



LOTOS Group
Integrated Annual Report 2015

05

Efficient and stable organization

Efficient and stable organization

The LOTOS Group is one of the largest enterprises in Central and Eastern Europe. We are also a leading employer in the Gdańsk Province, which allows numerous residents of the region and their families to earn a good living. We conduct our business with a great sense of responsibility, having in mind also the need to create value for other stakeholders of the organization.

Responsible recruitment + professional development of employees + high security standards = competitive advantage

The employees are the most important capital of the LOTOS Group. Qualified staff are a source of competitive advantage on the market. Because of that, as a modern and dynamically growing business, we take proper care to ensure continuous professional development of employees. One of our priorities is the safety and health of our employees and those employed by our subcontractors who work for the LOTOS Group.

Our key initiatives and achievements in building an efficient and stable organization in 2015:

- In response to the market challenges (oil price movements, risk of growing competition from outside Europe, and expected decline in fuel consumption), in 2015 we introduced a new organizational structure to the LOTOS Group. It was the most extensive change in the structure of our organization in many years.
- By the end of 2015, the LOTOS Group had achieved all its organizational security targets set for 2012-2015.
- We developed a 'Strategy for LOTOS as Employer Brand', together with an 'Operational Plan' and a set of efficiency measures. Our activities in this area are to help us find, hire and retain competent employees who will support us in the delivery of the LOTOS business strategy. The strategy is centered on the creation of an engaging and friendly workplace based on communication, positive relations and values.

How do we create value for investors, employees and other stakeholders?

Key financial indicators	Key non-financial indicators
<ul style="list-style-type: none"> ■ Training expenditure (PLN 4.9m per year) ■ Training expenditure per 1 employee: PLN 1,003.85 	<ul style="list-style-type: none"> ■ Number of employees: 4,850 ■ Number of training participants: 7,516 ■ Average number of training hours per employee: about 22 hours ■ Number of applications submitted: 15,780, including 8,500 via www.kariera.lotos.pl service ■ Number of internship and traineeships: 234 ■ LTIF index: 3.4 ■ Accident frequency and severity rates: severity rate: 47.39; frequency rate: 6.96 ■ Number of incidents, failures, fires per year. Total number of accidents at work: 33 ■ Number of audits in the LOTOS Group in 2014–2015: over 500

With high standards in mind

At the LOTOS Group, we combine efforts to improve employees' knowledge, skills and competences with efforts to create a friendly and stable workplace. We value open communication, teamwork, and partnership between the management and employees. In the area of safety, we attach particular importance to maintaining high safety standards, minimizing potential risks, and promoting a safe working culture.

What we gain through such approach:

What we gain through such approach:

Those activities have helped Grupa LOTOS to earn the reputation of an employer offering a safe, well-appointed, and well-organized workplace, with career development opportunities. As an attractive employer, we are able to retain valuable specialists and hire best professionals both in Poland and on foreign markets. Thus the organization's staff stability is guaranteed, which in turn ensures business stability and reduces operating expenses. It is also beneficial to our trading partners who, in their dealings with LOTOS, work with the best experts in their respective fields.

Employees – human capital

Our specialists make us more competitive and innovative



THE GLOBAL GOALS
For Sustainable Development



LOTOS Group employees in 2015



4,850 staff
employed by LOTOS Group
in 2015



WOMEN
23%
of employees



MEN
77%
of employees

63%
employees
were 30 to 50
years old

99%
of employees
work under full-time
contracts

84%
of employees
had contracts
for indefinite term

The strategic objective of our HR policy is to ensure optimum employment adjusted to the LOTOS Group's business objectives. We believe that having highly-qualified, motivated, and committed employees improves productivity and is a source of our organization's competitive advantage.

LOTOS Group's HR policy is based on internal procedures governing various aspects of the recruitment and employee management processes:

Our standards of conduct at work and in business relationships are described in the [LOTOS Group's Code of Ethics](#). In our relations with employees and other stakeholders we are also guided by the ten corporate responsibility principles of the United Nations Global Compact, which cover the areas of human rights, labour, environment, and anti-corruption.

Our priority is to build a sense of trust between the management and the rest of the employees, and to treat fairly everyone regardless of their position, length of service, trade union membership, physical appearance, age, gender, sexual orientation, religion, nationality, or political views.

Additional tools which support building good relations between the employees and the management are the Collective Bargaining Agreement and internal procedures which standardize the HR management processes.

Under the Collective Bargaining Agreement, we provide all our employees – regardless of the form of employment and length of service – with the same social benefit package (the package is also guaranteed under the Rules of Participation in the Company Social Benefits Fund). In 2015, 98% of the LOTOS Group's employees were covered by the Collective Bargaining Agreement.

In case of redundancies resulting from operational changes at the LOTOS Group the minimum notice period is 30 days. This period is not specified in the Collective Bargaining Agreements; it is prescribed in the labour law.

In the case of women employed at the LOTOS Group, the ratio of the lowest pay at the lowest pay to statutory minimum pay in Poland in 2015 was 1.14 . In the case of men, it was slightly above 1 .

How do we create organizational culture which improves productivity?

- We undertake initiatives aimed at building the desired corporate culture, which include cooperation with the [Ethics Officer as part of the Ethical Conduct Programme](#).
- We promote ethical values which are in line with the Code of Ethics; we also conduct communication activities aimed at improving the awareness of employees and management. Examples include e-learning training on how to avoid conflicts of interest in the workplace.
- We use [annual employee evaluation](#) for open communication between managers and employees, and for joint setting and evaluating of professional and development objectives.
- We build an employee engagement culture and improvement activities by conducting surveys of employee satisfaction. They provide an insight into our employees' attitudes and help us monitor employee satisfaction, engagement, and opinions. We try to use the information to create a friendly environment at the organization and to achieve business objectives.
- We maintain good relations and we cooperate with trade unions and Employee Councils.

Number of employees

In 2015, the LOTOS Group employed 4,850 people, which puts us among the largest employers in the Gdańsk Province. As a reliable employer, we ensure that our employees have full-time contracts (99% of the employees) and contracts for indefinite term (84% of the employees).

		Number of employees
No.	Total number of employees (FTEs) by gender:	2015
1	Women	1,116
2	Men	3,707
	Total	4,823

		Number of employees
No.	Total number of employees (actual headcount) by gender:	2015

1	Women	1,120	
2	Men	3,730	
	Total	4,850	

		Number of employees		
		2015		
No.	Number of employees (actual headcount) by employment type:	Women	Men	Total
1	full-time	1,107	3,691	4,798
2	part-time	13	39	52
	Total	1,120	3,730	4,850

		Number of employees		
		2015		
No.	Number of employees and associates (actual headcount) by employment contract:	Women	Men	Total
1	fixed term contracts	205	574	779
2	contracts for indefinite term	915	3,156	4,071
	Total	1,120	3,730	4,850

		Number of employees		
		2015		
No.	Number of employees and associates (actual headcount):	Women	Men	Total
1	under civil-law contracts for specified activity (<i>umowa zlecenie</i>)	29	56	85
2	under civil-law contracts for specified task (<i>umowa o dzieło</i>)	0	3	3
3	under internship contracts	0	0	0
4	self-employed	0	0	0
5	supervised employees and/or seasonal workers	1	3	4

Total	30	62	92
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Total number and rates of new employee hires and employee turnover by age group, gender and region













Most of our employees are men (77%). People aged 30 to 50 account for over 60% of the workforce. In 2015, new hires represented over 7.8% of the total number of employees. The rate of employee departures was nearly 13.6%. The departures were mainly transfers within the LOTOS Group. They were related to reorganization and internal recruitment (e.g. in connection with the EFRA Project), the latter considered priority by us over outside recruitment.

1. New hires (actual headcount) by gender:	Number of employees	Number of new hires	New hires as percentage of total number of employees, by gender	Gender composition of new hires
	2015	2015	2015	2015
1 Women	1,120	86	7.68%	22.63%
2 Men	3,730	294	7.88%	77.37%
Total	4,850	380	7.84%	

2. New hires (actual headcount) by age:	Number of employees	New hires in age group	New hires as percentage of total number of employees, by age	Age composition of new hires
	2015	2015	2015	2015
1 <30	467	147	31.48%	38.68%
2 30-50	3,047	188	6.17%	49.47%
3 >50	1,336	45	3.37%	11.84%

3. Total number of departures (actual headcount) by:	Number of employees	Number of departures	Departures as percentage of total number of employees, by gender	Gender composition of departures
	2015	2015	2015	2015
1 Women	1,120	126	11.25%	19.72%
2 Men	3,730	513	13.75%	80.28%

Total	4,850 	639 	13.18% 
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4.	Departures (actual headcount) by age:	Number of employees	Number of departures in a given age group	Departures as percentage of total number of employees, by age	Age composition of departures
		2015	2015	2015	2015
1	<30	467 	61 	13.06% 	9.55% 
2	30-50	3,047 	285 	9.35% 	44.60% 
3	>50	1,336 	293 	21.93% 	45.85% 

Competencies for success

The LOTOS Group's key competencies are:

→ **cooperation** → **commitment** → **openness to change**

At the LOTOS Group, we attach great importance to key competencies, that is the skills, attitudes, knowledge, and experience necessary for the successful performance of tasks. In our case, the competencies include cooperation, commitment, and openness to change. We believe that all our employees should have them, regardless of their role or position.

What do key competencies mean to us?

Cooperation:

- Relationship building, e.g. through respect for others, kindness, support, and positive attitude towards cooperation,
- Teamwork,
- Good manners.

Commitment:

- Initiative,
- Focusing on goals and tasks,
- Improving the way the organization operates, e.g. through reporting difficulties and searching for solutions, suggesting improvements, improving one's productivity and the productivity in one's area of responsibility,
- Identifying with the organization, e.g. acting in line with its values and promoting its image,
- Complying with the rules, procedures, and standards.

Openness to change:

- Accepting and showing positive attitude towards change,
- Showing interest in new solutions,
- Adapting to changes,
- Signalling the need for changes within one's area of responsibility and actively participating in change implementation.

The key competencies of LOTOS Group employees are assessed during periodic employee evaluations. The management staff is additionally evaluated for their managerial skills in such areas as teamwork management, leadership, team potential building, strategic thinking, and decision making. Non-management staff are evaluated for their functional competencies required by a given position, e.g. work discipline, resistance to stress, negotiation skills, and project work.

Successors to take over

In 2015, the LOTOS Group continued its Succession Programme. As part of the programme, we coordinated the process of selecting the forms and methods of successors' development in line with the awarded development vouchers. We also monitored and updated their individual development plans. The following were most often chosen by the successors covered by the programme: the Management programme run by the ICAN Institute, in partnership with the Harvard Business Review, language seminars, individual coaching, and post-graduate programmes. Also popular were specialist courses (e.g. HR Business Partner Academy, Gas and Renewable Energy Technologies, Summer Leader School, Art of Negotiation, Interpersonal Training, Assertiveness and Communication, Logistics Forum and Project Management) and foreign training courses and conferences (such as the Water Technology Conference, Price Risk Management in the Oil Industry, or Advanced Project Management for Oil & Gas Industry).

Effects of the Succession Programme

within three years from selecting the programme participants, six out of the twenty successors took up senior managerial positions at the LOTOS Group.

At LOTOS, we develop together



THE GLOBAL GOALS
For Sustainable Development



The training and development policy of the LOTOS Group is focused on creating the best conditions for professional development of its employees, which involves learning and updating knowledge necessary to efficiently perform the current and future tasks.

Objectives of our training policy:






- Increase the company value through a continuous drive towards excellence and leveraging the potential of our employees;
- Secure resources necessary to perform the key tasks defined in our strategy;
- Focus on the current and future requirements for individual positions;
- Seek organizational excellence through productivity improvements and knowledge sharing;
- Identify and analyse training needs, plan new training and assess its effectiveness; • Improve the tools used in the training management process.

Features of the LOTOS Group's training policy:

- **Availability** – training is intended for all employee groups;
- **Cohesion** – the training system takes into account the mission and strategy of the LOTOS Group;
- **Responsibility** – all participants are responsible for training results and development;
- **Continuity** – training course planning takes into account results of the Periodic Employee Evaluation System (PEES), career paths, succession plans, and development programmes for particular employee groups; •
Flexibility – training courses are planned and organized to respond to the evolving external conditions and changes in employees' qualifications.

The way to achieve the goal: how do we motivate and develop our staff?

The LOTOS Group has in place a standardized Periodic Employee Evaluation System (PEES) to ensure objectivity and comparability of employee evaluation results.

In 2015, PEES reviews covered 97%  of qualifying employees of the LOTOS Group. Among the reviewed employees, there was 21%  of women and 76%  of men. The lower proportion of women reflects the employment structure at the LOTOS Group: most of our employees are men. The evaluated women amounted to close to 29%  of eligible employees, and the share of men was 67% .

Other advantages of PEES:

Meetings between managers and employees are an opportunity to receive feedback on employees' competencies and achievement of professional and development goals. The data thus collected helps the managers to better plan future steps (such as division of tasks or definition of employee development paths) and to motivate staff to pursue their professional goals.



89.4%

percentage of LOTOS Group employees meeting all requirements for their respective positions in 2015*



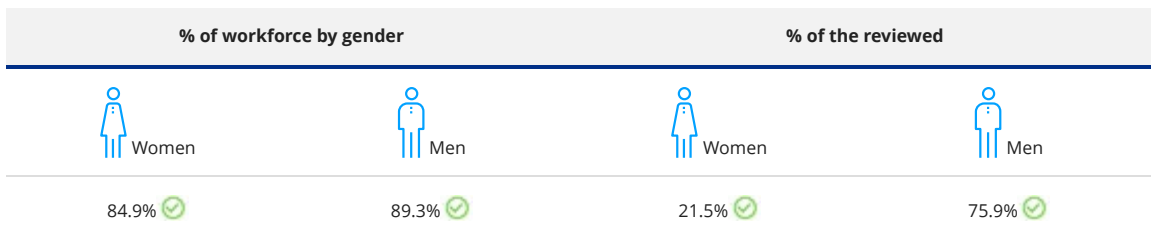
6.1%

percentage of employees whose qualifications exceed the requirements for their positions in 2015*

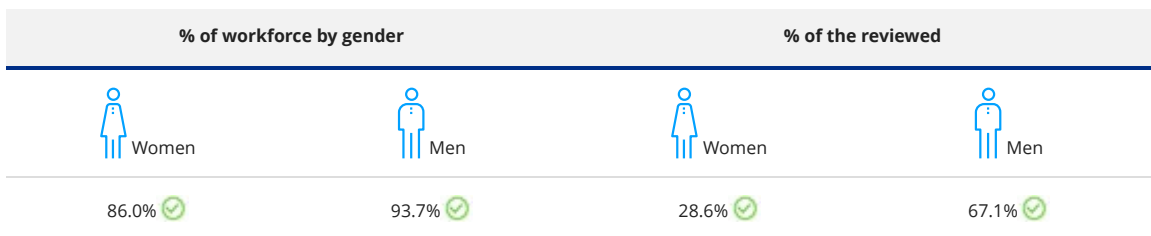
* Source: PEES, 2015

Results of periodic employee evaluation are also a valuable source of information for the HR department. Each company of the LOTOS Group reviews the results individually, to quickly obtain such information as who the best performing employees are, or to identify competencies which are at the highest level of development and those which need to be worked on, and to find out to what degree professional and development goals have been achieved. PEES is closely connected with the process of training course planning and budgeting.

Percentage of LOTOS Group employees who underwent evaluation in 2015



Percentage of Grupa LOTOS employees who underwent evaluation in 2015



(Percentage of employees receiving regular performance and career development reviews, by gender and by employee category)

Safety first

Safety first

Safety at work and health protection are our priorities at the LOTOS Group, with respect to both our own employees and the employees of our partners. OSH-related initiatives are central to our CSR strategy.

In order to achieve the OSH objectives, not only do we abide by the generally applicable regulations, but we also implement our own standards of conduct.

At the LOTOS Group we believe in consistent and continued building of awareness of the importance of occupational safety across the organization. Therefore, we make sure that each employee – irrespective of their position – understands that they are responsible for their own safety as well as the safety of their environment. We stress the importance of situational awareness, knowledge of risks and relevant mitigation measures, compliance with procedures, appropriate use of protection systems and measures, and timely reporting of any observations and conclusions related to hazardous situations.

We achieve our OSH objectives through:

- Effective internal communication;
- Gaining and promoting knowledge about potential hazards;
- Sharing experience with our partners;
- Programmes and initiatives, special reviews and audits in the OHS area.

Personnel safety management at the LOTOS Group

Every year, goals and targets are set for the LOTOS Group companies aimed at improving safety at work, adopting uniform standards across the LOTOS Group, and sharing expertise and experience between the OSH specialists.

The key objective of our OSH policy is to raise the awareness and degree of involvement in improving safety among the management and employees of all ranks, as well as contractors.

Good measures of our achievements in this area are:

- Absence of fatalities;
- Lost Time Injury Frequency LTIF – number of occurrences resulting in inability to work x 106/number of manhours worked;
- Number of implemented projects to improve safety at work and protect health; and
- Number of information and education campaigns promoting workplace safety.

Operational objectives with regard to safety, defined in the LOTOS Group's Corporate Social Responsibility Strategy for 2012–2015:

- Implement projects improving safety at work and health protection;
- Increase employees' ability to influence the safety and ergonomics of their working environment;
- Reduce the accident rate;
- Build a safety-at-work culture at the LOTOS Group, based on the management's increased involvement in promoting proper attitudes.

By the end of 2015, the LOTOS Group had achieved all its safety targets set for 2012-2015.



Plans for the future:

We have taken steps to build a process safety management system which combines the engineering practice with the best management techniques. Its purpose is to prevent any process incidents, in particular those resulting in leakage of dangerous substances to the environment. In an organization such as the LOTOS Group, the appropriate process safety management is a standard and a necessity, both in the upstream segment and at the refinery.

Working conditions under control

At the LOTOS Group, we have in place an integrated quality, environment and occupational safety management system. Our Integrated Management System policy addresses issues related to fostering an occupational safety culture through clear leadership, responsibility and engagement of all employees, preventing accidents at work, occupational diseases and hazards. There are a number of internal procedures in this respect applicable within the organization.

Using modern technologies also adds to improved safety. To protect humans and the environment from an accidental release of energy from machinery and production units, we have implemented the Lockout-Tagout system, also called the LOTO system, for hazardous power lockout and labelling. The system is used during maintenance shutdowns, maintenance works and capex projects and to prevent an accidental start-up of machinery by unauthorized persons. In 2015, the Lockout-Tagout system was implemented at all the production plants of the LOTOS Group refinery in Gdańsk.

In our opinion, the occupational safety and health is strictly correlated with respect for human rights. In 2015, as part of quarterly trainings, 81%  of the 136  employees of LOTOS Ochrona attended a lecture devoted to human rights. They also participated in classes devoted to intervention techniques and use of physical force.

What else do we do?

We run regular educational programmes focusing on: stress management, healthy eating habits, quitting smoking, safety when handling heavy objects, physical exercise and activity, office ergonomics, organization of work at the workstation, safe use of chemicals, and noise protection. Taking care of our employees' health, we provide them with a wide range of medical services.

Cooperation obliges

At the LOTOS Group, we attach great importance to maintaining a high level of occupational safety also at our cooperating partners. An example of initiatives we have undertaken in this respect is the 'LOTOS Serwis Declaration of Safety', prepared by LOTOS Serwis for investment and upgrade projects, ad-hoc repairs and plant engineering in the mechanical, electrical, and automatics sectors. By reading this document, prospective business partners may familiarize themselves with a system developed at the company to ensure occupational safety and health while work is performed.

Best OSH practices

- In 2015, LOTOS Asphalt organized three **training sessions to educate** its clients about safe work with bitumen products and to encourage them to observe the safety rules promoted by LOTOS Asphalt in their everyday work. The training session at the company's head office in Gdańsk (combined with the possibility of visiting the refinery) was attended by about 30 people. LOTOS Asphalt was represented by members of its distribution, sales and OHS teams. The company also continued a best practice project with its clients (originally launched in 2014), consisting in displaying information boards at bitumen mastic production plants. In total, 80 information boards were put up in 2014–2015.
- The OSH staff hold regular meetings as part of **Programme for Work Safety System Standardization at the LOTOS Group**, which serves as an opportunity for experience sharing and discussing plans for the future. The key issues addressed in 2015 include: the new CSR strategy regarding improvement in health and safety, application of the 'Golden Rules for Occupational Safety to be Followed by the LOTOS Group Employees', new indicators for measuring safety at work across the organization, and further development of the electronic OSH Portal.
- OSH trainings and drills – in our actions, we **place emphasis on education, employee engagement** and stimulating the involvement of our management, who are responsible for ensuring safe working conditions to all employees and for encouraging their commitment to building a safe work culture.
- The Grupa LOTOS refinery, as an upper tier establishment in terms of risk, is obliged to implement a process **safety management system**. Therefore, in December 2015, a two-day training devoted to explosion prevention was organized at the Company, attended by, among others, OSH staff, engineers and offices whose daily operations involve the implementation of safety systems. They learnt about explosion prevention techniques, appropriate labelling and operation of electrical and non-electrical apparatuses in explosive atmospheres.
- In 2015, the Grupa LOTOS Health & Safety Office was engaged in the preparation of periodic OSH **e-learning trainings for employees holding managerial positions**, engineers, technicians, as well as administration and office staff members. Following the completion of the theoretical part of the training, its participants are required to take a test and, having passed it, they have a practical training related to giving first aid and fire safety.
- In 2015, the Grupa LOTOS Health & Safety Office, in partnership with Robod, organized **workshops focusing on personal protective equipment** and (appropriate selection of) protective clothing.
- Every three months, the employees of LOTOS Lab undergo training on correct **responding to failures and fires**. They need to be familiar with evacuation routes and know what to do in emergency situations.
- On January 1st 2015, as part of modifying the structure of LOTOS Serwis, **79 specialists** that had worked as technical coordinators were **officially nominated as foremen**, who represent the company vis-a-vis customers and partners. This change is to streamline work organization and improve occupational safety and health. Before commencing work, the foremen must assess work safety risk, brief the crew on their findings and optimally divide tasks among them. The psychological aspect is also important – creating the position of a foreman in an organization's structure helps build the authority of a leader managing the team's day-to-day work.
- To facilitate communication between the company and its employees, LOTOS Serwis has put in place **'Hazardous Situation Reporting Logs'** with self-copy paper sheets allowing the employee to keep a proof of report. Each such report is analysed and the reporting party is sure to receive feedback on any actions taken.

- Employees of LOTOS Straż received **new specialist uniforms**, which, in view of the safety they offer, their unique qualities and special way in which they are made, are used in all operations in which the rescue and fire-fighting unit is involved.

What else do we do to improve safety?

The LOTOS Group key project which we strive to carry out with zero accidents at work is the EFRA project. Therefore, the preparation and implementation of relevant safety procedures during the project execution are high on our agenda.

Our OSH-related achievements under the EFRA Project so far:

- We have agreed on the key safety rules to be followed by us and all the contractors working on our premises. The rules have been compiled and are available at the www.kontrahenci.lotos.pl portal.
- We have launched a HSE Portal for a system-based approach to managing issues related to safety and health at work. It is an innovative IT tool which will support our safety management efforts.
- We have prepared an OSH newsletter. We provide the key information on safety at the sites where new production units are being constructed.
- We issue opinions on Occupational Health and Safety plans and instructions for safety at work.
- We are working on the implementation of an incentive programme for employees involved in promoting safety issues.

Other safety measures we take as part of the EFRA Project:

Each contractor is obligated to organize weekly meetings devoted solely to OSH issues, and to perform weekly inspections at a given construction site, attended by its site manager. Before employees enter the construction site, they undergo a special induction training (lasting at least four hours) into the EFRA Project. Additionally, each day before starting their shift, they are briefed on the most vital matters pertaining to safety at work.

Other examples of best practices:

- To improve the safety of employees of and visitors to the LOTOS Group, defibrillators have been installed at the head offices of selected companies. Some of the companies where these additional rescue tools are available include LOTOS Lab, LOTOS Ochrona and LOTOS Kolej. Employees of those companies were trained to use defibrillators.
- Caring for our employees' health, each year at Grupa LOTOS we organize the Occupational Health and Safety Day. Each staff member can undergo medical check-ups, join workshops to enhance their knowledge and skills in health protection, and take part in OSH and health protection related contests.

- At Grupa LOTOS, there is an Occupational Safety and Health Committee (OSH Committee), serving as an advisory and consultative body to the employer. The Committee is composed of employer representatives, an occupational physician and workforce representatives selected by trade unions active at the Company. It reviews working conditions, evaluates the status of occupational safety and advises on measures to be taken by the employer to prevent accidents at work and occupational diseases.

Results – number of accidents

In 2015, no fatal, severe or group accidents were reported at the LOTOS Group. The recorded minor injuries were mostly related to moving on foot. We have already taken actions to minimize their number in the future, by, for instance, implementing technical solutions to improve safety.

	2015	
	Women	Men
Total workplace accidents	5	28
Fatalities	0	0
Severe injuries	0	0
Minor injuries	5	28
Total accident victims		33
WLTIF incidence rate (per 1 million hours worked) ¹⁾		3.4
LDR incidence rate (per 200 thousand hours worked) ²⁾		0.7

¹⁾ LTIF rate — number of occurrences resulting in inability to work x10⁶/number of manhours worked.

²⁾ LDR rate — number of occurrences resulting in inability to work x2*10⁵/number of manhours.

Number of accidents by activity (e.g. road transport, air transport, construction activities, etc.)

Cause:	Number of accidents	Measures taken to prevent accident occurrence in the future
Moving on foot	12	<ul style="list-style-type: none"> ■ All the Group company employees were informed, in monthly reports, about the circumstances of the accidents. Heads of the organizational units where the accidents had occurred discussed them in detail with all the subordinates ■ In places where it was feasible and justified, technical solutions were implemented to improve safety, for example, the condensate drainage system over which the employee tripped and sustained injury, was revamped; stairs in selected buildings were covered with anti-slip paint; employees working in the vicinity of railway tracks can only wear sturdy boots with ankle support ■ The cleaning staff were trained on how to properly mark slippery floors
Use of machinery and equipment	7	<ul style="list-style-type: none"> ■ Cutting machine tools were checked for swarf removal equipment ■ All the Group company employees were informed, in monthly reports, about the circumstances of the accidents ■ The choice/efficiency of personal protective equipment was analysed in terms of preventing the risk of capture at the equipment operator workplace at the Railcars Loading Complex

- Uniform guidelines for the entire production area were developed, concerning: methods of work and procedures for all operations involving the use of rubber hoses (steaming, drainage, blowdown, rinsing, cleaning) as well as places for and manner of rubber hose storage

Driving, using means of transport

5 







- All the Group company employees were informed, in monthly reports, about the circumstances of the accidents
- Heads of the organizational units where the accidents had occurred discussed them in detail with all the subordinates
- Employees responsible for vehicle fleet management attended an additional safe driving course to learn more about the rules and factors for safe driving, as well as identifying, predicting and avoiding dangerous situations

Handling, storage, transportation work







4 

- Metal cases were checked for the firmness of their sides
- All the Group company employees were informed, in monthly reports, about the circumstances of the accidents
- An OSH manual for engine oil low-tonnage loading was updated







Incidence rate (total accident victims/headcount x 1,000)

2015		
 Women	 Men	 Total
4.6 	7.7 	7.0 

Severity rate (days lost/number of accidents)

2015		
 Women	 Men	 Total
53.6 	46.2 	47.4 

Reported cases of occupational disease (ODR, calculated as * 200,000)

2015		
 Women	 Men	 Total
0 	0.064 	0.049 

We are an attractive employer

We are building a strong employer brand

Recruitment and employment processes at the LOTOS Group are carried out in a responsible and fair manner, with due respect for the applicants. We care for a good atmosphere during job interviews and provide feedback. We guarantee confidentiality and information security to all candidates applying for a job at our organization.

In 2015, we commenced work on a new strategy of building employer brand. The effect is a 'Strategy for LOTOS as Employer Brand', together with an 'Operational Plan' and a set of efficiency measures.

Strategic objectives behind the LOTOS employer brand:

- Ensure availability of highly qualified resources required to successfully implement the business strategy;
- Create an engaging workplace based on communication, positive relations and values.

The steps taken to develop a strategy for LOTOS as an employer brand came in response to the following needs:

- Ensure continuity in the implementation of business goals, where employees and their expertise are the most valuable assets;
- Recruit best talent on the Polish market, which requires communication of the LOTOS employee brand to a wider audience;

Thanks to the actions taken, LOTOS intends to build an employer brand with the following features:

Nationwide reach

What are the benefits?

Broader range of competent candidates to acquire.

Well-defined identity

What are the benefits?

We will establish a lasting relationship with the brand's target group.

Transparent communication of job offers

What are the benefits?

More suitable candidates will be recruited.

High engagement potential

What are the benefits?

Lower risk of employee turnover in case of strong competition on the local labour market.

Clear referral rules

What are the benefits?

It will be easier to reach valuable candidates. Employees will become active ambassadors of the LOTOS brand outside the organization.

The employer brand is important to all:

We engaged our employees in efforts to develop the employer branding strategy for LOTOS. We invited employees from all segments of the LOTOS Group's operations to workshops, in which we learnt, among other things, which positive features are common for all areas of our activity and what are the distinctive qualities that represent the unique strength of LOTOS.

In the case of women employed at the LOTOS Group, the ratio of the lowest pay at the lowest pay to statutory minimum pay in Poland in 2015 was 1.14. In the case of men, it was slightly above 1.

Our efforts to build employer brand

We seek to create the image of an attractive and reliable employer through:

- Pursuing the adopted HR policy and implementing the improvement action plan following an employee opinion survey;
- Creating an engaging workplace and communicating with our employees through the LOTOSFERA monthly magazine and the LOTOSTRADA website;
- Actively communicating our values and the benefits we offer to potential job candidates, using various communication channels, e.g. a website (www.kariera.lotos.pl), advertising on recruitment websites Pracuj.pl and LinkedIn., running a Facebook fanpage 'Start with LOTOS', participating in job fairs, appointing the LOTOS ambassador from among students to promote our corporate values and liaise with the student community. [More information](#)
- Cooperation with schools and universities, student organizations, research clubs and circles, and central and local government authorities, aimed to promote vocational training, support education and create jobs.

What else did we do?

The LOTOS Group has provided opportunities for both horizontal and vertical promotions and has ensured transfer of knowledge and skills between its companies. Moving an employee to another department, company or position creates a chance for continuous professional advancement and learning new skills. In terms of internal recruitment, the EFRA Project is a key initiative. We have developed a dedicated EFRA Staff Programme to select, recruit, train, prepare and retain properly qualified employees to complete the objectives of the EFRA (Effective Refining) operational excellence project, implemented as part of Grupa LOTOS's wider Efficiency and Growth programme. Implementation of the EFRA Staff Programme has been planned for the years 2014–2019. The Programme is based on reallocation of approximately 40 employees and provides for the additional employment from outside.

Recruiting qualified staff

At the LOTOS Group, we believe that education is an asset worth investing in, and that by doing so we not only support our local communities, but also improve our chances for sourcing talented staff willing to develop together with us.

In 2015, as part of efforts to standardize and raise recruitment standards at the LOTOS Group, we implemented 'Standards of the Recruitment and Selection Process at the LOTOS Group – Guidelines for Managers Requesting Staff Recruitment' and 'Standards of the Recruitment and Selection Process at the LOTOS Group – Guidelines for Recruitment Specialists'.

Certified recruitment practices

Having audited our recruitment practices, the Polish Human Resources Management Association awarded us the Top-Quality Human Resources Certificate, thus acknowledging the top quality standards of our human resources management processes.

Grupa LOTOS is a member of the [Coalition for Friendly Recruitment](#), established in 2013. The Code of Good Recruitment Practices developed by the organization is used as guidance for our HR officers on the principles that should be applied in recruitment processes across the LOTOS Group, and its application in practice has been confirmed by the 'Friendly Recruitment Zone' certificate awarded to Grupa LOTOS. It earned us reputation of a reliable and highly valued employer propagating the principles of corporate social responsibility.

Education – a profitable investment



THE GLOBAL GOALS
For Sustainable Development



We engage in promoting education, with special emphasis on engineering and technical disciplines, by supporting vocational schools, including through our active participation in the Gdańsk Professionals' Week. In recognition of outstanding achievements in the promotion and sponsorship of vocational education and successful cooperation in the field of education to the benefit of the local labour market, Grupa LOTOS was awarded the 'Gdańsk Vocational School-Friendly Employer' title, and LOTOS Serwis received a distinction. We offer a range of internships and traineeships and, as far as possible, we provide access to data that may be useful in writing university dissertations.

Grupa LOTOS employees share their knowledge with students and teachers during workshops and classes they give at schools (e.g. LOTOS Serwis's activity at the Communications School Complex in Gdańsk, or LOTOS Kolej's at Technical Secondary School No. 3 of the K. Kałużewski and J. Sylla School Complex in Zduńska Wola). We have appointed a LOTOS ambassador for students, who helps them access educational and industry-related information and liaises with the Company as an employer through a Facebook fanpage 'Start with LOTOS'.

234

**number of internships
and traineeships
organized by Grupa
LOTOS in 2015**

In line with our business profile, we focus on partnerships with technical schools such as Gdańsk University of Technology, the AGH University of Science and Technology, Cracow University of Economics, and Faculty of Chemistry of the University of Gdańsk.

We have engaged in cooperation with the largest global student organization AIESEC and the international organization of technology students BEST, under which we organized meetings with experts who shared with students practical knowledge on their field of study; also, we promoted jobs and internships at LOTOS. We also work with HR organizations, sharing our expertise and teaching HR standards, for example we cooperated with the Polish Human Resources Management Association by organizing and administering a HR Executive Meeting at LOTOS to discuss cooperation with universities and schools.

What else did we do in 2015?

- It was for the thirteenth time that the LOTOS Group joined 'Summer Internship', a local project initiated by the Mayor of Gdańsk to support students and graduates in acquiring new skills and finding their place on the labour market. In 2015, Grupa LOTOS, LOTOS Kolej and LOTOS Petrobaltic financed 16 internship placements.
- We became one of Internship Founders as part of the 'We Build the Value of the Polish Economy. Work for Us' contest organized by the Ministry of State Treasury and we offered students five internship placements with our organization. The key objective of the internships was to help the contest winners gain experience and enable them to use their knowledge and skills in practice.
- We were a partner to the 'Go4Poland. Wybierz Polskę' internship programme of the Warsaw Stock Exchange Foundation.
- We organized meetings of our practising specialists with students representing numerous associations, including the Brevi Manu Student Scientific Association of Organization and Management Psychology, Scientific Association of Chemistry Students of the Gdańsk University of Technology, Euro-Initiative Student Scientific Association and Scientific Association of Electrical Engineering Students of the Gdańsk University of Technology. LOTOS Serwis has under its auspices the industrial automatics class at the Communication School Complex of Gdańsk. Its lecturers include heads of the I&C Maintenance and Repairs Departments.
- We continued cooperation with Vocational and Lifelong Learning Centre No. 2 in Gdańsk, the agreement on which has been renewed every three years since 2009. So far, 58 students completed their traineeships at Grupa LOTOS, and more than 30 best ones were awarded grants.

LOTOS for kids

It was the third time we became the patron of the E(x)plory programme supporting young scientists. Its 2015 winners represent Poland in international scientific competitions in the US, the Netherlands, Romania and France. In 2015, we also continued the 'Talent with LOTOS' project, including the 'Pomeranian Talent' programme implemented jointly with the Teacher Education Centre in Gdańsk, and 'Jasło Science League with LOTOS' run with the town of Jasło.

For more information on the 'Talent with LOTOS' project, visit:

['Talent with LOTOS' website](#)

Efficient organization management

Robust structure

It is our strong opinion that strategic business objectives cannot be met without efficient organization, assessment of risks inherent in the business, and productive processes supported by effective management systems.

New organizational structure of the LOTOS Group

In response to the market challenges (oil price movements, risk of growing competition from outside Europe, and expected decline in fuel consumption), in 2015 we introduced a new organizational structure to the LOTOS Group. It was the most extensive change in the structure of our organization in many years. The new organizational structure will help implement our business strategy.

Thanks to its new organizational structure the LOTOS Group will:

- Improve the efficiency and flexibility of its operations by, among other things, accelerating the decision-making processes and simplifying procedures;
- Integrate the most important areas of its operations;
- Reduce operating costs, for instance by identifying the areas with overlapping responsibilities and scopes of activity;
- In the long term – achieve synergies as a result of greater integration and improved coordination of activities in the operational, management and support areas.

What else will we do?

As part of the organizational changes, we will review the scope of activity of individual divisions and organizational units at the LOTOS Group companies. In this way we intend to optimize processes and interactions between Grupa LOTOS and its subsidiaries, and centralize certain functions. As a result, best practices will be transferred between LOTOS Group companies and uniform corporate standards will be introduced without building additional capabilities at each company.

Diversity



THE GLOBAL GOALS
For Sustainable Development



Nearly every fifth person employed at the LOTOS Group is a member of the management staff. Most of them hold lower management positions. Management positions are mainly occupied by men aged 30-50, which reflects the total workforce structure.

1. Employees by age and diversity category	Employees in each category to total number of employees within the organization, 2015 [%]		Total number of employees in a given group, 2015 [%]
	Women	Men	
1. Below 30	2.5	7.2	9.7
2. 30 to 50	15.6	47.2	62.8
3. Over 50	5.0	22.5	27.5
Total [%]	23.1	76.9	100.0
Foreign nationals	0.0	0.3	0.3

2. Employees by job category	Employees in each category to total number of employees within the organization, 2015 [%]		Total number of employees in a given group, 2015 [%]
	Women	Men	
1. KW – senior management (management board + directors)	0.3	1.7	2.0
2. KN – lower management (all other management positions)	3.3	13.5	16.8
3. P – other employees	19.5	61.7	81.2

3. Supervisory Board members by age group and diversity category	% share of each category, 2015		Employees in a given group in the Supervisory Board, 2015 [%]
	Women	Men	
1. Below 30	0.0	0.0	0.0
2. 30 to 50	42.9	42.9	85.8

3.	Over 50	0.0	14.2	14.2
Total [%]		42.9	57.1	100.0
	Foreign nationals	0.0	0.0	0.0

4.	Management Board members by age group and diversity category	% share of each category, 2015		Employees in a given group in the Management Board, 2015 [%]
		Women	Men	
1.	Below 30	0.0	0.0	0.0
2.	30 to 50	0.0	40.0	40.0
3.	Over 50	0.0	60.0	60.0
Total [%]		0.0	100.0	100.0
	Foreign nationals	0.0	0.0	0.0

Integrated management system

Grupa LOTOS was the first company in the chemical industry and the second company in Poland to receive the Integrated Management System certificate, as early as in 2003.

With our expertise and experience, we know that properly designed and consistent management and operational processes must be oriented towards:

- Customers – guaranteeing commitment to the quality of products and services;
- Environment – evidencing environmental awareness;
- Employees – bringing benefits in the form of safe working conditions.

Management systems at the LOTOS Group as at December 31st 2015

Company name	Management systems in place
Grupa LOTOS	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented requirements of AQAP 2110 (Allied Quality Assurance Publication) and requirements of the Internal Control System for trading in strategic materials (conforming with the PN-N-19001 standard).
LOTOS Asfalt	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified Site Production Control System.
LOTOS Kolej	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards, Railway Transport Security Management System (SMS) compliant with Directive 2004/49/EC and national regulations, Rail Vehicle Maintenance Management System (MMS) compliant with Directive 2004/49/EC and Regulation (EU) 445/2011, Quality in Welding Management System compliant with the DIN EN ISO 3834-2 (EN 729-2) and EN 15085-2 standards, and system of Maintaining Freight Cars in accordance with the VPI requirements. In 2015, LOTOS Kolej's Railway Transport Security Management System (SMS) received Safety Certificate - PART B, compliant with Directive 2004/49/EC and national regulations, enabling the company to carry out rail freight operations using German rail infrastructure.
LOTOS Lab	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Polish Centre for Accreditation certificate of compliance with the PN-EN ISO/IEC 17025:2005 standard.
LOTOS Ochrona	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Oil	Implemented and certified Integrated Quality Management System compliant with the ISO 9001 standard and AQAP 2110 (Allied Quality Assurance Publication). Implemented requirements of the ISO 14001 and PN-N-18001 standards.
LOTOS Petrobaltic	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented ISM Code (for compliance with the International Management Code for the Safe Operation of Ships and for Pollution Prevention) and ISPS Code (International Ship and Port Facility Security System).
LOTOS Serwis	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified requirements of Quality in Welding Management System, compliant with the PN-EN ISO 3834-2:2007 standard, covering the construction of metal structures and auxiliary elements, EXC1, EXC2, EXC3 class steel structures in accordance with the PN-EN ISO 1090-1:2009+A1:2012 IDT EN 1090-1:2009+A:2011 standard, and covering the requirements for the competence of testing and calibration laboratories in accordance with the PN-EN ISO/IEC 17025:2005 standard.
LOTOS Straż	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Terminale	Implemented Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Paliwa	Implemented and certified Integrated Management System compliant with the ISO 9001 standard. Implemented requirements of the ISO 14001 and PN-N-18001 standards.
LOTOS Infrastruktura	The company is in the process of implementing the Integrated Management System.
LOTOS - Air BP Polska	The company is in the process of implementing the Integrated Management System.

Key changes in the process management systems and structures that had a bearing on the LOTOS Group's performance in 2015

In 2015, we worked to find innovative solutions for the processes and systems supporting the LOTOS Group's operations. Our activities in that area included performing analyses and holding benchmark meetings to discuss deployment of selected management models and process tools. Additionally, we engaged in the following process management activities:

- We upgraded our web application supporting process monitoring so that it can be more effectively used, for instance in reviews of the Integrated Management System, or as a tool facilitating process management at other LOTOS Group companies.

- We continued regular meetings with heads of organizational units and the LOTOS Group companies to discuss selected regulations and processes.
- We implemented an optimum model for the Company, based on a matrix structure with Grupa LOTOS divided into functional areas, which is consistent with the Grupa LOTOS process map.
- We implemented an Integrated Management System web application to facilitate circulation of documents at the LOTOS Group companies, and an electronic system for circulation of corrective action instructions (using the SharePoint platform).
- We began work to optimize the reporting system.

Energy Management System (EnMS)

- We performed energy consumption reviews at production plants based on Grupa LOTOS' internal regulations.
- We continued activities towards meeting the assumed environmental and energy goals.
- We monitored progress of the legislation process related to amendments to the Energy Efficiency Act and its potential effect on the environment and energy management system at Grupa LOTOS.

Planned activities in relation to the Integrated Management System:

- Adjust the existing systems to amended international standards, including ISO 9001 and ISO 14001;
- Adjust the energy management system to the new requirements of the Energy Efficiency Act;
- Make an explicit allocation of duties to units responsible for corporate tasks within the LOTOS Group structure – development and implementation of a new internal cooperation model (going beyond reporting);
- Foster the image of an organization with management culture that meets global standards by knowledge sharing (at industry meetings);
- Monitor key management indicators – determine and select unique and innovative indicators, based on which relevant measures will be taken to ensure improved performance.

Audits at the LOTOS Group

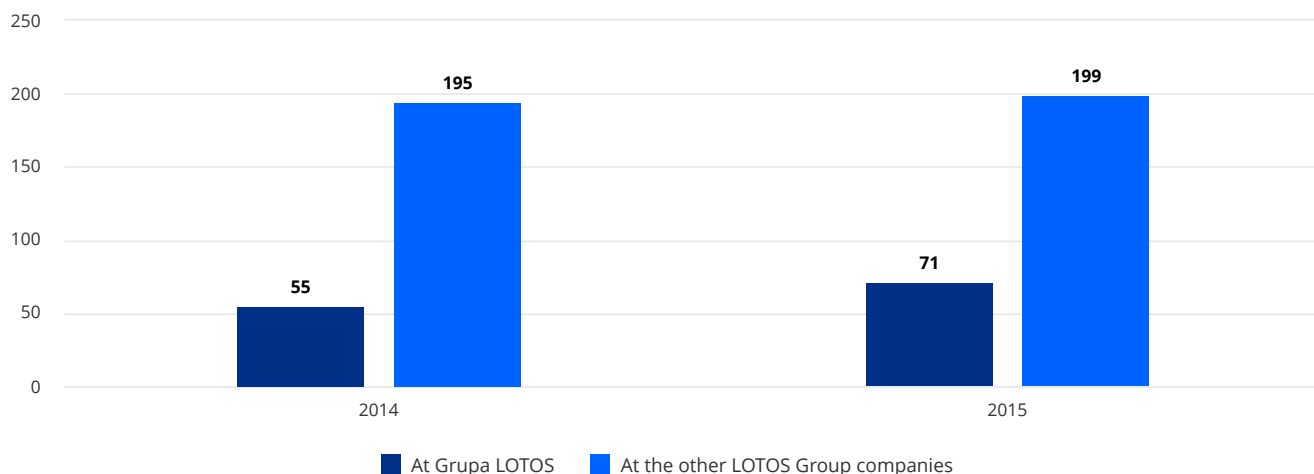
Audits of the LOTOS Group's Integrated Management System provide valuable and objective feedback on the operation of individual areas of the organization.

over

500

number of audits performed at the LOTOS Group in 2014–2015

Audits carried out at LOTOS Group



[More information on the management system](#)

VPN solution improving safety and supporting communication with LOTOS Petrobaltic's platforms

To improve safety on the platforms operated by LOTOS Petrobaltic in the Baltic Sea and to facilitate communication, the company – in cooperation with Orange Polska – created an IP VPN network with a capacity of 10 Mbps. The key objectives of this project were to implement security standards for the network, servers and workstations, and to ensure continuity of operation by using redundant radio and satellite links. The project standardized the applied solutions and made it possible to use the systems and applications on platforms online, just like at Grupa LOTOS' offices. Importantly, the new network allows employees on platforms to keep in contact with their families and friends on land.