

Shareholders' right to file recommendations

Shareholders of Grupa LOTOS have the right to file their recommendations and directions to the General Shareholders Meeting.

Rules for shareholders' participation in the General Meeting and execution of their voting rights are set out in the Polish Code of Commercial Companies and Partnerships(KSH), the Articles of Association of Grupa LOTOS, and the Rules of General Meetings of the Company. Shareholders representing at least 1/20 of the share capital may request that particular issues be placed on the agenda of the next General Meeting. Such a request should be submitted to the Company's Management Board not later than 21 days prior to the planned date of the next meeting. They also have the right to submit draft resolutions on issues already included or to be included in the agenda of the General Meeting in writing to the Company's office or by electronic communication media. The Company immediately publishes such motions on its website. In addition, each shareholder may, during the General Meeting, suggest draft resolutions on issues included in the agenda and lodge proposals of changes and supplementations to already submitted drafts. If several draft resolutions are submitted in relation to the same issue, the chairman of the General Meeting puts each of the drafts to a vote.

During the General Meeting, only issues included in the agenda may be discussed. Each shareholder has a right to take the floor and provide a response. Upon the request of a participant of the General Meeting, their written statement is entered in the minutes.

Responses to the questions asked by shareholders shall be provided by members of the Management Board. Pursuant to corporate governance rules, Grupa LOTOS publishes the questions asked by shareholders at the General Meeting and the responses given to such questions during or after the meeting on the Company's website. Shareholders requesting to enter their objections to a resolution in the minutes may justify their position.

In 2009, two minority shareholders exercised their right to speak during the meeting and file an objection to one of the resolutions. In the first quarter of 2010, one of the minority shareholders announced a candidate for a member of the Supervisory Board who was put to the vote at the General Meeting.

Social understanding and freedom of association

The right of coalition and collective bargaining in the European legal system, as well as in the national legal systems of EU member states are guaranteed respectively by European primary law and internal legislation, including the constitutional law. Poland, as a signatory of the

European Social Charter ratified in 1999, accepts all the provisions thereof as applicable, including the right to organise and the right to free collective bargaining. Grupa LOTOS respects and supports such standards, which provide for rights classified as human rights, in accordance with European standards.

Based on the right to establish their independent and free employee organisations, the Company's employees established 6 trade unions, which associate around 39% of all staff. The size of corporate trade unions at Grupa LOTOS differs, ranging from 1.1% to 18% of all employees.

The employer concluded an agreement with all these employee organisations. This agreement sets out rules for providing premises required to run trade union activities and means of telecommunication, which are executed in accordance with the same standards as those applicable to management staff. Rooms used by trade unions are located at the registered office of Grupa LOTOS and access thereto is not limited in any way. Each employee is able to anonymously contact their representatives personally, without a pass.

Available data show that the existing share of employees in trade unions allows for an individual choice out of the full spectrum of organisations related to all social trends. The share of employees in trade unions is close to average and owing to programme diversification employees may choose among organisations associated with all social standards.

At Grupa LOTOS, apart from trade unions, a Council of Employees exists, composed of 7 members designated by the two biggest corporate trade unions. The employer concluded an agreement with the Council of Employees. Based on this agreement, the Council is able to perform its duties in accordance with the high standards applied by the employer. Each meeting of the Council, held in accordance with an autonomously agreed schedule, is attended by the employer's representative, who may provide information requested by employee representatives, respond to questions and take part in discussions, if necessary.

In 2004, five corporate trade unions finalised negotiations and signed the Corporate Collective Bargaining Agreement applicable to employees of Grupa LOTOS. In the course of 6 years of its existence, the Agreement has been updated by virtue of three annexes. At present, the fourth annex, incorporating regulations aimed at the growth of employees' personal involvement in the issues included in the strategy of the Company and its harmonious development, is being consulted.

As a result of the Company's understanding of the idea of [social dialogue](#), on 10 February 2009 an unprecedented agreement was concluded between the Council of Employees, all corporate trade unions and the Management Board of Grupa LOTOS on the Anti-Crisis Package for the LOTOS Capital Group. The purpose and success of that agreement was to have all trade unions accept an austerity package in response

to the ongoing crisis. Thanks to the consensus, social parties agreed to suspend negotiations on pay rises and committed themselves to conduct permanent consultations in order to inform employee representatives about, for example, changes in the industry's macroeconomic outlook and the outcome of undertaken savings measures. The agreement expired on 31 December 2009.

It is necessary to point out that all six trade unions, which signed the agreement of 10 February, agreed that it was necessary to adopt savings rules equivalent to those implemented at Grupa LOTOS, including the suspension of pay rises, among all employers coming within the Capital Group.

After one year, almost 80% of employees of Grupa LOTOS found that actions taken by the Company under the Anti-Crisis Package were necessary and efficient.

(Employee survey, February 2010)

Thanks to cyclical programmes of the Management Board's communication with employees and organisations representing employees, most employees found information about the Company's strategy sufficient.

(Employee survey, February 2010)

Participation in the public policy development and lobbying

Grupa LOTOS takes an active part in all forms of participation in the process of developing and creating public policies, within the frames provided by the Polish legislature. The Company's specialists were or are members of expert teams established by public institutions in order to develop new legislative solutions in the energy sector. This includes, for example, the team established by the Ministry of Economy to prepare the document entitled "Poland's Energy Policy till 2030".

Grupa LOTOS participates in work aimed at the development of policy and legal regulations on widely understood issues relating to the energy sector, including, in particular, the fuel market, also through organisations, of which it is a member. This refers, in particular, to the following organisations:

Business Centre Club (BCC): Grupa LOTOS' activity under the BCC focuses on cooperation over lobbying initiatives aimed at the development of the Polish economy, the growth of jobs and helping entrepreneurs. The Company supports the BCC in creating platforms for communication between individual social groups on issues of paramount importance for the development of Poland, including, in particular, the promotion of [corporate social responsibility](#).

Confederation of Polish Employers (*Konfederacja Pracodawców Polskich, KPP*): under KPP, Grupa LOTOS acts to the benefit of joint interests of the business environment by supporting all initiatives aimed at reinforcing the role of Polish employers. By participating in the process of opinion-making on draft legal acts, it takes up actions to achieve mutual benefits for employers and employees from economic development, fair and stable employment conditions, safety at work and social peace.

Polish Organisation of Oil Industry and Trade (*Polska Organizacja Przemysłu i Handlu Naftowego, POPIHN*): one of the key goals of Grupa LOTOS under POPIHN is the sustainable establishment and development of a competitive fuel market in Poland, for example, by taking up actions to implement business activity rules consistent with the EU law and equal rights for all players of the Polish fuel market. The Company achieves its goals by initiating, giving opinions and presenting comments on draft legal acts implementing EU solutions. Owing to its membership in POPIHN, Grupa LOTOS can also present its position in direct contact with representatives of the parliament, government, and other government administration authorities.

Polish Technology Platform for Biofuels and Biocomponents (*Polska Platforma Technologiczna Biopaliw i Biokomponentów, PPTBiB*): under this organisation, Grupa LOTOS takes up actions to significantly increase the competitiveness of the Polish economy in the field of biocomponent and biofuel production technologies, for example by building a bridge between industry and science, by conducting R&D and other studies, as well as the commercialisation of innovative solutions relating to the production and use of biocomponents and biofuels. The Platform, as an important partner, runs international cooperation both in terms of scientific, as well as implementation and production potential. Grupa LOTOS is a founder member of the organisation.

"Pomorskie in the European Union" (*"Pomorskie w Unii Europejskiej"*): the association supports actions taken by local governments of the Pomerania Voivodship, universities, institutions and enterprises in the European Union. The association has taken an active part in supporting Grupa LOTOS in the CEEP (Central Europe Energy Partners) project.

Center for Strategic & International Studies (CSIS): Grupa LOTOS closely cooperates with CSIS, which is a bipartisan non-profit organisation located in Washington. It deals with strategic analysis of defence, security, regional stability, international cooperation, energy sector safety, climate change, and economic cooperation covering the whole world. In addition, CSIS prepares recommendations for governments, international institutions, private entities and non-governmental organisations. Such great personalities as Zbigniew Brzeziński or Henry Kissinger and such companies as BP or Shell are connected with CSIS.

Central Europe Energy Partners (CEEP): Grupa LOTOS initiates work connected with the CEEP project. The central idea of this newly established organisation is to act to the benefit of the integration of the Central European energy sector with other EU member states

under a common energy and security policy of the European Union. Ultimately, the organisation is to be a regional entity cooperating with companies from the energy sector in Central Europe. CEEP's offices will be located in Brussels since basic regulations on the terms of operation for companies, including issues relating to energy, are adopted by the European Parliament and the European Commission, and domestic laws are harmonised.

Windsor Energy Group (WEG): in March 2009, Grupa LOTOS joined WEG with its registered office in London, an independent think-tank dealing with issues connected with the establishment of international order and security in the energy sector, focusing, in particular, on the oil and gas as well as alternative energy sectors. WEG associates politicians, ambassadors who served their [mission](#) in oil countries, government advisers, and presidents of large oil and gas exploration and exploitation companies. Grupa LOTOS' participation in WEG is an important element of the company's activity supporting the development of the energy sector in Europe and promoting the position of energy sector representatives from Central and Eastern Europe in the European Union. One of the consequences of the Company's membership to WEG was the organisation of the international conference "North European Energy Security Forum", which was held in Gdańsk in February 2010. Its purpose was to present Poland's position and bolster our country's argumentation in the ongoing process of security establishment in the power sector for Europe. The honorary patronage of the chairman of the European Parliament, Mr. Jerzy Buzek, the participation of representatives of European institutions, as well as governments and diplomatic corps of the Baltic states confirmed the validity and relevance of that event.



Energy security is one of the most important tasks facing the international community. This is a truly global issue which requires global solutions – said Paweł Olechnowicz, President of the Board of Grupa LOTOS (second left) at the opening of the North European Energy Safety Forum in Gdansk. The Forum was attended, among others, by (from the left): Lord David Howell, Chairman of the Windsor Energy Group (co-organizer of the debate), Jerzy Buzek, President of the European Parliament, and Janusz Lewandowski, European Commissioner for the Budget.

- **Polish Academic and Business Forum (*Polskie Forum Akademicko-Gospodarcze, PFAG*)**: the purpose of this association is to establish close cooperation between the academia and business in order to promote innovative solutions using national and EU funds. The Forum is also a platform for the process of opinion exchange and opinion-making on issues that are significant for Poland. It is attended by representatives of business and leading universities. Through its membership to PFAG, Grupa LOTOS acts to the benefit of the intensification of business and academic cooperation. It lobbies for support of innovativeness and the knowledge-based economy.
- **European League for Economic Cooperation (*Liga Europejska Współpracy Gospodarczej, ELEC*)**: an international organisation established to promote and support economic cooperation within the European Union. Grupa LOTOS' actions taken under ELECT (the Polish section was founded by the Company) aim at establishing both the domestic and regional position of the Company as an entity operating to the benefit of the economic development of the European Union and taking care of the EU energy security.
- **Conservation of Clean Air and Water in Europe (*CONCAWE*)**: a non-profit organisation associating European and non-European refineries to take care of clean water and air. Grupa LOTOS has had full member status since 2006. The Company's active participation in CONCAWE allows for the improvement of corporate awareness of the risks accompanying chemical substances, and the development of the chart of specifications in terms of threats for employees, customers and the natural environment. In addition, owing to its membership to CONCAWE, the Company has access to the interpretation of the latest and planned legal acts, technology development trends analyses, etc.