

Management systems

Well-designed and coherent management and operational processes at the LOTOS Group are focused on ensuring the expected quality of our products and services, protecting the natural environment – a resource we both use and affect in the course of our operations – and providing safe working conditions for our staff.

Management systems at the LOTOS Group as at December 31st 2014

Company	Management systems in place
Grupa LOTOS	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented requirements of the Energy Management System based on ISO 50001, the Internal Control System for trading in strategic materials consistent with the PN-N-19001 standard and the AQAP 2110 (Allied Quality Assurance Publication).
LOTOS Asphalt	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified Site Production Control system.
LOTOS Kolej	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001, Railway Transport Security Management System (SMS) compliant with Directive 2004/49/EC and national regulations, Rail Vehicle Maintenance Management System (MMS) compliant with Directive 2004/49/EC and Regulation (EU) 445/2011, quality in welding management system compliant with the DIN EN ISO 3834-2 (EN 729-2) and EN 15085-2 standards, and system of Maintaining Freight Cars in accordance with the VPI requirements.
LOTOS Lab	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Polish Centre for Accreditation certificate of compliance with the PN-EN ISO/IEC 17025:2005 standard.
LOTOS Ochrona	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Oil	Implemented and certified Integrated Quality Management System compliant with the ISO 9001 standard and AQAP 2110 (Allied Quality Assurance Publication). Implemented requirements of ISO 14001 and PN-N-18001.
LOTOS Petrobaltic	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented ISM Code (for compliance with the International Management Code for the Safe Operation of Ships and for Pollution Prevention) and ISPS Code (International Ship and Port Facility Security System).
LOTOS Serwis	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified requirements of the quality in welding management system compliant with the PN-EN ISO 3834-2:2007 standard.
LOTOS Straż	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Terminale	Implemented Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Paliwa	Implemented and certified Integrated Management System compliant with the ISO 9001 standard. Implemented requirements of ISO 14001 and PN-N-18001.
LOTOS Infrastruktura	The company is in the process of implementing the Integrated Management System.

Audits are the main tool used by Grupa LOTOS to improve its Integrated Management System, as they provide us with valuable and objective feedback on the operation of individual areas within the organization. Based on the audit results, Grupa LOTOS takes corrective, preventive and remedial actions.

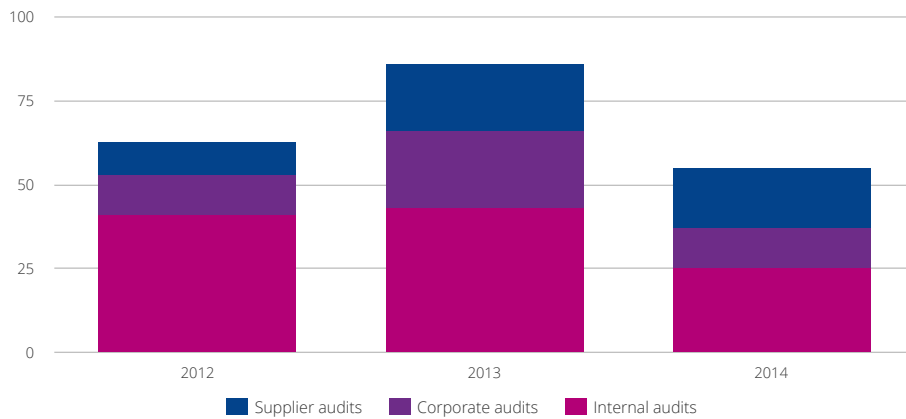
In 2012-2014, over 200 audits were conducted at Grupa LOTOS, including:

- internal audits,
- corporate audits, and
- supplier audits.

Audits carried out at Grupa LOTOS in 2012-2014

Audit type	2012	2013	2014
Internal audits	41	43	25
Organizational units	28	32	15
Production plants	8	8	8
Cross-sectional audits	5	3	2
Corporate audits	12	23	12
Supplier audits	10	20	18

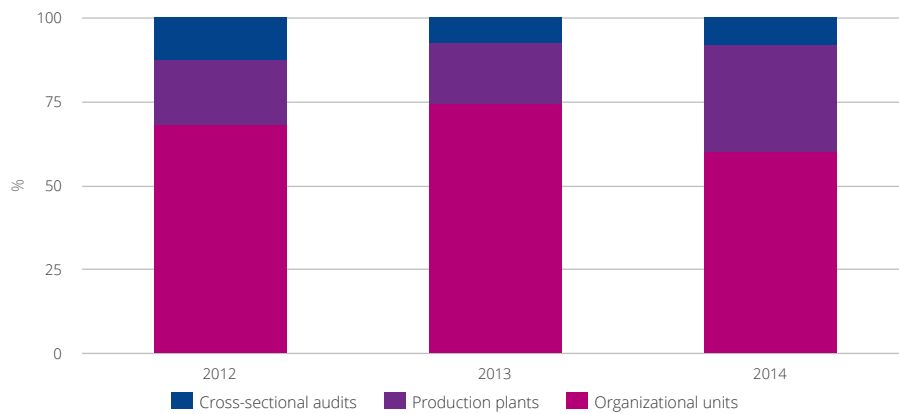
Audits in 2012-2014



Source: In-house analysis of Grupa LOTOS.

The findings of **internal audits** provide information on the effectiveness of our system, but also help identify areas which still need improvement, supplying the management staff with information about compliance with applicable regulations and efficiency of the systemic and organizational solutions in place.

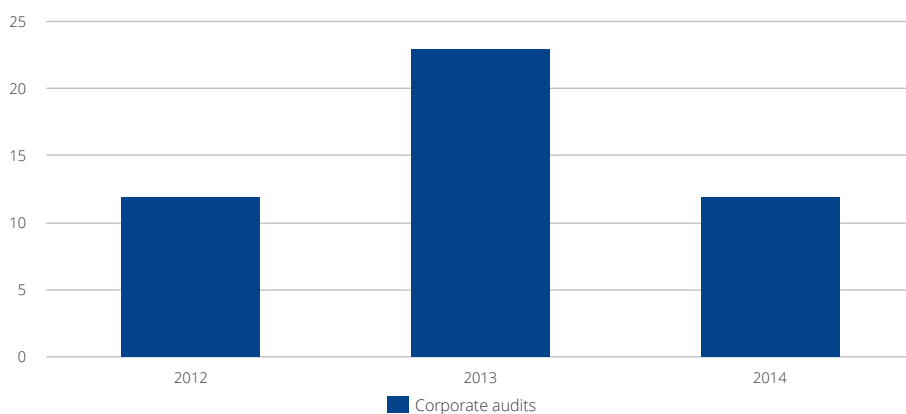
Structure of internal audits in 2012-2014



Source: In-house analysis of Grupa LOTOS.

Corporate audits carried out at subsidiaries of Grupa LOTOS assess the degree to which they have implemented the relevant corporate requirements and standards. In 2014, several unscheduled audits of the Visual Identity System for the LOTOS Group were carried out in LOTOS Group companies.

Corporate audits in 2012-2014



Source: In-house analysis of Grupa LOTOS.

Following the audits, in many areas we have undertaken long-term improvement work, requiring the involvement of persons from different organizational units, which proves that we are an organization that values information and can learn and improve based on feedback.

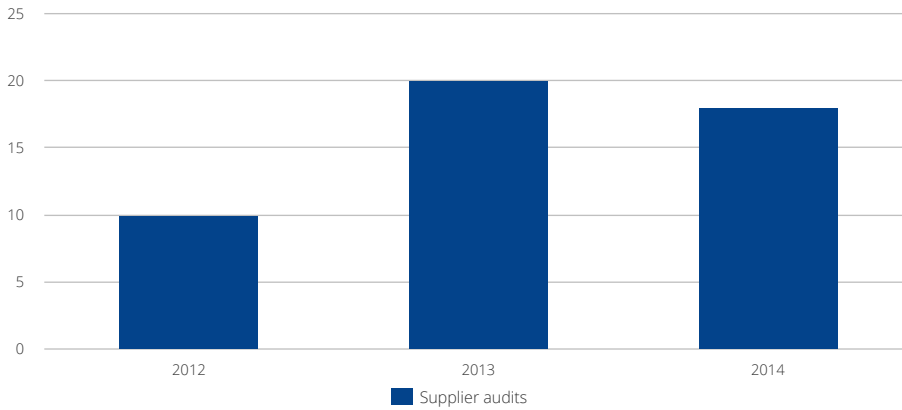
The audit programme covering internal, corporate and supplier audits is adapted to any new needs or changes relevant to the LOTOS Group's operation.

Depending on their needs and requirements of their management systems, Grupa LOTOS subsidiaries also carry out internal, corporate and supplier audits.

Experienced auditors are key to the success of audits. At present, there are over 100 active auditors in the LOTOS Group. In 2012-2014, nearly 60 experts honed their skills in the Auditor School.

Supplier audits provide us with information on the degree to which any given supplier meets our key requirements. Grupa LOTOS sees such audits as an additional tool for supervising contract performance and assessing its suppliers. An audit report delivered to a trading partner contains detailed and well-grounded feedback on the reviewed areas, as well as a list of potential improvements. Such audits help both parties strengthen their mutual relations and learn more about each other's expectations and capabilities, while promoting constructive problem solving. (See more <<http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>>)

Supplier audits in 2012-2014



Source: In-house analysis of Grupa LOTOS.

To ensure compliance with the most exacting safety standards on the premises of the Grupa LOTOS refinery, we use a dedicated website **“Grupa LOTOS’ Requirements for Contractors”** to communicate with our trading partners, inform them of selected internal regulations they have to comply with while performing contract works, and provide them with relevant forms. The website is also a platform enabling Grupa LOTOS and its trading partners to exchange information on occupational health and safety issues and procedures to be observed on the Company's premises.

Key changes in process management systems and structures in 2014

Enterprise Risk Management (ERM)	To ensure secure and effective pursuit of our strategic and operational objectives, we have successfully implemented the Enterprise Risk Management system at the LOTOS Group. In 2014, we took steps to streamline our risk identification and assessment solutions, for instance by improving the IT tools used for this purpose. We also launched several systemic and operational initiatives to mitigate known risks. (See more)
Process management	In 2014, we communicated the results of process monitoring and data required to carry out a review of the Integrated Management System. We also reviewed all process indicators at Grupa LOTOS for their suitability and usefulness, seeking to ensure that the indicators also show how effective the relevant processes are. In addition, we made several improvements to the IMS website to help process owners access relevant data, facilitating communications within the Company.
Project management	In implementing project management at the LOTOS Group, our objective was to ensure efficient project execution and effective monitoring of project status and deliverables in the case of projects run in accordance with established corporate policies. Proper reporting was equally important. In 2014, we continued to deploy an IT tool to support project management throughout the LOTOS Group.
Energy Management System (EnMS)	<p>2014 was the first effective year of new internal regulations based on the ISO 50001 standard at Grupa LOTOS, and the first year in which the standard was applied to selected energy management activities, i.e.:</p> <ul style="list-style-type: none"> defining new environmental protection and energy objectives (the two areas have a shared set of objectives because of the synergies between environmental protection and energy efficiency) and drafting the relevant implementation programmes divided into stages and tasks, developing and adjusting energy efficiency indicators of different production areas to current needs, combined with ongoing monitoring and reporting, initiating and performing the first energy audits, developing guidelines for the 'Energy criteria applicable to projects, repair works and procurement of products and services at Grupa LOTOS' manual, in view of the material effect of energy efficiency analyses on project execution and procurement, carrying out a series of awareness-raising sessions under the 'Energy-efficient house and office – day-to-day energy management' programme, which is part of the organization's LOTOS Academy training system, focusing on good practices in energy consumption to deliver savings in both professional roles and private lives.

In 2015, as in previous years, our primary objective will be to ensure efficient and effective communication within the LOTOS Group.

Given the rapidly changing market environment and dynamic growth of the LOTOS Group itself, we will continue to improve our operations, for instance by deploying advanced IT tools, suited to the organization's needs and friendly for users.

As part of our plans, we intend to:

- Enhance the Enterprise Risk Management (ERM) system by performing detailed risk analyses for individual processes and operational objectives at Grupa LOTOS, as well as by developing the ERM portal in response to needs that may emerge in connection with the growing maturity of the ERM system;
- With respect to the energy management system – extend the energy management system to include the remaining five production plants of Grupa LOTOS, continue to implement the environmental and energy objectives, develop a system for ongoing monitoring and reporting of energy efficiency indicators, provide required training, and raise overall awareness of energy issues among staff;
- Maintain and improve the project management system, continue to deploy an IT tool designed to support project management within the LOTOS Group and raise the competences of staff involved in project management and execution;
- Implement an improved IT process monitoring tool relevant to the users' needs and introduce new indicators reflecting process efficiency;
- Implement an effective and user-friendly IT tool for supervising corrective and preventive measures.

In 2015, we will continue to pursue our Effective and Rising Programme, supported by the well-designed, effective and constantly improved Integrated Management System, linked integrally to the organization's business objectives.

RELATED CONTENT:

Enterprise risk management policy

To ensure secure and effective pursuit of our strategic and operational objectives, we have put in place an Enterprise Risk Management system at the LOTOS Group.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/enterprise-risk-management-policy>

Membership in organizations

Representatives of Grupa LOTOS take part in the work of different organizations and we treat our membership in them as strategically important. The goals of these organizations are e.g. to develop new legislative solutions for the energy sector and to actively participate in public consultation of draft acts regulating the sector.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/membership-in-organizations>