

Social Responsibility

In its mission and vision, the LOTOS Group includes not only strict business aims, but also, by applying the principles of sustainability, care for the natural environment and the value of human resources. The social responsibility strategy of the LOTOS Group until 2012, adopted by the Management Board of Grupa LOTOS in 2008, is the response to the identified needs and expectations of key stakeholders.

Including all social and environmental problems in the strategy, which correlates with long-term business aims, has benefits in the growing level of integrating measures taken by the organization and the better use of human and financial resources.

Value System

The foundation of the LOTOS Group's long-term Corporate Social Responsibility illustrates the conviction that business operations have to be performed in compliance with the principles of ethics, by fulfilling social needs and respecting the natural environment. Therefore, the key values followed by the Concern in its operation include: purity, openness, innovation and responsibility.



Purity

means compliance with the top environmental and ecological standards as well as ethical and honest competition, and counteracting corruption and violations of human rights.



Openness

implies the positive attitude of the LOTOS Group to changes, the needs of the world and the expectations of people. It provides a perspective into the future and the dynamic development of the business on an international scale.



Innovation

is related to the appreciation and protection of intellectual capital owned by the LOTOS Group. Moreover, it stresses the competences of the personnel, who determine the strength and market prospects of the LOTOS brand.



Responsibility

is the culmination of the value system at Grupa LOTOS, as a fuel concern and the owner of the refinery, in relation to the future, people, the natural environment and the country, as it involves responsibility for the safety of its energy.

The above declaration of the corporate value system is a long-term undertaking towards all the stakeholders interested in the successful development of the LOTOS Group.

Social Reporting

In 2008, the LOTOS Group initiated the process of regular and comprehensive reporting on social and environmental aspects of its business. This focuses not just on describing the Company's achievements, but rather on dialogue aimed at approximating mutual expectations and possibilities of all participants. It will provide beneficial changes to the social environment.

These efforts have been appreciated by the Concern's environment. The CSR Report of the LOTOS Group won the '2008 Social Reports Competition for the best corporate social responsibility report in Poland' organised by PricewaterhouseCoopers, Responsible Business Forum and CSR Consulting. The Report presents the economic, social and environmental aspects of the LOTOS Group's operation in 2006-2007 and refers to the methodology of the Global Reporting Initiative (GRI), an independent institution acting for development and fostering Sustainability Reporting Guidelines. During the preparation of the first corporate social responsibility report in 2008, Grupa LOTOS started the process of implementing the GRI standard requirements. The scope of reporting is being systematically developed.

Internal Communication

Internal communication is an important element of the social dialogue at the LOTOS Group. One of its key aims is to provide effective information flow in the Company. Fast, concrete and reliable information enables employees to understand the development programmes and the rules that govern the Company's operation. Dialogue between the management and employees provides closer integration for common tasks, including developing technology and the market of the Company, resulting in increased value for the shareholders.

The programme of direct meetings between employees and the management is one of the most effective and proven methods of communication in the LOTOS Group. The meetings are aimed at providing all employees with equal access to important information on the Company. They are usually held due to important events that affect the operation of the Company and require additional information. A cycle of such meetings took place after the announcement of the updated development strategy of the LOTOS Group until 2012, and in the period preceding the introduction of the anti-crisis programme related to the economic situation in Poland and abroad. The Q&A programme and employee surveys as well as the thematic intranet service are integral parts of this project.

Communication tools and channels have been adapted to the tasks set by Grupa LOTOS in this area: the innovative programme of direct meetings between the management and the personnel, a modern intranet service called Lotostrada and an internal monthly, Lotosfera.

The modern and advanced Lotostrada intranet service is a fast and reliable communication tool that plays a major role in the system of multi-directional corporate communication at Grupa LOTOS. Apart from its important informative function, it also fulfils the role of an operating tool, facilitating access to necessary databases.

Lotosfera is a magazine with a long tradition among employees of the LOTOS Group. Aside from providing information, it fulfils integrating and educating functions. After a modification in 2008, it stands high in the rankings of institutions specialising in the assessment of corporate publications.

Social Aspects of the Operation

Sponsoring and Charity

Grupa LOTOS focuses its sponsoring and charity campaigns on pro-social measures that are coherent with the mission and development strategy of the Company and the values represented by the LOTOS brand within areas that are important for the lives of customers and the local communities around the Company's production plants. The necessity to sustain sale-supporting measures in specific product segments and the growth strategy of the value of the corporate brand also play an important role in the sponsoring policy.

The operation of the Concern in this area focuses on two priorities:

- environmental protection and ecology: by supporting related initiatives, particularly the protection of the natural value of the Baltic Sea,
- people and their environment: by developing science and education, propagating physical culture and sports education of the young generation and cooperation with public health institutions and campaigns for the disabled.

Cooperation with Universities

Grupa LOTOS supports universities and scientific institutes, thus providing a mutually beneficial bridge between industry and scientific circles. The aim of this cooperation is to promote the best students majoring in courses that provide specialists important for the LOTOS Group and the whole chemical sector. For several years, the Concern has been working closely with Gdańsk University of Technology and since 2007-2008 with the AGH University of Science and Technology in Krakow. Outstanding students receive scholarships and internships at companies of the LOTOS Group. The Concern's specialists also contribute to developing the knowledge of future engineers.

Road safety

'LOTOS – Safe Way to School' is the original educational prevention programme of Grupa LOTOS. Its aim is to prevent road accidents in which the victims are young schoolchildren. The campaign is carried out at primary schools and focuses on highlighting the issues of road safety. Road hazards are a major social problem in Poland.

The programme includes meetings with police officers and experts who present the rules of safe road use and involves recognising places that are not dangerous to play. Police officers also teach children how to cross a road safely. Apart from reflective items, children receive a special educational package on road safety for self-study at school and home. In total, in 2008-2009, 13 thousand children benefited from the programme, including 9 thousand from the Pomorskie Voivodeship and 4 thousand children from Jasło and Czechowice, where the LOTOS Group companies operate.

Ecological Education

As part of implementing its mission and social policy premises, Grupa LOTOS supports ecological campaigns. Grupa LOTOS feels particularly responsible for taking pro-social measures for the protection of the natural environment. The Concern provides support to projects aimed at propagating knowledge of

environmental protection and ecological campaigns and supports the education of children and youths in this regard.

Such projects include the organization and co-financing of ecological competitions and events. In 2008, Grupa LOTOS organised an ecological competition 'Support the Environment – Care for Cleanliness', where the winning school received a financial grant for organising an ecological campaign during the International Clean Up the World Day. The competition was designated for schools from the nearest vicinity of the Company. Grupa LOTOS cooperated with the Energy Saving Foundation in organising the 'Natural Energy Power' competition. Students of secondary schools participated and the objective of the competition was to activate local communities to support renewable energy sources.

Apart from ecological education projects, the Concern cooperates with institutions involved in environmental protection, including the Foundation of Regional Atmosphere Monitoring at the Gdańsk Agglomeration Agency.

Sport

The commitment of the LOTOS Group to sports sponsorship is both strategic and long-term. This consistent approach gives measurable effects. It supports the achievement of sales targets in specific trading segments and provides communication of the desirable qualities of the LOTOS brand. Grupa LOTOS and the companies of the LOTOS Group focus on motor sports, basketball and winter sports: ski jumping and cross-country skiing.

For more than ten years, the Concern has been a titular sponsor of the women's basketball team 'LOTOS PKO BP Gdynia', who are the ten-time Champions of Poland. In 2008, the team won the Polish Cup and the title of the Vice-Champion of Poland.

Grupa LOTOS has been the General Sponsor of Polish Skiing for five years, by supporting the Olympic team and the youth training ski jumping: the Olympic team in cross-country skiing and the youth team in Nordic combined. As the General Sponsor of Polish Skiing, Grupa LOTOS supports titled sportspersons, such as Justyna Kowalczyk, the double world champion and the winner of the World Cup 2009, and Adam Małysz, the Olympic medallist, the four-time World Champion and the winner of four World Cups.

The Concern has been a titular sponsor of the speedway team, 'LOTOS Wybrzeże Gdańsk', for five years. LOTOS Wybrzeże Gdańsk advanced to the first league in 2008. The team's races are always watched by thousands of spectators and owing to television transmissions by several hundred thousand viewers during a season.

Involvement in motor sports stems from the business of the LOTOS Group. The cycle of the KIA LOTOS Cup motor races, whose titular sponsor has been LOTOS Oil since 2007, is enjoying growing popularity. After the success of the Picanto LOTOS Cup, a second cycle race cup has been organised since the 2008 season, i.e. Cee'd LOTOS Cup. The Cup is a Polish Championship organised in cooperation with the Polish Motor Association, and is the largest racing class in Poland.

KIA LOTOS Cup is an international event and the eliminations are also held in Hungary, Slovakia and the Czech Republic. The races attract crowds and create a great atmosphere for family picnics.

All the above-mentioned sports disciplines and clubs represent the highest sports and organizational level. They provide the titular sponsor with the possibility of effective communication, both with the local community and with supporters of each discipline.

Sports Education of Children and Youths

The primary aim of the sports and social projects executed by Grupa LOTOS is to educate youths through sport. All the so-called small sports projects focus on encouraging youths to practise sports actively. These projects should provide a selection of sportspersons who will develop their talents in professionally managed clubs and sports associations. The major social sports education programme is the LOTOS Cup – the National Programme of Ski Jumping Development.

Competitions of the LOTOS Cup, the sports part of the National Programme of Ski Jumping Development 'Looking for the Champion's Successors', have been attended on average by 160 contestants since 2004. In all seasons, Grupa LOTOS has sponsored 60 annual scholarships and has granted 54 awards to the best young skiers. The scale of the project is impressive. Representatives from all over Europe participated in the three editions of the LOTOS Grand Prix contest in 2007-2009, which is an unofficial championship for children and youths in ski-jumping.

The social programme of Grupa LOTOS has been appreciated both among sports circles and in the media. According to trainers and observers, the LOTOS Grand Prix contest is the best-organised event for young jumpers in the world.

Environmental Aspects of Operation

In the ENVIRONMENT area, the year 2008 was a period of intense work related to the implementation of the 10+ Programme, which provided versatile opportunities for interacting with the natural environment and local communities living in the neighbourhood of the plant.

By maintaining our priority to protect the natural environment, we aim at keeping harmony between our operation and the environment. To this purpose, we follow a detailed Plan of Environmental Actions, which enables the fulfilment of the principles of sustainability. The Plan guarantees respect for the natural environment, not only by compliance with legal requirements, but also by minimising and, if possible, eliminating any impacts, even if regulations do not require such measures, and provided there are reasonable opportunities to implement such measures.

In order to develop, implement and follow the provisions of the Plan, the environmental aspects of the operation have been reviewed, together with an assessment of the impact on specific receptors with which an aspect may interact. In the assessment of the impact scale (both in the construction phase and during later operation), the Report on the environmental impact assessment after the execution of the 10+ Programme has been used as well as extensive knowledge resulting from the implemented and applied procedures and principles provided in the Environmental Management System being a part of the Integrated Management System.

During the analysis of the construction phase of the 10+ Programme, in order to minimise the negative impact on the environment of implementing major elements of this stage, it has been concluded that the following elements will have such an impact:

- The selection of technical partners contracted by Grupa LOTOS, their reputation, long experience in the design and construction of refining and chemical complexes all over the world. The contractors include Technip (Italy), ABB Lummus Global (Germany), Lurgi (Germany/Poland) and Fluor (the Netherlands/Poland).
- The application of techniques, in particular during work that will have a major impact according to the analysis (uncontrolled emission of dust and noise), that include simple but proven methods,

such as: washing roads, sprinkling the areas in the vicinity of ground work, the application of tents and coverings that contain dust in the course of sand-blasting procedures (or the performance of sand-blasting at the manufacturers' of prefabricated parts).

- During the analysis of the **operating phase** of the 10+ Programme systems:
- The technologies developed by global leaders of the sector have been selected, such as: Shell, Kellogg and Chevron. According to the analysis, the new production equipment and modules comply with the system characteristics described in the referential documentation of the best available technology for the refining industry (BREF) as well as the technologies of the future (BAT). They also meet the emission standards required by law and do not risk exceeding the environmental quality standards in the refinery's environment. The assessment of compliance with the BAT requirements is aimed at searching for the optimum methods of counteracting the emission of pollution into the environment, focusing on prevention at the source or limiting such emissions to the minimum. The following aspects have been taken into consideration:
 - the technological advancement level of applied technical solutions and the newly installed/modernised systems;
 - material and raw material management;
 - power performance;
 - the problems of global impact, particularly the emission of greenhouse gases; and
 - organizational issues.

The performance of the 10+ Programme will enable the achievement of the planned economic targets with a relatively low increase of emissions into the environment, which complies with the principles of sustainability and in particular the rule of decoupling. All the analysed parameters will be lower than the acceptable values and the quality of the environment in the affected area will not deteriorate significantly, while unit indices of emissions into air, sewage and waste will decrease.

Main investment tasks implemented in 2008

Ecological investments executed within the 10+ Programme:

- The hydrodesulphurization system,
- Development of the sewage treatment plant.

The ecological investments executed outside the 10+ Programme:

- Commissioning the anti-theft monitoring system near the product pipelines from the refinery to the Port, which has significantly improved the protection of pipelines. The task was completed in 2008.
- The air-tight sealing of selected systems of the sewage treatment plant. The task involves the sealing of facilities in stages and the utilization of gases released from selected systems of the sewage treatment plant of Grupa LOTOS to eliminate their negative impact on the environment due to their odour.
- According to the adopted principles of the corporate social responsibility and in reaction to the signals received from the close vicinity of the refinery concerning the emitted odours, Grupa LOTOS undertook that the problem would be solved in 2010. In 2007/2008, the environmental services of

Grupa LOTOS identified the equipment that might cause short-term unpleasant odours in specific weather conditions, mostly in the sewage treatment plant. The following facilities have been selected for air-tight sealing: the 5100 S-107 A/B separator, the 5100 S-12 flocculator, the 5100 S-3B retention reservoir and the oil sewage pumping station. The contractor was selected following a number of stages in tender procedures. The design work has been completed and the prefabrication of the required elements of the sealing and gas utilization system has commenced. The system is to be commissioned at the end of 2009.

- The visualization computer system to optimise energy consumption. Its implementation will reduce the emissions of pollution. The task was completed in 2008
- Supplying the refining system of fuel gas with natural gas. The provision of natural gas to the power system of Grupa LOTOS has a major impact on reducing the CO₂ emission. The task was fulfilled in 2008.
- The commenced investment of the xylene emission system is to reduce the share of polluting aromatic compounds in gasoline to the level required in order to comply with other requirements set for this group of products.
- The exchange of burners on the Lentjes boilers (2700 K-2 and 2700 K-3) with low-emission boilers. This task is to be finished in 2010.

Investment outlays of Grupa LOTOS

	2006	2007	2008
Total investments (in thousands PLN)	284,104	858,482	1,910,687
Ecological investments (in thousands PLN)	34,387	99,880	224,723

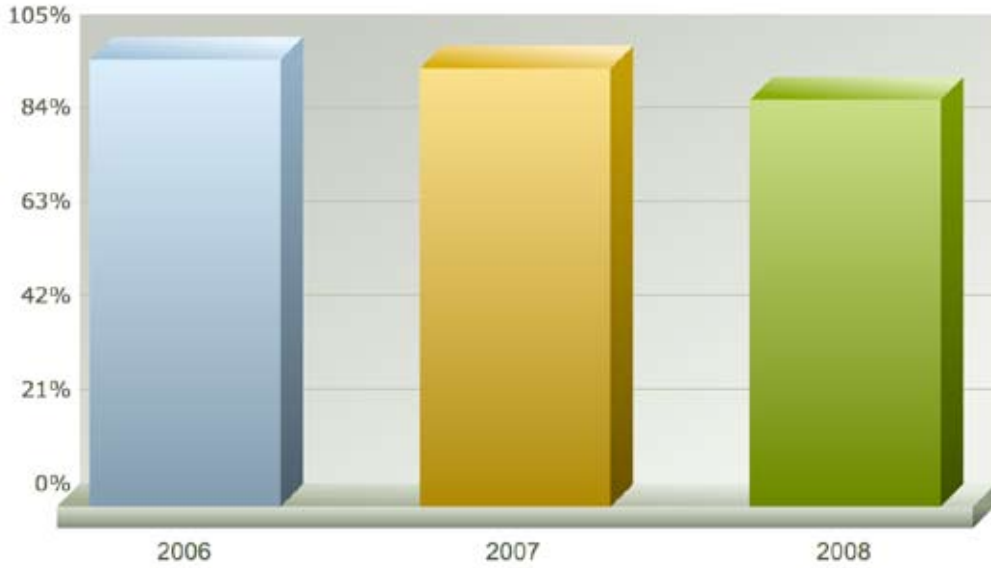
Impact on the Environment

Emissions into the air originate from organised sources (the most important are the heat and power plant chimney and two production chimneys) and from unorganised sources (the most important being storage tanks and two flares).

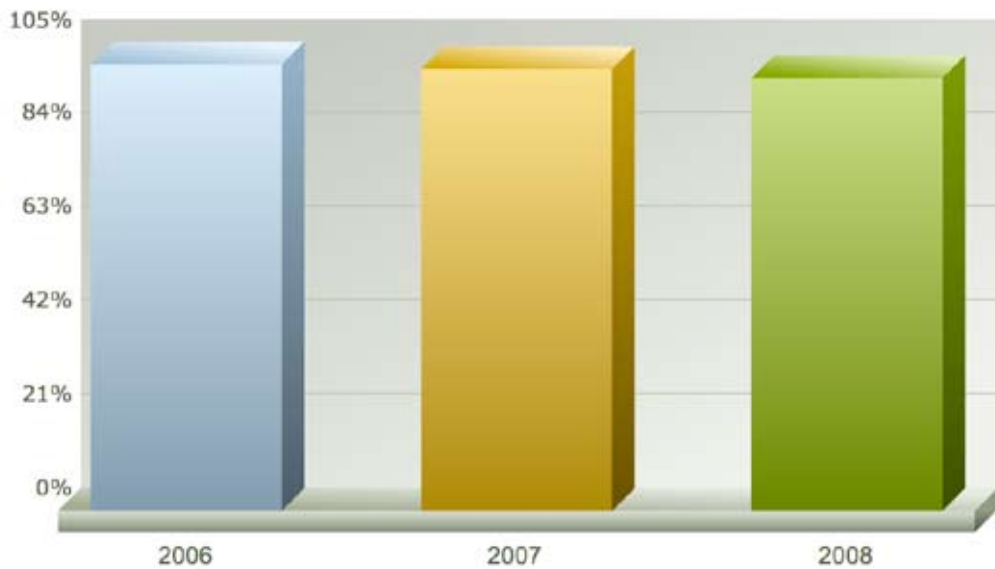
List of pollution emissions by Grupa LOTOS

	2006	2007	2008
Petroleum/raw material processing [tonnes]	6,098,600	6,156,431	6,203,414
SO ₂ [tonnes/year]	4,859	4,808	5,022
NO ₂ [tonnes/year]	1,601	1,583	1,317
Pył [tonnes/year]	364	365	306
CO ₂ [tonnes/year]	1,153,625	1,152,505	1,135,348

Emission of nitrogen dioxide with reference to the volume of petroleum processed at Grupa LOTOS (2006=100%)



Emission of carbon dioxide with reference to the volume of petroleum processed at Grupa LOTOS (2006=100%)



Emission of dust with reference to the volume of petroleum processed at Grupa LOTOS (2006=100%)

