

LOTOS Group's Corporate Social Responsibility Strategy

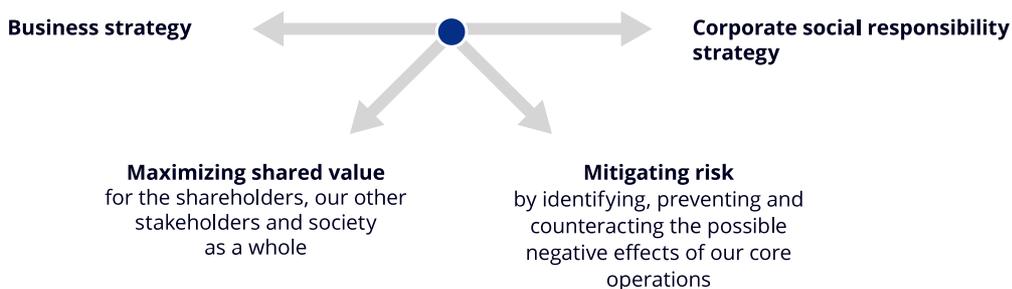
At the LOTOS Group, we approach CSR as an element of our management and improvement processes within our organization.

We believe that business should be conducted according to ethical standards, in harmony with the natural environment and social needs. This is why we have adopted a system of values which we see as a long-term pledge towards all our stakeholders.

Development of the strategic approach:

Back in 2008, the awareness of how relevant social responsibility was to the pursuit of strategic goals prompted the Board of Grupa LOTOS to adopt the comprehensive LOTOS Group's Corporate Social Responsibility Strategy. In 2011, the document was reviewed in a process of wide-ranging consultations with our stakeholders. The outcome of the review was LOTOS Group's Corporate Social Responsibility Strategy for 2012–2015, whose overriding objective was to support the business strategy by use of the organization's resources and capabilities to generate economic and social value for the benefit of its environment.

Implementation of this objective was made possible through the use of the following mechanism:



Our efforts in the social and business spheres, in our relations with key stakeholders and in corporate governance were aimed principally to:

- Mitigate possible adverse impacts of our operations and the associated risks,
- Maximize chances for sustainable development over the long term,
- Ensure compliance with the law and ethical standards,
- Increase our positive contribution to social development.

The strategic approach to CSR at the LOTOS Group is manifest in each area of its business. The CSR strategy defined **13 key goals, 39 operational objectives** and **ca. 100 activities** to be undertaken each year in individual business areas.

How was the implementation status measured?

The implementation of key goals and operational objectives and the related activities was supervised by the respective area leaders. One aspect of the concurrent focus on the business and social dimension was regular reporting to the Board of Grupa LOTOS on the progress of the CSR strategy, together with reports on the implementation of the business strategy. The measure of the CSR strategy implementation was its progress in individual areas, expressed in percentage terms.

Implementation status:

At the **end of 2015**, the strategic objective was achieved in **90%**, and **95%** of the operational activities were completed.

Key goals and activities related to the implementation of the CSR strategy in 2012–2015, by area:

Investment in human resources

Key goals	Key activities and selected indicators
<ul style="list-style-type: none"> ■ Ensure availability of highly qualified resources required to successfully implement our business strategy 	<p>We improved the human resource management standards, perfecting HR processes, e.g. the development of LOTOS Academy, induction programme, recruitment standards, new functionalities in the self-service employee portal, i.e. HR and SAP HCM Portal.</p>
<ul style="list-style-type: none"> ■ Enhance our corporate culture based on adopted values 	<p>We conducted an employee satisfaction/engagement survey across the LOTOS Group and performed the plans of improvement activities based on their results.</p>
	<p>We improved the periodic employee evaluation system – 96% of our employees meet key position-specific requirements.</p>
	<p>We increased the number of our 50+ staff members involved in the development of their colleagues.</p>
	<p>Each year we organized numerous internship and traineeship programmes.</p>
	<p>We were actively involved in activities designed to increase the quality of secondary-school education through partnership-based cooperation with schools, universities, students’ associations and research clubs.</p>
	<p>Each employee was given a copy of the Code of Ethics.</p>
	<p>We developed a training system dedicated to the LOTOS service station managers and staff.</p>
	<p>We developed a “Strategy for LOTOS as Employer Brand”.</p>

Improvement of health and safety

Key goal	Key activities and selected indicators
<ul style="list-style-type: none"> ■ Raise the awareness and degree of involvement in improving safety among the management and employees of all ranks, as well as contractors 	<p>In each year covered by the strategy, we organized the Occupational Health and Safety Day for the LOTOS Group employees.</p> <hr/> <p>We organized a number of information and education campaigns and projects promoting workplace safety.</p> <hr/> <p>We carried out in-house OSH training for the management, and checks of workplace safety standards at all of the LOTOS Group companies.</p> <hr/> <p>We developed uniform safety standards for our contractors.</p>

Integration with local communities

Key goal	Key activities and selected indicators
<ul style="list-style-type: none"> ■ Ensure favourable attitudes among local communities and strengthen the organization's reputation as a socially conscious business by undertaking initiatives designed to provide lasting solutions to the locally relevant social and environmental issues 	<p>Each year, we pursued over a dozen projects with the participation of our social partners (some of which were based on the cross-sectoral partnership model), related to road traffic safety, protection of biodiversity, and fostering equal opportunities.</p> <hr/> <p>In order to improve cooperation, each year we held evaluation meetings with our social partners.</p> <hr/> <p>We organized the 'Open-House Day' at the refinery for residents living in the vicinity of our plant.</p> <hr/> <p>We carried out opinion surveys among people living near our plants, which included perception of the LOTOS Group as an organization with a positive influence on the quality of life of people living in the immediate neighbourhood of its plants.</p>

Management of natural resources in the production process

Key goal	Key activities and selected indicators
<ul style="list-style-type: none"> ■ Reduce the environmental risk and make constant efforts to minimize the environmental impact of the LOTOS Group's operations 	<p>We did research on wildlife biodiversity in the vicinity of the Grupa LOTOS refinery in Gdańsk.</p> <hr/> <p>We assessed the environmental impact of our service stations.</p> <hr/> <p>Each year, as part of planning of all our investment projects, we improved energy efficiency ratios and reduced energy consumption by selected units.</p> <hr/> <p>We engaged in the promotion of best practices and environmental standards.</p>

Ethics and corporate misconduct prevention

Key goal	Key activities and selected indicators
<ul style="list-style-type: none">■ Improve corporate management by ensuring ethical conduct and transparency of the business processes and protect the organization against the risk of irregularities that may threaten its operations	<p>We assessed the organizational maturity with respect to the misconduct prevention system.</p> <hr/> <p>We adopted the Misconduct Prevention Policy.</p> <hr/> <p>We adopted and implemented the Code of Ethics.</p> <hr/> <p>We established the Ethics Board and appointed the Ethics Officer.</p> <hr/> <p>We set up a team responsible for the implementation of the Ethical Conduct Programme at our service stations.</p>

Partnership with market participants

Key goals	Key activities and selected indicators
<ul style="list-style-type: none">■ Build lasting customer relationships through a focus on understanding customers' needs and delivering the expected product quality and safety■ Raise the awareness of LOTOS as a socially responsible brand■ Get across to capital market participants the message that corporate social responsibility is perceived by Grupa LOTOS as an essential part of its corporate management	<p>In each year covered by the strategy, we carried out satisfaction surveys among the LOTOS Group customers.</p> <hr/> <p>We standardized commercial processes (including complaint handling) at the LOTOS Group, based on electronic tools.</p> <hr/> <p>We carried out a number of promotional activities addressed to the LOTOS Group employees in order to make them ambassadors of the LOTOS brand.</p> <hr/> <p>We completed the 'Helping while Refuelling' campaign – the first cause-related marketing project in the fuel industry in Poland.</p> <hr/> <p>We communicated our CSR initiatives to capital market participants.</p>

Energy security

Key goals	Key activities and selected indicators
<ul style="list-style-type: none">■ Undertake and support initiatives designed to enhance security in the energy sector at home and in other countries where Grupa LOTOS has a business presence, in a socially and environmentally responsible manner	<p>We had an active role in law-making processes relating to energy sector issues in Poland and the EU.</p>

Communicating changes and access to information

Key goals	Key activities and selected indicators
<ul style="list-style-type: none">■ Ensure timely and targeted communication with stakeholders	We implemented new functional and graphical solutions in the employee intranet; we made our intranet available for employees outside the organization.
<ul style="list-style-type: none">■ Foster an organizational culture that rests on the foundation of open, multi-way communication, including through development of a consultation system within the LOTOS Group	<p>We developed our social media platforms, such as 'Headed for the Baltic'.</p> <p>We implemented and developed the 'LOTOS dla Kierowcy' ('LOTOS for Motorists') and 'LOTOS Kids' mobile applications.</p>

With responsibility towards the future

At the end of 2015, during the annual 'CSR Day' event attended by the management of the **LOTOS Group**, we commenced work on the new **Corporate Social Responsibility Strategy** based on the experience gained in the course of the strategy development process in 2011 and will take into account the changes that followed as part of the natural evolution of the LOTOS Group's CSR activity in connection with its dynamic development in 2012–2015.

The strategy development process involved:

- Internal assessment of the degree of achievement of the objectives set for 2012–2015,
- External evaluation of the changes that the implementation of the Strategy brought in the perception of the Company's CSR commitment by its key stakeholder groups,
- Evaluation of the results of implemented initiatives based on the benefits to the organization; opinions of key external beneficiaries,
- Development of the Strategy in close cooperation with the leaders responsible for implementing strategic CSR objectives in 2012–2015 and with specialists from within the organization indicated by the leaders, as well as with representatives of the team responsible for defining the new business outlook for the LOTOS Group.

The LOTOS Group's CSR Strategy will address the **challenges defined in the Sustainable Development Goals until 2030** published by the United Nations in September 2015, the [Vision of Sustainable Development of Polish Businesses until 2050](#), and the **10 Principles of UN Global Compact**. Those objectives have already been implemented by us by e.g. long-term programmes focused on employee development at all levels, and by the social and market environment. An example of this activity can be the first cause-related marketing campaign in the fuel sector in Poland, called ["Helping while refuelling"](#). The conscious and comprehensive approach to the management of natural resources and energy security are another example of the LOTOS Group's commitment to the Sustainable Development Goals. We have constantly been reducing energy efficiency ratios and energy consumption in selected systems.

By pursuing the goals set in the Strategy, we seek to increase our contribution towards meeting the challenges defined by the UN.

The Ten Principles of the UN Global Compact:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

The **Sustainable Development Goals** include 17 goals, 169 targets and 304 indicators to achieve by 2030, to ensure better, healthier and safer living conditions, in the social, environmental and economic spheres. In 2015, those goals replaced the previous eight millennium goals.



Sustainable Development Goals (SDGs), which LOTOS Group supports by taking actions:

- Goal 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 6 – Ensure availability and sustainable management of water and sanitation for all
- Goal 7 – Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10 – Reduce inequality within and among countries
- Goal 12 – Ensure sustainable consumption and production patterns
- Goal 14 – Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- Goal 15 – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
- Goal 17 – Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development