

## Labour practices and decent work

### Employment

#### GRI No. AREA

#### LA 1 The total number of employees by types of employment, type of employment agreements and regions

Employment	31.12.2005		31.12.2006		31.12.2007		31.12.2008		31.12.2009	
	Number	%	Number	%	Number	%	Number	%	Number	%
Grupa LOTOS	823	-	945	15	1,098	16	1,246	13	1,305	5
The LOTOS Group	5,435	-	5,624	3	4,764	-15	4,878	2	4,949	1
The number of employees by type of agreement and region.:										

#### Specification

#### - for an indefinite period of time

	31.12.2009
Gdańsk	907
Czechowice	29
Jasło	15
Krakow	3
Piotrków Trybunalski	9
Poznań	4
Rypin	9
Warsaw	15
Total:	991

**- for a definite period of time**

Gdańsk	303
Czechowice	0
Jasło	2
Krakow	0
Piotrków Trybunalski	0
Poznań	1
Rypin	2
Warsaw	6
Total:	314

**Specification**

31.12.2009

**- full-time jobs**

Gdańsk	1,206
Czechowice	29
Jasło	16
Krakow	3
Piotrków Trybunalski	9
Poznań	5
Rypin	11
Warsaw	20
Total:	1,299

**- part-time jobs**

Gdańsk	4
Czechowice	0
Jasło	1
Krakow	0
Piotrków Trybunalski	0
Poznań	0
Rypin	0

Warsaw	1
Total:	6

## **GRI No. AREA**

**LA 2** Total number of resignations and the employee rotation index by age groups, sex and region

The index of rotation (fluctuation) of employees in Grupa LOTOS amounted to 13.13% in 2009.

## **GRI No. AREA**

**LA 3** Additional benefits guaranteed to full-time employees that are not provided to temporary or part-time employees, by main organizational units

Grupa LOTOS provides all employees, i.e. employed for an indefinite period of time, for a definite period of time (temporary), full-time workers and part-time workers, the option to use the package of the same social benefits guaranteed under the Collective Bargaining Agreement and the Regulations of the Social Benefits Fund. Grupa LOTOS provides life insurance (managed in a partnership with an investment fund), additional medical care, maternal or paternal leaves, social aid with loans, subsidies and co-financing of holidays for employees and their children.

## **Labour and management relations**

### **GRI No. AREA**

**LA 4** Percentage of employees covered by the collective agreement

The Collective Agreement covers 96.4% of Grupa LOTOS employees.

### **GRI No. AREA**

**LA 5** Minimum notice due to material changes to the business, taking account of the provisions of the Collective Bargaining Agreement

The minimum notice relative to indefinite period of time employment agreements is stipulated by the regulations of the labour law, dependent on the period of service with the employer, and amounts to 2 weeks should an employee have worked less than 6 months, or 3 days in case of so-called 'replacement' contract.

## Occupational Health and Safety

### GRI No. AREA

**LA 6** Percentage of the total number of employees represented in the official joint management / staff committees for H&S that provide monitoring and consulting within the H&S employee programmes

According to the regulations of labour law, the H&S Committee has been established in Grupa LOTOS, comprising:

- trade unions attorney,
- H&S services,
- physician who provides prophylactic health care to employees,
- Corporate Social Labour Inspectorate, and
- trade union representatives.

### GRI No. AREA

**LA 7** Rate of injuries, occupational diseases, lost days, absenteeism and a total number of work-related fatalities by region

The main injuries are limb injuries – spraining, bruises and fractures. In 2009, no serious or fatal accidents occurred.

2009 saw the growing LTIF index trend in Grupa LOTOS compared to the previous years. This situation resulted from the higher awareness among employees with regard to H&S being a consequence of e.g. extensive awareness raising campaigns, higher commitment and developing healthy work culture. Employees participated in trainings and meetings on health and safety and other communication channels were provided for this purpose. Such measures gave the expected results and keep raising the knowledge of the employees every day. However, this planned process of raising the awareness and the safety culture of work is a long-term process and is the direction for work to be performed in the coming years. Irrespective of the rise of the LTIF index in 2009, during the last several years Grupa LOTOS has recorded a positive falling trend, which proves the right direction of measures taken for H&S. The existing problem is the lack of cohesion between the Polish and EU legal regulations. The elimination of legal gaps in the area of incidents would allow for their uniform classification and reported statistics. It would also definitely reduce the number of incidents recorded at Grupa LOTOS and the fair benchmarking in H&S between the LOTOS Group and other companies of the chemical sector in the world.

Grupa LOTOS	2005	2006	2007	2008	2009
Number of employees	823	945	1,098	1,246	1,305
Accidents at work	5	7	6	7	13
Absence (calendar days)	161	177	133	171	537
Lost days are calculated since the date of reception of a doctor's leave					
Occupational diseases	none	none	none	none	none
LTIF index (per 1 million working hours)	5.5	4.5	3.1	2.86	5.6

LIDIR index (per 200 thousand working hours)	0.7	0.8	0.6	0.6	1.1
the LOTOS Group Number of employees	2005	2006	2007	2008	2009.
Accident s at work	4,841	5,624	4,764	4,878	4,949
Absence (calendar days)	74	70	50	49	45
Occupational diseases	2,685	2,819	2,008	1,375	1,257
LTIF index (per 1 million working hours)	none	none	none	none	none
LIDIR	9.5	6.9	5.6	5.2	4.4
LIDIR	1.7	1.4	1.2	0.9	0.9

index  
(per 200  
thousan  
d  
working  
hours)

The LOTOS Group classifies accidents according to Polish legislation. Moreover, incidents are registered and statistics are held according to the European scale, i.e. of hazardous situations (including hazardous conditions and near misses), accidents that cause the LTI (lost time injury) above one day, used to calculate the LTIF index (Lost Time Injury Frequency), incidents of first aid and road accidents.

According to guidelines laid out in the Code of Practice of the International Labour Organization 'Registration and reporting accidents at work and occupations diseases', the entities of the LOTOS Group:

- follow a uniform procedure for accidents at the site of Grupa LOTOS,
- analyse the causes and effects of accidents,
- draw conclusions and introduce required corrective and preventive measures to eliminate the possibility of reoccurrence of such events in the future,
- document accidents and other hazardous situations, and
- identify and analyse hazardous situations to take required proactive and reactive measures that are aimed at preventing the reoccurrence of similar situations in the future.

GRI No. AREA

**LA 8** Education, trainings, consultation, prevention programmes and risk control programmes available to support employees, their families or members of the community due to the occurrence of serious diseases

All obligatory actions in this regard resulting from the H&S and health care regulations as well as the production-technical safety have been presented [on the website of Grupa LOTOS](#).

GRI No. AREA

**LA 9** Health and safety issues included in the formal agreements with trade unions

Healthcare and safety at work leave little room for introducing agreements with personnel representatives in the system of applicable laws. This fact results from the full responsibility born by the employer for all H&S issues, while the nature of any agreements is to transfer certain competences and related obligations, which is not possible in this case.

Multiparty consultations within H&S remain the sole and best solution with regards to this issue. The rules of law that introduce this institution require an employer to submit for discussion with employees any and all issues related to H&S. In Grupa LOTOS the consultation procedures are followed within the H&S Commission, which is formed of the representatives of employees and the employer. According to regulations, the Commission should hold meetings at least once a quarter. To reach the objective of a consultation, such consultation meetings at Grupa LOTOS are held more often and follow the initiative both of the employer and the representatives of the employees. Owing to the popularity of the consultation and extending its scope by transferring the initiatives to convene the meetings by the representatives of the personnel, the H&S Committee presents postulates to the management with regard to the improvement of safety, in particular the comfort of work. As a result, the employer may take account of such postulates to fulfil its obligations within H&S, which come from the public discussions with employees. In this way the employer goes beyond the minimum requirements set by the legal standards.

For example, the H&S Office and the H&S Committee have developed the practice of testing the personal protection equipment, working clothes and footwear by the employees, to take decisions on buying after receiving opinions from the staff that will use the tested equipment in the future. Another practice resulting from the above-mentioned cooperation involves regular meetings with producers of equipment and accessories used at work that affect safety, to improve the comfort of work. To change such practices into formal procedures, the H&S Committee has requested to include such proven solutions in the regulations issued by the employer. The efficiency of such actions and the adopted direction is proven by the fact that Grupa LOTOS Social Labour Inspector has not had to use its authorities within H&S for more than a year, since the practice of cooperation in this regard provides the early elimination of problems.

**Training and education**

GRI No. AREA

**LA 10** Average number of training hours per employee by types of employment in an annual system

Kategoria zatrudnienia	2005	2006	2007.	2008	2009
Senior management	20.1	51.6	41.5	45.8	35.2
Junior management	21.5	60.6	38.3	44.7	51.9



Administration	11	24.8	35.9	33.1	38.7
Production	11.3	13.4	13.8	10.2	10.3

GRI No. AREA

**LA 11** Programmes of developing managerial skills and adult education that support the continuity of employment and facilitate retirement

All employees of Grupa LOTOS, irrespective of their age or retirement time, can participate in the programmes aimed at gaining and extending their knowledge, professional skills and general abilities, both in internal and external trainings. The development of skills is facilitated by co-financing the education as well as with training leaves.

Moreover, employees of Grupa LOTOS may declare their intention of early retirement. Those employees who decide to change their employment agreement for an indefinite term to a definite term within two years before obtaining the statutory right to retire, receive a one-off increase of basic salaries by 8.5% per month under the amended employment agreement.

The employees are entitled to a single severance pay due at retirement and its value depends on the period of service. The severance pay may vary from a one-month salary if the service period amounts up to 15 years to 500% of the basic salary after 35 years of work.

GRI No. AREA

**LA 12** Percentage of employees subject to regular performance assessment and career development reviews

	2005	2006	2007	2008	2009
Employees subject to regular performance assessment and career development reviews (in %)	85	69	86	79	(*)

(\*) The assessment for 2009 will be carried out in Q3 2010.

According to the procedure entitled 'Regular assessment of Grupa LOTOS employees', all employees of Grupa LOTOS under employment agreements (except for the Management Board) who have worked for at least 6 months in the organization unit on the day of the regular assessment, are subject to the assessment. When assessing an employee, a line manager has to have worked for at least 6 months in the position before conducting the assessment. Therefore, depending on the intensity of organizational changes and the number of new employees, the percentage of assessed persons will change every year. The results obtained fulfil the objectives.

## Diversity and equal opportunities

GRI No. AREA

**LA 13** by gender, age, minority group membership and other indicators of diversity

The composition of managing and supervising authorities of Grupa LOTOS by sex: Specifica 31.12.20 %

tion	09	
- men		
Management Board	4	0,31
Senior management	25	1.92
Mid-management	49	3.75
Total:	78	5.98
- women		
Management Board	0	0
Senior management	8	0.61
Mid-management	14	1.07
Total:	22	1.69

The composition of managing and supervising authorities of

Grupa LOTOS by age: Specifica 31.12.20 %

tion 09

below 30

years old			
Management Board	0	0	
Senior management	0	0	
Mid-management	5	0.38	
Total:	5	0.38	
30 – 50 years old			
Management Board	1	0.08	
Senior management	21	1.61	
Mid-management	40	3.07	
Total:	62	4.75	
above 50 years old			
Management Board	3	0.23	
Senior management	11	0.84	
Mid-management	19	1.46	
Total:	33	2.53	
GRI No. AREA			

**LA 14** Ratio of basic salary of men and women by employment category**Basic salaries by gender****31 December 2009**

Employment categories	Women Quantity	Average basic salary	Men Quantity	Average basic salary	Ratio of average basic salary of women to average basic salary of men (in %)	Ratio of basic salary of men to basic salary of women (in %)
Management Board	0	-	4	19,919	-	-
Senior management	8	16,375	25	20,490	80	115
Lower management	40	9,819	89	11,583	85	118
Administration	355	5,093	249	7,201	71	132

ration						
Producti	1	3,581	534	6,119	59	78
on						
Total	404	5,628	901	7,029	80	128

## Human rights

### Practices within investments and procurement

GRI No. AREA

**HR 1** Percentage and total number of material investment contracts that include human right clauses or have been revised in this regard

Grupa LOTOS has not included human rights clauses in its contracts so far. However, due to the requirement to develop the relevant provisions in this regard, the management of Grupa LOTOS has decided to establish the Social Responsibility Committee that will be responsible for developing a coherent policy of Grupa LOTOS with regard to human rights and their control, including the relevant clauses in investment contracts concluded by Grupa LOTOS.

GRI No. AREA

**HR 2** Percentage of material suppliers and contractors that have been controlled with regard to the compliance with human rights and actions taken in this regard

Grupa LOTOS has not controlled the compliance with human rights by suppliers and contractors, either during their selection or subsequent cooperation.

GRI No. AREA

**HR 3** Total number of training hours of employees within human rights policy and procedures that are important for the business and the percentage of trained employees

Grupa LOTOS has designated 364 hours for training within human rights policy and procedures of importance for the business. In total, 11% of employees have undergone the training.

## Counteracting discrimination

GRI No. AREA

**HR 4** Total number of instances of discrimination and actions taken in this regard

Grupa LOTOS has recorded no instances of discrimination due to race, colour, gender, religion, political affiliation, nationality or social background.

## Freedom of association and collective bargaining

GRI No. AREA

**HR 5** Actions identified as the potential risk of violating the freedom of association and collective bargaining and actions taken to support the exercise of such rights

Grupa LOTOS has recorded no actions that might threaten the freedom of association or collective bargaining.

## Child labour

GRI No. AREA

**HR 6** Actions identified as resulting in material risk of using child labour and actions taken to eliminate such cases

Grupa LOTOS has recorded no actions that could be recognised as the material risk of child labour or labour of young workers exposed to hazardous working conditions.

## Forced or compulsory labour

GRI No. AREA

**HR 7** Actions identified as the material risk of enforced or compulsory labour and means taken to eliminate such cases

No incidents of forced or compulsory labour have occurred in Grupa LOTOS.

## Security procedures

GRI No. AREA

**HR 8** Percentage of security employees trained according to the policy or procedures applicable in the organization and concerning human rights, which are important for the business

According to the human rights policy and procedures that are material for the business. 91% of security employees have attended training. As regards contracted companies providing security services for Grupa LOTOS such training was attended by 88% employees.

## Product liability

AREA

GRI No.

**PR 1** The stages of the product life cycle on which the impact of products and services is assessed on the health and safety, to improve the indexes and the percentage of material categories of products and services subject to such procedures

The procedures applied in Grupa LOTOS require determining the possible impact on health and safety. All products manufactured when processing oil are subject to classification, which includes the assessment of their impact on the health and safety of use. Such actions are determined in the REACH regulation (Registration Evaluation Authorisation of Chemicals), which concerns chemical substances. The REACH regulation is the EU initiative used to systematize and order the rules of launching chemical substances [EC 1907/2006 Regulation of the European Parliament and Council of 18 December 2006].

The data presenting the fulfilment of the obligation to assess the impact of products on health and safety during all stages of the cycle of use by individual trading companies of the LOTOS Group are available [on the website of Grupa LOTOS](#).

GRI No. AREA

**PR 2** Total number of instances of non-compliance with regulations and the voluntary code of practice with regard to the impact of products and services on health and safety

During the reporting period, no instances of non-compliance with the regulations that concern the impact of products on health and safety have been recorded in the LOTOS Group.

## Marking of products and services

GRI AREA

No.

**PR 3** Type of information on products and services required under the procedures and the percentage of material products and services subject to such requirements

For all products manufactured at Grupa LOTOS, Data Sheets are drawn up based on the applicable legal requirements (REACH Regulation). Such documents include information on the impact of the product on health and environment, the hazardous ingredients, exposure control, procedures in case of fire and emission to the environment as well as disposal of waste.

Product Data Sheets are available in Polish [on the website of Grupa LOTOS](#).

The data including the type of information on products and services required under the procedures and provided by individual trading companies of the LOTOS Group are available on the website of Grupa LOTOS.

Grupa LOTOS	Scope of available information concerning products and services required by external procedures	Yes
	Origin of ingredients of a product or service	x
	Composition, in particular including the substances that may affect the environment or the society	x
	Safety of using the product or service	x
	Disposal of products and impact on the environment / society	x
	Other:	x
	procedures for storage and transport	
	physical and chemical properties, stability and reactivity	
	waste management	



Commercial companies of the LOTOS Group fulfil the obligation to provide information on products according to guidelines resulting from the rules of law and the binding internal procedures.

- General rules of packaging marking have been determined in the Act on packed goods. According to the Act, packaging should include the name of the product, its nominal quantities and the marking of the operator.
- The Act on general safety of products requires a producer to provide a consumer with information that enables to assess hazards related to a product during the ordinary and predictable period of its use, if such hazards are not visible without the relevant warning, as well as to counteract such hazards. According to applicable rules of law, the marking of every manufactured product with the PKWiU code enables sellers to tax the product correctly.
- The Act on the liberty of economic activity requires the entity that launches a product to place on the product, i.e. its packaging, label or instructions, the name and address of the distributor, the name of the goods and other marking and information required under other regulations.
- The Act on chemical substances and preparations imposes the obligation to mark hazardous substances and preparations. The regulations require to label all hazardous preparations and some preparations that are not classified as hazardous, but contain at least one hazardous substance.

The data on the products and services required under the procedures and provided by the commercial companies of the LOTOS Group are available [on the website of Grupa LOTOS](#).

GRI No. AREA

**PR 4** Total number of instances of non-compliance with regulations and the voluntary codes of practice with regard to information on products and services and their labelling

During the reporting period, no instances of non-compliance with the regulations, rules and codes within production information have been recorded in the LOTOS Group.

GRI No. AREA

**PR 5** Practices concerning customer satisfaction including the results of questionnaires to test such satisfaction

The largest commercial companies of the LOTOS Group conduct regular polls and questionnaires of customer satisfaction. The methodology and the scope of such tests and their results are presented [on the website of Grupa LOTOS](#).

**Marketing communication**

GRI AREA

No.

**PR 6** Compliance programmes, standards and voluntary codes of conduct concerning marketing communication, including advertisement, promotion and sponsoring

In the process of managing all issues related to the corporate brand strategy, product brands, promotion strategy and building the brand value and the LOTOS brand image, the following rules are strictly followed in the distribution of promotional materials and marketing work:

- compliance with applicable regulations,
- causing no intentional damage,
- bearing the responsibilities for the consequences of actions, and
- the appropriate use of education, professional skills and experience of employees.

All actions are taken in compliance with human dignity, equality of sexes and without using any controversial content that may offend any social groups or provoke negative emotions. These rules are the supplement to the applicable and strictly followed rules of law, in particular the Constitution of Republic of Poland, the Civil Code and the Act on counteracting unfair competition, the Act on press law, the Act on radio and television, the Act on protecting certain consumer rights, the Act on rendering electronic services, the Act on protecting personal data, the Act on copyrights and related rights, the Act on industrial ownership and the Code of Advertisement Ethics.

By respecting the right to the protection of privacy in its marketing, Grupa LOTOS follows all the regulations that result from constitutional standards and the regulations stemming from the Act on the protection of personal data.

The internal procedures are governed by the Regulations of the Committee for Marketing and Communication, whose purpose is to provide the suitable marketing in the whole LOTOS Group.

Entities that cooperate with the LOTOS Group within the marketing cooperation are obliged to follow the International Code of Marketing Practises, as adopted by the International Chamber of Commerce (ICC).

In its [sponsoring](#) activities, Grupa LOTOS follows the rules given in the voluntary codes of practices developed e.g. by business organizations of the promotion, advertising and [sponsoring](#) sector as well as the organizations that promote good practices in business.

Concluded [sponsoring](#) agreements have to clearly and transparently define their type and have to accurately determine all the parties involved and the obligations of the sponsored party. Grupa LOTOS does not get involved in any events that might damage any historical or artistic objects or in any events that might have any negative impact on the natural environment.

Grupa LOTOS, being a member of Global Compact and following the rules of this organization related to the responsibility for the natural environment, within the marketing communication and [sponsoring](#) complies with Principle 7, i.e. supporting the precautionary approach to environmental challenges, and Principle 8, i.e. undertaking initiatives to promote greater environmental responsibility.

GRI AREA

No.

**PR 7** Total number of instances of non-compliance with regulations and the voluntary codes of practice that govern the issues of marketing communication, including advertisement, promotion and [sponsoring](#) according to the types of effects

During the reporting period, no instances of non-compliance with the regulations and codes that concern marketing communication have been recorded.

### Privacy of customers

GRI AREA

No.

**PR 8** Total number of justified complains related to the breach of privacy of

customers and the loss of data

No complaints due to the violation of the privacy of customers or the loss of data have been recorded in the commercial companies of the LOTOS Group.

### **Compliance with applicable laws and regulations**

GRI AREA

No.

**PR 9** Value of financial penalties due to instances of non-compliance with law and regulations concerning deliveries and use of products and services

During the reporting period, no incidents related to the deliveries or use of products or provision of services have been recorded. Therefore, no administrative or court sanctions have been imposed on any entities of the LOTOS Group due to the non-compliance with law or the regulations concerning deliveries and use of products and provision of services.

## **Society**

### **Corruption**

GRI AREA

No.

**SO 2** Percentage and total number of business entities exposed to the risk of corruption

Internal regulations, procedures and instructions introduced in Grupa LOTOS contain a built-in system of control mechanism that are aimed at minimising the risk of abuse or corruption. The second element of counteracting corruption are the generally available internal regulations that determine the desirable ethical and moral attitudes:

- Codes of Conduct for employees,

- Code of Managers,
- Corporate Decalogue, and
- [code of ethics](#) for internal auditors.

To verify the efficiency of the internal control system, Grupa LOTOS prepares the annual and long-term audit plan based on the internal analysis of risks and encompassing also the possibility of corruption practices. If any events or areas exposed to the corruption practices are identified, Grupa LOTOS has a defined path of launching ad hoc audits aimed at reacting quickly to such risks/practices.

GRI AREA

No.

**SO 3** Percentage of employees trained within the area of anticorruption policies and procedures of the organization

Position Employees  
trained  
(w %)

Manager 24.1

ial

Other 6.7

GRI AREA

No.

**SO 4** Actions taken in response to the instances of corruption

During the reporting period, any corruption practices were identified that could potentially result in legal charges.

### State policy

GRI AREA

No.

**SO 6** Total value of funds and contributions donated to political parties, politicians and similar institutions

The ethical principles adopted by Grupa LOTOS prevent any political involvement of Grupa LOTOS, which cannot support any political groups.

### Anti-competitive behaviour

GRI AREA

No.

**SO 7** Total number of legal actions, anti-competition or anti-trust behaviour and monopolist practices taken against the organization and their final result

**1. Pursuant to the decision of the President of the Office of Competition and Consumer Protection of 21 March 2005, the anti-monopoly proceedings were initiated due to the suspected non-market agreement concluded between Polski Koncern Naftowy ORLEN S.A. in Płock and Grupa LOTOS in Gdańsk concerning the simultaneous discontinuation of the production and distribution of the universal U95 gasoline.** According to the Management Board of Grupa LOTOS, due to the continuation of the production and sale of the U95 universal gasoline, the accusations of the Office are groundless and in April 2005 the Management Board requested issuing a statement proving that Grupa LOTOS has not undertaken any actions aimed at uncompetitive practices.

In July 2005 Grupa LOTOS submitted to the Anti-Monopoly Court the complaint against the decision of the Office concerning the limited access to some of the evidence collected in this case. Irrespective of this complaint, Grupa LOTOS filed another motion in September 2005 requesting issuance of a statement proving that Grupa LOTOS has not undertaken any actions aimed at uncompetitive practices. In October 2005 another decision of the Office was received that limited access to some of the collected evidence and Grupa LOTOS appealed against it to the Anti-Monopoly Court. The District Court – the Court of Competition and Consumer Protection rejected the complaint. Grupa LOTOS complained against this decision to the Appeal Court in Warsaw, which was rejected.

Pursuant to the decision of 18 April 2007 which followed the motion of PKN ORLEN, the right of Grupa LOTOS to access the evidence material in the anti-monopoly proceedings was limited. It concerned the materials collected during the control of PKN OLREN in the part of schedules to the reports on controls of offices in Płock. Moreover, the access to the report on the control of offices in Warsaw with schedules was limited. In the same decision the motion of PKN ORLEN was rejected, which applied for limiting access to the evidence material within the control of offices in Płock. On 26 April 2007 Grupa LOTOS complained against the decision that limited the right of Grupa LOTOS to access the evidence material. On 9 May 2007, Grupa LOTOS received the summons from the Office to provide information concerning changes of prices of U95 and Pb95 gasoline. The same day, Grupa LOTOS sent the required information to the Office. On 2 August 2007

Grupa LOTOS sent information to the Office on completing the production of U95 gasoline. On 31 December 2007 the President of the Office imposed a 1,000 thousand PLN fine on Grupa LOTOS. Therefore, on 17 January 2008 this decision was appealed against at the District Court in Warsaw.

On 23 September 2008 the District Court in Warsaw, the Court of Competition and Consumer Protection, sent the response of the President of Office to the appeal of Grupa LOTOS against the decision. In response to the appeal of Grupa LOTOS the President ascertained that the complaint of Grupa LOTOS was unjustified, both with regard to material and formal regulations, and he motioned for the rejection of the appeal in whole and charging the defendant with costs of court proceedings. The hearing is to take place on 27 April 2010. As of day of approving the Financial Statements, the case was pending.

According to the Management Board, the risk related to the loss of the dispute is low, therefore no reserve for any damages have been created in the financial statements.

## **2. Action brought by PETROECCO JV Sp. z o.o. for damages due to the use of monopolistic practices.**

With the action of 18 May 2001 PETROECCO JV Sp. z o.o. made the claim against Grupa LOTOS for damages amounting to PLN 6,975 thousand with statutory interest since 1 May 1999 for losses incurred because of the monopolistic practices that involved the sale of BS base oils in the manner that gives preferences to certain customers, by fulfilling their orders on a much larger scale than the orders filed by PETROECCO JV. The use of monopolistic practices was ascertained with the decision of the Anti-monopoly Office of 26 September 1996, wherein the Office ordered Grupa LOTOS to discontinue such practices.

Grupa LOTOS appealed against the decision. The Voivodeship Court in Warsaw, the Anti-monopoly Court, issued the sentence of 22 October 1997 that changed only the justification to the decision and also ordered Grupa LOTOS to discontinue such monopolistic practices. The final appeal against this sentence was also rejected by the Supreme Court with the sentence of 2 June 1999. The District Court in Gdańsk, with the sentence of 21 December 2002, rejected the claim for damages, accepting the claim of limitation submitted by Grupa LOTOS. However, this sentence was quashed by the Appeal Court in Gdansk in the case I ACa 824/03 and referred back to the District Court in Gdańsk. The Appeal Court decided that the limitation argument was incorrect. According to this Court, it was only on 2 June 1999 (the date of the ruling by the Supreme Court) that PETROECCO JV learnt that its losses were the result of monopolistic practices, which were related to the tort liability of Grupa LOTOS, and since that date, according to the Court, the three-year limitation period for claims for damages ran. The case was held at the District Court in Gdańsk (1st instance court), ref. No. IX GC 134/04. Grupa LOTOS also used the content-related arguments (questioning any losses incurred by PETROECCO JV, their value and the cause and effect relation between the monopolistic practice and the loss). After the hearing in June 2005, the District Court ordered an opinion from an expert in accounting and

economics with regard to losses incurred by the claimant due to the actions of Grupa LOTOS. In the opinion the expert argued that it was not possible to calculate the value of losses or their incurrence with the materials submitted by PETROECCO JV. The expert also recommended that another opinion should be contracted from another expert in accounting. The shortage of evidence for issuing such an opinion enabled the claimant to make the court select another expert. The hearing was held on 27 March 2007. The sentence was to be issued on 10 April 2007, however it was delayed until 20 April 2007. The suit was dismissed with the sentence of 20 April 2007. On 17 May 2007 Grupa LOTOS made a complaint against the decision on the costs of proceedings. On 4 June 2007 PETROECCO JV appealed against the sentence of 20 April 2007. On 12 August 2007 Grupa LOTOS responded to the appeal. On 20 December 2007 the Court dismissed the appeal of PETROECCO JV against the sentence of the District Court. On 19 March 2008 the application for execution was submitted to the court collector against PETROECCO JV. On 17 April 2008 PETROECCO JV made the final appeal against the sentence of 20 December 2007. The appeal was delivered to Grupa LOTOS on 17 June 2008. The response was sent on 30 June 2008. The case was submitted to court on 14 November 2008. On 14 January 2009 the Supreme Court decided to reverse quash the sentence and directed the case to the Appeal Court in Gdańsk again. The files of the case were submitted to the Appeal Court on 10 March 2009 and on 3 April 2009 the court collector delivered the decision on discontinuing the execution proceedings. On 14 May 2009 the Appeal Court transferred the court back to the District Court. At the hearing on 3 November 2009 the Court obliged PETROECCO JV to appoint an expert. Another date of the hearing is to be set. As of the day of approving the financial statements, the case was pending.

According to the Management Board, the risk related to the loss of the dispute is low, therefore no reserve for any damages have been created in the financial statements.

### **Compliance with applicable laws and regulations**

GRI AREA

No.

**SO 8** Value of material financial penalties and the total number of non-financial sanctions due to non-compliance with applicable law and regulations

During the reporting period companies of the LOTOS Group did not pay any material fines and were not charged with any non-financial sanctions due to the non-compliance with applicable law and regulations.