standards and collective customs, defines certain 'behaviours' of an organisation.
Organisational culture	A set of standards, values, behavioural patterns, attitudes and assumptions, and symbols which determine the way of thinking and acting in a company and which define standards of communication and conduct.
Non-governmental organisation	A non-profit voluntary organisation which acts outside governmental and political structures and functions for social issues and the public good. Largely based on voluntary work.
Company mission	A set of long-term goals and objectives of the company. It comprises values pursued by the management, the basic operating guidelines. A company mission defines the company's identity and organisational culture.
Social programme	Actions planned to solve or prevent a certain social issue. The programme may be pursued in cooperation or independent of public institutions, business and social organisations.
Social report	A report issued by a company which comprehensively presents the strategy and social policy of the company. It takes into account the economic, social and environmental aspect of the activities.
Corporate social responsibility	A strategy which assumes voluntary consideration of social interest by the company in pursuit of its economic objectives, making decisions, and undertaking actions. The CSR assumes respect for the rules of ethics, employee rights, human rights, the social and natural environment. It is assumed that the corporate social responsibility should be an integral part of the corporate policy, next to the economic goals of the company.
Corporate community involvement	Tackling social issues and participation in solving social problems. A narrower concept than the corporate social responsibility. It relates to various activities undertaken by the company for the community and involves various methods of company commitment, such as financial support, material aid, corporate volunteering. Community involvement makes a company credible for the public and builds a positive image of the company outside.
Local community	A group of people living in a certain area, bound by social relation, common tradition or culture. A local community is established by residents of a village, town, district or commune (gmina).
Sponsoring	A joint obligation between two parties, a sponsor and beneficiary. The sponsor provides funds, material aid or services to the beneficiary in return for promotional services of the beneficiary. Sponsoring is a planned

and conscious activity undertaken to develop a positive image of the company. Often part of a long-term corporate marketing strategy.

Corporate volunteering

Involvement of employees in voluntary work for social organisations. Volunteers provide various work for those in need, using their skills and abilities and developing their talents in other fields. The company supports their employees in such activities, depending on the organisational culture; the employee is assigned for volunteer work during working hours, provides material aid, or logistic and financial support.

Sustainable development

Social and economic development harmonised with the natural environment. The concept of sustainable development provides for effective use of resources (social, human or natural resources) so that these can be also used in the future.

CSR concepts based on information from: www.filantropia.org.pl, www.fob.org.pl i www.pfcg.org.pl

Additional information

For additional information on the economic activities, as well as social and environmental aspects of operations of the LOTOS Group, see the Grupa LOTOS S.A. website at www.lotos.pl.

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