

Enterprise risk management policy

Throughout 2014, as part of the ERM (Enterprise Risk Management) system, we implemented a number of risk mitigation measures at the LOTOS Group, reducing the probability that specific risks might materialise. In the case of risks that did materialise, we applied pre-defined action plans, mitigating their adverse consequences. In addition, we identified new risks, associated primarily with projects of crucial importance to the LOTOS Group, such as the EFRA Project, or delayed coking (DCU), and B8 field development. We also managed to improve the risk management tools, including risk identification, assessment and monitoring methodologies.

Our enterprise risk management enables us to undertake activities optimal for the LOTOS Group’s business (within the acceptable risk limits). Also, we have tools to identify and leverage the emerging business opportunities.

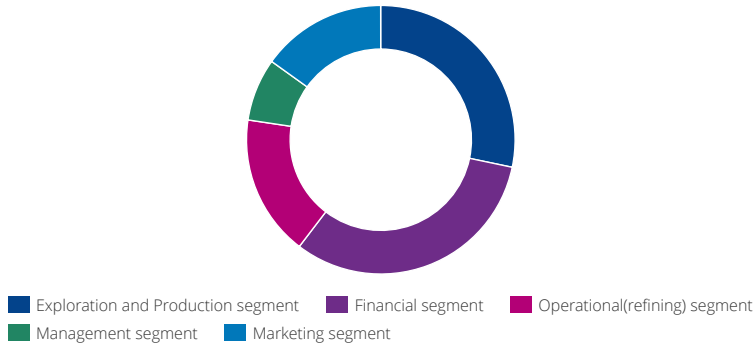
At the LOTOS Group, we identify a range of diverse risks, which may affect all areas of our business.

Key risks for the LOTOS Group



Since many of those risks are interrelated, we analyse their interactions and strive to minimise their impact. In accordance with the adopted criteria, the financial risks as well as risks affecting the exploration and production area are the key risks in terms of their impact on the LOTOS Group’s operations.

Key risks at the LOTOS Group by business segments



Source: In-house analysis of Grupa LOTOS.

In place at the LOTOS Group since 2011, the Enterprise Risk Management system is designed to facilitate safe operation of the organization and achievement of its strategic and operational objectives. Within the ERM system, we have established internal procedures and regulations. The Enterprise Risk Management Policy defines the general scope of responsibility within the system and key risk management principles. The implemented procedure specifies detailed rules for risk identification and assessment, as well as monitoring and reporting methods designed to evaluate the effectiveness of mitigating actions taken.

Risk management process at the LOTOS Group



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Organizational maturity

Grupa LOTOS is an organization oriented towards professionalism and adoption of the best operating and management practices. We take steps to protect Company value, as evidenced by our well-developed internal control system and corporate governance solutions.

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Structure

Within the LOTOS Group, the role of Grupa LOTOS is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model.

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