

Management Systems

Carrying out the mission of the LOTOS Group, achieving its strategic aims and providing stable growth of goodwill for shareholders all require state-of-the-art management with clearly defined directives, resulting responsibilities and efficient communication.

Grupa LOTOS determines the management standards applicable in all companies of the LOTOS Group and supervises the process of their implementation based on the following management principles:

1. **Customer orientation** – operations of the LOTOS Group focus on professional customer service and learning both present and future customer needs, so as to fulfil their needs and offer products and services of a quality exceeding their expectations.
2. **Leadership** – managers of the LOTOS Group set the objectives and directions and create and maintain an internal environment where employees may be involved in the achievement of aims in compliance with the implemented Managers Code of the LOTOS Group.
3. **Commitment** – employees at all levels of the LOTOS Group are the core of the organization and its main asset. Their commitment allows their abilities to be used for the benefit of the organization.
4. **Process approach** – processes have been identified at Grupa LOTOS and its subsidiaries together with their owners who are in charge of monitoring their operation by applying set measurements on an on-going basis. The results of the analyses are presented to the Management Board of the Company during regular meetings.
5. **System approach** – processes are identified at the LOTOS Group and the interrelated processes are managed as a system, which contributes to higher efficiency and effectiveness in achieving aims.
6. **Continuous improvement** of operations is a permanent aim of the LOTOS Group.
7. **Taking decisions based on facts** – effective decisions are taken based on analyses of data and reliable information received through the implemented reporting system.
8. **Beneficial relations with suppliers** – the LOTOS Group uses the fact that the organization and its suppliers are interrelated and the beneficial solutions increase the capacity to create value for both parties.

These standards are applied not only in companies that hold management system certificates, such as LOTOS Asfalt, LOTOS Gaz, LOTOS Lab, LOTOS Kolej, LOTOS Parafiny, LOTOS Ochrona, LOTOS Straż, LOTOS Serwis, LOTOS Oil, LOTOS Paliwa and Petrobaltic, but also in other subsidiaries of Grupa LOTOS.

Good communication is an important part of the effective maintenance and improvement of the management system. Meetings are held at Grupa LOTOS to discuss the operation of management systems in the companies of the LOTOS Group and to determine the directions of operation and development in the next years. They provide an opportunity to exchange experiences and information on best practices, and to present significant changes to the implemented processes and development plans. One of the key objectives of such meetings is to discuss ongoing problems and to search for common solutions.

In order to ensure the effective operation of the LOTOS Group, an effective reporting system has been implemented. One of its parts is the provision of periodic information on the progress of task performance and decisions taken. Another element of the system is the preparation and transfer of analyses/information to allow the early identification of unfavourable trends/events that might disrupt the schedule of strategy implementation, including the development of the LOTOS Group. Such early identification enables fast reaction to such threats. The system encompasses providing immediate information on any noticed events that might disrupt the safe operation of the LOTOS Group and allows the immediate reaction of the Management Board.

The LOTOS Group operates and constantly upgrades its Integrated Management System Portal. It provides the effective distribution and easy access to applicable documentation, including legal requirements. It features all documents accessible to the employees of the LOTOS Group, according to their authorization. It is also used to support measures in environmental protection – apart from the register of legal requirements, it includes the documentation of waste management and environmental reporting. In addition, the Portal includes the operational areas such as failure reporting, the register of powers of attorney and reports applicable in the Company. The functionality of the Portal is continually upgraded and extended with new applications.

Codes and standards, internal behaviour models

To provide cohesive management and ethical standards, the following documents applicable in the LOTOS Group were updated at the end of 2008: *the Corporate Decalogue, the Workers Code and the Managers Code of the LOTOS Group*.

The Corporate Decalogue

This reflects the values and principles recognized by the Management Board of Grupa LOTOS as fundamental for the whole LOTOS Group. These principles apply both to the business operations and interpersonal relations. They encompass, e.g. pursuing continuous development and economic expansion in the area of strategic interests.

The Decalogue indicates the necessity to follow the rules of corporate social responsibility and sustainability together with respecting the natural environment. Moreover, it stresses the need for continuous development among employees and promotes effective communication, employee commitment and partnership relations.

Kodeks postępowania pracownika

Provisions of the Code confirm the principles adopted in the organization and are a guide for the employees of the LOTOS Group and its business partners. It also applies to third parties acting on behalf of the companies of the LOTOS Group, if the Company is liable for their behaviour. The Workers Code is to provide adherence to top standards of professional and personal ethics.

The Code refers in particular to integrity and professional ethics, promoting the interests of the LOTOS Group, the attitude of employees towards tasks to be performed, relations among workers, and reliability and transparency of dealing with customers and business partners. Information provided in the Code is designed to make all employees aware of the mission, vision and aims of the Company.

The Managers Code at the LOTOS Group

The Code encompasses the description of skills, desirable qualities and rules of behaviour of the managers of the LOTOS Group. The management skills, both with regard to business processes and human resources, are among the most significant and most difficult tasks of a manager. The Code emphasizes that managers of the LOTOS Group should be actively involved in developing their authority by following the rules of ethics, both with regard to professional issues and interpersonal relations.

In order to improve auditing, communication and process management skills at the LOTOS Group, the first cycle of training, called Auditor School, was performed. 35 employees of the LOTOS Group received LOTOS Group auditor certificates, which confirm their qualifications in audits. Training auditors based on uniform standards will provide the application of the same criteria and comparable audit results among different companies of the LOTOS Group.

Audits are carried out at the LOTOS Group by interdisciplinary teams, which enables the collection of valuable information on various areas of operation. The unified results of auditors' work provide data on the strengths and weaknesses of performed business processes, the efficiency level of management systems, problems and threats and instances of non-compliance at the LOTOS Group, as well as highlighting any gaps in information flow among various companies. Conclusions made by auditors ensure that the correct managerial decisions are taken that guarantee further organizational improvement.

Integrated Management System Certificates

Grupa LOTOS has implemented the Integrated Management System based on the requirements of the following standards:

- PN-EN ISO 9001: 2001 Quality management system,
- PN-EN ISO 14001: 2005 Environmental management system,
- PN-N-18001:2004 Health and safety management system.

The system operates effectively and is used as a tool for the continuous improvement of the Company, as confirmed by the positive results of the audit carried out by the Polish Centre for Testing and Certification (PCBC) in October 2008.

The Integrated Management System guarantees to the customers the Company's care for the high quality of products and services. It is also evidence of the Company's concern with the environment and it ensures safety at work for employees.

In order to fulfil the special requirements of military customers, Grupa LOTOS continues the implementation of the 2110 Allied Quality Assurance Publication, which determines the quality management system according to NATO standards. The system has been developed according to the ISO 9001 standard and contains additional special requirements concerning quality planning, risk management and the Government Quality Assurance process support. The aim of the system is to ensure that NATO suppliers produce and deliver safe, reliable and material-saving goods for the army.

The position and future of the LOTOS Group both depend on the smooth operation of its processes. The safety of information and data-processing systems is one of the key elements in providing the continuity of operation and development. Therefore, the LOTOS Group continues the process of implementing the Information Safety System. The developed and implemented Information Safety Policy is a guarantee of effective and efficient protection of information. The implemented rules comply with applicable rules of law that require the protection of specific types of information such as personal data, other protected information, including business secrets, secrets entrusted by suppliers and providers, stock exchange information, accounting information, proprietary information and ecological data. The organizational mechanisms of the system provide the continuous improvement of its operation and exercise the rule of continuous improvement that applies to management systems.

In order to prevent hazards that are related to the operation of the LOTOS Group and its environment, the implementation of the Enterprise Risk Management system commenced in 2008. The consolidated results of a workshop that identified and assessed risks at the LOTOS Group were used to create a map of risks for 2009 and a map of strategic risk.

The performance of these tasks has made employees of the LOTOS Group aware of risk management principles. Their main aim is to develop a consciousness of potential risks to the fulfilment of strategic aims, to supplement the list of priorities with measures that limit the most significant hazards and to implement and monitor such measures. Effective management of corporate risk prepares the LOTOS Group for any unwelcome situations and for working in crisis conditions, it enables decisions to be taken based on more complete information and provides the framework for the internal control system, the streamlined allocation of resources and higher operating efficiency.