

The LOTOS Group's external impacts along the entire supply chain

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- We deliberately manage our impacts on the external environment along the entire supply chain.
- We work with partners who respect human rights and apply socially acceptable practices in the workplace.

Supply chain ethics

Mindful of our external impacts and strong reliance on contractors and suppliers, we want to work with partners who also attach priority to the universally accepted system of values. This approach aims to ensure that our contractors and suppliers down the supply chain treat their own employees with respect and dignity.

The LOTOS Group manages its supply chain by:

- Coordinating purchases of raw materials and components,
- Planning production and raw material supply logistics,
- Production process,
- Distribution of products.

We uphold the philosophy of integrated supply chain management, whereby we seek to maximise the integrated economic effects of our operations while doing our best to meet the expectations of all stakeholders. The supply chain is an international environment where the LOTOS Group connects with its suppliers and customers.

- **Given the scale of our business, our network of relationships with suppliers and customers is a complex structure spanning various aspects, both at the operational level and the strategic level. When engaging in long-term business relationships, we pay attention to the market position and CSR record of our prospective partners. Many of our partners are international oil companies which have pioneered the industry's commitment to corporate social responsibility and business ethics.**

- As a vertically-integrated oil company, we take active steps to control the flow of raw materials, products, information, and financial resources within the organisation, from the moment a raw material is extracted, through production and distribution, to consumption of the final product by its end user.
- Aware of the importance of working with a local supplier base, we strive to partner with companies which offer the expected competencies and meet our standards of cooperation. We seek to minimise the negative impact of fossil fuels in transport by sourcing 72% of the components (bioethanol and FAME) we use to produce our fuels from local suppliers.
- We observe the highest quality and safety standards. Entities, including local businesses, which render services at our production facilities are provided with technical standards applicable to the work they are to perform, containing detailed information on the relevant technologies. Contractor employees undergo mandatory training, including in workplace safety. Our trading partners are invited to meetings at which they learn about the standards and values we adhere to and the rules of conduct applicable at the LOTOS Group.

Key suppliers and customers

The following are the LOTOS Group's key suppliers, accounting for over 10% of total sales revenue in 2016:

- VITOL S.A. of Switzerland, with a 21.78% share in total purchases,
- Rosneft of Russia, with a 19.60% share,
- Tatneft-Europe AG of Switzerland, with a 14.53% share.

In 2016, none of the LOTOS Group's customers accounted for more than 10% of total revenue. In 2015, a customer accounting for more than 10% of total revenue was Statoil companies (with a total share of 10.04%).

The LOTOS Group had no formal links with its customers and suppliers other than commercial contracts.

Building an ethical value chain

- **Supplier audits.** We define standards of conduct for suppliers, and we evaluate suppliers' compliance with the standards and track improvements.
- **Contract clauses.** We embed clauses in our contracts that require suppliers to comply with social responsibility standards and that govern the areas of labour rights, environmental protection and conflicts of interests.
- **Choice of socially responsible suppliers.**

Best practice example. Ambra. Ambra is a cleaning company that provides janitorial services in our office buildings in Gdańsk. Since 2014, it has been making efforts to integrate social commitment, local community engagement and environmental protection into its activities.

As part of its social commitment and local community engagement, the company hires people in the care of the local Municipal Family Welfare Centre, providing them with training and job stability under employment contracts. Mindful of the environment and client expectations, Ambra uses such solutions as dispensing cabinets to cut consumption of cleaning chemicals. This practice was acknowledged in the RBF's Responsible Business Report.

World-class supply chain standards

The LOTOS Group develops its strategy of corporate social responsibility in the supply chain based on the methodology of the **Corporate Human Rights Benchmark** project. The initiative serves to draw the attention of global business to the violation of fundamental human rights by corporations, their contractors and suppliers. Its purpose is also to create a ranking of global listed companies and to recognise those that excel in human rights abuse prevention.

The Corporate Human Rights Benchmark methodology builds on internationally recognised standards, including the standards of business conduct in the area of human rights and child rights developed by the **UN**, and the **SA 8000** standard, which helps companies to develop, maintain and apply acceptable workplace practices. In addition, the methodology takes into account the **Sustainable Development Goals** in the 17 areas identified as key to further development of the world through wide-ranging public consultations.