



LOTOS Group
Integrated Annual Report 2016

07

ABOUT THE REPORT

About the report > Transparency and consistency in disclosure of non-financial data

Transparency and consistency in disclosure of non-financial data

[\[G4-17\]](#) [\[G4-23\]](#) [\[G4-28\]](#) [\[G4-29\]](#) [\[G4-30\]](#)

This Integrated Annual Report 2016 **is the eighth integrated report of the LOTOS Group** and describes the organization's business in the financial year 2016, which corresponds to the calendar year. The previous integrated annual report was released in early September 2016. This year's report is based on the Global Integrated Reporting Initiative's (IIRC) Sustainability Reporting Framework and Guidelines (GRI G4, core level), together with the Oil and Gas Sector Supplement. Currently, in accordance with the GRI G4 framework, we report the most significant topics (38 profile indicators, 41 subjects, including seven sector-specific indicators).

The 2016 Report covers the Grupa LOTOS and all its direct subsidiaries:

- LOTOS Petrobaltic S.A.
- LOTOS Oil Sp. z o.o.
- LOTOS Asfalt Sp. z o.o.
- LOTOS Serwis Sp. z o.o.
- LOTOS Paliwa Sp. z o.o.
- LOTOS LAB Sp. z o.o.
- LOTOS Infrastruktura S.A.
- LOTOS Terminale S.A.
- LOTOS Kolej Sp. z o.o.
- LOTOS Ochrona Sp. z o.o.
- LOTOS Straż Sp. z o.o.

Additionally, the following indirect subsidiaries were included in the reporting of certain indicators because of their special role, nature of business and scale of environmental impacts:

- AB LOTOS Geonafta
- LOTOS Biopaliwa Sp. z o.o.
- RCEkoenergia Sp. z o.o.
- ENERGOBALTIC Sp. z o.o.

○ LOTOS Exploration and Production Norge AS.

However, the scope of reported data for LOTOS E&P Norge AS is limited compared to other companies because LOTOS E&P Norge is a licensee, so all environmental (and operational) matters are reported by the licence operators.

About the report > Process of defining the report content

Process of defining the report content

[G4-18] [G4-19] [G4-27]

In accordance with GRI G4 guidelines, the process had three steps:

1. Identification – determination of key topics in corporate social responsibility and business. Internal documents and materials of the LOTOS Group were analysed.

We also reviewed many external publications and media information about our company. We took into account the trends and guidelines of international standards for corporate social responsibility and non-financial reporting and made an in-depth analysis of the challenges, opportunities and risks facing the industry and its players.

2. Prioritization – in a dialogue with internal and external stakeholders, the materiality of key aspects for the organisation was identified.

3. Validation – during validation workshops, attended by 27 representatives of the management staff of the LOTOS group companies, we confirmed the final list of priority issues to be included in the 2016 report. The materiality matrix below presents those issues by (economic, social and environmental) aspects, and at the same time allows readers to go directly to the section describing our approach and activities related to a given issue. The tile size indicates whether a topic is defined as significant or very significant.

MATERIALITY ANALYSIS

ASPECTS: Economic aspects Environmental aspects Social aspects

SIGNIFICANCE: significant very significant

Financial condition, stock exchange performance, condition of LOTOS companies	Ensuring highly-qualified staff, acquiring and retaining talents	Business strategy, future growth forecasts	HR policy, future of employment Diversity and equal opportunities, non-discrimination
Spills, explosions, accidents – prevention, crisis management	Consumption of raw materials and consumables		Reserves and consumption of oil and gas
	Energy security	Employee training and development	Key investment projects in the Upstream and Refining segments

Impact on biodiversity and ecosystem services (water and land)	Communication with and support to local communities Spending on social initiatives	Key investment projects – innovation potential	Managing the risk of water contamination in drilling, refining, transport and other processes
Support to research and science development		CO ₂ emissions management Air emissions	
Innovative technological solutions, eco-efficiency Energy consumption, energy efficiency of processes and products	Cooperation with suppliers – ethical, social and environmental criteria taken into account in procurement processes		Customer relations
		Safety and accident prevention Health protection and promotion measures	Overall reduction of environmental impacts
Indirect economic impacts (infrastructure, services, impact on local economy)	Sponsorship – support to sports, culture and education		
		Fines and sanctions for non-compliance with environmental protection laws	Supply chain
Charitable activity – LOTOS Foundation Employee volunteering	Anti-corruption Corporate governance – ethics		
	Public policy – relations with public administration	Fuel quality	Climate change strategy (opportunities and risks)
Environmental spending and investments			

About the report > Sustainable Development Goals

Sustainable Development Goals

The activities presented in this Report are often a response to the challenges identified in the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, announced by the UN in September 2015. We take steps to implement those goals, for instance through long-term programmes aiming at the development of employees of all ranks and care for our social and market environment.

The Sustainable Development Goals (SDGs) that the LOTOS Group particularly supports with its activities:

- **Goal 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**
- **Goal 6 – Ensure availability and sustainable management of water and sanitation for all**
- **Goal 7 – Ensure access to affordable, reliable, sustainable and modern energy for all**
- **Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**
- **Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**
- **Goal 10 – Reduce inequality within and among countries**
- **Goal 12 – Ensure sustainable consumption and production patterns**
- **Goal 14 – Conserve and sustainably use the oceans, seas and marine resources for sustainable development**
- **Goal 15 – Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**



About the report > Contact details

Contact details

[G4-5] [G4-31]

For more information on the business as well as social and environmental aspects of the LOTOS Group operations, see the Grupa LOTOS website at www.lotos.pl/en.

Correspondence should be sent to the address of the Company's head office:

Grupa LOTOS S.A.

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PL 80-718 Gdańsk

Any enquiries relating to the corporate social responsibility of Grupa LOTOS should be addressed to:

Liliana Ciechanowicz
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Enquiries concerning the Company's investor relations should be addressed to:

Paweł Bujnowski
Head of the Investor Relations Office
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e-mail: media@grupalotos.pl

About the report > GRI G4 content index

GRI G4 content index

[\[G4-32\]](#)

Strategy and analysis

Indicator	Section of the Report	Global Compact principles	Comments
G4-1	Statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability		Letter from the President of the Management Board Letter from the Chairwoman of the Supervisory Board

Organisational profile

Indicator	Section of the Report	Global Compact principles	Comments
G4-2	Description of key impacts, risks, and opportunities		Risk management
G4-3	3 Name of the organisation		Key information about the organisation
G4-4	Overview of our organisation		Key information about the organisation Our products
G4-5	Location of the organisation's headquarters		Contact details
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report		Key information about the organisation
G4-7	Nature of ownership and legal form		Key information about the organisation
G4-8	Markets served (geographic breakdown, sectors served, and types of customers)		Key information about the organisation

	breakdown, sectors served, and types of customers and beneficiaries)	organisation	
G4-9	Scale of the organisation	Our performance – Discussion of the LOTOS Group's financial position Employment at the LOTOS Group in figures	
G4-10	Total number of employees by employment contract and gender	Employment at the LOTOS Group in figures	
G4-11	Percentage of total employees covered by collective bargaining agreements	Employment at the LOTOS Group in figures	
G4-12	Organisation's supply chain	The LOTOS Group's external impacts along the entire supply chain	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain Overview of our organisation	Key information about the organisation	No significant changes
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Risk management	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Trading and other partners Dialogue with social partners	Additional information on external initiatives undertaken by the LOTOS Group is available on our website
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	Trading and other partners Awards and distinctions in the HR area	Additional information on external initiatives undertaken by the LOTOS Group is available on our website

Identified material aspects and boundaries

Indicator		Section of the Report	Global Compact principles	Comments
G4-17	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	Transparency and consistency in disclosure of non-financial data		
G4-18	Process for defining the report content and the aspect boundaries and how the organisation has implemented the reporting principles for defining report content	Process of defining the report content		
G4-19	Material aspects identified in the process for defining report content	Process of defining the report content		
G4-20	Aspect boundary within the organisation for each material aspect			All aspects have been identified as material in terms of activities and impact of all or certain Grupa LOTOS companies. The relevance for selected companies has been appropriately marked in the report.
G4-21	Aspect boundary outside the organisation for each material aspect			The indicator has been reported except for emissions intensity ratio – it has not been included because of incomparability of data between the companies.
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements			No restatements were made.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Transparency and consistency in disclosure of non-financial data		

Stakeholder engagement

Indicator		Section of the Report	Global Compact principles	Comments
G4-24	List of stakeholder groups engaged by the organisation	Who do we engage with and why?		
G4-25	Basis for identification and selection of stakeholders with whom to engage	Who do we engage with and why?		
G4-26	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Who do we engage with and why?		
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Process of defining the report content		

Report profile

Indicator		Section of the Report	Global Compact principles	Comments
G4-28	Reporting period for information provided	Transparency and consistency in disclosure of non-financial data		
G4-29	Date of most recent previous report	Transparency and consistency in disclosure of non-financial data		
G4-30	Reporting cycle	Transparency and consistency in disclosure of non-financial data		
G4-31	Contact point for questions regarding the report or its contents	Contact details		
G4-32	GRI content index	GRI content index		
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report			The Report has not been externally assured

Governance

Indicator		Section of the Report	Global Compact principles	Comments
G4-34	Governance structure of the organisation, including committees of the highest governance body	Ethics and corporate governance		
G4-38	Composition of the highest governance body and its committees	Ethics and corporate governance		
G4-39	Information whether the Chair of the highest governance body is also an executive officer	Ethics and corporate governance		

Ethics and integrity

Indicator		Section of the Report	Global Compact principles	Comments
G4-56	Organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Ethics and corporate governance		
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity, such as helplines or advice lines	Ethics and corporate governance		
G4-58	Reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Ethics and corporate governance		

Economic aspect

Indicator		Section of the Report	Global Compact principles	Comments
ECONOMIC PERFORMANCE		Our performance – discussion of the LOTOS Group's financial position		
G4-EC1	Direct economic value generated and distributed	Our performance – discussion of the LOTOS Group's financial position		
MARKET PRESENCE		The LOTOS Group – An Employer of Choice		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Facts and Figures About LOTOS Group Employment		
INDIRECT ECONOMIC IMPACTS		Social commitment – addressing important social and environmental issues		
G4-EC7	Development and impact of infrastructure investments and services supported	Sponsorship and patronage Social programmes and campaigns Cooperation and partnership in social initiatives LOTOS Foundation		
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Sponsorship and patronage Social programmes and campaigns Cooperation and partnership in social initiatives LOTOS Foundation		
PROCUREMENT PRACTICES		The LOTOS Group's external impacts along the entire supply chain		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	The LOTOS Group's external impacts along the entire supply chain		
RESERVES		We reduce energy consumption		
OG1	Volume and type of estimated proved reserves and production	Principal activities and performance in 2016 Our environmental performance		

Environmental aspect

Global Compact

Indicator		Section of the Report	principles	Comments
MATERIALS		We reduce energy consumption		
G4-EN1	Materials used by weight or volume	We reduce energy consumption	8	
ENERGY		Our environmental performance		
G4-EN3	Energy consumption within the organisation	Our environmental performance	8	
G4-EN6	Reduction of energy consumption	Our environmental performance	8	The indicator has been reported descriptively only.
WATER		Our environmental performance		
G4-EN8	Total water withdrawal by source	Our environmental performance	8	
G4-EN10	Percentage and total volume of water recycled and reused	Our environmental performance		
BIODIVERSITY		Our environmental performance		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Our environmental performance	8	
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Our environmental performance		
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	Our environmental performance	8	
EMISSIONS		Our environmental performance		
G4-EN15	Direct greenhouse gas (GHG) emissions	Our environmental performance	8	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions	Our environmental performance	8	
G4-EN18	Greenhouse gas (GHG) emissions intensity	Our environmental performance	8	
G4-20	Emissions of ozone-depleting substances (ODS)	Environmental efficiency		
G4-EN21	NO _x , SO _x , and other significant air emissions	Our environmental performance	8	The indicator has been reported except for emissions intensity ratio –

			it has not been included because of incomparability of data.
EFFLUENTS AND WASTE		Our environmental performance	
G4-EN22	Total water discharge by quality and destination	Our environmental performance	8
OG5	Volume and disposal of formation or produced water	Safety management and industrial failure prevention	
G4-EN23	Total weight of waste by type and disposal method	Our environmental performance	8
G4-EN24	Total number and volume of significant spills	Our environmental performance	8
OG6	Volume of flared and vented hydrocarbon	Our environmental performance	8
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Environmental efficiency	8
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Environmental efficiency Our environmental performance	8
PRODUCTS AND SERVICES		Environmental efficiency	
G4-EN28	Percentage of products sold and their packaging materials that is reclaimed, by category	Environmental efficiency	
COMPLIANCE		Our environmental performance	
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Our environmental performance	8
OVERALL		Our environmental performance	
G4-EN31	Total environmental protection expenditures and investments by type	Our environmental performance	8
ENVIRONMENTAL GRIEVANCE MECHANISMS		Our environmental performance	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Our environmental performance	
PRODUCTS AND SERVICES		We reduce energy consumption	

OG8	Benzene, lead and sulphur content in fuels	We reduce energy consumption
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Social aspect: labour practices and decent work

Indicator		Section of the report	Global Compact principles	Comments
EMPLOYMENT		The LOTOS Group – An Employer of Choice		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Facts and Figures About LOTOS Group Employment	6	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Facts and Figures About LOTOS Group Employment	3	
OCCUPATIONAL HEALTH AND SAFETY		Safety First		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Safety First	6	
TRAINING AND EDUCATION		Career at the LOTOS Group		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Career at the LOTOS Group	6	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Career at the LOTOS Group	6	
DIVERSITY AND EQUAL OPPORTUNITY		Ethics and corporate governance		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Ethics and corporate governance	6	

Social aspect: society

Indicator		Section of the Report	Global Compact principles	Comments
ANTI-CORRUPTION		Ethics and corporate governance		
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Ethics and corporate governance	10	
G4-S04	Communication and training on anti-corruption policies and procedures	Ethics and corporate governance	10	
G4-S05	Confirmed incidents of corruption and actions taken	Ethics and corporate governance	10	
ASSET INTEGRITY AND PROCESS SAFETY (OG)		Our environmental performance		
OG13	Number of process safety events, by business activity	Our environmental performance		

Social aspect: product responsibility

Indicator		Section of the Report	Global Compact principles	Comments
CUSTOMER HEALTH AND SAFETY		Our products		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Our products	10	
PRODUCT AND SERVICE LABELING		Quality and customer satisfaction		
G4-PR5	Results of surveys measuring customer satisfaction	Dialogue with customers		
FOSSIL FUEL SUBSTITUTES (OG)		We invest in state-of-the-art technologies		
OG14	Volume of biofuels produced and purchased meeting sustainability criteria	We invest in state-of-the-art technologies		



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