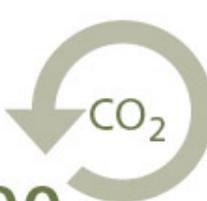
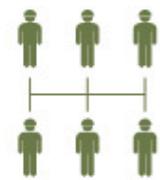


Sustainable development

Our objective is to create company value through utilisation of human and material resources and implementation of development programmes in the areas of oil exploration and production, processing and trading. These programmes are pursued in compliance with the principles of sustainable growth, which we understand as the continuous effort to reduce our environmental footprint, and paying due regard to the intellectual capital and experience of our personnel. Application of the principle of sustainable development and social responsibility in business translates into the production of high quality products with the lowest possible impact on people and the environment in the place of their use.

IN THIS CHAPTER

<p>Interview with President of the Board</p>  <p>Win the future</p>	<p>Participation in government policies</p> <p>PLN 3.9 bn until 2015 on hydrocarbon exploration and production projects</p> 	<p>Strategic goals</p>  <p>Social Responsibility 2012-2015</p>
<p>The Environment</p>  <p>100,000 tonnes of CO₂ less in 2012</p>	<p>Society</p> <p>721 hours of training on human rights</p> 	<p>Employees</p> <p>99% of employees covered by the Collective Bargaining Agreement</p> 

Win the future. An interview with Paweł Olechnowicz, CEO of Grupa LOTOS S.A.



Yes. 2012 saw the ultimate success of the 10+ Programme, an investment project which gave the Grupa LOTOS refinery completely new capabilities in terms of volumes of crude oil processed and the quality of the crude distillation itself. The business strategy adopted towards the completion of the investment project defined the shape of the company in subsequent periods – in 2015 and in 2020. However, the strategy said little about the values that needed to be embraced and awareness demonstrated by the LOTOS workforce in order to accomplish all of the strategy's objectives. Those aspects were looked at in 2012, and drew on all our experience in the last decade, common to all of our employees.

The first ten years of building the LOTOS Group were abundant in particularly noteworthy and important events. We had set out to create a strong corporate group, a vertically integrated oil concern, at a time when even the phrase "oil concern" itself sounded unrealistic in Poland. When we completed the 10+ Programme, the largest economic investment project in our part of Europe, it was because we shared a vision and belief in our ultimate success. That experience helped crystallise our attitudes for the coming years and lay the foundations for a clearly defined code of values - not one imposed on us externally, but developed by ourselves, for ourselves. Last year, that code became an official part of our corporate policy.

So, in 2012, we were focused on creating formal grounds for the internal, qualitative development of the company. We need to develop it further in order to effectively leverage the potential built over the past decade, and these days, a coherent and unifying system of values is a source of competitive advantage on the market.

Grupa LOTOS is set to embark on many ambitious and far-reaching plans, which we want to implement just as eagerly and sincerely as we did the 10+ Programme. Our positive experiences in the past should enable us to make the changes necessary for the company's growth, and reinforce a management style based on values shared by all employees.

Our goal in 2012 was to develop a system of ethical values that would guide our workforce and make their work more efficient and effective. 2012's 'strategy spotlight' was on soft skills and competencies, so a representative group of our employees and management staff contributed to the development of the CSR Strategy for the LOTOS Group until 2015. One of the principal goals of the strategy was to set up an Ethical Conduct Programme, with the Code of Ethics at its core.

In the course of public consultations encompassing all our employees, both in Poland and abroad, we then arrived at a set of ethical principles for LOTOS. These principles define the values by which our employees are expected to work, irrespective of their position, assigned tasks or place in the LOTOS Group's structure, and are the basis for further indispensable changes within it. Having now developed a culture based on values and social responsibility, we are moving ahead, well-prepared to tackle the potential challenges of the future. The time we spent enhancing our soft skills was a necessary phase that prepared LOTOS for another transformation. And so, with many businesses trying to figure out how to get by in hard times, we have already positioned ourselves to win the future.

- What will the next transformation actually involve?

For 2013, we have initiated 'Efficiency and Growth', a new growth-oriented programme. The name itself indicates the goals behind its planned changes. Drawing on the last decade's work and experience, we want to take a big step forward and free the investment potential of the LOTOS Group companies. On one hand, the programme will enable some of the companies to function under a new organizational and capital framework, which will facilitate finding them strategic partners able to effectively boost their market positions in areas not directly connected with the oil industry. On the other hand, it will enable other LOTOS Group companies to increase their operational efficiency while mitigating investment risk, which is very important given the current market climate.

When talking about the meaning of the change, I must stress that it will involve strong incentives, both for management staff and other workers. In these challenging times, when most would rather wait and see, we are proposing a growth programme that is also of interest to our employees and business partners. We communicate responsibly with the workforce, explaining how we intend to redefine our capital, including our intellectual capital. Man lies at the core of these changes. That is the focal point of the new programme.

LOTOS has had positive experiences from its times of change. Don't forget, the Gdańsk Refinery was transformed into a globally recognised oil concern by essentially the same people. It is this social capital that provides the grounds for our long-term growth and offers us the opportunity to create new jobs and develop innovative business models that are also beneficial to our environment.

- Can you please comment on the situation of the Yme field and the prospects of LOTOS producing its own crude oil from deposits under the Norwegian Sea?

As we have repeatedly reported, serious technical problems occurred on the Yme field, which could not be successfully resolved by the two companies responsible for its development and launch of production, SBM Offshore (the production platform's owner) and Talisman Energy (the Yme field's operator). The dispute between these two entities has had serious stock market repercussions and grave financial consequences for them and in this situation, LOTOS could only choose between two courses of action: either start a legal battle and fight it over many years to come with an uncertain outcome or take steps which are both constructive and pragmatic from an economic perspective aimed at resolving the problem. We opted for the second option, which turned out to be absolutely the correct decision. Under the agreement concluded on March 12th 2013, the defective platform will be removed from the Yme field, which will open the way for the future exploitation of the field. Also, the Yme licence holders, including LOTOS Norge, received a total of USD 470m in damages. I wish to stress that we were not only the initiator but also one of the main driving forces behind the conclusion of this agreement.

At the initiative of Grupa LOTOS, negotiations between the parties aimed at resolving the dispute over the future exploitation of the field started in June 2012 in Gdańsk and, owing to the rational cooperation and good will expressed by all licence holders, an agreement was reached. The involvement of Grupa LOTOS managers responsible for the project as well as of legal and financial advisors of the Company proved to be crucial to the success of this complicated operation.

Thanks to the concluded agreement, LOTOS regained the possibility to develop the field in an alternative way or to sell its stake in the Yme licence on the free market.

In 2013, LOTOS plans to further expand its Norwegian Continental Shelf activities and acquire stakes in production licences, which will allow us to activate the 'tax shield' and recover most of capital invested in the Yme field.

- The CSR Strategy and the Ethical Conduct Programme, as well as the above-mentioned Efficiency and Growth Programme, are not the only commitments undertaken by LOTOS towards society in the previous year. The company is among the signatories of the Declaration of Polish Businesses for Sustainable Development, also announced in 2012.

The commitment to operate taking into account the perspective of sustainable development is not only a part of our strategy - it is written into our mission as well. Considering how important sustainable development is to us, we have responded to an invitation extended by the Ministry of Economy to collaborate on a document defining the key challenges for Polish entrepreneurs up to what seems to be the long-term perspective of 2050.

The vision of sustainable development described in the Declaration prioritises the following six key areas: social capital, human capital, infrastructure, natural resources, energy, and the quality of the state and its institutions.

We mentioned one of the priorities - energy - in June 2012 after signing the Declaration, when we highlighted the energy security aspect of ensuring stable energy supplies to the Polish market. Equally important for the LOTOS Group's operations are natural resources, including energy carriers such as natural gas and crude oil, as well as soil, water, air, biomass and the ecosystem. One must be aware that it is business that has largely been responsible for the way natural resources have been used to date - the industry, transport, service and agricultural sectors use approximately 70% of the world's energy resources. We must alter production and consumption patterns to make them more sustainable and embrace recycling as a means of curbing wastage of materials and energy.

We are always open to new solutions. Partnering with companies such as PGNiG or CalEnergy creates opportunities for us to operate on a wider scale in the feedstock and materials market. We are also interested in taking advantage of the opportunities offered to the Polish economy by the new Polish Investments programme. In 2012 we began working with Azoty Tarnów, which led to us becoming one of the first beneficiaries of the programme. We are also now in the process of analysing the terms of various potential investment projects.

Numerous innovative solutions are also being developed at the refinery, and we are striving to maximise the reuse of natural resources. We seek to constantly improve the efficiency of energy use by replacing old equipment with new and more efficient facilities, monitoring energy consumption and identifying ways to save energy, as well as by recovering energy from flared gas.

Businesses are surrounded by the natural environment and frequently have a negative impact on ecosystems. This fact cannot be ignored and we must not irresponsibly pollute the environment with waste energy and dirty water. Frugal management of resources, environmental protection, use of modern, low-emission technologies, as well as educating customers and subcontractors is not merely a fashionable trend available to just a few. It is a challenge for all companies in Poland, notwithstanding their size. We are guided by this principle at LOTOS.

Ignoring major challenges, such as climate change, and treating them as remote issues not only leads to environmental degradation and impacts future generations, but also hampers our efficiency and competitiveness. In 2012, Grupa LOTOS made an environmentally beneficial change by introducing natural gas as the main energy carrier and feedstock in our hydrogen production. In this way we accomplished two goals: we lowered our emissions of hydrocarbon dioxide –

which is the most common greenhouse gas – by 100,000 tonnes in 2012 alone, and achieved a significant reduction in the emission of other pollutants, including an almost 1,500 tonne and 150 tonne reduction of sulphur dioxide and particulate emissions. Such actions are clear evidence that declarations of care for sustainable development are not just words, but also everyday practice for LOTOS.

- Even so, the oil sector is now facing sustainable development challenges with respect to which the efforts of a single company are definitely not enough, and decisions by both national government and the European Commission have substantially affected the operations of businesses active in the oil industry.

In the sector in which we operate, there are indeed several major challenges resulting from these decisions, and Grupa LOTOS is actively engaged in devising appropriate solutions to them. We play a key role in the national energy security system. Consequently, issues related to national energy security are taken into account both in our business strategy and in the LOTOS Group's CSR strategy.

One example of the issues which require our attention is the existence in Poland of the National Indicative Target (NIT), which is met through the use of biocomponents and biofuels. These are more expensive than mineral fuels, so achieving NIT targets has a tangible effect on the cost of energy in the transport sector. We believe that the potential reduction of the NIT would be a good solution, and we are also looking forward to the possibility of achieving our NIT target by using new technologies, such as co-hydrogenation technology, and by making use of renewable sources, such as biogas and green electricity.

Another important change may follow from the European Commission's proposals aimed at changing the energy taxation system, which are designed to tie tax rates to a fuel's calorific value and CO₂ emissions. Such modifications may entail the risk of altering the structure of transport fuel's demand. Together with the Polish government and also as a member of the Central Europe Energy Partners (CEEP), we have taken steps to prevent any unfavourable solutions. Our activity in the EU forums finds confirmation in the growing number of industry representatives within the CEEP. We expect that together, we will ensure that the CEEP favours prospects which take into account the challenges of sustainable development.

Participation in government policies

Grupa LOTOS participates in the implementation of governmental policy concerning the energy sector. Our representatives are part of expert teams appointed by the state administration to develop new legislative solutions for the energy sector and participate in public consultations concerning draft laws governing the sector.

Moreover, Grupa LOTOS representatives attend meetings of the Intergovernmental Commission of Russia, Kazakhstan, Azerbaijan, Ukraine and Belarus. We support the Ministry of Economy, the Ministry of the State Treasury and the Ministry of Foreign Affairs by providing them with information for the purposes of top-tier governmental meetings devoted to the functioning of the energy sector.

In accordance with the LOTOS Group's Code of Ethics, we are apolitical, which is evidenced by the fact that we do not support any political groups.

This allows us to participate, based on transparent rules of conduct, in lobbying activities, as well as to implement governmental policy and create laws on energy sector issues, with a particular focus on the fuel sector. We also liaise with public administration through the industry and business organizations to which we belong.

In line with the business strategy of the LOTOS Group for 2011-2015 and its development directions until 2020, one of our strategic goals is to increase our role in enhancing the security of Poland's energy sector by increasing hydrocarbon production and the oil conversion ratio, improving Poland's fuel balance and exploiting synergies between the refining and other segments of the sector. Moreover, one of the key goals of the CSR Strategy until 2015 is to launch and support initiatives that enhance energy sector security at home and in other countries where Grupa LOTOS has a business presence, in a socially and environmentally responsible manner.

The fact that key company documents contain provisions on supporting Poland's energy security confirms the importance of the issue in our operations.

In 2012, the LOTOS Group implemented these goals through numerous initiatives undertaken at home and abroad. These included:

- Work on integrating the energy sector within the EU common policy;
- Provision of information and expert support in growth and infrastructure projects initiated by the government and aimed at improving energy sector security, such as shale gas exploration;
- Taking an active role in the law-making process for energy sector regulations in Poland and the EU.

LOTOS Group strategy is geared towards dynamic development of the upstream segment (hydrocarbon exploration and production). This is fully consistent with the LOTOS Group's policy of active participation in strengthening Poland's energy security.

Research on unconventional resources

In 2012, LOTOS Petrobaltic, together with other entities including higher education and research institutions, created a scientific consortium to support the development of innovative technologies for exploration for and production of natural gas from unconventional sources in Poland. The consortium was created to carry out research projects as part of the Blue Gas - Polish Shale Gas programme. This joint project of the National Centre for Research and Development and the Industrial Development Agency supports leading R&D projects in shale gas exploration and production. This is a major step towards setting up a regular forum for the exchange of R&D concepts and ideas, ensuring access to the results of joint work and facilitating the development of solutions specific to as yet untested unconventional resources in Poland.

Pursuant to its current strategy, the LOTOS Group plans to explore for shale gas within its licence areas on the Baltic Sea and in Lithuania. We plan to spend PLN 3.9bn on projects related to hydrocarbon exploration and production by 2015. The main partner for these efforts in Poland will be Polskie Górnictwo Naftowe i Gazownictwo.

Participation in law-making processes

We participate in the work on amendments to the Act on Mandatory Fuel Stocks in Poland, aligning the existing legal framework to EU requirements (Directive 2009/119/EC), as well as in the work on energy from renewable sources in transport (Directive 2009/28/EC, Directive 2009/30/WE). We have also taken part in opining draft laws governing the energy sector, such as the Energy Law, the Gas Law, the Geological and Mining Law, as well as the Act on Renewable Energy Sources. We are also involved in the legislative process to curb the grey market and consolidate the regulations on liquid fuels to form a single act - the Petroleum Law. We have taken part in issuing opinions on draft amendments to the Act on Liquid Biocomponents and Biofuels, as well as draft amendments to the Act on Fuel Quality Monitoring and Control Systems, amongst others.

Central Europe Energy Partners (CEEP) work

In 2012, Grupa LOTOS became involved in CEEP, as one of the founding members of the association. CEEP is an international think-tank representing the interests of Central Europe's energy sector in the European Union.

CEEP is actively engaged in all key events relating to the energy sector and organised by the EU. It has participated in consultations organised by the European Commission and in the preparation of expert materials for EU institutions, and has been a member of working teams, including at the Berlin Fossil Fuels Forum and the European Energy Nuclear Forum. CEEP is also a partner of the Coal Round Table in the European Parliament and supports the Shale Gas Round Table. CEEP also co-organises the largest coal sector event in Brussels and Belgium – the European Coal Days in the European Parliament. What is particularly important to us is the ability to participate through CEEP in the Refining Table of the European Commission, as this enables us to present our views on the EU forum.



In 2012, Ernst & Young prepared the Analysis of Central European Energy Sector report, also called the Prague Report, which was commissioned by CEEP. The report shows the current situation and the challenges faced by the energy sector in Central European countries. It was presented in several European cities, such as Prague, Budapest, Vilnius, Berlin, and in Katowice, in meetings attended by representatives of EU institutions and countries, as well as of the industry.

In 2012, CEEP carried out a pioneering project in Central Europe when it organised in Budapest the first Energy Summit '29+1' Conference of "29" CEOs and board members from the largest energy sector companies in the region, and the



"The Energy Sector in Central Europe. Challenges, Opportunities and Pitfalls" conference in Prague. April 2012. Günter Verheugen, former European Commissioner for Enterprise and Industry, is taking the floor.



CEO Paweł Olechnowicz actively participated in the "Energy Summit 29+1" conference in Budapest. October 2012.

"1" EU Commissioner for Energy, Günther Oettinger. The conference was a space for the free discussion and exchange of opinions, and another such meeting is planned for 2013 in Vilnius.

Development of petrochemical business

Development of petrochemical business In 2012, we also began working on a new growth project – diversification into petrochemical operations. In November of that year, Grupa LOTOS signed an agreement with Zakłady Azotowe w Tarnowie-Mościcach (Azoty Tarnów) on a preliminary feasibility study for a project involving construction of a petrochemical production complex, with two alternatives examined – a pyrolysis (steam cracker) complex with polyolefin production, or an aromatics complex. Once the results of the feasibility study are known, design work on the selected alternative can start.

The new project and the alliance with Azoty Tarnów will produce synergies in an extended process chain that makes possible the production of highly-refined products and petrochemical intermediate feedstock, with efficient utilisation of the existing industrial infrastructure and close proximity to the Gdańsk port.

Strategic goals

Corporate social responsibility and sustainable development are part of the vision of LOTOS Group operations, and are reflected in both the Business Strategy and the CSR Strategy. In 2012, the Board of Grupa LOTOS approved the updated CSR Strategy for the LOTOS Group, effective – just like the Business Strategy – until 2015.

When working on the new strategic perspective for the CSR, we had the ISO 26000 standard in mind, which describes CSR as taking responsibility for the impact of an organization's decisions and actions on society and the environment by acting in an ethical and transparent way, all of which:

- Contributes to sustainable development;
- Takes into account the expectations of stakeholders (persons or groups interested in the company's decisions or activities);
- Is in compliance with applicable law and consistent with international behavioural norms;
- Is integrated throughout the organization and practised within its sphere of influence.

In line with the principles we follow, as a socially responsible business we seek to:

- Consider the social and environmental aspects of our decisions,
- Take responsibility for the impact of our decisions and actions on society and the environment,
- Build business models contributing additional value to the company and its stakeholders,
- Integrate business goals with important social and environmental issues.

The LOTOS Group's Corporate Social Responsibility Strategy until 2015 has defined the objectives to be achieved in individual areas of activity. For each of these objectives, a set of targets and action plans has been created to support the achievement of the results envisaged in the Strategy.

- **With respect to investment in human resources**, our objective is to ensure the availability of the highly qualified staff required to successfully implement our business strategy and enhance our corporate culture based on adopted values.
- **As regards health and safety**, our priority is to increase the awareness and involvement in work safety improvement among management staff, employees and contractors.
- **As regards integration with the local community**, our principal goal is to undertake initiatives that help to ensure lasting solutions to social and environmental issues vital to our local communities.
- **In the area of management of natural resources in the production process**, we seek to reduce environmental risk and continually minimise the environmental impact of the LOTOS Group's operations.
- **In terms of ethics and the prevention of misconduct**, we seek to improve our management by ensuring ethical conduct and the transparency of business processes, as well as by protecting the organization against misconduct.

- **Our strategic goal with respect to partnership relations with the market environment** is to build lasting customer relationships by focusing on understanding customers' needs and ensuring expected product quality and safety.
- **As regards energy sector security**, our objective is to support initiatives designed to enhance energy sector security in a socially and environmentally responsible manner.
- **As regards communication**, we aim to ensure that communication with employees is timely and appropriate to their various needs. We also seek to build organizational culture based on multi-directional, open communication, including through the development of a system of public consultations within the LOTOS Group.



**Jowita
Twardowska**

Communication &
CSR Director at
Grupa LOTOS

More effective CSR

In order to achieve the highest possible level of effectiveness of our CSR strategy we have developed - following large-scale consultations - detailed operational plans and target measures in each key area defined in the strategy. Implementation of these plans is overseen by individual area leaders, who report to the Board of Grupa LOTOS. Our practice in this respect is the same as in the case of the business strategy.

For the purposes of internal reporting of our results, in 2012 we created a special tool for monitoring the progress of the CSR strategy's implementation over the coming years. This monitoring tool, tailored to the current business reporting needs of the Company, enables us to present our implementation progress on several levels: cumulative level of CSR objective implementation, individual areas and key objectives, operational targets and actions. Each key area of the strategy is assigned weights compliant with the criteria applied to assess the organizational maturity of the LOTOS Group.

In considering all of the above criteria in the period under analysis, we implemented the key objectives assumed for 2012 to 96%. We also implemented 93 of 97 planned operational actions. The few deviations from the plan were caused by organizational and technological changes within the company, and as such were a result of objective circumstances.

CSR mechanisms in the LOTOS Group are evaluated in terms of maturity on a par with other key management areas. The evaluation has been made every year since 2011, when its pilot implementation took place. This internal mode of strategy evaluation gives us appropriate notice of risks related to the implementation of CSR strategy and allows us to take any necessary corrective measures, and also with respect to other key management areas.

It should be emphasised that CSR, which is included as part of mainstream management thanks to the mechanism described above (amongst other things), supports the improvement of many practices in our organization and helps to enhance its operational efficiency at large. Skilfully implemented strategy engages the company in attaining set objectives in all areas that affect its business operations. The co-existence of the social and business perspectives also has educational functions, increasing employees' awareness of sustainable development and CSR issues.

Another effective element of our efforts is the openness of our relations with our business and social partners in the pursuit of sustainable development, both within the industry and generally in relation to society. Our commitment is evidenced by the fact that we are among the signatories of the **Declaration on Sustainable Development in the Energy Sector in Poland**, initiated by Polskie Górnictwo Naftowe i Gazownictwo, one of our key business partners. The Declaration emphasises:

- The need to ensure the efficient functioning of companies and the industry while maintaining due regard for both energy security and environmental protection,
- The need to jointly promote energy-efficient solutions, develop and implement cleaner and more efficient technologies, overcome investment barriers in the energy sector and take environmental impact into consideration at all stages of a

project's execution,

- The need to build an open market, where customers and energy providers can successfully assert their rights,
- The need to take care of customers, including socially vulnerable ones, by deploying schemes aimed to facilitate their access to energy,
- Participation in development of renewable energy sources, and harnessing of the potential offered by scientific and technological innovation; working towards a consistent and stable regulatory framework,
- Improvement of occupational health and safety and taking initiatives aimed to ensure equal career opportunities for men and women.

Environmental policy

As stated in the declaration included in our mission, the LOTOS Group aims at conducting all areas of its business in a sustainable manner, with respect for the environmental conditions specified by law, and in keeping with the code of Corporate Social Responsibility (CSR).

Our environmental policy is focused on clean production, understood as a continuous effort to reduce the consumption of utilities and raw materials, reduce emissions, manage waste effectively, as well as to ensure the safety of industrial processes for effective prevention of plant failures. We apply the prudence principle by identifying and properly managing risk on all stages of our business activities, starting from exploration & production, to planning and executing operational activities, to marketing. When assessing individual risks, we take into consideration their potential environmental impacts, people's health and safety, etc. We review the risks, together with the assessment of their environmental impact, also when executing individual projects, including investment undertakings. Preventive measures put in place depend on the detailed analysis of all risks and their importance for the functioning of the entire organization and its external environment.

Application of the principle of sustainable development and social responsibility in business translates into the production of high quality products with the lowest possible impact on the environment in the place of their use.

Environmental responsibility is one of the three most important areas of our social responsibility strategy, and also supports us in reaching business objectives in each segment of our activities.

PILLARS OF THE LOTOS GROUP'S CORPORATE SOCIAL RESPONSIBILITY STRATEGY UNTIL 2015

I SOCIAL RESPONSIBILITY	II ENVIRONMENTAL RESPONSIBILITY	III BUSINESS RESPONSIBILITY
<p>Creating values beneficial to social environments</p>	<p>Creating values beneficial to the natural environment</p>	<p>Creating economically beneficial values</p>
<p>We are committed to respect for intellectual capital and diversity, and respect for human rights, including the freedom of speech and freedom of association. We contribute to the creation of new jobs and the improvement of the quality of human capital in the areas of our impact. We actively counteract exclusion and other social problems in the spheres of our competences.</p>	<p>We strive to continuously reduce the negative impact of our business on the environment through the application of high standards of extraction, production and processing of hydrocarbons, and also by meeting the demanding environmental standards in production, transportation and sale of petroleum products. In our upstream operations we employ the best available techniques and rules of conduct, constantly analysing the opportunities offered in this area by new technologies. We also aim to identify and develop opportunities for obtaining energy from renewable sources.</p>	<p>We place great importance on the management of our relations with the environment in a predictable and reliable manner, consistently with the principles of ethics and in keeping with the rules of transparency and partnership. This has an impact on the way in which we aim to profit and increase in value in the long term perspective. Our responsibility manifests itself in our initiation of activities aimed at increasing security in the energy sector in a responsible manner, both towards society and the environment. We provide a stable supply of fuel to the market, as well as participate in the exploration and production of hydrocarbon deposits, including unconventional ones.</p>

The key objective of the LOTOS Group's CSR Strategy in the area of natural resource management in the production process is to reduce environmental risk and strive to continually minimise the degree of negative impact on the environment.

Achievement of the objectives of the CSR Strategy is subject to monitoring in the periods that coincide with the assessment of the level of implementation of the LOTOS Group's business strategy.

In addition, the vast majority of companies in the LOTOS Group, being a part of an integrated management system, are operating within a certified environmental management system, compliant with the requirements of the PN-N-14001 standard. The system assumes the existence of functioning procedures for the identification of environmental aspects at all stages of business, the setting of environmental tasks and objectives and proper control of waste management, as well as the monitoring of processes and activities that have an impact on the environment. A detailed plan for environmental monitoring of all areas of our operations is also clearly defined. If any deviations from the assumed parameters are identified, immediate corrective action is undertaken and suitable preventative measures implemented in case of any potential environmental risk.

Treating environmental protection as one of the key distinguishing features of the company's culture is additionally reflected in our Code of Ethics, which has been in force since 2013.

Conducting business in a manner that promotes environmental protection and mitigates the environmental footprint of the LOTOS Group's industrial facilities, which could affect the well-being of the people living in their vicinity, are among our key priorities. We are intent on developing in a sustainable manner, with due regard for the needs of future generations. We use natural resources and energy rationally, while employing environmentally friendly technologies, which meet the criteria of *Best Available Techniques*. We also seek to promote environmentally responsible attitudes among our employees.

Compliance with environmental policy is demonstrated by:

- Adherence to internal procedures intended to ensure the conformity of our processes with the requirements imposed by applicable environmental laws;
- Implementation of solutions designed to mitigate the LOTOS Group's environmental impact;
- Involvement in educational initiatives seeking to create environmental awareness both within the organisation and in a wider social context;
- Care for the environment in and outside of the workplace.

Source: The LOTOS Group's Code of Ethics

As a company aware of the scale and character of its impact, we have declared that we should follow the international standards for enterprises which manage their environmental impact responsibly. This is confirmed by public support and our commitment to the application in all our activities of the rules set by the world's largest organisations promoting the ideas of social and environmental responsibility, such as the UN Global Compact. As a member of the UN Global Compact, Grupa LOTOS:

- Takes a preventive approach to the natural environment,
- Undertakes initiatives aimed at promoting environmental responsibility,
- Applies and promotes environmentally friendly technologies.

All issues related to environmental protection are managed in Grupa LOTOS by a dedicated organisational unit. In addition to monitoring the scope of the impact that the Company's production facilities in Gdańsk have on the environment, analysing the quantity and quality compliance of emitted pollutants, generated waste, wastewater discharge and water or noise pollution, its role is also to coordinate efforts to comply with environmental legal requirements and to set standards for the environmental policy in the LOTOS Group.

Aspects of our business also require us to monitor CO₂ emissions and undertake activities within the EU Emission Trading System. Monitoring and reporting of CO₂ emissions from LOTOS Group installations has been conducted faultlessly.

In line with our strategy and commitments, we attach importance to encouraging appropriate environmental attitudes among our employees and in the social realm. Activities aimed at improving the knowledge and awareness of the challenges of environmental protection are realised in our internal training and educational programme, the LOTOS Academy, and through our work with higher education institutions, such as Gdańsk University of Technology, University of Gdańsk and AGH University of Science and Technology in Kraków, and also through interaction with industry-specific scientific research centres in Poland and abroad.

Impact on ecosystems

As part of its mission, the LOTOS Group pays a lot of attention to the condition of the environment as a whole, placing particular emphasis on how its activities effect change in the environment. The LOTOS Group undertakes various measures to prevent and compensate for the possible effects of that impact. This policy is in force at all companies of the LOTOS Group.

The only production plant owned by the **Grupa LOTOS** is the oil refinery situated in the north of Poland, on the border between the municipalities of Gdańsk and Pruszcz Gdański. The facility spreads over 2.35 km² and the location is designated in the local spatial development plan as a built-in production and services area, for industrial facilities and warehouses. Apart from the refinery, there are warehouses and office buildings in the area, from which some of the LOTOS Group companies operate, including LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Lab, LOTOS Straż, LOTOS Ochrona and LOTOS Service.

The area owned by Grupa LOTOS is essentially of no environmental value and is not environmentally protected, either by Polish or EU environmental law. However, there are some areas in the neighbourhood of the refinery which are covered by various environmental protection regulations.

Nature Reserves

- Ptasi Raj in Wyspa Sobieszewska: surface area 200 ha, 2.5 km away from the plant;
- Mewia Łacha in the Wisła estuary: surface area 150 ha, 13 km away from the plant.

Landscape parks:

- Trójmiejski Park Krajobrazowy (Tricity Landscape Park) surrounding Gdańsk, Sopot and Gdynia from the east; surface area 19,930 ha, 15 km away from the plant;
- Nadmorski Park Krajobrazowy (Seaside Landscape Park) stretching from Białogóra in its western part to the Hel Peninsula in the east, and including the eastern shore of Zatoka Pucka; surface area 18,804 ha, 43 km away from the plant;
- Park Krajobrazowy Mierzeja Wiślana (Mierzeja Wiślana Landscape Park) situated east of the refinery, stretching from Sztutowo all the way to the Russian border in Piaski; surface area 4,410 ha, 35 km away from the plant.

Natura 2000 areas

- Wisła estuary (PLB220004, continental),
- Zatoka Pucka (Puck Bay) (PLB220005, continental),
- Twierdza Wisłoujście (Wisłoujście Fortress) (PLH220030, continental),
- A mainstay in the Wisła estuary (PLH220044, continental).

The Natura 2000 areas coincide with the areas of the nature reserves and landscape parks.

The LOTOS Group companies, operating in the south of Poland, such as **LOTOS Czechowice**, **LOTOS Jasło**, **LOTOS Biopaliwa**, **RCEkoenergia** neither own, lease nor manage any grounds that are in the direct vicinity of nature reserves, landscape parks or Natura 2000 areas, or any other areas valued for their biodiversity. There are, however, two environmentally relevant areas in the neighbourhood of LOTOS Czechowice, LOTOS Biopaliwa and RCEkoenergia:

- The Rotuz nature reserve, 6 km west from the border of the plant; surface area 28.21 ha.
- Protected spa area in Goczałkowice Zdrój, 4 km away from the plant's borders.

The potential impact of the LOTOS Group's sites on biodiversity are also analysed in the case of three Petrobaltic Group oil and gas producing entities. **LOTOS Petrobaltic** licence areas in the Baltic Sea are not situated in protected areas. Biodiversity in oil and gas extraction areas is very low, so the impact of work taking place in the waters of Polish economic zones is negligible. In the case of **LOTOS Geonafra**, licences and other areas managed by the Company are not located in protected zones. According to Lithuanian law, only prospecting (seismic) works can be carried out in protected areas or in areas of high biodiversity, but no extraction, as such, is allowed. Also, the licences and areas on the Norwegian Continental Shelf that were explored by **LOTOS Norge** in 2012 are not located anywhere near protected or high-biodiversity areas.

Energobaltic, another Petrobaltic Group company, is located in the northern part of Władysławowo in the industrial harbour area, occupying a surface of 24,000 m² and owned by the State Treasury and leased out to the company in perpetual usufruct. It is situated right at the base of the Hel Peninsula in the conservation area of Nadmorski Park Krajobrazowy and in direct vicinity of the Natura 2000 areas. As provided for by the local spatial development plan, the nearby areas, along provincial road 216 are designated for nuisance trades. There are meadows spreading behind the road, which border Zatoka Pucka, and are part of the Stone Łąki Nature Reserve.

LOTOS Asphalt has at its disposal industrial land located in Gdańsk, Jasło and Czechowice Dziedzice which the company holds in perpetual usufruct or under lease agreements from other businesses. These areas are situated within the land belonging to Grupa LOTOS, LOTOS Jasło and LOTOS Czechowice. The LOTOS Asphalt areas and their direct vicinity are not regulated by any form of environmental protection, nor are there any facilities or areas nearby that are similarly protected.

At **LOTOS Paliwa**, in the process of preparing new facilities for operation in the LOTOS station chain, the environmental protection documentation has also been reviewed. An Environmental Impact Assessment Report was prepared for each newly built station, which includes analysis of the station's location in relation to protected areas or any other areas of biodiversity, and a risk analysis of the possible impact of the station on the environment. Based on the analysed documentation and site visits it was concluded that LOTOS chain facilities were mostly located within towns and cities, away from protected areas.

LOTOS Kolej based in Gdańsk had its Environmental Impact Assessment Reports prepared at the investment stages, with the potential impact of the planned facilities on the neighbouring areas thoroughly investigated, with special focus on the protected and significantly biodiverse areas. No such areas were identified anywhere near the new facilities.

Both Polish and EU law are designed to ensure that restrictions imposed on production plants guarantee the lowest possible impact of their activities on biodiversity in nearby areas, while at the same time not generating irrational costs. Grupa LOTOS refinery and all other companies that belong to the LOTOS Group, depending on their production profile, ensure that they meet all the requirements defined in their integrated and sectoral permits. The standards defined in the permits mostly regard monitoring and reporting of air quality around the plant, wastewater, gas and noise emissions and waste management. Ensuring that these conditions are maintained guarantees that the protected areas neighbouring the plants, as described above, will not be adversely affected in any way.

Similarly to plant operating conditions, the law also regulates the parameters that refinery products need to have before they are introduced to market. This guarantees that when used correctly, they will not have excessive negative impact on the environment or biodiversity.

The LOTOS Group ensures that it does not expand in any way that is detrimental to natural habitats, or that it has any other adverse effect on the natural habitats situated in the neighbourhood of its investments. This guarantee can be provided because issues of biodiversity are included in the specialist environmental impact assessments prepared prior to each of our investments.

In fact, the LOTOS Group companies' presence can be discussed in terms of their positive impact on the lives of the people who live near their plants, and Energobaltic's activities are a good example of such operations. The company's CHP plant has considerably reduced exhaust emissions from local coal boilers, while low-waste technologies have allowed us to avoid combustion waste, such as slag and dust. Continuous monitoring of underground waters confirms the stability of their content, which remains well within prescribed standards. This is particularly important because the plant is close to the beach and sea, has a nature reserve in its vicinity, Natura 2000 lands and the Nadmorski Park Krajobrazowy (Seaside Landscape Park).

Mitigating the environmental impact

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](#)

The LOTOS Group's Business Strategy for 2011-2015 envisages that we will exclusively endorse environmentally friendly technologies, based on the best solutions available, with characteristically low emissions and highly efficient production processes.

In line with its strategic objectives, the LOTOS Group is especially concerned with gas emissions, which are the most critical source of environmental nuisance, both for the immediate environment of the LOTOS Group's plants and other areas located further away. This particular focus does not only stem from legal regulations in this area or from our own wish to reduce negative impact on the Company's immediate natural environment. An essential role is also played by the economic aspect, just as the Polish and EU laws have been designed to ensure that in the long run reduced emissions and lower emissions by industrial plants will bring measurable financial benefits. In fact, all technological changes in the LOTOS Group are planned to meet the criteria of the Best Available Techniques (BAT), which in most cases, is associated with the fulfilment of the conditions specific to the three areas mentioned earlier.

As far as emissions from industrial plants are concerned, stakeholders take the greatest interest in greenhouse gases, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), fluorinated hydrocarbons (HFC), perfluorinated hydrocarbons (PFCs) and sulphur hexafluoride (SF₆). It is commonly believed that the excessive emission of these gases into the atmosphere is one of the main causes of the currently observed global warming. In order to counteract global warming, a number of agreements and protocols have been established, which oblige the participating countries to reduce their emission of greenhouse gases to a specific level in a given period. The main document regulating the reduction of greenhouse gas emission is the Kyoto Protocol, the first version of which was negotiated in 1997. The document came into force in 2005 after being ratified by 141 countries.

A direct consequence of the Kyoto Protocol for the European Union is the introduction of the emissions trading system (ETS/EU ETS), in which Grupa LOTOS, LOTOS Asphalt, RCEkonergia and Energobaltic have actively participated from the very beginning, successfully meeting its requirements and abiding by its restrictions. The general idea behind the ETS is to motivate plants to reduce emissions in one of several possible ways, which involve the need to purchase fewer emission allowances, and thus bring specific economic benefits.

In order to standardise the method for determining emissions levels in the EU, the industrial plants that participate in the ETS are obliged to perform measurements and report emissions in one of the recommended ways. As far as burning of fuels and processing of feedstock (considered mainstream emissions) is concerned, Grupa LOTOS uses the **calculation-based methodology**. With this purpose in mind the entire refinery has been included in the system of detailed measurement of burnt fuel and processed feedstock. To determine emissions on the basis of a selected methodology we need precise data regarding the quantity of fuel and feedstock and also their properties, such as calorific value and emission factor, which are analysed on a regular basis by our accredited laboratory in the LOTOS Lab. On the other hand, we use the **reference emission factors** for the components of the *de minimis* emission source stream (for example, diesel oil from aggregates or combustion of residual gases), as required by the legal regulations, whose measurements do not have to be as highly accurate as the main components'. One of the previously mentioned greenhouse gases, released by Grupa LOTOS installations in large amounts, is carbon dioxide. In 2010-2012, carbon dioxide emissions totalled 6,681 thousand tonnes.

Type of CO ₂ emissions in Grupa LOTOS	Emissions [thousands of tonnes per year]		
	2010	2011	2012
Direct	1,607	2,045	1,979
Indirect	285	365	400
Total	1,892	2,410	2,379

Direct emissions are understood as all sources of greenhouse gas from the burning of fuels and feedstock processing which are controlled within an organisation's boundaries (e.g. through chimneys), whereas **indirect emissions** are a consequence of activities conducted outside of organizational boundaries (e.g. using purchased electricity, heat, steam, company cars or emissions related to business trips). The only significant source of indirect emissions in Grupa LOTOS is in the purchase and use of electricity.

One of the issues frequently discussed in relation to the excessive emission of greenhouse gasses observed on the global scale is the characterisation of the emissions throughout the product's entire life cycle, i.e. from its extraction to its final consumption by the end user. Grupa LOTOS has set up a special team to investigate this problem. Despite the lack of regulations establishing a methodology for calculating the reduction of greenhouse gas emissions in the life cycle of fuels, there are plans to try to reduce the emissions of these substances throughout the process.

A significant contribution to the refinery's impact on the natural environment is also made by such gases and substances as nitrogen dioxide (NO₂), sulphur dioxide (SO₂), and particulate matter (PM). Attempts to control and reduce these emissions to the atmosphere are not only motivated by our care for the environment, but also by concern for the health and lives of people excessively exposed to these contaminants. In Grupa LOTOS, nitrogen dioxide, sulphur dioxide and particulate matter emissions from the CHP plant's emitter are measured continually by on-line analysers, while emissions from the emitters at the refinery installations, are monitored based on cyclic measurements, carried out in accordance with applicable reference standards.

Substance	Pollution emissions in Grupa LOTOS [tonnes per year]					
	2010		2011		2012	
	E _s	E _d	E _s	E _d	E _s	E _d
SO ₂	4,758	6,470	5,708	7,137	3,370	6,342
NO ₂	1,315	2,475	1,620	2,650	1,308	2,501
PM	260	538	344	556	264	461

E_s - actual level of emissions from Grupa LOTOS installations

E_d - permissible level of emissions

The increase in the emissions of these three substances in 2010-2011 from Grupa LOTOS installations, and the fact that in 2012 carbon dioxide emissions were maintained at the same level, is a result of the intense expansion of the Gdańsk refinery, taking place since 2008. At the end of 2010 and the beginning of 2011, the last installations built under the **10+ Programme** were made operational, significantly increasing the amount of crude oil processed and the depth of its processing, but also the amount of substances emitted to the atmosphere.

An increase of emissions alone cannot be treated as a determinant of the emission efficiency of industrial installations. As announced in the previous year, in 2012 we introduced a number of significant technological changes at the Grupa LOTOS refinery, which considerably reduced emissions despite growing throughput. The most important changes were:

- **Use of natural gas as fuel to produce steam** in the power plant's boilers – natural gas is a clean, high energy fuel and allows for a significant reduction in emissions;
- **Use of natural gas to produce hydrogen** – increasing the efficiency of the process and thus reducing the amount of feedstock consumed;
- **Increased the flow of natural gas to the fuel gas network** – ensuring a constant supply of this feedstock to the technological network of the refinery allowed for an increased amount of it to be added to the fuel gas network, at the same time reducing the use of heavy fuel oil, resulting in lower emissions of SO₂ from the refinery.

The legitimacy of the introduced technological changes is confirmed by the reductions in the emission of air pollutants, as listed below:

Emission reduction in Grupa LOTOS in 2012	CO ₂	SO ₂	PM	NO _x
	tonnes/year	tonnes/year	tonnes/year	tonnes/year
Replacement of fuel oil with an injection of natural gas to the fuel gas network	35,000	1,200	140	170
Replacement of fuel oil with natural gas in the CHP plant	20,000	300	20	70
Replacement of light gasoline/LPG with natural gas in the HGU	45,000	0	0	0
Total	100,000	1,500	160	240



**Marek
Sokołowski**

Vice-President of
Grupa LOTOS
Board

A hundred thousand tonnes of CO₂ less

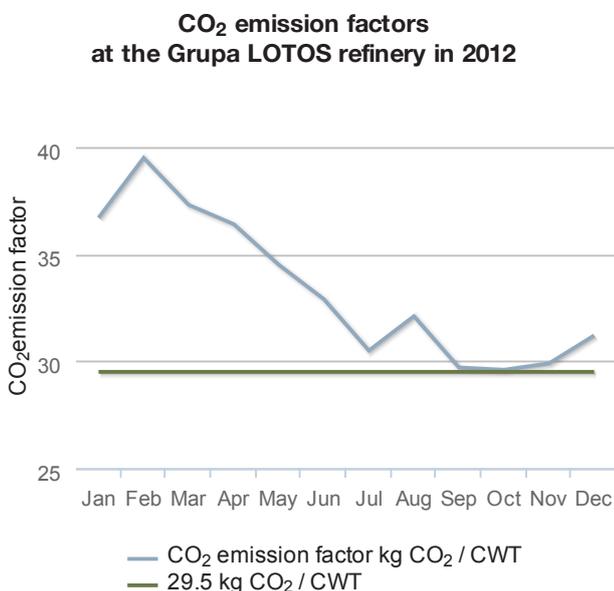
Implementation of the project to supply natural gas to the Grupa LOTOS refinery and to the CHP plant means a change from our traditional heavy fuel oil, to a solution not only economically viable but also characterised by low emissions and contributing to considerable reduction of our refinery's environmental impact. By supplying high pressure natural gas we will not only meet current, but also the future standards included in the announced changes to environmental law, which from 2016, will treat the emission of energy pollution very restrictively.

The scale of the benefits that we owe to this solution is clearly reflected in the results we managed to achieve after just the first few months of its use. The fuel gas system has been fed natural gas since May 2012, the hydrogen generating plant since June, and the two boilers of the CHP plant since September and November, while the changes in emission levels of the three basic air pollutants and carbon dioxide – greenhouse gas – are already measured, depending on the type of pollution, in hundreds and thousands of tonnes. This demonstrates the scale of our reduced impact on the environment.

Initial data shows that the most significant reduction has been noted in the case of greenhouse gases. Our estimate is that once all the investment projects being part of our programme to limit the carbon dioxide emissions are completed, we will reach emission levels typical of the best European refineries. These are the levels we took into account when determining the 'refinery benchmark', decisive in the process of allocation of free emission allowances for the period 2013–2020. The benchmark was calculated as the average of the best 10% of refineries, and is 29.5 kg CO₂/CWT, where CWT (Complexity Weighted Tonne) measures the production capacity of a refinery at a standard level of performance.

As far as our installations are concerned, the allocation of free allowances is most likely to cover the emission of 12,757,000 tonnes of CO₂ for the entire third trading period, or until 2020. This would necessitate purchasing additional allowances on the market, up to 200,000 a year. It is important to remember that in the current trading period of the CO₂ emissions trading system, Grupa LOTOS will be treated as one installation. A draft listing of installations with a preliminary estimate of their allocation of free emission allowances, prepared by Poland, is currently being evaluated by the European Commission.

It gives me great satisfaction to point out that in the last few months we have taken a big step closer to the benchmark for the best refineries in Europe. This is a good portent for the coming years, when we will try to use natural gas as a source of energy and as feedstock for the production of hydrogen.



Connecting the Grupa LOTOS refinery to a high pressure natural gas network has had an important ecological and economic effect, and was also beneficial in terms of energy efficiency. Liquid fuel energy obtained from processed petroleum was partly replaced by gas fuel, and extensive replacement of liquid fuels has reduced the use of steam necessary for the preparation of liquid fuels for combustion. The ongoing optimization of the fuel distribution system is aimed at maximising the use of available gas fuel.

The Company is also undertaking initiatives aimed at supplying energy efficient products with use of solutions that reduce energy requirements. In 2012, together with control engineering specialists, the Energy Efficiency Team supervised the modernisation of the Visual MESA computer system, which provides visualisation and optimisation of energy consumption. The system continually supervises the power infrastructure of the refinery – both the gas and fuel

oil systems and also the technological steam system – and on the basis of optimisation algorithms, it suggests changes in the energy system which will reduce its operating costs. Wider access to information in this system is one of the benefits of the modernisation. As gas fuel was introduced to the refinery, an updated logical model of the fuel distribution system was also introduced in the Visual MESA system.

In order to reduce indirect use of energy, the refinery's technical services have initiated a pilot project for replacement of 15 lighting fixtures with energy-saving LED lamps. This project has been extended to the external lighting of the plant's roads and yards, and also serves to accumulate experience with the reliability and servicing of energy-saving light sources.

In the next few years we are also planning other projects aimed at lowering the environmental nuisance of the refinery in Gdańsk.

One of these is the **construction of an installation to make use of flare gases**, which began towards the end of 2012. Burning hydrogen in flares is probably one of the most glaring examples of wasting raw materials. Globally, a huge amount of natural gas is wasted during the crude oil extraction process because of a lack of facilities to collect and reuse it. At Grupa LOTOS we place great importance on minimising the amount of hydrocarbons burnt in both flares and those emitted directly to the atmosphere.

Source	Amount of discharge – amount of flared gas at Grupa LOTOS [thousand cubic metres per year]		
	2010	2011	2012
Flare 3500	35,834	21,036	19,388
Flare 3550	6,780	10,819	3,603
Total	42,614	31,855	22,992

The clear majority of gases sent for burning are nitrogen and hydrogen. In order to fully illustrate the actual impact of the refinery's flares on the surrounding environment we need to list the amount of discharged gas with the resulting carbon dioxide emissions.

Source	Amount of emissions in Grupa LOTOS [tonnes CO ₂ per year]		
	2010	2011	2012
Flare 3500	29,138	17,324	11,451
Flare 3550	3,371	3,353	2,100
Total	32,509	20,677	13,551

The data confirms the efficiency of the introduced optimisation processes, resulting in a reduced amount of generated gases that are not successfully utilised. Once the installation for redirection of discharge gases is completed, today's most noticeable element of the Gdańsk refinery will be much less evident; in fact, the flame will be visible very seldom and only in certain exceptional cases. Up to 80% of all gases sent to the flare collector will be compressed and redirected to the fuel gas network. The investment will also reduce the intensity of noise emitted by the installation.

Another pro-environmental investment planned for 2013 is the **replacement of process** furnaces in the light gasoline hydrorefining installation, and in the furfural extraction installation, which will considerably enhance the energy efficiency of both installations, effectively increasing their overall productivity and reducing the amount of emitted pollutants.

The last of our short-term plans is **the construction of a new, larger vapour recovery unit (VRU)** in place of the old installation which will be removed. This will finalise the process of minimisation of fugitive hydrocarbon emissions from the five dispensers in the area of the refinery.

It needs to be emphasised that the Company does not use any ozone depleting substances and that the utilisation of the Gdańsk refinery's products does not cause emission of these compounds into the atmosphere.

Other initiatives

Grupa LOTOS minimises its adverse impact on the environment by carrying out a number of investment projects and implementing systemic solutions. We regularly carry out the following activities:

- Continuous monitoring of emissions and pollutants emitted into the air and water, and of carbohydron levels in the vicinity of the company,
- Discharging wastewater of a quality fully compliant with applicable regulations after processing in the three-stage wastewater treatment plant,
- Use of treated wastewater to produce industrial water,
- Use of condensate to produce boiler feedwater,
- Strict supervision of waste management,
- Use of equipment designed to help protect the environment, such as:
 - Double sealing system for tanks with floating roofs,
 - Ensuring air tightness of all process facilities and their connection to the emergency discharge system, where hydrocarbons are burned in flares,
 - Ensuring that all road tankers and railway tank-cars are filled using the airtight vapour recovery system,

Grupa LOTOS' **withdrawal of water** from the Motława river through the storage reservoir in Przejazdowo has no significant impact on the environment. The amount of fresh water that can be withdrawn is limited by the conditions specified in the integrated permit granted to Grupa LOTOS. There is no evidence either of a decrease in water volumes in the sources used, lowered water surface level, decreased water flow, or any other negative changes in the ecosystems of the reservoir.

In an effort to reduce its negative impact on the environment, **Grupa LOTOS** strives to maintain the growing share of recyclable water in the total amount of water consumed in production processes. With this purpose in mind, we are continually reducing the volume of withdrawn water and discharged wastewater. Recyclable water, in this context, is understood as the sum of the volume of process water produced from treated wastewater and the volume of treated condensate from the installation.

Wastewater from Grupa LOTOS' wastewater treatment plant, such as oily rainwater, technical and sanitary wastewater, is mostly redirected to be reused as industrial water, and it is only the excess of treated wastewater which is discharged to the Martwa Wisła river. The treated rain and drainage waters are released to the Rozwójka river, which flows to Martwa Wisła.

Management of waste generated in the Company is carried out in compliance with EU and national regulations, ensuring maximum safety for the environment. **Waste** is segregated and stored in designated areas throughout the refinery. As far as waste management is concerned, in the first place we make every effort to limit waste and reduce it as much as possible. We also make sure that recycling compliant with the principles of environmental protection is the main method of managing the waste that is produced. We commission disposal of waste only as a secondary measure.

Many of the LOTOS Group companies' products are neutral to the environment. They do not have a negative impact on the environment either in the production process or after they are used. Packaging used to introduce these products on the market is similarly neutral. In accordance with applicable regulations, the LOTOS Group companies have contracted Recycling Organizations **for recovery and recycling of packaging** introduced onto the national market. This obligation applies in particular to LOTOS Asphalt, LOTOS Oil and LOTOS Paliwa.

LOTOS Asphalt products, such as bitumen and heavy fuel oil, are mostly supplied in tankers. Tar papers are among the packaged products sold. In 2012, the share of individually packaged products sold was below 1% of the company's total sales volume. Altogether, the packaging waste recovery rate of the company was 57% ✓.

At **LOTOS Oil**, recovery and recycling rates achieved in 2012 by the Recycling Organization contracted by the company were as follows: recovery rate of 50% ✓, including 35% ✓ recycling rate. In the case of plastic packaging, paper and cardboard, steel, and wood, the waste recycling rate was 20% ✓, 56% ✓, 42% ✓, and 15% ✓, respectively. Altogether, the recovery rate for packaging waste at LOTOS Oil was 57% ✓, including a 45% ✓ recycling rate.

In 2012, **LOTOS Paliwa** introduced organisational changes involving takeover of the central management of service station shops, meaning that since 2013 it has been obliged to manage its own packaging recovery. The company is currently in talks with Recycling Organizations to contract packaging recovery for the next few years.

Both Polish and European regulations are very specific as to what type of activities a plant has to carry out to provide an effective safety system and what steps must be taken to **prevent serious failures**. In this connection, Grupa LOTOS has put in place a safety system that features mechanisms for systematic identification of failure risks or the likelihood of their occurrence. The system also include manuals for safe operation in standard conditions, temporary production breaks, or for monitoring of the plant in a manner allowing for corrective actions in case of any incidents deviating from standard procedures.

A number of procedures for effective prevention of emergencies have been introduced within the Integrated Management System. Some of the essential elements ensuring effectiveness are:

- Proper response training for emergencies and critical situations;
- Corrective and preventive actions;
- Prevention of emergencies, preparation for possible emergencies and accidents at work;
- Emergency response;
- Evaluation of the effectiveness of emergency prevention measures and minimisation of consequences;

The effectiveness of the safety measures in place at Grupa LOTOS is proved by the fact that there were only three cases involving hazardous substances reported in 2012. It should be noted that investigation confirmed no violation of environmental standards in any of the cases. Additionally, no leakages were reported that would cause any environmental pollution or affect the local community ✓.

An equally important area of LOTOS Group activities aimed at minimising its negative environmental impact are transport services, usually rendered to our companies by external firms. This is particularly relevant to LOTOS Asphalt, LOTOS Oil and LOTOS Paliwa, which commission **transport** of their products to specialised carriers. LOTOS Kolej, on the other hand, provides transport services to LOTOS Group companies and other external entities. In the LOTOS Petrobaltic Group the situation with its marine transport, handled by one of its subsidiaries, is similar. Grupa LOTOS undertakes various steps to limit its fleet's impact on the environment.

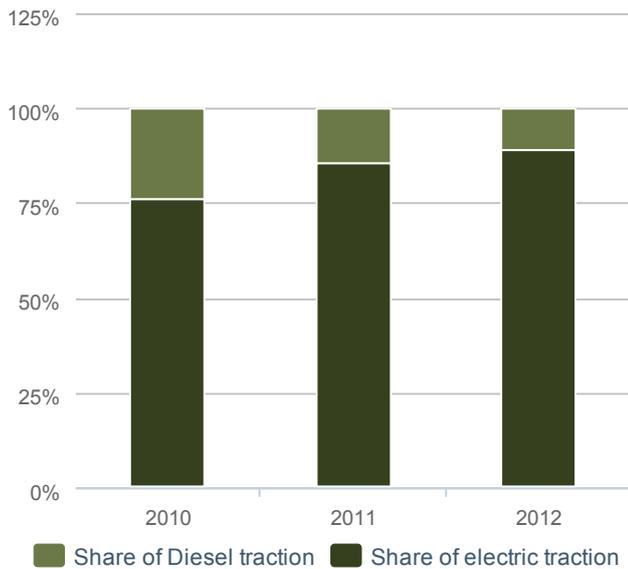
It is **Grupa LOTOS'** aim to ensure the lowest possible emission of harmful fumes from its company vehicles while still using them to their maximum capacity. When choosing a vehicle we consider its fuel consumption and engine parameters to make sure they meet vehicle emission standards. Consequently, in 2012 a year-on-year increase of 36% in fuel consumption was reported for vehicles that meet the Euro 5 standard, and a year-on-year drop of 60% in fuel

consumption by vehicles that meet the Euro 4 standard and older. In 2012, fuel consumption of company vehicles was 190,000 litres as compared to the 173,000 litres used in 2011 and 167,000 litres used in 2010. The extra fuel consumption is a result of the increased number of company vehicles used in the company.

LOTOS Asphalt products are reloaded in modern handling terminals, where harmful vapour emissions are minimised. Asphalt is supplied to the end user by specialist transport companies which meet the highest environmental protection and operating standards. Additionally, the company’s own vehicles, which are regularly modernised, meet the Euro 5 exhaust emissions standards. Proper insulation of road tankers significantly prevents fuel products' temperatures from rising in transit, which also contributes to lower environmental pollution. In 2012, road tankers carried over 660,000 tonnes of company products and burned approximately 4 million litres of Diesel oil, covering more than 11 million kilometres. In 2011, they carried over 764 thousand tonnes of bitumen and burned 6 million litres of Diesel oil, covering a distance of more than 17 million kilometres. In 2010, they carried 640,000 tonnes of bitumen and burned 6 million litres of Diesel oil, covering a distance of almost 16 million kilometres. In 2010, the company began shipping bitumen by sea, with the reloading figures reaching over 90,000 tonnes a year. In 2011 and 2012, the annual reloading figures reached a level of 100,000 and 60,000 tonnes, respectively. With a higher share of sea transport in the total transport volume, the economies of scale make it possible to reduce both harmful environmental emissions and fuel consumption per unit of shipped cargo.

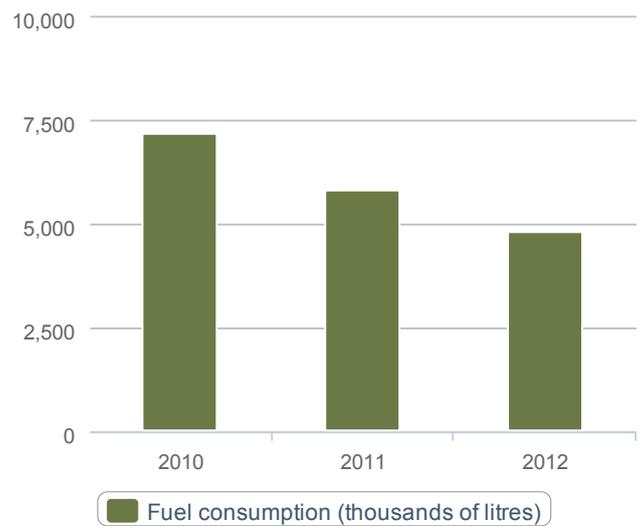
In **LOTOS Kolej**, 2012 was another year in which the share of electric traction in the overall transport figures grew.

Transport figures (btkm) illustrating the share of Diesel and electric traction in overall transport figures



Source: In-house compilation based on operational data.

Diesel oil consumption by LOTOS Kolej Diesel locomotives (thousand litres)



Source: In-house compilation based on operational data.

The company continued to systematically modernise its motive power units, which resulted in further reduction of the consumption of engine fuels and reduced emission of harmful fumes and noise by locomotives. At the end of 2012, LOTOS Kolej operated 98 locomotives, including 59 electric locomotives.

The 8.4% rise in traction electricity used by LOTOS Kolej in 2012 compared to 2011 is chiefly attributable to the increased share of electric traction transport.

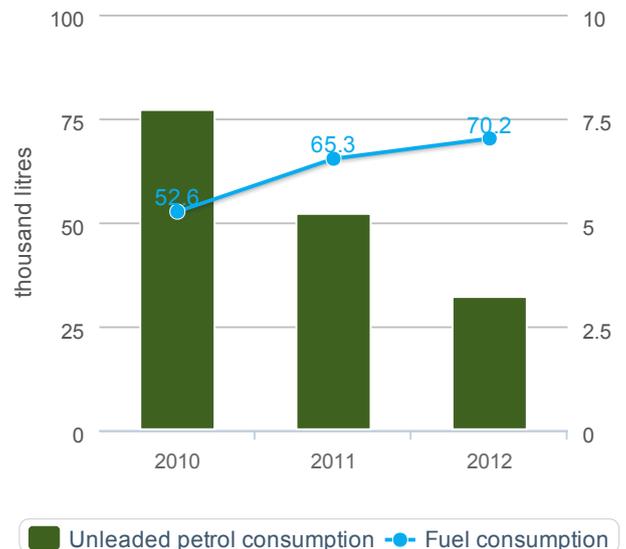
Every year a fall in the consumption of unleaded fuel used for non-traction purposes is noted in the company, and today its entire fleet of vehicles meets the requirements of Euro 4 or Euro 5/A.

Use of traction electricity by LOTOS Kolej electric locomotives (MWh)



Source: In-house compilation based on operational data.

Consumption of fuels for non-traction purposes (thousand litres)



Source: In-house compilation based on operational data.

In **LOTOS Oil**, the transport of goods is commissioned to providers of transport or forwarding services whose customer service and environmental protection standards meet the highest quality requirements. For piece-goods transport, the ISO 14001 certification is required. Transport companies have a system in place which enables them to monitor the use of basic supplies and materials and control any possible leakages or emergencies. In addition, LOTOS Oil operates on the basis of its own internal procedures, which impose a duty of research in land transport on the specific dangers of its activities, and ensure that road transport as well as loading and reloading of hazardous goods is supervised and conducted in accordance with legal regulations. The company has no data available with regard to the consumption of fuel by its carriers as it is particularly difficult to calculate since part of the transport is carried out in the intermodal and piece-goods systems.

The transport of liquid fuels sold by **LOTOS Paliwa** has been commissioned to specialist companies: LOTOS Kolej for railway transport and other external transport companies for road transport. Out of a total of 4,620,000 cubic metres of fuel sold in 2012, 9% was transported by railway tankers and 25% by road tankers. The balance was collected from storage terminals by the customers' own means of transport. For the purpose of comparison, in 2010-2011 railway transport was used in 11% and 12% of deliveries respectively, and road transport remained at 25%. Road and railway transport of fuels is strictly regulated by Polish and international regulations on the transport of hazardous materials (ADR and RID), aimed at minimising the negative impact of their transport on the environment. The company also undertakes many additional activities that increase the transport safety of its products. In 2012, only two fuel spills were reported in road transport, none in 2011 and three in 2010. None of the spills were environmentally harmful.

LOTOS Petrobaltic Group's marine transport services are handled by **Miliana Shipmanagement**, which uses its fleet to transport materials, supplies and crew to the LOTOS Petrobaltic oil platform. Miliana Shipmanagement manages six sea vessels, and if required, charters additional units to supervise transportation operations during periods of intense activity on the platform. In 2012, the company chartered out two additional vessels. These were the tugboats Bazalt and Granit, which were used to transport supplies and take waste and pollution from the platforms back to land for disposal, and as backup facilities for diving works. The crews of the platform and the Icarus III tanker are mostly transported by the vessel Aphrodite I.

Both the tugboats are powered by low-sulphur Diesel oil, which complies with the requirements of Annex VI to the Marpol Convention 73/78, and have documents confirming their compliance with Stage IIIA - European emission standards for non-road diesel engines. All contaminants and waste from vessels are taken back to land for disposal or treatment.

Waste management on the vessels is carried out in compliance with the waste management plans approved by the Polski Rejestr Statków (Polish Register of Shipping). The natural environment is mostly affected by the emission of exhaust fumes from the fuel used to power sea-going vessels, in this case Marine Gas Oil (MGO).

Energobaltic does not have its own product transportation base and so it commissions this part of its operations to transport companies that have all the necessary qualifications and licenses for the transport of such products as LPG (liquid hydrocarbons - propane-butane) and KGN (natural gas condensate). Transport of these products requires use of methods compliant with the regulations on the transport of hazardous goods.

One of the most important elements in minimising the impact of exploration and production operations on the natural environment is protection of the sea from possible pollution by the extracted oil and substances accompanying the drilling process, and limiting to the minimum the effects of emergency situations on the environment.

LOTOS Petrobaltic has an Oil Spill Response Plan in place for spills resulting from the exploration and production that it conducts within its licence areas. The plan has been approved by the Maritime Office in Gdynia, and is part of the National Plan to Combat Pollution of the Marine Environment. One of the most important activities ensuring the cleanliness of the environment and minimisation of negative impact is environmental monitoring, which is the study of the environment before, during and after operations. In this case, environmental monitoring is mostly focused on testing sea water and bottom sediment.

Proper management of waste from platforms and seagoing vessels is also very important, given the total ban on discharge of any waste or pollutants, both process and sanitary. Chemicals used in the drilling process circulate within a closed system, away from any contact with the environment. In order to ensure that the arrangements set out in the Baltic Sea Action Plan are followed, in 2012 LOTOS Petrobaltic completed assembly and start-up work on an installation for pumping formation waters after the process of separation back up to the structure, using the secondary exploitation method consisting in injecting water back to the field in order to maintain pressure in the formation. Since October 2012, all formation water has been pumped back up to the structure. A detailed marine environmental impact assessment report is also prepared by the company every year.

In other LOTOS Petrobaltic Group production companies, a detailed environmental impact analysis is made prior to extraction works that defines the actions to be taken to mitigate the negative impact of the works, environmental compensation and other parameters.

The raw materials used in exploration and production are those substances used in the drilling and acquisition process.

In drilling, these include:

- Drilling mud components (materials),
- Cement used for binding piping to the drilled rock..

Drilling mud components are brought to the platform where they are added to water to obtain drilling mud of the required physical and chemical properties. The drilling muds used by LOTOS Petrobaltic and LOTOS Geonaftha are water-based. In 2012, LOTOS Norge used oil-based drilling mud, which was dictated by the specific nature of their drilling. The main ingredients of drilling mud are bentonite or metal salts (KCl, NaCl), with barite or galena as weighting agents. Various other chemical substances are added to achieve the required properties.

Uses of drilling mud:

- Bringing up rock drillings from the bottom of a borehole,
- Creating a protective layer on drilled rock to prevent excessive filtration of water into the rock layer,
- Powering a hydraulic engine (turbodrill) in directional drilling.

The main raw materials used in resource acquisition:

- Chemical substances (materials) added to the formation and produced water pumping system,
- Materials used as filter inserts (anthracite, ground nut shells, gravel of different grain size, metal and fibrous filter inserts).

Formation water is a saturated brine, mostly chlorine, sodium and calcium in content.

From the point of view of environmental protection, injecting water back into a deposit does not pose any environmental threat because the applied pressure is lower than the fracture pressure of the rock layer, and so does not affect its structure.

However, the appearance of water in the extracted crude oil introduces the problem of its disposal or recycling by further technological process. So far, the main method of managing this highly mineralised formation water, extracted together with the oil, consists in separating it from the oil in separators, and discharging it back into the sea after cleaning it to a level below 15 ppm of oil components (in accordance with the requirements of MARPOL 73/78 and HELCOM).

In order to protect the Baltic Sea and to meet stringent environmental requirements that dictate a total ban on the discharge of waters, including treated formation water, directly into the sea, LOTOS Petrobaltic built an installation which pumps the produced waters back into the field. As such, since October 2012 all formation water has been pumped back to the field it came from, together with the sea water. This solution does not interfere with the marine environment or with the formation of the oil-yielding fields, but merely returns the extracted substance.

Water parameters around the platforms are continually monitored in order to ensure that they meet the requirements of environmental regulations. Regular monitoring of multiple parameters, including hydrocarbon content in the water, chemical and biological oxygen demand, chlorides, sulphides, bacteria, surfactants and others, is carried out for the purposes of environmental protection.

The cementing process uses water-based grouts with chemical additives which delay the setting time. The purpose here is to merge the casing pipes with the drilled levels, prevent contact between drilled rock layers of different pressure gradients, and ensure the tightness of the non-pipe area to prevent the overflow of drilling mud or extracted agents during operations.

The drilling process is similar in other companies - parameters are monitored before, during and after drilling, in accordance with the relevant environmental decisions and approvals. Any variations that occur are due to country-specific regulations. The Baltic Sea is particularly sensitive, and the regulations governing it are more rigorous than in the North Sea, for example, where oil-based drilling mud is used.

The main source of energy used on drilling platforms is Diesel oil, supplied by ships as well as the natural gas extracted together with the oil.

On the Petrobaltic platform, energy is generated by a system of power engines and generators running on Diesel oil, which meets the legal requirement to keep sulphur content below 1%. Energy generated in this way is then distributed throughout the platform. On the Baltic Beta platform, energy is additionally generated by gas turbines powered by gas separated from crude oil. One turbine is used to supply energy across the Baltic Beta platform and the PG-1 platform, while a second turbine powers the pump which forces water back down to the field. In LOTOS Geonafta and LOTOS Norge, energy on the rigs is produced by diesel generators.

Water for the needs of the LOTOS Petrobaltic platform is extracted from a deep well, for which the company holds the required permit. The amount of water drawn is closely monitored and remains below permitted values. Water is also taken from the municipal water supply system and from the Baltic Sea, mostly for technological purposes, such as the formation water pumping system and cooling of the gas compression system.

Experts consider the Baltic Sea to be a particularly sensitive area because of its high level of pollution and limited water exchange within the basin, and also because of the presence of rare species like the harbour porpoise.

The amount of water drawn from the Baltic Sea for the purposes of LOTOS Petrobaltic is negligible in relation to its total water resources of 21,727 km³ and amounts to 311,972.3 m³ (0.000311 km³).

It should also be noted that none of the other oil extracting companies within LOTOS Petrobaltic Group are depleting water resources through excessive withdrawal.

Water is also used on the platforms for sanitary and technological purposes. In addition to fresh water, sea water is also used for production purposes, for example in the water injection system. This water is drawn directly from the sea by deep-well pumps.

The Diesel-powered internal combustion engines of the energy generation system, the steam boilers and crane engines are all sources of greenhouse gas emissions. On the Baltic Beta platform, gases are emitted by the turbines running on gas separated from crude oil. An additional source of greenhouse gas emissions comes from the gas flared on the platform. On the Baltic Beta platform, most excess gas is compressed and returned to shore where it is used for powering other turbines, hence flaring is reduced to a minimum. All the gas produced on the Petrobaltic platform is burned in flare stacks that are designed to minimise the emission of harmful substances.

Carbon dioxide is the only greenhouse gas emitted by Energobaltic. All of its CO₂ emissions come from the combustion of natural gas and fuel oil in the production of electricity and heat. LOTOS Geonafta's operations are a source of relatively low emissions of harmful substances into the atmosphere, coming mainly from the power generators operating the drilling equipment. According to the Lithuanian legal system, the company is not legally obliged to collect nor report data on the amount of CO₂ emissions. The volatile organic compounds are also emitted while burning diesel fuel to run the generators. Emissions in LOTOS Norge are produced by diesel-powered generators present on the oil platform.

CO₂ emissions [tonnes] in 2012:

LOTOS Petrobaltic *	368	✓
LOTOS Norge	1,639	✓
Energobaltic	12,320	✓
Total	14,327	✓

* Emissions excluding marine activities – activities within the Polish Economic Zone are not subject to reporting to the National Centre for Emissions Balancing and Management (KOBIZE).

In LOTOS Petrobaltic, the emission of substances such as nitrogen and sulphur oxides is mainly due to the combustion of fuel oils. It needs to be emphasised that none of the emissions produced by LOTOS Petrobaltic Group companies contains ozone-depleting substances.

Substance	Pollution emissions [tonnes/per year] in 2012.				
	LOTOS Petrobaltic *	LOTOS Geonafta	LOTOS Norge	Energobaltic	Total
SO _x	0.007	0.4	1.5	0.1	2.007
NO _x	0.3	4	36.2	11.9	52.4
VOC	-	100	2.6	-	102.6
PM	-	3	-	0.2	3.2

* Emissions excluding marine activities – activities within the Polish Economic Zone are not subject to reporting to the National Centre for Emissions Balancing and Management (KOBiZE).

Oily wastewater is stored on the LOTOS Petrobaltic platforms in special containers, and is later transported to shore for disposal. Sanitary wastewater is processed in a biological treatment station and then released to the sea. The condition of the sea water around the platform is monitored on a daily basis.

None of the wastewater produced by LOTOS Geonafta in its drilling operations is discharged directly into natural bodies of water. All technological and sanitary wastewater is stored and subsequently transported to a wastewater treatment plant. Management of industrial process wastewater is a company priority as far as environmental protection is concerned. Last year, the company improved the system controlling the solid particle content of drilling mud, resulting in a lower demand for water in its preparation and dilution.

In LOTOS Norge, technological waters (mixtures of drilling mud and industrial process water) are treated on the platforms and then discharged to the sea. The petroleum content of the discharged wastewater is always kept well below the legal limits.

Volume of wastewater, by destination (m³)

LOTOS Petrobaltic

Treated sanitary water discharged to the sea	7,365 
Treated drilling mud and technological water (including formation water) discharged to the sea	32,754 
Total	40,119 

LOTOS Geonafta

Sanitary wastewater	2,553 
Drilling mud* and technological water	1,561 
Total	4,114 

LOTOS Norge

Treated drilling mud and technological water	314 
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Energobaltic

Sanitary wastewater	1,231 
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Total in the LOTOS Petrobaltic Group	45,778 
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* The drilling mud is transported onshore for utilisation purposes.

Middle Cambrian period formation water includes mostly chloride-sodium-calcium ions.

Formation water

density	1.011-1.096 g/cm ³
mineralisation	136 g/l

The volume of all chemical additives added during the processing of formation water, such as de-emulsifier and corrosion inhibitors, is less than 1%.

Since LOTOS Petrobaltic launched its formation water injection system on the Baltic Beta platform in 2011, the amount of formation water discharged to the sea has been systematically reduced. Since October 2012, all formation water has been pumped back up to a reservoir on the platform, together with the sea water.

In LOTOS Geonafta, all formation water produced in the oil extraction process is stored on the rig and then transferred for disposal. LOTOS Norge did not produce any formation water in 2012 as it did not run any extraction works.

Volume and disposal method of formation and produced water in 2012

LOTOS Petrobaltic

Formation water discharged to the sea	27,920 m ³
Degree of oil contamination of formation water	4.7 ppm
Water injected back to the field	47,227 m ³

LOTOS Geonafta

Formation water	180 m ³
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Drill cuttings (small pieces of rock fragmented by the drilling) are the major waste product of the drilling process. Once recovered to the surface, the cuttings are directed to the drilling mud treatment system. The drill cuttings do not contain any of the substances mentioned in Annex 1 to the Helsinki Convention. The drill cuttings together with the drilling mud of the first and second degree of contamination, are discharged to the seabed whereas the drill cuttings of the third degree of contamination are carried to the shore and transferred to a waste management company. Every batch of disposed drill cuttings is tested for toxic content.

Drilling mud, on the other hand, is recycled and reused in the drilling process, but if it is not suitable for recycling, it is also returned to land and passed on to a waste management company.

LOTOS Petrobaltic platforms carry out preliminary sorting of waste into metal, plastic, glass, paper and hazardous materials such as fluorescent lamps and batteries, before it is transferred to an authorised handler for recycling or disposal purposes.

In LOTOS Geonafta and LOTOS Norge, all waste is transferred to waste management companies for recycling or disposal.

Waste generated in 2012

Total weight

LOTOS Petrobaltic

Drill cuttings	68 tonnes 
Drilling mud	237 tonnes 
Non-hazardous waste	451 tonnes 
Hazardous waste	11 tonnes 

Total	767 tonnes ✓
LOTOS Geonafta	
Drill cuttings	669 tonnes ✓
Drilling mud and technological water	1,561 tonnes ✓
Formation water	447.3 tonnes ✓
Non-hazardous waste	9.6 tonnes ✓
Hazardous waste	5 tonnes ✓
Total	2,691.9 tonnes ✓
LOTOS Norge	
Drill cuttings	898 tonnes ✓
Drilling mud	272 tonnes ✓
Non-hazardous waste	324 tonnes ✓
Hazardous waste	62 tonnes ✓
Total	1,556 tonnes ✓
Energobaltic	
Municipal waste	6.8 tonnes ✓
Non-hazardous waste	0.1 tonnes ✓
Hazardous waste	0.2 tonnes ✓
Total	7.1 tonnes ✓
Total for the LOTOS Petrobaltic Group	5,022 tonnes ✓

In 2012, LOTOS Geonafta used only water-based drilling mud instead of the more harmful oil-based mud. Most of the water-based mud's ingredients are biodegradable. Technological water, drilling mud and drill cuttings are temporarily stored on the platform and later carried away for disposal.

In LOTOS Norge, oil-based drilling mud was used for the drilling of lower sections (17½, 12¼, 8½). Processed drilling mud and drill cuttings contaminated by oil were stored on the platform and later returned to land, to waste management companies. The platform has a specialised storage system for drill cuttings that ensures their proper storage and reduces the potential risk of harmful substances penetrating the environment.

In 2012, LOTOS Petrobaltic Group did not report any environmentally relevant oil spills.

Environmental protection spending

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc)

The scale of the initiatives we have undertaken is confirmed by the environmental spending and investment projects recently implemented by Grupa LOTOS and other companies of the LOTOS Group.

Item	Costs and outlays [PLN '000]		
	2010	2011	2012
Grupa LOTOS			
<i>Costs</i>			
Environmental management costs	N/A	2,685	3,143 
Environmental protection spending	N/A	20,011	15,842 
Financing of pro-environmental activities of external institutions	N/A	285	525 
<i>Outlays</i>			
Pro-environmental investments	16,812	12,116	67,606 
Material investments *	705,663	114,733	141,913 
LOTOS Group			
<i>Costs</i>			
Environmental management costs	N/A	25,450	4,729 
Environmental protection spending	N/A	34,564	19,003 
Financing of pro-environmental activities of external institutions	N/A	295	547 
Environmental insurance **	N/A	104	105 
<i>Outlays</i>			
Pro-environmental investments	33,647	34,709	75,515 
Material investments ***	1,161,327	805,265	814,264 

* In 2012, the approach changed and now material investments are presented according to [the Directors' report Grupa LOTOS S.A. 2012 \(http://inwestor.lotost.pl/en/971/reports_and_key_data/annual_reports\)](http://inwestor.lotost.pl/en/971/reports_and_key_data/annual_reports).

** Environmental insurance is paid at the LOTOS Group level.

*** In 2012, the approach changed and now material investments are presented according to [the Directors' report LOTOS Group 2012](http://inwestor.lotos.pl/en/971/reports_and_key_data/annual_reports) (http://inwestor.lotos.pl/en/971/reports_and_key_data/annual_reports).

N/A - no data available

The environmental management costs include the spending on environmental research, external certifications of management systems and additional services rendered by external companies.

Environmental protection expenditure includes the costs of waste disposal, maintenance of infrastructure and equipment, but not charges for economic use of the environment.

The reporting period was marked by a significant increase in the size of financial resources earmarked for environmental investments. After completion of the refinery expansion under the 10+ Programme, which resulted in the increased processing capacity of the entire plant, Grupa LOTOS focused on improving the performance of units built prior to 2008. These investments were intended to increase energy efficiency of individual components, reduce consumption of consumables, minimise fugitive emissions, and redirect flare gas.

In 2012, Grupa LOTOS carried out an initiative to reduce the impact of its products on the environment. The Company, having advanced technologies at its disposal and making the best use of raw materials, developed a technology for the production of Group II base oil of low viscosity, according to the classification by API (*American Petroleum Institute*).

Group II base oil has a high content (> 90% m/m) of saturated hydrocarbons, and low content of resins and aromatic hydrocarbons. It is a mineral base oil with improved quality, resulting from its viscosity of about 120 and sulphur content of less than 0.03% m/m. The new oil is produced from crude oil, using modern technologies that yield a product with a modified composition and hydrocarbon structure. The raw material used in its preparation is a narrow fraction of vacuum distillate derived from the hydrocracking of paraffin fractions. The use of base oils with low sulphur and aromatics content for the production of lubricating oil helps to reduce the negative impact of oil on the environment.

In addition to the Group II base oil, we also started to produce wax with very low sulphur content. The parameters of the low-sulphur wax, produced on the basis of paraffin fractions, are consistent with the requirements of the U.S. Food and Drug Administration (FDA) for products intended for contact with food. Positive feedback from the FDA is an indicator of the high quality of the product and confirmation that it has no adverse effects on health.

In 2012, a number of large scale environmental investments were also carried out by some of the LOTOS Group's companies:

- **LOTOS Asphalt** completed air-tightening of bitumen dispatch facilities, which was carried out using a road tanker loading facility and rail tankers in Gdańsk.
- In **LOTOS Jasło**, two storage tanks have been modernised with geomembrane linings.
- **LOTOS Kolej** completed the construction of the most technologically advanced tanker cleaning facility in Poland. Ensuring the air-tightness of technological processes, change of the cleaning technology, and use of the latest equipment reduced the consumption of utilities and generation of oily wastewater. Hydrocarbon emissions were eliminated and OHS conditions were improved.
- Since 2011, **LOTOS Paliwa** has been using renewable energy sources in the heat pumps installed in the newly built Premium service stations. In 2011-2012, these pumps were installed in 10 stations.
- In **LOTOS Petrobaltic**, an installation for re-pumping of discharge water was modernised. On the **LOTOS Geonafta** rigs, old fluorescent lighting was replaced with modern LED lights. In **LOTOS Norge**, a replacement system for hazardous chemical substances was introduced to reduce the amount of hazardous waste generated. Altogether, seven substances were classified for replacement.

The effect of these undertakings, apart from measurable economic benefits, is the reduction of the organisation's

negative environmental impact in its activities, which is illustrated by the declining trend in data concerning fees for use of the environment.

Item	Expenditure [PLN '000]		
	2010	2011	2012
Grupa LOTOS			
Air pollution	3,817	4,268	2,980
Water withdrawal	160	144	140
Wastewater discharge	306	313	298
Landfilling of waste	0	0	0
Total	4,283	4,725	3,418
LOTOS Group			
Air pollution	4,306	4,805	3,218
Water withdrawal	245	210	173
Wastewater discharge	528	487	388
Landfilling of waste	2	0	0
Total	5,081	5,502	3,779

Our business profile dictates certain statutory costs associated with the use of the environment. The noticeable fall in expenses incurred by air emissions was driven by the LOTOS Group's environmental investments, chiefly including the use of natural gas in the production of hydrogen and fuel at Grupa LOTOS' CHP plant.

Compliance with regulations

✔ - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc)

In 2012, only LOTOS Paliwa suffered increased fees for economic use of the environment. The increased fees were accrued by the three facilities that temporarily did not have valid water permits for the discharge of rainwater and snowmelt from paved areas to the environment. The fact that these permits were not valid was related to the need to modernise the rainwater drainage and reach an agreement with the authorities in charge of the local rainwater drainage system, which prolonged the process of obtaining the new permit. Currently, all facilities have the required water permit, and the company is paying standard fees for use of the environment ✔.

Key data

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc)

Materials

Feedstock and other materials used by Grupa LOTOS by weight and volume (tonnes)

	2010	2011	2012
Crude oil	8,095 655	9,163,836	9,673,647 
Feedstock and components	844,327	1,062,156	833,610 
Additives	2,010	2,254	2,091 

Raw and other materials used in LOTOS Petrobaltic for exploration and production in 2012

Drilling mud

Type of material	[tonnes]
Bentonite	4.7 
Salts (drilling mud and packer fluid)	54.4 
Hydroxides	3.1 
Other (for maintaining appropriate properties - viscosity, filtration etc)	18.2 
Total	80.4 

Grout

Cement	217.5 
Processing agents	1.8 
Total	219.3 

Injected and formation water

Biocides	8.9 
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Coagulants	2.1	✓
De-emulsifiers	6.6	✓
Other	2.4	✓
Total	19.9	✓
Total use	319.6	✓

Substances used in the transport of gas from the platform through the pipeline to Władysławowo

Methanol	5.7	✓
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Raw and other materials used by LOTOS Geonafta for prospecting and exploration in 2012

Substances used in the drilling process [tonnes]

Acid inhibitors	3.8	✓
Drilling mud additives	60	✓
Polymers	30.6	✓
Blockers	55	✓
Lubricants	2	✓
Cement	62	✓
Extraction additives	25.2	✓
Total	238.6	✓

Substances used in the acquisition process [tonnes]

Corrosion inhibitors	0.8	✓
De-emulsifiers	23.4	✓
Sediment inhibitors	0.08	✓
Oxidants	0.6	✓
Total	24.88	✓
Total use	263.48	✓

Raw and other materials used by LOTOS Norge for exploration and production in 2012 [tonnes]

Total breakdown for licence PL 498 Skagen, to November 3rd 2012

Drilling mud additives	2,092.9	✓
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Drilling mud	29.9	✔
Salt	146.9	✔
Cement additives	1,347.5	✔
Cement	224	✔
Lubricants	6.6	✔
Total	4,116.9	✔

Raw and other materials used by Energobaltic in 2012

Stage I - Gas Compressor Station

Input material:

- waste gas 10,350,433 Nm³ ✔

Indirect production material:

- methanol 11,400 l ✔

Stage II - Gas/Input Material Separator Station

Input material:

- waste gas (wet) for LPG production 5,332.4 tonnes ✔

- natural gas condensate 1,550.5 tonnes ✔

Obtained fuel gas (dry) as fuel for production of heating and electricity. 5,572,326 Nm³ ✔

Grupa LOTOS applies the definition of biocomponents as authorised by the Act of August 25th 2006 on Biocomponents and Liquid Biofuels. All biocomponents purchased by Grupa LOTOS and produced in the LOTOS Group's facility meet sustainable development criteria. It should be noted that Poland has not implemented Directive 2009/28/EC yet, which means that under the current legal framework Poland has no systems for certification of biocomponents taking into account sustainable development criteria. Due to the trade secret implications, it is not possible to disclose the volume of purchased and produced biocomponents ✔.

Energy

Direct energy consumption of Grupa LOTOS by primary energy source in 2012

Item	Item	Direct energy sources purchased	Direct energy sources produced	Direct energy sources sold	Total direct energy consumption
Natural gas	GJ	4,476,958			4,476,958 ✔

Fuel gas	GJ		10,257,181	176,608	10,080,572 ✓
HSFO+Bleed fuel oil	GJ		2,349,433		2,349,433 ✓
LSFO fuel oil	GJ	1,030,455	3,293,629		4,324,084 ✓
HON light fuel oil	GJ		61,401		61,401 ✓
Electricity	GJ				0 ✓
Heat	GJ			108,456	-108,456 ✓
Total	GJ	5,507,413	15,961,644	285,064	21,183,993 ✓

Direct energy consumption of Grupa LOTOS by primary energy source in 2011

Item	Item	Direct energy sources purchased	Direct energy sources produced	Direct energy sources sold	Total direct energy consumption
Natural gas	GJ	1,383,334			1,383,334
Fuel gas	GJ		10,053,891	194,860	9,859,031
HSFO fuel oil	GJ		3,434,143		3,434,143
LSFO fuel oil	GJ	4,382,235	1,177,603		5,559,838
HON light fuel oil			134,188		134,188
Electricity	GJ			79,499	-79,499
Heat	GJ			86,541	-86,541
Total	GJ	5,765,569	14,799,825	360,900	20,204,494

Direct energy consumption of Grupa LOTOS by primary energy source in 2010

Item	Item	Direct energy sources purchased	Direct energy sources produced	Direct energy sources sold	Total direct energy consumption
Natural gas	GJ	1,244,784			1,244,784
Fuel gas	GJ		8,085,394		8,085,394
HSFO fuel oil	GJ		2,660,714		2,660,714
LSFO fuel oil	GJ	1,153,159			1,153,159
HON light fuel oil			103,973		103,973
Electricity	GJ			8,471	-8,471
Heat	GJ			0	0

Total	GJ	3,397,943	15,221,725	8,471	17,628,139
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Direct energy consumption in 2012, by primary energy source

Item	Item	Direct energy sources purchased	Direct energy sources produced	Direct energy sources sold	Total direct energy consumption
LOTOS Petrobaltic					
Natural gas	GJ		45,972	24,543	21,429 ✓
Diesel oil	GJ	90,482			90,482 ✓
Total	GJ	90,482	45,972	24,543	111,911 ✓
LOTOS Geonafta					
Natural gas	GJ		9,166		9,166 ✓
Diesel oil	GJ	22,448			22,448 ✓
Total	GJ	22,448	9,166		31,614 ✓
LOTOS Norge					
Diesel oil	GJ	18,493			18,493 ✓
Energobaltic					
Natural gas type E (GZ 50)	GJ	12,866			12,866 ✓
Natural fuel gas (dry)	GJ	278,600			278,600 ✓
Light fuel oil	GJ	2,930			
Electricity	GJ		53,508	51,053	2,455 ✓
Heat	GJ		140,520	108,214	32,306 ✓
Total	GJ	294,396	194,028	159,267	326,227 ✓
Total for the LOTOS Petrobaltic Group	GJ	425,819	249,166	183,810	488,245 ✓

Indirect energy consumption of Grupa LOTOS by primary energy source

Item	Item	Average advanced energy purchased
Amount of electricity purchased from the National Power Grid	GJ	4,407,590 ✓

Indirect energy consumption by primary energy source

LOTOS Petrobaltic

Energy purchased for the land base's operations	GJ	6,398
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LOTOS Geonafta

Energy purchased for administrative purposes	GJ	4,465
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Energy purchased for production purposes	GJ	12,071
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LOTOS Norge

Only Diesel oil powered

Energobaltic

Purchase of electricity	GJ	25,776
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Total indirect energy consumption at the LOTOS Petrobaltic Group	GJ	48,710
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Water

Total freshwater withdrawn by Grupa LOTOS from all sources

[m ³]	2010	2011	2012
	3,961,494	3,809,856	3,721,330

Total freshwater withdrawn by Grupa LOTOS by source

Water source	2010	2011	2012
Underground water [m ³ /year]	195,024	202,429	189,217
Surface water [m ³ /year]	3,766,470	3,607,427	3,532,113

Grupa LOTOS processes consuming large quantities of water**Amount [m³/year]**

	2010	2011	2012
CHP plant – production of utilities	2,728,615	2,929,811	2,936,080
refinery – circulatory cooling water	1,311,213	1,386,304	1,503,995

Total freshwater withdrawn by source

LOTOS Petrobaltic

Source	Unit	Amount of water drawn in 2012
Fresh water - own source	m ³	19,988 ✓
Fresh water - municipal network	m ³	1,392 ✓
Sea water	m ³	311,972 ✓
Formation water	m ³	75,712 ✓
Total	m³	409,064 ✓

LOTOS Geonafta

Fresh water	m ³	2,553 ✓
Water for technological purposes	m ³	1,146 ✓
Total	m³	3,699 ✓

LOTOS Norge

Fresh water - municipal network	m ³	2,272 ✓
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Energobaltic

Water drawn from municipal network	m ³	5,538 ✓
Total freshwater withdrawal at the LOTOS Petrobaltic Group	m³	420,573 ✓

Total volume of water recycled in Grupa LOTOS

	2010	2011	2012
Industrial water produced from treated wastewater [m ³]	1,555,969	1,79,317	1,254,556 ✓
Quantity of pure condensate [m ³]	1,546,726	2,030,131	2,207,217 ✓

Total volume of water recycled in Grupa LOTOS

	2010	2011	2012
Total volume of water obtained from recycling [m ³]	3,102,695	3,209,448	3,461,773 ✓
Percentage of recycled water [%]	43.9	45.7	48.2 ✓

Wastewater

Total volume of wastewater by quality and destination (m³)

	2010	2011	2012
Rozwójka	3,880,741	3,874,089	4,305,910 ✓
Martwa Wisła	1,306,041	1,354,015	1,293,596 ✓
Total	5 186,782	5,228,104	5,599,506 ✓

Wastewater discharged from the Grupa LOTOS treatment plant into the Martwa Wisła river	Measurement unit	Value					
		2010		2011		2012	
		W _r	W _d	W _r	W _d	W _r	W _d
Index							
pH	-	7.50	6.50-9.10	7.81	6.50-9.10	7.79	6.50-9.10
Biochemical Oxygen Demand	[mg O ₂ /dm ³]	4.60	25.00	2.68	25.00	2.56	25.00
Chemical Oxygen Demand	[mg O ₂ /dm ³]	51.4	125.00	34.00	125.00	30.20	125.00
Suspended solids	[mg/dm ³]	6.20	35.00	7.89	35.00	6.38	35.00
Volatile phenols	[µg/dm ³]	6.00	100.00	1.00	100.00	<5.00*	100.00
Substances extractable with petroleum ether	[mg/dm ³]	2.56	50.00	0.58	50.00	0.74	50.00
Petroleum hydrocarbons	[mg/dm ³]	0.38	5.00	0.83	5.00	1.93	5.00
Total Nitrogen	[mg/dm ³]	3.60	30.00	2.90	30.00	2.40	30.00
Total Phosphorus	[mg/dm ³]	1.00	3.00	1.07	3.00	1.03	3.00
Sulphides	[µg/dm ³]	<10.00*	200.00	2.00	200.00	6.00	200.00
Nickel	[µg/dm ³]	7.70	500.00	10.10	500.00	10.20	500.00
Vanadium	[µg/dm ³]	17.80	2000.00	36.30	2000.00	28,90	2000.00
Aluminium	[µg/dm ³]	24.30	3000.00	92.20	3000.00	62.40	3000.00

W_r – actual average annual value

W_d – permissible average annual value

* – result below the quantification limit for the analytical method used in a given year.

Wastewater discharged from the Grupa LOTOS treatment plant into the Rozwójka river	Measurement unit	Value					
		2010		2011		2012	
		W _r	W _d	W _r	W _d	W _r	W _d
Index							

Suspended solids	[mg/dm ³]	9.86	35.00	11.92	35.00	10.71	35.00
Petroleum hydrocarbons	[mg/dm ³]	1.02	5.00	1.64	5.00	2.15	5.00

W_r – actual average annual value

W_d – permissible average annual value

Waste

Waste generated by Grupa LOTOS	Quantity [tonnes/year]		
	2010	2011	2012
Waste stored as at the end of the previous year	2,215	2,244	2,195 ✓
Generated hazardous waste	4,218	7,338	6,784 ✓
Generated non-hazardous waste	7,254	5,046	5,574 ✓
Total generated waste	11,472	12,384	12,358 ✓
Quantity permitted by the integrated permit	89,627	89,627	89,627 ✓
Waste generated by service providers	N/A	N/A	4,154 ✓

Waste management methods in Grupa LOTOS	Quantity [tonnes/year]		
	2010	2011	2012
Waste recovered	10,836	12,428	12,749 ✓
Waste treated or disposed of	600	4	28 ✓
Incineration	519	4	27 ✓
Landfilling	81	0	1 ✓
Waste stored on site at the end of the year	2,244	2,196	1,777 ✓
Hazardous	1,044	1,977	1,503 ✓
Non-hazardous	1,200	219	274 ✓

Type of hazardous waste generated in Grupa LOTOS	Quantity [tonnes/year]			
	Unit	2010	2011	2012
Hazardous waste transported from external sources (from outside Grupa LOTOS) to the refinery		0	21	0
Hazardous waste transported from the refinery to external sites in Poland		4,128	6,286	7,258

Hazardous waste transported from the refinery to external sites outside of Poland	0	119	0
Total hazardous waste transported	4,128	6,426	7,258
Percentage of waste transported across international borders	[%]	0	2
		0	0

Products and services

Benzene, sulphur and lead content in Grupa LOTOS fuels produced in 2012

Benzene	0.5-1.0% V/V, average 0.8% V/V (at defined maximum of 1.0% V/V).
Sulphur	
- in gasolines	1.0 – 9.9 mg/kg; average 3.9 (standard max. 10 mg/kg)
- in Diesel oil	1.4 – 9.5 mg/kg; average 5.5 (standard max. 10 mg/kg)
Lead	brak

Contribution to society

One of the LOTOS Group's primary objectives until 2015 is the implementation of its social responsibility strategy, which supports the organization in the process of achieving the objectives of its business strategy. This creates opportunities for the best possible use of organizational resources and competences in order to generate economic and social values, benefiting both the company and its environment. Strategic directions in this respect are determined by the Board of Grupa LOTOS.

The social, environmental, ethical and human rights issues discussed in the social responsibility strategy have been integrated with our core operations and the business strategy of the LOTOS Group. In this way, we have managed to create a mechanism to:

- Increase our positive contribution to social development.
- Mitigate any possible adverse impact by our operations and the associated risk.

In 2011-2012, we conducted public consultations in order to optimise our organizational objectives in the area of social responsibility. These consultations and opinion polls involved key stakeholder groups, both internal and external. As a result, we managed to define the new perspective for the CSR Strategy of the LOTOS Group until 2015.

PILLARS OF THE LOTOS GROUP'S CORPORATE SOCIAL RESPONSIBILITY STRATEGY UNTIL 2015

I SOCIAL RESPONSIBILITY	II ENVIRONMENTAL RESPONSIBILITY	III BUSINESS RESPONSIBILITY
<p>Creating values beneficial to social environments</p>	<p>Creating values beneficial to the natural environment</p>	<p>Creating economically beneficial values</p>
<p>We are committed to respect for intellectual capital and diversity, as well as respect for human rights, including the freedom of speech and freedom of association. We contribute to the creation of new jobs and the improvement of the quality of human capital in the areas of our impact. We actively counteract exclusion and other social problems in the spheres of our competences.</p>	<p>We strive to continuously reduce the negative impact of our business on the environment through the application of high standards of extraction, production and processing of hydrocarbons, and also by meeting demanding environmental standards in the production, transportation and sale of petroleum products. In our upstream operations we employ the best available techniques and rules of conduct, constantly analysing the opportunities offered in this area by new technologies. We also aim to identify and develop opportunities for obtaining energy from renewable sources.</p>	<p>We place great importance on the management of our relations with the environment in a predictable and reliable manner, consistently with the principles of ethics and in keeping with the rules of transparency and partnership. This has an impact on the way in which we aim to profit and increase in value in the long term perspective. Our responsibility manifests itself in our initiation of activities aimed at increasing security in the energy sector in a responsible manner, in terms of both society and the environment. We provide a stable supply of fuel to the market, and participate in the exploration and production of hydrocarbon deposits, including unconventional ones.</p>

We have thoroughly analysed the opinions expressed by local communities, key residents of municipalities and provinces, representatives of non-governmental organizations, local government at all levels, state administration, research and development centres and educational institutions. Our key cooperation programmes are aimed at the residents of Pomerania on the Baltic coast and Jasło and Czechowice-Dziedzice in the south of Poland, where our main

production plants, warehousing facilities and other installations are located. These programmes are directed at the development of the local communities there, and counteraction of any essential social and environmental problems that they struggle with.

Several LOTOS Group entities operate in these locations in the three provinces (Gdańsk, Katowice and Rzeszów), including the Grupa LOTOS refinery in Gdańsk and the former Southern Refineries, currently operating as LOTOS Czechowice and LOTOS Jasło.

During our consultations we identified the principal areas of involvement upon which - according to the stakeholders - we should focus with our social partners. These include:

- **Road safety**, which we influence through the quality of our products and comprehensive educational campaigns;
- **Equal opportunity initiatives and prevention of social exclusion, especially among children and youth**, to whom we address our scholarship grants, environmental education projects and sports-based education projects;
- **Environmental protection and ecology**, with (given the seaboard location of our refinery) special respect for the biodiversity of the Baltic Sea, as well as other areas of great natural value located in the imminent vicinity of LOTOS Group companies.

The fact that the social relations aspect of our involvement has been included in the Code of Ethics, in force since 2013, is a testimony to how important these issues are to the LOTOS Group.

We strive to maintain solid, long-lasting relations with our local communities. We also strive to be a good neighbour, one that cares for others and engages in dialogue to solve problems, and participates in the life its local communities. We support important social and cultural initiatives provide for children and teenagers from areas close to our facilities and participate in conservation projects that help preserve the beauty of their natural surroundings for future generations.

Our approach to community relations is put into practice by:

- Treating community members with dignity and in a non-discriminatory manner
- Maintaining professional relations with social partners
- Taking an open and amicable attitude towards members of local communities and eliminating any potential sources of conflicts, unrest or controversies in community relations.

Source: The LOTOS Group Code of Ethics

The key objective of the LOTOS Group's CSR Strategy until 2015 with respect to integration with local communities, is to ensure favourable attitudes among local communities and strengthen the company's image as a socially committed business, by undertaking initiatives designed to provide lasting solutions to social and environmental issues.

Effective realisation of the strategy requires that our relations with social partners, such as NGOs, expert advisers, local government and communities are managed responsibly. The partners' expertise and competences, as well as their knowledge of problematic issues in a given area of social life, combined with a professional approach to particular aspects of the company's management, all guarantee the effectiveness of implemented projects and social and environmental programmes.

As provided for in our strategy, in 2012, we began work on a project, which in the long-term has a chance to significantly support the development of the Pomerania region, where most LOTOS Group companies are actually located. The **Development Initiation Forum**, inaugurated in Gdańsk in 2012, is an initiative born of the experiences and needs of the representatives of three sectors: local government, business and NGOs. The project deals with the effective social and economic development of the region, based on the implementation of inter-sectoral projects.

The unique approach of the Development Initiation Forum lies in:

- Learning the practicalities of inter-sectoral cooperation;
- Providing opportunities for the exchange of good practices;
- Using tried and tested cooperation and activation strategies, following the examples of successfully completed projects;
- Providing opportunities for building informal contacts and actively searching for partners in an atmosphere of cooperation.

Further development of the initiative is planned for the coming years, and an annual conference is planned to become a bonding element. Between the conferences, we will be implementing additional inter-sectoral projects, financed within the so-called Grant Fund of the **Development Initiation Forum**. The idea of the Fund is to support inter-sectoral projects which respond to the real needs of the Pomerania region, while contributing to its ongoing development.

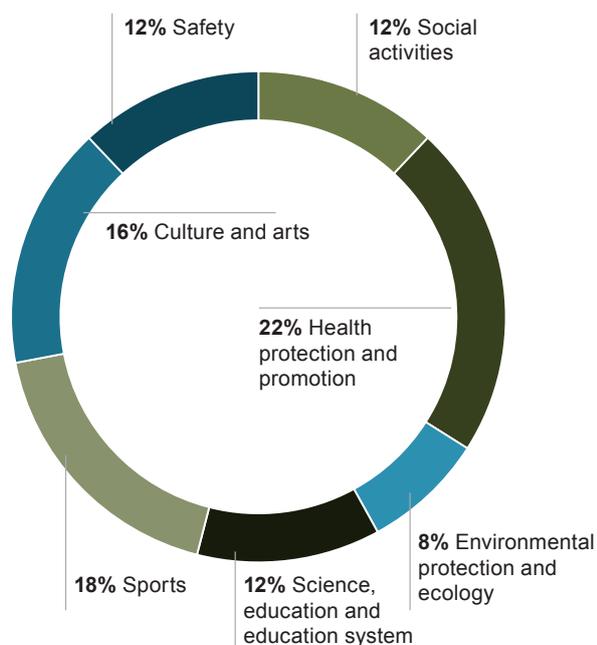
Grupa LOTOS' contribution to the work of the Forum lies not only in its financial input, but also in the sharing of its experience in the infrastructural, educational, environmental and cultural initiatives which have supported the development of the region for a long time now.

We are involved in the implementation of cultural, social and sporting events crucial to the regions where LOTOS Group companies have a presence. Similarly, we support initiatives aimed at improvement of life in our neighbouring communities, and which are local to our employees. Education and healthcare systems are well developed in our environment; however, we are particularly involved in initiatives that support our social partners in the area of access to appropriate professional equipment. Selection of such projects is usually preceded by consultations with the local authorities or social partners with the relevant competences. The principles of cooperation and choice of activities are subject to decisions made well in advance, allowing us to build responsible relationships that benefit these regions in the long term.

In 2012, we supported a number of initiatives which had an impact on the infrastructural development of our local communities, bringing positive effects to many spheres of their life. It is worth emphasising that in June 2012, the General Shareholders Meeting of Grupa LOTOS adopted a resolution on distribution of profit for 2011. Under the resolution, part of Grupa LOTOS' net profit in the amount of PLN 1,500,000 was earmarked for the Company's special account for financing of Grupa LOTOS' CSR projects, including those relating to healthcare and health promotion. More information is to be found in the [Consolidated statement of comprehensive income \(http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-2012/consolidated-statement-of-comprehensive-income\)](http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-2012/consolidated-statement-of-comprehensive-income).

Money donated by us was invested in medical equipment for public healthcare institutions, other equipment related to environmental protection and ecology, investments aimed at the improvement of residents' quality of life and road safety education. These investments were realised pro publico bono.

2012 support structure in the form of grants, broken down by sphere of life



LOTOS Group's involvement in initiatives serving the development of its local communities in 2012

No.	Institution	City/town	Purpose of grant
1.	Gmina Bisztynek	Bisztynek	Renovation of the state nursery damaged in a hail storm.
2.	Volunteer Fire Brigade	Trzcinica	Equipment purchase: SCBA with motion sensor.
3.	The 'Bezpieczni w Ruchu Drogowym' (Safe on the Road) Foundation	Gdańsk	Equipment purchase.
4.	Cappella Gedanensis	Gdańsk	Purchase of an instrument.
5.	Politechnika Gdańska (Gdańsk University of Technology)	Gdańsk	Co-financing of the renovation and modernisation of a rotary vacuum-drum filter unit.
6.	Primary School	Osowo	Computer purchase.
7.	Specialist Hospital in Jasło	Jasło	Purchase of medical equipment - electrosurgical diathermy unit.
8.	Pomorskie Centrum Chorób Zakaźnych i Gruźlicy (Pomeranian Infectious Diseases and TB Centre)	Gdańsk	Purchase of medical equipment - vital signs monitor for the paediatric ward.
9.	Ambulance Station	Gdańsk	Co-financing of a rescue motorbike.
10.	Wojewódzkie Centrum Onkologii (Provincial Oncology Centre)	Gdańsk	Purchase of medical equipment.
11.	Stowarzyszenie Pomocy Dzieciom Chirurgicznie Chorym (Children's Aid Association for Surgical Patients)	Gdańsk	Purchase of medical equipment - Body Wizz3D platform.

12.	The PCK Marine Hospital	Gdynia	Purchase of biopsy apparatus.
13.	Fundacja Agencja Regionalnego Monitoringu Aglomeracji Gdańskiej (Agency of Regional Air Quality Monitoring of Gdańsk Agglomeration)	Gdańsk	Replacement of the AM1 container at the monitoring station in Gdańsk and its connection to the monitoring network.
14.	Ornithological Station at the Museum and Institute of Zoology of the Polish Academy of Sciences	Gdańsk	Co-financing of statutory activities, including the purchase of 3 glass cabinets for a display of stuffed birds for educational purposes at the MIZ PAN Ornithological Station, Gdańsk.
15.	Fundacja Rozwoju Uniwersytetu Gdańskiego (Foundation for the Development of Gdańsk University)	Gdańsk	Co-financing of statutory activities in research objectives; provision of equipment for the Zelint research unit and purchase of research equipment.
16.	Grupa Badawcza Ptaków Wodnych KULING (Kuling Waterbird Research Group)	Gdańsk	Co-financing of statutory activities, including the construction of an observation deck, repairs to the nature trail and environmental protection actions in the Mewia Łacha Reserve.
17.	Municipality of Pruszcz Gdański	Pruszcz Gdański	Co-financing of the renovation of road surface of ul. Jesionowa in Przejazdowo.
18.	Specialist Hospital in Jasło	Jasło	Co-financing of roof renovations at the specialist surgical unit of the Specialist Hospital in Jasło.

We also provide non-profit support in Lithuania through AB LOTOS Geonafta, implementing social investments in the areas of education, culture and sports. AB LOTOS Geonafta's socially motivated activities also provide support to blind and partially-sighted children in Lithuania. The company also sponsored production of a book written in Braille, which was published both as an audiobook and a print edition.

We are the main sponsor of sports clubs, sporting events, cultural institutions and cultural events in the regions where LOTOS Group companies operate. In 2012, we implemented 56 sponsorship projects in sports, culture and the arts, as well as 12 social projects, including educational and ecological activities. One of the criteria we use when choosing which activities to sponsor is their social dimension, their significance to local communities and their impact on their region's national and international reputation. If we were to cease our sponsorship activities, it would cause a deterioration of the cultural sphere and a lowering of the potential for young people to become involved in sports.

Companies that belong to the LOTOS Group have no negative impact on the quality of life in their immediate environment. However, we take preventive measures and observe all our duties stemming from the provisions of environmental protection law because of the high-risk plants within our structure. Pursuant to these laws, we communicate with local government on the procedures and safety measures that need to be implemented in case of serious industrial disasters. These are also published on the websites of our companies, with specific instructions for residents on how to proceed in such cases, and are also communicated to the entities and social institutions which might be affected by the consequences of such emergencies. The information included in such documents as the Environmental Impact Assessment (which we commission to meet the requirements of the Marshall's Offices, Regional Environmental Protection Boards, Provincial Environmental Protection Inspectorates) is also available to the public. Since these are not confidential documents, anyone who wishes do so can acquaint themselves with their content. They are also available in reports published on the environmental conditions in the provinces, as informative materials for the needs of local communities.

Significant support given by the state

Grupa LOTOS	2010	2011	2012
			PLN '000
Grants received in the year	-	5,206	2,186
Grants settled in the year	-	433	733
Carrying amount of grants at the end of the year	25,275	23,580	25,033

Grants are licences received free of charge.

LOTOS Group	2010	2011	2012
			PLN '000
Grants received	791	7,431	2,186
Grants settled	122	1,654	2,059
Carrying amount of grants at the end of the year	40,012	39,321	39,448

Grants are mainly licences received free of charge and grants received from EcoFund for the use of waste gas from the offshore oil production facility for heating purposes. (Note 31.2 (<http://raportroczny.lotost.pl/en/financial-information/consolidated-financial-statements-2012/notes-to-the-financial-statements/31.-trade-and-other-payables-other-liabilities-and-provisions>) of Additional information and clarifications to the LOTOS Group's Consolidated Financial Statements for the year 2012)

Moreover, the LOTOS Group makes use of government assistance, as regulated by IAS 20 concerning "Accounting for Government Grants and Disclosure of Government Assistance".

Until April 30th 2011 the LOTOS Group (LOTOS Biopaliwa) was a beneficiary of tax relief available to producers of biocomponents, under the Act of February 15th 1992, Corporate Income tax (consolidated text: Dz.U. of 2011, No 74, item 397) - Art. 19a. The public assistance granted within the quoted regulations was approved by the decision of the European Commission No. N 57/08 of September 18th 2009, concerning authorisation for state operated assistance in the area of biofuels. This relief has enabled biofuel producers to deduct from their payable income tax up to 19% of the surplus value of their produced biofuels, over the value of their produced liquid fuels of the same calorific value, calculated at average prices. European Commission approval for the tax relief expired on April 30th 2011, and the unsettled amount of the relief is accounted for in current prepayments for corporate income tax. The tax effect of the biocomponent relief was presented in Notes 10.2 (<http://raportroczny.lotost.pl/en/financial-information/consolidated-financial-statements-2012/notes-to-the-financial-statements/10.-corporate-income-tax>) and 10.3 (<http://raportroczny.lotost.pl/en/financial-information/consolidated-financial-statements-2012/notes-to-the-financial-statements/10.-corporate-income-tax>) of Additional information and clarifications to the LOTOS Group's Consolidated Financial Statement for the year 2012.

LOTOS Asphalt operates in the area of the Tarnobrzeg Special Economic Zone, EURO-PARK WISŁOSAN, under Permit No. 158/ARP S.A./2008 of January 23rd 2008, granted until November 15th 2017. Because the company invests in the Tarnobrzeg Special Economic Zone itself, it is entitled to a tax relief on up to 50% of capital expenditure incurred in the TSEZ from its income tax payable. The tax effect of this relief was presented in Notes 10.2 (<http://raportroczny.lotost.pl/en/financial-information/consolidated-financial-statements-2012/notes-to-the-financial-statements/10.-corporate-income-tax>) and 10.3 (<http://raportroczny.lotost.pl/en/financial-information/consolidated->

[financial-statements-2012/notes-to-the-financial-statements/10.-corporate-income-tax](#)) of Additional information and clarifications to the LOTOS Group's Consolidated Financial Statement for the year 2012_ (<http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-2012>)

The LOTOS Group is also taking advantage of the relief for acquiring new technologies under the Act of February 15th 1992 on corporate income tax (consolidated text: Dz. U. of 2011, No. 74, item 397) - Art. 18b. This enables the LOTOS Group to deduct from payable income tax no more than 50% of its expenditure on the purchase of new technologies.

Local community development programmes

In 2012, we took a number of preventive measures and activities contributing to the development of the local communities living in the vicinity of LOTOS Group facilities. Many of these are long-term programmes that have already been in place for several years. As they fit with the areas of our competence, determined in consultation with our stakeholders, they are indeed likely to improve aspects of life that are important to the communities' members.

Road safety

The low level of traffic safety has been one of the major social problems in Poland for many years. In 2012, there were over 36,400 road accidents (3,600 fewer than in 2011), in which around 45,000 people were injured (down by 4,500 on 2011) and 3,500 people killed (down by over 600 on the previous year). Although the number of accidents decreased in 2012, Poland is still last among European countries in terms of road traffic mortality per million residents.

According to data furnished by the European Commission, in 2011 the number of people involved in road accidents in Poland was 109 per million residents, whereas in the UK, Sweden and the Netherlands - at the other end of the road safety figures - it was 32-33 per million.

Given the scale of the risk, educational campaigns should be run among the very youngest pupils of primary schools, as it is at this stage that the right attitudes and behaviour are shaped most effectively.

Grupa LOTOS sees its involvement in the enhancement of road traffic safety as a priority. To this end, we established **Akademia Bezpieczeństwa LOTOS** (LOTOS Safety Academy) – a programme dedicated chiefly to educating children and teenagers. Events organised by the LOTOS Safety Academy in 2012 included another iteration of the LOTOS – Bezpieczna droga do szkoły (LOTOS – Safe Journey to School) programme, the Uwolnić odbłaski art competition (Free Reflectors - to promote reflective clothing and accessories) and a new project, W drodze do prawa jazdy (On the Way to a Driving Licence).

1. LOTOS – Safe Journey to School

is a social education and accident prevention programme run jointly with Polish Police and road traffic safety experts, designed to educate and promote safe road behaviour, thus preventing traffic accidents involving young schoolchildren. The idea behind the programme is to make children conscious and safety-minded road traffic participants. The programme is addressed to primary-school first year pupils, and is designed to draw their attention to safe use of roads by both pedestrians and drivers, including their parents. At the beginning of every school year, the programme offers an opportunity to participate in classes with police officers and road safety instructors to learn about road traffic safety and safe places to play. Participants are presented with road safety reflectors and special road safety educational packages funded by our Company. Major partners in this programme include the Gdańsk Province Police Headquarters, the Bielsko-Biała City Police Headquarters and the Jasło Motor and Road Rescue Club. The programme is run in the areas of selected LOTOS Group subsidiaries, including in the Province of Gdańsk and the municipalities lying within the sphere of influence of LOTOS Czechowice and LOTOS Jasło. It was first implemented in Jasło, in 1998. In the Gdańsk Province, it has been run regularly since 2001, while in Czechowice since 2004.

In the 2012/2013 school year, we distributed a total of 14,000 road safety reflectors and the same number of educational packages to LOTOS – Safe Journey to School participants. In 2010-2012, the programme's activities were attended by a total of 41,000 students.

2. The Free Reflectors competition

was devised for first-grade pupils, particularly those participating in the LOTOS – Safe Journey to School programme. Its overall aim is to remind and warn children about road traffic risks and to help them get into the habit of wearing reflective accessories, which reduces the likelihood of accidents. The competition is open to schoolchildren of the Gdańsk Province and the Counties of Bielsko-Biała and Jasło. Its partners make joint efforts to encourage parents, carers and teachers to equip children with reflective accessories. The competition is held in the summer semester and the finale takes place in June, just before the end of the school year and the beginning of the holidays. Each participating school selects and submits up to ten pieces of art by their children. From among all the entries, the three best works are selected in each region. First-place winners are awarded bicycles with safety enhancing accessories. Additionally, the schools of the winners are awarded mini road-sign kits and bicycles with safety enhancing accessories. Second-place winners receive roller blade sets with accessories, while third-place winners receive educational game sets.

In 2012, a total of 570 pieces of art from 96 schools were submitted as part of the Free Reflectors competition. First prizes were awarded to the pupils of Primary School No. 61 in Gdańsk (Gdańsk Province), the Primary School in Porąbka (County of Bielsko-Biała) and the Primary School in Dębowiec (County of Jasło). Between 2010-2012, a total of 876 students took part in the contest.

3. The On the way to a Driving Licence project

was initiated in 2012, in cooperation with the Road Traffic Department of the Gdańsk Province Police Headquarters. It is aimed at promoting the rules of safe behaviour on the road among students of secondary schools, thus preventing accidents involving young drivers. The project focused on meetings with students of selected junior high schools. These meetings involved lectures on the rules of road safety, delivered by a police officer, as well as lectures on first aid and the medical consequences of road accidents, delivered by a medical rescue expert. The speeches were accompanied by a multimedia presentation. The main emphasis was placed on such risks as speeding, reckless driving, and not wearing seat belts.

The pilot edition of the On the Way to a Driving Licence project, held in May 2012, was attended by nearly 500 junior high school students in Gdańsk.

Equal opportunity initiatives

Equal opportunity initiatives and prevention of social exclusion, especially among children and youth, have been our focus for a number of years. Openness to the future is among the key social values of the LOTOS brand, which is why we place a special emphasis on projects promoting young people's personal development. We also feel responsible for the future of the children and youth living in the immediate vicinity of our production facilities, particularly the Gdańsk refinery.

Dobry Sąsiad (Good Neighbour) Programme

We have developed a dedicated programme for the inhabitants of Grupa LOTOS' neighbouring areas. Its strategic objective is to ensure equal opportunities, prevent social exclusion, raise environmental awareness and promote eco-friendly behaviour among the youngest children. The operational objectives we pursue as part of the programme are:

- Involvement in the life of local communities (by organising family events, sporting events etc.);
- Supporting of environmental projects and the active protection of nature surrounding the refinery;
- Supporting of selected local government projects improving the quality of life of people residing in the districts covered by the programme;
- Developing local inhabitants' understanding of our operations and assuring them that the refinery has state-of-the-art environmental security controls;
- Tackling social inequalities by providing support to non-profit organizations and public benefit institutions;
- Involvement in long-standing initiatives aimed at the inhabitants of Grupa LOTOS' neighbouring districts.

1. Family picnics and sports events

In 2012, we organised the Piłkarski Dzień Dziecka (**Children's Football Day**) family event in the Stogi district, neighbouring our facility in Gdańsk. The festival attracted around a thousand participants, who were also asked to assess the event in a survey. Their opinions concerning the venue, the programme of the event and its organization, as well as the quality of the service, overall satisfaction and quality of the gifts distributed were all at the top of the scale (99% of respondents). 76% of the respondents said we were taking care of the immediate surroundings, and 88% of the people asked felt the event met their social needs and expectations.

As part of the initiatives we undertook in our immediate vicinity, we also participated in the construction of 16 football pitches under the **Junior Gdańsk 2012** programme, commenced by the Mayor of Gdańsk in 2007. This programme granted thousands of Gdańsk school students access to the most advanced facilities of various sports disciplines. We were also the only participating company to finance construction of two multi-purpose pitches in districts of Gdańsk – in our immediate vicinity, at Primary School No. 61 in Przeróbka district and at Junior High School No. 20 in Przymorze district. At the end of the programme, just before the UEFA EURO 2012 Football Championship, we held a football tournament for all the primary and junior high schools which had had pitches built under the Junior Gdańsk 2012 programme.

2. Charity initiatives

As part of the Good Neighbour programme, we work together with non-governmental organizations, offering assistance to the neediest, particularly children and the youth, in our closest neighbourhood. We support the work of **Fundacja Pomóż Sobie i Innym (Help Yourself and Others Foundation)**, **Stowarzyszenie Pedagogów Praktyków (Association of Practising Educators)** and **Parafia p.w. Matki Boskiej Bolesnej w Gdańsku (Our Lady of Dolours Parish in Gdańsk)**. We co-financed summer and winter holidays for some 120 children under the care of these organizations. We also organised Santa Claus gift-giving events for children in family-type children's homes.

3. Pro-environmental education

In the immediate vicinity of our facilities in Gdańsk is Sobieszewo Island, which includes two nature reserves: 'Ptasi Raj' and 'Mewia Łacha'. Together with the **Ornithological Station at the Museum and Institute of Zoology of the Polish Academy of Sciences**, the **Kuling Waterbird Research Group** and the **Association of Sobieszewo Island Lovers**, we pursue the Chronimy NATURE na Wyspie Sobieszewskiej (**Protect the Wildlife of the Sobieszewo Island**) programme. The programme provides for comprehensive initiatives undertaken on Sobieszewo Island to preserve its natural riches and provide for pro-environmental education. The work of the programme has resulted in construction of protective infrastructure, for instance the development of an educational eco-route within the Mewia Łacha nature reserve, support

for construction of an observation deck and the pro-environmental education of residents and tourists. In 2012, we also implemented the **Edukacja dla Natury na Wyspie Sobieszewskiej (Education for Nature on the Sobieszewo Island)** educational project, which involved indoor workshops and field sessions, as well as training for teachers of biology and natural sciences and educators from the Pomerania region. In conjunction with the Ornithological Station, we also organise free-of-charge lectures for students of Gdańsk schools. The idea of these lectures is to develop the young generation's interest in ecology and environmental protection, promote the Natura 2000 European Ecological Network, with particular emphasis on the significance of Sobieszewo Island's protected areas to preservation of the area's biodiversity.

In 2012, over 2,600 people benefited from the educational classes developed in the Mewia Łacha nature reserve as part of the Chronimy NATURE na Wyspie Sobieszewskiej programme. The educational classes accompanying the Edukacja dla Natury na Wyspie Sobieszewskiej project were attended by 2,100 children and young people with their parents and guardians. Between 2010 and 2012, a total of 6,700 people took part in similar activities.

The Skrzydła z Grupą LOTOS (Wings with Grupa LOTOS) Programme

We have adopted a strategic approach to equal opportunity initiatives addressed to talented children at risk of social exclusion, not only from Pomerania, but also from other regions where the LOTOS Group conducts its business. This was made possible when we joined the group of strategic partners of the Skrzydła (Wings) programme implemented by **Caritas Polska**, in 2010. Under the Skrzydła z Grupą LOTOS programme, we have assisted 70 pupils from low-income families in three regions of Poland. Skrzydła is a programme of long-term assistance for pupils of primary, junior high and high schools who, given the insufficient means of their families, need assistance in the form of school lunches, school kits, as well as co-financing of school trips and educational activities. Under the programme, a sponsor can choose the form of assistance and tailor it to the needs of a child and the sponsor's financial resources. We have extended assistance to the most needy junior high and high school pupils from the Gdańsk Province, Jasło County and the Czechowice-Dziedzice Municipality. This assistance is rendered by the associated Skrzydła na przyszłość (Wings for the Future) programme, ensuring equal opportunities for all children to pursue their plans and ambitions.

Sports education programmes

We are also involved in community-oriented sports projects supporting the development of sports skills among children and youth, to train future generations of sportsmen who would like to join their local or national teams. We participate in all these initiatives because we believe in taking responsibility for the local communities in which we operate. Education through sports is also a good way to spend leisure time, educate young people in the spirit of healthy competition and fair play, and counteract social pathologies.

Since 2004, Grupa LOTOS, together with its partner **the Polish Skiing Association**, has run one of the widest-ranging projects in the area of sports education – **the National Ski Jumping Development Programme, 'In Search of the Champion's Successors'**. The programme's main objective is to support young athletes practising at ski-jumping clubs which run their own ski jumping and Nordic combined youth sections and to discover the finest Polish ski-jumping and ski-running talents. In the 2011/2012 season, the core of the national youth team was composed of scholarship holders and beneficiaries of the "In Search of the Champion's Successors" programme, as 12 out of 15 ski jumpers appointed to National Team A, the national youth team and all Nordic combined skiers of the Polish Skiing Association were covered by the programme.

From 2010 to 2012, 85 pairs of skis complete with bindings, 55 suits and 55 ski-jumping boots were given to the most talented young ski jumpers from 19 clubs all over Poland as part of the In Search of the Champion's Successors programme. Over a period of eight years, we handed out a total of 756 sets of professional sports equipment, thus launching the largest CSR project in support of talented ski jumpers and Nordic combined skiers

from Polish clubs. In addition, our one-year sports scholarships were awarded to 96 ski jumpers from the 11–12 and 15–16 age groups who finished in the top six places in the general classification of the LOTOS Cup tournament's 2004–2012 seasons.

Another field of the Company's activities supporting young sportsmen is our work with youth groups practising with the **Lechia Gdańsk Football Academy**. In 2012, the Company and the Academy jointly launched the **White and Green Future with LOTOS** programme. From 2012 to 2015, we will gradually open more than ten new Academy outlets in other locations. The programme will be implemented at new locations across Pomerania and the neighbouring provinces. Ultimately, the programme will cover a total of 3,000 children, including some 400 from outside Gdańsk who will be able to participate in regular training sessions based on the Academy's training programme.

Also in 2012, we continued our support of the training of girls basketball teams at the **Gdynia Basketball Society (GTK)**. A total of around 300 young basketballers practise with the GTK and the sports achievements and prizes it has won, including Polish National Championship medals in 2010–2011, prove that the club is a model of management in organizational and sports terms.

In 2012, we also continued our cooperation with the **Wybrzeże Gdańsk Speedway Club Association**, which trains children and youth. The aim of the **Speedway Youth School** is to develop young riders to join the first team of GKS Wybrzeże - the LOTOS Wybrzeże Gdańsk club. As in previous years, the team of young GKS riders participated in the 2012 Team Championship of Poland, finishing second.

Protection of the environment and ecology

As our refinery is located on the coast of the Baltic Sea, we place particular emphasis on working with partners specialising in areas related specifically to the region's environmental conditions. These partners include: **the Foundation for the Development of Gdańsk University (FRUG) and the Marine Station of the University's Institute of Oceanography (IOUG) in Hel**. Together with these institutions, we have implemented projects aimed at protecting the natural riches of the Baltic Sea. In 2012, we continued our involvement in initiatives focused on the biodiversity of the Baltic Sea.

The 'LOTOS Protects the Baltic Sea's Wildlife' programme

Since 2009, we have been working jointly with the FRUG Foundation and the IOUG Marine Station on projects designed to prevent the extinction of endangered marine species, notably the harbour porpoise. One of the most mysterious mammals of the Baltic Sea, the protected harbour porpoise is in danger of extinction. They are the only cetaceans permanently inhabiting the Baltic Sea, mainly off the coast of Denmark, Germany, the south coast of Sweden, as well as the Pomeranian, Gdańsk and Puck Bays in Poland.

Apart from these efforts, the partnership has paved the way for further projects aimed at promoting knowledge of the Baltic Sea's biodiversity and information on what can be done to protect its endangered species. Such joint projects include the **'Blue Schools'** where children and teenagers can meet with educators teaching about the biodiversity of the Baltic Sea. Each year we are also involved in the organization of the **International Baltic Harbour Porpoise Day**, established on the initiative of the Agreement on the Conservation of Small Cetaceans of the Baltic, North East Atlantic, Irish and North Seas (ASCOBANS).

We support projects designed to protect the harbour porpoise by purchasing tools which facilitate scientific research and warn marine mammals against the presence of dangerous underwater objects. As a result of such projects, a special line of acoustic deterrent devices (pingers), designed to warn harbour porpoises away from bay fisheries, was built between Gdynia and Hel.

In 2012, as in previous years, we organised the **'Wildlife in the water under the keel'** awareness campaign, promoting the protection of areas covered by the Natura 2000 network and encouraging the public to get involved in the conservation planning process. The campaign was conducted on-board vessels operated by Żegluga Gdańska. As part of the campaign, ten educational boards were displayed in the ships.

In 2012, we also engaged - for the fourth time - in the **'Clean Up the World'** campaign, with our organization of the **'Let's clean up the Baltic Sea! Let's clean up the world!'** event. Children from 70 Gdańsk primary schools were invited to join the initiative, which took place in Gdańsk on Brzeźno beach, with the number of participants doubling over 2011. During the collective cleaning event, 6,000 litres of waste was collected in compliance with the rules of waste segregation. Once the cleaning was over, participants of the event could take part in an educational programme, which included the pro-environmental 'Laws of Nature Park', the 'Śmieciowisko' (Rubbish Dump) theatrical show, and educational workshops. The purpose of the event was to develop a sense of responsibility for the world around us, particularly for protecting the Baltic Sea and keeping it clean.

The key measurement used to assess the project's impact was turnout.

The associated events of the 2012 ASCOBANS International Day of the Baltic Harbour Porpoise attracted 6,000 visitors, while the Marine Station's stand at the Baltic Science Festival was visited by over 3,000. Some 50,000 items of informational and educational materials and 200 copies of an educational documentary were handed out. The associated www.morswin.pl site was then visited 12,600 times over the year, and the banner campaign on the trójmiasto.pl website received 5,000 hits. An article on the harbour porpoise conservation plans was printed 30,000 times, and an exhibition entitled 'Okiem Mewy' (The Seagull's View) had 20,000 visitors. Courses offered by the Blue School were attended by 4,500 students, while the Fokarium (Seal Centre) in Hel attracted nearly 399,000 visitors. The 'Let's clean up the Baltic Sea!' event attracted 750 students from a dozen or so Gdańsk primary schools.

Maritime Education Programme

Another programme we support, implemented by the Gdańsk Foundation at the request of the Mayor of Gdańsk. The Maritime Education Programme was initiated by Mateusz Kusznierewicz, the Ambassador for Maritime Affairs of the City of Gdańsk. Its purpose is to expand young people's knowledge of the natural environment, sailing, the maritime heritage of Gdańsk and water safety rules, in a manner which is interesting to them and ensures that they can easily acquire the new knowledge and practical skills. Each year, all first class students of junior high schools from Gdańsk (totalling approximately 3,500) take educational cruises along the Gdańsk harbour channel and around the Gdańsk Bay, which last several hours at a time. Participation in the cruises is free of charge. As part of the Marine Education Programme, an environmental competition is also held. In 2012, a national competition was run under the slogan 'We all care for the Baltic Sea', which was addressed to students of every Polish junior high school. The competition was designed to make young people more sensitive to the local environment, in particular to issues affecting the Baltic Sea. It was organised under the auspices of the Ministry of Environment, with the theoretical framework for the competition provided by our partners, the FRUG Foundation and the IOUG Marine Station, as well as the City Police Headquarters. The main task of the contestants was to write an essay on the subject "How I care for the Baltic Sea, while caring for water in my neighbourhood". Almost 300 essays were submitted for the competition. The fourteen winners were awarded a week-long cruise around the Gdańsk Bay and Żuławy Loop. The highlights of the cruise included training at the IOUG Marine Station and a visit to the Seal Centre.

As part of the project, we conduct an evaluation survey each time among the teachers and test students for knowledge acquired during the cruises. In 2012, 197 teachers took part in evaluation of the programme, 99% of whom stated that it should definitely be continued. 97% of responders correctly named the sponsor of the programme, i.e. Grupa LOTOS, while 96% of respondents expressed the opinion that commercial companies should engage in activities supporting local communities and the environment.



From 2010 to 2012, in all editions of the Maritime Education Programme, over 10,500 people took part in the cruises along the Gdańsk Bay, during which they covered a total distance of over 22,000 nautical miles.

Market environment

In making business decisions, the companies of the LOTOS Group are guided by the principles of the CSR strategy, which requires them to give due consideration to the indirect impact they may have on local communities and the economic development of their respective region. This is particularly true for provinces and counties where we are the largest employer, and therefore have the ability to affect the local labour market and vocational education related to the industry's needs. We also contribute to the development of entrepreneurship and economic potential in the communities in which we operate through the substantial amount of taxes we pay and our choice of trading partners.

The impact of Grupa LOTOS on the community may be illustrated by the amount of taxes paid by the Company in 2012 (including corporate income tax, value added tax, excise tax, fuel charge and property tax), which totalled PLN 10,867,600 thousand (2011: PLN 10,852,431 thousand). Taxes for the entire LOTOS Group amounted to PLN 11,362,086 thousand, against PLN 11,324,650 thousand in 2011.

As a player in high-tech industries, the LOTOS Group cooperates with higher education institutions as part of the **LOTOS Scholarship programme**, thus contributing to the development of solutions which are beneficial not only to Polish industry, but also to the academic community. Given the nature of our operations and the key role we play in ensuring Poland's energy security, we share the knowledge and experience of our employees with students, because we feel committed to securing the future of our industry by training the next generation of experts.

In the academic year 2004/2005, we began working with the Gdańsk University of Technology, as part of which we sponsor scholarships, provide work placement opportunities under the supervision of industry experts, and help students write their MSc dissertations on topics connected with our operations, which are later reviewed by the Company's experts. In the academic year 2011/2012, we granted ten scholarships to the best students from the Chemical Faculty, the Faculty of Electronics, Telecommunications and Informatics, the Faculty of Electrical and Control Engineering and the Faculty of Mechanical Engineering. Additionally, we granted a scholarship to a doctoral student from the Chemical Faculty and two awards in recognition of the best Chemical Faculty MSc theses.

In the academic year 2007/2008, a similar relationship was forged with the AGH University of Science and Technology in Kraków, leading to five scholarships being granted in the academic year 2011/2012 to outstanding students of the Faculty of Geology, Geophysics and Environment Protection, the Faculty of Mining Surveying and Environmental Engineering, the Faculty of Drilling, Oil and Gas and the Faculty of Energy and Fuels. We also granted two awards for the best MSc theses written at the Faculty of Drilling, Oil and Gas.

In the academic year 2012/2013, we continue to support the LOTOS Scholarship Programme at both institutions. To date, we have granted some PLN 1.2m to fund scholarships and awards for 234 undergraduates and doctoral students.

As part of our cooperation with higher education providers, we also organise unpaid summer work placements, during which students have a chance to expand their knowledge under the supervision of a tutor – an industry expert. In 2012, work placements were provided to 118 undergraduates, including 66 students of the Gdańsk University of Technology and 12 students of the AGH University of Science and Technology in Kraków. At the same time, students from the Faculty of Oceanography and Geography of the University of Gdańsk could enrol in an internship programme at **LOTOS Petrobaltic**. Last year, work placements at that company were offered to 20 students, who had the opportunity to gain knowledge and experience by working both on offshore rigs and at the operation maintenance unit. LOTOS Petrobaltic also collaborated with the AGH University of Science and Technology in Kraków during the 22nd OIL-GAS AGH 2012

International Scientific and Technical Conference, whose central theme was “Unconventional gas in Poland”. The conference was organised by Fundacja Wiertnictwo-Nafta-Gaz, Nauka i Tradycje (Drilling-Oil-Gas, Science and Traditions Foundation) with LOTOS Petrobaltic as an event partner.

In a similar vein, **AB LOTOS Geonafta** of Lithuania helps to train engineers and specialists at the Kaunas University of Technology, as well as prospective geologists at the University of Vilnius. In the course of their education, these students can benefit from new equipment purchased with funds provided by AB LOTOS Geonafta. Furthermore, they have the opportunity to gain knowledge and professional experience during internship programmes. The company also responds to other needs of the community and promotes initiatives designed to develop skills and knowledge.

In addition, as part of a joint scheme with the Food and Chemical Industry Vocational School in Gdańsk, in 2012 we funded seven scholarships for future chemical engineering technicians and analytical chemists who distinguished by having the best performance at the school, provided prizes in the “Chemistry is all around us” competition and organised work placements for students.

Our companies also affect the quality of professional training by using state-of-the-art technologies and improving production and management processes.

For instance, **LOTOS Kolej** has been steadily increasing its number of in-service locomotives and making consistent efforts to upgrade its rolling stock. At present, the company boasts the most advanced locomotive fleet among freight rail carriers in Poland. The upgrade of its operational motive stock requires the company to adapt its existing technology infrastructure to be able to service highly advanced locomotives. One of the crucial steps in this process is developing the expertise and skills of the technical staff responsible for engine overhauls and repairs. With the raising of their qualifications, the company was able to partially service their advanced locomotives on its own. LOTOS Kolej launched a modernised rail tank wash plant in Gdańsk, which is the most advanced facility of its kind in Poland. In 2012, the company initiated the certification process for quality improvement, safety and rolling stock maintenance systems. *Maintenance Management Systems (MMS), the Safety & Quality Assessment System (SQAS) and the Quality in welding management system* will act as tools enabling the safe and efficient maintenance of rolling stock, while improving the company's competitive position on the market and fostering the constant professional advancement of the employees.

LOTOS Group companies have a positive effect on the economic potential of their local communities.

LOTOS Oil is one of the leaders on the Polish engine oil market. Apart from high-quality technologically advanced lubricants, the company offers top-class, but less expensive equivalents. As a result, lubricants are easily available and purchasable by a wide group of people, including low-income customers. In distributing its products, LOTOS Oil supports employment at its business partners operating locally and nationally. Thanks to cooperation agreements executed at home and abroad, LOTOS Oil also secures access to new technologies. The company makes efforts to upgrade its processes, enhance the quality of its products and services, and provide employees with opportunities to improve their professional qualifications through training. These efforts make the company an employer of choice, offering prospects for improvement and development and, therefore, attracting specialists with extensive professional experience. LOTOS Oil's positive image as an employer is indirectly reflected in the high opinions of the company's products among its customers.

LOTOS Paliwa is also a major employer with significant impact on the local markets. In 2012, the company consistently expanded the extent of its operations through dynamic expansion of the LOTOS service stations chain, thus creating further new jobs. The station chain's development involved both the construction of new service stations and acquisition of existing sites. After taking over an existing service station, LOTOS Paliwa expands its business with the addition of new services, the introduction of modern management methods and improvement of customer service quality. In the end, all these efforts translate into increased employment at the stations, which is of particular importance in regions affected by high unemployment.

The staff at own stations are employed by a Dealer who has entered into a station management agreement with the company, whereas at partner stations the staff are employed by the Partner running the station. Employees working at the stations attend a series of courses designed to advance their skills.

For the last two years, LOTOS Paliwa has been gradually expanding its economy service stations chain, which offers less expensive fuels. In 2012, another 51 such stations were added to the chain, which means that in 2011-2012 a total of 101 own and partner LOTOS Optima stations were launched, with a total headcount of approximately 900 persons. Such strong expansion of the service station chain also translates into higher demand for general construction work.

Investment and procurement practices

Due to the nature of our operations and our production facilities, we have developed precise procurement procedures. As a result of both legal and procedural considerations, including the principle of equal treatment of business entities, the selection of suppliers is chiefly based on their business profile, contract delivery potential, and knowledge and experience. Therefore, any preference for local suppliers does not come into play. However, we constantly monitor the market, including the local one, which allows us to develop and regularly update a list of qualified suppliers and manufacturers complying with our requirements.

We apply the most exacting quality and safety standards. Entities, including local businesses, rendering their services at our production facilities receive technical standards documentation applicable to the works to be performed, which provides them with detailed information on the engineering process. Also, personnel employed by such companies undergo regular mandatory safety training. In this way, we share our knowledge, experience and best practices with our partners, whom may then apply and pass them on in the course of their local market operations, thus enhancing the quality of the services they provide. This particularly applies to SMEs.

The companies of the LOTOS Group carry out procurement processes taking into consideration, to the furthest extent possible, potential local market providers. The nature of the operation of individual companies does not allow the LOTOS Group to adopt uniform criteria in this area.

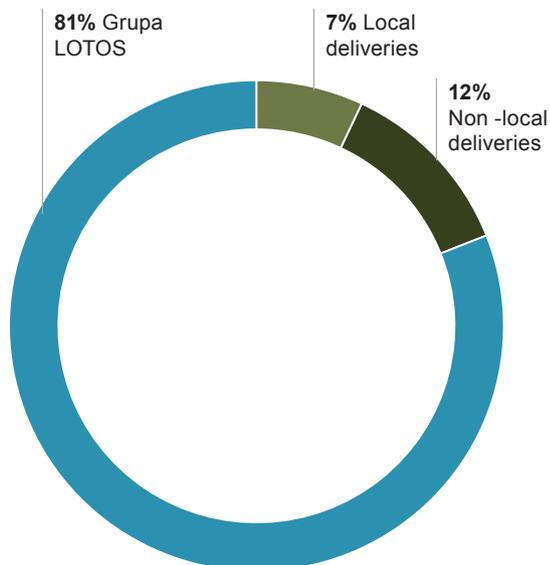
In the process of executing contracts for the delivery of products and services, as well as selecting suppliers, **Grupa LOTOS** takes into account all business entities, including those operating locally in the Province of Gdańsk. In 2012, purchases from suppliers based in the Province accounted for 3.56% of total orders.

LOTOS Asfalt does not apply the locality criterion in its procurement policy. Instead, it is internal procedures that define the rules when purchasing products and services, with the key criteria being the quality and environmental impact of the product or service, compliance with occupational health and safety regulations by the supplier, and the proposed payment and warranty terms.

LOTOS Kolej takes steps to optimise its purchasing process, for example by choosing local suppliers from the Province of Gdańsk. In the case of spare parts for newer locomotives, such efforts are limited given that during warranty periods the company is forced to choose the suppliers specified by the rolling stock's manufacturer. However, whenever it has the opportunity and permission to substitute spare parts or consumables, LOTOS Kolej always tries to buy them from local suppliers. In other cases, when faced with prospective suppliers offering similar business terms, the company gives priority to local enterprises.

LOTOS Oil's key suppliers are based in Poland and Europe. Given that the company has production and distribution branches throughout Poland and taking into consideration the specific nature of supplies and services involved, any supplier operating in Poland will be considered a local supplier. The company follows a supplier selection policy whereby it seeks to secure at least two sources of supplies in each product category. In the case of a monopoly, the company periodically takes steps to verify its monopoly status by looking for an alternative supplier. In line with the currently applied procurement policy, the company searches local markets for potential suppliers, and if a reliable prospective partner is found, it is invited to participate in a tender procedure.

Structure of deliveries to LOTOS Oil, including deliveries from Grupa LOTOS



In 2012, LOTOS Oil contracted 88% of all deliveries from local businesses, including Grupa LOTOS, which is the company's strategic supplier. In the same period, 100% of overhaul and project delivery services were provided by local contractors.

LOTOS Paliwa purchases nearly 100% of its fuel stocks for resale from Grupa LOTOS, with the vast majority of the fuel being produced domestically, at the Gdańsk refinery. Rail transport is handled exclusively by LOTOS Kolej. Road fuel transport is fully outsourced to entities outside the LOTOS Group, selected in a tender procedure. In the case of fuel shipments to LOTOS service stations, the company cooperates with entities with a nationwide presence. Fuel deliveries to wholesalers are also handled by local transport firms due to their familiarity with their regions and local transport considerations. LOTOS Paliwa outsourced all fuel wholesale deliveries to local freight service providers in the Provinces of Wrocław, Rzeszów, Gdańsk, Szczecin and Olsztyn. The selection of building contractors is carried out by entities outside the LOTOS Group, appointed by way of a

tender procedure. The company gives no preference to local or national suppliers and awards contracts to bidders offering the best value for money. For several years now, LOTOS Paliwa's own stations have operated on the basis of a dealership model, whereby the company enters into an agreement with a Dealer who is to run a service station. Dealers, as well as station staff, are recruited from local communities.

Given that **LOTOS Petrobaltic** procures goods and services from businesses located in nearly all parts of the world, and taking into account the specific, even unique (in Poland) nature of its operations, the company does not apply the locality criterion in its procurement policy. As the company cooperates with many trading partners, and frequently foreign enterprises, its contribution to the development of local businesses is limited. Contracts are awarded in compliance with the Public Procurement Law. In 2012, 27% of its contracts, including those related to investment projects, were executed with entities based in the Province of Gdańsk, representing 4.48% of the total value of all contracts. 99% of **LOTOS Norge's** suppliers are Norwegian companies. **Energobaltic's** local market covers Puck county. Services contracted from local providers do not exceed 1% of total purchases.

Anti-competitive behaviour

In 2011, Grupa LOTOS was a party to an anti-trust decision issued by the President of the UOKiK (Polish Office for Competition and Consumer Protection) on March 21st 2005 in connection with a suspected agreement between Polski Koncern Naftowy ORLEN of Płock and Grupa LOTOS of Gdańsk concerning simultaneous termination of the production and distribution of the universal U95 gasoline, as described in detail in the [2010 Annual Report](http://raportroczny2010.lotos.pl/en) (<http://raportroczny2010.lotos.pl/en>). The case was finally closed.

Furthermore, in 2012 Grupa LOTOS was a party to proceedings described in greater detail in the [2010 Annual Report](http://raportroczny2010.lotos.pl/en) (<http://raportroczny2010.lotos.pl/en>), initiated following a petition filed in 2001 by PETROECCO JV Sp. z o.o., in which PETROECCO JV Sp. z o.o. sought to be awarded compensation for damage it had allegedly suffered as a result of the Company's monopolistic practices. As a result of further hearings in 2009-2013, after evidence was taken based on the opinion of an expert witness from the Instytut Nafty i Gazu (Oil and Gas Institute) of Kraków, which was favourable to Grupa LOTOS, and after the parties exchanged process letters, the Court dismissed the action filed by PETROECCO J. Sp. z o.o. in its entirety on February 22nd 2013. The ruling is not final.

Compliance

In 2012, Grupa LOTOS and the companies of the LOTOS Group did not pay any significant fines. Similarly, no significant non-monetary sanctions were imposed on any of the companies for legal or regulatory non-compliance. However, the proceedings described above were still pending in 2010-2011, and on March 10th 2011 Grupa LOTOS paid a liability of PLN 1,000 thousand, imposed under the court ruling of February 11th 2011, using a provision created earlier for that purpose.

Product responsibility

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](http://www.lotost.com/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc)

The LOTOS Group assesses the impact of all its products obtained from crude oil refining on human health and safety, as required by the REACH Regulation concerning the registration, evaluation and authorisation of chemicals. The Regulation is an EU-wide legal act adopted to systematise and codify the requirements for ensuring the protection of human health and the environment during the production, use and importation of chemicals.

Implementation of the REACH Regulation is expected to take 11 years, however the majority of measures regarding the registration of substances were completed in 2010. Registration of such was made jointly with other refineries, based on relevant agreements concluded through the agency of CONCAWE, an organization of oil companies whose research covers water and air quality.

Grupa LOTOS was automatically placed on several SIEFs (*Scientific Information Exchange Forum*). Information between the individual companies involved in SIEFs with the European Chemicals Agency (ECHA) based in Helsinki, Finland, is exchanged via electronic channels. In 2012, the Company set up a Product Safety Team responsible for working with the SIEFs. Product registration dossiers are reviewed on an on-going basis to reflect any newly identified hazards and updated by Grupa LOTOS' Product Safety Team, if need be. Also, the Team prepares Safety Data Sheets and Hazard Identification materials to communicate key information down the supply chain.

The complete list of documents effective at the LOTOS Group is published on Grupa LOTOS' website (<http://www.lotost.com/en/>). The Company's customers may therefore rest assured that they receive registered, high-quality products. None of the substances produced and marketed by Grupa LOTOS are currently included on the SVHC Candidate List published by the European Chemicals Agency, and none are subject to the authorisation procedure.

LOTOS Group companies perform health-impact and safety assessments at all stages of the product life cycle. These steps are taken to fully eliminate, or at least minimise, potential hazards to the natural environment and human safety.

Customer health and safety

The threat of serious failure at the **Grupa LOTOS** refinery lies in the handling and processing of hazardous substances on the refinery's premises. Accordingly, the Company is subject to legal regulations which are very specific as to what type of activities a plant has to carry out to provide an effective safety system and what steps must be taken to prevent serious failures. Grupa LOTOS has implemented a safety system guaranteeing safety for humans and the environment. The system includes:

- Definition, at each organization level, of the duties of employees responsible for the implementation of emergency procedures and their training;
- Mechanisms for systematic identification of failure risks or the likelihood of their occurrence;
- Manuals for safe operation under standard conditions, temporary production breaks, or for monitoring of the plant in a manner allowing for corrective actions in case of any incidents deviating from standard procedures;

- Monitoring of the operation of units where hazardous substances are stored or processed, which enables corrective measures to be taken upon the occurrence of irregularities in unit operation;
- Systematic analysis of expected emergencies with a view to developing appropriate rescue operation plans.

This system is one element of the comprehensive plant management system. Grupa LOTOS has also implemented a certified Integrated Management System, including emergency response procedures, procedures for occupational safety and health monitoring, as well as procedures for prevention of emergencies, preparation for possible emergencies and accidents at work.

During the implementation of the comprehensive plant management system, in November 2011 the Company, the Chief Inspector for Environmental Protection, the State Labour Inspection Authority and the Head of the National Fire Service all signed a declaration on an agreement to improve occupational safety, fire protection and environmental protection in the oil and gas industry. Being a representative of the refining industry, the Company has undertaken preventive steps and measures to maintain risk exposures at its plants at or below acceptable levels, so as to minimise the possibility of serious failures. Such initiatives are designed to improve occupational safety, fire protection and environmental protection.

All its existing security systems render the Company well prepared to fight industrial failures. The possibility of the occurrence of such failures has been analysed and necessary preventive measures have been taken, while the solutions designed into units handling hazardous substances guarantee human and environmental safety.

In 2012, Grupa LOTOS recorded three Tier 2 process safety threats, none of which adversely affected the natural environment.

LOTOS Asphalt has taken steps to fully eliminate or at least minimise potential hazards to the natural environment and human safety. The safety assessment of bitumen products covers the entire process, from the design phase to selection of raw materials, production process optimisation and selection of binders for the final product. By participating in industrial conferences, the company gains access to the most recent research papers discussing those features of bitumen which affect human health and the environment. The knowledge thus gathered includes both risk assessment for exposure to noxious conditions and best practices minimising the adverse effect.

With bitumen products, one question not yet unequivocally answered is the noxiousness of bitumen fumes emitted when bitumen is used in high temperatures. Although there is no scientific evidence stating that bitumen fumes are harmful, and despite petroleum bitumens not being listed as hazardous substances under current regulations, LOTOS Asphalt includes the most recent recommendations on safe handling of bitumen products in its Information Sheets for substances or admixtures for which a Safety Data Sheet is not required.

Paving grade bitumens, which account for more than 95% of the company's production volume, are subject to conformity assessment, whose outcome represents a warranty for the customer that the product has the appropriate functional properties and meets construction industry requirements. LOTOS Asphalt's products all carry declarations of conformity with technical specifications. There are procedures in place at the company which seek to ensure that any amendments to legal requirements affecting the company's operations are identified. To this end, the company has extended the range of its relevant safety-enhancing activities to include transport and distribution. Safety rules and instructional videos are in place for bitumen loading, haulage and unloading. Providers of transport services are also assessed for compliance with LOTOS Asphalt's safety standards.

Life cycle stages at which the impact of LOTOS Asphalt's products on health and safety is improved	Yes	No
Concept of product development	x	-
Research and development	x	-
Certification	x	-

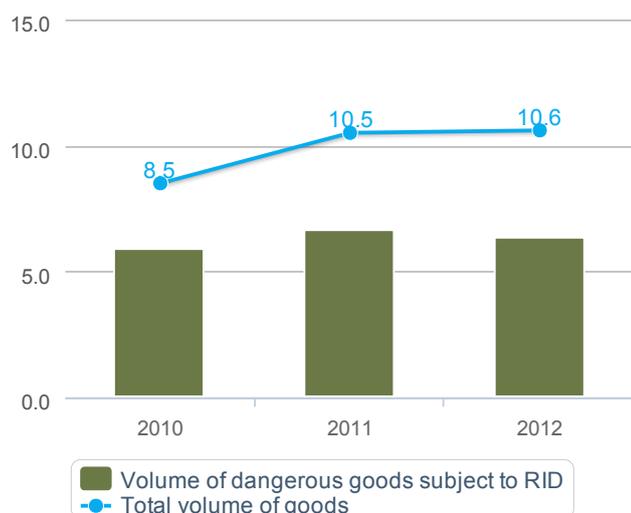
Manufacturing and production	x	-
Marketing and promotion	x	-
Stocks distribution and supply	x	-
Use and service	x	-
Disposal, reuse or recycling	-	x

In the reporting period, LOTOS Asphalt recorded no incidents of non-compliance with the regulations and voluntary procedures concerning the health and safety impact of the company's products at any stage of their products' life cycles.

In 2012, there were two occurrences of Tier 2 process safety threats. However, they did not pose direct, significant threats to human health or life, the environment or the company's assets. This attests to the high process safety culture in the organization, which emphasises the identification of potential safety threats, training of employees responsible for process control, as well as implementation of best engineering practices by including them in job and process manuals. Identified threats are examined on a case-by-case basis by the Accident Committee appointed to thoroughly explain the causes and circumstances of any accident or failure, as well as to recommend preventive measures increasing safety and minimising the risk or recurrence.

LOTOS Kolej, being a railway carrier, specialises in transport of dangerous goods and provides comprehensive rail transport services all over the country. It also provides comprehensive rail transport services to Grupa LOTOS, LOTOS Jasło and LOTOS Czechowice. The company transports dangerous goods in compliance with the provisions of the Rail Transport Act, the Act on Transport of Dangerous Goods by Rail and other regulations pertaining to transport of dangerous goods.

Volume of transported goods including dangerous goods (million tonnes)



Source: In-house analysis based on data from the Railway Transport Authority (Urząd Transportu Kolejowego).

In 2012, there were 13 accidents (compared with 15 in 2011) and 5 incidents (compared with 8 in the previous year) involving LOTOS Kolej's employees and rolling stock (according to the classification provided for in the Regulation of the Minister of Transport, dated April 30th 2007). As in 2011, one accident occurred by fault of the company's employee. The reason for the accident was identified as the inclusion of a non-operational car in a train set. The company was not responsible for the other accidents and incidents. The decrease in the number of recorded accidents and incidents confirms the effectiveness of the company's steady efforts to improve the safety and quality of services provided.

LOTOS Kolej puts enormous emphasis on the process safety and occupational safety of its employees. In its operations, the company strives to minimise identified threats by introducing various safety controls and monitoring. Given the company's business profile, the largest threats are connected with railway traffic.

Owing to the preventive measures taken, in 2010-2012, LOTOS Kolej recorded only one process safety threat, classified as a Tier 1 threat. In order to minimise the adverse effects of the incident, safety procedures and additional safety measures were implemented.

All products manufactured by **LOTOS Oil** have Safety Data Sheets (SDS), drafted based on the applicable legal requirements. The product description in an SDS advises users of potential hazards that the product may generate with respect to human health and the natural environment. In addition, SDSs contains information on dangerous ingredients in the product, exposure controls/personal protection, fire-fighting and environmental release measures, as well as empty container handling procedures.

Life cycle stages at which the impact of LOTOS Oil's products on health and safety is improved	Yes
Concept of product development	x
Research and development	x
Certification	x
Manufacturing and production	x
Marketing and promotion	x
Stocks distribution and supply	x
Use and service	x
Disposal, reuse or recycling	x

Products are supplied to customers along with relevant quality certificates. If a product is classified as dangerous, the relevant SDS is enclosed with the documents submitted with the initial delivery of the product. Otherwise, the customer is provided with SDSs on demand.

In the reporting period, LOTOS Oil recorded no incidents of non-compliance with applicable regulations, rules and codes concerning the health and safety impact of the company's products and services.

To maintain an appropriate level of process safety, LOTOS Oil develops inspection timetables for key equipment, supporting prevention of accidental emission of substances, including non-toxic and non-flammable materials. The company keeps records of events which might potentially affect process safety. In this way, it monitors the progress of the elimination of identified threats. Another driver of process safety improvement is the implementation, in the company's production departments, of a system for maintenance of well-organised, clean, high-performance and high-quality work spaces. In 2012, LOTOS Oil registered no Tier 1 process safety threats, and monitoring revealed eight Tier 2 process safety threats in 2012. Their identification made it possible to take early safety measures and prevent their transformation into Tier 1 threats.

LOTOS Paliwa markets ready fuels meeting quality requirements provided for in industrial standards and legal regulations. To ensure compliance, LOTOS Paliwa regularly monitors fuels sold through the own and partner station chain in terms of their conformity with relevant requirements. At each station of the LOTOS chain, all fuels are inspected on an annual basis.

Grupa LOTOS assesses the impact of its fuels on health and safety during fuel production. For each fuel type, the supplier prepares an SDS (for dangerous substances), including information on threats connected with the use of the fuels and required precautions. An SDS is delivered directly to each wholesaler and is available to retail customers at the LOTOS stations. Given the fact that the company uses road or railway transport to supply fuels to its customers, internal procedures were developed to ensure safety and limit the adverse effect on human health of fuels in transit.

As regards fuel sales from own stations, LOTOS Paliwa sets the standards, and supervises adherence to those standards by the station managers. The process is governed by separate agreements and effective working procedures, which are improved on a continuous basis. In 2012, there were no reports submitted by station managers about the products being sold having any adverse effects on their employees' health.

Given their nature, service stations are retail facilities exposed to the risk of aggressive behaviour by persons who are not customers. This kind of behaviour may pose a threat to the physical safety of the station's employees. In 2012, two such instances were recorded. The company has been taking a number of various technical, organizational and HR measures with a view to preventing such occurrences in the future.

LOTOS Paliwa sets the standards, and supervises adherence to those standards by service station managers. Based on monitoring data and sales process safety assessments, existing procedures are improved and new procedures implemented, as are corrective and preventive measures designed to mitigate the risk of threats and limit their effects on service stations.

In 2012, LOTOS Paliwa recorded no Tier 1 process safety threats. Eight Tier 2 process safety threats were recorded. In each instance, the employees responded properly, following the applicable procedures. The relevant emergency services were alerted in order to remedy the threat and secure the premises. Affected station managers analyse each dangerous incident and reports it to LOTOS Paliwa's OSH team, where the incident is again analysed for the possibility of a recurrence and the formulation of preventative measures.

At **LOTOS Petrobaltic**, each reported dangerous incident, failure or environment-affecting activity is thoroughly analysed in order to identify and implement preventive measures. Among the dangerous incidents and technological failures reported in 2012, the company identified one Tier 1 process safety threat. The other companies of the LOTOS Petrobaltic Group recorded no such threats in 2012. The company takes steps designed to record and classify events affecting process safety in accordance with the most recent standard covering such events: Standard API RP 754.

Product labelling

In April 2011, the European Parliament and the Council issued a new Common Provisions Regulation specifying harmonised conditions for the marketing of construction products. The Regulation permits product marketing within the European Union in the transition period, i.e. until June 30th 2013, pursuant to existing national regulations implementing Directive 89/106/EEC on construction products. In accordance with Art. 4 of the Construction Products Act of April 16th 2004 (Dz.U. No. 92, item 881), a construction product may be placed on the market if it is suitable for use in construction works in line with its functional properties and intended use. In practise, this means that its functional properties are such that properly designed and constructed buildings in which it is to be permanently applied would meet basic standards.

LOTOS Asfalt manufactures construction materials which include such product groups as paving grade bitumens, modified bitumens, bituminous emulsions and waterproofing materials. The manufacturer is required to provide full product information for each product classified into a given group. Construction product information, along with appropriate product marking, either with the CE mark (if the manufacturer declares that the product conforms with the

EU's harmonised standard) or the Polish 'B' building mark (if the manufacturer declares that the product has obtained a Polish technical approval), is particularly important. Mandatory submission of product-related information is required for over 98% of the total volume of products sold by LOTOS Asphalt.

Next to the required marking, the documents supplied with each delivery of the product being sold provide the following information:

- The address of the manufacturer and the location where the product was manufactured,
- The product's name and grade/class based on the technical specifications, as well as its trade name,
- The number and publication date of the Polish standard or technical approval that the product conforms to,
- The number and issue date of the national declaration of conformity,
- The name of the certifying body.

In addition, although petroleum bitumens are not listed among hazardous substances, bitumen products manufactured by LOTOS Asphalt are sold with the Information Sheet for substances or admixtures for which a Safety Data Sheet is not required.

Extent of the product and service information required by LOTOS Asphalt's internal procedures:	Yes
Source of the product or service's components	x
Content, particularly substances that might have an environmental or social impact	x
Safe use of the product or service	x
Environmental/social impact of the product's disposal	x
Other: Potential hazards of the product's use, Details required by technical specifications (harmonised standards, approvals) to be included in the information supplied with the product, Marking/labelling based on legal requirements (building law).	x

In the reporting period, LOTOS Asphalt identified no incidents of non-compliance with the regulations and voluntarily applied procedures concerning product markings and provision of information on products and services.

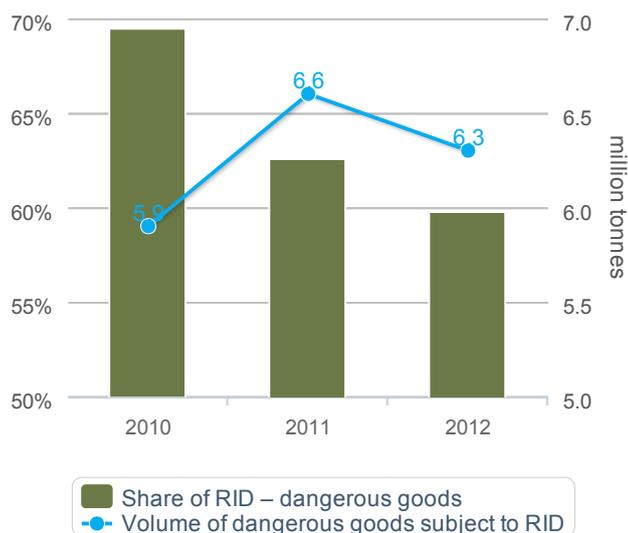
In the course of its operations, **LOTOS Kolej** complies with regulations concerning international carriage of dangerous goods by rail (RID). The classification of dangerous goods consists in assigning a given material or product to the appropriate hazard class and packaging group, as well as specifying the good's identification number (UN number), hazard identifier and classification code. The hazard class is determined from the characteristics of the major hazard posed by a given hazardous product, in line with the classification criteria of a given class.

Hazardous goods are products and materials which – given their physical, chemical or biological properties – pose a potential threat to human health or life, the natural environment or property if not properly handled in transport, or in cases of failure or accidents.

Consignors of hazardous goods are obliged to place orange-coloured information plates on each side of the rail cars carrying such goods. The obligation to place information plates also applies to empty, unclean rail cars and containers in which hazardous substances had been carried. In the case of the LOTOS Group's products, LOTOS Kolej is responsible for the proper marking of rail cars.

In 2012, LOTOS Kolej identified no incidents of incorrect or defective marking of hazardous goods consignments.

**Share of dangerous goods
in the total cargo carried
by LOTOS Kolej (million tonnes)**



Source: In-house analysis based on data from the Railway Transport Authority (Urząd Transportu Kolejowego).

LOTOS Oil provides information on its products in product sheets and through various other communication channels. Product characteristics are confirmed by Quality Certificates and their intended uses are specified in Technical Requirements. A more comprehensive version of the Technical Requirements is the Product Data Sheet, which is used for marketing purposes. Some lubricants and oils are deemed hazardous to the environment or even toxic. Therefore, it is required by law that they are classified and labelled. Approximately 22% of the company's products bear special labelling.

The most extensive documents comprehensively addressing these issues are Safety Data Sheets or Product Information Sheets (for non-hazardous products), which are required under the REACH Regulation. Manufacturers of chemical substances and mixtures are required to pass these documents down the supply chain and register their products with the European Chemicals Agency (ECHA). LOTOS Oil receives Safety Data Sheets from its sub-suppliers, as well as develops and updates its own SDSs. Thanks to the provision of consistent registration numbers for hazardous substances registered with the ECHA, customers can access full information on a given product, including its effect on the environment and human health.

Guidelines on how to safely use and handle hazardous substances are also included in the Safety Data Sheets. In addition, labels on packaged products include pictograms providing information about the risks posed by the product. As required by law, lubricants manufactured by the company which are no longer fit for use are collected for disposal or treatment.

Extent of the product and service information required by LOTOS Oil's internal procedures:	Yes
Source of the product or service's components.	x
Content, particularly substances that might have an environmental or social impact.	x
Safe use of the product or service.	x
Disposal of the product and environmental/social impact	x
Other: Potential hazards of the product's use, Details required by technical specifications (harmonised standards, approvals) to be included in the information supplied with the product, Marking/labelling based on legal requirements.	x

In 2012, LOTOS Oil identified no incidents of non-compliance with the regulations and voluntarily applied procedures concerning marking and provision of information on products and services.

LOTOS Paliwa ensures access to information on the impact of products on consumers' health and safety in compliance with the requirements specified by applicable laws and internal procedures stipulating the provision of such information. As regards retail sales, information concerning the properties of the fuels sold by the company is provided at the customer's request in the form of Safety Data Sheets for dangerous substances. Service station dealers are required to provide, at the customer's request, Safety Data Sheets for hazardous goods available from their stations.

Extent of the product and service information required by LOTOS Paliwa's internal procedures:	Yes
Source of the product or service components.	within the LOTOS Group
Content, particularly substances that might have an environmental or social impact	x
Safe use of the product or service	x
Environmental/social impact of the product's disposal	x
Other: Identification of hazards, procedure for inadvertent environmental release, transport information.	x

In 2012, LOTOS Paliwa identified no incidents of non-compliance with the regulations and voluntary codes concerning labelling and information on fuels and non-fuel products.

Human rights

There are no formal or systemic measures in place at LOTOS Group companies to verify whether our trading partners respect human rights. In the business landscape in which we operate, human rights issues are governed by a legal framework. We maintain relations only with those entities that operate legally and are required to comply with the law, including human rights regulations. One of the human rights issues we do face in our business environment is ensuring safe working conditions for our employees. Due to the priority given to occupational health and safety in our relations with our trading partners, agreements executed with our suppliers include mandatory provisions requiring these entities to comply with the relevant laws, which compliance is then monitored.

Also, in selecting our trading partners, we require that companies bidding for contracts submit certificates confirming that they are not in arrears with their social security contributions.

Human rights issues are also included in our training programmes. Grupa LOTOS has devoted 721 🟢 training hours to informing its employees of policies and procedures governing compliance with human rights standards in business. In 2012, a total of 23.3% 🟢 of the Company's employees took part in such training.

At the LOTOS Group, the responsibility for providing property and personal protection services lies with LOTOS Ochrona (permit control officers and licensed guardians). The company conducts regular job-related training, which also covers various aspects of human rights law. In 2012, 92% 🟢 of staff employed by LOTOS Ochrona participated in training devoted to these issues (permit control officers are not subject to this training).

We are also committed to the equal treatment of all employees. In 2012, as in previous years, there were no instances of discrimination against employees of the LOTOS Group on account of their sex, age, colour, religion, political leanings, national origins or sexual orientation.

Agreements executed by **Grupa LOTOS** with contractors at its production sites include provisions requiring the contracted entities to provide a safe working environment 🟢. This approach is underpinned by internal procedures, which put a lot of emphasis on health and safety considerations. During an agreement's execution, LOTOS Group companies operating within Grupa LOTOS' premises must also follow internal procedures requiring suppliers and sub-contractors to observe OHS rules. The monitoring of compliance with these requirements varies with the terms of cooperation and may take the form of regular, daily, unscheduled or audit-related inspections.

Contracts for investment and repair work executed by **LOTOS Asphalt** are compliant with agreement templates and standards in force in the LOTOS Group. They provide for rules applicable to construction sites and company premises, as well as OHS guidelines. Compliance with these contractual obligations is monitored in the case of all agreements executed by LOTOS Asphalt. Other aspects of human rights regulations are not monitored. In 2012, altogether 200 contracts, commissions and orders were signed in the scope of investments and renovations.

All essential contracts concluded by **LOTOS Kolej** include clauses which require their business partners to provide for and follow health and safety regulations, regardless of whether the signed agreements are of an investment or trading character. Approximately 60% of all 2012 investment contracts included clauses regarding the provision of proper conditions of work and leisure for their employees. *Ad hoc* inspections of the employees of cooperating companies were carried out with a view to monitoring their observance of the terms and conditions of the contracts. Because of the safety certificates held by the company, such as the *Safety Management Systems*, the requirements that our business partners and their employees must meet are among the crucial demands for providing for the transport safety of hazardous goods. Approximately 40% of all contracts concluded with subcontractors providing cargo transportation services include clauses regarding the provision of adequate work and leisure conditions for their employees. Based on these terms and conditions and the procedures in force at the company, 6 transport management safety audits were carried out at LOTOS Kolej in 2012. The conditions which require that employees' rights are observed are also included in the contracts for the provision of security services and passenger transport. Apart from the audits carried out in the company, there are also inspections of specific safety conditions to ensure the occupational safety of each worker. In the case of any discrepancies, the company makes every effort to eliminate the problem by, for example, issuing specific

instructions or providing employee training. In 2012, some inconsistencies were found in 7 out of 8 inspected companies, yet none of the contracts were rejected or terminated because of violation of provisions on the observance of employee rights.

LOTOS Oil requires its suppliers of transport and repair services to protect human rights, primarily in the area of occupational safety and health, as well as persons executing ordered tasks. In its agreements for transport services, the company also emphasises the personal development of external service providers' employees, including through training, as well as improvement of health conditions at their workplace. Cooperating carriers are obliged to inspect, on an everyday basis, the technical condition of the transport used, in the interest of persons directly performing services and persons in its vicinity. The provisions of repair and investment agreements oblige suppliers and sub-contractors to follow occupational health and safety rules.

LOTOS Paliwa expects its suppliers to respect human rights, particularly in the area of occupational health and safety. Further, in its requests for proposals, bidders are required to submit a representation to the effect that they are not in default of payment of any due taxes, charges or social security premiums.

Purchases that are important in terms of their scale are mainly made in the following three areas: fuels, fuel transport and construction investment projects, such as the construction, modernisation and visualisation of service stations. LOTOS Paliwa purchases fuels from Grupa LOTOS. In 2012, two main and two supplementary carriers were responsible for the transport of its non-LPG fuels. The agreements for fuel transport services concluded with those carriers provided for the employment of drivers under employment contracts. The agreements also included provisions obliging the carriers to respect the duration of drivers' working time, occupational health and safety rules, fire protection and environmental protection rules, procedures applicable at LOTOS Paliwa and international regulations on the transport of hazardous materials (ADR), applicable in particular to fuels. The agreements also required that the carriers should provide their drivers with work wear and protective wear suitable for fuel transport. The agreements further specified the maximum age and mileage of the vehicles to be used, guaranteeing a safe work environment for the drivers, as well as the safety of the environment during the transport of hazardous goods. The company's employees responsible for logistics conducted constant supervision of the carriers' compliance with these requirements. In 2012, LOTOS Paliwa concluded 19 significant investment agreements. All of these agreements included provisions obliging the contractor to their duties to operational safety and occupational health and safety, as well as all protective measures required under the occupational health and safety rules across their entire construction sites.

All five carriers providing fuel transport services were verified to have met these requirements. In 2012, LOTOS Paliwa carried out a total of 1,533 inspections of fuel supplies delivered by external carriers providing services to the company, including 1,176 checks on drivers having abided by the required rules. The inspections were recorded in reports on the meeting of the requirements and the procedures' implementation percent ratio. 357 inspections, representing approximately 23% of all inspections performed, related to the meeting of technical conditions, as well as conditions relating to the equipment, age, mileage and aesthetic qualities of the vehicles carrying fuels for LOTOS Paliwa. The inspections also examined whether the drivers used appropriate work wear, protective wear and personal protective equipment, as well as whether they had carried the required documentation while transporting hazardous goods. Whenever the rules regulating a driver's work time or the use of protective wear and personal protective equipment were not followed, the company requested the carrier to promptly restore compliance. In the case of construction projects, compliance with the requirements stipulated in the agreements with the contractors is monitored on an ongoing basis during a project's execution.

LOTOS Petrobaltic also puts enormous emphasis on occupational safety and environmental protection. Agreements with contractors executing projects for the company stipulate the contractor's full cooperation in this scope. To ensure compliance with occupational safety and health provisions, as well as environmental protection, the company developed specific clauses in its contractor agreements, obliging the latter to include such clauses in their agreements with subcontractors. The company is also subject to the provisions of Public Procurement Law. Therefore, agreements concluded with bidders selected by way of public tenders are deemed strategically material. In 2012, the company signed 14 such agreements, all of which were verified to ensure occupational safety and health and, where applicable, agreements included relevant provisions doing so.

LOTOS Petrobaltic has implemented a procedure for assessing and classifying its suppliers of goods and services. In particular, the procedure covers work of intrinsic importance in the areas of diving/underwater work, production services and work to which specific occupational safety and health requirements apply. In these areas, service providers are assessed after each completed contract for a service's provision, and in other key areas, suppliers also undergo annual assessment. Assessment criteria include the occurrence of workplace accidents, failures to follow occupational safety and health rules, and the use of personal protective equipment. In 2012, LOTOS Petrobaltic used three suppliers of key services, all of which were positively verified.

AB LOTOS Geonafra's suppliers and service providers are contractually obliged to follow the company's ethical regulations and standards. No agreement or understanding concluded by the company in 2012 included provisions specifically relating to human rights. On the other hand, the company strives to ensure that its suppliers respect and abide by internationally recognised human rights in their operations.

Other LOTOS Petrobaltic Group companies operating exclusively in the European Union or other European countries respecting internationally recognised human rights and working with entities operating within the same area, did not assess any agreement or trade partner for compliance with these standards.

Customer satisfaction

Good relations with customers and their satisfaction working with LOTOS Group companies are of key importance to us, a fact confirmed by our adoption of the Group's Code of Ethics in 2013.

We pursue our business objectives while recognising the rights and interests of our customers. We place value on responsibility and trust. Every day we aim to provide professional and reliable customer service, ensuring serious and respectful treatment of our customers.

We foster our customer relations by:

- Following internal customer relations procedures pertaining to timeliness and quality of service;
- Informing customers of our terms for commercial cooperation and providing them with the details of products and services offered in a reliable, responsible and knowledgeable manner;
- Providing customers with reliable information on the progress of their requests or complaints;
- Protecting the information we receive when establishing and continuing relations with customers;
- Showing our customers due respect and consideration;
- Avoiding behaviour commonly regarded as offensive or discriminating.

Source: The LOTOS Group's Code of Ethics

Grupa LOTOS and the major marketing companies of the LOTOS Group conduct customer satisfaction surveys on a regular basis.

Company	Survey frequency	Customers by segment	Common survey areas
Grupa LOTOS	Annually	Conglomerates, sulphur, aviation fuel	<ul style="list-style-type: none"> • Cooperation assessment, • Product quality assessment, • Market position survey,

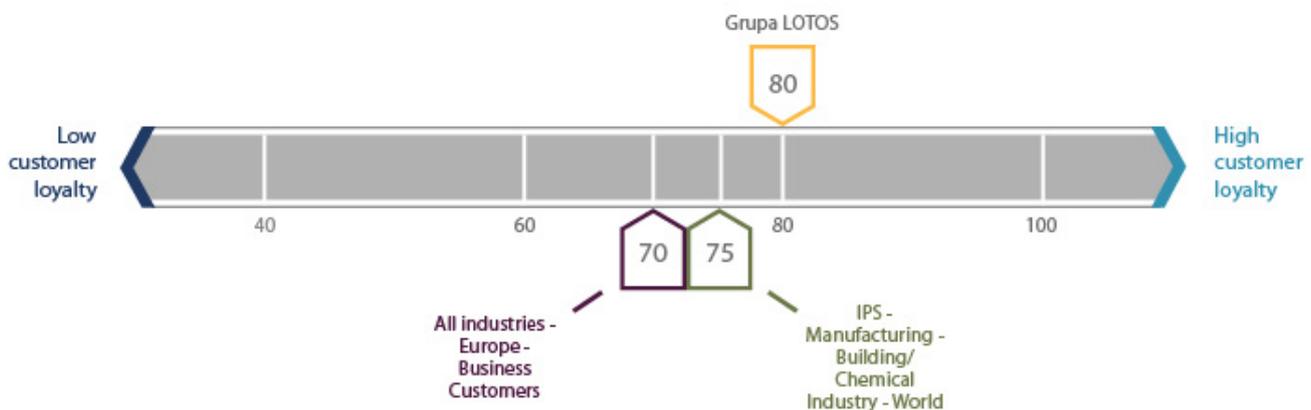
LOTOS Asfalt	Annually	Bitumen, heavy fuel oil	<ul style="list-style-type: none"> • Customer expectations, • Assessment of commercial and marketing activities
LOTOS Kolej	Biannually	Key business partners	
LOTOS Oil	Annually	Industry, automotive, authorised distributors	
LOTOS Paliwa	Every two years a comprehensive satisfaction survey for all segments/ twice a year a market position survey	LDS, fleet customers, wholesalers, independent stations, partner stations, retail customers	

Grupa LOTOS has implemented a new model for customer surveys based on licensed TNS-TRI*M Index methodology, which provides a synthetic measure of customer satisfaction and loyalty. The 2012 survey covered 53 respondents working with the Company, drawing on conglomerates, aviation fuel and sulphur customers. An external survey institute conducted the survey using CAWI (Computer-Assisted Web Interview) and CATI (Computer Assisted Telephone Interview) techniques. The survey covered a number of areas, including:

- Quality of contact with company representatives,
- Response times to requests for proposal and orders,
- Product quality and availability,
- Timeliness of deliveries,
- Availability of product information,
- Competitiveness and likelihood of recommending the company to colleagues.

In total, we achieved a satisfaction and loyalty index score of 80. Given a lack of historical data for comparison, we adopted the Index TRI*M: All industries–Europe–Business Customers (2008–2011) as the main benchmark, and the Index TRI*M: Building/Chemical Industry–World (2008–2011) as an additional benchmark.

Customer satisfaction index – Grupa LOTOS



Grupa LOTOS's Index TRI*M is 10 points higher (80 compared to 70) than the All industries Europe–Business Customers (2008-2011) benchmark. The vast majority (94%) of our customers declared high satisfaction with the company's services.

The survey also revealed that nearly 60% of customers place high trust in the company. Our comprehensive product range and the honesty of our customer relations were also highly assessed. Flexibility, innovativeness and knowledge of

our customers' needs proved relatively weak. More than half of our customers assessed response times to requests for proposals as being very good. Our trade partners indicated the lack of alternative suppliers for particular fuel types, product availability and price, as well as successful cooperation to date as the main reasons for staying with us. Successful previous cooperation and the lack of other suppliers were particularly material for our aviation fuel customers, while the conglomerates emphasised product availability and prices, as well as service quality.

LOTOS Asphalt conducts its own annual satisfaction survey of its business partners. Participants in the survey include customers in Poland and abroad who have purchased large quantities of LOTOS Asphalt's products in the period covered by the survey. The survey is targeted specifically at customers purchasing bitumen and heavy fuel oil.

The 2012 satisfaction survey differed from those conducted in previous years in that it was organised by an external research agency using the CAWI (Computer-Assisted Web Interview) methodology for the survey and the TRI*M Index for evaluation.

The questionnaire included both closed and open-ended questions. Among the questions asked, topics included:

- Interaction with LOTOS Asphalt's sales force and its competence,
- Response times to RFQs and orders,
- Product quality evaluation,
- Product availability,
- Timeliness of deliveries,
- Availability of product information,
- Likelihood of recommending the company to colleagues.

The results of the survey revealed that, overall, LOTOS Asphalt's customers are satisfied with their cooperation. Our satisfaction index came in at 3.6 on a 5 point scale. In total, we achieved a satisfaction and loyalty index score of 70.

LOTOS Asphalt's TRI*M index is close to the score in the category All industries–Europe–Business Customers (2008-2011).

The key advantages of the company as revealed by the survey are:

- Timeliness of deliveries,
- Availability of products,
- Turnaround time,
- Consistently high product quality.

Corporate image was also among the topics surveyed.

LOTOS Asphalt is seen as:

- A trusted partner,
- An innovative business,
- A fair trader,
- A business partner with a comprehensive product range.

Satisfaction with LOTOS Asphalt (all respondents, figures in %)



Findings derived from the summary of the survey's scores allow the company to assess the operations of its individual departments, and to define further steps to be taken in order to ensure that its business partners are fully satisfied.

Comments and feedback from our customers are always verified, and if any failures on our part are confirmed, corrective measures are implemented.

For **LOTOS Kolej**, the top quality of its freight services lie at the core of the company's development. Customer satisfaction with the company is primarily driven by:

- Its expert staff,
- The timeliness and reliability of its deliveries,
- The high level of support given,
- Current, reliable freight status updates,
- Its focus on meeting business partners' needs,
- The flexible and tailored terms of its commercial offers.

Customer satisfaction data is primarily obtained by direct interaction with the customers. Positive opinions shared by customers include LOTOS Kolej's favourable pricing terms and opinions on other contract delivery terms.

Another tool we use for measuring customer satisfaction is the questionnaire-based mutual evaluation system. This covers the rail freight services provided by LOTOS Kolej and is conducted biannually. The results of the survey are examined and discussed in detail during the annual review of the Integrated Management System within the company.

The most recent survey again covered such topics as:

- Delivery deadlines and the timeliness of deliveries,
- The integrity of goods carried,
- Rolling stock and customer service quality,
- Customer interactions with management and technical personnel operating the rolling stock,
- Pricing and comprehensiveness of the services offered,
- Payment methods and deadlines,
- Response to complaints,
- Reliability and overall evaluation of LOTOS Kolej.

2012 average /H1/	2011 average	2010 average
4.59 *	4.63	4.63
12 customers	13 customers	17 customers

* Scores: 5 - highest; 2 - lowest.

The key advantages of the company as revealed by the survey are:

- Reliability,
- Rail freight delivery times,
- Customer service quality,

- The integrity of goods carried,

Aspects receiving the lowest scores were:

- Payment methods and deadlines, discount policy,
- Service prices (as compared with similar companies),

LOTOS Kolej continues to score highly in most of the surveyed areas. Of particular note is the high regard for the company's reliability, which is important in building relationships with customers.

LOTOS Oil conducts customer satisfaction surveys at the conclusion of each year's commercial operations. These surveys are carried out by the sales reps and commercial staff of the company's distributors and partners. They cover two primary areas of the company's operations: the wholesale channel, whose respondents are Authorised Distributors, and the retail sales channels, where trade partners from the industrial and automotive segments are surveyed.

The surveys focus on certain aspects of the key market operations of the company, such as:

- Cooperation,
- Range,
- Products,
- Sales,
- Marketing,
- Oil services,
- Proposals for customer support.

The 2012 survey covered 163 respondents, 90.8% of whom returned completed survey forms, which is a marked improvement on the previous year.

From the responses received, customers appear to value LOTOS Oil primarily for the high quality of the services it provides, the high and consistent quality of its products and good aftersales support. Customers are particularly pleased with LOTOS Oil's facility with building commercial relations, the quality of its information on new products and the training it gives to its customers' sales staff. Some of the most important elements of these efforts are investments in and visual identity support for car mechanics, and the oil services for customers from the industrial and automotive segments, which consists of oil consultancy and research, and comprehensive oil management monitoring.

Information obtained from the surveys contributes to improvement of work processes, which enables the company to fine-tune its current operations to customer requirements.

LOTOS Paliwa systematically measures customer satisfaction, as required by the Integrated Management System. The frequency and methodology of its research accounts for the division into retail and institutional customers

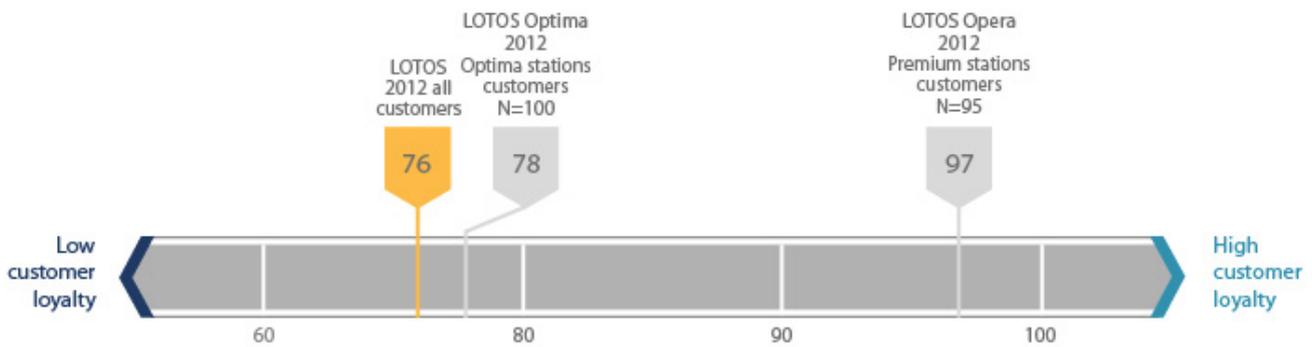
Measurement identifier	Measurement frequency	Measurement method	Procedure
Retail customers			
Quality evaluation indicator	annually / every two years	Individual customer surveys, CAPI or PAPI	Data analysed to plan and implement improvements to the indicator

Overall station evaluation (image) indicator		Individual customer surveys	Data analysed to formulate future marketing plans
Institutional customers			
Customer cooperation satisfaction index	annually / every two years	CATI	Data analysed to plan for and implement actions to improve the indicator
Account manager satisfaction index			
Customer Service Office satisfaction index			
Functionality evaluation index			
Brand image index			Data analysed to formulate future marketing plans

2012 saw deployment of the retail customer satisfaction survey. The results showed that retail customers have diverse expectations regarding service stations, and that the actions taken by LOTOS Paliwa ensure that the specific needs of our strategic customer groups are increasingly being satisfied. Premium customers appreciate the improving non-fuel and food services offered by LOTOS service stations, LOTOS Dynamic fuels and the Navigator loyalty programme. At the same time, value-oriented customers have access to service stations which are ever more friendly, operate tested and high-quality equipment, are staffed with polite and competent personnel, and sell quality, affordable fuels. In response to this diversity of expectations, a new network of service stations was established in the economy sector in 2011, expanding the LOTOS brand presence to two segments: Premium, with the LOTOS stations, and economy, with the new LOTOS Optima stations.

The TRI*M satisfaction index for Premium stations (before the visual changes) remained on the same level as in 2010, i.e. 76, whereas Premium stations in new colours scored very high (97) and LOTOS Optima stations' score was higher than its competitors' (78).

2012 customer satisfaction and loyalty index – LOTOS Paliwa (TRI*M)



Institutional customers also value the improving quality of their work with LOTOS Paliwa, which follows from the better performance of the account managers and the company's efforts to promote its image as an innovative partner that stands out from its competitors. The strengths of the LOTOS brand reside in its comprehensive range of fuels and its environmental awareness.

Marketing communication

In the LOTOS Group strategy for 2011-2015, along with the development directions until 2020, the fostering of a strong LOTOS brand and distinctive brand image are among the key elements. All individual product brands are subordinated to the corporate brand strategy, which is consistent with the business strategy of Grupa LOTOS.

Our strategic goal is to enhance LOTOS brand value by building its image as a brand that:

- Relies on the key values of state-of-the-art solutions, development and partnership,
- Has an international presence,
- Represents top quality products,
- Is socially responsible.

Fostering the image and strength of the LOTOS brand is one of the priorities for Grupa LOTOS. Efforts are always being made to increase brand awareness and to position Grupa LOTOS as an organization recognised for a professional management style that builds on its quality, innovation, environmental awareness and security.

Periodic marketing research confirms the increasing awareness of the LOTOS brand, its quality and prestige, by its customers. In the 9th edition of the Poland's Most Valuable Brands ranking, published by the Rzeczpospolita daily in 2012, the LOTOS brand was valued at PLN 1,023m, which represents 15% growth on the previous year's figure. LOTOS was ranked 9th among the 330 brands covered by the listing. Over the last five years the value of the LOTOS brand grew over two and a half times.

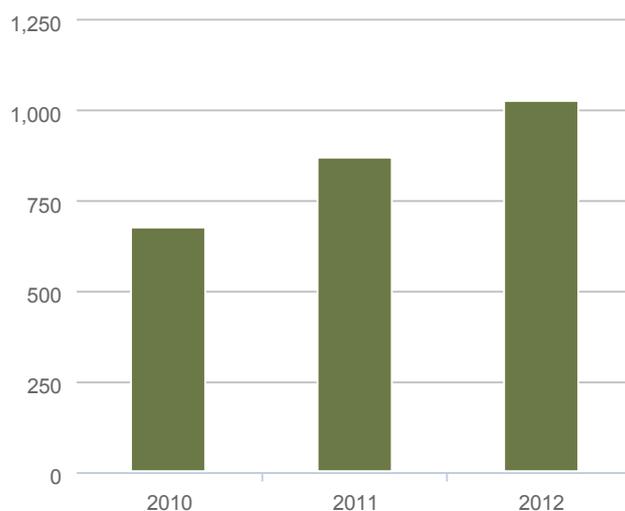
The following rules are strictly applied in the management of corporate brand strategy, product brands, promotion strategies, value creation, creation of the desired image of the LOTOS brand, advertising, promotion and sponsorship activities, as well as the marketing research of the LOTOS Group:

- Compliance with applicable laws,
- No deliberate harm or damage done,
- Accountability,
- Education, professional background and experience of personnel put to good use.

We conduct our operations without using any discriminatory or controversial content which may offend certain social groups or abuse the trust of the recipients of our communications, and without inciting negative emotions. These rules complement the effective and unconditionally binding laws and regulations, which include the Constitution of the Republic of Poland and the following Polish Acts: the Civil Code, the Act on Combating Unfair Competition, the Press Law Act, the Radio and Television Act, the Act on Protection of Certain Consumer Rights, the Act on Provision of Electronic Services, the Act on Personal Data Protection, the Act on Copyrights and Neighbouring Rights, and the Act on Industrial Property.

All our sponsorship contracts are transparent and clear, and precisely identify all stakeholders and the obligations of the sponsored entity. We do not engage in any events which may cause damage to objects or facilities of historic or artistic value, or events which could have an adverse environmental effect. In our sponsorship activities, Grupa LOTOS and its commercial companies LOTOS Oil and LOTOS Paliwa apply the rules defined for wholly and partially state-owned

Value of the LOTOS brand (PLN m)



Source: Rzeczpospolita daily, December 2012.

companies in Directive No. 5 of the Minister of the State Treasury, dated February 13th 2009. We also respect the guidelines of the Culture Sponsoring Code - an initiative of the National Centre for Culture, the PKPP Lewiatan employers' association and the Warsaw Stock Exchange. We have also published the objectives of our sponsorship and charity policies (http://odpowiedzialny.lotost.pl/en/937/society/charity_and_sponsorship_policy).

The above corporate practices in the area of marketing communications are applicable to Grupa LOTOS and all its commercial companies, i.e. those companies which, considering their business profile, distribute communications regarding their products and services to wider audiences. LOTOS Oil and LOTOS Paliwa, which are responsible for product brand communications, have adopted their own supplementary regulations.

At LOTOS Paliwa, the development of marketing content and standards of conduct, including standards of communication with customers, is regulated by the following internal documents, approved by the company's Board:

- Communication and Positioning Strategy for LOTOS and LOTOS Optima Service Stations,
- Communication and Positioning Strategy for the LOTOS Dynamic brand,
- Strategy of Sponsorship and Motor Sports Involvement.

LOTOS Oil and LOTOS Paliwa, in their activities in the area of marketing communications, including advertising, promotion and sponsorship, adhere (on a voluntary basis) to the standards of the Code of Ethics in Advertising, developed by the Polish Board of Advertising and the Polish Advertising Standards Committee.

Due to the specificity of the market on which LOTOS Asphalt and LOTOS Kolej are present, the companies have not implemented separate procedures for marketing communications.

Sponsorship

Key objectives for our sponsorship activities include the promotion and raising of brand awareness of LOTOS Group products, improvement of their recognition, building of positive images and supporting advertising activities focused on growing product and service sales. Our 2012 sponsorship activities were carried out in accordance with the Sponsorship Plan approved by the Company's Supervisory Board.

Our sponsorships in 2012 covered both support for professional sports and projects to promote sports among children and youth. Key disciplines we support include motor rallying, football, skiing, basketball, speedway, volleyball, motor racing and cycling. The highest return on funds earmarked for sponsoring activities, as measured by media presence, was recorded for winter sports (ski jumping and cross-country skiing), as well as for cycling, football and motor rallying. The value of media return exceeded the value of the funds spent on sponsorships four times over.

We have supported the LOTOS TREFL Gdańsk men's volleyball team (since 2009), the TREFL Sopot men's basketball team (since 2010), the Lechia Gdańsk football team and the Stowarzyszenie Piłki Ręcznej Spółnia Wybrzeże Gdańsk handball club (since 2011).

For eight years now, we have also been Poland's General Nordic Skiing Sponsor. As part of our work with the Polish Nordic Skiing Association, we support ski jumpers from the national team and youth teams, cross-country skiers from the national team and youth teams, as well as the Nordic combined team. The 2013 World Champion in ski jumping, Kamil Stoch, was the first person awarded a grant under our "In Search of the Champion's Successors" social welfare project. For nine years, in collaboration with the Polish Nordic Skiing Association, we have supported the National Ski Jumping Development Programme.

We are also present in motorsports, and in 2012, we were involved in the LOTOS Baltic Cup Rally and the Poland's Mountain Rally Championships.

From 2010 to 2012, LOTOS Paliwa was involved in the LOTOS Dynamic Rally Team project, running two rally teams in international events under its LOTOS and LOTOS Dynamic fuel brands. In Polish rallies, the LOTOS Dynamic Rally Team was represented by three-times Polish Rally Champion Kajetan Kajetanowicz and his navigator Jarek Baran. Outside Poland, the LOTOS Dynamic Rally Team colours were borne by Michał Kościuszko and Maciek Szczepaniak, two-time runners-up in the World Rally Championships (PWRC 2011 and JWRC 2009). In 2012, LOTOS Oil sponsored the LOTOS-Subaru Poland Rally Team (comprising Wojciech Chuchała and Kamil Heller). The presence of the Dynamic fuel brand in motorsports lends credibility to the benefits of LOTOS products to the public, including improved performance and dynamics and better harnessing of a car's power. Related actions support the image of the entire chain of LOTOS stations and improve the reliability of the stations' communication.

LOTOS Oil's sponsorship activities in the area of motorsports complement the LOTOS brand's trading and marketing work in the oil products segment with KIA and Subaru. From the point of view of brand image promotion, this involvement lends technology and quality credibility to the company's vehicle oil products.

Apart from sports sponsorship, we are also involved in sponsorship of cultural events. Our efforts in this area are primarily intended to increase corporate value by promoting the intellectual and cultural potential of regions close to the company. Some of our key cultural sponsorships in 2012 that benefited the communities and regions we operate include:

- In Pomerania: Strategic Partnership of the Baltic Opera House, sponsorship of the Solidarity of Arts Festival, sponsorship of the Shakespearian Festival, the Siesta Festival, the 'Daisy Chain Wonders - Summer Begins in Gdynia' event, and the 'Two Theatres' Polish Radio and TV Festival;
- In southern Poland: Jasło Days, Czechowice-Dziedzice Days and the LOTOS Jazz Festival – Bielsko Jazz Blizzard.

Socially engaged marketing

In 2012, LOTOS Paliwa continued its work, begun two years earlier, with the SOS Children's Villages Association in Poland. Each member of the LOTOS Navigator loyalty programme, available only from LOTOS service stations, could donate their credits to orphaned or abandoned children under the care of SOS Children's Villages. This initiative is in line with the objectives of the LOTOS Group's CSR strategy.

Funds raised from the credits donated are applied towards the costs of living, health care and education of children. They help ensure equal opportunities and prepare the children for their future, independent lives. The SOS Children's Villages Association in Poland provides care for abandoned children, orphans and children at risk of losing parental care. It has been operating in Poland for 28 years and is part of SOS-Kinderdorf International, an international organisation present in 132 countries around the world.

In 2012, the Company also supported the nation-wide 'donate 1% of your tax' campaign carried out by the SOS Children's Villages Association in Poland.

We also began working with the Polish Association for the Mentally Ill within the sphere of socially engaged marketing. The Association organises occupational therapy for the mentally ill, where they make seasonal decorations or gift wrapping materials. The company bought hand-made candles and canvas bags from the Association. Similarly, we worked with the Association Providing Help to Autistic Persons to provide Christmas decorations and other hand-made items to our clients and partners.

Our activities within the sphere of social economy in 2012 also included two entities with whom we have been working for a long time; the Foundation for the Development of Gdańsk University and the Kuling Waterbird Research Group. We bought souvenirs and gifts from the KWRG related to the ecological programmes that we run together, in support of their statutory objectives of research on and protection of biodiversity.

Compliance

In 2012, no cases of inconsistencies in promotional and advertising activities with the provisions of law, regulations and voluntary codes regulating marketing communications were found to have occurred at Grupa LOTOS or at its trading companies: LOTOS Asphalt, LOTOS Kolej, LOTOS Oil and LOTOS Paliwa.

No legitimate complaints or claims were lodged relating to violation of customer privacy or loss of data, and there were no significant incidents linked with the provision and use of products and services.

Consequently, no significant penalties for non-compliance with laws or regulations concerning the provision and use of products and services were imposed on any member of the LOTOS Group. The materiality level is such that total fines and damages in 2012 did not exceed 0.001% of turnover.

The proceedings described in [the Annual Report 2011 \(http://2011.raportroczny.lotos.pl/en/society/impact-on-the-society/anti-competitive-behaviour\)](http://2011.raportroczny.lotos.pl/en/society/impact-on-the-society/anti-competitive-behaviour) concerning the anti-trust action taken by the President of the Competition and Consumer Protection Office, were pending in 2010-2011. On March 10th 2011, Grupa LOTOS paid the liability of PLN 1,000 thousand imposed on it by a court ruling of February 11th 2011, under a provision created earlier for this purpose.

Key data

Market presence

The LOTOS Group employs its senior management according to the profile and requirements of the position. Only candidates best meeting the employment criteria are recruited. Senior management positions include those of director, chief accountant, plant manager and office manager. Senior management positions are often filled by persons selected in an internal recruitment process.

In the case of Grupa LOTOS, 92.9% of senior management staff employed in the Company's main business location were recruited from the local employment market, understood as the Province of Gdańsk. Pomerania is also the local recruitment market for LOTOS Kolej, for which 100% of its senior staff are from the area.

The companies' key locations are locations where the number of employees represents a significant percentage of the total headcount.

Ratio of minimum base pay at Grupa LOTOS to minimum national base pay

Minimum base pay at Grupa LOTOS /all employees/	Minimum base pay at Grupa LOTOS /women/	Minimum base pay at Grupa LOTOS /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
PLN 2,500	PLN 2,500	PLN 3,000	PLN 1,500	167%	167%	200%
Dec 31 2011						
PLN 2,400	PLN 2,400	PLN 3,000	PLN 1,386	173%	173%	216%
Dec 31 2010						
PLN 2,550	PLN 2,550	PLN 2,900	PLN 1,317	194%	194%	220%

Source: in-house data, and Dz. U. of 2007 No. 171 item 1209, M.P. of 2008 No. 55 item 499, M.P. of 2009 No. 48 item 709.

Ratio of minimum base pay at LOTOS Kolej to minimum national base pay

Minimum base pay	Minimum base pay	Minimum base pay	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
		203				

at LOTOS Kolej /all employees/	at LOTOS Kolej /women/	at LOTOS Kolej /men/				
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
PLN 2,657	PLN 2,700	PLN 2,657	PLN 1,500	177%	180%	177%
Dec 31 2011						
PLN 2,530	PLN 2,700	PLN 2,530	PLN 1,386	183%	195%	183%
Dec 31 2010						
PLN 2,421	PLN 2,700	PLN 2,421	PLN 1,317	184%	205%	184%

For LOTOS Asphalt and LOTOS Oil it is the counties and neighbouring towns up to 100km away from their business locations which are considered to be their local employment markets. These companies run their business in three locations: Southern Poland (Jasło, Czechowice) and Northern Poland (Gdańsk). At LOTOS Asphalt, 89% of staff are recruited from the local communities of the Jasło region, 100% from Czechowice and 79% from Gdańsk. At LOTOS Oil, the indicator is 100% in all locations. Given the nature of LOTOS Paliwa's operations, management staff across Poland are recruited on an as-needed basis.

Ratio of minimum base pay at LOTOS Asphalt to minimum national base pay

Minimum base pay at LOTOS Asphalt /all employees/	Minimum base pay at LOTOS Asphalt /women/	Minimum base pay at LOTOS Asphalt /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
Gdańsk						
PLN 2,800	PLN 2,800	PLN 3,000	PLN 1,500	187%	187%	200%
Czechowice-Dziedzice						
PLN 2,500	PLN 3,763	PLN 2,500	PLN 1,500	167%	251%	167%
Jasło						
PLN 1,976	PLN 1,976	PLN 2,000	PLN 1,500	132%	132%	133%
Dec 31 2011						
Gdańsk						
PLN 3,190	PLN 3,500	PLN 3,190	PLN 1,386	230%	253%	230%
Czechowice-Dziedzice						
PLN 2,750	PLN 3,583	PLN 2,750	PLN 1,386	198%	259%	198%

Jasło						
PLN 1,500 *	PLN 1,568	PLN 1,500	PLN 1,386	108%	113%	108%
Dec 31 2010						
Gdańsk						
PLN 2,500	PLN 2,500	PLN 3,500	PLN 1,317	190%	190%	266%
Czechowice-Dziedzice						
PLN 2,464	PLN 3,428	PLN 2,464	PLN 1,317	187%	260%	187%
Jasło						
PLN 1,500	PLN 1,500	PLN 1,500	PLN 1,317	114%	114%	114%

* The lowest pay in Jasło is received by first-time employees in auxiliary positions.

Ratio of minimum base pay at LOTOS Oil to minimum national base pay

Minimum base pay at LOTOS Oil /all employees/	Minimum base pay at LOTOS Oil /women/	Minimum base pay at LOTOS Oil /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
Gdańsk						
PLN 2,760	PLN 3,402	PLN 2,760	PLN 1,500	184%	227%	184%
Czechowice-Dziedzice						
PLN 2,491	PLN 2,745	PLN 2,491	PLN 1,500	166%	183	166%
Jasło						
PLN 2,413	PLN 3,247	PLN 2,413	PLN 1,500	161%	216%	161%
Dec 31 2011						
Gdańsk						
PLN 2,732	PLN 3,240	PLN 2,732	PLN 1,386	197%	234%	197%
Czechowice-Dziedzice						
PLN 2,372	PLN 2,614	PLN 2,372	PLN 1,386	171%	189%	171%

Jasło						
PLN 2,298	PLN 3,092	PLN 2,298	PLN 1,386	166%	223%	166%
Dec 31 2010						
Gdańsk						
PLN 2,614	PLN 2,816	PLN 2,614	PLN 1,317	198%	214%	198%
Czechowice-Dziedzice						
PLN 2,269	PLN 2,289	PLN 2,269	PLN 1,317	172%	174%	172%
Jasło						
PLN 2,199	PLN 2,958	PLN 2,199	PLN 1,317	167%	225%	167%

Ratio of minimum base pay at LOTOS Paliwa to minimum national base pay

Minimum base pay at LOTOS Paliwa /all employees/	Minimum base pay at LOTOS Paliwa /women/	Minimum base pay at LOTOS Paliwa /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
PLN 2,760	PLN 2,760	PLN 2,898	PLN 1,500	184%	184%	189%
Dec 31 2011						
PLN 2,665	PLN 2,665	PLN 2,760	PLN 1,386	192%	192%	199%
Dec 31 2010						
PLN 2,550	PLN 2,550	PLN 2,750	PLN 1,317	194%	194%	209%

At LOTOS Petrobaltic, the local employment market coincides with the town where the company is located. 64% of the company's senior management is sourced from Gdańsk. At the Energobaltic subsidiary, 3% of the senior management are from Władysławowo, and at AB LOTOS Geonafta 66% are from Gargždai. In the case of LOTOS Norge, the entire area of Norway is considered to be their local market, as their senior management staff is of multicultural origin. 57% of managers in the company are sourced from that market.

Ratio of minimum base pay at LOTOS Petrobaltic to national minimum base pay

Minimum base pay at LOTOS Petrobaltic /all employees/	Minimum base pay at LOTOS Petrobaltic /women/	Minimum base pay at LOTOS Petrobaltic /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						

PLN 3,000	PLN 3,000	PLN 3,500	PLN 1,500	200%	200%	233%
Dec 31 2011						
PLN 2,500	PLN 2,500	PLN 2,500	PLN 1,386	180%	180%	180%
Dec 31 2010						
PLN 2,550	PLN 2,550	PLN 3,000	PLN 1,317	194%	194%	228%

Ratio of minimum base pay at Energobaltic to national minimum base pay

Minimum base pay at LOTOS Energobaltic /all employees/	Minimum base pay at LOTOS Energobaltic /women/	Minimum base pay at LOTOS Energobaltic /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
PLN 3,465	PLN 3,780	PLN 3,465	PLN 1,500	231%	252%	231%
Dec 31 2011						
PLN 3,300	PLN 3,600	PLN 3,300	PLN 1,386	238%	259%	238%
Dec 31 2010						
PLN 2,992	PLN 2,992	PLN 3,300	PLN 1,317	227%	227%	250%

Ratio of minimum base pay at LOTOS Geonafta to national minimum base pay in Lithuania

Minimum base pay at LOTOS Geonafta /all employees/	Minimum base pay at LOTOS Geonafta /women/	Minimum base pay at LOTOS Geonafta /men/	Minimum national pay	Ratio /1/ to /4/	Ratio /2/ to /4/	Ratio /3/ to /4/
/1/	/2/	/3/	/4/	/5/	/6/	/7/
Dec 31 2012						
910 LTL	910 LTL	2,486 LTL	850 LTL	107%	107%	292%
Dec 31 2011						
910 LTL	910 LTL	2,810 LTL	800 LTL	114%	114%	351%
Dec 31 2010						
910 LTL	910 LTL	1,200 LTL	800 LTL	114%	114%	150%

The indicator does not apply to LOTOS Norge. According to Norwegian law, there is no minimum pay. Additionally, the company employs only highly qualified personnel in independent positions.

HR policy

The mission of the LOTOS Group stipulates development of the organization through continued improvement as well as making best use of our human capital. It is the basic tenet of the LOTOS Group's HR management strategy to treat employees as the most important asset, hence our care for advancing their competences and creating circumstances that will favour their identification with the fundamental values underlying the LOTOS Group's organizational culture.

Our company applies the principles of corporate social responsibility in every sphere of its activity. This also applies to HR policy, which is carried out in a comprehensive and strategic manner, with its implementation guided by the principles of accessibility for employees, consistency across systems and solutions, flexibility in relation to business needs, and above all responsibility for results. Our HR policy is long-term and based on continued application and improvement of best practices in responsible recruitment and employment, facilitating adaptation to the work environment, systems for improvement of qualifications, evaluation and motivation of employees, compliance with ethical principles and the rules of occupational health and safety.

In relations with our employees we particularly appreciate proactive attitudes towards achieving objectives, cooperation, communication, commitment and innovation, and continuous improvement of skills. Given our Company's continuous development, it is essential for us to retain existing staff while improving their skills, and also attracting new, competent workers.

HR policy on the selection of employees, their professional progress and development, personnel administration, incentive systems and other social matters is the responsibility of the Board of Grupa LOTOS. In this way the Company has a positive impact on employment practices, incentives and building of desirable organizational culture, preparing and introducing optimised solutions across the LOTOS Group.

We are recognised as a reliable and respected employer that promotes social responsibility standards, adheres to social rules and counteracts discrimination in employment. Our care for the professional development and improvement of our employees' knowledge and skills goes hand in hand with our concern for a good atmosphere and friendly relations between people in the workplace. We value open communication and the ability to cooperate and form partnership relations between managers and employees. These values are the hallmark of our company culture and are reflected in our Code of Ethics, in force since 2013.

We appreciate the rewards of work being carried out in an amicable atmosphere by hard-working, cooperative individuals with a sense of duty, who are loyal to their employer and committed to their work. A work culture built on cooperation is more likely to unleash people's potential for the benefit of the LOTOS Group, and the successful personal development of each employee. We strive to create a friendly work environment for everyone. To that end, we have developed clear and effective regulations, and employ transparent and reasonable decision-making processes that help make interpersonal relations harmonious.

We aim to ensure that our current and prospective employees have equal employment, advancement, development and training opportunities. Our efforts in this respect are centred on fostering a sense of trust between management and the rest of the employees. We are committed to the fair treatment of everybody, regardless of their job title, length of service, trade union membership, age, gender, sexual orientation, physical

appearance, nationality, religion or political views. Decisions concerning recruitment, career development, performance evaluation, advancement and remuneration are based on straightforward rules and criteria to guarantee fair treatment of all current and prospective LOTOS Group employees.

Source: Code of Ethics of the LOTOS Group

Forming responsible social relations with employees is one of the key areas of our corporate social responsibility strategy, which contributes to the effective realisation of our business objectives.

PILLARS OF THE LOTOS GROUP'S CORPORATE SOCIAL RESPONSIBILITY STRATEGY UP TO 2015

I SOCIAL RESPONSIBILITY	II ENVIRONMENTAL RESPONSIBILITY	III BUSINESS RESPONSIBILITY
<p>Creating values beneficial to the social environment</p>	<p>Creating values beneficial to the natural environment</p>	<p>Creating economically beneficial values</p>
<p>We are committed to respect for intellectual capital and diversity, respect for human rights, including the freedom of speech and freedom of association. We contribute to the creation of new jobs and the improvement of the quality of human capital in the areas of our impact. We actively counteract exclusion and other social problems in the spheres of our competences.</p>	<p>We strive to continuously reduce the negative impact of our business on the environment through the application of high standards of extraction, production and processing of hydrocarbons, and also by meeting the demanding environmental standards on production, transportation and sale of petroleum products. Our mining operations now use the best available techniques and rules of conduct, and we are constantly analysing the opportunities offered in this area by new technologies. We aim to identify and develop opportunities for obtaining energy from renewable sources.</p>	<p>We place great importance on the management of our relationship with the environment in a predictable and reliable manner, consistent with the principles of ethics and in keeping with the rules of transparency and partnership. This has an impact on the way in which we aim to profit and increase in value in the long term. Our responsibility manifests itself in activities aimed at increasing the security of the energy sector in a responsible manner, in consideration of both society and the environment. We provide a stable supply of fuel to the market, as well as participate in the exploration for and production of hydrocarbon deposits, including non-conventional ones.</p>

One of the key objectives of LOTOS Group CSR Strategy is investment in human resources, in order to maintain the highly qualified personnel necessary for the effective implementation of our business strategy and continue to develop an organizational culture based on our adopted values.

The achievement of CSR objectives is monitored in the periods which coincide with evaluation of the implementation levels of the LOTOS Group's business strategy. HR policy objectives adopted in 2012 and resulting from the business strategy and CSR strategy have all been realised.

An adequate number of highly qualified personnel, necessary for the effective realisation of business strategy, has been provided.

Our recruitment procedures help us employ staff with the required qualifications, and in order to use our candidate database even more effectively, and also to make the recruitment procedure more efficient and consistent within the LOTOS Group, we introduced the **e-Recruitment** system. This provides for more effective management of recruitment processes by, for example, facilitating express publication of job adverts in different media concurrently, proficient

analysis of database data as a result of use of electronic application forms and search methods, as well as the gathering and exchanging of candidate information according to the highest security standards, and ready access to advertising performance statistics. The new system is candidate-friendly and brings our recruitment procedures even further into compliance with our value system.

Efficiency enhancing recruitment procedures



In order to reach the highest number of candidates, in 2012 we introduced changes to the www.lotos.pl website, making it more attractive visually and introducing a functional Career page that provides more information about the LOTOS Group as an employer.

The high results of our employees' periodic evaluations confirms the efficiency of our recruitment tools, adaptation tactics, training and motivation schemes.

Salaries offered by the company are formulated on the basis of data received from payroll surveys, as well our own studies of remuneration systems and the employment market, with particular emphasis on the fuel-energy and petrochemicals sectors.

In accordance with the LOTOS Group's mission, we are continually improving our employees' competencies with training and development projects, carried out within the LOTOS Academy and available to all employees.

We take full advantage of our workforce's potential, and have built a culture of shared knowledge that makes use of the qualifications and experience of senior employees, aged 50+, who are now actively involved in the development of younger staff. The seniors provide training within our 'adaptation programme', become mentors to the newly employed and those working in production, as well as serving as speakers at in-house training sessions.

Organizational culture advanced on the basis of adopted values.

In 2012, within the framework of the LOTOS Group's HR policy we introduced uniform principles for the planning and implementation of recruitment, internal recruitment and monitoring of employee attrition, in order to further meet our desired organizational culture. After implementing these changes, the associated good practices of Grupa LOTOS have become even more visible and more widely applied in the LOTOS Group companies.

The tools and solutions that the Company makes use of are continually monitored and advanced. We have upgraded the adaptation programme, especially in relation to technical staff. We have also prepared an endorsement of the adaptation programme for LOTOS Asphalt, taking into the account the specific profile of their trading area.

Additionally, a decision was made regarding the SAP HCM IT system which will be introduced across the LOTOS Group. The new system will not only make reporting easier, but will also better meet the needs of management and other staff by making information more accessible and providing better access to HR tools. With this in mind, we also reviewed our HR management processes, in particular auditing their 'soft' part, and have begun work on a map of employment positions across the entire LOTOS Group, with a related model of competences and changes in the Periodic Employee Evaluation System. This will ensure that the new IT system truly reflects the LOTOS Group's business requirements.

In order to exert a positive impact on employment practices, provide incentives and foster good work ethics at LOTOS brand petrol stations, we have prepared an action plan to support recruitment processes which provides incentives and fosters a working culture based on the adopted values. To make recruitment process more transparent, we developed profiles for an 'ideal' sales assistant and station manager. We are also planning an associated training scheme that will prepare our business partners employing staff at petrol stations for the proper selection and evaluation of candidates. Our web page provides transparent information on the recruitment process for station employees. We have analysed employee incentive methods for use in the future, and are currently in the process of developing a training programme for petrol station staff aimed at promoting behaviours which conform with our adopted social and ethical values.

The process of building the business awareness of the LOTOS Group's management is ongoing, and takes into consideration the importance of social and environmental factors as well as issues of corporate governance. The effectiveness of this process is confirmed by the results of our periodic employee evaluations – more than 90% of all evaluated employees have obtained good and very good scores for the criterion involving the importance of social and corporate governance, with 86% of the management achieving very good grades.

Employee relations practices

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](https://en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc)

In line with our CSR Strategy and with a focus on filling positions within the LOTOS Group in a manner that reflects our business needs, we take every care to communicate with potential candidates by providing good access to information, for example during employment fairs, through cooperation with universities and technical colleges, provision of apprenticeships, and grant programmes. The LOTOS Group carries out its recruitment processes in a transparent and objective manner, taking advantage of the latest candidate evaluation methods. We create opportunities for horizontal and vertical promotion by offering possibilities in a priority internal recruitment process. This takes the form of successively endorsed adaptation programme across the LOTOS Group's companies, promoting behaviour consistent with our values and enabling new employees to function better and get to know the company faster.

We take every care to raise our employee's qualifications, providing them with training opportunities, and recurring and newly-created development programmes organised within the LOTOS Academy. In 2012, we implemented the Key Position Succession Planning Programme to ensure the continuity of management, and also to prepare employees with the greatest potential for new, more difficult tasks in the future. We also partially finance English language courses and university studies. The management and their staff plan and implement their career and development objectives together, and in most of our companies, this process is supported by a Periodic Employee Evaluation Programme, prepared and improved with this purpose in mind.

The remuneration system in the LOTOS Group ensures salaries adequate to an employee's position and duties. Additionally, employees receive an annual bonus based on the financial results of the entire LOTOS Group. Employees implementing special tasks and objectives, assigned to them individually, can also receive incentive awards, and those who are the most involved and distinguished at work are given special awards by the CEO.

We guarantee all our employees an attractive working environment and career development opportunities, plus a good social package, regardless of their gender and age. We have a culture of knowledge sharing that ensures that the development of our employees influences the development of the entire organization. We also maintain good relationships with our pensioned staff, offering them medical care and an active life within the LOTOS Group's Senior Employees and Pensioners Clubs.

We improve our organizational culture with our adopted values, not only in our programmes and activities, but also by promoting these values in our internal training. We place great emphasis on their importance and assess the level of their adherence during the periodic employee evaluations, and describe and promote them through the LOTOS Group's Code of Ethics.

An important role in this process is played by our internal communication system. One of the key objectives of the LOTOS Group's social responsibility strategy is the fostering of organizational culture based on open, multidirectional communication, including development of a consultation system within the LOTOS Group. As part of this objective, we ensure that as far as it is legally possible, employees have the opportunity to discuss any essential operational changes planned in the company, a minimum of 30 days prior to their introduction. Employee representatives are also involved in negotiating and introducing changes which may have an impact on operations in the organization. A notification period for any essential operational changes is defined by binding legal regulations, but it is our good practice to organise regular meetings with the Employee Council and trade unions representatives in the company.

Employment relations

The LOTOS Group provides all employees of indefinite, fixed, full or part-time employment with the opportunity to take advantage of the same additional benefits package guaranteed by the Collective Bargaining Agreements for Grupa LOTOS employees, and by the Rules of Participation in the Company Social Benefits Fund. 95.2% of Grupa LOTOS employees are included in the Collective Bargaining Agreements. The remaining employees are part of the top management whose terms and conditions of employment are agreed individually with the Company's Board, in consideration of the latest binding legal regulations of employment law. All the companies comprising the LOTOS Group have their own Collective Bargaining Agreements or remuneration policies, whose regulations are identical with the Collective Bargaining Agreements for Grupa LOTOS employees, and the percentage of employees covered by these documents is 99.5% to 99.9%.

Every employee can take advantage of additional medical care from private healthcare institutions and dental care. All parental leave for mothers and fathers and additional maternity leave is provided for, in accordance with legal regulations.

Maternal leave and extended maternity leave in Grupa LOTOS

Year	Persons who have gone on maternity or extended maternity leave /1/		Persons who have returned from maternity or extended maternity leave /2/		Persons whose employment was terminated up to 12 months following their return to work /point of reference 1/	
	Women	Men	Women	Men	Women	Men
2010	17	2	22	2	2	1
2011	14	-	13	-	2	-
2012	19	2	14	2	-	-

The company offers other social support in the form of loans, allowances, and partial financing of holidays for employees and their children. Additionally, employees who retire due to disability or old age receive retirement severance pay on terms more favourable than those provided for by the Polish Labour Law. Old age and disability pensioners also have access to additional medical care provided by private healthcare establishments and dental care at their former employer's cost.

The LOTOS Group provides its employees with the opportunity to join various pension plans. Currently, 12 of our companies take advantage of the group's unit-linked life insurance cover, which was prepared and introduced in 2001 especially for LOTOS Group employees and is paid for by the employer. Employees join the programme on a voluntary basis.

Saving with the Pillar 3 retirement savings scheme is an essential aspect of responsible planning for one's financial future, and we make every effort to secure our employees' future. Regular payments made by the employer towards the unit-linked scheme protect the money invested against market fluctuations. At present, individual employee accounts are credited with premiums paid by the employer. These premiums may essentially increase the employees' savings levels, and money saved in this way will certainly prove helpful at retirement time. Employees can also make their own contributions. The employer pays a premium of PLN 250 to every employee who joins the programme, of which PLN 8.98 is an insurance cover and PLN 241.02 – an investment component.

Participation in the scheme is voluntary and available to insurable employees under 70 years of age, employed under contract. Employees who have previously terminated their insurance coverage are not eligible to participate in the scheme.

Grupa LOTOS	2010	2011	2012
			PLN '000
Premiums under unit-linked insurance policies (Pillar 3 of the Polish pension system)	3,800	3,465	3,519

LOTOS Group	2010	2011	2012
			PLN '000
Premiums under unit-linked insurance policies (Pillar 3 of the Polish pension system)	10,174	10,339	11,182

Premiums paid by the employer are accumulated in individual employee accounts and their value is expressed in Polish zloty. Investment returns are a percentage of the accumulated capital. This transparent and easy to understand fund structure offers clear information on the cash value of each individual account.

As at the end of 2012, 87.7% of Grupa LOTOS employees and 79.7% of the LOTOS Group employees were covered by the group insurance. Two companies are taking advantage of separate insurance. 81% of LOTOS Petrobaltic employees are included in the insurance, and 64.4% in LOTOS Paliwa.

The LOTOS Group has a transparent remuneration system in place, whose key components are base salary, annual bonus and quarterly incentive bonus. Base salary is determined on the basis of national payroll reports compiled by professional HR consultancies. **Employees' base salary across the LOTOS Group has risen 5% since July 2012.**

We make every effort to ensure that the remuneration paid is market-competitive and attractive to employees. For each position, a market median has been set as a target against which the remuneration should be benchmarked. If performance targets set by the Board (such as financial criteria defined in the budget) are met, employees are entitled to an annual bonus equal to 10% of their annual salary. The special awards granted by the CEO in recognition of outstanding effort and commitment are another component of the incentive system, and to reward long service and experience, length-of-service awards are granted to employees in keeping with the rules laid down in the Collective Bargaining Agreement. These awards are payable to all employees across the LOTOS Group.

The base salary of employees who decide to retire within two years prior to their acquisition of pension rights can be raised by 8.5%. Moreover, retiring employees are entitled to a one-off cash severance payment, whose amount depends on their length of service. This payment can range from an amount equal to an employee's monthly pay when their length of service is up to 15 years, to 500% of the base amount if the employee has worked for 35 years, and is applicable to all employees across the LOTOS Group.

For the past 30 years, a **Senior Employees and Pensioners Club** has been operating in Grupa LOTOS, associating almost 600 former LOTOS Group employees. The Club's activities are financially supported by the Board of Grupa LOTOS. Twice a year, the Club organises various trips around Poland and to other regions of Europe, giving the pensioners an opportunity to visit new places and at the same time promoting a healthy lifestyle. These visits to Polish and European regions are also designed to promote the LOTOS brand. The Club's management organises home visits for sick pensioners and allowance holders, providing them with the necessary support when required. Every year, at Christmas, the Board of Grupa LOTOS also organises annual meetings with its pensioners.

Training and education

Our training policy is closely linked with the LOTOS Group's strategy and corporate management strategy in the area of HR management. Our training activities are designed to raise the various competencies of our employees, identify talent across the organization, disseminate expert knowledge and foster increased involvement and job satisfaction. The LOTOS Group training policy is distinguished by long-term, consistently implemented development plans.



We provide adequate conditions for effective development and practical application of the knowledge and skill required of all employees throughout their employment. Goals and objectives defined in the short- and long-term development plans of the LOTOS Group are reflected in their personal development plans, agreed with the employees on an annual basis during their periodic evaluations.

All employees, irrespective of age or the time of their planned retirement, are offered the opportunity to attend training designed to help them acquire and enhance their knowledge and professional qualifications, and develop general skill sets. This is facilitated by our training and development procedures and internal training and development system. We also co-fund our employees' secondary and university-level graduate and post-graduate studies, training leave and paid leave from work for travel to external training facilities, their participation in qualification improvement programmes, co-financing of foreign language classes, and provision of support in the preparation of graduation theses etc.

In 2004, we established the **LOTOS Academy**, whose goal is to build a modern, efficient, competitive organization.

Our training and development programmes are supported by distinguished authorities, and members of the **LOTOS Academy Scientific Council** include such well-known figures as Prof. Jerzy Hausner, Prof. Witold Orłowski, Prof. Janusz Rachoń, Prof. Wojciech Rybowski, Prof. Edmund Wittbrodt, Dr. Mirosław Gronicki and Dr. Jan Szomburg.

The LOTOS Academy is a comprehensive employee development system, highly valued in the world of science and business. It's main feature is its **accessibility**, because the training it provides is available to all employees of the LOTOS Group. Moreover, employee development is carried out in a **continuous and coherent** manner, linked with the Periodic System of Employee Evaluations, career paths, development programmes for individual professional groups, and relevant succession plans. At the same time, our long-term programme is **flexible**, which allows us to respond to changes in the company's business environment and to new requirements for employees' qualifications.

In 2012, we introduced the following projects within the LOTOS Academy, under the banner "On the Road to Perfection":

The LOTOS Group Succession Programme

which guarantees the implementation of the our business strategy, ensuring the continuity of management processes in key positions, clearly defining promotion paths and reducing the risk of choosing the wrong candidate for promotion.

The LOTOS Kolej Managers Academy Development Programme,

the main goal of which is to ensure the implementation of the Company's strategy by accelerating the development and training of key employees. The implementation of this programme will enable LOTOS Kolej to identify and make better use of the potential of its employees, increase their productivity and provide an incentive to develop the competences essential from the point of view their employer, to better prepare them for assuming key positions with the company and to meet their promotion needs.

The LOTOS Academy training schedule,

which facilitates the development of employees' individual competencies through participation in training sessions, courses and workshops that cover issues arising from analysis of the results of the periodic employee evaluations and our business development needs. LOTOS Group employees have participated in many training courses, including:

- Communication and cooperation of project teams,
- Interpersonal relationship techniques,
- Project management in the organization,
- Time management skills,
- Coping with stress, assertiveness and conflict resolution,
- Team building skills,
- Presentation and public speaking skills,
- Ethical principles in the LOTOS Group,
- IT training at various advancement levels.

The STL® Training Programme - Situational Team Leadership.

The model is known as the Team Productivity Process and is an approach to effective operational patterns for teams, reviewed and tested by a team of researchers from the Ken Blanchard Companies. Its main objective was to increase the productivity of work teams through development of the leadership competences of management staff.

Internal training projects - Knowledge sharing in the LOTOS Academy:

- Adaptation training; Senior colleagues share information regarding the organization itself, its processes and the processing technologies of crude oil and other products generated in the refinery.
- Basic training for production workers; Within the certification process of production knowledge, wherein our internal coaches share their knowledge of the techniques and technology necessary for working as an operator.
- Internal knowledge-sharing workshops; LOTOS Group training on issues related to various aspect of our operations.

In 2013 we will continue several of our development programmes, including:

- **The LOTOS Group Succession Programme**; aimed at developing successors to key positions in a number of ways, such as by identifying objectives and tasks which are carried out under the supervision of a Guardian/Coach, selection of ways and means for development within the allocated development voucher, and presentation of the results of the coaching.
- The **LOTOS Kolej Managers Academy** development programme; for the general development and management training of two participating groups, management and specialist. Within individual development paths, participants have an opportunity to complete their professional qualifications with university courses and improve their knowledge of foreign languages.
- **Situational Team Leadership** management staff training; a programme designed to increase the productivity of work teams by developing the leadership competences of the management staff.
- Seminars for management staff; these involve presentations of modern company and HR management tools and methods.
- **The LOTOS Academy Training Schedule** and knowledge-sharing within internal training projects. The themes covered during the training sessions are determined on the basis of analysis of the results of the periodic employee evaluations, employees' development plans in individual organizational cells, as well as corporate business development requirements.

Average annual number of training hours per person, by Grupa LOTOS employment category

Employment category	2010	2011	2012
Senior management	61.2	40.0	41.9 ✓
Lower management	60.3	38.0	42.8 ✓
Back-office staff	29.6	30.7	25.8 ✓
Production staff	12.6	13.2	17.7 ✓

Average annual number of training hours in Grupa LOTOS in 2012, by sex

Sex	Number of employees	Number of training hours	Average number of training hours
Women	417 ✓	11,096 ✓	26.6 ✓
Men	932 ✓	21,936 ✓	23.5 ✓

In LOTOS Group companies operating the Periodic Employee Evaluations System, on average 91.75% ✓ of all employees were evaluated in 2012, regardless of their sex, which means 4,000 employees. The lowest evaluation ratios were noted in LOTOS Oil (80%) and LOTOS Asphalt (85%), which had undergone organizational changes the year before. Consequently, their employees had been working for less than six months at the time of evaluation, which is below the minimum for the Periodic Employee Evaluations System to be subject to evaluation or to evaluate employees. Across the LOTOS Group though, the majority of eligible employees were actually evaluated, resulting in a higher than expected percentage of evaluated employees. This confirms the universality of the process across the LOTOS Group, regardless of employee age or sex.

In 2012, the Periodic Employee Evaluation System covered employees of Grupa LOTOS and the following subsidiaries: LOTOS Paliwa, LOTOS Asphalt, LOTOS Oil, LOTOS Tank, LOTOS Kolej, LOTOS Ochrona, LOTOS Straż, LOTOS Lab, LOTOS Serwis and LOTOS Petrobaltic. In the remaining companies, employee evaluations will be introduced together with the SAP HCM system in 2014.

Occupational Safety and Health

In line with the LOTOS Group's business and CSR strategies, safety at work and employee health protection are our priorities, with respect to both our employees and the employees of our cooperating partners. Particular attention is paid to efforts aimed at maintaining high safety standards, minimising risks and reducing accident rates. Our primary safety rule states that *no work is important or urgent enough to disregard safety*. A consistent and strategic approach to safety has helped Grupa LOTOS earn the reputation of an employer with a safe, well-equipped and well-organised workplace.

Ensuring a safe working environment is one of the cornerstones of our corporate culture, as reflected in the Code of Ethics we implemented in 2013.

Protecting employee rights in the area of health and safety at work is of uttermost importance to us. We are consistent in our efforts to improve health and safety standards for our employees and other persons working for or on behalf of the LOTOS Group. To this end, we monitor workplace conditions and implement relevant improvements to exceed the requirements imposed by the applicable laws. We raise employees' awareness on workplace safety and promote participation in efforts aimed at enhancing working conditions.

The LOTOS Group spares no effort to ensure that:

- Workplaces are properly organised,
- Environmental surveys are performed on an ongoing basis,
- The best possible precautions are applied as regards technical processes and people's health,
- The threat identification and man-machine-environment risk assessment system is enhanced on an ongoing basis,
- Performing consulting, oversight and inspection tasks,
- Hands-on training sessions and workshops are held to advance our employees' professional skills,
- Cooperation is maintained with governmental authorities, national organisations, and research and academic institutions,
- We exchange experience with our partners from chemical industry plants in Poland,
- Employee awareness and commitment are raised to achieve a culture of safe work.

Placing a heavy emphasis on our employees' involvement in building a strong occupational safety culture at all levels of the organization is a multi-year process that determines the direction of our tasks for years to come. Workplace safety awareness is raised by:

- Training and other development initiatives,
- Education on OSH-related matters, fire safety and health protection,
- Encouraging staff's involvement in developing and implementing the corporate OSH policy,
- Organisation of awareness campaigns and attractive knowledge testing competitions.

We place equally strong emphasis on the safety of external contractors' employees performing services at LOTOS Group facilities, as well as visitors.

Our agreements with contractors contain clauses which require that they respect the applicable regulations and occupational safety rules, as well as the fire protection and physical safety requirements and standards at our sites. In this way, the contractors' undertaking to protect the rights of their employees becomes a prerequisite condition to be satisfied in the performance of the agreement. Such clauses are a part of all agreements executed by Grupa LOTOS with contractors performing work at the refinery.

In addition, during regular OSH inspections and audits we check whether the OSH regulations are being adhered to by the contractors, and thus whether human rights are being observed in relations between employees, employers and the LOTOS Group. Inspection activities are an essential part of risk management, identification and monitoring, and the on-site inspections also have a bearing on our further cooperation with that contractor. This is also reflected in the annual assessment of contractors, where safety at work, protection of health, and respect for human rights are some of the key criteria.

Through close cooperation with our contractors and numerous other initiatives, the LOTOS Group contributes, directly and indirectly, to the raising of work safety standards for our contractors and their sub-contractors. Thanks to the strict requirement to comply with national OSH regulations and internal standards at our facilities:

- Contractors, obliged to meet work safety standards beyond the mandatory, are more likely to fulfil applicable legal requirements,

- Contractors have to apply the necessary group and individual protective measures, which includes providing their employees with personal protective equipment, such as workwear appropriate to the identified hazards,
- Contractors cooperate with their subcontractors, for whom they are as responsible at LOTOS Group sites as they are for their own employees,
- Internal OSH training, the sharing of work safety standards with contractors and discussions held during LOTOS Group OSH inspections result in heightened awareness of and improved ability to correctly identify threats and employ safe, appropriate working methods.

After their work with the LOTOS Group has been concluded, many of our contractors' employees demonstrate increased awareness and commitment, are more considerate and alert to potential hazards at work, and take more care to ensure workplace safety. This transfer of requirements and expertise results in lower accident rates, which means measurable financial benefits for the contractors, such as lower social security contributions or a reduction in the cost of post-accident compensation paid to employees.

The overarching objective of the LOTOS Group CSR strategy as regards health and safety is to increase awareness and involvement in work safety improvement among management staff, employees and contractors.

A challenge we intend to meet in the coming years is raising awareness of how important it is to demonstrate personal commitment to compliance with adopted OSH standards, in particular in the case of the middle management's interactions with subordinate employees, who watch their behaviour. Increasing the commitment of the management staff and other employees is a priority, as this is one of the key determinants of the accident rate in each company.

One of the objectives of the CSR strategy is to help promote best OSH practices currently applied by Grupa LOTOS at other LOTOS Group companies and the LOTOS and LOTOS Optima service station chains. Promoting certain behaviour patterns and creating the proper attitude among the employees of our contractors will be a part of the process.

The OSH teams at the LOTOS Group companies work closely together to implement the goals and targets of the CSR strategy that are oriented towards improving safety at work, adopting uniform standards across the LOTOS Group and sharing expertise and experience.

A number of initiatives were undertaken in 2012 in pursuit of the key objective of our CSR strategy in the area of occupational safety and health improvement. These included:

- Introduction of a system of quarterly OSH goals the LOTOS Group companies;
- Cross-checking of workplace safety standards;
- Introduction of a new way of reporting hazards with the 'Report hazards to LOTOS Group employees' banner on our Intranet pages. Hazard reporting is highly valuable, as the greater the number of identified threats, the greater the chances of their elimination, which means a lower likelihood of workplace accidents;
- Definition of corporate OSH and fire safety standards specifically for contractors;
- Celebration of another Occupational Safety and Health Day;
- Implementation of the Working Conditions Improvement Plan 2012 for Grupa LOTOS;
- Drafting of educational materials concerning accidents at work and proper oversight of OSH documentation, which is particularly important in employee management;
- Training sessions and workshops for Grupa LOTOS management, designed to remind them of their OSH responsibilities and duties,

- Knowledge testing competitions relating to workplace safety and promotion of health, as well as proper oversight of OSH documentation, which is particularly important in employee management;
- In addition, The Safest Production Plant of the Grupa LOTOS and The Safest Company of the LOTOS Group were singled out.

In 2012, there was a slight increase in the number of accidents at work and the Lost Time Injury Frequency (LTIF) at the LOTOS Group, relative to 2011.

Grupa LOTOS	2010	2011	2012
Number of employees	1,315	1,318	1,323
Accidents at work, including:	9	5	13 ^{1/}
Women ^{2/}	-	-	2
Men ^{2/}	-	-	11
Post-accident absenteeism (calendar days) ^{3/} , including:	287	168	253
Women ^{2/}			28
Men ^{2/}			225
Occupational diseases	None	None	None
Lost Time Injury Frequency (LTIF) ^{4/} (per 1 million hours worked)	3.4	2.1	4.3
Lost Day Incident Rate (LDR) ^{5/} (per 200,000 hours worked)	0.7	0.42	0.9
LOTOS Group ^{6/}	2010	2011	2012
Number of employees ^{7/}	4,946	5,004	4,795
Accidents at work, including:	56	31	34 ^{8/}
Women ^{2/}	-	-	5
Men ^{2/}	-	-	29
Post-accident absenteeism (calendar days) ^{3/} , including:	2,502	1,558	1,651 ^{9/}
Women ^{2/}	-	-	196
Men ^{2/}	-	-	1,455
Occupational diseases	None	None	None
Lost Time Injury Frequency (LTIF) ^{4/} (per 1 million hours worked)	5.9	3.3	3.3
Lost Day Incident Rate (LDR) ^{5/} (per 200,000 hours worked)	1.2	0.7	0.7

^{1/} Including 1 accident on an inclined plane at work.

^{2/} Data collected since 2012.

^{3/} Lost days are counted from the day when the employee obtains a sick leave certificate from a doctor.

^{4/} LTIF – number of occurrences resulting in inability to work x106/number of working hours.

^{5/} LDR – number of occurrences resulting in inability to work x2*105/number of working hours.

^{6/} Companies reporting OSH indicators: LOTOS Asphalt, LOTOS Biopaliwa, LOTOS Czechowice, Grupa LOTOS, LOTOS Jasło, LOTOS Kolej, LOTOS Lab, LOTOS Ochrona, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic, RCEkoenergia, LOTOS Serwis, LOTOS Straż, and LOTOS Tank.

^{7/} Average number of employees for companies reporting OHP indexes.

^{8/} Including three accidents on an inclined plane at work and one group accident involving 2 persons (a man and a woman).

^{9/} Including 380 days of absence which was the result of an accident in 2011.

Last year, three business partners of Grupa LOTOS were involved in accidents. There were no fatal accidents in 2012.

The LOTOS Group classifies accidents at work in accordance with Polish legislation. In addition, Grupa LOTOS also records and keeps statistics on incidents according to the European scale, i.e. dangerous occurrences (including dangerous states and incidents with potential to cause an injury), accidents resulting in an incapacity for work lasting more than one day (LTI – Lost Time Injury), based on which the LTIF (Lost Time Injury Frequency) rate is computed, and incidents requiring first-aid treatment. LOTOS Group companies follow the guidelines contained in the ILO's (International Labour Organisation) Code of Practice on *Recording and notification of occupational accidents and diseases*.

The most frequent accident-related injuries in the LOTOS Group are injuries to upper and lower limbs. The largest number of accidents occur while walking or operating machinery and equipment. Employees involved in accidents report them promptly in order to eliminate similar occurrences in the future.

Absenteeism in Grupa LOTOS*

Description	Blue-collar jobs	White-collar jobs	Total
2012			
total absenteeism	39.52	49.57	45.62
including: illness	9.2	9.57	9.42
2011			
total absenteeism	36.45	47.17	43
including: illness	8.99	8.27	8.55
2010			
total absenteeism	34.91	46.89	42.26
including: illness	8.79	8.25	8.46

* number of absent days/number of employees

Employee consultations

Grupa LOTOS has a **Health and Safety Committee**, which serves as an advisory body to the employer. In accordance with the provisions of employment law it comprises representatives of employers and employees selected by the trade union operating in the company, as well as the occupational physician. At least once every quarter the Committee reviews working conditions, evaluates the status of occupational safety and advises on occupational diseases and the measures taken by the employer to prevent accidents at work. The Committee's decisions are often reflected in our plans for improvement of working conditions.

In 2012, the Committee investigated the following areas:

- Design and construction of a new changing room for employees of some of the production facilities,
- Evaluation of planned OSH training procedures,
- Assessment of the suitability of Grupa LOTOS employees' workwear and footwear, as well as advising on the choice of personal protection measures,

The Health and Safety Committee operates from the employer's regulations, and according to which employee representatives – based on a separate procedure – participate in consultations on all the employer's undertakings in occupational safety.

In 2012, Social Labour Inspectors were elected in Grupa LOTOS.

In the documents on the implementation of the principle of freedom of collective bargaining in Grupa LOTOS, the health and safety provisions are included in the Collective Bargaining Agreement. Chapter V  contains the employer's declarations, confirming that the issues of occupational safety are of particular interest and concern to the Board of Grupa LOTOS. Due to the mandatory nature of OSH provisions and specific risks related to the company's business activity, no negotiations can be entered into nor other agreements concluded in this respect.

The employer, following its duties listed in Section 10 of Polish Labour Law and other regulations, makes every effort, as far as possible, to ensure that the employees and their representatives participate in this area of the Company's activity. Consultations are held on all OSH measures also governed by the internal regulation changes of 2012. The key here is that these consultation procedures are treated separately from the work of the Health and Safety Committee. Consultations in this area are held at Grupa LOTOS twice a month, on average. Participating employee representatives are informed of their subject in advance; similarly they are given all reference materials well ahead of schedule. The 2012 changes to the regulation emphasise the right of all employees to approach the consultation team.

The second information and consultation channel operating at the Company is the **Employee Council**, which consists of seven members, elected for four-year terms, ending in 2014. Every month, the Council meets the employer's representatives, including the Grupa LOTOS Board, for discussion of issues crucial to the workforce. Because the members of the Council belong to the trade unions which are multi-employer organisations and involving most of the employers that comprise the LOTOS Group, the discussions held and information disseminated through these meetings are of a much broader character than just local Company operations.

Seven companies belonging to the LOTOS Group have Employee Committees, and each company with a headcount over 250 has set up its own Health and Safety Committee to facilitate employee participation in the area of occupational safety.

Preventive measures

One of the essential elements of safety at work is a responsible employee, fully aware of the possible dangers. Therefore, we place great emphasis on preventive and informative measures, providing our employees with education, training and preventive programmes whose purpose is to minimise the effects of ill health among company employees.

All employees, regardless of their position or duties, participate in regular training sessions involving practical fire extinguishing exercises with the use of fire extinguishing equipment, and also in practising their first aid skills. In 2012, **training in first aid for children** was organised on a voluntary basis. There were also specialised **courses on the principles of proper use of the AED defibrillators** found in the Company's Gdańsk facility, and for the employees of the fuel terminals. AED training is held on the basis of training and practical instructions within the periodic training organised for the LOTOS Group employees.

Every year training sessions are also organised at the production installations for First Aid Rescue Team workers. Thanks to these regular practical exercises, employees can effectively help their colleagues in emergencies. Additionally, there are also regular exercises at Grupa LOTOS on the correct responses to emergencies and evacuation of danger areas.

In 2012, we organised the third **Occupational Safety and Health at Work Day** in Gdańsk, which featured cardiac screenings for employees. With specialist equipment on hand, we managed to test over 120 employees for circulatory system diseases, each of whom also had the opportunity to consult a doctor.

In 2012, all LOTOS Group employees were actively involved in monthly health and safety at work events, within the **Occupational Safety and Health Promotion Schedule**. Each month was dedicated to preventive actions based on a different theme, with additional presentation of health innovations, theme-based competitions and consultations with various specialists. The Schedule was realised simultaneously with other actions organised by the World Health Organisation (*WHO*), the United Nations (*UN*) and others, taking into account the requirements resulting from daily meetings with the company's employees.

Thanks to the support of Europacolon Polska, we also made available a book entitled *A Zosia ma raka na smyczy* (And Zosia's Cancer is on a Tight Leash), which presents issues related to the colon cancer, to all the LOTOS Group employees who expressed an interest. The book is designed for children aged five and over who are dealing with the illness of a loved one or who may come into contact with a colon cancer patient.

We systematically run educational promotions on cancer, diabetes, healthy lifestyles, first aid, physical activity, ergonomics in the office, organisation of the workplace, the safe use of chemicals and noise protection at work. With this purpose in mind, we have also **published a number of brochures** dedicated to the prevention of cancer, heart diseases, proper exercise and healthy eating.

Because managers in charge of other staff need to follow the current and binding legal regulations, in 2012 we conducted training for Grupa LOTOS management on OSH requirements pertaining to the internal regulations of the enterprise. The topics covered included the extent of tasks and duties in the OSH context, health protection (including proper supervision of OSH documentation), and good ergonomics in the workplace. We also organised another training cycle on involvement and responsibility in the area of health and safety, addressed specifically to management staff.

In taking every care of the health of our employees, the LOTOS Group provides them with access to a wide range of medical services. We work with a number of surgeries and clinics, and every employee holding a 'Patient Card' can take advantage of medical services available throughout the country. This additional medical cover is offered on a voluntary basis, but most of our employees choose to participate in the 'Patient Card' programme.

Another, equally important health-related issue is the provision of proper working conditions that have minimal adverse effect on human health. To this end, we hold periodic inspections of permissible noise levels, light intensity and concentration of harmful chemical substances etc., to ensure that they meet the required standards. Some of the companies also undertake activities specific to their business profile.

In 2012, LOTOS Petrobaltic organised holidays for its employees at the sanatoria of various popular health resorts, such as Polanica Zdrój and Połczyn Zdrój, within the social fund. The company then covered the costs of the sanatorium treatment. These healthy holidays were also available to the employees' families at special reduced rates. Then, as a result of waning interest in this type of holiday, our cooperation with the sanatoria was terminated at the end of 2012 at the request of the workers' trade unions, and the funds were allocated to increase co-financing of other forms of holidays. From 2010 to 2012, 72 LOTOS Petrobaltic employees and pensioners took advantage of sanatorium treatment.

Among the LOTOS Group's short-term OSH plans are:

- Preparation and supervision of renovation works called Spring 2013 in OSH and fire-prevention areas;
- Pilot introduction of the Lockout-Tagout safety system, while certain works are carried out in the area of active production units,

- Implementation of a revised work permit system with the use of IT tools,
- Organisation of another Occupational Safety and Health at Work Day,
- Implementation of a system for self-control of work stations,
- Introduction of an electronic tool monitoring work safety systems across the LOTOS Group,
- Modification of the exercises for improved response to accidents at work, announcement of chemical alarms, evacuation of buildings, drilling on possible emergency scenarios and administering first aid.

Long-term plans:

- Introduction of additional e-learning to increase the involvement of employees in occupational safety and health.
- Establishment of uniform safety standards across the LOTOS Group;
- Fostering occupational safety culture, based on the involvement of management and lower level employees, also involving subcontractors.
- Achieving the best production standards in the oil refining industry, through the implementation of measures designed to maintain the downward trend in LTIF.

Diversity and equal opportunities

The Code of Best Practice for WSE Listed Companies includes the recommendation that public companies ensure a balanced proportion of men and women on their management board and in supervisory functions in their companies, thus reinforcing the creativity and innovation of their business. As a listed company, Grupa LOTOS shares the belief that employment diversity can increase a company's competitiveness and strengthen its development prospects. However, sex-based differentiation cannot always be a key factor in HR decision-making, especially in the sector occupied by the Company. In operating a refinery, and due to the nature of its activities, many of the Company's employees are engineers and specialists in hydrocarbon production and processing. In Poland, as well as in other parts of the world, this segment is dominated by men, which fact is also confirmed by the prevalence of men among engineering students. This tendency is reflected in the Company's employment structure too. Women, on the other hand, work in larger numbers in the back-office, whereas there are fewer employed in production and technology, despite the equal opportunity policy applied by the Company in its recruitment process.

While we make every effort to provide our employees with attractive salary packages, we also have to consider the specific nature of our job market and internal business conditions. In 2012, the ratio of minimum base salary paid to women and to men was 120% to the men's advantage, which is at least a better result than 2011, when the figure was 125%.

[HR policy](http://raportroczny.lotos.pl/en/sustainable-development/employees/hr-policy) → (<http://raportroczny.lotos.pl/en/sustainable-development/employees/hr-policy>)

[Composition of the Board](http://raportroczny.lotos.pl/en/corporate-governance/board/composition) → (<http://raportroczny.lotos.pl/en/corporate-governance/board/composition>)

[Composition of the Supervisory Board](http://raportroczny.lotos.pl/en/corporate-governance/supervisory-board/composition) → (<http://raportroczny.lotos.pl/en/corporate-governance/supervisory-board/composition>)

Composition of Grupa LOTOS workforce, by sex and age (as of December 31st 2012)

Employment category	Number of employees	Percentage of total	Percentage of total	Number /women/	Percentage of total	Percentage of	Number /men/	Percentage of	Percentage of total
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	employees	employees in the age category		women	total women in the age category		total men	men in the age category	
Employees aged up to 30									
Board	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0
Lower management	0	0	0	0	0	0	0	0	0
Back-office staff	68	5.04	39.08	44	10.55	100.00	24	2.58	18.46
Production staff	106	7.86	60.92	0	0.00	0.00	106	11.37	81.54
	174	12.90	100.00	44	10.55	100.00	130	13.95	100.00
Employees aged 30-50									
Board	2	0.15	0.25	0	0.00	0.00	2	0.21	0.38
Senior management	27	2.00	3.41	4	0.96	1.54	23	2.47	4.32
Lower management	78	5.78	9.85	31	7.43	11.97	47	5.04	8.82
Back-office staff	385	28.54	48.61	224	53.72	86.49	161	17.27	30.21
Production staff	300	22.24	37.88	0	0.00	0.00	300	32.19	56.29
	792	58.71	100.00	259	62.11	100.00	533	57.19	100.00
Employees aged up to 50									
Board	3	0.22	0.78	0	0.00	0.00	3	0.32	1.12
Senior management	15	1.11	3.92	3	0.72	2.63	12	1.29	4.46
Lower management	46	3.41	12.01	11	2.64	9.65	35	3.76	13.01
Back-office staff	175	12.90	45.43	99	23.74	86.84	76	8.15	28.25
Production staff	144	10.75	37.86	1	0.24	0.88	143	15.34	53.16
	383	28.39	100.00	114	27.34	100.00	269	28.86	100.00
	1,349	100.00	-	417	100.00	-	932	100.00	-

Base pay at Grupa LOTOS, by sex, as of December 31st 2012

Position	Women			Men			Ratio of men's base salary to women's base salary	Ratio of men's average pay to women's average pay
	Number of employees	Lowest monthly base salary	Average pay /actual pay/	Number of employees	Lowest monthly base salary	Average pay /actual pay/		
Board	0	-	-	5	20,728	29,287	-	-
Senior management	7	17,000	29,116	35	13,717	28,310	81%	97%
Lower management	42	6,036	12,260	82	7,350	15,856	122%	129%
Back-office staff	367	2,500	6,507	261	3,300	9,729	132%	150%
Production staff	1	4,009	4,535	549	3,000	7,943	75%	175%
Total:	417	2,500	7,499	932	3,000	9,936	120%	132%

Key data

 - data has been verified, [full text of the Independent Assurance Report \(/en/the-organization-and-its-report/integrated-reporting/auditing-and-reviews#opinia-pwc\)](#)

Employment

Headcount at the LOTOS Group

Entity	Dec 31 2010	Dec 31 2011	Dec 31 2012
Parent			
Grupa LOTOS	1,310	1,329	1,349 
Direct subsidiaries			
LOTOS Asphalt	290	301	254 
LOTOS Czechowice and subsidiaries	240	236	236 
LOTOS Gaz (in liquidation)	5	1	1 
LOTOS Jasło and its subsidiaries*	104	74	75 
LOTOS Kolej	582	717	812 
LOTOS Lab	153	152	153 
LOTOS Ochrona	159	160	161 
LOTOS Oil	341	340	338 
LOTOS Paliwa	261	263	270 
LOTOS Parafiny	259	248	-
LOTOS Park Technologiczny	1	1	1 
LOTOS Petrobaltic and subsidiaries	472	550	553 
LOTOS Serwis	711	697	697 
LOTOS Straż	86	88	89 
LOTOS Tank	18	11	26 

Grupa LOTOS

Total number of Grupa LOTOS employees, by type of employment contract

Total number of employees	Temporary contracts	Indefinite-term contracts
1,349 persons, including:	189 ✓	1,160 ✓
Women	51 ✓	366 ✓
including:		
Full-time employees	51 ✓	366 ✓
Part-time employees	0 ✓	0 ✓
Men	138 ✓	794 ✓
including:		
Full-time employees	136 ✓	778 ✓
Part-time employees	2 ✓	16 ✓

No Grupa LOTOS employees, contracted in 2012, terminated their contract in the same year (2012).

Newly employed in 2012

No.	Region	Number of employees
1	Gdańsk	66
2	Kraków	0
3	Katowice	0
4	Czechowice-Dziedzice	0
5	Rypin	0
6	Poznań	0
7	Warsaw	3
8	Jasło	0
9	Total	69

No.	Sex	Number of employees
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1	Women	26
2	Men	43
3	Total	69

No.	Employee age	Number of employees
1	>30 years old	30
2	30-50 years old	34
3	< 50 years old	5
4	Total	69

Total number of employees hired and dismissed in 2012

Region	Number of employees	Employee turnover rate (%) *
Gdańsk	108	8.0
Kraków	1	0.1
Katowice	1	0.1
Czechowice-Dziedzice	0	0
Rypin	0	0
Poznań	0	0
Warsaw	7	0.51
Jasło	8	0.6
Total	125	9.3

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	43	3.2
2	Men	82	6.1
3	Total	125	9.3

No.	Employee age	Number of employees	Employee turnover rate (%)
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1	>30 years old	34	2.5
2	30-50 years old	58	4.3
3	< 50 years old	33	2.4
4	Total	125	9.3

* Number of employees who left the company and number of newly employed in 2012

----- x 100

Total number of employees as of December 31st 2012

LOTOS Asphalt

Total number of employees	Temporary contracts	Indefinite-term contracts
254 persons, including:	39	215
Women	11	47
including:		
Full-time employees	11	47
Part-time employees	0	0
Men	29	167
including:		
Full-time employees	29	167
Part-time employees	0	0

Newly employed in 2012

No.	Region	Number of employees
1	Gdańsk	8
2	Czechowice-Dziedzice	1
3	Jasło	4
4	Total	13

No.	Sex	Number of employees
1	Women	4
2	Men	9

3	Total	13
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No.	Employee age	Number of employees
1	>30 years old	3
2	30-50 years old	9
3	< 50 years old	1
4	Total	13

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees
1	Gdańsk	0
2	Czechowice-Dziedzice	0
3	Jasło	2
4	Total	2

No.	Sex	Number of employees
1	Women	0
2	Men	0
3	Total	2

No.	Employee age	Number of employees
1	>30 years old	0
2	30-50 years old	2
3	< 50 years old	0
4	Total	2

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
1	Gdańsk	15	5.9

2	Czechowice-Dziedzice	4	1.6
3	Jasło	53	20.9
4	Total	72	28.3

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	12	4.7
2	Men	60	23.6
3	Total	72	28.3

No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	12	4.7
2	30-50 years old	48	18.9
3	< 50 years old	12	4.7
4	Total	72	28.3

LOTOS Kolej

Total number of employees	Temporary contracts	Indefinite-term contracts
812 persons, including:	307	505
Women	32	39
including:		
Full-time employees	32	39
Part-time employees	0	0
Men	275	466
including:		
Full-time employees	266	466
Part-time employees	9	0

Newly employed in 2012

No.	Region	Number of employees
1	Gdańsk	28
2	Czechowice-Dziedzice	2
3	Jasło	1
4	Wrocław	5
5	Zduńska Wola	3
6	Kutno	0
7	unidentified plce	80
8	Total	119

No.	Sex	Number of employees
1	Women	8
2	Men	111
3	Total	119

No.	Employee age	Number of employees
1	>30 years old	28
2	30-50 years old	63
3	< 50 years old	28
4	Total	119

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees
1	Gdańsk	0
2	Czechowice-Dziedzice	0
3	Jasło	0
4	Wrocław	0
5	Zduńska Wola	0
6	Kutno	0

7	unidentifield plce	5
8	Total	5

No.	Sex	Number of employees
1	Women	0
2	Men	5
3	Total	5

No.	Employee age	Number of employees
1	>30 years old	0
2	30-50 years old	4
3	< 50 years old	1
4	Total	5

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
1	Gdańsk	34	4.2
2	Czechowice-Dziedzice	4	0.5
3	Jasło	1	0.1
4	Wrocław	5	0.6
5	Zduńska Wola	4	0.5
6	Kutno	0	0.0
7	unidentifield plce	92	11.3
8	Total	140	17.2

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	8	1.0
2	Men	132	16.3

3	Total	140	17.2
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No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	31	3,8
2	30-50 years old	75	9,2
3	< 50 years old	34	4,2
4	Total	140	17,2

LOTOS Oil

Total number of employees	Temporary contracts	Indefinite-term contracts
338 persons, including:	39	299
Women	8	80
including:		
Full-time employees	7	80
Part-time employees	1	0
Men	31	219
including:		
Full-time employees	31	218
Part-time employees	0	1

Newly employed in 2012

No.	Region	Number of employees
1	Gdańsk	12
2	Czechowice-Dziedzice	5
3	Jaśło	1
4	Total	18

No.	Sex	Number of employees
1	Women	2

2	Men	16
3	Total	18

No.	Employee age	Number of employees
1	>30 years old	7
2	30-50 years old	11
3	< 50 years old	0
4	Total	18

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees
1	Gdańsk	1
2	Czechowice-Dziedzice	1
3	Jasło	0
4	Total	2

No.	Sex	Number of employees
1	Women	1
2	Men	1
3	Total	2

No.	Employee age	Number of employees
1	>30 years old	1
2	30-50 years old	1
3	< 50 years old	0
4	Total	2

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
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1	Gdańsk	22	6.5
2	Czechowice-Dziedzice	12	3.6
3	Jasło	2	0.6
4	Total	36	10.7

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	5	1.5
2	Men	31	9.2
3	Total	36	10.7

No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	10	3.0
2	30-50 years old	20	5.9
3	< 50 years old	6	1.8
4	Total	36	10.7

LOTOS Paliwa

Total number of employees	Temporary contracts	Indefinite-term contracts
270 persons, including:	34	236
Women	19	119
including:		
Full-time employees	19	115
Part-time employees	0	4
Men	15	117
including:		
Full-time employees	15	117
Part-time employees	0	0

Newly employed in 2012

No.	Region	Number of employees
1	Northern Poland	15
2	Central Poland	5
3	Southern Poland	3
4	Total	23

No.	Sex	Number of employees
1	Women	13
2	Men	10
3	Total	23

No.	Employee age	Number of employees
1	>30 years old	8
2	30-50 years old	14
3	< 50 years old	1
4	Total	23

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees
1	Northern Poland	1
2	Central Poland	1
3	Southern Poland	0
4	Total	2

No.	Sex	Number of employees
1	Women	1
2	Men	1
3	Total	2

No.	Employee age	Number of employees
1	>30 years old	1
2	30-50 years old	1
3	< 50 years old	0
4	Total	2

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
1	Northern Poland	20	7.4
2	Central Poland	10	3.7
3	Southern Poland	11	4.0
4	Total	41	15.1

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	15	5.5
2	Men	26	9.6
3	Total	41	15.1

No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	12	4.4
2	30-50 years old	24	8.8
3	< 50 years old	5	1.9
4	Total	41	15.1

LOTOS Petrobaltic with its affiliates

LOTOS Petrobaltic

Total number of employees	Temporary contracts	Indefinite-term contracts
389 persons, including:	83	306
Women	21	40
including:		
Full-time employees	21	40
Part-time employees	0	0
Men	62	266
including:		
Full-time employees	62	266
Part-time employees	0	0

Energobaltic

Total number of employees	Temporary contracts	Indefinite-term contracts
33 persons, including:	0	33
Women	0	4
including:		
Full-time employees	0	4
Part-time employees	0	0
Men	0	29
including:		
Full-time employees	0	29
Part-time employees	0	0

AB LOTOS Geonafta

Total number of employees	Temporary contracts	Indefinite-term contracts
104 persons, including:	12	92
Women	2	17
including:		
Full-time employees	1	17
Part-time employees	1	0
Men	10	75

including:

Full-time employees	9	75
Part-time employees	1	0

LOTOS Norge

Total number of employees	Temporary contracts	Indefinite-term contracts
21 persons, including:	6	15
Women	2	4
including:		
Full-time employees	1	4
Part-time employees	1	0
Men	4	11
including:		
Full-time employees	4	11
Part-time employees	0	0

LOTOS Petrobaltic

Newly employed in 2012

No.	Region	Number of employees
1	Gdańsk	29

No.	Sex	Number of employees
1	Women	6
2	Men	23
3	Total	29

No.	Employee age	Number of employees
1	>30 years old	16
2	30-50 years old	11

3	< 50 years old	2
4	Total	29

Newly employed in 2012 who left the company in 2012

No.	Region	Number of employees
1	Gdańsk	1

No.	Sex	Number of employees
1	Women	1
2	Men	0
3	Total	1

No.	Employee age	Number of employees
1	>30 years old	1
2	30-50 years old	0
3	< 50 years old	0
4	Total	1

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
1	Gdańsk	28	7.4

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	5	1.5
2	Men	23	5.9
3	Total	28	7.4

No.	Employee age	Number of employees	Employee turnover rate (%)
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1	>30 years old	15	4.1
2	30-50 years old	11	2.8
3	< 50 years old	2	0.5
4	Total	28	7.4

Energobaltic

No Energobaltic employees, contracted in 2012, terminated their contract in the same year (2012).

Newly employed in 2012

No.	Region	Number of employees
1	Władysławowo	1

No.	Sex	Number of employees
1	Women	0
2	Men	1
3	Total	1

No.	Employee age	Number of employees
1	>30 years old	0
2	30-50 years old	1
3	< 50 years old	0
4	Total	1

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
1	Władysławowo	1	3

No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	0	0

2	Men	1	3
3	Total	1	3

No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	0	0
2	30-50 years old	1	3
3	< 50 years old	0	0
4	Total	1	3

AB LOTOS Geonafta

No AB LOTOS Geonafta employees, contracted in 2012, terminated their contract in the same year (2012).

Newly employed in 2012

No.	Region	Number of employees
1	Gargždai	40

No.	Sex	Number of employees
1	Women	10
2	Men	30
3	Total	40

No.	Employee age	Number of employees
1	>30 years old	21
2	30-50 years old	18
3	< 50 years old	1
4	Total	40

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate (%) *
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1	Gargždai	40	38
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No.	Sex	Number of employees	Employee turnover rate (%)
1	Women	10	9.6
2	Men	30	28.8
3	Total	40	38.4

No.	Employee age	Number of employees	Employee turnover rate (%)
1	>30 years old	21	20.2
2	30-50 years old	18	17.3
3	< 50 years old	1	0.9
4	Total	40	38.4

LOTOS Norge

No LOTOS Norge employees, contracted in 2012, terminated their contract in the same year (2012).

Newly employed in 2012

No.	Region	Number of employees
1	Stavanger	11

No.	Sex	Number of employees
1	Women	4
2	Men	7
3	Total	11

No.	Employee age	Number of employees
1	>30 years old	2
2	30-50 years old	8

3	< 50 years old	1
4	Total	11

Total number of employees hired and dismissed in 2012

No.	Region	Number of employees	Employee turnover rate
1	Stavanger	11	52%

No.	Sex	Number of employees	Employee turnover rate
1	Women	4	19%
2	Men	7	33%
3	Total	11	52%

No.	Employee age	Number of employees	Employee turnover rate
1	>30 years old	2	9.5%
2	30-50 years old	8	38%
3	< 50 years old	1	4.5%
4	Total	11	52%