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LETTER FROM THE PRESIDENT
OF THE MANAGEMENT BOARD
[1.1]



Leszku i Szanowni,

we deliver to your hands the second social responsibility Report, presenting a complex approach to economic, environmental and social aspects of the LOTOS Group's corporate activities in 2008.

The past year effected in decisions being of key importance for quality of the social policy of the Group. What I have in mind is the adoption of the LOTOS Group's corporate social responsibility Strategy until 2012 by the Management Board, the obligation of cyclical reporting on its implementation progress as well as the start-up of works enforcing the uniform standards of proceeding in the entire Group.

The fact that those activities strongly affect overall management processes has been proved by dynamics and a scope of the program that the group worked out in early 2009 to fight economic slowdown. Through its works over implementation of the Anti-Crisis Package and thanks to dialogue-based cooperation inside the organisation, the Company has effectively overcome unfavourable circumstances. The LOTOS Group employees obtained a reliable knowledge about potential threats and actions that need to be taken for their neutralisation. Decisions made by Grupa LOTOS facing the crisis were one of the first in Poland taken on such a large scale. And the employees' opinions, presented in this Report, prove that the entire company has successfully passed the test. Achievement of the Anti-Crisis Package goals would be to a large extent impossible without earlier good practices of cooperation and involvement of all the decision-making levels and organisational units as well as their accompanying feeling of responsibility for the future of the group and the fate of the people working therein.

A consistent performance of the business strategy by Grupa LOTOS, combined with clearly defined goals in the area of sustained development, stimulates further growth of the group's values and the increase of its shares in a more competitive market thus simultaneously respecting expectations of the key stakeholders groups.

Implementation of the strategic 10+ Program, being one of the largest industrial investments currently ongoing in the Central-Eastern Europe, at the same time affecting the energy safety of the country, requires from Grupa LOTOS to maintain the highest standards with respect to relations with business partners, environmental protection, natural resources, relations with employees and subcontractors, financial institutions and investors. Specific effects of hard work while implementing the 10+ Program, in a form of first installations being launched, will be visible already starting from this summer. However, in parallel to our management practices, applicable in this complex investment process, we work for reputation and long-term trust in the LOTOS brand.

Besides 10+ Program, the last year activities of Grupa LOTOS also focused on dynamic development of the exploration and extraction segment. At the edge of 2009 and 2010, oil extraction is planned to start operating on the deposit located on the Northern Sea. Further obtained licenses to explore and extract crude oil on the Norwegian continental shelf are recognition of competence and confidence that Norwegian authorities admitted and gave to the Polish company. Also on the Baltic Sea specific projects were implemented that effectively resulted in ca. 40-percent higher crude oil extraction compared to 2007. And everything is performed

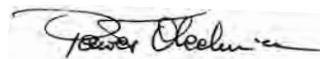
LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD [1.1]

by applying the so-called best possible practices in the overall technological chain, which guaranteed the safety of employees and respect of the natural environment.

Grupa LOTOS has reported another year of growing market share in its trading activities. Besides consistently enforced strategy in this area, this undoubtedly effects from a good customer relations management standard that has been developed throughout the LOTOS Group over the past few years. Stronger relations, also through promotion and support of good corporate practices of socially responsible business among our business partners and suppliers, are also one of the company goals.

Despite a visible economic slowdown and unfavourable market conditions, Grupa LOTOS will not abandon building permanent foundations of its activities in line with the social responsibility idea. Our goal is to increase social coherence around the group, promote innovativeness of our employees, and support the state policy in the area of sustained development while maintaining a balance in natural environment in the area affected by the ongoing investments. I am convinced that thanks to social agreement achieved inside of the Company, we will be successful in implementation of our ambitious intensions both in social and economic dimensions – to the benefit of all the stakeholders interested in successful development of Grupa LOTOS.

Best regards,



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

**KEY IMPACTS,
CHANCES AND RISKS
RELATED
TO SUSTAINABLE
DEVELOPMENT
[1.2]**



The activities of the LOTOS Group are considerably exposed to external risks resulting from general macroeconomic situation of Poland and the world. These are mainly risks connected with variability of interest rates and currency exchange rates, variability of prices of raw materials and refinery margins, risks of prices of permits for emission of CO₂ as well as risks connected with availability of raw materials and financing sources. The activities are also affected by risks connected with variability of legal regulations, changes in the state politics and changes of strategic aims as resulting from the above.

In the time of global slowdown and considerable variability of prices of raw materials, petroleum products and dynamic, relatively significant changes of currency exchange rates, it is the most significant for development of the company to complete the investment of Program 10+ in a timely manner, receive the benefits from the invested capital and obtain access to its own deposits of crude oil in the Baltic Sea and Norwegian Continental Shelf as well as strengthen its market position and increase effectiveness of its sales.

One of the key targets is gradual development of crude oil extraction from own deposits. The strategy of Grupa LOTOS assumes significant

increase of investment outlays for the sector of searching and extraction of crude oil. The strategy assumes that by 2012 the Company will extract nearly 1 million ton of crude oil per year, which constitutes at least 10% of its processing capacity. By 2015 extraction is to increase up to 20% of processing.

Due to the global economic slowdown, the extraction plans may be verified. In 2008 Grupa LOTOS continued its activities connected with the adopted strategy of diversification of petroleum supplies and focused on the most significant aspects of the strategic aim, namely safety of petroleum supplies and improvement of competitiveness by full use of the company's own refinery plant located on the sea coast.

In its conducting of its economic activities in the macroeconomic environment, which affects the sales, Grupa LOTOS is exposed to unfavourable effects of market factors especially in the global crisis situation. In this situation the quality of economic life as regards credibility and solvency of direct partners, which depends upon solvency of their payers, become especially significant. Therefore, the Company considers the policy of security of transaction and control of liabilities as very important.

**KEY IMPACTS,
CHANCES AND RISKS
RELATED
TO SUSTAINABLE
DEVELOPMENT
[1.2]**

The following categories of risk are connected with the Company's activities:

- **legal risks of strategic character** – as part of the conducted strategic analyses, the Company cooperates with public administration authorities responsible for establishment and realisation of the governmental strategy for the petroleum sector,
- **a risk of tightening of quality requirements for petroleum products** – the Company monitors on a current basis new draft standards and regulations affecting production and trade activities of the Company,
- **environmental, process-related, technological and health risks:**
 - environmental risks – a risk of absence of sufficient number of permits for emission of CO₂, a risk of occurrence of a serious industrial failure resulting in standard-exceeding emission of pollution into the air, waters and/or soil and a risk of non-compliance with requirements of environmental law (local and community law),
 - process-related and technical risks – especially relating to hazards connected with processes substances, substances used in technological processes, used in apparatuses and equipment as well as operating conditions connected with, inter alia, high pressure and temperature parameters,
 - health-related risks- relating to exposure of employees to effects of hazardous and strenuous factors connected with their work and vicinity of technological processes, which may lead to accidents at work or occupational diseases.

In order to limit the probability of occurrence of the above-mentioned undesired incidents, including occupational diseases and unfavourable health conditions connected with the Company's employees' work, a particular emphasis is put on prophylactic initiatives and activities. Pursuant to the current provisions of law and internal regulations, exposures and occupational risks related to work positions are identified on a systematic basis. The commonly applied measures and securities in the field of labour safety are oriented on minimisation of process-related, technological and health-related risks. The production processes use technologies and equipment, which fulfil requirements of the best available techniques (BAT). The process units are equipped with adequate security and protection systems, including multi-layer security systems (i.e. the layer of prevention, protection and fighting). The subject of highest concern are also procedural requirements relating to employees' knowledge of operation of equipment and devices with complicated operation or using

hazardous substances. The system rules and requirements as regards the above, including, in particular, employees' compliance with provisions and principles of safe handling and performance of works, are strictly controlled and enforced.

In 2008 Grupa LOTOS started preparatory works connected with implementation of the Corporate Integrated Risk Management System. The aim of the works is to create one centre of information about key risks in the LOTOS Group and unification of methods of risk management. The works conducted by the Strategy Office shall be completed in 2010. Key decisions on identified risks and rules of conduct shall be made by the Committee of Strategy. Grupa LOTOS has an internal audit in place, which assesses risk management systems as well as analyses of business processes. Respective reports are presented to the Management Board and Audit Committee at the Supervisory Board of Grupa LOTOS.

NAME
[2.1]

PROFILE
AND AREA OF ACTIVITIES
[2.2, 2.5, 2.6]

Name

This social responsibility report relates to activities of Grupa Kapitałowa Grupy LOTOS S.A. (the LOTOS Group, Group) and, in particular, to a parent company, i.e. Grupa LOTOS S.A (Grupa LOTOS, the Company).

Profile and area of activities

The LOTOS Group is a Polish petroleum company dealing with extraction and processing of petroleum as well as wholesale and retail sale of high-quality petroleum products.

The LOTOS Group supplies the following products into the market: lead-free petrol, diesel oil and aviation fuel. The Company is also a leader in production and sales of engine oils, asphalt and paraffin (Prometeo brand) in Poland. A lot of Polish customers are acquainted with the Company owing to its network of LOTOS fuel stations and distinguished products such as LOTOS Dynamic fuels or LOTOS Navigator, a loyalty program, which enjoys a wide interest. The Company is also famous abroad mainly owing to its LOTOS engine oils.

Grupa LOTOS is a Joint-stock Company with its stocks listed in the Warsaw Stock Exchange since June 2005. The initial capital of Grupa LOTOS amounted to PLN 113,700,000 as of 31 December 2008 and was divided into 113,700,000 ordinary registered and bearer stocks with the nominal value of PLN 1 each.

The structure of ownership in the initial capital of Grupa LOTOS as of 31 December 2008 was as follows:

51,91% Nafta Polska S.A. 6,93% The State Treasury 41,16% Other* (A and B series stocks)

Stockholder	Number of stocks	Share in %
Nafta Polska S.A.	59.025.000	51,91
The State Treasury	7.878.030	6,93
Other* (A and B series stocks)	46.796.970	41,16
Total	113.700.000	100,00

As of 31 December 2008 Nafta Polska S.A. owned 51,91% of stocks of Grupa LOTOS. Nafta Polska is a company controlled by the State Treasury, which, as of 31 December 2008, was a direct owner of 6,93% of stocks of Grupa LOTOS. At the end of 2008 the State Treasury owned 58,84% of the Company's stocks.

Since the publication of last corporate social responsibility report, the initial capital did not change.

*
A series stocks
11.796.970 pieces = 10,38%
B series stocks
35.000.000 pieces = 30,78%

PROFILE AND AREA OF ACTIVITIES [2.2, 2.5, 2.6]

Pursuant to its Articles of Association, the Company conducts business activities in the territory of Poland and abroad. The whole Group, apart from Grupa LOTOS (a parent company in charge of the refinery plant in Gdańsk) and such companies as LOTOS Czechowice S.A., LOTOS Jasło S.A. and Petrobaltic S.A., a searching and extracting company dealing with extraction of petroleum and gas from the bottom of the Baltic Sea, includes 13 companies with LOTOS brand. One of them is located in Lithuania and the other in Norway. Through LOTOS Exploration and Production Norge AS, the subsidiary of Petrobaltic located in Norway, the Company is also present on the Norwegian continental shelf, where it conducts searching and extracting works.

At the end of 2008 the LOTOS Group employed 4,878 persons. The consolidated assets amounted to PLN 12,202 million.

In 2008 the refinery plant in Gdańsk processed over 6.2 million ton of petroleum and was larger by approx. 50% as compared to the previous year. In 2008 the Company's share in the local fuel market was 25.4% and was 1.4% larger than in 2007.

The consolidated income from sales of the LOTOS Group amounted in 2008 to PLN 16,294,7 million. The sales grew by 24% as compared to 2007. In the previous year Grupa LOTOS achieved better operating parameters than in 2007. However, the final result was affected by two key circumstances. Grupa LOTOS felt a sudden drop from the price of USD 147 per barrel to USD 30–40 at the end of the year as well as a sudden breakdown of the zloty in relation to the dollar. The drop of the value of the zloty in relation to the dollar affected the financial results. It caused a very serious revaluation of the value of strategic stocks of petroleum and fuels, which Grupa LOTOS has to maintain as required by law. The combined effects of the factors caused the Company's financial result for 2008 to be negative. If it had not been for the charges resulting from reductions of process of the stocks, the previous year would have ended with an operating profit at the estimated level of PLN 470,5 million.

The LOTOS Group realises the strategy of development assumed three years ago. In June 2008 the Company's assumptions were updated. The assumptions include acquisition of next accesses to petroleum deposits and extraction of the raw material in the Baltic Sea, North Sea and Norwegian Sea, increase of the volume and depth of the Gdańsk refinery plant processing capacity as well as further dynamic development of sales of petroleum products by 2012.

The updating is connected with the new definition of key strategic programs, the Company's activities in the field of increase of power

engineering safety of Poland as well as adopted and expected changes in directives of the European Union relating to the fuel and power engineering sector.

The main element of the strategy of the LOTOS Group is realisation of Program 10+. The aim of the program is to increase the processing capacity of the Gdańsk refinery by approx. 75% in 2010, i.e. up to 10.5 million ton per year. The Company also assumes the growth of its share in the fuel market up to 30% by 2012.

In its efforts to achieve the sustainable development, the LOTOS Group applies modern technologies and innovative solutions resulting from new trends in the power engineering policy in Europe as well as changing economic conditions. The realisation of the strategy strengthens the position of the group as a strong and effectively developing entity, which plays a significant role in assurance of power engineering safety of Poland as well as functioning in accordance with the ideas of business social responsibility.

The competitive position of the Company is reflected, among others, in its results obtained in Polish and international rankings. In 2008 the Gdańsk refinery plant of Grupa LOTOS was recognized as the best refinery plant in the Central and Eastern Europe. The distinction was awarded by experts acting under the patronage of the World Refining Association, an independent institution acting for development of the industrial and power engineering sector. The refinery plant was awarded with the Title of Best Refinery Plant in 2008 owing to its high degree of use of production installations as well as one of the highest indicators of power engineering effectiveness in the region as published by SOLOMON Studies. Experts also appreciated the most advanced development program in this region of Europe, i.e. Program 10+. CONCAWE, an international organisation including most European refinery plants states that the measures enabling making of comparisons are the very results of SOLOMON report, which is a survey, by which an American consulting company assesses refinery plants as regards their structure, effectiveness of use of raw materials, productivity, degree of installation use, labour costs, emission of contamination, issues of maintenance and similar. SOLOMON Studies cover 350 world refinery plants. Grupa LOTOS has participated in the survey since 2004. In the recent survey the Company was in the 6th position among 106 European refinery plants as regards power engineering effectiveness, i.e. quantity of fuel and electrical energy consumed by the refinery plant in relation to its size.

PROFILE AND AREA OF ACTIVITIES [2.2, 2.5, 2.6]

On „the Ranking of 500 Largest Central and Eastern European Companies” published by editors of „Rzeczpospolita” journal and Deloitte, an auditing and consulting company, in September 2008, Grupa LOTOS was in the 18th position, which was a better result than in 2006, when the Company was in the 17th position. In the comparison of the largest corporations of the region with the main criterion of assessment being income from sales in 2007, the Gdańsk refinery plant was ahead of such fuel companies as Slovnaft, NIS from Serbia, Rompetrol from Romania, Unipetrol and the refinery plant in Możejki. In the ranking of „TOP 20 Best Polish Company” Grupa LOTOS was in the 8th position. As far as twenty-five largest Central and Eastern European Companies dealing with raw materials and power engineering, Grupa LOTOS was in the 11th position. In August Grupa LOTOS was placed among 250 best power engineering companies from all over the world in the ranking of „Top 250 Global Energy Company for 2008” prepared by Platts and Standard & Poor’s. The classification included 9 power engineering sectors. The assessment considered, among others, such factors as a company’s high results and financial indicators such as income from sales, net profit or Return on

Capital Employed (ROCE). The assessment also considered extreme involvement and dedication of employees of Grupa LOTOS, which resulted in such high indicators for the company. Moreover, in the ranking of „Processing and Marketing” Grupa LOTOS took the 32th position in all the world and in a general assessments of companies from Europe, the Near East and Africa, the company was in the 73th position. The high assessments of Grupa LOTOS were confirmed in April 2009 in annual rankings of „Rzeczpospolita” journal and „Polityka” weekly. In the ranking of 500 largest companies in Poland as published by „Rzeczpospolita” the Company was in the 7th position, which was a better result as compared to the previous year, in which Grupa LOTOS was in the 6th position. In the ranking of 500 largest enterprises in Poland as published by „Polityka” weekly Grupa LOTOS was, similarly to the previous year, in the 6th position. Moreover, the Company was in the 4th position in the ranking of 50 largest publicly traded companies as published by „Polityka” for 2008 as well as the 3th position among the State Treasury companies. In all the three cases the criterion of assessment was income from sales.

OPERATING STRUCTURE [2.3, 2.4, 2.7, 2.8, 2.9]

Operating structure

Grupa LOTOS with its registered office in Gdańsk is a parent company of the LOTOS Group. The subsidiaries (with the majority participation of more than 50%) of the LOTOS Group include:

Subsidiaries	Registered office	Object of activities	as of 31.12.2008
LOTOS Paliwa Sp. z o.o.	Gdańsk	Local sale of lead-free petrol (Pb 95, Pb 98), Dynamic fuels (Pb 98, ON), diesel fuels, light fuel oil, propane-butane; management of the network of LOTOS fuel stations	
LOTOS Gaz S.A.*	Mława	Wholesale and retail sale of LPG; sale of sulphur	
LOTOS Oil S.A.	Gdańsk	Production and sale of engine oils, industrial oils, greases; sale of base oils and plastifiants	
LOTOS Asphalt Sp. z o.o.	Gdańsk	Production and sale of road asphalt, modified asphalt; sale of heavy fuel oil (1 % and 3%)	

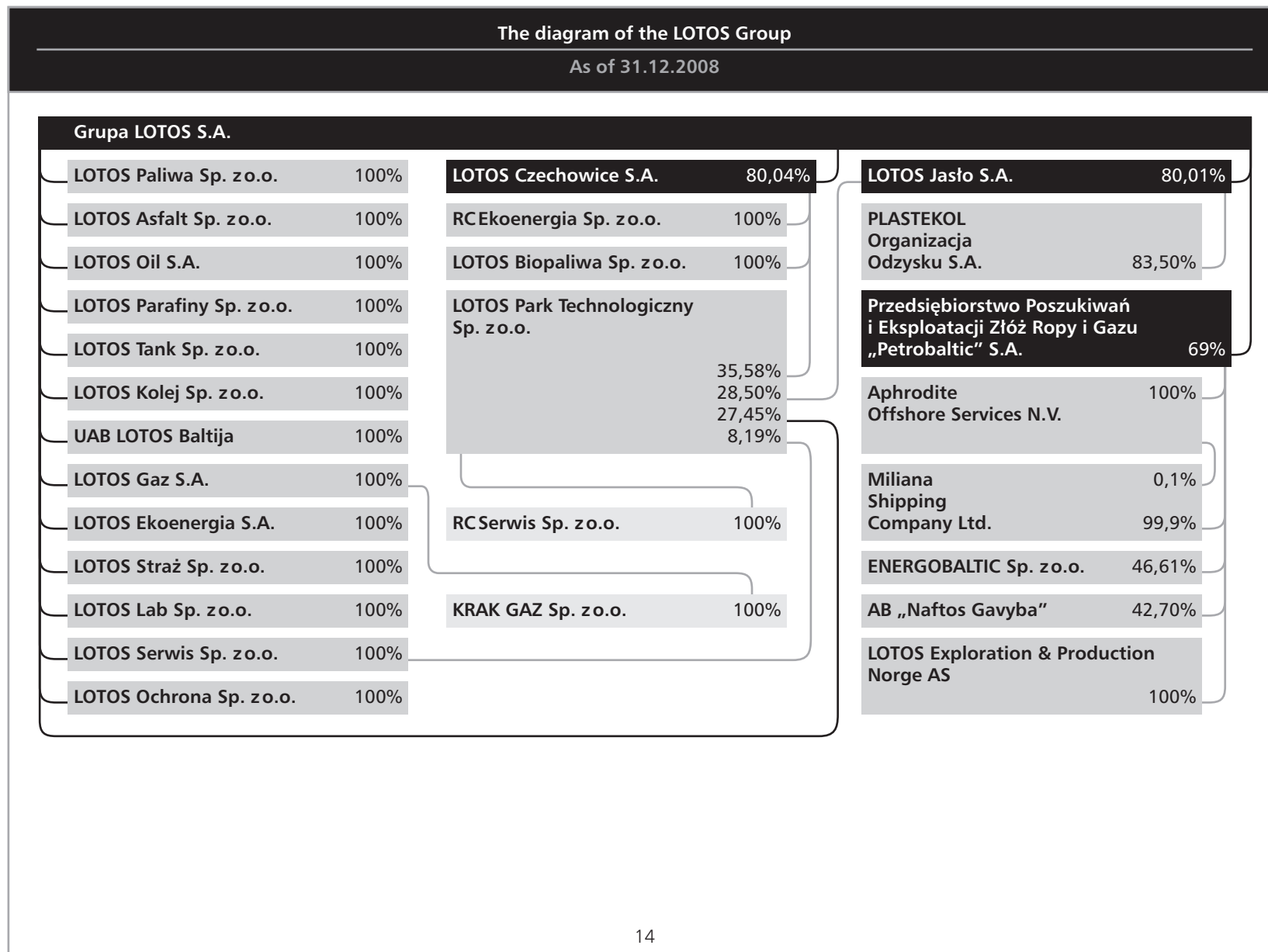
*
The company has its capital group

OPERATING STRUCTURE [2.3, 2.4, 2.7–2.9]

LOTOS Ekoenergia S.A.	Gdańsk	No operating activities
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway carriage of oil-derivative products, goods and vacuum cisterns; rendering of railway siding services
LOTOS Serwis Sp. z o.o.	Gdańsk	Services connected with maintenance, operation of equipment and installations, performance of renovation works, diagnostics and measurements in mechanical, electrical, automatic engineering and controlling system sectors
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory services in the field of process analytics, sampling and quality control, control of finished products in sale network, analyses of water, ground waters and sewage; measurements and recording of work environment
LOTOS Straż Sp. z o.o.	Gdańsk	Emergency and fire-fighting services; organisation and conducting of preventive activities, issuing opinions on fire prevention documents.
LOTOS Ochrona Sp. z o.o.	Gdańsk	Persons and property protection services, control of personal, material and vehicle traffic
LOTOS Parafiny Sp. z o.o.	Jasło	Production and sale of candle paraffin, industrial paraffin compounds, standard paraffin, low-oil paraffin and sale of candles
LOTOS Czechowice S.A.*	Czechowice	Services connected with storing of stocks, distribution of fuels
LOTOS Jasło S.A.*¹	Jasło	Production and sale of diesel oils, light fuel oils, heavy fuel oils, A60 petrol, LDPE regranulate; services connected with storing of mandatory stocks and distribution of fuels for LOTOS Group
Petrobaltic S.A. *	Gdańsk	Searching and extraction of petroleum and natural gas
UAB LOTOS Baltija	Litwa	Sale of engine and industrial oils on the eastern markets; counselling services for the LOTOS Group as regards conducting of business activities in the Lithuanian market
LOTOS Tank Sp. z o.o.²	Jasło	Sale of 95 petrol, diesel oil, light fuel oil and JET A-1 aviation oil
Rafineria Nafty „GLIMAR” S.A. *³	Gorlice	Services (water and sewage economy, lease and rental of lands and warehouses)
LOTOS Hydrokompleks Sp. z o.o. w likwidacji⁴	Gorlice	No operating activities

- * The company has its capital group.
- ¹ In the 4th quarter of 2008 LOTOS Jasło S.A. finished processing of petroleum.
- ² In 2008 LOTOS Tank Sp. z o.o. was suppressing its activities (sale of engine fuels) as well as prepared for launching of a new profile of activities (sale of JET-A1 aviation fuel)
- ³ On 1 December 2008 Grupa LOTOS concluded with Podkarpacki Holding Budowy Dróg „DROGBUD” Sp. z o.o. a contract for sale of a package of stocks of „GLIMAR” S.A. Petroleum Refinery Plant.
- ⁴ Upon completion of the liquidation process on 20 October 2008, the Regional Court in Kraków decided to delete LOTOS Hydrokompleks Sp. z o.o. in liquidation from the National Court Register.

OPERATING STRUCTURE [2.3, 2.4, 2.7–2.9]



OPERATING STRUCTURE [2.3, 2.4, 2.7–2.9]

The LOTOS Group has a segment management system. A segment, as a separated area of business activities, is managed by an indicated member of the Management Board, who is in charge of organisational department of Grupa LOTOS and its subsidiaries. We can distinguish between the following segments:

- **Management segment** – within the LOTOS Group the segment conducts activities in the field of increase of the Group's value by management of its all activities, including development and monitoring of realisation of strategy, determination of trends of development for particular business areas, coordination of support functions (management of human resources, management of main business processes, system management, marketing and communications policy, CSR policy, administrative and legal activities, IT, internal audit, physical security).
- **Searching and extraction segment** – the main task of the segment is to determine a strategy of development of activities of the LOTOS Group as regards searching and extraction of petroleum and natural gas, management and monitoring of activities connected with searching and extraction as well as responsibility for realisation of the searching and extraction strategy.
- **Operating segment** – the main task of the segment is to manage, coordinate and supervise all matters connected with refinery plant production and technology, including realisation of Program 10+. The segment activities include development of assumptions of refinery plant production policy, supervision over matters connected with development and research in the field of production, coordination of investment undertakings in the field of technical and technological development, creation of a strategy of maintenance and extension of production installations.
- **Commercial segment** – the segment activities include managements of processes of sales, supplies and distribution in the LOTOS Group, including creation and realisation of the commercial policy, planning of sales for all business sectors, management of distribution channels, approval of plans and policies as regards commercial activities and development of a strategy of optimisation of the chain of supplies.
- **Financial segment** – the segment activities include management of all financial and accounting activities of the LOTOS Group, including creation of policy and monitoring of the area of internal flows of capital and dividends, creation and monitoring of the financial, fiscal and insurance strategies, management of budgeting and controlling processes, supervision of activities in the field of organisation of financing of development programs implemented by the LOTOS Group, coordination of implementation and compliance with corporate governance, development and implementation of the strategy of financial risk management.

Among the LOTOS Group companies, Grupa LOTOS plays a role of an integrator of key management and supporting functions.

OPERATING STRUCTURE [2.3, 2.4, 2.7–2.9]

In 2008 the Supervisory Board and Management Board of the Company were composed as follows:

The composition of the Supervisory Board of Grupa LOTOS from 01.01.2008 to 30.06.2008 as the **Supervisory Board of the 6th term of office**:

1. Jan Stefanowicz – Chairman
2. Henryk Siodmok – Deputy Chairman
3. Beata Zawadzka – member
4. Marta Busz – member
5. Izabela Emerling – member
6. Jacek Mościcki – member
7. Grzegorz Szczodrowski – Secretary

On 30 June 2008 the term of office of the Supervisory Board expired and the ordinary General Meeting of Stockholders appointed the **Supervisory for the 7th term of office** composes as follows:

1. Wiesław Skwarko – Chairman
2. Leszek Starosta
3. Jan Stefanowicz
4. Radosław Barszcz
5. Piotr Chajderowski
6. Mariusz Obszyński

Pursuant to §11, passage 2 of the Company's Articles of Association, the Company's stockholder being the State Treasury as represented by the Minister of the State Treasury, dismissed Beata Zawadzka from the office of a Member of the Supervisory Board on 30 June 2008 and appointed Małgorzata Hirszel as a Member of the Supervisory Board on 1 July 2008.

From 01.07.2008 to 31.12.2008 as the **Supervisory Board of the 7th term of office**:

1. Wiesław Skwarko – Chairman
2. Leszek Starosta – Deputy Chairman (appointed as a Deputy Chairman on 12 August 2008)
3. Jan Stefanowicz – member
4. Radosław Barszcz – member
5. Piotr Chajderowski – member
6. Małgorzata Hirszel – member
7. Mariusz Obszyński – Secretary (appointed as a Secretary on 12 August 2008.)

The composition of the Management Board of Grupa LOTOS

from 1.01.2008 to 31.12.2008 the Management Board was composed as follows:

1. Paweł Olechnowicz – President of the Management Board, Chief Executive Officer
2. Marek Sokołowski – Vice-President of the Management Board, Production and Development Director
3. Mariusz Machajewski – Vice-President of the Management Board, Economic-Finance Director

AWARDS AND DISTINCTIONS [2.10]

The activity of Grupa LOTOS and its subsidiaries is not only recognized, but it is also favourably assessed by environment. One of the proofs of the recognition are awards and distinctions granted to the Company. Many of such awards and distinctions relate to the values, which are especially important for society, namely quality of products and services, quality of human resources management policy, as well as cooperation with local communities.

In 2008 the LOTOS Group was granted a very significant award for the first social responsibility report published for the years 2006–2007 and recognized by a jury chaired by Professor Witold Orłowski as the best social report in 2008. The quality of the Company's communications with interested parties was confirmed by its victory in the prestigious „CSR 24/7” ranking of responsible companies in April 2009. The ranking results constituted a summary of survey of reliability of activities of the responsible business as conducted among 39 largest companies representing 13 economy sectors. Grupa LOTOS was a leader of the ranking and obtained 14.5 scores per 24 total score. The Company proved to be a leader in such areas as relations with interested parties and responsibility for environment. In issuing its verdict, the jury emphasized that the good result of the Company was also influenced by the social responsibility report, which, as one of the few reports in Poland, was created in reference to the Global Reporting Initiative as reporting standard. The competition was organised by Braun & Partners, an international counselling company and the „Lewiatan” Polish Confederation of Private Employers.

The below table presents distinctions received by members of the LOTOS Group in 2008 and the first half of 2009

2008

January	Grupa LOTOS	6 th position in the ranking of most admired publicly traded companies and 10 th position in the ranking of 346 highest assessed management boards of publicly traded companies as published in the survey of „Puls Biznesu” journal and conducted Pentor Research International among 180 analysts, brokers and investment counsellors.
	Grupa LOTOS	The Patron of Culture of Sopot – the distinction is awarded every year by a board composed of representatives of cultural institutions of the city of Sopot and Tri-City mass media
February	LOTOS Parafiny	Business Gazelle - an award granted to most dynamic small and medium companies; granted to LOTOS Parafiny for the third time in a row by „Puls Biznesu” journal and Coface Poland
	LOTOS Kolej	Business Gazelle - an award granted to most dynamic small and medium companies; granted to LOTOS Kolej for the second time in a row by „Puls Biznesu” journal and Coface Poland
March	LOTOS Paliwa	The European Greenlight Programme certificate for implementation of energy consumption reductive technology for lighting purposes in fuel stations
April	Grupa LOTOS	Business Centre Club Award for merits in development of entrepreneurship in the region of Pomorze and creation of an image of a reliable employer

AWARDS AND DISTINCTIONS
[2.10]

April	LOTOS Gaz	The European Medal awarded by Office of the Committee for European Integration, Business Centre Club and European Economic and Social Committee
	Grupa LOTOS	4 th position among publicly traded companies, 6 th among the Polish largest companies and 7 th among the most profitable companies in 2007 and in the „ <i>Ranking of 500 Companies</i> ” published by „Polityka” weekly
	Grupa LOTOS	8 th position in the „ <i>Ranking of 500 companies</i> ” published by „Rzeczpospolita” journal
	Grupa LOTOS	A corporate film recognized as one of the two best films in the review of MEDIAL 2008 at the 7 th Congress of Public Relations
May	LOTOS Paliwa	The title of „Product of the Year” for Dynamic fuels granted by the Polish Chamber of Liquid Fuels during the Fuel Station International Fair
	LOTOS Oil	LOTOS engine oil as N°1 in the Polish market according to the survey of MOTO SCAN 2008 conducted by Qualifact Market research and Counselling
June	Grupa LOTOS	A laureate of the 9 th edition of the Competition entitled „ <i>Leader in Human Resources Management</i> ” organised by the Institute of Labour and Welfare supported by the National Polish Bank
	LOTOS Asfalt	A laureate of the 18 th edition of the Competition entitled „ <i>Teraz Polska</i> ” for MODBIT modified asphalt
	Grupa LOTOS	10 th diamond to the Gold Statute of the Polish Business Leader for economic results, quality and modern character of products, commitment to charitable activities and care for environment in a competition organised by Business Centre Club
	Grupa LOTOS	The High Reputation Brand in Business – 2 nd position among the most famous and valuable Polish brands (manufacturers) in the ranking of PremiumBrand published by „Puls Biznesu”
August	Grupa LOTOS	18 th position in the „ <i>Ranking of 500 Largest Companies of the Central and Eastern Europe</i> ” of „Rzeczpospolita” journal and Deloitte Polska, a counselling company.
	Grupa LOTOS	8 th position in the „ <i>Ranking of Top 20 Largest Polish Companies</i> ” of „Rzeczpospolita” journal and Deloitte Polska, a counselling company.
September	Grupa LOTOS	The title of „Leader in IT 2008” granted by „ComputerWorld” magazine for method of IT management, adjustment of solutions to business strategy as well as quality and modern character of implementations
October	Grupa LOTOS	The title of Refinery Plant of the Year 2008 granted by experts of World Refining Association

AWARDS AND DISTINCTIONS
[2.10]

October	Grupa LOTOS	The title of Partner 2008 granted by Jacek Protas, a marshal of the Warmińsko-Mazurskie province for supporting of cultural activities in the province
November	LOTOS Paliwa	The title of Top Product of the Pomorze Region 2008 for LOTOS Dynamic 98 petrol granted by readers of „Polska Dziennik Bałtycki” journal
	LOTOS Paliwa	The European Medal for LOTOS Dynamic fuel granted in the 17 th edition of the competition organised by Business Centre Club
	LOTOS Oil	The title of Best Product of HPS (Hydraulics, Pneumatics, Control and Drives) for Hydromil Super L-HV 68 oil for its innovativeness and high quality
	Grupa LOTOS	1 st position for „the social responsibility Report of the LOTOS Group for 2006–2007” granted in a competition organised by PricewaterhouseCoopers, Forum Odpowiedzialnego Biznesu and CSR Consulting
December	Grupa LOTOS	19 th position of LOTOS brand in the 5 th edition of the Ranking of Most Valuable Polish Brands (MARQA 2008) published by „Rzeczpospolita”. The value of LOTOS brand increased by 30% during a year.
The first half of 2009		
January	Grupa LOTOS	The title of Oil Deal of the Year granted by Thompson Reuters for crediting of the Program 10+
March	Grupa LOTOS	The title of European Petrochemicals Deal of the Year 2008 granted by Project Finance Magazine (Euromoney) for organising of the Program 10+
	LOTOS Kolej	The title Forbes’ Diamond 2009
April	Grupa LOTOS	1 st position in the General Polish Ranking of „CSR 24/7” organised by Braun & Partners, a counselling company, and „Lewiatan” Polish Confederation of Private Employers. The Ranking assesses social responsibility of companies
June	Grupa LOTOS	The title of Business Superbrands Poland awarded in the subsequent edition of the project assessing strength of brands in the consumer and business markets by The Superbrands Ltd., an international organisation.
	Grupa LOTOS	5 th position in „CSR 24/7” Rating conducted among 100 companies from the Central and Eastern Europe and organised by Braun&Partners Network
	Grupa LOTOS	A laureate of the 10 th edition of the Competition „Leader in Human Resources Management” organised by the Institute of Labour and Welfare under the Honorary Patronage of Waldemar Pawlak, a Vice Minister of Economy

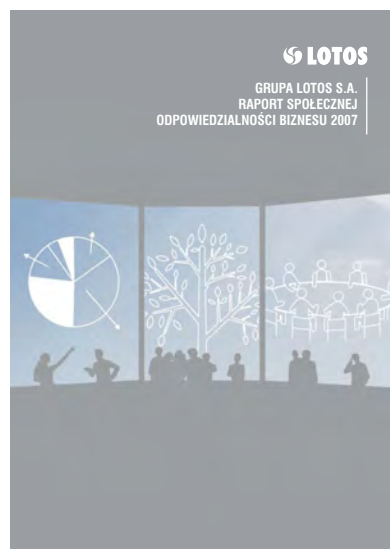
GRI GUIDELINES

Global Reporting Initiative (GRI) is an independent institution acting for development and propagation of so-called sustainable development guidelines (*Sustainability Reporting Guidelines*). GRI guidelines are applied worldwide. They may be used by all companies wishing to file complete reports on their economic, environmental and social activities.

The mission of GRI is to create credible reference framework for reporting of sustainable development. The report on social responsibility of the LOTOS Group for the years 2006–2007 was prepared in reference to GRI *Guidelines* as of 2002 (G2). Due to the status of work progress as regards implementation of GRI *Guidelines* at that time, it was not possible to fulfil all requirements of the guidelines. The report on social responsibility for 2008 was prepared on the basis of the Framework Reporting Principles and the third version of GRI *Guidelines* (G3). Grupa LOTOS declares to achieve A Level under the three-stage systems of Application Levels.

GRI has marked respective Application Levels with letter starting from C (the lowest level), through C+ (where „+“ means external verification of the report by an independent certification authority) B, B+, A to A+. The reporting criteria assigned to each Level constitute the measure of degree of application of the Guidelines and consideration of GRI Framework Reporting Principles.

PROFILE [3.1–3.4]



The report on social responsibility
2006–2007

The report on social responsibility of the LOTOS Group refers to the organisational activities in the financial year 2008. Where relevant, the information also refers to events, which were significant for the company and took place in the period directly preceding the publication of this Report, i.e. in the first half of 2009. The present *Report on social responsibility* is the second publication of the kind as issued by the company. In 2008 the first *Report on social responsibility of the LOTOS Group* was issued. It presented information on the years 2006–2007. The report is available to all interested parties in the dedicated website of Grupa LOTOS: www.csr.lotos.pl.

In 2007 the *Report on environmental protection of Grupa LOTOS for the year 2006* was issued. Starting from publication of the *Report on social responsibility* in the previous year, the social report of the Company considers environmental protection matters.

Significant information relating to realisation of the strategy of social responsibility are also published periodically in annual reports of Grupa LOTOS.

By virtue of the decision of the Management Board, Grupa LOTOS adopted an annual cycle of reporting on progress in implementation of the strategy of social responsibility. Further reports are to reflect the company's standing in particular years. The exception was the first *Report*, which presented ratios of result of the LOTOS Group for the period of 2 years, whereas, as regards the management model and strategic aims of social policy, it referred, in many fields, up to 5 years back, i.e. to the entire history of activities of Grupa LOTOS.

The Office of Communications and CSR is responsible for coordination of the process on social reporting in the LOTOS Group. All interested parties may use the following e-mail address: csr@grupalotos.pl. Detailed contact information is available in the final part of this Report.

THE SCOPE OF THE REPORT [3.5–3.10]

In the process of defining of the *Report* contents, GRI Framework Reporting Principles were applied. The selection of both measurable ratios as well as descriptive aspects contained in the *Report* was made on the basis of the relevance principle. By the relevance, Grupa LOTOS understands relevance and significance of a given factor not only for functioning of the company in accordance with sustainable development principles, but also for external interested parties, which may expect or search for credible, comparable and reliable data and information influencing their choices or decisions. This is especially important for several reasons.

- Grupa LOTOS is a publicly traded company. This means that it is obliged to ensure for its stockholders and potential investors an access to the information enabling them to compare the situation of the Company to that of other entities from the sector and participants of the capital market both on the local and international scale. The information is to enhance the confidence in the company's method of management and constitute a factor of construction of reliability and transparency.
- The dominant owner of Grupa LOTOS is the State Treasury. The Company's activities are relevant from the point of view of power energy safety of the state. Both the Company's mission, aims and strategy of social responsibility refer to the Company's position in and obligations towards the national economy. They also constitute a sort of an obligation for determining of standards and propagation of good management, social and environmental practices.
- Grupa LOTOS is one of the largest employers on the region of Pomorze and its subsidiaries fulfil the similar functions in local markets. The fact makes the Company responsible not only for the proper course of economic processes, but also for acquisition, maintenance and development of human resources, which, in fact, builds the Company's position.
- The LOTOS Group conducts activities, which considerably affect natural environment. As an entity of the chemical sector, the Company is obliged not only to comply with requirements of environmental standards as provided by law but, due to the scale of its activities, it is also bound to undertake initiatives, which are important for the future. The integral business strategy of the Company involves openness towards development and, at the same time, respect and care for preservation of the value of natural and social environment.

The above-mentioned aspects influence the Company's priorities of the social policy. They have also become a basis for determination of relevance of the facts and data presented in this Report and showing the degree and scope of the Company's influence upon its economic, social and environmental surroundings.

The LOTOS Group directs this *Report* to all parties interested in propagation of good practices of responsible business. The publication is also addressed to representatives of interested parties, which are vital for the Company's development. As far as internal aspects are concerned, this report is also addressed to employees and trade unions. As far as the external aspect is concerned, this *Report* also serves for conducting of a social dialogue with customers, local communities, partners, public administration and extra-governmental organisations. The key addresses of this *Report* are also stockholders and partners relevant for the conducted economic processes.

This *Report* presents all basic ratios of results relating to particular aspects of activities, namely economic, environmental and social ratios as well as most of the additional ratios provided for in GRI *Guidelines*. Due to the fact that there was no adequate *Sectoral Supplement* in the period of preparation of this *Report*, the authors of this *Report* did not use ratios dedicated to the sector, in which the Company conducts its activities, other than those provided for in the basic set of ratios. For the purposes of calculation of the financial data presented in this *Report*, the same methods were assumed as in the case of the consolidated financial statement of the LOTOS Group for the year 2008, i.e. in accordance with the International Financial Reporting Standards (IFRS) and as approved by the European Union and valid as of 31 December 2008.

THE SCOPE OF THE REPORT [3.5–3.10]

As regards most of the problem areas presented in this *Report*, the information relate to the parent company, i.e. Grupa LOTOS. However, the authors made all efforts to consider, where possible, the consolidated data relating to the LOTOS Group. In key areas for the product liability, the authors presented data relating to commercial companies of the LOTOS Group. As far as the environmental aspect is concerned, this *Report* shows the Company's activities involving extraction. In each case this *Report* distinguishes between the companies by adding information indicating to a particular subsidiary of the LOTOS Group. The scope of reporting shall be successively extended and, in particular, by increase of the number of economic, environmental and social ratios of commercial companies of the LOTOS Group, i.e. partners and customers, who play the most significant role in shaping of the chain of values through its individual and institutional customer as well as partners and customers.

It should also be emphasized that during the previous reporting period there were no changes in the structure of ownership or any relevant circumstances in relation to subsidiaries of the LOTOS Group, which might affect the total evaluation of the organisation as regards its particular aspects or as compared to other local entities from the sector. This report neither adjusts any information presented in the previous publication covering the years 2006–2007.

ASSURANCE [3.13]

Any data presented in this *Report* were collected reliably and responsibly and certified for compliance with the actual status by members of the managerial staff of Grupa LOTOS and selected subsidiaries of the LOTOS Group exercising supervision over particular areas of activities reported. The financial data comply with the information presented in financial statements relating to particular periods.

This *Report* was not subject to an external verification as performed by an independent certification authority. However, it should be emphasized that most of the data relating to the previous financial year and entered in the present report, were evaluated by expert auditors of Deloitte Audyt Sp. z o.o., a company, which audits consolidated financial statements of the LOTOS Group.

Grupa LOTOS has implemented the Integrated Management System (IMS) based upon requirements of PN-EN ISO 9001:2001, Quality Management System, PN-EN ISO 14001:2005 Environmental Management

System, PN-N-18001:2004 and Labour Safety and Hygiene Management System. In June 2007 the Company had a certification (renewing) audit with respect to IMS and the audit proved successful. The audit aimed at evaluation of compliance of the company's management system with requirements of the standards. The certification audit is performed every three years. Both the certification audit and supervision audit (performed in the Company on an annual basis) are performed by an external and independent certification unit. Pursuant to the procedures of IMS as implemented in the LOTOS Group, the company conducts scheduled internal audits aimed at verification, whether IMS is effectively implemented and maintained and whether it corresponds to scheduled activities and requirements of the standards. Periodical audits cover particular aspects of the company's activities as regards environmental protection, care for labour hygiene and safety and compliance with quality standards as presented in this Report.

SUPERVISION [4.1–4.3, 4.7]

The permanent supervision over activities of Grupa LOTOS is exercised by the Supervisory Board appointed by the General Meeting of Stockholders. *The Rules of General Meetings* are available on the Company's website (http://www.lotos.pl/pobierz_plik/35063).

Pursuant to the Company's *Articles of Association* the Supervisory Board is appointed and dismissed by the General Meeting. The Supervisory Board is composed of six to nine members of the State Treasury, which, as long as it's a stockholder of the Company, it is entitled to appoint and dismiss one member of the Supervisory Board. The term of office of the Supervisory Board is a joint term of office, which lasts for three years. The Chairman of the Supervisory Board is appointed by the General Meeting. The Deputy Chairman and Secretary are appointed by the Supervisory Board from among other members of the Supervisory Board. The Supervisory Board presents to the General Meeting annual brief evaluation of the Company's standing. The description of qualifications and vocational experience of members of the Supervisory Board is available on the website of Grupa LOTOS (http://www.lotos.pl/korporacyjny/grupa_lotos/rada_nadzorcza).

The permanent committees of the Supervisory Board of Grupa LOTOS are as follows:

- **The Committee of Strategy and Development**, which is to approve and present to the Supervisory Board any recommendations as regards issues of planned investments, which have significant influence upon the Company's assets,
- **The Committee of Organisation and Management**, which is to present to the Supervisory Board opinions and recommendations relating to structure of management, including issues of organisational solutions, system of remuneration and human resources selection, which make it possible for the Company to achieve its strategic aims,
- **The Audit Committee**, which is to permanently advise to the Supervisory Board on issues relating to proper implementation of budget and accounting reporting rules, internal audits of the Company and cooperation with the Company's expert auditors.

The Rules of the Supervisory Board are available on the Company's website (http://www.lotos.pl/pobierz_plik/35062)

Grupa LOTOS applies rules of corporate governance collected in the volume entitled „*Good Practices of Publicly Traded Companies*”. The rules were adopted by the Supervisory Board of the Stock Exchange (GPW) on 4 July 2007. The full text of the collection is available on the website of the Stock Exchange in Warsaw (<http://www.corp-gov.gpw.pl/assets/library/polish/dobrepraktyki2007.pdf>). In 2008 Grupa LOTOS issued two announcements relating to deviations from the rules contained in „*Good Practices of Publicly Traded Companies*”. The rules, with which Grupa LOTOS does not comply relate to the supervisory authority. The scope of the above-mentioned rules is as follows:

The Rule N°6 from Section III – „At least two members of the supervisory board should comply with the criteria of independency of the company and entities significantly related to the company. As regards the scope of criteria of independency of member of the supervisory board, the applicable provisions are contained in the Appendix N°II to the Recommendation of the European Commission as of 15 February 2005 relating to the role of non-executive directors or directors being members of supervisory boards of publicly traded companies and the commission of the board (supervisory board). Notwithstanding the provisions of the paragraph b) in the above-mentioned Appendix, a person being an employee of a company, subsidiary or related entity may not be recognized as complying with the criteria of independency referred to in the Appendix. Furthermore, within the meaning of this rule, a relation to a stockholder, which excludes independency of a member of the supervisory board is a real and relevant relation to a stockholder entitled to cast 5% of votes and more of the total number of votes in a general meeting.”

The above-mentioned rule is not applied due to the fact that Grupa LOTOS does not have any available information concerning independency of the Supervisory Board members. Furthermore, due to the present structure of stockholders of the Company and its role in the Polish fuel sector, the structure did not provide for the institution of an independent Supervisory Board member. The Company shall start to apply the above-mentioned rule upon obtaining of information concerning appointment or recognition of at least two member of the Supervisory Board as independent members within the meaning of the *Appendix N°II* to the recommendation of the European Commission as of 15 February 2005 relating to the role of non-executive directors or directors being members of supervisory boards of publicly traded companies and the commission of the board (supervisory board).

SUPERVISION [4.1–4.3, 4.7]

The Rule N°7 from the Section III – „*The supervisory board should have at least one operating audit committee. The committee should be composed of at least one member independent of the company and entities related to the company and should be competent for accounting and finances. In companies, in which the supervisory board is composed of a minimum number of members as required by law, the committee’s tasks may be performed by the supervisory board*”.

The above-mentioned rule is not applied due to the absence of independent members in the Company’s Supervisory Board, who could sit on the presently operating Audit Committee. The Company shall start to apply the above-mentioned rule upon obtaining of information that the presently operating Audit Committee has accepted a member complying with the criteria of independency pursuant to the *Appendix N°II* to the recommendation of the European Commission as of 15 February 2005 relating to the role of non-executive directors or directors being members of supervisory boards of publicly traded companies and the commission of the board (supervisory board).

The Rule N°8 from Section III – „*As regards tasks and operations of committees acting in the supervisory board, the provision to be applied is the Appendix N°I to the Recommendation of the European Commission as of 15 February 2005 relating to the role of non-executive directors (...)*”.

The above-mentioned rule is not applied due to the absence of independent members in the Company’s Supervisory Board, who, pursuant to *Appendix N°I* to the Recommendation of the European Commission as of 15 February 2005 relating to the role of non-executive directors, should sit on the presently operating committees of the Supervisory Board. The Company shall start to apply the above-mentioned rule upon obtaining of information that the presently operating Audit Committee has accepted an adequate number of members complying with the criteria of independency and compliance of tasks and operations of the above-mentioned committees with the above-mentioned pursuant to the *Appendix N°I* to the Recommendation of the European Commission as of 15 February 2005.

The Supervisory Board appoints the Company’s Management Board members. Pursuant to the *Articles of Association of Grupa LOTOS*, the Management Board is composed of three to seven members. The term of office of the Management Board is a joint term of office lasting for three years. President, Vice-Presidents and other members of the Management Board may be appointed or dismissed for valid reasons by the Supervisory Board at any time before expiry of their term of office.

The Management Board conducts the Company’s matters and represents it in all court and off-court activities connected with conducting of the Company’s enterprise, with exclusion of the activities reserved, by virtue of provisions of the *Polish Code of Commercial Companies and*

Partnerships, for the competence of the General Meeting or Supervisory Board as well as matters exceeding ordinary management of the enterprise, which require prior resolution of the Management Board and matters reserves by the rules of the Management Board to particular members of the Management Board.

The scope of matters requiring adoption of a resolution is regulated in the *Rules of the Management Board of Grupa LOTOS* available on the Company’s website. (http://www.lotos.pl/pobierz_plik/35061).

The description of qualifications and vocational experience of members of the Management Board is also available on the Company’s website (http://www.lotos.pl/korporacyjny/grupa_lotos/zaradz).

GRANTING OF BONUSES vs. THE COMPANY'S RESULTS [4.5]

The *Articles of Associations* of Grupa LOTOS assign to the General Meeting competences for determination of remuneration rules and monthly remuneration of members of the Supervisory Board and the Management Board.

The remuneration of members of the Supervisory Board and Management Board of Grupa LOTOS are subject to restrictions and rules specified in the act on payment of remuneration to persons in charge of legal entities as of 3 March 2000 (*Journal of Laws* N°26/2000, item 306 with subsequent amendments) and in by-laws issued on the basis of the Act. The so-called „chimney act” is applicable to commercial law companies, in which the share of the state Treasury exceeds 50% of the initial capital or 50% of stocks.

Pursuant to the above-mentioned legal basis, the Extraordinary Meeting of Stockholders of Grupa LOTOS established on 18 August 2000 rules for remuneration of members of the Company's Supervisory Board. Due to restrictions resulting from the above-mentioned act, the remuneration for the Supervisory Board is not connected with results obtained by the Company.

It is similar in the case of remuneration for members of the Management Board of Grupa LOTOS as well as the remuneration for the Company's chief accountant. Pursuant to Article 8 of the Act, the maximum monthly remuneration may not exceed four times of average value of monthly remuneration paid in the enterprise sector, excluding payments of profits, in the fourth quarter of the previous year as published by the president of the Main Office of Statistics.

AVOIDANCE OF CONFLICTS OF INTEREST [4.6]

In order to avoid any conflicts of interest in Grupa LOTOS, the Company complies with provisions of the *Polish Code of Commercial Companies and Partnerships* (KSH), provisions of the *Rules of the Management Board of Grupa LOTOS* and „*Good Practices of Publicly Traded Companies*”.

Pursuant to the provisions of §21 of the *Rules of the Management Board* in connection with Article 377 of the *Polish Code of Commercial Companies and Partnerships*, in the event of any contradiction of the Company's interests with personal interests of a member of the Management Board, his/her spouse, relatives and kinsmen to the second degree as well as persons, with whom he/she is related personally, the member of the Management Board should abstain from participation in resolving of such matters.

Furthermore, pursuant to „*Good Practices of Publicly Traded Companies*” (paragraph 4, part II), the member of the Management Board should notify the Management Board of occurrence of the conflict of interest or any possibilities of its occurrence as well as abstain from participation on the discussion and voting on a resolution in this case.

Pursuant to the *Rules of the Management Board of Grupa LOTOS* (§ 20) members of the Management Board must obtain an approval of the Supervisory Board for performance of functions in supervisory or management bodies of other entities. Furthermore, the provisions of Article 387 of the *Polish Code of Commercial Companies and Partnerships* prohibit members of the Management Board, proxy, liquidator, branch or plant

manager as well as chief accountant, legal advisor or solicitor employed in the Company from performing functions in the Supervisory Board at the same time. This also applies to other persons subject directly to a member of the Management Board or liquidator.

Pursuant to provisions of part III, paragraph 1, subparagraph 2 of „*Good Practices of Publicly Traded Companies*”, a member of the Supervisory Board should provide the Management Board with the information concerning his relations with the stockholder owning stocks representing no less than 5% of total number of votes in the General Meeting. The obligation applies to relations of economic, family and other character, which may affect the opinion of the member of the Supervisory Board in the case resolved by the Board. Furthermore, the clauses of the subparagraph 4 provide for notifying of the Supervisory Board of any conflicts of interest or possibility of occurrence of such a conflict and abstaining of a member of the Supervisory Board from participating in the discussion and voting on a resolution, to which the conflict refers.

The possibility of elimination of conflicts of interest between member of the supreme supervisory authority makes it also necessary, pursuant to the above-mentioned *Good Practices* (part II, paragraph 1, subparagraph 5), to provide access – in the case of selection of members of the Supervisory Board as performed by the General Meeting – to justification of the applying candidates, including their *curriculum vitae*, in time to read the same and adopt an adequate resolution with due recognition.

FILING OF RECOMMENDATIONS [4.4]

Pursuant to the *Polish Code of Commercial Companies and Partnerships* (KSH) Grupa LOTOS uses mechanisms enabling stockholders to obtain exhaustive information concerning the Company. Pursuant to provisions of Article 428 of the *Polish Code of Commercial Companies and Partnerships*, during the General Meeting each stockholder has the right to request for information concerning the Company, if it is justified for evaluation of a matter included in the agenda. The Management Board is obliged to provide a response to the stockholder, unless it is detrimental for the very Company or its subsidiary, in particular, as a result of disclosure of technical, commercial or organisational secrets of the enterprise and could cause a member of the Management Board to bear criminal, civil law or administrative liability.

In justified cases, the Management Board may furnish information in writing, however, no later than within two weeks from the date of completion of the General Meeting. Furthermore, the Management Board may furnish a stockholder with information concerning the Company outside the General Meeting. In such a case, the information, including the date of provision and a person, to which the information was provided, should be disclosed by the Management Board in materials presented to the General Meeting. The materials may not cover any information disclosed to the public and provided during the General Meeting. In the event of a refusal to disclose of the request information by the Management Board, a stockholder may, pursuant to provisions of Article 429 of the *Polish Code of Commercial Companies and Partnerships*, file a request in the

Register Court relating to the obligation of the Management Board to furnish the information within a week from the date of the completion of the General Meeting. It is also possible to file a request in the register court relating to the Company's obligation to publish the information provided to other shareholder outside the General Meeting.

Furthermore, the *Rules of General Meetings* provide for possibility of discussion conducted by stockholders present in the General Meeting upon the chairman's presentation of each subsequent case included in the agenda and presently considered. In considering each item of the agenda, each stockholder to take the floor once for the period of 5 minutes and provide a response lasting up to 3 minutes. Apart from the above, a stockholder has the right to lodge proposals of changes and supplementations to draft resolutions included in the agenda of the General Meeting by the time of closure of discussion on the agenda item, which relates to the draft resolution, to which the proposal refers. Upon the request of a participant of the General Meeting, a written statement of such a stockholder is entered in the minutes.

Once a year the Council of Employees of Grupa LOTOS holds a meeting with the Company's Management Board. The meeting is devoted to issues connected with functioning of the company. During the meeting employees present their expectations and establish adequate priorities resulting from the need to harmonise employees' interests and ownership supervision over the Company.

THE MISSION, VISION AND SYSTEM OF VALUES [4.8]

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 manner that is friendly to the environment, compliant with the energy security policy, ensuring complete satisfaction, continuous improvement and utilization of employee capital.

Grupa LOTOS strives to be the best evaluated petroleum company in the Baltic Sea region in the terms of: quality of petroleum products, quality of customer service and professional equipment.

The primary strategic goal of the LOTOS Group till 2012 is the development of the shareholder value, which LOTOS Group intends to achieve through optimal use of the existing potential and the execution of development projects in the three following areas: exploration and exploitation, refining and trade development.

The system of key values of the corporate social responsibility of the LOTOS Group is associated with most important needs, problems and challenges identified in the process of the Company's dialogue with the three key groups of engaged parties.



Cleanness

is the observance of the top environmental and ecological standards as well as a declaration of ethical and fair competition, counteracting corruption and human right violation.



Openness

is the approach to changes, needs of the world and human expectations, focused on the future and dynamic business development in its international dimension.



Innovativeness

is the appreciation of intellectual capital and competencies of the people who stand behind the strength and market perspectives of the LOTOS brand.



Responsibility

is the attitude to the future of mankind and natural environment, towards the country and the safety of its position in the world.

MANAGEMENT [4.9–4.11]

In 2003 Grupa LOTOS obtained a certificate of the Integrated Management System as the first enterprise in the chemical sector and the second company in Poland. The Integrated Management System as implemented and certified by the Polish Centre of Research and Certification is based upon requirements of the following standards:

- **PN-ENISO 9001:2001 Quality Management System,**
- **PN-ENISO 14001:2005 Environmental Management System,**
- **PN-N-18001:2004 Occupational Safety and Health Management System**

The first component of the Integrated Management System is the quality management system with its main tasks to prove ability for permanent assurance of products complying with customers' requirements as well as increase of customers' satisfaction by effective use of the system in line with processes relating to permanent improvement of the system.

The other element of the system is related to environmental activities. The care for natural environment is one of the most important elements of development strategy of the LOTOS Group companies. The fundamental task of the environmental management system is to support activities connected with environmental protection and prevention of pollution in the sustainable manner and in line with social and economic demands.

The implementation of the occupational safety and health management system with its expressly indicated issue of cooperation of employees in creation and operation of the system, obliged the company to undertake systematic activities in order to improve occupational safety conditions. Appropriate management is the most effective method of assurance high level of occupational health and safety, which is desired both as regards the need to comply with respective legal provisions and social expectations as well as the possibility to obtain positive economic effects for the organisation and entire country.

The LOTOS Group conducts audits aimed at verification, whether the Integrated Management System is implemented and maintained and whether it corresponds to planned activities and standard requirements. The audit results are presented during management reviews and serve for the purposes of improvement of management systems.

Audits conducted in the LOTOS Group in 2008 as based upon the Auditing Program of Grupa LOTOS.

Audits in Grupa LOTOS	37
Corporate audits in subsidiaries of the LOTOS Group	13
Supplier's audits – conducted in companies performing works for Grupa LOTOS	7
Number of involved auditors	31
	(140 audit days)

MANAGEMENT [4.9–4.11]

Presently, the LOTOS Group conducts works on implementation of several new projects relating to the management system.

- The first of the systems is **Enterprise Risk Management (ERM)**. The aim of the system is to ensure awareness of hazards for realisation of strategic targets, supplementation of the list of priorities with activities limiting key hazards as well as implementation and monitoring of the activities. Effective enterprise risk management makes it possible for the Company to prepare for undesired situations and realisation of activities in crisis conditions, making of decision based upon more comprehensive information as well as it ensures framework for internal control system and improves relations with interested parties. In its containing of works on ERM in 2008, the company organised workshops of identification and assessment of risk in the LOTOS Group. The consolidated results of the identification and assessment of risks were used for the purposes of development of a map of risks for 2009 as well as a map of strategic risks.
- Taking into account the fact that information is one of the fundamental assets supporting development and success of an enterprise, the Company, in order to protect its information resources, started to implement **Information Safety System** based on ISO 27001:2005. The absence of direct supervision over information may result in loss of trust of business partners and jeopardise the Company's stability. Therefore, the systematic approach to management of key information of the LOTOS Group in order to ensure safety of the information, including safety of people, processes, infrastructure and information technology systems may ensure efficient operations of the Company. The implementation of this system ensures the following:
 - credibility,
 - trust,
 - increase of competitiveness in the product marketing,
 - savings in expenses,
 - continuity of operations,
 - minimisation of the risk of loss or takeover of data,
 - proper protection of the customer data,
 - appropriate circulation of information in the company,

- predicting of hazards and ability to respond to emergency situations,
- increase of awareness among employees,
- safety of all corporate information,
- increase of the company's goodwill,
- prevention of financial loss.

The developed and implemented rules of information protection are a guarantee of prompt and effective system of information protection in the process of information processing. The above-mentioned rules are specified in accordance with the current provisions of law imposing an obligation to protect certain types of information and, in particular:

- confidentiality of personal data,
- trade secrets,
- confidential information entrusted by partners,
- stock exchange information,
- accounting information,
- information relating to protective rights,
- ecological data.

The implemented organisational mechanisms of the information safety system ensure permanent improvement of the system level and comply with the rule of permanent improvement valid for management systems.

- In order to comply with specific requirements of military customers, Grupa LOTOS continues its works on implementation of requirements of **Allied Quality Assurance Publication AQAP 2110** – „Requirements of NATO relating to quality assurance in designing, development works and production”. AQAP 2110 standard, apart from its detailed requirements imposed upon product suppliers, takes into account responsibility of all involved parties for the product quality, which is to ensure delivery of safe, reliable and material-saving products for military purposes. The system requirements are based upon the structure of ISO 9001 and contain additional specific NATO requirements. Under the Integrated Management System in place in Grupa LOTOS, the Company developed requirements and proceedings for realisation of orders placed by military customers.

MANAGEMENT
[4.9–4.11]

Management Systems
in the LOTOS Group
as of 1.06.2009

Company's name	Implemented management systems
Grupa LOTOS	The implemented and certified Integrated Management System complying with ISO 9001, ISO 14001, PN-N-18001.
LOTOS Asfalt	The implemented and certified Integrated Management System complying with ISO 9001, ISO 14001, PN-N-18001 and Corporate Production Control.
LOTOS Czechowice	The implemented Integrated Management System complying with ISO 9001, ISO 14001, PN-N-18001.
LOTOS Gaz	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001.
LOTOS Jasło	ISO 9001 in the course of implementation
LOTOS Kolej	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001 and the Railway Carriage Safety Management System in the course of implementation.
LOTOS Lab	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001. LOTOS Lab in Gdańsk and LOTOS Lab, branch in Czechowice are accredited by the Polish Accreditation Centre in accordance with PN-EN ISO/IEC 17025:2005. In February 2009 in LOTOS Lab, branch in Jasło, an audit was conducted for the purposes of obtaining of the accreditation.
LOTOS Ochrona	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001.
LOTOS Oil	The implemented and certified Integrated Management System complying with: ISO 9001 applies to: the Branch in Gdańsk, the Branch in Czechowice and the Branch in Jasło. The implemented and certified AQAP 2110:2006 relating to the Branch in Gdańsk, the Branch in Czechowice and the Branch in Jasło. The implemented system complying with ISO 14001 and PN-N-18001 covers the entire Company.
LOTOS Paliwa	The implemented and certified Integrated Management System complying with: ISO 9001.
LOTOS Parafiny	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001.
Petrobaltic	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001 as well as the following systems implemented: ISM Code (Safety Management System) and ISPS Code (the System of Protection of Ships and Port Facilities).
LOTOS Serwis	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001.
LOTOS Straż	The implemented and certified Integrated Management System complying with: ISO 9001, ISO 14001, PN-N-18001.
LOTOS Tank	The Company is in the stage of implementation of requirements of the Integrated Management System

MANAGEMENT [4.9–4.11]

Halina Stasiewicz,
director of Business Process
Management Office,
Management Board
Representative for Integrated
Management System,
Grupa LOTOS.



The LOTOS Group in its everyday business activity makes use of the fact that the organisation and its suppliers are mutually dependent. Their mutual advantageous interrelations increase both parties' ability to create the value chain, improve each other, and implement the same corporate social responsibility best practices.

We implement and improve systems as part of the Integrated Management System. Both our clients and business contractors play a key role in these activities.

We act in accordance with the provisions of law. Having in mind our corporate responsibility, in many areas we not only perform our undertakings in compliance with legal standards imposed on us but go beyond them as well.

The contractor selection procedure is performed in accordance with developed by us and constantly improved selection criteria, including the assessment of social ethics and responsibility principles declared and adopted by these companies. Each supplier is informed of them. We want our suppliers to be the companies for whom our values – like quality, protection of the environment, protection of human life and health – are as important as they are for us. We disseminate these values during serial meetings with our suppliers, we submit reports in which we inform the suppliers about the evaluation of their work, and we indicate areas of potential improvement.

It has become our principle that we do not cooperate with business partners who do not follow the rules of law, key values, or the principles of social or ecologic responsibility. We keep so-called Qualified Suppliers List and evaluate our contractors in planned audits and other procedures.

We pay a lot of attention to proper communication with contractors. They are informed on a current basis about the LOTOS Group activities. To do this we use intranet and internet, as well as our monthly journal LOTOSFERA. A perfect example of our deep care for proper communication is so-called 10+ Program, the biggest investment program currently carried out in Grupa LOTOS. The program is communicated comprehensively, systematically, effectively, and efficiently.

We feel responsible for our products, their quality, and safety of their use. Information on the LOTOS Group products and services are easily available to all clients on our website www.lotos.pl, which is regularly updated.

It is worth emphasizing that as part of client management services we are getting ready to create a professional Contact Centre that eventually is going to perform services for all commercial companies of the LOTOS Group and shall bring measurable benefits to our clients, business partners and the whole LOTOS Group, such as for example:

- *higher level of client satisfaction thanks to easier and quicker contact with any of the LOTOS Group organisational unit and uniform service standards,*
- *bigger influence on the implementation of high client service standards and client management from Grupa LOTOS level for the whole LOTOS Group*

MANAGEMENT [4.9–4.11]

Having in mind the need for developing a systematic approach to problems in Grupa LOTOS social environment, the solution of which may seriously affect the Company competitiveness, in 2008 the Management Board adopted „social responsibility strategy of the LOTOS Group in 2008–2012“.

In February 2008 the General Meeting of Company Shareholders decided to establish a Special Fund for financing Grupa LOTOS donations on social aims. By the decision of the General Meeting in June 2008 the Fund was increased by write-offs from Grupa LOTOS net profit.

In May 2008 the Supervisory Board adopted the Special Fund By-Law defining the rules of managing the Fund's means designated for financing donations on social aims made by Grupa LOTOS. According to the By-Law, the Management Board defined the procedure of considering applications for donations. The By-Law states that an agreement for a single donation exceeding the equivalence of EUR 5.000 has to be accepted by the resolution of the Management Board, while an agreement for a single donation exceeding the equivalence of EUR 20.000 has to be accepted by the Supervisory Board.

In 2008 the Management Board accepted 11 applications for donations. The funds were allocated for donations concerning the following areas:

- social activity,
- culture,
- safety,
- health protection and promotion,
- protection of the environment and ecology,
- science and education.

Five applications for Grupa LOTOS donations needed the consent of the Supervisory Board. Upon considering information concerning these donations, the Supervisory Board passed appropriate resolutions, thus expressing its consent for allocating Company funds for specific aims.

According to the adopted procedure, the Management Board and the Supervisory Board are regularly informed on the way the Company uses the means from the Special Fund. The Management Board receives

quarterly and annual reports on these issues. Then the annual report is passed on to the Supervisory Board. The General Meeting of Shareholders also receives information on the way the Company uses the means from the Special Fund – as part of the financial statement for the previous year.

During its meetings the Management Board deals also with the issues concerning the Company sponsoring activities that are part of its social responsibility strategy.

It must be stressed that in 2008 the Supervisory Board found the Company social responsibility strategy to be well-balanced and ensuring the transparency of Company activities in this field.

The Company authorities monitor sustainable development issues on a current basis. In 2008 the Management Board of Grupa LOTOS took many decisions (9 resolutions) on starting investments aiming at:

- decrease of CO₂ and odour compounds emission,
- gaining access to cheaper and ecologic source of energy,
- minimization of energy and fuel consumption,
- reduction of the company industrial activity negative impact on the environment and adjustment to EU laws.

On a regular basis the Management Board and the Supervisory Board are informed on the 10+ Program performance. The investment program will allow in the future to reduce the energy consumption, pollution emission, raw material use in the production process, and the use of company products.

According to the company guidelines on reports concerning the performance of the 10+ Program by Grupa LOTOS, accepted by the company Management Board in 2008, reports on the said investment are prepared regularly and submitted to the Management Board for acceptance. When accepted by the Management Board, the report is passed on to the Supervisory Board. Moreover, information on the 10+ Program performance is presented by the Management Board at each Supervisory Board meeting.

MEMBERSHIP IN ORGANISATIONS [4.12–4.13]

Grupa LOTOS 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),
- Conservation 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:

- Responsible Business Forum (Forum Odpowiedzialnego Biznesu),
- Global Compact,
- Business Centre 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,
- The Polish Business Roundtable Club (Klub Polskiej Rady Biznesu),
- 500 Club Fund (Fundacja Klubu 500).

Specialised organisations:

- Confederation of Polish Employers (Konfederacja Pracodawców Polskich),
- Association of Stock Exchange Issuers (Stowarzyszenie Emitentów Giełdowych),
- 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).

The membership in the above-mentioned organisations is voluntary. Grupa LOTOS supports the activities undertaken by the organisations it is the member of; company representatives take part in the works of problem groups in accordance with their competences.

In the reported period the Company joined two reputable organisations committed to sustained development and corporate social responsibility, i.e. **Forum Odpowiedzialnego Biznesu** (FOB) and **Global Compact**. It must be stressed that the membership acceptance was preceded: in case of FOB – by the verification of Company standards and policies regarding CSR management, in case of Global Compact – by an invitation to join the organisation which in this way expressed its appreciation of the Company's actions in the field of sustained development. The decisions to join these organisations agreed with the social responsibility strategy adopted by the Company.

Grupa LOTOS has been a member of Forum Odpowiedzialnego Biznesu (FOB) since December 2008. The Company has got a status of the organisation's strategic partner. The Forum's mission is to make the idea of responsible business widespread as a standard in Poland in order to increase companies' competitiveness, to satisfy society and to improve the state of the natural environment. As FOB partner the Company may influence the process of responsible business promotion in Poland and has got access to expert advice. It has also gained an occasion to exchange information on good practice, its promotion among stakeholders, and active participation in Forum initiatives.

In February 2009 Grupa LOTOS joined Global Compact (GC) – an organisation launched in 2000 on the initiative of Kofi Annan, Secretary-General of the United Nations. GC is the biggest in the world corporate citizenship voluntary initiative. Its members are governmental authorities, companies, employers, NGOs and UN agencies. GC is a platform for gaining business commitment to UN works and for encouraging citizens to cooperate in four main areas: Local Networks, Social Dialogue and Analysis, Knowledge Centre, and Projects. Currently more than 2.000 companies from all over the world and many international labour environments and non-governmental organisations are involved in the GC works.

MEMBERSHIP IN ORGANISATIONS [4.12–4.13]

Global Compact asks companies to embrace, support and enact, within their sphere of influence, ten principles derived from the following documents: the *Universal Declaration of Human Rights*, the *International Labour Organization Declaration on Fundamental Principles and Rights at Work*, the *Rio Declaration on Environment and Development*, *The United Nations Convention Against Corruption*.

Upon joining Global Compact Grupa LOTOS has adopted the following principles:

- support and respect the protection of internationally proclaimed human rights,
- make sure that they are not complicit in human rights abuses,
- uphold the freedom of association,
- the elimination of all forms of forced and compulsory labour,
- the effective abolition of child labour,
- the elimination of discrimination in respect of employment and occupation,
- support a precautionary approach to environmental challenges,
- undertake initiatives to promote greater environmental responsibility,
- encourage the development and diffusion of environmentally friendly technologies,
- work against corruption in all its forms, including extortion and bribery.

In May 2008, Grupa LOTOS joined the social campaign „*Save more than fuel*“. The campaign is conducted in 29 countries by the European Petroleum Industry Association (EUROPIA) and the European Commission. The goal of the campaign is to initiate a social dialogue with the environment of consumers – the car users by encouraging them to economical driving style, allowing for saving fuel, but also reducing a burden related to road traffic for natural environment. The campaign is based on promoting the guidelines to help drivers drive their cars in the way increasing fuel effectiveness.

INVOLVEMENT [4.14–4.17]

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT



Program 10+ is an element of the development strategy of the LOTOS Group until 2012. It constitutes one of the largest investment undertakings in the Central and Eastern Europe. Under the Program 10+, a series of new and technologically advanced installations are now constructed in Gdańsk and they will make it possible to increase processing capacities of petroleum by 75% from the level of 6 million ton to 10.5 million ton per year. The extension of the refinery involves technologies ensuring a high level of desulphurisation of oil-derivative products as well as technologies minimising influence upon environment.

By the end of 2010 the following installations will have been constructed under the Program 10+:

- Crude Distillation Unit/Vacuum Distillation Unit (CDU/VDU),
- Hydrodesulphuration Diesel Unit (HDS),
- Mild-hydrocracking Unit (MHC),
- Residual Oil Supercritical Extraction (ROSE),
- Hydrogen Generation Unit (HGU),
- Sulphur and Amine Unit (KAS),
- extension of infrastructure (containers, utilities, connections between facilities).

Following its realisation of the Program 10+ worth approx. 1,43 milliard euro, Grupa LOTOS shall become one of the most technically advanced and effective refinery plants in Europe.

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

The detailed analysis and quantification of influence upon environment as connected with realisation of the Program 10+ was performed in *The Report on evaluation of influence upon environment* prepared and published in June 2007. The document was subject to approval and opinions of competent public administration authorities during the proceedings as required by law in the case of evaluation of influence upon environment with participation of the society. Following the proceedings, the President of the City of Gdańsk issued a final decision on environmental conditions of realisation of the undertaking.

As early as during the stage of preliminary works conducted for realisation of the Program 10+, it was assumed that the program shall be realised with maximum respect for requirements of environmental protection not only as regards the full scope of compliance with provisions of law, but also as regards far-fetched minimisation and, where possible, elimination of influence upon environment also in the cases, in which the current provisions do not require such activities, yet there are rational prerequisites for the possibility of implementation of such activities.

To this end they prepared *The Plan of environmental activities of Grupa LOTOS* (hereinafter referred to as *the Plan*), which contained a statement and details of the activities, which were undertaken, are undertaken or are to be undertaken in the stage of realisation of investments undertakings as provided in the Program 10+ in order to avoid and, at least, minimise unfavourable environmental and social effects arising in connection with realisation of the program. The aim of this study is to present a public opinion to respective administrative authorities and financing institutions activities and intentions envisaged for realisation in various documents and decisions connected with realisation of the Program 10+ in the form of a uniform, synthetic and complete planning document subject to systematic verification and inspection as regards compliance with its provisions.

It has been considered that technical partners hired by Grupa LOTOS will have a decisive influence upon smooth realisation of the Program 10+. Therefore, realisation of particular undertaking of the Program 10+ is conducted by the company in cooperation with renowned suppliers of the most recent and effective technologies. Among them there are world leaders of the sector such as Shell, Kellogg, Lurgi and Chevron. Shell company has been a partner of Grupa LOTOS and a technical consultant for the program since the very beginning of its realisation.

For realisation of the Program 10+ Grupa LOTOS hires mainly the leaders of the industrial construction sector, who have long years of experience in

designing and construction of refinery and chemical facilities all over the world. Among them there are Technip (Italy), ABB Lummus Global (Germany), Lurgi (Germany/Poland), Fluor (Holland/Poland).

The realisation of investment undertakings as regards their scale and character provided in the Program 10+ and, subsequently, operation of new installations and facilities, is connected with the possibility of occurrence of various environmental effects, including, in particular, effects upon local environment and communities found in the direct vicinity of Grupa LOTOS.

Most of the effects may constitute temporary nuisance typical of construction and erection works. It is also expected that emission effects as connected with future operation of the installation will increase to a certain extent. However, the scale of the changes, as shown in respective calculations, will be considerably lower than expected increase of production.

In order to verify the completeness and relevance of proenvironmental activities as stated in *the Plan*, they verified results of work on the evaluation of environmental effects of realisation of the Program 10+ (with particular consideration of *The Report on evaluation of influence upon environment* prepared in 2007) as well as internal arrangements made with the use of procedures of the company's implemented environmental management system in accordance with ISO14001 (the environmental management system constitutes an element of the Integrated Management System). The effect of the verification was the selection and valorisation of the most significant environmental and social aspects as regards the realisation of the Program 10+ as well as the most sensitive elements of the environment, which may be affected by the program realisation.

Pursuant to the terminology adopted for the purposes of *the Plan*, an **environmental aspect** is understood as „each element of the company's activities (Grupa LOTOS and other entities acting on behalf of or as ordered by Grupa LOTOS), which may interact with environment". As a result from the above, environmental aspects are closely connected with the issue of influence upon environment, which is to be understood as „any change in the environment, both unfavourable or favourable, which entirely or partly is caused by environmental aspects of an organisation". The environmental aspects were identified at the detailed level in order to ensure, on one hand, an opportunity of operating management of particular associated effects and, on the other hand, limit quantity of the effects to minimum.

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

As a result of the analysis, the following environmental aspects accompanying realisation of the Program 10+ were identified:

The construction stage

- Increase of electrical energy consumption
- Increase of emission of gas pollution – fuel incineration products
- Increase of emission of dusts (unorganised emission)
- Increase of noise
- Vibration
- Permanent development of the site
- Levelling of the site
- Dislocations of earth masses
- Removal of trees and shrubs
- Removal of humus layer
- A risk of ground contamination
- Increase of uptake and consumption of surface water
- Increase of the volume of treated sewage drained into receivers
- Generation of waste from demolitions and conversions
- Generation of construction waste

The operation stage

- Increase of electrical energy consumption
- Increase of thermal energy consumption
- Increase of emission of gas pollution – fuel and hydrocarbon incineration products
- Increase of emission of dusts (organised emission)
- Increase of emission of CO₂
- Increase of noise emission
- Increase of uptake and consumption of surface waters
- Increase of the volume of technological and social sewage
- Increase of the volume of treated sewage drained into receivers
- A risk of ground contamination as a result of typical operating conditions
- Increase of the volume of technological waste generated
- Increase of the volume of municipal-like waste generated

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

In accordance with the methodological assumptions adopted for the purposes of determination of significance (relevance) of particular environmental aspects, it is necessary to determine influence of such aspects upon sensitive receptors. „A receptor” is understood, for the purposes of the Plan, as „an element or feature of the environment (surroundings, adjacent areas), with which a given aspect may interact”.

Interaction with receptors is always caused by so-called stressors, which are, most commonly, physical and chemical factors changing the condition or perception of a receptor. For the interaction to take place, there must be so-called *exposure route*. The exposure route is understood as a method, by which a given interacting factor (stressor) gets in contact with the receptor. If it is not possible to determine the exposure route, it usually means that there is no interaction at all.

The identification and selection of receptors was conducted in such a manner as to be able to determine effects of interactions from the site of Grupa LOTOS upon the following elements or environmental features:

- elements of the environment - air, surface waters, underground waters, lands, vegetation, local fauna and environment as a whole,
- material values – real estate, facilities and areas used for economic purposes, agricultural areas,
- features – acoustic climate, comfort of living, value of real estate.

Receptors were assigned to three zones separated in the space:

- ground „zero” – investment realisation site and direct back-up facilities,
- zone I – areas directly adjacent to „ground zero”,
- zone II – areas located further (over 1000 m from the investment realisation site) and environment as a whole.

Receptors assigned to the zones

Ground „Zero”	Zone I	Zone II
air quality	air quality	environment as a whole
ground waters	ground waters	
lands	lands	
fauna & flora	fauna & flora	protected areas and areas covered by Natura 2000
Rozwójka	agricultural lands in Benzynowa Street	
The Martwa Wisła River	agricultural lands in Elbląska Street	The Motława River
the Company’s	houses in Benzynowa Street	housing estates and towns located in further vicinities
own industrial areas	houses in Elbląska Street	
	service facilities – MAKRO	
	neighbouring industrial, production and services areas	
	value of real estate	
	comfort of living	

The specification was constructed in such a manner as to take into account all adjacent receptors, which may be subject to measurable interaction with any of the previously identified environmental aspects.

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

The figures obtained as above served for conducting of a statistical analysis of the results, which made it possible to identify and group the aspects and receptors as regards the scale of interactions and effects. The results obtained by this method have a relative character, which serves for the purposes of a comparative analysis and they may not, in any way, be treated as an attempt to quantify the interactions.

Criteria of evaluation and interaction valorisation

The specification was constructed in such a manner as to take into account all adjacent receptors, which may be subject to measurable interaction with any of the previously identified environmental aspects.

The valorisation of effects of interactions with receptors connected with the identified considerable environmental aspects was conducted by a method of „*interaction matrix*“. The structure of the matrix takes into account significant environmental aspects assigned to the investment realisation stage (as currently realised) and the operation stage (launching of further installations is planned successively for the years 2009–2010). The other structural element was the list of receptors assigned to the above-mentioned three zones of interaction of the undertaking, which differ in location with respect to the investment realisation site and the scale and intensity of interactions.

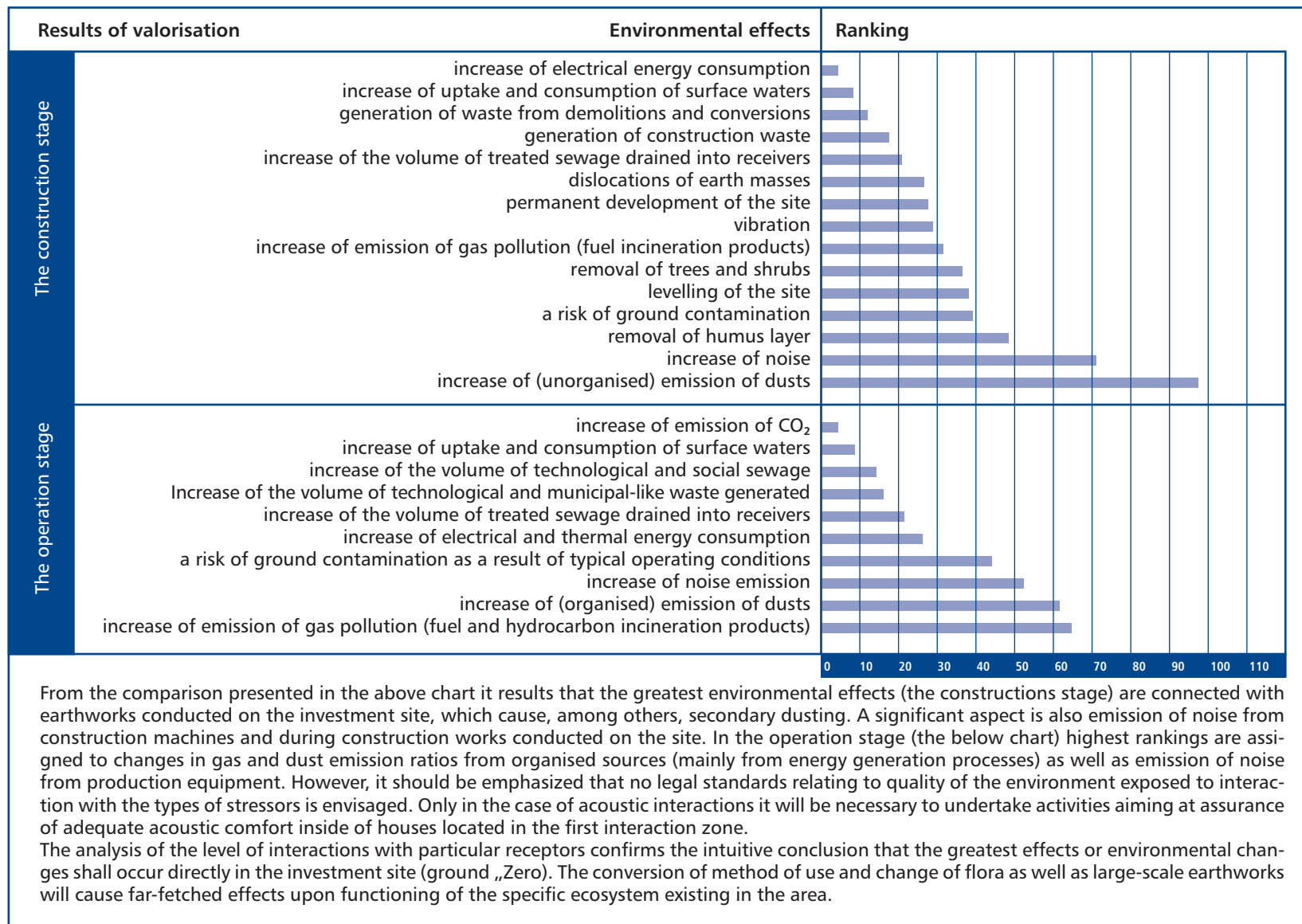
Evaluation fields	Scale of interactions	Scores	Description
Compliance with legal standards	strong	4	The interaction is measurable, exhausts absorbability of environment or causes permanent risk of exceeding of environmental quality standards or other unacceptable losses and nuisance
Durability of interactions	significant	3	The interaction is measurable, causes a risk of temporary exceeding of current standards and may be perceived as troublesome to the environment.
Scale of interactions	visible	2	The interaction is measurable and does not cause exceeding of the standards.
Scope of interactions	disregard	1	The interaction is at the low level within measurability limits and does not cause a risk of occurrence of relevant nuisance.
Sensitivity of receptors	none	0	No exposure route or interactions; the interaction is non-measurable.

Particular receptors were also assigned respective weights taking into account their „*environmental value*“ or „*sensitivity to interactions*“. It was assumed that the scores constituting results of the expert’s analysis in the evaluation fields as indicated above, shall be, in justified cases, increased in line with the following principles:

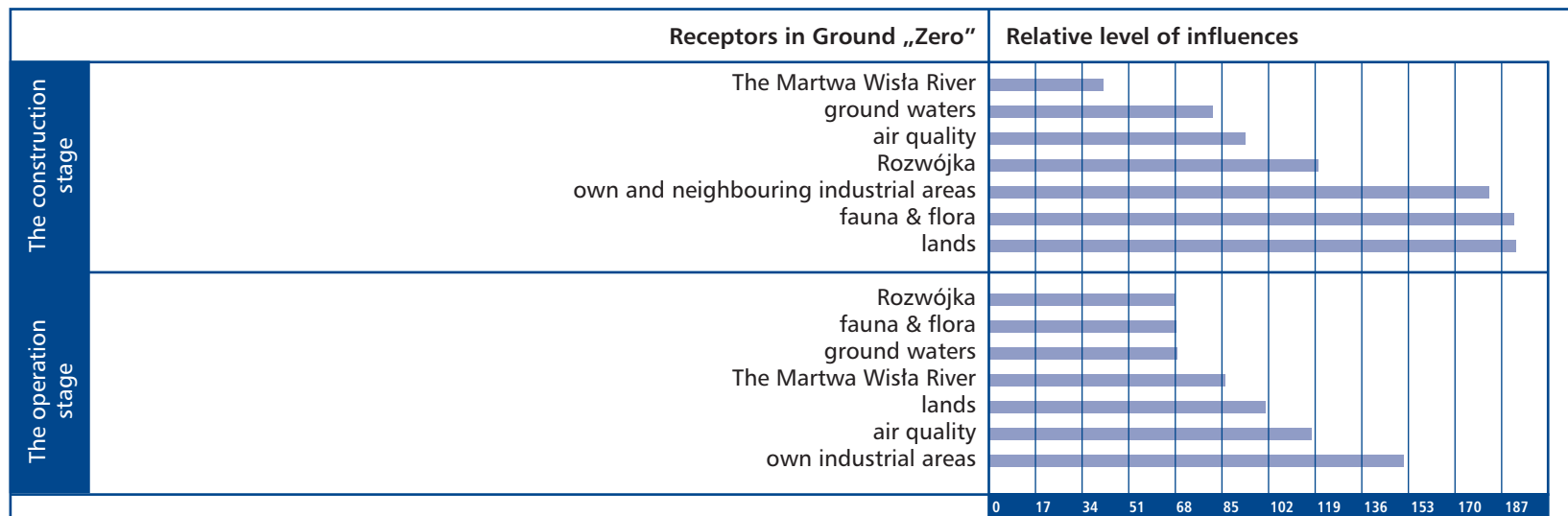
- industrial areas and other receptors (areas, facilities) not subject to special legal protection as regards environmental interactions: weight 1,
- elements of environment with increased sensitivity of ability of accumulation of interactions: weight 1,3–1,5 (increase of the score from 30 to 50%),
- social and economic features and values: weight 1,3 (increase of the score by 30%),
- places, in which people stay permanent: weight 1,5 (increase of the score by 50%),
- elements of environment and natural areas subject to legal protection and environment as a whole: weight 1,5 (increase of the score by 50%).

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

The charts present cumulative results of valorisation of the identified environmental aspects and the comparative analysis of receptor exposure.



THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT



However, the activities fully comply with the site development trends as specified by the local law and environmental results arising from realisation of the investment are acceptable from the point of view of requirement of law and natural value of the analyses site. A part of the changes implemented shall have a permanent character. This particularly applies to development of a part of the area, liquidation of quasi-natural flora shaped for years in the area and, at least, temporary changes in the local structure of animal species.

The interactions in Zone I shall, to the greatest extent, apply to environmental quality standards (noise, dusting) and the widely-understood comfort of living of inhabitants of several houses located in the close vicinity of the investment site. The effects of the interactions upon other receptors shall be much below the critical values and in particular, it is not envisaged that any current legal standards will be infringed.

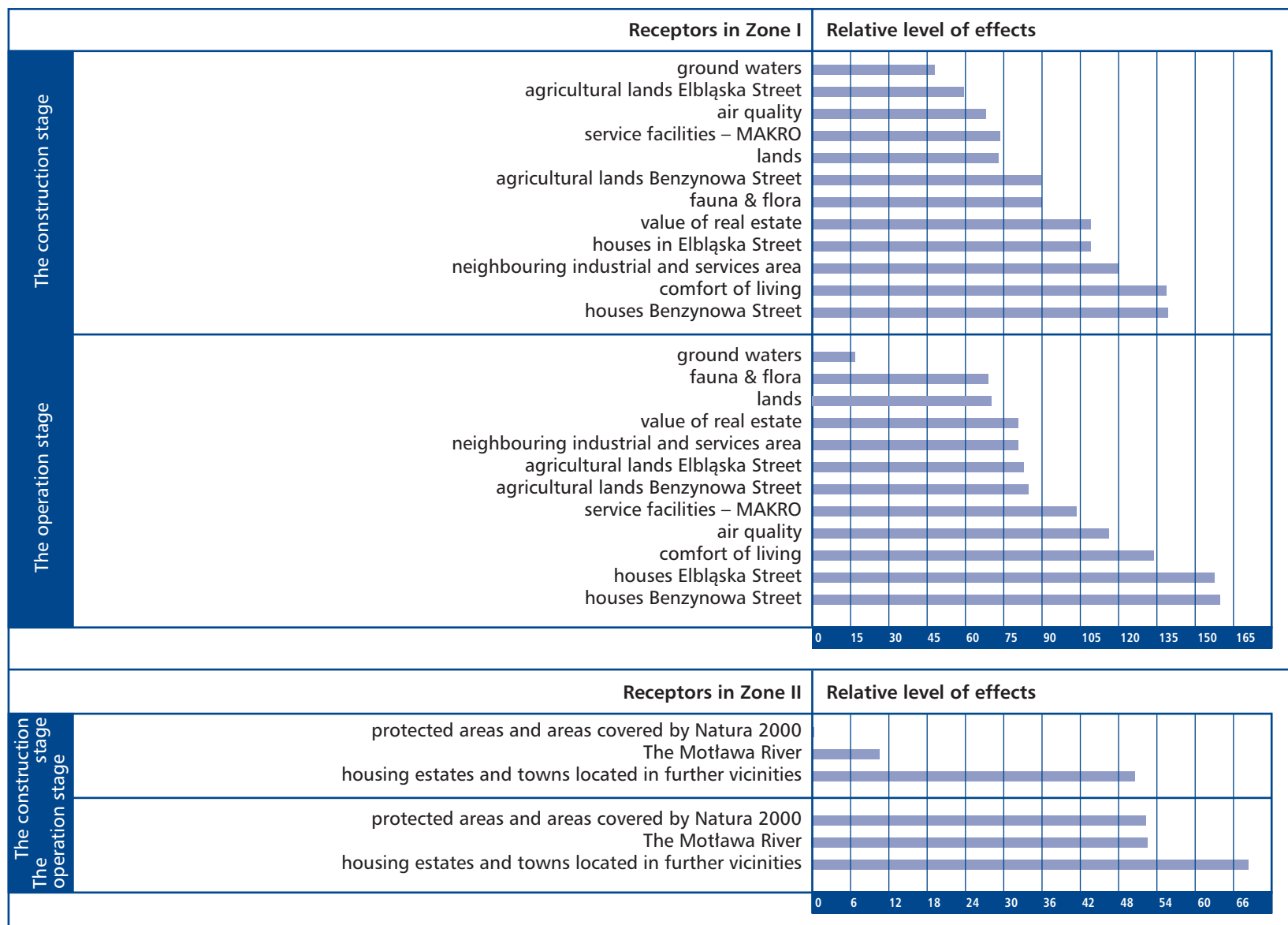
In Zone II no possibilities of occurrence of interactions with environmental quality standards (air quality, acoustic climate, lands and ground waters) both in the construction and operation stage were identified. For other receptors the interaction effects shall be disregarded and found much below legally established values.

The *Plan of environmental activities* contains a comparison and specification of activities aimed at avoidance or minimisation of unfavourable environmental and social effects, which might arise in connection with realisation of the Program 10+. *The Plan* also compares the activities, which have already been performed, are being performed or are to be performed by Grupa LOTOS in the course of realisation of the investment undertakings.

The cause and effect comparison of activities for the purposes of the *Plan* included information concerning:

- activities, which cause occurrence of specified environmental aspects and their effects upon the environment,
- activities, which prevent, minimise and limit the effects of identifiable environmental aspects upon receptors,
- time of realisation and staging of implementation of preventive activities,
- indication of units of the Grupa LOTOS, which are responsible for implementation of the indicated activities,
- determination of a method of monitoring of application and effectiveness of the preventive activities and reporting on the activities,
- estimation of costs of implementation of the preventive activities,
- determination of sources of financing of investment funds and current expenses connected with implementation of preventive activities.

THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT



THE IMPACT OF PROGRAM 10+ UPON ENVIRONMENT

Mieczysław Broniszewski,
a head of Environmental
Protection Office,
Grupa LOTOS



In its treatment of protection of natural environment as one of the priorities embedded in the company's mission, Grupa LOTOS, as early as in the stage of investment process planning, selects only environment-friendly technologies, which comply with requirements of the best available technologies (so-called BAT).

Due to the fact that in Grupa LOTOS there are sources of interactions with the environment, the most important indices, which characterise BAT include:

- *technical solutions in the field of construction and operation of equipment,*
- *procedural solutions in the field of operation of equipment,*
- *indices of consumption of utilities per one ton of petroleum,*
- *indices of emission to the atmosphere per one ton of petroleum,*
- *indices of omission of sewage and waste.*

It should be emphasised that from the analysis of reference documents shortly referred to as BREF it results that new equipment and production modules provided for erection and operation in the site of Grupa LOTOS as part of the Program 10+, correspond to the characteristics of installations referred to by BREF as technologies treated as emerging BAT and comply with emission standards as specified by law and do not cause a risk of exceeding of environmental quality standards in the surrounding area of the subject installations. Therefore, it should be assumed that they comply with specified requirements for the best available technologies as provided by law.

Owing to this, the realisation of the Program 10+ will make it possible to achieve the assumed economic aims with relatively small growth of emission of contamination to the environment, which is in compliance with the concept of sustainable development. All the analysed parameters shall be lower than admissible values and the quality of environment within the scope of interactions shall not be significantly deteriorated, whereas unitary indices of emission of contamination into the air, sewage and waste shall decrease.

ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

The LOTOS Group activities aim at comprehensive performance of processes at three stages: gas and oil mining, their processing, and the sale of high quality oil products. Care for natural environment during mining works at sea is an integral part of the company strategy. Due to their specific character these activities create a lot of problems related to the protection of the environment.

Seas are particularly sensitive to all kinds of pollution, especially those caused by oil. Spills of even small quantities of oil or oil derivatives contaminate big areas of the sea and the shore and in effect cause the flora and fauna degradation. That is why in most countries a lot of attention is paid to dangers created by companies extracting oil from sea deposits.

Reports on catastrophes of oil tankers or drilling platforms are responsible for the fact that oil exploration and extraction at sea is restricted by more and more international and domestic regulations aiming at ensuring full environmental safety. At the Baltic Sea the risk of spill is particularly important due to the specific nature of this region. It is rather a small sea with not too big inflow of salty water, while the distance from the sea shore is not bigger than 100 km. A spill at such sea would have catastrophic results for the environment.

At the same time a necessity to find new oil and gas deposits causes a systematic growth of their exploration and extraction at sea regions. Because of rising oil and gas prices the companies start to explore the deposits at greater water depths and those that due to their volume have been treated as marginal so far.

The activities of Petrobaltic – the only Polish company dealing with oil exploration and exploitation at the Baltic Sea – show that social and market expectations can agree with keeping high standards of environment protection and labour safety.



ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

Petrobaltic S.A. – Exploration and Exploitation of Oil and Gas Deposits Company – is one of the most economically effective companies in Poland. Since February 2005 Grupa LOTOS has been holding 69% of Petrobaltic shares. In the LOTOS Group Petrobaltic is the main company dealing with oil exploration and exploitation. Petrobaltic conducts its business activities at sea in the Polish economic zone with the area of about 29.000 km². Licences for mineral exploration and exploitation cover the area of 8.054 km². The company has got licences to exploit minerals from B3, B4, B6, and B8 deposits. Currently the Company exploits the B3 oil deposit, and conducts preparation works to exploit the B8 deposit. According to the development strategy adopted in 2008, Petrobaltic conducts diagnostic works concerning hydrocarbon resources in deposits and structural objects covered by the Company licences.

Petrobaltic results	Oil sales volume [in thousand tons]	Total income [in PLN mln]	Gross profitability [%]	Employment 31.12.2008	
				Type of work	
2006	247,9	424,4	60,0	Number of employees	446
2007	208,8	377,7	50,4	offshore employees	255
2008	227,5	480,8	59,6	onshore employees	191

- More than 40% of Petrobaltic employees are people with university level education. Due to the specific character of the tasks, men constitute 90% of the company staff. A lot of current employees had worked at the international Petrobaltic company before its Polish equivalent was established in 1990.
- Petrobaltic has got its own capital group consisting of 5 subsidiary and affiliated companies. LOTOS Exploration & Production Norge AS is to give Petrobaltic and Grupa LOTOS access to oil under the Norwegian shelf of the North Sea and the Norwegian Sea. Petrobaltic is also a shareholder of Lithuanian AB Naftos Gavyba. Two companies from the Petrobaltic Group (Aphrodite Offshore Services N.V. and Miliana Shipping Company Ltd.) are ship owners.
- Petrobaltic uses four own sea vessels: „Petrobaltic” drilling platform, „Baltic Beta” exploitation platform and „Bazalt” and „Granit” tugboats, as well as five vessels: tanker, inspection and rescue vessels, a research vessel. Petrobaltic uses also PG-1 unmanned wellhead platform.
- Petrobaltic has established the Energobaltic company that has built in Władysławowo a modern heat and power generating plant fed with waste gas. 86 m³ of gas is produced on average with 1 m³ of oil extracted from the sea. Gas extracted from the B3 deposit is sent under the pressure of 130 atm to the plant by a special system of insulated steel pipes unrolled from a drum. The pipeline is 82.5 km long. Energobaltic has been granted the title of the Polish Ecology Leader for innovative technological solutions used in the Władysławowo heat and power generating plant.
- The company is a member of the Association of Engineers and Technicians of the Gas and Oil Industry in Poland (Stowarzyszenie Inżynierów i Techników Przemysłu Naftowego i Gazowniczego) and the European Association of Geoscientists & Engineers. Together with AGH University of Science and Technology in Kraków and the Polish Geological Institute, Branch in Gdańsk, Petrobaltic is the organiser of „Baltic Petrol 2010” international conference of oil industry companies from the Baltic Sea region.
- Petrobaltic cooperates with the Faculty of Drilling, Oil and Gas, AGH University of Science and Technology in Kraków. The cooperation covers the following areas: preparation of reports and expert opinions on drilling-exploitation issues, technical consultations, conducting training courses for students, organising student internships, help in establishing a special education class for students learning to design drill-holes, exchange of experience and scientific achievements in oil industry. The company constantly cooperates also with the Oil and Gas Institute in Kraków that prepares for the company annual assessments of the exploitation process at the B-3 deposit, performs laboratory tests and other analyses connected with the oil exploitation.

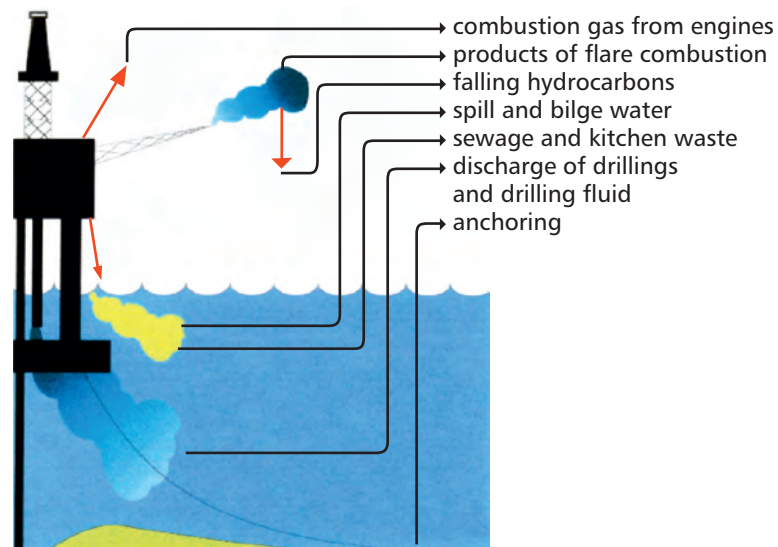
ECOLOGY
IN THE SEA REGION
– PETROBALTIC EXAMPLE

Source of threats to the environment

Exploration works and consequent extraction of undersea crude oil and gas deposits are not indifferent to the marine environment. The character of changes and types of threats are directly connected with the type of performed works:

- **geophysical and seismic research** – performance of such works refers to the creation of sound waves which travels in the marine environment. High-intensity waves make spawn and fry die out and shoal of fish disperse and as a result make them escape from the examined basin;
- **geological works** – involve mainly exploratory drilling. Hole-drilling exerts the most significant influence on the marine environment. Harmful effects mainly result from various types of pollution penetrating into the environment.

Potential impact on environment at drilling operations



Threats to the environment that occur during oil extraction are connected with the type of technical means applied during operations. The main threats include:

- oil spill threat in case of failure of surface and undersea recipient equipment for pressing, storing and handling,
- industrial water pollution,
- sewage and sanitary waste discharge,
- atmosphere pollution resulting from gas burning,
- oil and gas transmission and transport – transmission involves the system of technological pipelines within the deposit, oil and gas transmission pipelines and loading facilities at sea. Basic threat for the marine environment resulting from the said systems is a possibility of oil spill in case of any failure. Moreover, pipelines mounted on or in the sea bottom bring about changes in the ecosystem, such as bottom currents direction change and local changes in the bottom fauna.

Among the said sources of possible contamination of the marine environment the most dangerous is the accidental leakage of oil from the bore-hole (eruption) due to the volume of contamination and difficulties related to its removal.

Issues related to ecological safety at crude oil and gas extraction are subject to detailed and strict international and national regulations. All regulations provide that crude oil and gas extraction shall be performed using the *Best Available Techniques* and applying the *Best Environmental Practice*. There is also a tendency to decrease consistently the admissible volume of discharge from the marine oil systems into the sea.

ECOLOGY
IN THE SEA REGION
– PETROBALTIC EXAMPLE

The operator managing works related to oil and gas extraction from undersea deposits shall abide by the requirements of international conventions. The most important include:

- International Convention for the Prevention of Pollution from Ships (MARPOL 73/78),
- Convention on the Environmental Impact Assessment in a Transboundary Context (Espo 1991),
- Convention for the Prevention of Marine Pollution by Dumping of Waste,
- Convention on Transboundary Effects of Industrial Accidents,
- Convention Relating to Intervention on the High Seas in Case of Oil Pollution,
- Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters Aarhus 1998.

Moreover, on the initiative of International Maritime Organisation (IMO) separate regulations and agreements were provided for marine areas particularly sensitive to pollution. We can use the example of the Baltic Sea where countries situated within the sea basin concluded *Convention on the Protection of the Marine Environment of the Baltic Sea Area*. Document called „*Helsinki Convention*” was signed in 1974 by all Baltic Sea countries and in 1992 by the newly established Baltic States and the European Union. The convention defines in detail the environmental requirements for the operator managing works at sea. The Convention governing body liable for implementing new requirements is the Helsinki Commission (HELCOM). In the operations of Petrobaltic the said convention is a matter of the utmost importance.

Identification of key threats to the environment

Operational aspects:

- platform towing
- anchoring
- platform physical existence
- performing bore-hole of drillings discharge
- cement discharge
- drillings falling on bottom
- liquid discharge
- removal of bore-hole
- sewage discharge
- release of bilge water
- water from board cleaning
- power equipment
- sampling of the hole
- rubbish
- delivery operation

Accidents:

- oil spill
- chemical spill

Elimination of unnecessary threats from:

- platform towing
- anchoring
- cement discharge
- liquid discharge
- sewage discharge
- drillings falling on bottom
- platform cleaning
- delivery operations

- platform physical existence
- removal of bore-hole
- sources of power
- producing rubbish
- sampling of the hole

Key threats to the environment

(impact classified as medium- or high-level impact)

Operational aspects:

- performing bore-hole of drillings discharge
- drillings falling on bottom

Accidents:

- oil spill
- chemical spill

Monitoring:

- scientific criteria
- user information
- perceived risk

ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

Regardless of the requirements resulting from international regulations, an enterprise performing works at sea within the territorial waters or the exclusive economic zone shall abide by the requirements of the national environmental regulations. In Poland they include:

- Act on the Prevention of Pollution from Ships,
- Regulation on Organization and Method of Fighting Pollution at Sea,
- Maritime Code,
- Geological and Mining Law.

The general ecological principle that is gaining more importance is to achieve „zero discharge“ of all substances and factors that may harmfully affect the environment. However, the commencement of any operation at sea must be preceded by thorough analysis of its impact on environment indicating the level of ecological risk.

Environment protection in Petrobaltic

The company has been constantly implementing the principle of the best environmental practice. It applies to all stages of company activity starting from risk analysis and risk prevention to monitoring and research works.

In all operations related to oil and gas extraction meeting ecological requirements is a fundamental factor allowing the performance of such works. Before applying for concession to prospect and extract oil or gas within marine areas, the applying economic entity shall provide report on the impact of future works on the marine environment.

The analysis of the impact of such works on the environment shall be preceded by research that aim to:

- define environmental value of the researched area, e.g. related to fish resources, existence of fish spawning ground, fishing suitability, bird and animal habitats,
- assess suitability for recreation, relaxation and water sports,
- assess hydrometeorological conditions,
- examine the content of hydrocarbons and heavy metals in water and bottom sediment - for the purpose of defining pollution background.

Very important is also the assessment of possible social conflicts related to the intended extraction. At the same time, the report shall include information whether the performed works will influence the areas of Natura 2000 specified by proper directives of the European Union and protected particularly sensitive marine areas defined for the Baltic by the Helsinki Convention. The report shall also assess the technical means for prospecting or extracting works and scheduled technologies and compare them with the world's methods of oil and gas extraction at sea.

The results of the analysis constitute grounds for assessing the impact of prospecting and extracting operations on changes in the marine environment and obtaining administrative environmental decisions and proper concessions.

The performed examination and concessions obtained as a result confirm that oil extraction performed by Petrobaltic at the Baltic Sea does not increase the level of pollution.

ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

Preventing threats to marine environment

In operations at sea related to oil prospecting or extracting a company must abide by various restrictions which do not exist in on land. It refers mainly to the so-called discharge into the sea, waste management, anti-blowout protection and production water management.

Basic technical and technological protection systems during drilling at sea performed by Petrobaltic include:

- blowout preventer system of various closing systems,
- system warning against blowout symptoms measuring in a continuous mode e.g. flow of utilities into the bore-hole and outflow from the bore-hole, gassing, change of drilling fluid specific gravity,
- applying drilling fluids of low toxicity. In the Baltic potassium or potassium and polymer drilling fluids are applied. On Petrobaltic oil rigs drilling fluid is situated in a closed cycle and after finishing work at the bore-hole the fluid can be used again.

The system protecting against environmental pollution during operations includes:

- bore-holes protection against blowout e.g. through installation of safety valves approx. 30m below the sea bed,
- emergency bolt units at operation heads,
- protection of compression and transmission pipelines.

The geological and technological platform laboratory plays the most important and preventive role of anti-blowout protection providing in a continuous mode information on the following parameters: volume of gas in drilling fluid, specific gravity of drilling fluid, compressed and out-flowing drilling fluid, drilling progress, etc. The system makes it possible to detect early the symptoms of preliminary blowout and take actions to restore balance in the bore-hole.

The entrepreneur managing the prospecting or operational works at sea must be prepared to fight possible oil spills. Under the requirements of the *Helsinki Convention*, the company prepared „*Plan for fighting oil*

spills resulting from extraction works performed by Petrobaltic within the concession area” which is included in the *National Oil Spill Fighting Plan* and defines in detail:

- own resources indispensable for fighting oil spills,
- modes of alarms and distress calls in case of oil spill occurring at the extraction systems at sea,
- providing cooperative actions and assistance from foreign units in case of necessity to fight oil spill,
- actions scenarios and principles of managing oil spill fighting action,
- courses and trainings for crew.

In case of a necessity to perform the said actions, Petrobaltic is prepared to use vessels, including tow boats, work boats and a rescue boat. The Company has the best potential of appliance for fighting oil spills, such as pneumatic barriers, sorbent barriers and sorbents in the form of mats and tins, metal boxes for transporting oil and polluted drilling fluid and high-efficiency collectors. However, it must be emphasized that the equipment has never had to be used except regular exercises. Petrobaltic extracts the Baltic Sea oil deposits in a careful and safe manner.

All platforms and systems destined for extraction and use, the same as vessels, are places where sanitary sewage, various waste and oil polluted water are created. Discharge of the said pollution into the sea is forbidden therefore, they are utilized. The platforms are equipped with biological sanitary sewage treatment plants. Only after the processing in the sewage treatment plant they can be discharged into the sea.

Moreover, any kind of oiled-up water can be discharged into the sea provided that it underwent the said treatment and that the content of oil substances is not higher than the level specified in proper standards. It is performed in oil separator operating automatically. While various types of solid and utility waste is carried away from the oil rig for the purpose of further utilization.

ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

Monitoring and research works

During the geological and drilling works, the operator is obliged to monitor the marine environment regularly within the area of operation and track any changes that occur there. Monitoring works carried out by Petrobaltic are in conformity with the recommendation of the Helsinki Commission. The monitoring includes:

- sampling bottom sediments before and after finishing the operations and min. annually and their examination in terms of hydrocarbons and heavy metals content (Hg, Cu, Pb, Cd, Ba, Cr),
- daily sampling and testing water samples taken from drilling system area in terms of hydrocarbons and heavy metals content,
- regular measurement of hydrocarbons content in purified deposit water before its discharge.

The testing used constitutes comparative material for the assessment of impact of the operations on the environment and changes that occur there.

Apart from monitoring performed by the company, research works on the deposit are also carried out by various science and research centres. The works aim mainly at characterizing the marine environment within the area of the performed geological works and the impact of drilling and operations on the environment. Research works are carried out before the commencement of works or extraction, during and after their termination. The results of the research prove that exploration and extraction works carried out by Petrobaltic do not bring about any changes in the environment and do not increase the level of pollution.

In 2007 and 2008, under order from Petrobaltic two environmental reports were prepared:

- „Report on environmental impact of oil and gas deposits exploration works within the mid-Baltic Sea area”,
- „Report on environmental impact of oil and gas deposits exploration works within the western Baltic Sea area”.

In 2007–2008, works performed by Petrobaltic focused mainly on performing geochemical and seismic works. Moreover, various geotechnical works were performed for the future foundation of oil rig.

Environment management program

In November 2007, on ministerial conference in Cracow *Action Plan for the protection of environment from oil rigs*, in line with the *Baltic Action Plan of Helsinki Commission* was approved. The said plan aims at reducing the impact of oil and gas exploration on the natural environment to the level defined under international and national regulations and behaviour under „best available techniques”, „best environmental practice” and „zero discharge of polluted substances and materials”. The major part of the Baltic Sea area was recognized as Particularly Sensitive Sea Area. Uniform requirements will have entered into force till 1 January 2010 in relation to all oil rigs – existing, planned or being constructed and operational oil rigs within the Baltic Sea area.

ECOLOGY IN THE SEA REGION – PETROBALTIC EXAMPLE

In order to adjust the company activity to the new regulations, Petrobaltic adopted the Environment Management Program within which e.g. the following investments are currently being implemented:



Selected elements of Environment Management Program

Environmental aspect	Objective	Task
Drillings discharge into the sea	Zero drillings discharge	<ol style="list-style-type: none"> 1. Purchase for „Petrobaltic“ oil rig system for transportation and collection of drillings, 2. Designing procedure for using the said system, 3. Finding waste collector, 4. Extending permit on producing waste.
Deposit water discharge	Zero discharge to the sea	<ol style="list-style-type: none"> 1. Preparing plan for modernization of deposit water treatment system and its compression from „Baltic Beta“ platform to B3-21 bore-hole, 2. Implementation of the said project.
Gas burning – greenhouse gases emission	Reducing gas burning to indispensable min. level to maintain operational system (modernization of operational system)	<ol style="list-style-type: none"> 1. Providing „B-8 deposit development study“, 2. Providing „Addition to B-8 deposit development study“ – with the development of co-existing natural gas, 3. Report on impact of the planned investment on environment, 4. Change of concession on oil and gas extraction from B8 deposit and mining agreement, 5. Providing „Basic project on extraction infrastructure“ with „Technical Specification“, 6. Using gas for energetic reasons or transfer to „Baltic Beta“ platform.

**ECOLOGY
IN THE SEA REGION
– PETROBALTIC EXAMPLE**

Kinga Domańska,
chemical technology specialist
in Petrobaltic

Works on selecting oil demulsifier
(additive improving the
effectiveness of separation
of oil-water emulsions).
From left: Kinga Domańska
and Joanna Kozłowska,
chemical technology specialists
in Petrobaltic.



Seabed mining works involve various environmental problems that do not exist on land. The operator managing the works related to oil and gas extraction from undersea deposits shall abide by the requirements of international conventions and legal regulations for the prevention of sea pollution. The most important of them include „MARPOL Convention”, „Helsinki Convention 1992”, „Dumping Convention” and HELCOM, the Baltic Sea action plan.

Petrobaltic as a company managing oil and gas extraction on the Baltic Sea, taking into account the provisions of the said regulations, attaches great significance to diligent monitoring of the marine environment near oil rigs. From the area around the rigs samples of sea water are taken on a regular basis to determine the content of petroleum hydrocarbons and also other numerous chemical parameters indicating the quality of water. Each new action plan within the inshore area is subject to procedure aiming at assessing its impact on the environment, and after the start of the new system post-completion analysis is performed in relation to its impact on the natural environment and actual volume of pollution emission (bottom sediment analysis).

Petrobaltic is also directly involved in HELCOM works on designing Action Plan for the protection of the environment from offshore platforms and lists of red and black chemicals (classification with regard to toxicity in the marine environment).

SOCIAL DIALOGUE

The LOTOS Group undertakes activities addressed to specific groups of interested parties, i.e. relevant addressees of the company's social policy. In the year 2008 and during the first months of 2009, the company continued its system activities, which are described more extensively in the *Report on social responsibility for the years 2006–2007*.

The key groups of interested parties, to which the company addressed its social activities in the reporting period included employees and corporate trade unions, inhabitants of the vicinities of the plant and children and young people, to whom special long-term development programs of Grupa LOTOS are dedicated. The Company still analyses demands in its closest vicinities. The exceptional location of the plant makes the company especially interested in the condition of the Polish coasts and condition of fauna and flora of the Baltic Sea. The Company's concern caused it to become a partner to specialised extra-governmental organisations, which conduct their activities aimed at protection of natural values of the region.

Understanding within organisation

The difficult turn of 2008–2009 caused that all companies in Poland and abroad had to face the global crisis. The problem related not only to enterprises, which were first to experience effects of the economic crisis. The problem also concerned organisations, which have to determine potential risks connected with economic effects of the situation originating from the financial market. Among such companies there is the LOTOS Group, which, owing to the fact that the company implemented the social dialogue in organisation a few years before, the company, as early as in February 2009, announced and started to realise, as one of the first companies in Poland, so-called *Anti-Crisis Package* directly addressing unfavourable changes occurring in the market.

The above-mentioned *Package* is a document, which, on one hand, constitutes a precisely prepared plan of reduction of unnecessary costs and expenses and, on the other hand, it constitutes a record of the dialogue between the Management Board of Grupa LOTOS, the Council of Employees and all trade unions, which agreed to freeze remuneration in the first half of 2009 as first to do so in Poland. The facts have a significant meaning as regards realisation of one of the greatest investment projects in Central and Eastern Europe, which is the plan of extension of the refinery plant of Grupa LOTOS in Gdańsk. The 60% progress of the plan at the beginning of 2009 influenced the significance of the social understanding achieved in the company. Owing to this understanding, no internal obstacles could influence the course of the investment and

the Company's credibility in relation to external interested parties such as banks financing the investment project or partners cooperating for realisation of the same.

The awareness of significance of the situation influenced the course and scope of the communications program realised in spring 2009 in the the LOTOS Group. Meetings between employees and the Management Board of Grupa LOTOS and management boards of companies belonging to the LOTOS Group constitute a permanent element of the company's strategy of internal communications. The program of systematic meetings has been realised in the Company for four years. It constitutes a kind of a wide information and communications campaign undertaken during events important for the organisation.

The basic aims of the activities include:

- construction of employees' understanding of business processes,
- integration of employees for challenges, which the LOTOS Group will have to face in the difficult and demanding market,
- education in the field of financial and market mechanisms of the contemporary world, especially as regards the aspects of growing economic crisis,
- learning about opinions of employees upon most important matters connected with the present situation of the company and the sector, in which the company conducts its activities

During the above-mentioned meetings the Management Board gave all employees an opportunity to learn about the genesis of the world financial crisis and potential influence of the crisis upon the company's situation and its direct environment. The representatives of authorities of Grupa LOTOS and its subsidiaries during numerous and direct meetings explained to employees in a professional and easily understood manner the status of the Company's preparations for the unfavourable external economic situation of the Company as well as prerequisites and priorities of the adopted *Anti-Crisis Package*. The meetings supported with demonstrative materials and additional communications channels such as the Intranet or special editions of the company's journal served not only to inform, but also to educate the employees. Owing to conversations with experts they gained an opportunity to explain the issues connected with, for example, the situation of their work place and elimination of possible concerns. In their direct statements, the employees supported the proposed solutions in spite of the fact that the solutions are connected with sacrifices and limitations for all. The participation in the meetings was voluntary.

SOCIAL DIALOGUE

During the meetings the employees had an opportunity to express their opinions also in anonymous surveys. Nearly 9% of the respondents indicated to incomplete or complete inability to understand the presented information and only 7% stated that there was no need to organise such meetings in the future.

Both during discussions accompanying the meetings and in surveys, the employees presented their requests, proposals and ideas connected with savings, which could improve the Company's situation. Additionally, they discussed issues most often related to employee matters connected with employment, financial issues and details of the *Anti-Crisis Package*.

The meetings were accompanied by a special program of Frequently Asked Questions (PiO), operating by means of the company's intranet. Thanks to the program, the employees were able to ask questions concerning the present situation of the entire LOTOS Group and specific companies. The program included questions asked directly during the meetings and in surveys. Answers to the questions were provided by representatives of the Management Boards and experts responsible for particular segments of activities. In total, they answered to 135 representative questions under the program.

The meetings between the managerial staff and employees were preceded by internal opinion surveys. Similar activities were also undertaken following the completion of the program in order to compare the employees' evaluations and moods accompanying changes in the company connected with the *Anti-Crisis Package*. Both editions of the survey were conducted in the form of anonymous surveys containing closed and open questions. The results of analysis of the surveys after the meetings indicate the growth of number of people, who think that they receive sufficient quantity and scope of the information concerning the Company's strategy and progress of its realisation. This was indicated by 80% of the respondents. The high percentage of employees evaluating the current strategy of the company as good is also important.

Over three-fourths of the employees evaluate the situation of Grupa LOTOS as good. Nearly 60% of the respondents think that the company's situation is better as compared with the situation of other local companies. Over 70% of the respondents think that Grupa LOTOS is adequately prepared for activities in the current difficult economic situation. Over 80% of the employees think that the activities implemented under the *Anti-Crisis Package* are necessary. The very good result means that the employees are aware of the economic crisis. Their openness and willingness of cooperation is also a good element of implementation of the *Package*.

Meetings of the management staff of the LOTOS Group with employees held from 17.02 to 27.03 2009:

59 meetings,
2.390 participants,
1.796 completed surveys,
90% of positive opinions.

Employees survey

Question:

Do you think that organising the systematic meetings concerned with present situation of our firm and the LOTOS Group is needed?

n:1796

83% yes

7% no

Question:

Do you evaluate the development trends of Grupa LOTOS as positive?

13% no opinion

81% yes

6% no

1st survey

6% no opinion

93% yes

1% no

2nd survey

Question:

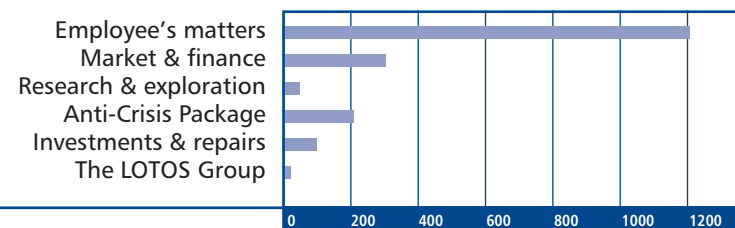
Do you think that Grupa LOTOS is well prepared for activities in the current difficult economic situation?

20% no opinion

73% yes

7% no

The statistics of visits in thematic groups under the Program of Frequently Asked Questions



SOCIAL DIALOGUE

Beata Jurkschat,
director of Communications
and CSR Office, Grupa LOTOS



All employees received an invitation to „talk about LOTOS” from the President of the Management Board. We refer to meetings of the Management Board of Grupa LOTOS and all belonging companies as talks, because this is the way we treat them. For us, these are talks or dialogues. From the perspective of several years, I can say that we have a good tradition of „talking about the company within the company”. I think that it is still uncommon in such large companies as our company. The present crisis is a good opportunity to look at the issue of trust, reliability or ethics seen as basic indicators of effective system of a company’s management. The access to the valuable capital including respect, understanding and involvement of the company’s own employees may, in these hard times, determine chances of survival in the market.

In the LOTOS Group, which employs nearly five thousand people in its 20 various types of companies in Poland and abroad, the ideas of social responsibility of the business constitute a pillar of the corporate system of values and conduct. The basic principle of the company’s policy is a social dialogue, appropriate respect for human rights, respect for the intellectual capital and experience of employees, who determine the success and development perspectives of the entire organization. The relevant factor of evaluation of quality of the company’s social policy is to ensure for its workers equal and complete access to all information concerning changes in the Company’s strategy. This type of understanding is a vital element of the management process and, therefore, the LOTOS Group is consistent in its implementation of the model of a dialogue open to demands and expectations of all parties interested in the company’s development.

A turning point in the Company’s CSR policy proved the communication of business strategy in 2006. If it had not been for the full involvement of all employees, the realisation of ambitious assumptions of the policy would not have been possible. The process of communications started with presentation of the essence of planned changes and indication of the place and role of particular professional groups and positions in the entire process. As a method of proceedings direct meetings between the superior management staff and all employees were assumed. Taking into account the scale of employment and distant locations of particular companies belonging to the LOTOS Group, it proved to be a demanding undertaking. However, it brought results above all expectations, which are proved in the present advancement of investment and development strategic programs.

The economic crisis created an opportunity to verify mechanisms of the social dialogue created in the LOTOS Group. Harsh times made it possible to prove that the dialogue does not reflect reactive policy, but became a basis for construction of a mature understanding based upon actual exchange of opinions. One may hazard a guess that the communications based exclusively upon positive responses would never be able to create an opportunity for a similar verification. It was only the communication of threats and common costs, which became a real test of the company’s and employees’ responsibility. The understanding between the Management Board of Grupa LOTOS, the Council of Employees and all trade unions signed this year is a shining example of social corporate governance in a publicly listed company, in which the State Treasury is the majority shareholder. This manifestation of several liability for the company’s fate would, however, not have been possible, but for the tradition of the social dialogue.

SOCIAL DIALOGUE

Social involvement of the employees

As part of its activities in the field of social responsibility, Grupa LOTOS supports local initiatives connected with activities for the disabled. The company is especially interested in initiatives and entities, in which the company's employees are socially involved. This is the case of two extra-governmental organisations in Gdańsk.

- The Local Integration Centre for Mentally Disabled has been conducting its activities since 1994 and taken care of 30 people. The organisation is conducted on a social basis by parents and provides its disabled members with therapy, rehabilitation and participation rehabilitation camps. The president of the Management Board of the association is an employee of Grupa LOTOS and a member of the Association is his disabled daughter. The Company has supported the statutory activities of the organisation since 2004. Owing to this cooperation, the disabled children have an opportunity to achieve such living standards, which make it possible for them to achieve highest possible level of independent functioning and integration with society.
- The Commune of Hearts Association has been conducting its activities since 1997. It ensures specialist care for all disabled children and young people. The members of the association are 34 disabled children. Owing to the systematic rehabilitation, the children enhance their psychomotoric skills. The activities of the organisation have been appreciated by the local authorities. In 2008 the association was granted the L. Bądkowski award by the President of the City of Gdańsk as well as „Green heart” award by the Municipal Welfare Centre. An employee of Grupa LOTOS, who is a member of the Revision Committee of the Association is involved in its activities and his child is under the care of the association. The company has supported the statutory activities of the organisation since 2006.

Grupa LOTOS also tries to support social initiatives undertaken by employees on the company's forum. One of such valuable initiatives started with friendly and disinterested help to a colleague especially stricken by fate. The employee of Grupa LOTOS has three children, including two disabled children. His colleagues reacted to his family situation and realised a stirring initiative. They collected a considerable amount of money and allocated it for rehabilitation of the children. The money was handed on the Mother's Day. When an opportunity to purchase a personal vehicle for carriage of disabled children appeared, the Management Board of Grupa LOTOS decided to continue its activities connected with support for the employee. The purchase of the vehicle was partly financed from the funds of the National Fund of Rehabilitation of the Disabled. However, due to considerable expenses connected with education and rehabilitation of the two disabled children, the employee was not able to finance the purchase from his own sources. The remaining amount was given by Grupa LOTOS as part of its social activities.

SOCIAL DIALOGUE

Sports education of children and young people

The most important aim of the sports social projects realised by Grupa LOTOS is to educate young people by sport. All so-called *little sport* projects are aimed at encouraging young people to practice sport actively. As a consequence, the aim of the project is to select from among its participants athletes, who will improve their talents in professionally managed sports clubs and sports associations. The example of such activities is one of the largest social programs of sports education in Poland, namely a cycle of LOTOS Cup competitions organised since 2004. The competitions sponsored by Grupa LOTOS constitute a pillar of the *National Program of Development of Ski Jumps* referred to as „*We Are Looking for Successors of the Master*”.

On average, there are 160 competitors participating in the competitions. Every year the company funds for the best jumpers in the general classification and in particular age groups financial grants and awards, which motivate them to work even better in order to improve the sports level. In the years 2004–2009 Grupa LOTOS funded for the best young jumpers 60 annual grants and 54 awards. The modern program of competition of children and young people is based upon the scoring of FIS World cup. The cycle of competitions sponsored by Grupa LOTOS takes place in ski jumps in Szczyrk, Wisła, Zagórze and Zakopane. Representatives from all European countries participated in three editions of *LOTOS Grand Prix* – Informal World Championship of children and young people in ski jumps in the years 2007–2009. In the years 2007–2009 Poland was a host to groups of young people from 15 countries and during the season of 2009 in Zakopane there were ski jumpers from 11 national representations. An appropriate training base was created owing to the program. In the years 2004–2009 under this program Grupa LOTOS granted to young jumpers 596 pieces of professional ski jumping equipment, including 185 pairs of skis with bindings, 150 pairs of shoes, 161 uniforms and 100 helmets.

LOTOS Grand Prix Informal Championship of children and young people in ski jumps is, in the opinion of trainers and observers, evaluated as one of the best organised events for the youngest ski jumpers in the world. Every year the number of representations interested in participation in the competition is growing. Apart from the traditionally strong representations in ski jumping from Germany, Norway, Finland or Austria, *LOTOS Grand Prix* was a host to a representation from Turkey in 2009. For children and young people trained by Vasji Bajca, a famous Slovenian trainer, it was the first important participation in the international competition.

SOCIAL DIALOGUE

Apoloniusz Tajner,
the President
of the Polish Ski Association



I think that the cooperation between the Polish Ski Association and Grupa LOTOS is a model example of the way, in which large business can support sport effectively and with advantages for both parties. A few years ago the Polish Ski Association gained a partner, who understands the needs of contemporary sports and, first of all, is consistent in its activities. The partner neither gets into a state of euphoria after success nor turns his back when sports result are not that satisfying. Nor everything can be predicted in business and sports, although one has to have a long-term and wise plan of activities, which increase chances to win. I am satisfied with the cooperation also, because every year it covers even a greater number of sports groups. At the beginning, there were ski jumps. Now there is also the Nordic combined and cross-country skiing. Everything takes place upon transparent rules, according to which one knows where and what for each penny was spent. I hope that Grupa LOTOS will still be a general sponsor of the Polish skiing after the Olympic Games.

The program certainly plays a great role in the sports education of children and young people. It gives young people an opportunity to practise sports, be trained by excellent trainers, use good equipment and take part in excellently organised competitions on the Polish scale. Owing to this program, children and young people not only improve their physical conditions, but also learn rules of competition, respect for fair play principles and manage their time in an appropriate manner. Obviously, we are aware of the fact that not every young ski jumper can be like Adam Małysz. However, the wider is the pyramid base, the greater chances are. Besides, young people instilled with the sports spirit in an appropriate way may become trainers in the future or amateurs of other sports disciplines.

My dream is to create a similar program in the field of cross-country skiing and Alpine skiing, as there are many talented children, who practice such sports and deserve to participate in such a program.

The cycle of LOTOS Cup competitions is becoming more and more recognizable. This is for several reasons. One of them is the ideas and consistency of activities of Grupa LOTOS, which has been financing the cycle of competitions for five years. The other is good organisation of particular elements of the competition modelled on World Cup competitions. Thirdly, it is the adequately conducted information policy relating to the event. Owing to that policy, more and more people find out about the competition. Lastly, it is the involvement of local communities, for example in Zagórze, where LOTOS Cup becomes a great festival. In my opinion, it is also important that the whole campaign should be supported by the association lobbying for construction of small and medium ski jumps, renovation of already existing facilities and supporting the concept and organisation of LOTOS Cup competitions.

The equipment granted by Grupa LOTOS constitutes invaluable support for the sports clubs, which are not able to purchase such quantity of equipment for their competitors. Having appropriate sports clothes and training equipment, the competitors are more eager to practice sports, owing to which the chances of finding a talented competitor like Adam Małysz grow. After five years of activities of the National Program of Development of Ski Jumps in Olympic and young people groups of the Polish Ski Association we already have competitors, who took part in LOTOS Cup not so long ago, namely Jakub and Maciej Kot, Krzysztof and Grzegorz Miętus, Andrzej Zapotoczny, Kamil Skrobot, Jędrzej Ścisłowicz, Klemens Murańka and Dawid Kubacki. They will certainly be followed by others.

SOCIAL DIALOGUE

Wanda Grybko,
the council of parents
in the primary school N°61
in the Przeróbka District
in Gdańsk

Paweł Olechnowicz
the President
of the Management Board
inaugurated
„Junior EURO 2012 Gdańsk”
project in the Przeróbka District



As a member of the Council of Parents I have a very positive opinion of the involvement of Grupa LOTOS in the project of construction of the school football ground. Grupa LOTOS has, for many years, been conducting activities for improvement of sports education of children and inhabitants of Gdańsk. We would like to thank very much for additional financing of the project. It would not be possible to finalise the project, without the help provided by Grupa LOTOS. The football ground will certainly create new opportunities for our children and will let them achieve success in sports.

We hope that owing to „Junior EURO 2012 Gdańsk” and the football ground to be constructed in our school as part of the project, a lot of children as well as entire families will involve in sports life. As parents we hope that a sports club with its back-up facilities will be established at the football ground. Let us hope that some day we will hear about a famous footballer, who started to practice in this very football ground.

EURO in Przeróbka District

Grupa LOTOS is consistent in its investing in sports future of the young generation. Special projects are addressed to children and young people residing in close vicinities of the company's plants. The projects result from the assumption of the long-term program referred to as „Good Neighbour”, which integrates social aims of the company with expectations of residents of districts neighbouring with the refinery plant in Gdańsk.



The decision on organisation of Europe Football Cup Final in Poland and in Gdańsk encouraged companies from the region, which are most actively socially, to undertake initiatives for promotion of the football among the youngest children. The activities are undertaken as part of the social Committee of Support of EURO 2012 created two years ago as a result of initiatives of economic circles of the Pomorze Region. The Committee conducts its activities under the patronage of Paweł Adamowicz, the President of the City of Gdańsk. Paweł Olechnowicz, the President of the Management Board of Grupa LOTOS is a chairman of the Council of Sponsors acting at the above-mentioned Committee.

The entrepreneurs belonging to the Social Committee of Support of EURO 2012 emphasize that, apart from large investments such as the construction of stadiums, road infrastructure of hotels, one may not disregard support for communes, schools and young people especially in the cities, in which the matches of the Europe Football championships shall be held in 2012. This conviction became a basis for the common campaign referred to as „Junior EURO 2012 Gdańsk”, which provides for construction of at least 16 school football grounds in the area of the entire Pomorskie province. Owing to the founder, i.e. Grupa LOTOS, the primary school N°61 in the Przeróbka District in Gdańsk will have a modern football ground constructed. The agreement on construction of the football ground was signed in January 2009.

SOCIAL DIALOGUE

Saving natural environment of the Baltic Sea

Grupa LOTOS as a responsible company conducting its activities in accordance with the sustainable development policy, paid attention to problems connected with extinction of flora and fauna of the Baltic Sea. The company treats its care for the environment as his obligation resulting from the conviction that consistent and systemic proecological activities are an effective method for satisfaction of numerous significant demands of the sea environment. The Baltic Sea is a great treasure both for Poland and all countries located along its coast. As a supplier of natural resources, the Baltic Sea has contributed to development of economies. The rich and diversified coast line attracts tourist from all over the world. Unfortunately, irresponsible exploitation of the Baltic Sea causes that its fauna and flora is now considerably threatened. This especially applies to porpoises, which are the only cetaceans permanently residing in the Baltic Sea. According to the recent estimates of experts, in the Baltic Sea there are as little as several hundred of individuals of the species left. To compare, at the beginning of the 20th century there were hundreds of porpoises fished every year. Nowadays the mammal is one of the species living in the Baltic Sea, which is most endangered by total extinction.

Porpoises are mostly found at the coast of Denmark, Germany, southern Sweden and Poland. They are usually solitary individuals, although one may come across small groups of 2–3 individuals. Representatives of the species move close to the water surface and dive deeper only when they need food. One of the main reasons for their high mortality rate is the use of gill nets for fishing. The nets are made of a very thin nylon yarn. Placed in the water they are practically impossible to see for porpoises. Some meshes in the nets can be big enough to capture the heads or flippers of porpoises. In such a case the mammal has no chances to be rescued. The stress and tension cause precipitated breathing and this, in turn, leads to oxygen deficiency and death of the animal. Similar fate is shared by a lot of diving birds and young seals.

Within the last 10 years there were only two successful attempts at rescuing a porpoises captured in fishing nets. However, a net is not the only danger for porpoises. The danger results also from contamination of sea water, which causes the fish eaten by porpoises to be poisoned, underwater acoustic disorders, collisions with quick boats and past ice-bounding of nearly entire area of the Baltic Sea.

Porpoises have been officially covered by legal protection for 25 years. They are also protected under the *Bonn Convention* and the *Agreement on the Conservation of Small Cetaceans of the Baltic and North Sea* (ASCOBANS) resulting from the *Convention*. ASCOBANS estimated that the population of porpoises may become extinct in 30 years. The hitherto published reports show that porpoises tend to extinct more faster than they are able to restore their resources. Therefore, it is very important to isolate protective zones for the areas, in which females reside with their offspring as well as support scientific centres, which will be able to help individuals in needs and provide treatment, rehabilitation, observations and tests of living porpoises.

The institution, which conducts activities aimed at preservation of resources of the Baltic Sea is the Marine Station of the Institute of Oceanography at the University of Gdańsk in Hel. The funds for realisation of activities undertaken by the Marine Station are obtained by the Development Fund of the University of Gdańsk. In 2009 Grupa LOTOS undertook cooperation with the Fund and supported financially proecological activities connected with protection of biodiversity of the Baltic Sea. The funds provided shall be allocated for financing of the purchase of scientific equipment and apparatuses for the Marine Station.

The Marine Station of the Institute of Oceanography at the University of Gdańsk is currently realising the project entitled „*Active protection of porpoises against fishing*”. The method envisages use of the method of acoustic warning of porpoises against nets laid by fishers. By 2010 between Hel and Gdynia there will have been ca. 60 small acoustic devices referred to as *pingers* installed. These devices shall prevent the porpoises against their flowing into the bay at the time when gill nets dangerous for porpoises, will be laid.

The realisation of the project serves for reconciliation of interests of fishermen and protection of porpoises in the Baltic Sea as well as compliance with fulfilment of international obligations connected with protection of the species. The project shall be also helpful in creating of the image if the Polish fishing industry as environment-friendly. As part of the undertaking, an education and information campaign is realised. The campaign promotes modern and responsible fishing in the Puck Bay.

SOCIAL DIALOGUE

A few hundreds of porpoises from the Baltic Sea are threatened with extinction.

Photo.: Krzysztof E. Skóra



INTRODUCTION INTO THE RESULTS INDICES

Corporate management strategy

The strategic objective in the corporate aspects of the LOTOS Group operations is to implement the highest standards of corporate governance to increase transparency, improve the quality of communication with investors, and protect shareholders' rights in a more effective manner

Corporate Governance

The rules of corporate governance and social responsibility are the two pillars of the corporate value system and code of practice. In its business activity, the LOTOS Group seeks to employ the highest management standards, to respect the rights of all shareholders, and to observe the code of best practice for public companies and corporate governance rules.

Social responsibility

As a corporation with international reach, operating in an industry which materially affects the environment, Grupa LOTOS believes that business operations should be carried out in a responsible manner and in accordance with the principles of sustainable development, thus making economics, ethics and environmental protection work together.

Grupa LOTOS's strategy of social responsibility is designed to adopt a systemic approach to the problems arising in the Company's social environment and to link its strategic business objectives with the social issues.

Grupa LOTOS's responsibility towards the community and natural environment translates into delivering products in a manner which does not lead to degradation of the natural or social resources.

Building strong brand and image

The corporate brand strategy is in line with the business strategy of our corporation and comes before our individual product brand strategies. The strategic objective of building the LOTOS corporate brand is to create an image of a modern, innovatively developing and dynamic company through raising the public awareness of the LOTOS brand and

positioning Grupa LOTOS among other oil companies as a professionally run corporation which views quality, innovativeness, environmental protection and security as its priorities.

Integrated management system

The Integrated Management System underlies the overall management system of the LOTOS Group. Designed as a tool of continuous improvement of the entire organisation's operating efficiency and effectiveness, it ensures implementation of unified management standards. The Integrated Management System provides for identification of business processes, determination of their sequence and interactions. The processes are interrelated to support joint achievement of the strategic objectives. The transparent organisational structure worked out under the Integrated Management System and the available IT tools are, besides the business processes, effective means of helping the LOTOS Group pursue its strategy. Grupa LOTOS supports and integrates key management and auxiliary functions.

Human resources management

The fundamental assumption of our human resources management strategy is the belief that employees are our key asset. We promote such values as orientation on objectives, cooperation, communication, commitment, innovativeness and constant improvement of qualifications. In the light of our continuous growth and international expansion, it is extremely important not only to retain our existing employees and support their professional development but also to attract new qualified staff.

Value Growth Programme

The Value Growth Programme is one of the main tools for the execution of the Strategy. It helps achieve the expected efficiency growth ratios and gauge the pace of the Strategy implementation process using a coherent system of metrics. The programme is aimed at increasing the shareholder value across all business areas of the LOTOS Group.

ECONOMIC RESULTS

MAIN GRI INDICES
ARE MARKED WITH **BLUE**
AND ADDITIONAL INDICES
WITH **GREY**

GRI N°	AREA	
EC 1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	
31.12.2008	Grupa LOTOS	The LOTOS Group
Income	[PLN thousands]	[PLN thousands]
Income (net sales)	14.898.653,00	16.294.738,00
Income from investments	138,00	296,00
Income from sale of assets (intangible assets)	2.003,00	15.220,00
Operating costs		
Operating costs	14.867.282,00	15.287.258,00
Payments for capital contributors		
Dividends for stockholders	–	2.578,00
Interests payments for lenders	–	–
Interests on any forms of debt	16.866,00	52.520,00
including: Interests	61.497,00	97.151,00
Amounts included in costs of assets fulfilling capitalisation conditions	- 44.631,00	- 44.631,00
Payments for the public sector		
Taxes (CIT, VAT, excise duty, fuel fee)	7.108.738,00	7.519.904,00
Social investments		
Donations	651,00	898,00

ECONOMIC RESULTS

GRI N°	AREA
EC 2	Financial implications and other risks and opportunities for the organisation's activities due to climate change
<p>Licenses for emission of CO₂ for existing installations. On 1st July 2008 the Council of Ministers distributed and published the <i>National Plan of Distribution of Licenses for Emission of carbon dioxide for the years 2008–2012 in the community system of trading in licenses for the existing and changed installations</i> (Journal of Laws No. 202, item 1248). Under the valid law the above-mentioned licences were distributed for the second settlement period, i.e. the years 2008–2012, gratuitously for all installations covered by the system of trading in emissions. Pursuant to the distribution and on the basis of formally settled first year of the National Plan of Distribution of Licences II (2008) and forecasts of emission realisation for the period of up to 2012 Grupa LOTOS does not envisage any deficiencies in licenses for emissions for the existing installations.</p> <p>Licences for emission of CO₂ for new and/or changed installations. Any demands for further licenses shall appear as late as in the second half of 2009. Grupa LOTOS has great chances to acquire additional licenses connected with realisation of investments included in Program 10+. The only threat is the absence, by the date of preparation of this report, any established rules for acquisition of the licenses.</p>	

GRI N°	AREA	
EC 3	Coverage of the organisation's defined benefit plan obligations	
In connection with the employer's obligations resulting from the Corporate Collective Labour Arrangement, the LOTOS Group creates provisions for retirement and disability severance pays as well as jubilee awards.		
31.12.2008	Grupa LOTOS	The LOTOS Group
Provisions for jubilee awards and retirement and disability severance pays	[PLN thousands]	[PLN thousands]
long-term	27.612	82.587
short-term	3.666	9.505
Total provisions	31.278	92.092
Additionally in 2008, the total payment of PLN 3.105 thousand was made on account of insurance of employees of the LOTOS Group in an investment fund (group III).		

ECONOMIC RESULTS

GRI N°	AREA	
EC 4	Significant financial assistance received from government	
31.12.2008	Grupa LOTOS	The LOTOS Group
	[PLN thousands]	[PLN thousands]
Subsidies	–	4.553,00
Tax allowances / exempts	–	–

MARKET PRESENCE

GRI N°	AREA
EC 5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operations
<p>The relation of the lowest basic (fundamental) remuneration valid for Grupa LOTOS during a reporting period and on the lowest group level, i.e. PLN 2,100.00 to the minimum remuneration for work as valid for Poland in 2008 and amounting to PLN 1,126.00 was 187%.</p>	

GRI N°	AREA
EC 6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operations
<p>Pursuant to the social strategy of business social responsibility as realised by Grupa LOTOS, the Company, being one of the largest enterprises on the region of Pomorze, feels responsible for the surrounding environment and undertakes activities aimed at supporting of local entrepreneurs. Additionally, Grupa LOTOS realizes a large part of its tasks through its Offices in Warsaw and Cracow. It is estimated that approximately 80% of partners of Grupa LOTOS constitute local suppliers in the main locations of the Company's activities.</p> <p>The above-mentioned rule is also reflected in the process of selection of a partner, where, according to a good practice adopted, an enquiry is sent to at least one company in the region.</p>	

MARKET PRESENCE

GRI N°	AREA
EC 7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations
<p>Grupa LOTOS employs managerial staff in accordance with a profile and requirements for the position. Employees constitute persons fulfilling the highest requirements. Often they are internally promoted.</p> <p>The composition of the managerial staff in the main locations of the Company's activities constitutes 72% of employees originating from local communities.</p>	

INDIRECT
ECONOMIC IMPACTS

GRI N°	AREA
EC 8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement
<p>Pursuant to the assumptions of adopted social policy, the LOTOS Group provides financial support in the form of donations to investments, which are to serve community. These are not investments realised for the purpose of development of basic business activities, but they constitute the Company's involvement for the sake of local communities and entrepreneurship in main locations of the Company's activities.</p> <p>The support of social purposes as embedded in the Company's business strategy has the following purposes:</p> <ul style="list-style-type: none"> ● in the case of investments in educational institutions - improvement of facility conditions for children and young people as part of the realised educational process and support of physical development of children and young people, ● in the case of investments in medicine development, including investments for the physically disabled: enhancement of the level of quality and effectiveness of medical treatment and social activity of the physically disabled. 	

MATERIALS

GRI N°	AREA
EN 1	Materials used by weight or volume
<ul style="list-style-type: none"> ● Crude oil and crude oil condensate: 6.203.413,6 ton, ● Foreign raw materials and components (vacuum distillates, biocomponents and fuel components): 1.308.851,0 ton, ● Refining additions: 1.703,6 ton. 	

MAIN GRI INDICES
ARE MARKED WITH **GREEN**
AND ADDITIONAL INDICES
WITH **GREY**

GRI N°	AREA
EN 2	Percentage of materials used that are recycled input materials
<p>Due to its specific operations the LOTOS Group can use any recycled products only in a very small degree. Each company within the Group with production activity is subject to statutory obligation to return used materials for recycling through external recycling organizations. However, also in this situation the possibility to reuse the recycled products is very small.</p> <p>Within the LOTOS Group recycling is managed by LOTOS Jasło. The Company recycles waste plastics to regranulate and waste lubricating oil. However, it must be emphasized that the possibility to use the recycled products such as compounded oil added to heavy fuel oil is very small. All in all in 2008, as a result of waste oil regeneration process performed in LOTOS Jasło 4,855,540 kg of oil base reclaim was obtained. Then, the said oil was used for the production of L-AY industrial oil and CARBOFLOT-B oil produced in the total amount of 5,650,290 kg. Therefore, the percentage of recycled materials used in the production process by LOTOS Jasło in the reporting period amounted to 86%.</p>	

ENERGY

The data provided in this table relates to non-renewable energy.

GRI N°	AREA				
EN 3	Direct energy consumption by primary energy source				
Specification	Unit of measure	Direct purchased energy sources	Direct manufactured energy sources	Direct sold energy sources	Direct total energy consumption
Natural gas	GJ	308.658			308.658
Fuel gas	GJ		5.937.491		5.937.491
Fuel oil HSC >1%	GJ		3.286.517		3.286.517
Electrical energy	GJ		361.774	52.659	309.115
Thermal energy	GJ		6.535.322	144.862	6.390.460

GRI N°	AREA	
EN 4	Indirect energy consumption by primary energy source	
Specification	Unit of measure	Average advanced energy purchased
Electrical energy	GJ	960.677

ENERGY

GRI N°	AREA
EN 5	Energy saved due to conservation and efficiency improvements
	<p>The growth of effectiveness of use of waste heat from technological installations (temperature of exhaust fumes from technological furnaces) results from modernisation and improvement of waste heat boilers and innovations involving increase of heat retrieval process. The activities are conducted continuously and are aimed at decrease of emission of CO₂, SO₂, NO_x and dusts in the heat and power plant generating vapours based on fuel oil.</p> <p>More effective use of waste heat in waste heat boilers contributed to increase of additional production of water vapours of 272.000 GJ per year for the amount of approx. PLN 850.000 per year.</p> <p>Grupa LOTOS has its own heat and power plant with a technological system enabling generation of electrical energy in Cogeneration (the energy contained in fuel is converted in one technological process into electrical and thermal energy). The thermal power of this facility is 464 MW and electrical power is 30 MW. The generated thermal and electrical energy is used for the Company's own purposes. The production of thermal energy satisfies all demands of Grupa LOTOS, whereas the production of electrical energy satisfied approx. 30% demand of the Company's own purposes.</p> <p>An applicant for issue of Cogeneration certificates (red energy) must hold licenses for generation of electrical energy. An audit performed by an accredited entity made it possible for Grupa LOTOS to acquire property rights to certificates of origin from Cogeneration with respect to all generated energy, i.e. 100.492,8 MWh (361.774 GJ) with the capacity of the heat and power plant of 95,2 %. This made it possible to save 19,67% of original energy.</p>

WATER

GRI N°	AREA
EN 8	Total water withdrawal by source
<ul style="list-style-type: none"> ● Underground water: 179.735 m³ ● Surface water: 2.520.603 m³ <p>Total water: 2.700.338 m³</p>	

GRI N°	AREA
EN 9	Water sources significantly affected by withdrawal of water
<p>Grupa LOTOS does not considerably affect source water sources, i.e. it does not exceed the value of so-called undisturbed flow of 0,56 m³/s as established for the river of Mottawa.</p> <p>The average water uptake is lower than 5% of average flow in the river.</p>	

GRI N°	AREA
EN 10	Percentage and total volume of water recycled and reused
<p>The production of utility water from treated sewage in 2008 amounted to 845.397 m³.</p>	

BIODIVERSITY

GRI N°	AREA
EN 11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	<p>The refinery of Grupa LOTOS is located in the south-east part of Gdańsk, 6 kilometres from the city centre, in the industrial and warehouse district. For administrative purposes, the area of Grupa LOTOS is located within the city of Gdańsk and the commune of Pruszcz Gdański on the anthropologically transformed polders of Żuławy Gdańskie and on the southern bank of the River Motława and it is separated from adjacent streams of Czarna Łacha and Rozwójka. The part of Żuławy Gdańskie is drained by the estuary section of the River Motława and drainage system maintaining the lowered level of ground waters in the area of the refinery. The water from polder areas are led to canals with the use of a pump station.</p> <p>In the north Grupa LOTOS borders on the Martwa Wisła behind which there is the Warehouse Base of Crude Oil Pipeline Operation Enterprise (PERN). The eastern border of PERN is adjacent to Górki Zachodnie Housing Estate with low dispersed development. The development is located approx. 800 m from the north-east border of Grupa LOTOS. Behind the northern bank of Martwa Wisła and the area of pastures and agricultural land there is a compact development of the district of Stogi in the distance of 1 kilometre.</p> <p>The eastern border of Grupa LOTOS is adjacent to pastures and agricultural land and the south-east order is adjacent to „Gdańsk-Wschód” municipal treatment plant, behind which there are agricultural lands.</p> <p>The southern order is adjacent to Elbląska Street (national road N°E7), behind which there are agricultural lands located within the city of Gdańsk and the commune of Pruszcz Gdański. In the future a complex of services and industry facilities are to be established there. The first of such facilities, namely Centrum Usługowe Makro Cash and Carry Poland is already operating.</p> <p>In the west, Grupa LOTOS borders with industrial areas, further (750 m) there is a low and dispersed housing development (Rudniki). About 1 km further there is a compact several-storey housing development.</p> <p>In the distance of 13 km from Grupa LOTOS and in the north-west direction there is a protective spa area of the city of Sopot.</p> <p>The total area of lands owned by Grupa LOTOS which are in perpetual usufruct, constitute 360,4 ha, including:</p> <ul style="list-style-type: none"> ● envisaged for production activities: 234,5 ha, ● the warehouse and distribution bases (Piotrków, Poznań, Rypin): 7,0 ha. <p>The area of Grupa LOTOS does not border directly with any protected areas or areas with high value of biodiversity.</p>

BIODIVERSITY

GRI N°	AREA
EN 12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
The proper use of products of Grupa LOTOS does not have considerable influence upon the environment.	
GRI N°	AREA
EN 13	Habitats protected or restored
In 2008 recultivation works were conducted in the pipelines connecting the refinery plant of Grupa LOTOS with the Northern Port. The works were conducted in 9 locations pursuant to valid decision of the President of Gdańsk and, following issue of the act on prevention and repair of environmental damages as of 13 April 2007 - pursuant to the decision of the Voivode of the Pomorskie Province. The provisions of the act approved the scope and method of recultivation.	
GRI N°	AREA
EN 14	Strategies, current actions, and future plans for managing impacts on biodiversity
No negative effect of production activities of Grupa LOTOS was found upon the degree of biodiversity of land, fresh water and marine environments.	
GRI N°	AREA
EN 15	Number of International Union for Conservation of Nature (IUCN) Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
The activities of Grupa LOTOS do not cause any threat to the species entered in the Red List of IUCN.	

EMISSIONS, EFFLUENTS
AND WASTE

GRI N°	AREA
EN 16	Total direct and indirect greenhouse gas emissions by weight
Total emission of CO ₂ : 1.135.348 ton	

GRI N°	AREA
EN 17	Other relevant indirect greenhouse gas emissions by weight
No data.	

GRI N°	AREA
EN 18	Initiatives to reduce greenhouse gas emissions and reductions achieved
<p>Grupa LOTOS undertook several initiatives in order to decrease the volume of greenhouse gases. These are:</p> <ul style="list-style-type: none"> the computer system of visualisation and optimisation of energy consumption. The system was performed in 2008 and it is presently being implemented. retrieval and use of excess natural gases as torches. Presently a preliminary stage of his investment is being realized. 	

**EMISSIONS, EFFLUENTS
AND WASTE**

Wojciech Blew,
technology development
& HSE director, Grupa LOTOS



Environmental protection and natural resources are one of the key elements of development strategy for Grupa LOTOS. Modern technologies, ensuring the low emission of pollutions and high energy effectiveness of production processes are applied both in planned investments, in particular when implementing 10+ Program, and in operating plants.

At the beginning of 2005, the European Union enforced a new environmental protection instrument called the system for trading in global warming air emission rights. Its goal is to promote reduction of global warming air emission in the profitable and economically effective way. It is worth saying that carbon dioxide constitutes 80% of global warming air emissions in the area of EU.

The refinery industry belongs to the sectors that due to their business activities use natural resources and make air global warming air emissions during energy-consuming production process. We want to reduce our heavy impact on natural environment and therefore both the introduced modernisations and new installations are designed and executed in order to limit the energy-consumption of the processing, which will allow for CO₂ emissions.

When running or participating in new investments, we focus on ecological parameters of the projects being implemented. In 2008 thanks to the investment by the Pomeranian Gas Company (Pomorska Spółka Gazownictwa), the refinery of Grupa LOTOS in Gdańsk was supplied with natural gas. Replacement of the so far used propane-butane gas (LPG) with natural gas in the crude oil refinery process allows Grupa LOTOS for reducing carbon dioxide air emissions. The started system of the natural gas feeding was developed as a result of application of an innovative gas supplies technology, allowing for full tailoring of the supply parameters to customer needs. This is a pioneer solution in the natural gas distribution system all over the country. Thanks to its application, Grupa LOTOS has obtained an additional source of gas that is used as fuel in technological furnaces.

Another crucial decision was to initiate in 2008 a project of a new natural gas-fuelled power and heat engineering plant that we will construct jointly with our partners – Energa and PGNiG. Modern power and heat engineering plant will not only result in the balancing of the energy needs of the Pomerania region, but first of all and compared to coal-fuelled power plants it will considerably reduce CO₂ air emissions. It will be Poland's second largest gas-fuelled power and heat engineering plant in terms of its electric power generation capacity. The quantity of heat produced annually will exceed 5 million GJ, and electric energy 1.5 million MWh. This means that – already deducting the energy consumed by Grupa LOTOS – the electric energy market will obtain an additional of 1.05 million MWh. This energy can be used to supply as many as 330 thousand households. Annual consumption of gas that is required for production of such energy volume is estimated at ca. 370 million m³.

It is worth stressing that the envisaged technological solutions will have characteristic low indices of environmental impact, which is in compliance with climate-energy packet of the European Union. Due to high purity of gas fuel, such pollutions as sulphur monoxides and practical dusts will not occur. Nevertheless, the CO₂ air emission of the facility will be 40% lower compared to the coal-fuelled unit of the same power capacity and scale of production. Start-up of the power and heat engineering plant's activities is scheduled for the autumn of 2013.

EMISSIONS, EFFLUENTS
AND WASTE

GRI N°	AREA
EN 19	Emissions of ozone-depleting substances by weight
Grupa LOTOS does not use or emit any substances depleting the ozone layer.	

GRI N°	AREA
EN 20	NO _x , SO _x and other significant air emissions by type and weight
Emission	[thousand of tons / year]
SO ₂	5,0224
Maximum permissible volume of SO ₂	6,0556
NO ₂	1,3167
Maximum permissible volume of NO ₂	2,0948
Dust from the heat and power plant	0,0863
Maximum permissible volume of dust	0,1634

EMISSIONS, EFFLUENTS
AND WASTE

GRI N°	AREA						
EN 21	Total water discharge by quality and destination						
<p>Volume of sewage drained [m³]:</p> <ul style="list-style-type: none">● Rozwójka: 3.294.540● Martwa Wisła: 724.249 <p>Total: 4.018.789</p>							
Average concentrations		Rozwójka			Martwa Wisła		
		2007	2008	Admissible value	2007	2008	Admissible value
BZT ₅	mg O ₂ /l	7,5	6,04		2,56	3,9	20,0
ChZT	mg O ₂ /l	50,9	49,18		56,38	54,82	100.0
general suspensions	mg/l	7,1	8,99	35,0	5,56	8,61	35,0
volatile phenols, phenol index	mg/l	0,011			0,0016	0,0031	0,080
substances extracted by petroleum ether	mg/l	2,2			2,66	1,18	40,0
oil-derivative carbohydrates	mg/l	1,25	1,54	5,00	1,134	0,512	5,00
general nitrogen	mg N/l	4,929			3,12	4,01	25.0*
general phosphorus	mg P/l	0,443			0,380	0,392	2,5*
sulphides	mg/l	0,013			0,004	0,008	0,16
nickel	mg Ni/l	0,0127	0,0025		0,0124	0,0089	0,4000
vanadium	mg V/l	0,0243	0,0060		0,0296	0,0254	1,6000
aluminium	mg Al/l	0,0867	0,0200		0,032	0,0383	2,4000

*
Admissible value expressed
as average annual value
of each index

EMISSIONS, EFFLUENTS
AND WASTE

*
The data relating to waste stored at the end of 2007 and 2008 are balance sheet data. Storing is the consequence of accumulation of „transport“ volumes of waste type.

GRI N°	AREA
EN 22	Total weight of waste by type and disposal method
Waste	[ton]
Waste generated in 2008, including: ● dangerous waste ● waste other than dangerous	8.806 4.126 4.680
Waste stored at the end of 2007 (transferred to 2008)*	3.680
Total waste to be disposed off in 2008	12.486
Admissible values (the data taken from an integrated permit)	57.991
Waste subject to recycling (recycling)	8.964
Disposed waste, including: ● incineration ● disposal into a dumping place	155 99 56
Waste stored at the site at the end of 2008 including: ● dangerous ● other than dangerous	3.367 988 2.379

EMISSIONS, EFFLUENTS
AND WASTE

GRI N°	AREA
EN 23	Total number and volume of significant spills
<p>In 2008 out of 16 failures there was one significant failure affecting the environment, i.e. a leak, which occurred at the attempt of product theft (petrol) transported by the pipeline to the port. It is not possible to determine the volume of petrol, which leaked as a result of the event. A scale of the event and method for recultivation of the contaminated environment were determined.</p> <p>In connection with the above-mentioned leak, the Voivodeship Inspectorate of Environmental Protection conducted an intervention inspection and issued a post-inspection ordinance relating to performance of repair activities in the subject area. The works connected with recultivation of the site started in January 2009.</p>	

GRI N°	AREA
EN 24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III and VIII, and percentage of transported waste shipped internationally
<p>In 2008 Grupa LOTOS did not export or import any waste to be disposed of. However, it transferred 4.109 ton of dangerous waste to be disposed in the country, of which 4.068 ton was subject to recycling and 41 ton was disposed of.</p>	

GRI N°	AREA
EN 25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff
<p>The receivers of sewage from Grupa LOTOS do not have a protection status. There is no risk to biodiversity of the receivers.</p>	

PRODUCTS AND SERVICES

The initiatives aimed at limitation of negative effect of products and services upon environment are undertaken by particular companies of the LOTOS Group owing to the specificity of activities. This applies, in particular, to such entities as LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa and LOTOS Parafiny.

GRI N°	AREA
EN 26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation
LOTOS Asphalt	<p>In 2008 the Company continued realisation of its project involving elimination of unorganised emission from the process of storing and expedition of asphalt in Gdańsk and Jasło. During subsequent years the Company plans to build a complete installation for disposal of asphalt vapours generated during loading of products in Gdańsk.</p> <p>In the past year the Company also undertook an initiative for reduction of the volume of industrial sewage generated in the process of asphalt production. The expected ecological effect of the activities should be visible in the second half of 2009.</p> <p>In 2008 the Company also made a decision on replacement of the processed air compressor with modern equipment with considerably reduced acoustic power. The launching of the new compressor installation shall have a considerable effect upon the level of noise generated within the production installations. The ecological effect is envisaged for the second half of 2009.</p> <p>During the reporting period the influence of operation of installations upon environment was reduced as compared to previous years. This was achieved mainly by realisation of the environmental program of minimalisation of unorganised emissions from the production areas. The quantitative effect in immeasurable.</p>
LOTOS Oil	<p>In the event of products generated by the Company, the influence of such products on environment upon completion of their use is greater than in the very production process. A similar situation applies to packaging, in which products are marketed. Pursuant to the valid legal provisions, a recycling organization was ordered to regenerate and recycle packaging and grease is introduced into the market.</p> <p>In the production process it is the manufactured products, which have greatest impact upon environment. In the first quarter of 2009 in the production plant located in Czechowice-Dziedzice, the Company launched equipment for non-waste production of plastic caps.</p>

PRODUCTS AND SERVICES

LOTOS Paliwa In 2008 the Company realised or continued the following proecological investments in LOTOS fuel stations in Poland:

- Modernisation of storm water, sanitary and industrial draining system (waterproof board) – sealing of the area covered by influence of LOTOS fuel station in order to prevent contamination generated by the stations from getting accidentally into natural environment.
- Modernisation of fuel stations with respect to construction of vapour recovery systems (VRS, dispensers) – modernisation and assembly of new installations aimed at limitation of petrol vapours into atmosphere during the processes of petrol discharge from a cistern to underground tanks and during filling of vehicles with petrol. The emission of petrol vapours in fuel stations is not subject to any legal sanctions. However, in LOTOS fuel stations the emission is almost entirely reduced as a result of operation of equipment for recovery of vapours. The effectiveness of such equipment ranges from 85 to 99%.
- Construction of equipment for measurement and monitoring of warehouse levels of petroleum products, construction of equipment for signalling of leaks of petroleum products into the ground, surface or ground water – installation of electronic systems ensuring control of warehouse levels with the aim to prevent uncontrolled leaks of oil-derivative products.
- Replacement of single jacket tanks into double-jacket tanks – the investment aimed at protection of environment against getting of oil-derivative substances into the soil. The additional jacket of the tank and electronic system controlling tightness of both walls of the tank prevent uncontrolled leaks from getting into the ground. Measurement of ground wasters indicate that there is no contamination of the ground with oil-derivative substances as a result of operation of fuel stations.
- Modernisation of the boiler house – the investments aimed at limitation of emission of harmful agents into the atmosphere. The use of cyclones, which treat exhaust gases or replacement of the boiler house with modern facilities complying with required standards.

The value of investments realized in the reporting period exceeded PLN 2.7 million. The activities covered 31 fuel stations.

LOTOS Parafiny In the previous year in the Company the greatest impact on the environment did not have products manufactured by the Company but the waste and losses arising from the main production process of refining and collection of the raw material. Therefore, the ground trays of warehouses and trackways for parafin reception were sealed. Moreover, as a result of optimisation of consumption of chemicals during refining process, nearly 20% of the sewage arising as a result of the refining process was reduced.

PRODUCTS AND SERVICES

Hanka Krzyżańska,
the President
of the Management Board,
LOTOS Paliwa



In LOTOS Paliwa, the notion of sustainable development is very close to us. We are deeply aware that – as Mark Twain said – „the problem with the Earth is that they stopped producing it some time ago” and we as the Company are aware of the fact that in order to ensure further existence on the Earth and opportunities to meet the needs of all the people and the future generations, we should focus on sustainable development of all areas of life and human activity. Translating it into business language, the society should if possible rather live on „the interest”, not „the principal.”

Our striving to the sustainable development appears in reduction of harmful impact of the Company on the condition of natural environment through installation of modern equipment for measuring and monitoring stock levels of products, which prevents from uncontrolled leaks of products to the ground. Moreover, we constantly monitor soil pollutions, as well as install devices that allow for collection and analysis of ground waters samples. We have replaced single-coat tanks for double single-coat ones, which secures natural environment against penetration of oil derivative substances to the soil and at the same time allows for continuous monitoring of space between the coats of the tank. We modernise rain drainage, sanitary and industrial systems, we build separators, which limits outside penetration of pollutions that are generated by our fuel stations.

We are the reason why the global warming effect is being limited through installation of power reducers on the LOTOS brand fuel stations. We protect the nature and simultaneously consistently cut down operating costs of our stations. The applied solutions allow us for reducing energy consumption in lighting circuits even down to 30%. Since 2008, we have been participating in the European Greenlight Programme – the proecological initiative, supported by the European Commission.

In LOTOS Paliwa, the profit means not only financial revenues but also influence on improvement of the natural environment condition, providing people with proper work, and creating good living conditions. All this is treated as a profit being equal to the financial profit.

PRODUCTS
AND SERVICES

GRI N°	AREA
EN 27	Percentage of products sold and their packaging materials that are reclaimed by category
	<p>Pursuant to the act on obligations of entrepreneurs as regards disposal of certain waste, on product and deposit fees as of 11 May 2001, the obligations of particular companies with respect to achievement of the required level of regeneration and recycling of packaging waste as well as regeneration and recycling of grease oils were ordered to recycling organisations.</p>
LOTOS Asphalt	<p>The Company's products are mostly supplied in cisterns. Only 6% of the products are sold in unit packaging. LOTOS Asphalt does not perform regeneration of waste on its own. Any tasks connected with regeneration of waste are performed by an external company providing services of regeneration and recycling of packaging introduced into trade.</p> <p>In 2008 the weight of packaging introduced into the market by LOTOS Asphalt amounted to 15,4 ton. 27% of the packaging was subject to recycling. The regeneration index amounted to 50%.</p>
LOTOS Oil	<p>The level of regeneration and recycling achieved by LOTOS Oil in 2008 was as follows in the following groups:</p> <ul style="list-style-type: none"> ● grease oils subject to the act as of 11 May 2001 – regeneration index of 50%, recycling index of 35%, ● packaging – regeneration index of 50%, recycling index of 27%. 3.098 Mg was introduced into the market. <p>The recycling index for particular categories was as follows:</p> <ul style="list-style-type: none"> – from plastic: 16%, – from paper and cardboard: 49%, – from steel: 25%, – from wood: 15%.
LOTOS Paliwa	<p>The Company does not market any products in packaging, which are subject to the obligation of recycling/regeneration. The Company only sells in fuel stations products in packaging containing dangerous substances, which, upon their use, become dangerous waste in the form of packaging containing residues of the substance. A customer may leave such packaging in the fuel station.</p> <p>Handling of waste in the form of used packaging is determined by the internal procedure of LOTOS Paliwa as regards disposal of waste. Pursuant to the procedure, the station manager indicates a place for collection of waste in a hermetically closed container. Waste is stored in a fuel station until it is collected by a specialist external company.</p>
LOTOS Parafiny	<p>In 2008 the Company introduced into the market a total of 370,381 Mg of packaging. The regeneration index was 50% (185,191 Mg of packaging), whereas the statutorily required recycling limit was exceeded and had the value of 37% (136,183 Mg of packaging). In 2008 an external regeneration company collected in the market the following quantity of packaging* on behalf of LOTOS Parafiny and in the following categories:</p> <ul style="list-style-type: none"> – from plastic: 10.938 Mg, the level of mandatory recycling of 16%, – from paper and cardboard: 114.508 Mg, the level of mandatory recycling of 49%, – from steel, including steel sheet: 1.217 Mg, the level of mandatory recycling of 25%, – from wood (including pallets): 9.520 Mg, the level of mandatory recycling of 15%.

* Applies to packaging of goods marketed in Poland.

COMPLIANCE

GRI N°	AREA
EN 28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
There were no events of infringement and/or incompliance of Grupa LOTOS with environmental laws and regulations.	

TRANSPORT

GRI N°	AREA
EN 29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

LOTOS Kolej The entity dealing with realisation of tasks connected with logistic services in railway transport for the LOTOS Group and its subsidiaries is LOTOS Kolej. Since the start of its activities in 2003, investments tasks undertaken by LOTOS Kolej have served one fundamental purpose, namely reduction of railway transport costs for the LOTOS Group and creation of infrastructure ensuring railways carriage of increased quantities of products manufactured by Grupa LOTOS as planned upon launching of key investments connected with realisation of Program 10+. A significant element of the realised investment tasks was also identification, elimination or limitation of threats arising from activities as regards natural environment.

A key investment task for the Company in 2008 was electrification of railway siding of LOTOS Kolej and access rail. Environmental advantages of electrification of the railway siding are mainly:

- reduction of fuel consumption and, at the same time, decrease of exhaust fumes emission by considerable limitation of exploitation of diesel locomotives,
- reduction of noise – electrical locomotives are more silent than diesel locomotives,
- reduction of emission of vibrations generated by diesel locomotives – a diesel engine of the locomotive is the main source of vibrations as well as elimination and limitation of threats resulting from:
- possible contamination of water and ground in the event of a leak of fuels as a result of failure, damage to a fuel container or fuel installation,
- technological contamination (waste) resulting from inspections, repairs and cleaning of assembly parts of diesel locomotives,
- contamination (waste) in the form of dusts and sewage from technical back-up maintaining diesel locomotives.

Fuel consumption [ton / year]

Year	Variant without electrification	Variant with electrification	Difference
2009	502	131	371
2010	526	137	389
2011	556	145	411

The table here presents environmental advantages connected with electrification of the railway siding of LOTOS Kolej as regards considerable reduction of fuel consumption.

TRANSPORT

- LOTOS Asphalt** The Company manages the entire transport of asphalt and heavy fuel oil, whereas the transport of products of LOTOS Asphalt is realised by specialist external companies. Where possible, the Company's products are delivered by means of transport, which consume less energy per 1 ton of transported product. An example of the above is the transport to warehouse bases and large unit deliveries to customers realized by railway instead of vehicle cisterns.
- LOTOS Asphalt exercises permanent supervision over the quality of cisterns, compliance with rules and procedure of loading, transport and unloading of asphalt products and heavy fuels oil.
- In most cases, transport of asphalt products and heavy fuel oils are realized with the use of insulated railway and vehicle cisterns, which minimize the necessity to heat the product for its final applications.
- LOTOS Oil** The Company has production branches in Gdańsk, Czechowice-Dziedzice and Jasło. Products are sold directly from the branches or from the Distribution Centre located in Piotrków Trybunalski.
- Base oils constituting a basis for grease oils are manufactured by Grupa LOTOS in Gdańsk and sent through pipelines to containers of the production branch of LOTOS Oil in Gdańsk or by railway cisterns to branches in Czechowice-Dziedzice and Jasło. Additions used in production processes are delivered to each of the Branches by road transport.
- In the area of the branches the transport between a branch, in which a finished product is manufactured and the place of its packaging is realized by means of pipelines.
- For the purposes of transport of finished and packed product to the warehouse, from which it is loaded to be delivered to a customer, fork lifts are used, which are mostly driven by LPG or electrically driven. Owing to elimination of diesel oil for lifts, it was possible to reduce the volume of exhaust fumes getting into the air.
- The transport of products between particular branches, branches and the Distribution Centre as well as shipment to customers are realized by proven carriers by entire means of transport. Owing to the type of transport, the number of kilometres was reduced to minimum. A transport vehicle must fulfil one retirement, namely it must hold a document confirming compliance with at least EURO2* requirements.
- Upon implementation of additional inspection of tightness of packed products, the number of any leaks during transport to a customer was reduced to minimum.
- LOTOS Paliwa** The transport tasks of products sold by LOTOS Paliwa was ordered to specialist external companies, which are obliged to hold respective licenses and permits for use of the transport means for transport of dangerous materials and operators of the transport means must hold respective qualification certificates and licences.
- Any costs of removal and elimination of air contamination as a result of emission, regeneration as well as costs of environmental management and prevention activities connected with provisions of transport services are borne by service providers and are not subject to being reported to LOTOS Paliwa.
- The activities aimed at minimalisation of influence of transport of products upon environment as undertaken by LOTOS Paliwa include:
- development of requirements for safety for places of deliveries and acceptance system of the places as well as routes from the warehouse base before realisation of the first delivery,
 - development of procedures of safe loading, transport and unloading of fuels and systematic control of compliance with the procedures,
 - development of procedures determining rules of conduct in emergency situations,
 - the supervision over means of transport used by service providers as regards fulfilment of the technical requirements,
 - the supervision over the system of selection and training of employees employed for transport of product.

* Exhaust fumes emissions limit admissible in EU.

EXPENSES
FOR ENVIRONMENTAL
PROTECTION

GRI N°	AREA
EN 30	Total environmental protection expenditures and investments by type
	<p>Fees for economic use of the environment [in PLN thousand]</p> <ul style="list-style-type: none"> ● Emission of contamination into the air: 3.181,2 ● Water uptake: 113,4 ● Sewage drainage: 213,1 <p>Total: 3.507,8</p>
	<p>The value of investments decreasing negative impact upon environment as referred to the total value of the investment in 2008.</p> <p>Investment expenses for environmental protection [in PLN thousand]</p> <ul style="list-style-type: none"> ● Proecological investments: 224.723 ● Total investments: 1.910.687

LABOUR PRACTICES
AND DECENT WORK

EMPLOYMENT

GRI N°	ASPECT			
LA 1	Total workforce by employment type, employment contract and region			
Total workforce 31.12.2008 ● Grupa LOTOS: 1.246 ● The LOTOS Group: 4.878				
Specification	full-time basis	part-time basis	for indefinite period of time	for definite period of time or on a temporary basis
Gdańsk	1143	10	856	297
Czechowice	30	0	30	0
Jasło	15	0	15	0
Kraków	4	1	3	2
Piotrków Trybunalski	9	0	9	0
Poznań	5	0	4	1
Rypin	10	0	9	1
Warszawa	19	0	11	8
Total:	1235	11	937	309

MAIN GRI INDICES
ARE MARKED WITH **BLUE**
AND ADDITIONAL INDICES
WITH **GREY**

EMPLOYMENT

GRI N°	ASPECT
LA 2	Total number and rate of employee turnover by age group, gender and region
In 2008 the rate of employee turnover in Grupa LOTOS was 16,13%.	

GRI N°	ASPECT
LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations
Grupa LOTOS ensures for all its employees, i.e. employed for an indefinite period of time (permanent), for a definite period of time (temporary), on a full-time basis (full-time) and on a part-time basis (part-time) an opportunity to participate in the package of the same social benefits as guaranteed by the Corporate Collective Bargaining Agreement and the Rules of Participation in the Fund of Social Benefits. The Company provides life insurance, including an investment fund, additional medical care provided by a non-public healthcare institution, parental leave for a child's mother or father, welfare aid in the form of loans, benefits, additional finances for holidays of employees and their children.	

**LABOUR / MANAGEMENT
RELATIONS**

GRI N°	ASPECT
LA 4	Percentage of employees covered by collective bargaining agreement
The Corporate Collective Bargaining Agreement covers 96% of employees of Grupa LOTOS.	

GRI N°	ASPECT
LA 5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements
A minimum notice period with respect to an employment agreement concluded for an indefinite period of time is, pursuant to labour law provisions, dependant upon the period of employment and it amounts to 2 weeks, if an employee was employed for a period shorter than 6 months and 3 days, if an employee was employed on a replacement basis.	

**OCCUPATIONAL HEALTH
AND SAFETY**

GRI N°	ASPECT
LA 6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs
<p>Pursuant to labour law provisions in Grupa LOTOS a Committee for Occupational Health and Safety was appointed. It is composed of:</p> <ul style="list-style-type: none"> ● a proxy for trade unions, ● occupational health and safety service, ● a doctor exercising prophylactic healthcare over employees, ● The Corporate Social Labour Inspector, ● representatives of trade unions. 	

OCCUPATIONAL HEALTH AND SAFETY

Work in harsh conditions requires high safety standards.



GRI N°	ASPECT	
LA 7	Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region	
The main types of injuries include limb injuries such as twisting, bruising and fractures. In 2008 there were no severe or fatal injuries.		
Category	Grupa LOTOS	The LOTOS Group
Accidents at work	7	49
Post-accident absences (calendar days). The lost days are calculated starting from obtaining of a medical excuse by an injured worker.	171	1.375
Occupational diseases	none	none
LTIF rate of injuries	2,86	5,2
In Grupa LOTOS accidents at work are classified in accordance with the Polish law provisions. Additionally, the Company records and implements preventive activities for the dangers classified in accordance with the European scale, i.e. dangerous situations, potential accidents and accidents causing inability to work for over one day (LTI – <i>Lost Time Injury</i>), on the basis of which LTIF (<i>Lost Time Injury Frequency</i>) is calculated, cases of first aid (<i>First Aid</i>) and so-called „road accidents” (<i>Road Accidents</i>).		

OCCUPATIONAL HEALTH
AND SAFETY

GRI N°	ASPECT
LA 8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases
Grupa LOTOS does not conduct any activities of the type.	

GRI N°	ASPECT
LA 9	Health and safety topics covered in formal agreements with trade unions
<p>The Polish labour law does not provide for any agreements concluded with respect to Occupational Health and Safety. The Occupational Health and Safety is regulated by absolute provisions. Representatives of employees participate in matters connected with the Occupational Health and Safety as provided by law. The manifestation of this participation is the participation of staff members in the composition and meetings of the Committee of the Occupational Health and Safety, which is the employer's counselling authority. The Committee also realises an obligation to consult representatives of all employees as regards matters connected with health protection and safety at work.</p> <p>The Management Board of Grupa LOTOS understands the significance of safety matters and, therefore, expresses its consent to obligatory employment of a corporate labour inspector.</p>	

TRAINING AND EDUCATION

GRI N°	ASPECT		
LA 10	Average hours of training per year per employee by employee category		
Employee category	Number of employees	Number of training hours	Average number of training hours per 1 employee
Senior executives	40	1.832	45,8
Junior executives	108	4.832	44,7
Administration	611	20.225	33,1
Production	487	4.954	10,2

GRI N°	ASPECT
LA 11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
<p>Grupa LOTOS makes it possible for all employees to participate in training programs aimed at shaping of personal, social and vocational skills as well as relating to continuing education for the purposes of vocational activation and assistance in managing their career endings. The Company conducts programs relating to support of retiring employees. The programs relate to pre-retirement planning for future retirees and old age gratuities, which take into account an employee's age and service of years.</p>	

GRI N°	ASPECT
LA 12	Percentage of employees receiving regular performance and career development reviews
<p>In Grupa LOTOS 79% of employees were subject to regular performance and career development reviews in 2008. Pursuant to the procedure of „Periodical review of employees of Grupa LOTOS“ all employees employed in the Company on the basis of an employment agreement (except for the Management Board) are subject to the review. The reviewed employees must work for at least 6 months in a given position as of the review date. Direct supervisor – who reviews the employee, must also work at least 6 months in a given position as of the reviewed date.</p> <p>Taking into account organisational changes in the reporting period and a great number of new employees, the result obtained complies with the assumptions.</p>	

**DIVERTISY
AND EQUAL OPPORTUNITY**

GRI N°	ASPECT					
LA 13	Composition of governance bodies and breakdown of employees member category according to gender, age group, minority group membership and other indicators of diversity					
The composition of governance and supervision bodies of Grupa LOTOS and division as per gender						
31.12.2008						
	men		%	women		%
Management Board	3	0,24		0	0,00	
Senior executives	21	1,68		8	0,64	
Junior executives	51	4,09		15	1,20	
Total	75	6,01		23	1,84	
The composition of governance and supervision bodies of Grupa LOTOS and division as per age						
	up to 30 years		%	30–50 years		%
Management Board	0	0,00		1	0,08	
Senior executives	0	0,00		22	1,76	
Junior executives	6	0,48		42	3,37	
Total	6	0,48		65	5,21	
				beyond 50 years		%
				2	0,16	
				7	0,56	
				18	1,44	
				27	2,16	

GRI N°	ASPECT			
LA 14	Ratio of basic salary of men to women by employee category			
Employee category	Number		Ration of basic salary of men to women in %	
	women	men		
Senior executives (including Management Board)	8	32	112	31.12.2008
Junior executives	39	69	126	
Administration	349	262	149	
Production	1	486	176	
Total	397	849	133	

HUMAN RIGHTS

INVESTMENT AND
PROCUREMENT PRACTICES

GRI N°	ASPECT
HR 1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening
So far Grupa LOTOS has not applied human rights clauses in concluded agreements.	

GRI N°	ASPECT
HR 2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken
So far Grupa LOTOS has not performed any screening aimed at verification of respect of human rights in the process of selection of suppliers and contractor as well as the process of cooperation with suppliers and contractors.	

GRI N°	ASPECT
HR 3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained
Grupa LOTOS allocated 452 hours for training of employees on policies and procedures concerning aspects of human rights that are relevant to operations. In total the Company trained 23% employees.	

NON-DISCRIMINATION

GRI N°	ASPECT
HR 4	Total number of incidents of discrimination and actions taken
In Grupa LOTOS there have been no cases of discrimination as regards race, skin colour, gender, religion, political views, national or social origin.	

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI N°	ASPECT
HR 5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights
In Grupa LOTOS there were no operations, in which the rights to exercise freedom of association and collective bargaining may be at risk.	

CHILD LABOUR

GRI N°	ASPECT
HR 6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour
In Grupa LOTOS there were no operations identified as having significant risk for incidents of labour of children or adolescents exposed to labour that is dangerous to life and health.	

FORCED AND COMPULSORY LABOUR

GRI N°	ASPECT
HR 7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour
In Grupa LOTOS there were no incidents of forced and compulsory labour.	

SECURITY PRACTICES

GRI N°	ASPECT
HR 8	Percentage of security personnel trained in the organisation's policies and procedures concerning aspects of human rights that are relevant to operations
Pursuant to the policy and procedures relating to aspects of human rights that are relevant to operations, there were 91% of security personnel trained. As regards the Company providing security services for Grupa LOTOS 89% of its employees were covered by similar training.	

PRODUCT RESPONSIBILITY

CUSTOMER HEALTH
AND SAFETY

GRI N°	ASPECT
PR 1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures
<p>The current procedures of Grupa LOTOS impose determination of impact of all products upon health and safety. All products manufactured during petroleum processing are subject to classification and, consequently, to assessment of their impact upon health and safety of use. The activities are determined in REACH (<i>Registration Evaluation Authorisation of Chemicals</i>), i.e. registration, evaluation and granting of authorisations for chemical substances. This is a community procedure serving for systematisation and ordering of principles of chemical substance marketing (EC 1907/2006 Regulation of the European parliament and the Council as of 18 December 2006).</p>	
Grupa LOTOS	<p>Life cycle stages, in which health and safety impacts of products are improved</p> <ul style="list-style-type: none"> ⊗ Product development concept ⊗ R&D (research and development) ⊗ Certification ⊗ Production and generation ⊗ Marketing and promotion ⊗ Distribution of stocks and supplies ⊗ Use and service ⊗ Removal, reuse or recycling
LOTOS Asphalt	<p>LOTOS Asphalt takes into account potential activities affecting environment and safety at main stages such as the concept, development, production and distribution of products. Following identification of a discussed aspect, the company undertakes activities aimed at elimination or minimisation of potential hazards. Each group of asphalt products, despite being classified as safe products, has a <i>Material Safety Data Sheet</i>, which describes properties, principles of safe handling and potential hazards in case of contact with the product. The information is provided to customers. Asphalt emulsions are additionally provided with attestations of the National Hygiene Institution.</p> <p>Life cycle stages, in which health and safety impacts of products are improved</p> <ul style="list-style-type: none"> ⊗ Product development concept ⊗ R&D (research and development) ⊗ Certification ⊗ Production and generation ⊗ Distribution of stocks and supplies

**CUSTOMER HEALTH
AND SAFETY**

Izabela Czaplicka,
head of REACH project
in Grupa LOTOS



In the middle of November 2008 Grupa LOTOS closed a stage of preliminary registration of chemicals in accordance with the community schedule of REACH regulation.

The decision on launching of REACH project was made in Grupa LOTOS at the beginning of 2007. Since the spring of 2007 and in accordance with assumptions of the community law, the LOTOS Group conducts works on realisation of the project.

In accordance with the schedule, Grupa LOTOS performed numerous complex tasks for preliminary registration of chemical substances. So far the Company has determined the role of each company as a manufacturer, importer, further user or distributor. Nearly 120 various types of manufactured or imported chemical substances were identified and assigned chemical codes in accordance with the legal terminology as regards chemical substances. The system on information concerning flow of chemicals within the entire LOTOS Group was ordered as well as names of chemical substances, lists of suppliers, customers and purchased and sold products.

Most of the tasks were planned and realised in view of further activities undertaken in future years, for example proper registration, granting of authorisations and limitations. It should be emphasized that undertaking of preparations for implementation of REACH in considerable advance in the entire corporation is a proof of the corporation's high awareness connected with the necessity to manage chemical substances. The process of implementation of REACH project in Grupa LOTOS is expected to last 11 years.

In order to reduce costs of implementation of REACH project Grupa LOTOS participates actively in international organisational works involving such products as base oil, diesel oil, petrol, asphalt and substances in paraffin products. This way it will be possible to limit part of the costs by nearly half the value as compared to the situation, in which the Company would conduct independent research.

It is worth mentioning that in May 2006 Grupa LOTOS joined CONCAWE, an organisation including refinery plants and dealing with testing of water and air for cleanliness. The organisation helps to prepare parts of safety reports relating to tests of substances with similar toxicological and ecotoxicological properties.

Grupa LOTOS performed a preliminary registration of all its products, which made it automatically join information forums under SIEF – Scientific Information Exchange Forum. Owing to the operations, customers of Grupa LOTOS may be certain that they will still receive products and supplies will be realised in accordance with the chemical law provisions. The exchange of information between enterprises as part of SIEF and with the European Chemical Agency (ECHA) in Helsinki is realised electronically. REACH system is operated by an integrated information technology system, which may be used by all companies. The system is compatible with other systems under products consortiums of other petrochemical enterprises. The information technology tools used include a gratuitous European database, i.e. IUCLID5 and REACH IT portal, which serves, among others, for obligatory transmission of data to the European Chemical Agency in Helsinki.

Grupa LOTOS analyses the progress of procedures involving creation of so-called candidate Lists of SVHC substances (substances of very high concern) on a current basis and undertakes any necessary activities in order to fulfil the obligations imposed by REACH regulation.

None of the substances manufactured or marketed by Grupa LOTOS is listed in the Candidate List published by ECHA.

CUSTOMER HEALTH AND SAFETY

LOTOS Oil All products manufactured in LOTOS Oil are provided with *Material Safety Data Sheets*. The sheets classify substances as hazardous and non-hazardous. A description of the product presented in the sheet informs the product user about potential hazards caused by the product as regards human health and natural environment. In the event of a product classified as hazardous, a description of hazards is included in the paragraph 15 of the sheet and on the product label. The sheet also provided telephone numbers for additional information about the product.

Life cycle stages, in which health and safety impacts of products are improved

- ⊗ Product development concept
- ⊗ R&D /research and development/
- ⊗ Certification
- ⊗ Production and generation
- ⊗ Marketing and promotion
- ⊗ Distribution of stocks and supplies
- ⊗ Use and service
- ⊗ Removal, reuse or recycling

LOTOS Paliwa LOTOS Paliwa conducts activities aimed at protection of health and safety in all stages of the fuel sale process starting from giving products out from the base and ending with sale of the product in LOTOS fuel station network. The Company provides transport for about 30% of the fuel sold (both in retail and wholesale), including 100% for LOTOS own fuel stations and 100% for railway shipments. Other sales are realised with the customer bearing the costs and risk of collection and transport. The road transport of fuels is realised by external entities from outside the LOTOS Group on the basis of an external outsourcing of services. There is a supervision over safety of the service rendering stage by establishment of provisions and inspection of deliveries under agreements and respective procedures. The railway transport to customers is realised by LOTOS Kolej.

Under the supervision of health and safety aspects in road transport, the following activities are subject to monitoring:

- loading in bases,
- safe travel of a cistern on the controlled route,
- safety of unloading places – unloading realised in accordance with established procedures and indicator of performance,
- conduct in the case of a spillage or failures,
- corrective activities in the event of occurrences of any irregularities.

As regards the sale of fuels in its own fuel stations, LOTOS Paliwa establishes standards and exercises supervision over realisation of sales by fuel station managers. The process is regulated by separate agreements and current procedures of conduct, which are improved on a methodical basis. Under the established standards relating to health and safety, the following activities are subject to assessment for compliance with the standards:

- supplies of fuels,
- supervision over infrastructure,
- proceedings in the case of accidents and failures,
- principles of safety as regards customer service and sales of fuels,
- environmental management in compliance with ISO 14001:2005,
- management of occupational health and safety in compliance with PN-N-18001.

Under its activities LOTOS Paliwa was granted a certificate of compliance of Quality Management System with PN-EN ISO 9001:2001 as regards wholesale turnover and supplies of petrol and diesel oils for personal vehicles to fuel stations as well as wholesale trading in light fuel oils.

CUSTOMER HEALTH AND SAFETY

LOTOS Parafiny In each stage of use LOTOS Parafiny uses methods aiming at assurance of safety of use of marketed products. The designing stage involves determination of available raw materials and sources, their origin and scope of analyses, which shall be conducted for the designed product. Technical conditions are prepared for each product. The technical conditions refer to standards of activities and requirements relating to quality parameters of finished goods and the material *Safety Data Sheet* complying with REACH Regulation.

On the basis of the Company's Integrated Management System, each stage of production involves inspection of the following:

- Raw materials – current inspection of parameters on the basis of tests performed in accordance with the schedule of tests, raw materials controlled as regards safety of use (all qualified suppliers confirmed implementation of REACH and provided valid *Material Safety Data Sheets*),
- Products – quality control in accordance with the valid schedule of tests' a product is admitted to sale on the basis of quality certificates; periodical control of products with respect to contents of carcinogenic substances and heavy metals, especially relating to materials getting into contact with foodstuffs,
- Waste – the Company has a permit for conducting of activities connected with recycling of paraffin waste. The waste is subject to refining in the Company's existing installations and used for production.

The products are supplied to customers together with quality certificates, valid technical conditions and the *Material Safety Data Sheet*. Technical documents are updated in a current basis. Mandatory procedures cover all products of the Company, which, on 13 November 2008, performed a preliminary registration of a substance to be traded in accordance with REACH regulation.

GRI N°	ASPECT
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services by type of outcomes
During the reporting period the LOTOS Group recorded 4 incidents of non-compliance with valid regulations, provisions and codes relating to health and safety impact of products. All the identified incidents relate to LOTOS Paliwa.	

PRODUCT AND SERVICE LABELING

GRI N°	ASPECT
PR 3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements
Grupa LOTOS	<p>For all products manufactured in Grupa LOTOS the Company prepares documents referred to as <i>Material Safety Data Sheet</i>, which are prepared on the basis of valid legal requirements (REACH regulation). The documents contain information concerning impact of products upon health and environment, presence of hazardous components, exposure control, conduct in case of fire and release of the product into environment and disposal of waste. <i>Material Safety Data Sheets</i> of products are available on the website: www.lotos.pl.</p> <p>The scope of available information relating to products and services required by internal procedures</p> <ul style="list-style-type: none"> ⊗ Acquisition of components of a given product or service ⊗ The contents, especially contents of a substance, which may affect environment or society ⊗ Safety of product or service use ⊗ Disposal of products and impact upon environment/society ⊗ Other: handling during storage and transport, physical and chemical properties, stability and reactivity, handling of waste <p>Commercial companies of the LOTOS Group perform the obligation of provisions of information concerning products in accordance with the guidelines resulting from provisions of law and current internal procedures of conduct.</p> <ul style="list-style-type: none"> ● General rules of labelling of products have been specified in the act on packed goods. Pursuant to the act, the packaging should contain a label specifying the name of the product, its nominal quantity and identification of the packing operator. ● The act on general safety of products obliges the manufacturer to provide customers with the information enabling the customer to assess hazards connected with the product during ordinary or expected life of the product, if such hazards are not immediately spotted due to absence of appropriate warning, as well as possible actions taken to prevent the hazards. The identification of each manufactured product on the basis of the current provisions of law with an appropriate code of Polish Classification of Products & Services makes it possible for sellers to tax the goods correctly. ● The act on freedom of economic activities provides that the party launching new product should include on the product packaging, label or instructions the name of the product, address, name of goods and other marks and information required under separate provisions of law. ● The act on chemical substances and preparations provides for an obligation of identification of hazardous substances and preparations. The provisions order labelling of hazardous preparations to the full extent and, preparations not classified as hazardous, but containing at least one hazardous substance – to a limited extent.

PRODUCT AND SERVICE LABELING

LOTOS Asphalt In the case of construction materials manufactured by LOTOS Asphalt and including such product groups as road asphalt, modified asphalt, asphalt emulsions and asphalt specific products it is necessary to provide full information concerning the products. The information concerning the construction goods and appropriate identification of the product with a special construction mark as is especially relevant. „A Delivery Note“ attached to each batch of expedited products should contain, apart from a construction mark, the following information:

- the address of manufacturer and factory, in which the product was manufactured,
- name, quality of product according to technical specification (standard or technical approval) and commercial name,
- number and date of publication of the Polish standard or technical approval, against which the product was confirmed for compliance,
- number and date of issue of the local declaration of compliance,
- name of a certification unit (if participated in the applied system of compliance assessment),
- recommendations of the occupational health and safety.

The scope of available information relating to products and services required by internal procedures

- ⊗ Acquisition of components of a given product or service
- ⊗ The contents, especially contents of a substance, which may affect environment or society
- ⊗ Safety of product or service use
- ⊗ Disposal of products and impact upon environment/society
- ⊗ Other: Hazards, which may occur during use of the product, information required in technical specifications (harmonised standards, approvals) to be included in the information provided, identification in compliance with provisions of law (building law)

LOTOS Oil Due to the fact that the Company sells packed goods and so-called bulk goods, the information concerning a given product is provided to customers in various forms. Packed products contain mandatory information on their labels, whereas the information concerning bulk products are found in a Material Safety Data Sheet provided to the customer together with the product and available on the internet page of producer

On the basis of current provisions, LOTOS Oil includes the following information on its product labels:

- product name,
- description and use of the product,
- approvals and specifications, with which the product complies,
- the manufacturer's address,
- nominal quantity of the product,
- identification relating to hazardous substances in the case of products containing hazardous substances,
- a bar code in most cases.

The Company has in place a procedure of supervision over technical and production information, which specifies rules for information

provided on the product labels. The procedure also indicates persons responsible for specimens of labels and packaging as well as contents of information provided on labels.

Among other document of the Quality Management System in place in the Company there are:

- procedure of production processes,
- procedure of controls and testing,
- procedure of handling of incompliant products,
- technological instructions,
- technical conditions,
- specimens of labels and prints.

The scope of available information relating to products and services required by internal procedures

- ⊗ Acquisition of components of a given product or service
- ⊗ The contents, especially contents of a substance, which may affect environment or society
- ⊗ Safety of product or service use
- ⊗ Disposal of products and impact upon environment/society

PRODUCT AND SERVICE LABELING

LOTOS Paliwa LOTOS Paliwa takes care of access to information concerning product impacts, performs the obligation of making the information available in accordance with guidelines resulting from provisions of law and current internal procedures of conduct. As regards wholesale and retail trade the information concerning characteristics of all fuels sold are made available to a customer, upon his request, in the form of a *Material Safety Data Sheet*.

In the case of goods sold in fuel stations, the station managers are obliged to provide, upon a customer's request, analogous *Material Safety Data Sheet* concerning hazardous substances present in the goods available in fuel stations.

The scope of available information relating to products and services required by internal procedures

- ⊗ Acquisition of components of a given product or service (*within Grupa LOTOS*)
- ⊗ The contents, especially contents of a substance, which may affect environment or society
- ⊗ Safety of product or service use
- ⊗ Disposal of products and impact upon environment/society
- ⊗ Other: identification of hazards; conduct in the case of unintended release into the environment; transport information

LOTOS Parafiny Customers are informed about properties of goods by way of Technical Conditions and *Material Safety Data Sheets*. The information used on packaging and product labels should contain at least the such data like: name of manufacturer, product name, production date, nominal quantity, batch number or safety signs.

Under the Integrated Management System in the Company a series of documents regulating, directly or indirectly, production of goods, are used:

- technological instructions,
- technological sheets,
- *Material Safety Data Sheets* of substances and preparations,
- A procedure of designing of new products,
- A procedure of identification of goods,
- A procedure of protection of goods and monitoring of goods quality,

- The instructions of supervision over data relating to safety of chemicals substance or preparation use,
- A procedure of supervision over documents,
- A procedure of supervision over production and technology documents.

The scope of available information relating to products and services required by internal procedures

- ⊗ Acquisition of components of a given product or service
- ⊗ The contents, especially contents of a substance, which may affect environment or society
- ⊗ Safety of product or service use
- ⊗ Disposal of products and impact upon environment/society
- ⊗ Other: identification of hazards; conduct in the case of unintended release into the environment; transport information

PRODUCT AND SERVICE LABELING

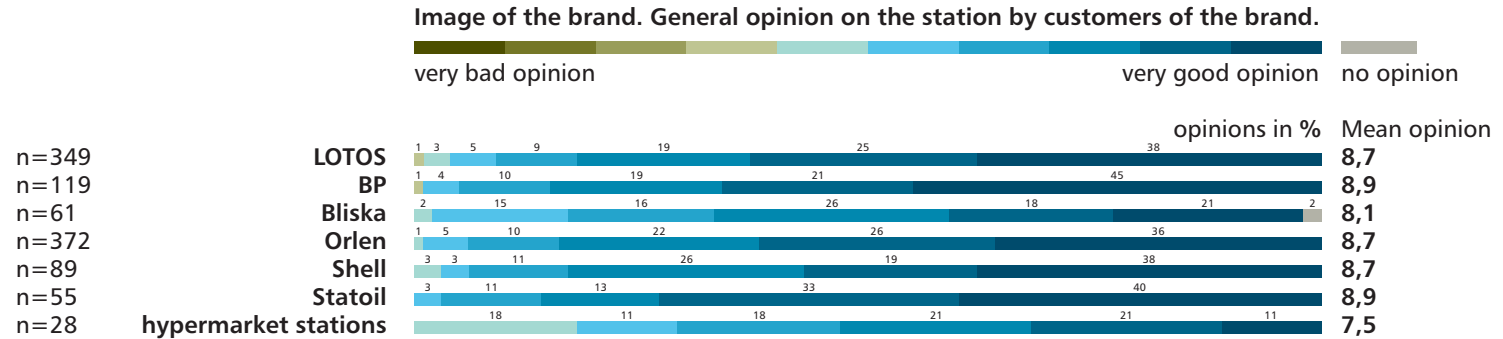
GRI N°	ASPECT
PR 4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes
During the reporting period in the LOTOS Group there were no incidents of non-compliance with current regulations, provisions and codes concerning product information.	

GRI N°	ASPECT		
PR 5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		
LOTOS Paliwa	Pursuant to the internal procedures of the Integrated Management System and ISO 9001, which is oriented to a customer, LOTOS Paliwa performs systematic surveys measuring the customer satisfaction. The analyses relate to satisfaction with products and services as regards individual customers and satisfaction with cooperation as regards corporate customers. The frequency of measurement and methodology were specified in internal sheets of the process.		
	Individual customers		
	Measure name		Frequency of measurements
	Indicator of brand knowledge		spontaneous aided
	Indicator of quality assessment		1 a year / 2 years
	Indicator of overall assessment of a station (image)		1 a year / 2 years
			OMNIBUS or CAPI, min. 100 tests
			Individual tests CAPI or PAPI
			Individual tests
	Corporate customers		
Index of customer satisfaction with cooperation		1 a year / 2 years	CATI, min. 400 tests
Index of customer satisfaction with a supervisor			
Index of customer satisfaction with Customers Service Office			
Index of functionality assessment			
Index of brand image			

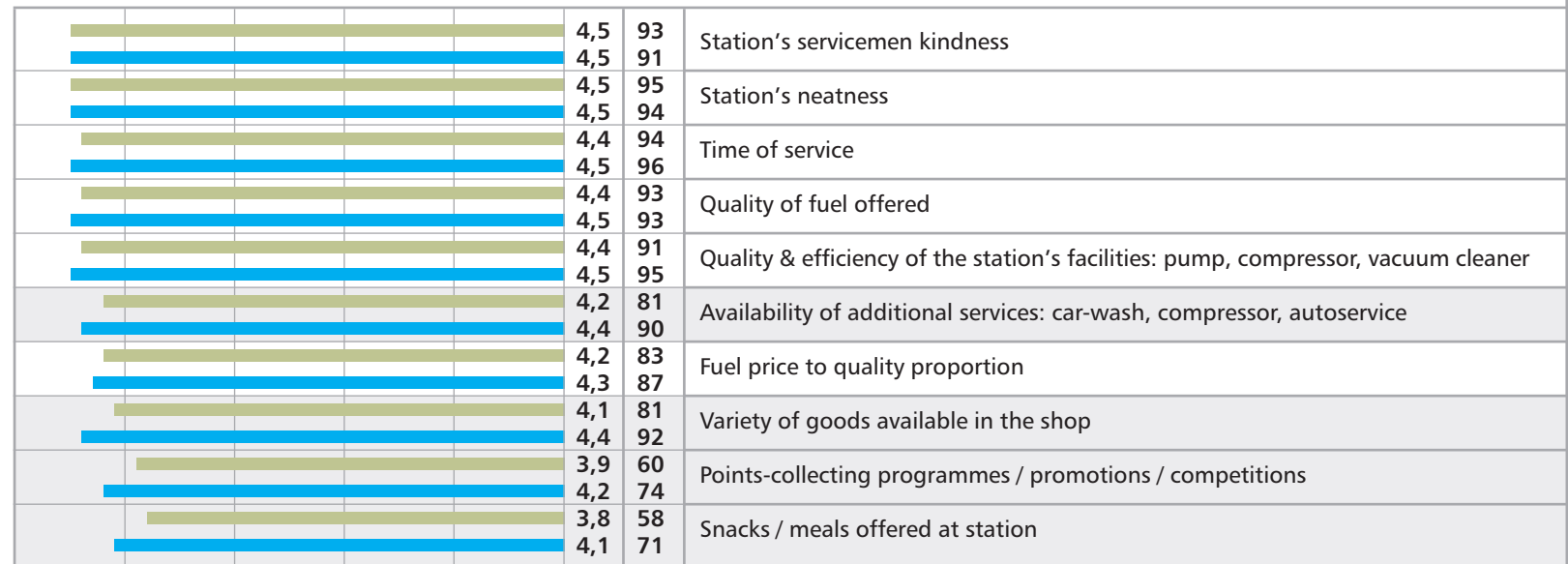
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The measure of the process

PRODUCT AND SERVICE LABELING



LOTOS stations customer satisfaction compared to the rest of the market



Average opinion on scale from 1 (decidedly displeased) to 5 (positively satisfied)
 % of satisfied customers
 ■ total n=1000
 ■ LOTOS customers n=349

Examples of test results of LOTOS Paliwa corporate customers in 2008 and comparison with 2006.

Source: Pentor RI, August 2008

PRODUCT AND SERVICE LABELING

LOTOS Oil Testing and monitoring of customer satisfaction is the most important part of activities of LOTOS Oil. It is to maintain high quality of products and services as well as activities connected with products, including activities connected with maintenance of partner relations with Authorised Distributors. The customer satisfaction is tested on two levels:

- testing of satisfaction of final users of engine oils,
- testing of satisfaction of direct commercial partners – Authorised Distributors of LOTOS Oil.

Testing of the first group, i.e. the group of final users of oils are monitored by MOTO SCAN external tests. These are surveys of the market of engine oils for personal vehicles. The survey has a periodical character (has been conducted since 2003) twice a year (spring/autumn) on a representative randomly selected group of personal vehicle owners (with four-stroke engines). Owing to the survey, it is possible to track market changes and trends, make comparisons and verification of results of tested activities.

The satisfaction of the other group, namely a group of Authorised Distributors of LOTOS Oil, is measured by the Sales Promotion Department by way of direct interviews (surveys) once a year. The interview is conducted with an owner, president of a given wholesale warehouse, a person responsible for sales or marketing (directors, managers). The survey involves assessment of LOTOS Oil and the best competitor (as selected by a respondent) according to a given criterion, the criteria cover such areas of activities as products, sales/trade, transport/logistics, marketing, oil service, range of products and overall assessment of cooperation.

Key conclusions drawn from the surveys:

- Share in the market of engine oil manufacturers
The share in the market of oils is measured by a percentage indicator of quantity of a given brand oil purchased within the last 12 months to total quantity of oils purchased in the last 12 months by all respondents. LOTOS Oil has the greatest share in the market (29,6%).
- Market standing of engine oil manufacturers
The market standing of engine oil manufacturers is measured by a percentage indicator of the number of people, who purchase oil of a given brand to the number of all respondents and users of personal vehicles, who purchased oil in the last 12 months. In 2008 LOTOS Oil had the strongest standing (30.1%).

As regards a division into a range of goods, the strongest market positions were recorded with respect to LOTOS Semisynthetic and LOTOS Mineral. In accordance with results of MOTO SCAN tests, LOTOS enjoys the greatest loyalty of users among all oil brands (98.9%).

Due to the structure of distribution of LOTOS Oil realised through its Authorised Distributors (which influences a small number of the respondents), testing of the business customer satisfaction and quoting of percentage data does not provide a full image of the satisfaction. Owing to the above, the testing leads to improvement of correctly operating areas and areas, which need the improvement in order to ensure even more satisfactory cooperation between the manufacturer and distributor in the next year.

PRODUCT AND SERVICE LABELING

LOTOS Parafiny The customer satisfaction is tested once a year by a specially prepared set of questions in the form of surveys. The surveys are conducted among key customers of LOTOS Parafiny. Below there are questions included in the recent survey conducted in November 2008. The survey included 20 tested factors. Weighted assessments were analysed (the product of assessment and weight of each of the respondents). Following the analysis of surveys, it was stated that:

The following factors are (on average) least important:

- type of packed products – tablets, granules,
- forms of packaging.

The following factors have the greatest significance for cooperation (on average) and prove the greatest agreement by respondents:

- shortages in realisation of orders,
- lead time,
- time of waiting for realisation.

An overall assessment of the Company was also conducted as regards its activities compares to those of its competitors.

Following the analysis of surveys, it was stated that:

The most favourable is advantage of LOTOS Parafiny as regards:

- provisions of necessary information,
- frequency of contacts with direct representatives of the Company,
- time of waiting for loading and product loading time,
- appropriate forms of packaging.

The assessment of the following factors is neutral:

- opening times of the sales office,
- completeness of sale documents.

The Company received lower scores than its competitors in the following categories:

- method and timeliness of consideration of complaints,
- prices of products in relation to their quality.

The response to the lower score as regards timeliness of consideration of complaints was implementation of electronic system of compliant consideration in the Company.

Examples of questions included in the survey:

Quality	How do you assess the quality of sold products
Price	Do the product prices correspond to their quality
Offer	Is the offer of „paraffin“ complete and tailor-made for the marker
Product type	How do you assess use of product types (tablets, granules)
Packaging	Do the available forms of packaging fulfil your requirements and expectations
Sale service	Please assess the service level as regards issue of sale documents (professionalism of employees)
Sale hours	Are opening hours of the sales office adjusted to your needs
Lead time	Does the lead time of LOTOS Parafiny fulfil your expectations
Time of realisation	Does the time of waiting for realisation of an order fulfil the customer's expectations
Complaint procedures	How do you assess the method and timeliness of consideration of complaints
Information	Do the representatives of LOTOS Parafiny provide necessary information and have professional counselling knowledge

MARKETING
COMMUNICATIONS

GRI N°	ASPECT
PR 6	<p>Programs of adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship</p> <p>In its process of management with all issues connected with corporate brand strategy, strategy of promotion and construction of value and desired image of LOTOS brand, Grupa LOTOS applies the following rules:</p> <ul style="list-style-type: none"> ● adherence to current provisions, ● not acting to detriment in a deliberate manner, ● assumption of liability for consequences of activities, ● proper use of education, vocational preparation and experience of employees <p>All the activities are conducted in respect for human dignity, equality of sexes and without using any controversial contents, which may insult social groups and without any negative emotions. The rules supplement the current and absolute provisions of law and, in particular:</p> <ul style="list-style-type: none"> ● The Constitution of the Republic of Poland, ● The Civil Code, ● The act on prevention of unfair competition, ● The Press Law, ● The acts on radio and television, ● The act on protection of certain customer rights, ● The act on provision of services by electronic means, ● The act on personal data protection, ● The act on copyrights and neighbouring rights, ● industrial property rights, ● The Advertising Code of Ethics. <p>The entities, which cooperate with the LOTOS Group as regards marketing communications are obliged to adhere to the <i>International Code of Advertising Practices</i> as issued by the International Chamber of Commerce (ICC).</p> <p>In its sponsoring activities Grupa LOTOS complies with standards and applies rules specified in voluntary codes of conduct as prepared by organisations including entrepreneurs, entities conduction promotion, advertising or sponsoring activities as well as organisations propagating good corporate practices.</p> <p>The Company as a member of „Lewiatan” Polish Federation of Private Employees, applies standards and rules of ethics prepared by PKPP „Lewiatan” in its sponsoring activities. Pursuant to the indicated standards, Grupa LOTOS undertakes important social initiatives and patronage activities within its abilities.</p> <p>The Company applies the rules indicated in the <i>Advertising Code of Ethics</i> prepared by the Advertising Council. Any agreements on sponsoring are legible and understandable as regards their character and precisely determine all interested parties as obligations of the sponsored party. Grupa LOTOS does not engage in any activities, which might be detrimental to any facilities of historical or artistic value or in any events, which might affect the natural environment.</p> <p>Grupa LOTOS as a member of Global Compact, applies ten fundamental rules of the organization as regards human rights, labour standards, environmental protection and corruption prevention. In relation to the rule connected with marketing communications and sponsoring, the Company acts in accordance with the <i>Rule 7</i>, i.e. preventive approach to natural environment as regards marketing communications and as regards sponsoring the Company applies the <i>Rule 8</i>, i.e. undertaking of initiatives aimed at promotion of ecologically responsible attitudes.</p>

MARKETING
COMMUNICATIONS

GRI N°	ASPECT
PR 7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes
During the reporting period there were no incidents of non-compliance with current regulations and codes concerning marketing communication.	

CUSTOMER PRIVACY

GRI N°	ASPECT
PR 8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
There were no complaints recorded in connection with breach of the customer privacy or loss of customer data in the commercial companies of the LOTOS Group, i.e. Grupa LOTOS, LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa and LOTOS Parafiny.	

COMPLIANCE

GRI N°	ASPECT
PR 9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services
During the reporting period there were no incidents connected with delivery or use of products and rendering of services. Therefore, no administrative or court sanctions were imposed on the LOTOS Group as imposed on economic entities due to non-compliance with laws or regulations connected with delivery and use of products and rendering of services.	

SOCIETY

COMMUNITY

GRI N°	ASPECT
SO 1	<p>Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting</p> <p>In realising its activities for communities such as involvement in charity (donations), realisation of programs and social campaigns as well as involvement in social and cultural events, Grupa LOTOS applies the rule of monitoring of expenses for the purpose, for which they were allocated.</p> <p>In the event of realisation of social activities in cooperation with external entities such as organisers of events, initiators of programs, projects and campaigns, Grupa LOTOS expects reliable reports confirming realisation of the targets. Usually each event is attended by a representative of Grupa LOTOS who assesses activities undertaken by organisers through the prism of expectations, social response and the Company's involvement in the activities.</p> <p>The activities initiated and realised by the Company are assessed as regards their suitability and social response in order to improve future activities in accordance with trends adopted by the company and for the purposes of fulfilment of social expectations. The analysis of particular project is performed with respect to assessment of activities under a given undertaking.</p> <p>In involving in social activities Grupa LOTOS conducts a dialogue with organisations, representatives of districts adjacent to the Company's premises in order to find out about demands and expectations of the closest environment. On the basis of the obtained information the Company undertakes activities for local communities.</p> <p>Sponsoring and charitable activities of the LOTOS Group focus upon prosocial activities, which are in line with the mission of strategy and development of the company as well as values presented by LOTOS brand in spheres significant to customers' lives as well as inhabitants of areas adjacent to the plant. The company realised its business aims in consideration of relevant social aims.</p> <p>Grupa LOTOS undertakes charitable activities in two main areas:</p> <ul style="list-style-type: none"> ● people and their environment: the Company supports public healthcare institutions, activities for the disabled, development of education and science, physical culture and sports education of the young generation, ● protection of environment and ecology: the Company supports initiatives connected with environmental protection and ecology with particular emphasis upon protection of natural values of the Baltic Sea.

COMMUNITY

Culture

The Company engages in realisation of cultural events, which are most important for regions, in which entities of the LOTOS Group are located. The Company engages in cultural undertakings, which are in line with the Company's strategy of brand communications. Usually the Company organises local events, the impact of which spreads outside the region. The criterion of selection of cultural projects constitutes its social significance and impact on promotion of the region on a Polish or international scale.

Significant cultural events sponsored in 2008

Entity	Event	City
The Pomeranian Film Fund	The Polish Feature Film Festival	Gdynia
CONSPERO Fund	The Exhibition of Jerzy Duda-Gracz entitled „Remanenty”	Gdańsk
MM Communcations Sp. z o.o.	The Festival of Stars	Gdańsk
Theatrum Gedanense Fund	The Shakespearian Festival	Gdańsk
Video Studio Gdańsk	Good Humour Festival	Gdańsk
„Zjednoczenie Łemków” Association	„Łemkowska Watra” International Festival of the Łemkowska Culture	Gdańsk
ART 2000 Fund	The Theatre Summer - Sopot 2008, Atelier Theatre	Zdynia / n. Gorlice
Telewizja Polska S.A., the Branch in Gdańsk	„Two Theatres” Polish Television and Radio Festival	Sopot
„My Bieszczady” Association of the Bieszczady Lovers	„The Angels of the Bieszczady” Festival of Various Arts	Cisna, Dołżyce
The Art and Theatre Association	LOTOS Jazz Festival - The Bielsk Jazz Festival	Bielsko-Biała
The Jewish Culture Festival Association	The Jewish Culture Festival	Kraków
The Regional Culture Centre	The Week of the Beskidy Culture	Wisła, Szczyrk, Żywiec, Oświęcim, Maków Podhalański

The Company also contributed to organisation of cultural and social events addressed mainly to inhabitants of the Tri-City, Jasło and Czechowice-Dziedzice such as „Święto Miasta Gdańska”, Święto ulicy Bohaterów Monte Cassino „Sopot ulica Artystów”, „Lato zaczyna się w Gdyni – Świętojańska Carnival”, Dni Jasła and Dni Czechowic-Dziedzic.

COMMUNITY

Protection and promotion of health

Under the activities conducted for protection and promotion of health and in accordance with rules of social business responsibility, Grupa LOTOS provided financial support to healthcare institutions, purchases medical equipment, undertakes activities for the disabled, promotes voluntary blood giving and activities undertaken to help civilians.

The charitable activities of Grupa LOTOS dedicated to the disabled also cover the present and former employees of Grupa LOTOS.

Significant charitable activities as regards health protection and promotion in 2008

Entity	The aim of support	City
The Searching Voluntary Emergency Service	Additional financing of statute activities	Gdynia
The Complex of Municipal Schools N°3	Additional financing of equipment, renovation of rehabilitation rooms for disabled pupils	Jasło
The Association of Help to the Disabled – SPON	Additional financing of rehabilitation equipment	Sopot
St. Adalbert Specialist Hospital	Financing of purchase of medical equipment – single-syringe infusion pump	Gdańsk
The Voluntary Water Emergency Service in Gorlice	Additional financing of statute activities	Klimkówka
The Club of Voluntary Blood Donors	Additional financing of statute activities	Gdańsk
An employee of Grupa LOTOS	Finalization of purchase of insulin pump	Gdańsk
An employee of Grupa LOTOS	Additional financing of purchase of a vehicle for transport of disabled children	Wiślina

COMMUNITY

Science and education

Cooperation with universities

Under its activities in the social responsibility area Grupa LOTOS supports universities and academic institutes and, at the same time, maintains cooperation and creates a common bridge between the industrial and academic environment.

The Company has cooperated with the Gdańsk Technical University since 2004. In the academic year 2008/2009 the program entitled LOTOS-Scholarship was realised and dedicated to 20 best students from:

- Chemical Faculty,
- Faculty of Electronics, Telecommunications and Information Technology,
- Faculty of Electrical Technology and Automation Engineering,
- Mechanical Faculty.

The aim of such cooperation was to promote the best students and faculties desired by the Company as regards potential demand for specialists to be outsourced in Grupa LOTOS in the nearest future.

In the academic year 2007/2008 a similar initiative was undertaken in cooperation with the AGH University of Science and Technology in Kraków by funding of 10 scholarships for best students of the university from:

- Faculty of Mining and Geological Engineering,
- Faculty of Geology, Geophysics and Environmental Protection,
- Faculty of Mining Geodesy and Environmental Engineering,
- Faculty of Crude Oils and Gas Drilling,
- Faculty of Fuels and Energy.

The cooperation continues to the similar extent in the academic year 2008/2009.

Support of educational process and holidays for children and young people

Grupa LOTOS supports social initiatives undertaken for children and young people, who are in difficult situation, originate from multiple, poor and often pathological families. The Company organises for them winter and summer holidays and provides material support for ablest children in the form of monthly scholarships.

Owing to the financial support from extra-governmental organisations in 2008, scholarships for children were funded in 2008 by:

- The J. Beaumont Welfare Support Fund: 18 children from multiple families with low income, from the Gdańsk powiat and for children, who achieved good educational results,
- Servi Pacis Fund: 5 children (orphans and children of soldiers injured in Iraq and Afghanistan) from all Polish regions.

Grupa LOTOS provided additional finances for summer and winter holidays for 465 children, including:

- 190 children through the Fund of Vilnius and Grodno Friends „Serce Dzieciom”,
- 20 children from the parish Church under the invocation of Merciful Christ in Gdynia,
- 15 children from „Ostoja” Welfare Support House,
- 120 children from the Roman-Catholic parish under the invocation of the Painful Mother of God in Gdańsk,
- 45 children through the Fund „Help Yourself and Others”,
- 38 children through the J. Beaumont Welfare Support Fund,
- 30 children and young people through the Gdańsk Association of Practising Educators.

COMMUNITY

As regards science and education the Company provided financial support to educational projects realised by students of schools and exceeding educational curriculum as well as investments in facilities and renovation of educational facilities.

Significant educational and investment aims in educational institutions as financed in 2008

Entity	The aim of support	City
The Secondary School of General Education N°8	Additional financing of the educational project entitled „Peace for Europe – Europe for Peace”	Gdańsk
JANTAR Association	Additional financing of the educational program entitled „A Peaceful and Jolly Village” addressed to children from rural areas of the Warmińsko-Mazurskie province	Elbląg
The Centre of Continuing Education	Additional financing of didactic and educational activities	Elbląg
The Association of Topolówka Friends	Additional financing of participation of pupils in the international project entitled „the Odyssey of Minds”	Gdańsk
The Gdańsk Educational Fund	Additional financing of the educational program – reconstruction of a historical event	Gdańsk
The M. Rej Secondary School of General Education	Additional financing of an ecological educational program	Bielsko-Biała
The Secondary School of General Education N°1	Additional financing of renovation of the school library	Jasło
The Social Educational Association	Additional financing of the educational project entitled „Meeting of Children and Europe”	Gdańsk
The Complex of Schools in Żyraków / woj. podkarpackie	Additional financing of an ecological educational program	Żyraków

COMMUNITY

Safety of road traffic

The low level of safety on Polish roads is an important social problem. „LOTOS – safe road to school” is an educational and preventive program, which aim is it to prevent road accidents, the victims of which are school children. The campaign is addressed to pupils of first grade of primary schools and it is to pay attention to the problems connected with safety of road traffic.

The program involves classes conducted by policemen and experts on road traffic safety. During the classes participants discuss rules of safe conduct on roads and identification of appropriate places for play. Policemen also instruct children how to cross the road and award them with reflective elements funded by the Company. In the school year 2008/2009 children participating in the program also received special educational packages concerning safety of road traffic. The package contain an educational leaflet containing rules of safety of road traffic, materials on CD and games raising awareness of safe conduct on the road. Under the program, the Company also organises an arts competition entitled „Free Reflectors”.

The program is conducted in the region of operations of selected entities of the LOTOS Group, i.e. in the Pomorskie Province and poviats located in the direct vicinity of impacts of LOTOS Czechowice i LOTOS Jasło. In the Pomorskie Province the activities have been undertaken since 2001, in Jasło – since 1998 and in Czechowice-Dziedzice – since 2004. In 2008 as part of its activities connected with safety of road traffic Grupa LOTOS engaged as a main partner in the Motor Barbecue organised under the Polish program entitled „Basic Safety”.

In its activities concerning safety of road traffic, Grupa LOTOS cooperated in the school year 2008/2009 with the following partners:

In the Pomorskie Province:

- The Division of Road Traffic – The Provincial Police Headquarters in Gdańsk,
- The Palace of Young People in Gdańsk,
- Link PR in cooperation with the Pomorska Council of Safety of Road Traffic,
- The Office of the Marshall of the Pomorskie province.

In Jasło and Czechowice:

- The Motor Club of Road Safety in Jasło,
- The Provincial Police Headquarters in Rzeszów,
- The Poviats Police Headquarters in Jasło,
- The Inspector of Road Transport in Rzeszów,
- The Municipal Guard in Jasło and Przemyśl,
- The Municipal Police Headquarters in Bielsko-Biała.

The above-mentioned edition of the educational and preventive activities of the program covered 13 thousand children, including 9 thousand children from the Pomorskie Province and 2 thousand children from Jasło and Czechowice.

COMMUNITY

Gabriela Zdunek,
director of the Complex
of Schools N°1 in Jasło

Children are instructed by
policemen.

Attractive educational materials
help children to acquire
knowledge



The Complex of Schools No. 1 in Jasło, including the Primary School No. 6 and the Municipal Kindergarten No. 12, is located at the outskirts of Jasło and attended by children from the nearby housing estate and villages. Near the school there is a national road with especially intensive traffic. In some places there are no pavements, which is dangerous for children going to school. It is dangerous, as children walk among quick and heavy vehicles and drivers not always notice the children and respect their rights. Therefore, it is necessary to shape skills of safe movements on the road, which is of the most important tasks realised as part of our educational program. The program serves raising of awareness among children and their parents, propagation of traffic culture and undertaking of activities aiming at improvement of safety of our pupils.

The traffic education in our school has its traditions. For several years we have been actively participating in the preventing and educational program entitled „LOTOS – safe road to school”. The program certainly fulfils the needs of protection of young people and especially those, who for the first time become independent participants of the road traffic. Pupils of first grades covered by the program considerably increase their knowledge about safe conduct on the road, learn how to behave in direct danger situations and become responsible for their actions and more aware of dangers.

The realisation of the program assumptions is based upon excellently prepared educational materials such as books for first grade pupils, book-marks, stickers, diplomas, games and CDs. A very important element of the campaign for safety is also carrying of reflective elements, which increase safety especially during winter and autumn months.

During classes children learn theoretical and practical rules of safe conduct on roads under the supervision of teachers and policemen. They work with the book entitled „Safe Road to School” and every day check their knowledge in practice. We are very pleased that we do not record any road accidents of our pupils, which is an excellent proof that the program is effective and very important.

We do not have to convince any one how important road safety is. Unfortunately, the curriculum basis as regards traffic education in primary schools is insufficient. In the context of the today's road conditions such as quality of roads, intensive traffic, no segregation of road traffic in local roads, driver's in compliance with speed limits, lack of culture on the road, low visibility of pedestrians and cyclists, the traffic education should be considered in educational curriculum to a wider extent. It should especially include the youngest pupils, who enter the traffic without their guardians, are often distracted and do not pay attention to their safety.

The program entitled „LOTOS- Safe road to school” actually contributes to improvement of safety of children on the road and from the point of view of the school director, teachers, educators and parents of our schoolchildren, it is worth appreciating and continuation.

COMMUNITY

Good neighbours

„Good Neighbour“ is a social program realised since 2006 by Grupa LOTOS and addressed to the closest neighbours of the Company. The problem of good coexistence with inhabitants of districts and towns located in the vicinity of the refinery plant has been going back for years.

The social pathologies found in the districts covered by the program as well as the fact that the districts are very poor make explanation of specificity of activities and refinery plant organisation insufficient. The very information about installations protecting against emission of hydrocarbons will not convince the inhabitants of no harmful effects of unpleasant smells. Therefore, it is unavoidable for the Company to engage in activities for local communities aimed at equalisation of social difference by supporting of activities mainly taking children into account.

The strategic aim of the program is to increase awareness of the essence of environment and proecological activities by supporting of education of children and, this way, influencing knowledge of adults. Main addressees of the program entitled „Good Neighbour“ are:

- inhabitants of districts adjacent to the refinery plant, including children,
- members of funds and public benefit organisations operating in the area of the program activities,
- sports clubs conducting their activities in districts covered by the program,
- Councils of Housing Estates.

From the beginning of 2008 until preparation of this Report representatives of Grupa LOTOS met three times with representatives of inhabitants of the area covered by the program. In February 2008 they participated in the meeting with inhabitants of one of the communes adjacent to the refinery plant (the commune of Pruszcz Gdański, the village of Przejazdowo) in order to present plans and possibilities of the Company's involvement in social initiatives organised in Przejazdowo. During the meeting the inhabitants filed their expectations towards the company as regards support of initiatives undertaken by inhabitants and commune authorities. In cooperation with the commune authorities, the Company established proprieties and possibilities of realisation. During the next meeting held in March 2009, the parties confirmed their willingness to cooperate. The effect of this cooperation is the plan of activities realised in 2009.

In September 2008 in the premises of Grupa LOTOS there was a public presentation of the plan of environmental activities undertaken by the company in connection with one of the largest investments in the Polish economy, i.e. the Program 10+. The meeting was attended by authorities of areas adjacent to the Company's premises and representatives of state and self-governmental administration.

COMMUNITY

Relevant initiatives of „Good Neighbour” program in 2008

	Entity	Purpose
financial support	The Public Junior High School in Przejazdowo	Additional financing of purchase of sports equipment, school playground equipment, modernisation of the school football ground – erection of basketball boards.
	The Roman Catholic parish under the invocation of the Painful Mother of God	Additional financing of summer holidays for children and young people from poor families
	The Polish Association of Allotment Owners – the Maria Konopnicka Family Allotment Garden	Additional financing of allotments in the refinery line
	The Fund „Help Yourself and Others”	Additional financing of summer holidays of children and young people „Sunny Holiday in the Island of Stogi”, additional feeding of members of the Fund, organisation of the Christmas Eve and foodstuffs for members of the Fund and poor families
	The J. Beaumont Welfare Support Fund	Funding of scholarships for able children from multiple families, additional financing of summer holidays for children and young people – „Colourful Holidays”
	„Ostoja” Welfare Support House	Additional financing of summer holidays for children and young people – the project entitled „Grandma and Grandpa on Holidays”
	The Primary School No. 29	Additional financing of renovation of the school library
	The Gdańsk Association of Practising Educators	Additional financing of summer holidays for children from dysfunctional families
material support	The Complex of Special Primary and Junior High School Education N°1	A festival organised on the Children’s Day
	The Primary School N°11	An event organised on the Children’s Day
	The Roman Catholic parish under the invocation of the Painful Mother of God	A family Festival
	„Ostoja” Day Welfare Support House	A festival entitled „Artistic meetings”
	The Council of Rudniki Housing Estate	A family Festival
	The Mayor of Przejazdowo	A summer Festival

COMMUNITY

Ecological education

Pursuant to the assumptions of the strategy of social responsibility Grupa LOTOS supports protection of environment and ecology, i.e. widely understood activities connected with structure and functioning of nature. Under the proecological activities, the Company conducts and supports initiatives aimed at raising of awareness of the essence of natural environment and ecological activities through support of the process of education of children and young people. The Company, in particular, engages in co-financing and organisation of competitions and events connected with ecology and addressed to the Company's closest neighbours.

- The competition entitled „Let's Help the Environment and Clean It"

In 2008 the Company organised a proecological competition entitled „Let's Help the Environment and Clean It" and the winning school was granted a donation for organisation of a proecological campaign connected with the International Day of World Cleaning. The competition was realised as part of the program entitled „Good Neighbour" and addressed to schools located in the closest vicinity of Grupa LOTOS. The aim of the program was to raise ecological awareness of children and young people. The competition was attended by schools, which wanted to organise the proecological campaign, prepared the campaign scenario and a plastic waste installation to be subject to recycling. The competition committee decided on results and appointed a winner, namely the primary school No. 29 from the district of Rudniki. The school organised the proecological campaign in accordance with the prepared scenario.

From the beginning of the school year the school pupils competed in collecting of waste paper, plastic bottle or aluminium cans. The collection was complete during the final competition entitled „Let's Help the Environment and Clean It" on 16 September, i.e. on the International World Cleaning Day. In total, pupils collected neatly 6 ton of waste paper, 4 thousand of aluminium cans, 3.5 thousand of bottlers and 12.5 thousand of plastic caps.

- The competition entitled „Energy Resources of Nature".

Under the cooperation with the fund of Respect for Energy Grupa LOTOS engaged in organisation of the competition entitled „Energy Resources of Nature". The competition was addressed to junior high schools and secondary schools and its aim was to activate local environments to discuss the subject of renewable energy sources. The competition included three stages: school, stage, poviat state and provincial stage. During the competition finals, pupils participated in meetings with experts on renewable energy sources. The main award for 10 laureates of the competition and their teachers was a four-day visit in the Royal Institute of Technology in Stockholm. The visitors learned about possibilities of practical use of renewable energy sources on the highest world level.

COMMUNITY

Cooperation with institutions as regards environmental protection

Grupa LOTOS as an enterprise conducting activities in the chemical sector feels particularly responsible for undertaking of prosocial activities for natural environment protection. Apart from the undertaking in the field of ecological education, the Company cooperates with institutions engaged in protection of natural environment.

- The Fund – Agency of Regional Monitoring of Atmosphere of the Gdańsk Conglomeration
Under cooperation with the Fund – Agency of Regional Monitoring of Atmosphere of the Gdańsk Conglomeration Grupa LOTOS provided finances for purchase of numerical weather forecast device for 2008. The cooperation started in 1995 by the Company's funding of two first air monitoring stations, which initiated establishment of the Tri-City network including as many as 10 stations now. The stations measure the following contaminations: sulphur dioxide, nitrogen dioxide, suspended dust PM10, carbon oxide, ozone, ammonium, benzene, toluene and xylenes.
- The „Falcon” Association helping wild animals
In 2008 Grupa LOTOS engaged in the project realised by the „Falcon” Association – a public benefit organisation from Włocławek helping wild animals, dealing with reconstruction of population of the peregrine falcon. To this end, the association installed a nest for peregrine falcons in the funnel of the Heat and Power Plant. The association monitors the nest on a current basis. The organisation conducts activities for active protection of protected species and ecological education.

The participation of experts from Grupa LOTOS in events connected with ecology in 2008.

Organise	Event
AGH University of Science and Technology in Kraków	The Conference entitled „Clean Coal Technology”
The Society of Research on Environmental Transformations GEOSFERA and AGH University of Science and Technology in Kraków	The conference entitled „Transformations of the Natural Environment vs. Sustainable Development”
The Institute of Fuels and Renewable Energy	The Conference on Biofuels „Legal and practical aspects of realisation of „The National Indicator Aim in Poland”
The Technical University of Gdańsk, Chemical Faculty	The international symposium entitled „Environmental Analytics”
The Technical University of Gdańsk, Chemical Faculty, the Pomeranian Centre of Environmental Research and Technology – POMCERT	The Conference entitled „Oils and fuels for sustainable development – AUZO 2008”

CORRUPTION

GRI N°	ASPECT	
SO 2	Percentage and total number of business units analysed for risks related to corruption	
<p>The following documents relating to moral and ethical attitudes expected in the Company are valid for the LOTOS Group;</p> <ul style="list-style-type: none">● The Employee Code of Conduct in the LOTOS Group,● The Manager Code of Conduct in the LOTOS Group,● The Corporate Decalogue,● The Code of Ethics of an Internal Auditor, and● Internal regulations, procedures, instructions with system mechanisms of internal control, good practices of operation of an enterprise, an organisational unit, work position and all organisational levels. <p>Grupa LOTOS established the Office of Internal Audit, which conducts its auditing activities and, as one of the audit elements, refers to existing and potential risks. The office pays particular attention to elements of functional and system internal control as well as diagnosing of irregularities. Cross-sectional analyses and process analyses help the Company to identify places, in which irregularities and abuses occur. Annual and long-term audit plans as well as temporary tasks cover the entire Company. The procedures of internal audit clearly define the audit generality, conducting of tasks and processing of results and reports on the audits.</p>		

GRI N°	ASPECT		
SO 3	Percentage of employees trained in organisation's anti-corruptive policies and procedures		
		Managerial positions	Other
	Total number of employees	148	1098
	Number of trained employees	44	105
	Percentage of trained employees	29,7	9,5

GRI N°	ASPECT	
SO 4	Actions taken in response to incidents of corruption	
<p>During the reporting period, no cases of corrupt practises were identified, which would qualify for institution of court proceedings or any proceedings instituted against the Company with respect to corruption.</p>		

PUBLIC POLICY

GRI N°	ASPECT
SO 5	Public policy positions and participation in public policy development and lobbying
<p>Experts of Grupa LOTOS are active in the process of approval of various documents such as acts and regulations in the draft regulation stage. The Company is active directly as well as indirectly by participating in the process of opinion-making as initiated by sectoral and environmental organisations, of which it is a member.</p>	

GRI N°	ASPECT
SO 6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country
<p>The principles of ethics as adopted by Grupa LOTOS assume political neutrality of the company, which does not support any political parties.</p>	

ANTI-COMPETITIVE
BEHAVIOUR

GRI N°	ASPECT
SO 7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes
	<p>By virtue of the decision of the president of UOKiK as of 21 March 2005, anti-monopoly proceedings were instituted in connection with suspected conclusion of an understanding between Polski Koncern Naftowy ORLEN in Płock and Grupa LOTOS in Gdańsk concerning simultaneous completion of production and distribution of U95 universal petrol. In the opinion of the Company's Management Board and in connection with continuation of production and sales of U95 universal petrol, the charges of UOKiK proved groundless and in April 2005 the Management Board filed a request for issue of a decision confirming that Grupa LOTOS did not use any practices limiting the competition. In July 2005 the Company filed a complaint to the Anti-Monopoly Court as a response to the decision of UOKiK, which limited the access to some of the evidence collected in the case. Regardless of the complaints filed, the Company filed another request in September 2005 concerning issue of a decision that the Company did not use monopoly practices. In October 2005 UOKiK issued a decision on limitation of access to the evidence materials, with respect to which the Company filed its complaint to Anti-Monopoly Court. The District Court – the Court of Consumer and Competitor protection dismissed the complaint. As regards the decision on the complaint, Grupa LOTOS filed in the Appeal Court in Warsaw respective complaints, which were also dismissed. By virtue of the decision as of 18 April 2007 Grupa LOTOS access to evidence materials used in anti-monopoly proceedings was limited, due to the request filed by PKN ORLEN. The subject evidence materials included material collected during the audit of PKN ORLEN in Płock as regards some appendixes to the report on control of offices in Płock. The decision also restricted the company's access to reports on control of offices in Warsaw and appendixes to such reports. At the same time, by virtue of the decision, the request of PKN ORLEN relating to limitation of right of access to evidence materials relating to the report on control of office in Płock was dismissed. On 26 April 2007 Grupa LOTOS filed a complaint to the decision limiting the access of Grupa LOTOS to evidence materials. On 9 May 2007 Grupa LOTOS was summoned by UOKiK to furnish information relating to change of prices of U95 and Pb95. On the same day the Company provided UOKiK with the required information. On 2 August 2007 Grupa LOTOS sent a letter to UOKiK, in which it informed about completion of production of U95 petrol. On 31 December 2007 the president of UOKiK imposed upon Grupa LOTOS a penalty amounting to PLN 1,000 thousand. In connection with the above, Grupa LOTOS filed in the District Court in Warsaw on 17 January 2008 an appeal from the decision. On 23 September 2008 the District Court in Warsaw – the Court of Consumer and Competitor protection sent a response of the president of UOKiK to the appeal of Grupa LOTOS from the decision of the president of UOKiK. In its response to the appeal, the president of UOKiK stated that any charges to Grupa LOTOS both concerning material provisions and formal aspects, are groundless and he filed for dismissal of the statement of claim to the fullest extent as well as awarding of costs of legal representation. The case is pending.</p>

COMPLIANCE

GRI N°	ASPECT
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
	<p>During the reporting period companies of the LOTOS Group did not pay any significant fines or no significant non-monetary sanctions were imposed on the same as a result of non-compliance with the valued provisions and regulations.</p>

G3 GRI CONTENTS INDEX
[3.12]
IN COMPARISON WITH G2

Contents of the Report for year 2008
according to G3 GRI

Seat of contents in the Report for years 2006–2007
according to G2 GRI

STRATEGY AND ANALYSIS 1.1–1.2

- 1.1 Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy
- 1.2 Description of key impacts, risks, and opportunities

ORGANIZATIONAL PROFILE 2.1–2.9

- 2.1 Name of the organization
- 2.2 Primary brands, products, and/or services
- 2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures
- 2.4 Location of organization's headquarters
- 2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report
- 2.6 Nature of ownership and legal form
- 2.7 Markets served
- 2.8 Scale of the reporting organization
- 2.9 Significant changes during the reporting period regarding size, structure, or ownership
- 2.10 Awards received in the reporting period

REPORT PARAMETERS 2.10–2.22

- 3.1 Reporting period
- 3.2 Date of most recent previous Report
- 3.3 Reporting cycle
- 3.4 Contact person
- 3.5 Process for defining Report content
- 3.6 Boundary of the Report
- 3.7 State any specific limitations on the scope or boundary of the Report
- 3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations
- 3.9 Data measurement techniques and the bases of calculations applied to the compilation of the indicators and other information in the Report
- 3.10 Explanation of the effect of any re-statements of information provided in earlier Reports, and reasons for such re-statement
- 3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the Report
- 3.13 Assurance

GOVERNANCE, COMMITMENTS, AND ENGAGEMENTS 3.1–3.20

- 4.1 Governance structure of the organization
- 4.2 Indicate whether the chair of the highest governance body is also an executive officer
- 4.3 The number of members of the highest governance body that are independent and/or non-executive members
- 4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body

G3 GRI CONTENTS INDEX [3.12] IN COMPARISON WITH G2

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- 4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance
- 4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided
- 4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics
- 4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation
- 4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance
- 4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance
- 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization
- 4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses
- 4.13 Memberships in associations
- 4.14 List of stakeholder groups engaged by the organization
- 4.15 Basis for identification and selection of stakeholders with whom to engage
- 4.16 Approaches to stakeholder engagement
- 4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns

MANAGEMENT APPROACH PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS

- EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments _____ EC10
- EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change _____ ∅
- EC3 Coverage of the organisation's defined benefit plan obligations _____ ∅
- EC4 Significant financial assistance received from government _____ EC9
- EC5 *Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation* _____ ∅
- EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation _____ ∅
- EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation _____ ∅
- EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement _____ ∅

ENVIRONMENTAL PERFORMANCE INDICATORS

- EN1 Materials used by weight or volume _____ EN1
- EN2 Percentage of materials used that are recycled input materials _____ EN2

Additional GRI indicators
are marked with italics

**G3 GRI CONTENTS INDEX
[3.12]
IN COMPARISON WITH G2**

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according to G2 GRI**

EN3	Direct energy consumption by primary energy source	EN3
EN4	Indirect energy consumption by primary source	EN4
EN5	Energy saved due to conservation and efficiency improvements	Ø
EN8	Total water withdrawal by source	EN5
EN9	Water sources significantly affected by withdrawal of water	Ø
EN10	Percentage and total volume of water recycled and reused	Ø
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EN6
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EN7
EN13	Habitats protected or restored	Ø
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Ø
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Ø
EN16	Total direct and indirect greenhouse gas emissions by weight	EN8
EN17	Other relevant indirect greenhouse gas emissions by weight	Ø
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Ø
EN19	Emissions of ozone-depleting substances by weight	EN9
EN20	NO _x , SO _x and other significant air emissions by type and weight	EN10
EN21	Total water discharge by quality and destination	EN12
EN22	Total weight of waste by type and disposal method	EN11
EN23	Total number and volume of significant spills	EN13
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Ø
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Ø
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	EN14
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	EN15
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EN16
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	EN34
EN30	Total environmental protection expenditures and investments by type	EN35

SOCIAL PERFORMANCE INDICATORS

LABOUR PRACTICES AND DECENT WORK

LA1	Total workforce by employment type, employment contract and region	LA1
LA2	Total number and rate of employee turnover by age group, gender and region	LA2

G3 GRI CONTENTS INDEX
[3.12]
IN COMPARISON WITH G2

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LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations	LA12
LA4	Percentage of employees covered by Collective Bargaining Agreement	LA3
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	LA4
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs	LA6
LA7	Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities by region	LA7
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases	LA8
LA9	Health and safety topics covered in formal agreements with trade unions	LA15
LA10	Average hours of training per year per employee by employee category	LA9
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	LA16
LA12	Percentage of employees receiving regular performance and career development reviews	⊗
LA13	Composition of governance bodies and breakdown of employees member category according to gender, age group, minority group membership and other indicators of diversity	LA11
LA14	Ratio of basic salary of men to women by employee category	⊗

HUMAN RIGHTS

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	HR2
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	HR3
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	HR8
HR4	Total number of incidents of discrimination and actions taken	HR4
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights	HR5
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour	HR6
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	HR7
HR8	Percentage of security personnel trained in the organisation's policies and procedures concerning aspects of human rights that are relevant to operations	⊗

PRODUCT RESPONSIBILITY

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	PR1
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services by type of outcomes	⊗

G3 GRI CONTENTS INDEX [3.12] IN COMPARISON WITH G2

Contents of the Report for year 2008 according to G3 GRI

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PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	PR2
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling by type of outcomes	Ø
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR8
PR6	Programs of adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	PR9
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	PR10
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	PR11
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Ø

SOCIAL PERFORMANCE INDICATORS

SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	SO1
SO2	Percentage and total number of business units analysed for risks related to corruption	SO2
SO3	Percentage of employees trained in organisation's anti-corruptive policies and procedures	SO2
SO4	Actions taken in response to incidents of corruption	SO3
SO5	Public policy positions and participation in public policy development and lobbying	Ø
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	SO5
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes	SO6
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Ø

APPLICATION LEVEL

GRI Application level	C	C+	B	B+	A	A+
Company's declaration					⊗	

GLOSSARY OF TERMS

Refinery activities related terms

Recertifying audit, Integrated Management System (renewing): the audit, aiming to assess compliance of the management system with the standards requirements. The recertifying audit is carried out in the period specified by the certification unit in order to extend expiration date and issue a new ZSZ certificate.

Barrel: a primary unit of measurement used in crude oil production. One barrel contains 159 litres.

BAT: the best technology concept – means that a method which is the best in a given situation is selected out of all the available methods (*Best Available Techniques*).

BEP: the best methods related to environmental protection practice. The concept of the best practice policy – means that a method that is the best in a given situation is selected out of all the methods (*Best Environmental Practice*).

Biofuel: fuel (containing above 5-percent of biocomponents) that was created by adding the so-called biocomponent, originating from plant products processing, to gasoline or diesel oil. The biocomponent, added to liquefied fuels, is the most often obtained via alcoholic fermentation (the most often ethanol) – gasoline with an additive of ethanol or oil plants seeds processing (e.g. rape seed oil) – *biodiesel*. *Raw gasoline* – gasoline fraction being obtained directly from air distillation of crude oil or from other processes of petrochemical or coking and chemical industry. It is an indirect product to obtain final gasoline.

CDU/VDU: a basic plant used for crude oil processing comprising a *Crude Distillation Unit* (CDU) and *Vacuum Distillation Unit* (VDU).

Certification of Integrated Management System: the system certification means the checking if the management system in the organisation is compliant to the standards requirements, i.e. in the event of Grupa LOTOS standard: ISO 9001 (quality management systems), ISO 14001 (environmental management systems), PN-N-18001 (work safety and hygiene management systems).

HDS (installation): *Hydrodesulphurization Diesel Unit* – a system for the hydrodesulphurization of diesel oils.

HGU (installation): *Hydrogen Generation Unit* – a system for hydrogen production

Hydrocracking: the complex of hydro cracking installations that was started at the beginning of 2000 in the Gdańsk refinery. It produces components that serve production of high-quality fuels with a minimum sulphur content.

ISO: *International Organization for Standardization*.

KAS (installation): an amine-sulphur plant for purifying the refining gases of hydrogen sulphide and for the production of liquid sulphur.

Helsinki Convention: „*The convention on protection of the Baltic Sea maritime area protection*” – known as the Helsinki Convention, was signed

GLOSSARY OF TERMS

in 1974 by all countries with the Baltic Sea coastline, and in 1992 by the newly established Baltic states and the Europe. The Helsinki Convention is the first international agreement taking into consideration all aspects of maritime environmental protection. It aims to protect the maritime environment of the Baltic Sea by prevention against pollutions originating from ships, land, air emissions and those resulting from the sea bottom use. The Convention refers not only to the Baltic Sea, but also its entire drainage area, covering more than 1.7 million square kilometres. The executive body is the Helsinki Commission (HELCOM) – the main ecological policy maker for the Baltic Sea area.

Light heating oil: *LOO* – has a lower sulphur content and density than the heavy heating oil. It is mostly applied in household boiler rooms. Grupa LOTOS sells high quality *LOO* under a brand name of LOTOS Red.

LPG: *Liquefied Petroleum Gas* – this is a liquefied gas being a mixture of propane and butane, originating from the crude oil processing. *LPG* is used inter alia as engine fuel, or fuel that is burnt in household gas cookers.

MHC: *Mild Hydrocracking* – a hydrocracking plant that operates in slightly milder conditions than a standard hydrocracking system

PN-EN standard ISO/IEC 17025: general requirements related to competencies of research and calibrating laboratories – the standard defines requirements for management systems in the laboratories. The idea behind the PN-EN ISO/IEC 17025 standard is to establish guidelines for the laboratory, referring both to the quality management and technical requirements as to its proper functioning. The standard can therefore be perceived as technical supplementation of the ISO 9001:2000. As a result, each organisation that meets ISO 17025 requirements also meets the ISO 9001:2000 requirements; however not the other way around.

Base oil: the main components of lubricant oils, usually mineral of crude oil origin (paraffin wax or naphthene) or synthetic (e.g. hydrocarbon, esoteric, polyglycol, silicone) being a product of a synthesis reaction of various output materials, and from which final lubricant oils are obtained upon adding respective refining additives packets.

Lubricant oil: a composition consisting of the base oil and refining additives. The quantity, type and mutual proportions of the components

decide about the class of the oil produced. Their main task is to reduce friction between surfaces of two contacting and bilaterally cooperating movable elements of mechanical devices. The lubricant oils are used in automotive sector and in industry. *The base oil* – the non-refined oil, without additives, originating from crude oil processing. It constitutes the basic raw material for production of lubricant oils. *Oxidation* – one of the main technological processes used for production of asphalts as a result of controlled oxidation of heavy vacuum residues. In the oxidation process, asphalt is made of increased hardness (penetration), allowing for using it as adhesive inter alia for roads construction.

Jet A1 Fuel: high quality aviation fuel dedicated to jet engines, and obtained in the so-called *naphtha sweetening* process on Merox type of installations. About 80-percent of *Jet A1 fuel* produced in 2006 by Grupa LOTOS was exported, inter alia to the United Kingdom, Sweden, Denmark, Norway, Finland, and the Czech Republic. The aforementioned fuel is successfully supplied by Grupa LOTOS to domestic airports in Wrocław, Szczecin, Bydgoszcz, Rzeszów, and Gdańsk.

Paraffin wax: a mixture of solid saturated hydrocarbons, separated from crude oil fraction. It is applied for production of e.g. candles, floor polishes, and as insulating material.

Drilling washer: liquid or gas medium applied in drilling sector. The task of the washer is inter alia to bring up drilling material – crumbs, rock dust made as a result of holes drilling.

Semi product: inter alia wild gasoline or base oil are semi products in the production refining process of the Gdańsk refinery.

Program 10+: the program under which until 2010 a number of modern technological installations will be developed in the area of the Gdańsk refinery and thanks to them the plant will considerably increase its processing and production capacities. Upon completion of the of the program, the Gdańsk enterprise will become one of the most technologically advanced and effective refineries in Europe.

Agent fuel stations: the facilities owned by the company LOTOS Paliwa and managed by outsourced firms.

GLOSSARY OF TERMS

Partner fuel stations: the facilities operating under the LOTOS brand name under the trade partnership based on long-term franchise agreement.

Patron fuel stations: the facilities operating in colours of the former refinery Rafineria Gdańska on the basis of patron agreement.

Crude oil derivative goods: products available on the market and obtained through the crude oil processing inter alia: gasoline, diesel oil, lubricants, or engine oils.

Plant Production Control (ZKP): permanent and systematic internal control of the product and the production process is carried out by the product manufacturer in order to ensure stability of the production process and obtain repeatable attributes of the product in compliance with assumed technical requirements. ZKP puts an obligation on construction

products manufacturers – the construction products compliance assessment system was agreed under the *Regulation* as of 11 August 2004 by the Infrastructure Minister on the ways to declare compliance of construction products and their way of labelling with construction mark that defines compliance systems required for specified groups of construction products.

B3 Oil Field: a marine natural gas and oil field located about 73 km north of Rozewie. In operation since 1992, it hosts the Marine Oil Mine (Morska Kopalnia Ropy). At the moment, it is the main source of crude oil extracted by Petrobaltic.

B8 Oil Field: a marine natural gas and oil field located about 68 km northeast of Rozewie. It is being prepared for mining operations that are to begin in 2008.

GLOSSARY OF TERMS

Terms related to corporate social responsibility

Donation: the form of agreement in which the donor takes an obligation to provide free of charge to the donation beneficiary at the cost of own property. Donation can be made both by physical persons and legal entities. The subject of donation can include real estates and movable assets, money, and also property rights, but it cannot be free provision of services.

Social dialogue: information flow and presentation of points of view, related to social problems and issues between the parties, which may be public institutions, entrepreneurs, and non-government organisations. It is a form of representation of interests of individual parties. The source of its success is reliable information flow between the parties and co-operation.

Business ethics: taking a moral aspect in business, i.e. using the solutions that meet moral requirements with strategic interest of the company. The business ethics defines ethical standards of behaviours, general rules, business practices and values.

Stakeholder: the person or the entity interested in the company activities and bearing various type of risk, related to its operations, and those persons or the entities that are affected by the company's activities. Polish equivalent of the English term stakeholder (*stake=stawka*). Unlike the shareholder, interested first of all in a business profit of the company, the stakeholders are a much wider group including inter alia: employees, clients, creditors, suppliers, government administration, and in a wider context local social community, natural environment, public

opinion. This term was introduced by Stanford Research Institute in 1963.

Socially responsible investments: integration of the company welfare with social company welfare when taking investment decisions. Social investing assumes both financial needs of the entrepreneur and a social impact of its activities. In other words: *social investments, socially responsible investing, SRI*.

Human capital: employees of a given company, contributing to its activities and development, having specific knowledge, skills, and talents.

Ethical code: a set of regulations regulating the moral life area. Besides general guidelines saying about reliability and honesty that are required in business activities and in taking actions friendly for social development and being in no conflict with moral standards and community behaviours, the ethical code in business activities points out to specific „behaviours“ of the organisation.

Organisational culture: a set of standards, values, behavioural patterns, attitudes and assumptions and symbols that determine the way of thinking and performance in a given company and that define communication and proceeding standards.

Non-governmental organisation: voluntary organisation, acting independently from state government and political structures, showing a non-profit approach in its activities. It operates to the benefit of social

GLOSSARY OF TERMS

issues and public welfare. To a large extent its activity is based on voluntary activities (*non-governmental organization, NGO*).

Company mission: a set of permanent goals and objectives of the company. It contains values believed by the company management board and is the basic guideline for the company operations. The company mission defines its identity and organisational culture.

Social scheme: the scheduled actions aiming to solve or act against a specific social problem. It may be realised either jointly or independently by public institutions, business and social organisations.

Social report: the report that is issued by the company and presenting overall company strategy and its social policy. It takes into account economic, social, and ecological aspects of the company activities.

Corporate social responsibility: the strategy that assumes voluntary consideration of social interests by the company when striving to achieve economic targets, taking decisions and actions. *CSR* assumes compliance with ethical rules, employee rights, human rights, as well as social and natural environments. It is assumed that the corporate social responsibility should besides economic goal of the company be an integral part of the enterprise policy (*Corporate Social Responsibility, CSR*).

Corporate community involvement: touching on social issues by the company and participation in solving social problems. It is a notion that is narrower than the corporate social responsibility. It refers to various forms of activities undertaken by the company in the social community. It includes various methods of the corporate involvement, such as: financial support, material assistance, employee voluntary activities.

Social involvement makes the company more trustworthy in the eyes of the public opinion and builds its positive outside image (*corporate community involvement, corporate community investment*).

Local social community: the population living in a given area, combined by social link, common tradition and culture. The local social community is created by inhabitants of a village, town, district or a municipality.

Sponsoring: mutual obligation of two parties, sponsor and the sponsored person. The sponsor transfers financial support, material resources, or provides services to the sponsored person, in exchange for promotional benefits provided by the sponsored person. Sponsoring is a planned and conscious activity, serving to create positive corporate image. It is often a part of long-term corporate marketing strategy.

Employee voluntary activities: it takes involvement of corporate employees in voluntary work to the benefit of social organisations. The employees-volunteers perform various types of works to the benefit of the needy ones, at the same time using their skills and abilities, and thus developing their talents in other areas. The company supports its employee in those activities – depending on its organisational culture: delegates an employee to work as a volunteer during business hours, provides material assistance, logistical and financial support (*corporate volunteering*).

Sustainable development: the way of socio-economic development that is harmonised with natural environment. The sustainable development idea assumes skilful use of resources (social, human, or resources of the earth) so that they could also be used in the future (*sustainable development*).

Terms related to social responsibility have been prepared on the basis of information available on websites:
www.filantropia.org.pl
www.fob.org.pl
www.pfcg.org.pl

Letter from the President	1 The Organisation Profile	2 The Report Profile	3 The Structure and System of Management	4 Involvement	5 Economic Activity Aspects	6 Environmental Activity Aspects	7 Social Activity Aspects
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Acquisition of additional information

Additional information on business activities, as well as social and environmental aspect of the LOTOS Group operations, is available on the internet website of Grupa LOTOS www.csr.lotos.pl.

Any questions related to the social liability of the Company should be addressed to Grupa LOTOS at the following address:

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Martis CONSULTING
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