



Paweł Olechnowicz
President of the Board
Chief Executive Officer

An interview with Paweł Olechnowicz, President of the Board of Grupa LOTOS

– Grupa LOTOS is changing its approach to reporting on [sustainable development](#) with its current Annual Report. What are the reasons for this decision?

Transparency is of enormous importance for the organisation's proper operation, in particular for an organisation of the scale and nature of activities as Grupa LOTOS. We run an open information policy and undergo scrupulous reviews. Reporting is one of the [social dialogue](#) tools and a form of undergoing public evaluation and control. Trust in the Company comprises openness, transparency of activities and comprehensive communication. On one hand, comprehensive communication is understood as relations with all key [stakeholders](#), those actively involved in activities of Grupa LOTOS as well as those interested in the effects of the Company's operations. On the other hand, comprehensive communication is understood as the presentation of all of our activities in view of [sustainable development](#), namely the consequences of today's actions for future generations.

The Company has a rich tradition of reporting on its accomplishments. Since mid 2005, the Company has been listed on the Warsaw Stock Exchange. Thus, we are bound by certain information obligations to comply with the principles of good practices for public companies. Regardless of this, we have been presenting comprehensive reports on the social aspects of our activities since 2006. The 2006 Environmental Report was the first one published. The following two reports presented a full engagement in the aspects of social activities

and [sustainable development](#).

The [corporate social responsibility](#) Report of the LOTOS Group for 2006-2007 was voted the best CSR report in the nationwide contest organised by the Responsible Business Forum, PricewaterhouseCoopers and CSR Consulting. The next report which presented results for 2008 received an honourable mention in the same contest for the high standards of reporting and the application of innovative solutions in the process. The verdict of the jury, headed by Prof. W. Orłowski, as well as [stakeholders](#)' opinions received as a result of in-depth interviews, assured the Company of the validity of the adopted information policy. This policy assumes transparency for all aspects of operations: the economic, social and environmental aspects. Therefore Grupa LOTOS follows the Global Reporting Initiative (GRI) methodology, as the only one which allows such a comprehensive and objective presentation of the overall achievement of the Company while preparing the reports. During the publication of the first [social report](#), Grupa LOTOS was only the second Polish company which used the [GRI](#) tool. It is a methodology which not only calls for a high level of information transparency, but also enormous involvement of the entire organisation.

We treat social responsibility as an indicator of our organisation management philosophy. Responsibility, ethics and openness are the fundamentals of our business activity principles. These are the premises which affected the current decision on changing the reporting model. Instead of the existing two reports, both; annual and social, Grupa LOTOS is submitting this year a report which integrates all fields of activities. We believe this decision fully confirms the fact that we treat social responsibility as the operational principle, and confirms the importance of [sustainable development](#) as an inherent element of the LOTOS Group strategy.

I am certain that the Report, prepared in accordance with international financial and non-financial reporting standards shall prove to be useful in assessing the situation of the Company, which is included in the first CSR index, the RESPECT Index, at the WSE.

– ***How does Grupa LOTOS deal with [sustainable development](#)?***

We pay great attention to the implementation of the concept of [corporate social responsibility](#) and in a wider context to the application of the concept of [sustainable development](#). This is relating all the business decisions to the prospect of development in three key dimensions for the LOTOS Group. Our goal is to:

1. Achieve responsible, long-term economic growth, not only from the basic activities, but also from the quality of life in the social environment of the enterprise. This is manifested, among others, by the scale of our direct economic impact in the aspect of the chain of supply and provided workplaces in particular. One example is the number of employees from external companies involved in the

implementation of the strategic development project of Grupa LOTOS, the 10+ Programme. The Company did not abandon this investment despite the economic slowdown of the past months. Yet according to the International Energy Agency, more than 20 large projects were abandoned in the whole petroleum industry in 2009.

The impact of the LOTOS Group companies operating in the local markets is also important. The company I have in mind is LOTOS Asphalt, which operates in the Jasło region, an area with high unemployment rate. The Hydro-Insulating Material Plant built in the Tarnów Special Economic Zone in 2009 will create approx. 100 new workplaces. The Company is contributing not only to reduction of unemployment but also to bringing economic revival in regions with a dramatic economic situation.

2. Protect the natural resources and environment. An active approach to environmental protection stems from the obligation of the companies which represent the industry exploiting non-renewable natural resources, i.e. gas and oil. Grupa LOTOS plays a major role in the area of the national energy security of Poland. Yet in order to preserve the environmental heritage and natural resources for future generations we must make economically sound decisions and implement innovative solutions. The goal of such solutions is to reduce the impact of our activities on the natural environment and contribute to preserving the natural ecosystems of the region. This is of particular importance given the coastal location of the refinery.

There are many examples of such activities. One of them is Grupa LOTOS' involvement in the project of a natural gas-fired CHP plant, planned to be built in the partner system. The modern CHP plant will contribute to balancing the energy needs of the whole Pomeranian region. It is also important that the CO₂ emissions to the atmosphere will be 40% lower compared to the coal-fired facility of the same power and output. It should be also stressed that our development strategy for the refinery for the forthcoming years assumes reducing the plant noxious production to the environment. Among other ways, this will be achieved by:

- connecting a natural gaspipe to the refinery and using clean gas fuel as the source of energy for the manufacturing process,
- recovery of gas currently fed to the torches and using it as process fuel, to reduce the total CO₂ emissions.

Another priority is the energy consumption of processes, which is already lower. All the facilities built as part of the 10+ Programme were designed in a manner which not only guarantees compliance with the BAT (best available technology) ratios required by the EU, but often exceed the standard requirements. Continuous reduction of the environmental impact of the manufacturing processes and protection of

natural resources are key elements of the development strategy of the Group, an indication of the innovativeness and involvement of the Group in [sustainable development](#). It is worth mentioning that Grupa LOTOS has its own CHP plant with a technological system which supports the generation of electricity in cogeneration with heat output. This is the so-called red energy. In 2010 the Energy Regulatory Office awarded the company with a certificate that confirms the generation of such energy. In order to receive the certificate, the CHP plant had to meet stringent requirements and demonstrate a high level of saving of primary energy. This is one of the examples of the activities we undertake to achieve the environmental effect in a form of CO₂ emissions reduction.

The Gdańsk refinery is ranked 6th among 106 European refineries in the last edition of the ranking by SOLOMON, a company which benchmarks the 350 largest refineries in the world, which confirms a high appraisal of technological processes applied in Grupa LOTOS. Among other reasons, Grupa LOTOS owes such a high rank to energy effectiveness, the amount of fuel and electrical energy consumed by the refinery compared to its size.

3. Social development. Open information and mutual understanding is not restricted to relations between Grupa LOTOS and external [stakeholders](#). These values can be also found in relations among employees and in vertical communication. These principles are also applied in the Capital Group, which consists of more than a dozen companies. A decision made by any of these companies is made in consideration of its effects on the activities of individuals responsible for results in another company. Yet [corporate social responsibility](#) is not only about the transparency of activities, but also the increased investments in human resources and environmental protection. Obviously, the quality of the social policy of Grupa LOTOS is also manifested in the processes of employment, remuneration, and new management methods.

Social activities are also a part of our strategy. Together with our [stakeholders](#) we wish to take part in major cultural, artistic, scientific or sports events, in particular if these are of major importance to our immediate neighbourhood. Grupa LOTOS takes into serious consideration environmental and personnel expectations. This allows for a creation of a friendly brand image. The social aspect is also closely related to strictly business decisions. The main strategy of the future Group development is oil exploration and exploitation. However, smaller investments, in particular those related to the petrol filling station chain, are more important to our customers. We have chosen the new model of LOTOS network management. Currently stations are managed by the dealers as we believe that the best results can be achieved when there is personal responsibility for the effects of work involved. We have devoted the past few years to reorganising the network, instead of increasing the number of new stations being commissioned. In accordance with our business philosophy, we have decided to measure the development not with quantity, but with quality. We would like to be perceived as one of the best in the customer service area. The results of regular consumer surveys seem to prove this decision to be the right one.

Prospects of [sustainable development](#)

SOCIAL

Human rights, work safety, health protection, gender equality, diversity management

ENVIRONMENTAL

Natural resources, climate changes, biodiversity

ECONOMIC

Accountability creation

– Since quite recently Grupa LOTOS has joined InnoEnergy, the “knowledge and innovation community” project, a potential platform for totally new initiatives on [sustainable development](#) in Poland.

The project is an answer to the European Commission’s initiative on establishing the European Institute of Innovation and Technology comprising a network of “Knowledge and Innovation Communities”. The task of such communities is to develop solutions for strategic and long-term challenges of major social and economic importance for Europe. The decision on the selection of the first three participating communities was made by the Institute in December 2009. InnoEnergy was one of the projects which qualified for co-operation. The project will be implemented by an international consortium co-ordinated by Karlsruhe Institute of Technology. The consortium consists of 6 centres (so-called Collocation Centres, CC) responsible for various topic areas. One of them is CC Poland Plus - Clean Coal Technologies and New Paradigm for Carbon Management. One of the main project initiators in Poland is the long-term partner of Grupa LOTOS, i.e. the University of Science and Technology (AGH) in Kraków. Grupa LOTOS is one of companies and organisations which supports the project’s implementation. This is a unique initiative: the Polish participants focused on the development of clean coal technologies, i.e. increasing effectiveness and reducing emissions, coal gasification processes, as well as nuclear and coal synergy which utilises the heat generated by the nuclear reactors in clean coal technologies and industry.

This is a long-term project and its key goals are grouped around the so-called Innovation Triangle (Scientific Research, Education and Innovation). The project assumption is to establish a lasting interaction among these three layers, by pursuing scientific research at the highest global level, implementing and commercialising research results in co-operating with enterprises, and establishing close links between entrepreneurship education, practice and training. The project results will focus on society and fulfilling its future needs based on permanent and [sustainable development](#).

An obvious benefit of participation in the project is the initiation, participation and access to the effects of research, experience and technologies of partners who represent and create the highest European standards. Grupa LOTOS as an entity interested in reducing greenhouse gas emissions, in particular CO₂, always looks for up to date methods to achieve this goal. The existing solutions call for immense financial support on the one hand, and on the other, are very energy consuming. Therefore, it is necessary to continue research on

the new, cheaper and less energy-consuming technologies.

Grupa LOTOS by using its expertise and achievements, shall participate in this project of development and implementation of modern methods of education and building the skills, knowledge and entrepreneurship of young personnel wishing to work in the fuel sector. This conforms to the existing directions of development of the Company's social policy.