

# Process of defining the Report content

This year's report is based on the Global Reporting Initiative's Sustainability Reporting Framework and Guidelines (GRI G4, core level), together with the Oil and Gas Sector Supplement. This represents a change in Grupa LOTOS's approach to reporting – the previous report was based on the GRI G3.1 guidelines at application level A+ (so all GRI indicators were reported, including 43 profile indicators and 98 subjects). Currently, in accordance with the GRI G4 framework, we report only significant topics ( 39 profile indicators and 42 subjects).

In the process of defining the content of the 2015 Integrated Annual Report of the LOTOS Group, we consulted many key stakeholder groups, internal and external, and thoroughly analysed the external sources. This helped draw up the final list of GRI aspects to be included in this Integrated Report.

In accordance with GRI guidelines, the process had three steps:

**1. Identification** – determination of key topics in corporate social responsibility and business. Internal documents and materials of the LOTOS Group were analysed, including in particular reports from opinion surveys conducted among employees.

We also reviewed many external publications and media information about our company. We took into account the trends and guidelines of international standards for corporate social responsibility and non-financial reporting and made an in-depth analysis of the challenges, opportunities and risks facing the industry and its players. We analysed:

- GRI Sustainability topics for sectors
- Sustainability Yearbook 2016
- Findings of CSR survey carried out among local communities and entrepreneurs
- Comparison of fuel companies.

**2. Prioritization** – in a dialogue with internal stakeholders, the materiality of key aspects for the organization was identified.

**3. Validation** – during validation workshops with management staff, we defined the final list of material aspects to be included in the 2015 report. 49 persons representing 11 companies participated in the workshops. The following matrix shows the significance of these issues divided into aspects (economic, social and environmental) and simultaneously leads directly to the chapter describing our approach and activities connected with the subject. The size of the tile indicates whether a subject has been defined as an important or very important.

## Materiality Analysis

Aspects:	Economic aspects	Environmental aspects	Social aspects
	significant	very significant	

Financial standing, stock exchange performance, condition of LOTOS companies	Charitable activity – LOTOS Foundation Employee volunteering	Supply chain	Consumption of raw materials and consumables
Communication with and support to local communities Spending on social initiatives	Reserves and consumption of oil and gas	Development of local supply chains, employment at local level	The organization's stance on shrinking natural resources (oil and gas)

		Spills, explosions, accidents – prevention, crisis management	Anti-corruption Corporate governance – ethics
Energy security	Indirect economic impacts (infrastructure, services, impact on local economy)		Support to research and science development
Impact on biodiversity and ecosystem services (water and land)		CO <sub>2</sub> emissions management Air emissions	Managing the risk of water contamination in drilling, refining, transport and other processes
Cooperation with suppliers – ethical, social and environmental criteria taken into account in procurement processes	Public policy – relations with public administration		
	Overall reduction of environmental impacts	Key investment projects – innovation potential	Ensuring highly-qualified staff, acquiring and retaining talents
Ensuring highly-qualified staff, acquiring and retaining talents		HR policy, future of employment Dialogue with staff Diversity and equal opportunities, non-discrimination	Fuel quality
Employee training and development	Safety and accident prevention Health protection and promotion measures	Fines and sanctions for non-compliance with environmental protection laws	
			Sponsorship – support to sports, culture and education

Innovative technological solutions, eco-efficiency Energy consumption, energy efficiency of processes and products	Business strategy, future growth forecasts	Key investment projects in the exploration and production and refining segments	
		Customer relations	Climate change strategy (opportunities and risks)

## Our value creation model

The [value creation model](#) presented in the report was developed as a result of internal consultations and workshops with the management. One of the objectives of the workshops was to identify the value drivers at the LOTOS Group under the six capitals defined by IIRC, and to determine what benefits to the LOTOS Group and its stakeholders can be derived from the adopted business model. Moreover, last year, we decided to supplement our business model with indicators which allow us to reliably measure our impact on the environment. The choice of indicators was subject to internal consultations. We want to use the experience gained this year while developing the model in the future, presenting our impacts in the most transparent and measurable manner possible.

Benefits to both the LOTOS Group and its stakeholders are presented on the basis of six capitals. We are aware that some of the benefits are generated as part of more than one capital. For the sake of transparency of our model, we have decided to present such benefits only once and attribute them to the capital to which they are most specific.