

Ethics and corporate governance



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Approach to management

Management systems are integral and mutually complementary elements of the business. At the LOTOS Group, it is our strong opinion that strategic business objectives cannot be met without efficient organization. In 2014, our efforts to improve management systems won recognition from the Judging Panel of the Polish Quality Award.

Ethics

The LOTOS Group's Code of Ethics, which was put in place over two years ago, is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in the management of our organization.

Corporate supervision

For us, corporate governance is about promoting integrity, responsibility and transparency in the relations between company owners and management staff to ensure shareholder control over the way in which their invested capital is used.

The Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board performs its duties collectively, but may also set up ad hoc or standing committees to exercise supervision of specific areas of the Company's activities.

The Board

The Board is appointed by the Supervisory Board. It manages the Company's affairs and represents it in relation to all its business, with the exception of matters reserved for the General Meeting or Supervisory Board, as well as matters falling outside the scope of ordinary management of the business.

Approach to management

Management systems as well as enterprise risk management are integral and mutually complementary elements of the business. At the LOTOS Group, it is our strong opinion that strategic business objectives cannot be met without efficient organization, good understanding of risks inherent in the business and productive processes supported by effective management systems. In 2014, our efforts to improve management systems won recognition from the Judging Panel of the Polish Quality Award. (See more <<http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions#nagroda-stasiewicz>>)

RELATED CONTENT:

Risk and opportunities

At the LOTOS Group, we identify a range of diverse risks, which may affect all areas of our business. The key risks in terms of their impact on our operations are the financial risks as well as risks affecting the exploration and production area. In the analysis of the risks, we also factor in issues related to sustainable development.

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

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 Asfalt	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.

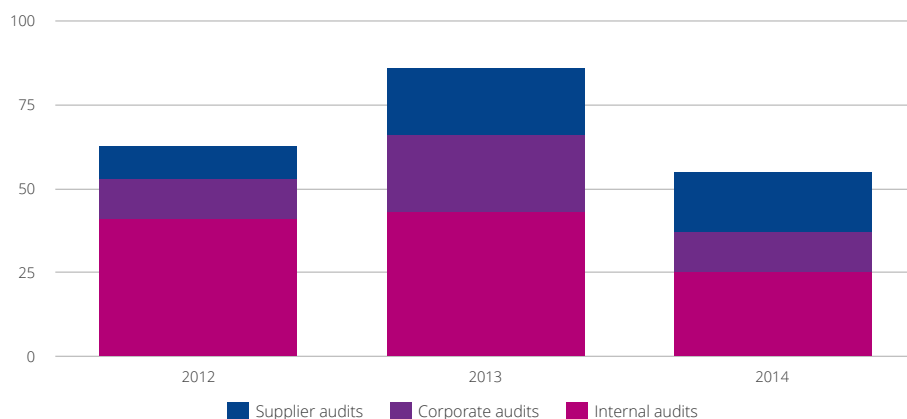
In 2012-2014, over 200 audits were conducted at Grupa LOTOS, including:

- 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

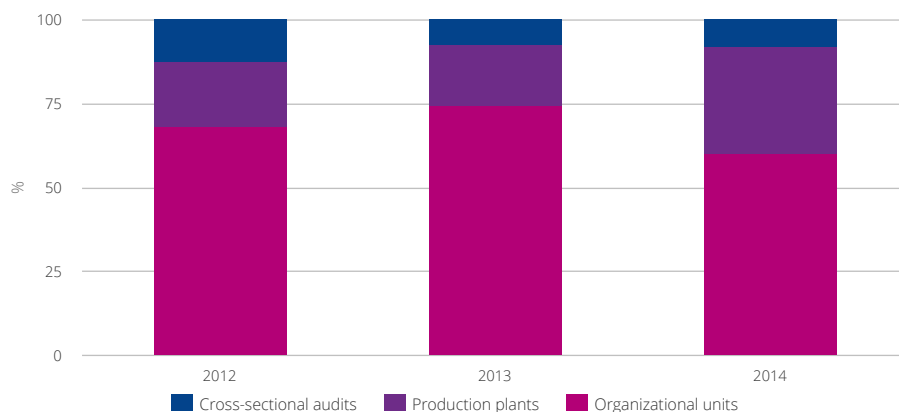
Audits in 2012-2014



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.

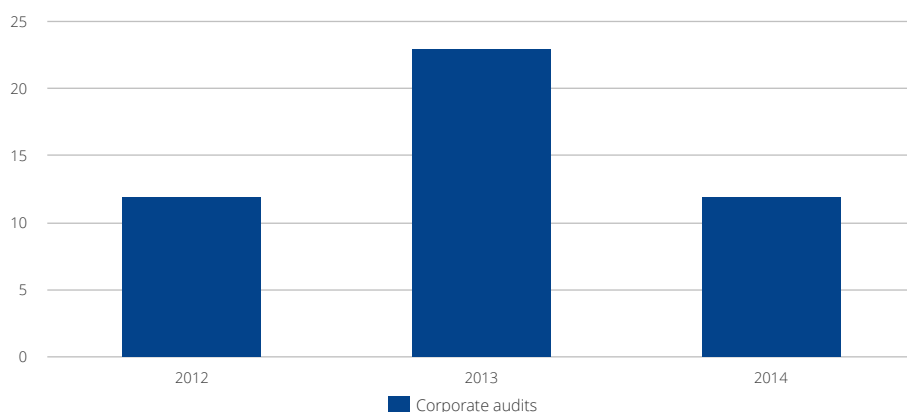
Structure of internal audits in 2012-2014



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.

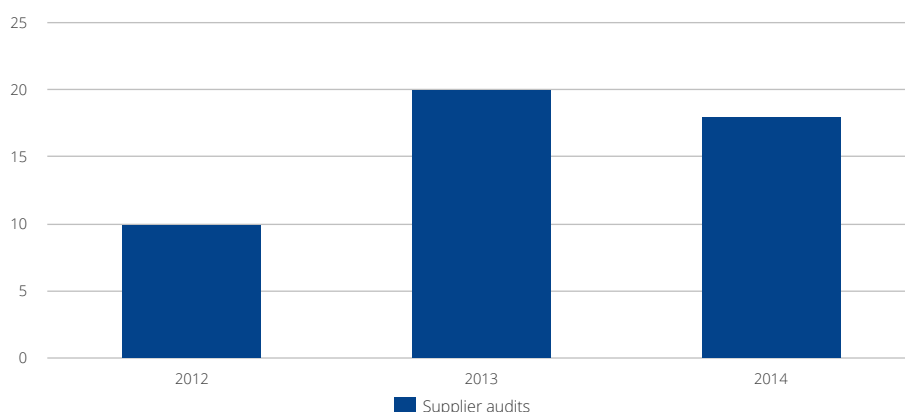
The audit programme covering internal, corporate and supplier audits is adapted to any new needs or changes relevant to the LOTOS Group's operation.

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>

Organizational maturity

Every year at Grupa LOTOS, the Internal Audit Office assesses the Company's organizational maturity.

Organizational maturity is understood as the level of professionalism of key organizational solutions, processes and activities, as well as their consistency with the best operating and management practices, which underpin the organization's potential to achieve success in terms of protection and creation of value for its stakeholders.

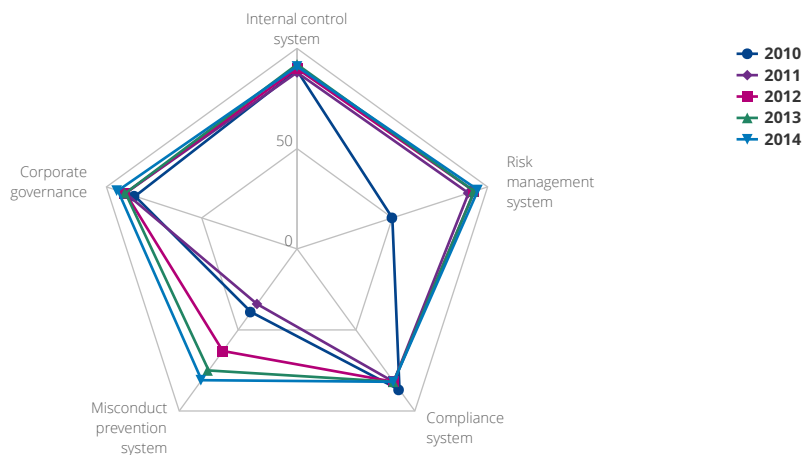
Organizational maturity depends on the company's systems and their constituent solutions which are crucial to the creation of value for stakeholders, relevant to the protection of company value, and key to its ability to operate on a day-to-day basis without any disruptions and in compliance with the law.

The following systems of Grupa LOTOS meet these criteria to the greatest extent:

- internal control system,
- risk management system,
- compliance system,
- misconduct prevention system,
- corporate governance.

Following the 2014 maturity assessment, separate opinions were issued on the operation of each system, along with a comprehensive assessment for the entire Company.

Results of the organizational maturity assessments carried out at Grupa LOTOS in 2010, 2012 and 2014



The results of the **overall assessment of the Company's organizational maturity** testify to the fact that 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, as well as by our implementation of the misconduct prevention system. We also focus on being able to operate without disruptions and in compliance with the law. All these efforts are reflected in the current complexity and development level of the systems.

Grupa LOTOS organizational maturity assessment for individual systems

Internal control system	We have put in place key organizational and process solutions making up the internal control framework. The processes defined and deployed by Grupa LOTOS are characterised by a high level of organizational maturity, as evidenced by the fact that the controls have been designed in alignment with the objectives. The key control solutions have been formally established and written into the Company's internal regulations. They work efficiently towards protecting Company value and allowing Grupa LOTOS to operate in a systematic and effective manner.
Risk management system	We have established key solutions for the system's correct operation, which play a crucial part in ensuring the delivery of its main objective to support the management process and creation of added value. To ensure that the system operates properly, we have communicated the Enterprise Risk Management Policy, and designated participants of the risk management process, including risk owners, the Enterprise Risk Management Coordinator and Enterprise Risk Management Committee. Detailed internal regulations have also been established defining the activities and procedures within the framework of the risk management system. In addition, in the second half of 2014 we launched workshops designed to identify operational risks for individual processes defined formally within the organization.

Compliance system	We take steps to ensure compliance of our activities and internal regulations with the generally applicable laws. We also take care to ensure compliance of our actions with the requirements laid down in our internal regulations.
Misconduct prevention system	In 2014, we continued managing the risk of misconduct in a comprehensive and structured manner, while fostering a corporate culture of ethics. Solutions are in place to mitigate the risk of both external and internal misconduct. We are building up knowledge relating to misconduct involved in our activities and developing a systemic approach to identifying and monitoring solutions and mechanisms to prevent and detect misconduct. Our consistent efforts to foster a culture of ethics by continually raising the awareness of desirable attitudes fully support and help develop the misconduct prevention system.
Corporate governance	We have established most of our key governance solutions, including those governing the relations between the Company's corporate bodies and other internal relations (connected with the approach to managing the organization and its resources), in conformity with the applicable standards and best practices. The solutions adopted with respect to the Company's corporate bodies and their mutual relations are generally consistent with the requirements defined in the 'Code of Best Practice for WSE Listed Companies'.

The relatively high score achieved by Grupa LOTOS in the organizational maturity assessment was largely the result of steps taken in the last few years and in 2014 to secure the Company's value and operations, demonstrated by the effectively working internal control system as well as corporate governance and compliance solutions.

RELATED CONTENT:

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Ethics

System of values

At the LOTOS Group, in our business and CSR activities we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system.

Go to the page »

<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/system-of-values>

Improvement of the organization

One of the key objectives of the LOTOS Group's CSR Strategy is to improve management by ensuring ethical conduct and transparency of business processes, as well as protecting the organization against the risk of irregularities that may threaten its operations. We plan to achieve this through our Ethical Conduct Programme and Misconduct Risk Management Programme.

Go to the page »

<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/improvement-of-the-organization>

System of values

Our mission is to pursue innovation-driven, sustainable development in the exploration, production and processing of hydrocarbons and marketing of high-quality products, which is conducive to creating lasting value for shareholders, ensuring customer satisfaction, enhancing and leveraging the employee potential, and which is responsible towards society, environmentally friendly and consistent with the energy security policy.

In our business and CSR activities, we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system, comprising transparency, openness, innovativeness and responsibility. It is further supported by ethical values we undertook to follow by adopting the LOTOS Group's Code of Ethics in 2013. These include: professionalism, respect, transparency and cooperation.

transparency - openness - innovativeness - responsibility - professionalism - respect - transparency - cooperation



As a corporate citizen, in all areas of our activity we endorse and abide by the principles of the **United Nations Global Compact**, a voluntary international corporate citizenship initiative of unprecedented reach. We adhere to the following United Nations Global Compact principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights;
2. Businesses should make sure they are not complicit in human rights abuses;
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Businesses should uphold the elimination of all forms of forced and compulsory labour;
5. Businesses should uphold the effective abolition of child labour;
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation;
7. Businesses should support a precautionary approach to environmental challenges;
8. Businesses should undertake initiatives to promote greater environmental responsibility;
9. Businesses should encourage the development and diffusion of environmentally friendly technologies;
10. Businesses should work against corruption in all its forms, including extortion and bribery.

In 2014, Grupa LOTOS became a signatory of the UN Global Compact's new initiative – **Call to Action on Anti-Corruption**, which is a joint appeal to governments to take steps to prevent all forms of corruption. The UN initiative's postulates are very close to what we believe in, as demonstrated by the LOTOS Group's Ethical Conduct Programme and Misconduct Risk Management Programme. Taking part in that international initiative, we have reaffirmed Grupa LOTOS's commitment to counteracting corruption by:

- Incorporating an anti-corruption policy into our business strategy,
- Building a corporate culture based on ethical values,
- Zero tolerance by the Board to bribery and corruption,
- Exchange of knowledge and experience in combating corruption,
- Collaboration with other participants of the UN Global Compact,
- Promoting and enhancing transparency in business.

In 2014, we continued our involvement in the **Vision of Sustainable Development of Polish Businesses until 2050**, a joint initiative of the Minister of Economy, the Minister of Environment, the Responsible Business Forum, and PwC, a consultancy. Modelled on the international initiative pursued by the World Business Council for Sustainable Development (WBCSD), the project aims to integrate Polish businesses around the idea of sustainable development, making the business community aware of the importance of sustainable development to their organizations' long-term growth, and to foster dialogue between government authorities and businesses so that specific solutions can be worked out to further Poland's development goals. Grupa LOTOS played a part in developing Vision 2050, ultimately becoming a signatory of the associated Declaration of Polish Businesses for Sustainable Development in 2012. In 2014, the Company's delegates joined the working groups established in the third stage of Vision 2050 to promote social innovation and use of renewable energy sources.

RELATED CONTENT:

Social impact

2014 was outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken by the LOTOS Group under the cross-sectoral cooperation model. It was also a period of initiatives aimed to establish a responsible supply chain.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/social-impact>

Improvement of the organization

At the LOTOS Group, we strive to consistently improve our organization, for example by implementing a system for misconduct prevention. The system was developed based on 'Managing the Business Risk of Fraud: A Practical Guide' – a manual prepared by professional organizations dedicated to preventing and detecting misconduct, such as the Institute of Internal Auditors, the American Institute of Certified Public Accountants, and the Association of Certified Fraud Examiners.

We strive to ensure an optimum degree of immunity to misconduct within the LOTOS Group. Immunity to misconduct is achieved by companies which utilise their awareness of real and perceived misconduct threats arising in the course of their operations to implement and apply the solutions that are best adapted to the scale and nature of the risk, and that are geared towards preventing, detecting and responding to such threats.

The purpose of these efforts is to secure the organization's ability to:

- Mitigate the risk of misconduct,
- Reduce the harmful effects of misconduct,
- Mobilise resources to accelerate the organization's return to its pre-misconduct state.

The implementation of the comprehensive misconduct risk management system was confirmed as a valid course of action by the Association of Certified Fraud Examiners in its 2012 Report to the Nations, which presented the results of research into the nature and scale of occupational misconduct (fraud) in individual industries. Oil and gas companies rank fourth in terms of losses incurred as a result of individual cases of occupational misconduct and second in terms of the number of corruption incidents. The latter accounted for some 50% of all misconduct cases. The Report also explores various misconduct detection methods, highlighting the importance and effectiveness of internal auditing procedures and independent reviews carried out by management staff. Such efforts are essential components of a well-designed and effective misconduct prevention system.

Therefore, the Enterprise Risk Management system covers the risk of misconduct, understood as the risk of an intentional act or omission which constitutes a violation of the generally applicable laws, committed to secure an unlawful gain or leading to the Company sustaining a loss (including any forms of corruption).

Increasing our organization's immunity to misconduct by 2015 is part of the key objective of the LOTOS Group's Corporate Social Responsibility Strategy. This objective is to improve management by ensuring ethical conduct and transparency of business processes, as well as protecting the organization against the risk of irregularities that may threaten its operations. We plan to achieve this through our Ethical Conduct Programme and Misconduct Risk Management Programme. By pursuing these programmes effectively and comprehensively, we intend to safeguard the Company's reputation and assets, as well as to ensure that our decisions are effective and the Company value is consistently enhanced.

The Ethical Conduct Programme covers initiatives aimed to encourage the LOTOS Group's employees to behave in accordance with the appropriate ethical culture. The Misconduct Risk Management Programme, directed primarily at the management staff, consists in the coordination of misconduct prevention and detection measures implemented as part of individual business processes.

LOTOS

IMPROVEMENT OF THE ORGANIZATION

Ethical Conduct Programme	Misconduct Risk Management Programme
<ul style="list-style-type: none"> - Code of Ethics - Radca ds. etyki - Ethics Officer - Reporting channels - Education - Communication 	<ul style="list-style-type: none"> - Misconduct prevention policy - Assessment of the organization's immunity to misconduct - Identifying process-related misconduct risk - Reporting channels - Education - Communication
OBJECTIVE	OBJECTIVE
To make business ethics the highest strategic standard of the organization	Reasoned and active improvement of the organization's immunity to misconduct

professionalism

respect

transparency

cooperation

Ethical Conduct Programme

In effect since the beginning of 2013, the LOTOS Group's Code of Ethics is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in corporate management. Apart from ethics education and communication initiatives, the Programme comprises channels for reporting violations of the Code of Ethics, and institutions – the Ethics Board and Ethics Officer – whose duty is to uphold the accepted standards of ethical conduct. Established in 2013, the Ethics Board is a collective body composed of representatives of the organization's business segments. The Ethics Officer, who, like the Ethics Board, is not remunerated for this role, was first appointed in June 2014.

One of the Ethics Board's key tasks in 2014 was to set the criteria based on which the Ethics Officer would be appointed and to provide recommendations in this respect to the President of the Board of Grupa LOTOS. Importantly, throughout the process the Ethics Board was engaged in consultation with LOTOS Group employees, who decided that the Ethics Officer should be elected from within the organization. In collaboration with the newly appointed Ethics Officer, the Ethics Board also prepared an internal regulation detailing rules whereby the Ethical Conduct Programme would be implemented within the LOTOS Group. As a result, each of the Programme's components is subject to very specific regulations, which encourages trust in and enhances transparency of the methods used to promote ethical conduct within the organization. In addition, periodic reports about the Programme's performance and information on activities taken by the Ethics Officer are communicated to all employees.

The Ethics Officer, alongside members of the Ethics Board, is responsible for actively fostering an organizational culture based on ethical values and the rules of conduct set out in the LOTOS Group's Code of Ethics.

The Ethics Officer's responsibilities within the organization are to:

- clarify doubts regarding the provisions of the Code of Ethics, by responding to any submitted questions and issues;
- help resolve any issues submitted by employees to their line managers;
- maintain procedures for accepting and investigating reports of breaches of the Code of Ethics;
- consider employee proposals of amendments to the Code of Ethics;
- share the knowledge of any breaches of the Code of Ethics and measures taken to address such breaches with parties from inside and outside the organization.

The newly appointed Ethics Officer's priority is to hold direct meetings with employees. In 2014, within the first six months of the appointment, the Ethics Officer held 27 such meetings, with some 1,000 employees (approximately 20% of the LOTOS Group's total headcount). Reports from these meetings were made available through corporate media, attracting considerable interest. Questions and doubts raised during the meetings, as well as in telephone calls and letters addressed to the Ethics Officer, were answered on an ongoing basis. In the first months following the appointment, 49 cases were submitted to the Ethics Officer, more than a half of which were requests for an explanation, opinion or interpretation and reports of potential violations. The submitted reports and queries concerned in particular:

- communication between superiors and employees,
- the procurement process,
- potential conflicts of interests,
- employee matters,
- labour relations at LOTOS service stations.

Those who approached the Ethics Officer received feedback as to the correct interpretation of the Code of Ethics, including rationale for the position adopted by the Ethics Officer. Relevant remedial measures were recommended in those cases where a breach was confirmed.

STATEMENT

While the majority of LOTOS employees believe an ethics culture is important in their everyday work, nearly half of them regard the existing standards of ethical conduct as insufficient. Further efforts to improve our corporate practices in this respect are therefore necessary.

Marta Zbucka
LOTOS Group Ethics Officer, Corporate Contracting Office Head,
Grupa LOTOS



Most importantly, an appropriate ethics culture must be promoted through each employee's own behaviour, regardless of their position and place of work. Employees of the LOTOS Group agree they should react to unethical behaviour of their colleagues. Expected to set an example, the management staff play a particularly vital role in promoting desirable conduct.

Talking to employees is the most important part of my responsibilities. They should know the Ethics Officer so they can ask for

advice and report problematic incidents without hesitation. In the first months of serving as the Ethics Officer, I started to hold meetings on an 'open door' basis in Grupa LOTOS and organised regular meetings devoted to specific issues in individual companies. At all times, direct contact with the organization's employees at their place of work was of key importance. It is our common goal to ensure a positive working environment, which naturally draws my attention to issues that particularly concern employees.

At the same time, a large portion of my efforts is focused on relations with the organization's external stakeholders. Areas that need to be supported in the course of our ethics education include the supply chain and the effect of our ethical standards on relations with our trading and social partners. Also, what needs to be communicated more clearly is how important ethical conduct is to the LOTOS Group in its contacts with trading partners, including those managing LOTOS service stations.

For me, the Code of Ethics is the starting point and mainstay of my duties as the Ethics Officer. I believe it is particularly important to maintain the atmosphere which we created during the first year following adoption of the Code of Ethics by the Board of Grupa LOTOS, and to ensure that the principles and values contained in the Code of Ethics are cultivated in our day-to-day work and become a hallmark of the LOTOS Group's market conduct.

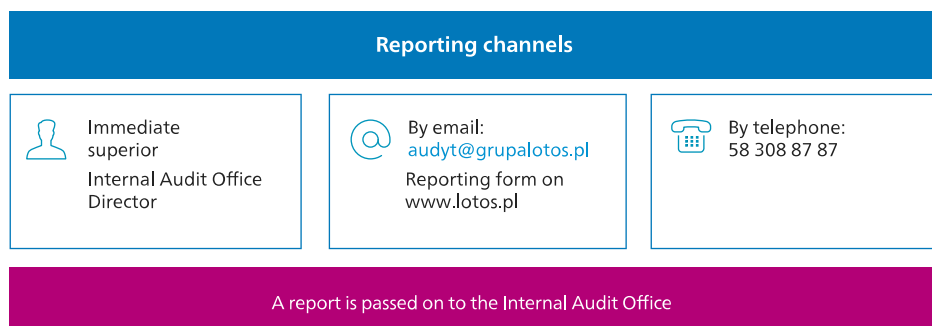
Selected methods of contacting the LOTOS Group Ethics Officer

- telephone call or voicemail (+48 58 308 80 70);
- email to: liniaetyki@grupalotos.pl;
- online form available from: www.lotos.pl;
- open door policy (Thursdays, from 13.00 to 14.30 PM);
- traditional mail to: Rzecznik ds. etyki (Ethics Officer), Grupa LOTOS S.A., ul. Elbląska 135, 80-718 Gdańsk, Poland.

Misconduct Risk Management Programme

We have prepared and communicated a misconduct prevention policy and appointed persons coordinating and responsible for misconduct prevention activities. Channels for reporting suspected misconduct were established, alongside organizational arrangements and processes (suspected misconduct report database, investigation and reporting system, rules of explanatory proceedings).

The channels dedicated to reporting suspected misconduct are available to all employees, as well as external stakeholders. According to the Misconduct Prevention Policy, every LOTOS Group employee is obliged to immediately report any such suspicion.



In 2014, we launched a project to precisely assess the risk of misconduct within the organization. The project included a survey carried out among management staff, workshops and training sessions designed to increase awareness of certain threats, and overview of defined misconduct categories to identify process gaps.

In line with the adopted Corporate Social Responsibility Strategy for 2014–2015, we are taking steps to extend the misconduct risk management process across the entire LOTOS Group. Furthermore, we monitor all media for signals of alleged misconduct in the Company, as well as identify irregularities and incidents of misconduct in other companies, particularly those operating in the same industry as we do.

As part of the misconduct prevention system, we conduct periodic assessments of the organization's immunity to misconduct. In line with the adopted method of managing misconduct risk, set out in the Enterprise Risk Management Policy, such assessment is carried out at least once every three years. In the first assessment, conducted in 2013, we examined the risk of corruption. In line with the adopted methodology, the heads of individual organizational units were asked to comment on all processes in place at the Company. Companies of the LOTOS Group were not subject to the assessment. One of the expected effects of the current Misconduct Risk Management Programme is to enable a group-wide evaluation of the organization's immunity to misconduct. The first such assessment is to be carried out after the end of 2015.

Business units of the LOTOS Group assessed for corruption risk in 2013

Total number of units	15
Percentage of units subject to assessment	7%

Furthermore, education and awareness initiatives were undertaken among management staff, focusing on misconduct prevention and the

relevance of the system. The purpose is to educate them about losses and risks the organization may incur due to misconduct, how misconduct is committed, as well as how it can be identified and prevented. In 2014, training courses covered computer crime and data theft, and workshops were held on misconduct risks, including risk of corruption in the procurement process.

Percentage of employees trained in the organization's anti-corruption policies and procedures

Position type	2012	2013	2014
Grupa LOTOS			
Management positions	62.5	32	77
Other	5.7	7	3.8
LOTOS Group			
Management positions	-	-	54
Other	-	-	4.3

In 2014, there was no single dismissal or disciplinary action at the LOTOS Group on charges of corruption, nor were there any instances of a business contract not being renewed because of a breach of the anti-corruption rules.

In line with the adopted Corporate Social Responsibility Strategy, 2015 will see continued efforts in this area, directed at the management staff and other employees, both in Grupa LOTOS and its subsidiaries. The Misconduct Risk Management Programme's progress is periodically reported to the Audit Committee of the Company's Supervisory Board.

STATEMENT

For the last two years, the LOTOS Group has been undertaking comprehensive actions in order to shape an appropriate ethics culture across the entire organization. The Ethical Conduct Programme we have put in place in 2013 has allowed us to build a strong foundation for the system protecting our organization from the risk of misconduct.

Beata Ossowska-Lango

President of the Ethics Committee of the LOTOS Group, Internal Audit Office Director, Grupa LOTOS



However, one should bear in mind that in this day and age no company is completely immune to such risk.

The practice proves that the best and most effective way of managing the risk of misconduct is to create an effective and comprehensive misconduct prevention system which is deeply rooted in the maturity of the organization's management processes. It is one of the premises which guides us in our efforts to build appropriate awareness within this area through educational and preventive actions addressed to our employees and their superiors.

Our objective is, first and foremost, to sensitize our management staff to threats connected with misconduct as it is them who play the most important part in creating adequate corporate governance processes and shaping a desired organizational and ethics culture in the organization.

During numerous meetings with employees, representatives of Management Boards of the LOTOS Group companies confirm their zero tolerance towards any kinds of misconduct and stress their willingness to broaden their knowledge about its symptoms and responsibility stemming from the obligation to report and react to any irregularities observed. They also emphasize that equally important is the awareness of employees and alerting them to any indications of misconduct in everyday processes, as our constant alertness and non-routine approach to them are the best protection from threats to the company's business. As an organization, we keep learning how to quickly and adequately react to the risk of misconduct, among others thanks to an effective flow of information, greater openness in talking about what can happen to us and formulating conclusions for future based on what we can observe on the market.

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>

Corporate supervision

Corporate governance strengthens the credibility of Grupa LOTOS as an entity listed on the WSE's regulated market, which enhances the competitive position of the entire LOTOS Group. We make every effort to ensure that our disclosure policy is compliant with best practices and supports the objectives of corporate governance principles, i.e. transparency of the Company's operations as a listed company, trust in stakeholder relations, and consistency in creating value for shareholders.

From its stock market debut in June 2005, Grupa LOTOS adhered to most of the recommendations set out in the document 'Best Practices for Public Companies 2005'. Then, since 2008, it has followed the 'Code of Best Practice for WSE Listed Companies', as amended by the WSE's Supervisory Board in its Resolutions of October 19th 2011 and November 21st 2012, the current version of which has been in force since the beginning of 2013.

In line with the relevant disclosure requirements, we report instances of incidental or permanent non-compliance with corporate governance rules. The reports are published through the Electronic Information Base (EBI), similarly to current reports, and released in two languages on the Company's investor relations website.

Our relations with investors and stakeholders are forged and fostered based on equality and dialogue, in a manner satisfactory to both parties. We review and gradually introduce new investor relation tools, continually improve the content and form of communications, and use a broad range of IR tools, including mailing, newsletters, webcasts, participation in conferences for institutional and individual shareholders and brokers, conference calls, one-on-one meetings, open-house days for analysts and investors, and inclusion in the RESPECT Index.

In 2014, the Investor Relations Team supported the Company's Board in organizing meetings with investors and maintaining regular contact with capital market participants. In the second half of the year, the Team coordinated work on the Series D shares issue project.

As part of our relations with individual shareholders, we collaborate with the Polish Association of Retail Investors. In 2014, we attended the 18th Wall Street Conference of retail investors, organized by the Polish Association of Retail Investors in Karpacz on June 6th-8th.

In addition, Grupa LOTOS operates an investor relations website. This bilingual (Polish-English) service is updated on an ongoing basis to provide foreign investors and analysts with equal access to information. The website contains information and tools grouped into four thematic blocks:

1. **Company** – this section of the website presents the LOTOS Group, its strategy, share capital structure and CSR activities.
2. **Reports and Key Data** – this section organizes financial and non-financial information (includes an easily downloadable excel file databook), as well as the LOTOS Group's current and periodic reports published via the Warsaw Stock Exchange.
3. **Investors** – this section contains information on the method of calculating the model refining margin of Grupa LOTOS and its quarterly updated values, information on the Company's dividend policy and dividend payouts, investor tools (calculator, historical LOTOS stock prices). It also contains downloadable files, i.e. periodic reports, strategy and efficiency improvement presentations, and the issue prospectus. The section also lists equity analysts covering the Company and their most recent recommendations for the LOTOS securities traded on the WSE. The corporate events calendar (quarterly reports, General Meeting dates, open-house days, and other events relevant for shareholders which might impact the price of Company shares) is published in the 'Investor Calendar' tab.
4. **Corporate Governance** – this section contains information concerning the Company's compliance with the requirements of the 'Best Practice for WSE Listed Companies'. It also provides information on the composition, powers and rules of procedure of the Board, Supervisory Board and General Meeting of Grupa LOTOS, and contains the Company's constitutional documents.

The Best Practices section of the Company's website contains information on corporate governance, including the Company's and LOTOS Group's annual Statements of Compliance with corporate governance principles and reports released via the EBI system. Since 2007, the Board has been publishing Statements of Compliance with corporate governance principles, listing instances of the Company's non-compliance, along with relevant explanations. This practice is in line with the 'comply-or-explain' principle, which provides that public companies should either comply with corporate governance rules or explain any instances of incidental or permanent non-compliance. (See more <http://inwestor.lotos.pl/en/1001/corporate_governance/best_practices>)

In 2014, Grupa LOTOS did not publish any reports on instances of non-compliance with obligatory corporate governance rules.

Corporate governance is about promoting integrity, responsibility and transparency in the relations between company owners and management staff to ensure shareholder control over the way in which their invested capital is used.

Paweł Bujnowski

Investor Relations Office Head, Grupa LOTOS



By making our disclosure policy and investor relations compliant with corporate governance principles, we declare that as a listed company we care about mutually satisfying communication with investors in the spirit of partnership. The key objectives of corporate governance at Grupa LOTOS are to guarantee the transparency of its operations as a listed company, build trust in its relations with Stakeholders, ensure openness and consistent building of value for Shareholders.

We make a conscious effort to apply corporate governance standards defined in the Code of Best Practice for WSE Listed Companies, which represents a valuable tool for building trust by raising the Company's credibility in the eyes of capital market participants. Adherence to the Code not only significantly improves our competitiveness, but also helps us raise capital for investments, as evidenced by the success of Grupa LOTOS public share offering.

As regards investor relations, we focus on maintaining high reporting standards. In practice, this means we seek to reach the widest group of Stakeholders. We take part in large events, such as the Polish Capital Market conference organized by the PKO BP brokerage house in London, where we present Grupa LOTOS to investment banks. At the same time, we also reach out to retail investors, for instance by attending the Wall Street conference of the Polish Association of Retail Investors (PARI), held annually in Karpacz.

We make every effort to present to investors an accurate, reliable and clear picture of the Company's operations, strategy and financial standing, taking into account the principles of commitment, availability and equal treatment of all investors. We give no preference to large financial institutions, as evidenced by the fact that we refrained from disclosing our financial performance forecasts during one-on-one meetings or in the course of the roadshow promoting Grupa LOTOS new shares, which took place in November.

We think of investor relations as an effort to build proper understanding of the LOTOS Group's 'equity story' on the capital market by explaining the Board's strategies and defining the path towards its strategic objectives. This assumption is the basis for all our corporate materials, which are made freely available on the Company's investor relations website. Feel free to visit the 'Investors' section, where you can find releases and tools useful to investors big and small, including presentations from industry conferences attended by representatives of the Grupa LOTOS Board. We also publish newsletters for financial analysts and excel files facilitating work on our operating and financial data.

With retail investors accounting for fifteen percent or so of the total trading volume on the WSE, we have expanded the scope of our cooperation with the Polish Association of Retail Investors by launching diverse channels of communication with retail investors (including online chats with Vice-President M. Machajewski following release of the LOTOS Group's Q4 2014 results).

In the second half of 2014, we were working on the issue of Series D shares to raise nearly PLN 1bn for strategic investments. The Grupa LOTOS share issue was an unqualified success, and knowing that it was driven by the trust in the Company Board's investment plans we have helped foster makes us all the more proud.

Ever since November 19th 2009, Grupa LOTOS has been a constituent of the WSE's RESPECT Index of socially responsible companies, which demonstrates the Company's adherence to high reporting standards. On December 18th 2014, Grupa LOTOS was included in the RESPECT Index, currently composed of 24 companies, for the eighth consecutive time.

Mechanisms have been put in place to enable shareholders and employees to submit their proposals and comments directly to corporate bodies responsible for supervising the organization's management. They are discussed in detail in the Grupa LOTOS Articles of Association and Rules of Procedure for the General Meeting (compliant with the Commercial Companies Code), which define the rules of participation in the General Meeting and exercising the voting rights by shareholders, the procedure for convening and cancelling a General Meeting, and for opening and holding its proceedings.

In line with these guidelines, shareholders have the right to influence decisions on the Company's operations and hold to account its management and supervisory bodies.

One of the key shareholder rights is the right to attend the General Meeting, which is granted only if the potential participant is a Company shareholder on the record date, i.e. 16 days before the date of the General Meeting. Holders of rights under registered shares or provisional certificates (*świadcstwa tymczasowe*) as well as pledgees and usufructuaries holding voting rights are entitled to participate in the General Meeting if they are entered in the Share Register on the record date.

Along with the right to participate in the General Meeting, shareholders are also granted the right to:

- Submit motions before and during the General Meeting,
- Request that certain matters be included in the agenda of the General Meeting,
- Submit draft resolutions concerning items included in the agenda of the General Meeting or matters to be added to the agenda prior to the date of the General Meeting,
- Submit draft resolutions concerning items included in the agenda of the General Meeting or added to the agenda in the course of the General Meeting,
- Take the floor and speak at the General Meeting,
- Raise objections to and appeal against resolutions of the General Meeting.

Shareholders representing at least 1/20 of the Company's share capital may also request that an Extraordinary General Meeting be convened and that certain items be placed on its agenda.

In addition to those provided for in applicable laws, the 'Code of Best Practice for WSE Listed Companies' also defines mechanisms designed to improve investor communications and enhance protection of shareholder rights, including in areas not regulated by law.

Such mechanisms include:

- Posting notices related to the General Meeting on the corporate website – which may concern cancellation of a General Meeting or change of its date or agenda, together with reasons, adjournment of a General Meeting, and shareholders' questions on items included in the agenda raised before and during the General Meeting, along with answers,
- Participation in the General Meeting of the Board and Supervisory Board members,
- Setting the time and venue of the General Meeting so as to enable participation of the largest possible group of shareholders,
- Admitting members of the press to the General Meeting.

In 2014, three General Meetings were held. On June 30th 2014, the Annual General Meeting of Grupa LOTOS was held, and two Extraordinary General Meetings took place on September 8th and November 25th. All the three General Meetings were convened by the Company's Board.

The Annual General Meeting reviewed and approved the financial statements and the Directors' Report on the operations of the Company and the LOTOS Group in 2013, and granted discharge to members of its Board and Supervisory Board. The Annual General Meeting also approved the purchase of real properties for future investment projects and resolved to grant a length-of-service award to the President of the Board for 35 years of service. Furthermore, as the eighth term of office of the Supervisory Board expired, the Annual General Meeting set the number of Supervisory Board members of the ninth term of office at seven and exercised its right to appoint six Supervisory Board members.

During the Meeting, Mr B. Kamola, a retail shareholder, exercised his right to take the floor. His proposals and comments concerned the Company's operations, in particular financial matters, exploration and production, marketing in the context the Company's presence on the domestic retail fuel market, as well as effectiveness of its maritime logistics restructuring. Questions raised by the shareholder along with answers provided by the Board have been posted on the Company website. Mr Kamola also exercised his right to object to the General Meeting's resolution concerning approval of the Directors' Report on the operations of Grupa LOTOS in 2013.

The Extraordinary General Meeting of September 8th 2014 resolved to increase the Company's share capital by way of issue of new shares; the increase was registered by the Court on January 9th 2015.

The Extraordinary General Meeting of November 25th 2014 approved the disposal of perpetual usufruct right to land to LOTOS Asphalt and disposal of an organised part of business of Grupa LOTOS in the form of a fuel depot in Poznań.



RELATED CONTENT:

Stock exchange

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project, i.e. construction of a delayed coking unit at the Gdańsk refinery, and towards the development of our gas fields in the Baltic Sea.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/stock-exchange>

Business model

Our operations consist in crude oil production and processing, as well as wholesale and retail sale of petroleum products, among which are: fuels (unleaded gasoline, diesel oil and light fuel oil), heavy fuel oil, bitumens, aviation fuel, naphtha, propane-butane LPG and base oils.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/business-model>

The Supervisory Board

Powers of the Supervisory Board

Pursuant to the 'Code of Best Practice for WSE Listed Companies', members of the Supervisory Board should possess appropriate expertise and experience, and should perform their duties to a professional standard of care.

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<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/powers>>

Composition of the Supervisory Board

The State Treasury is entitled to directly appoint and remove one member of the Grupa LOTOS Supervisory Board as long as it remains a shareholder in the Company.

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<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/composition-of-the-supervisory-board>>

Standing committees of the Supervisory Board

Standing committees of the Supervisory Board of Grupa LOTOS include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee.

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<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/standing-committees-of-the-supervisory-board>>

Remuneration of the Supervisory Board

In 2014, members of the Supervisory Board were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector in the fourth quarter of 2009.

Go to the page »

<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/remuneration>>

Independence status of the Supervisory Board

Independent members of the Supervisory Board are persons who are not linked in any way to the shareholders, the Company or its employees, as such relations could potentially result in a conflict of interests.

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<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/independence-status>>

Avoidance of conflicts of interest

Grupa LOTOS is not aware of any conflicts of interest that arose or could have arisen in 2014, which the member concerned should have notified the Supervisory Board about.

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<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/avoidance-of-conflicts-of-interest>>

Commitment to sustainable development

The committees of the Supervisory Board, viewing sustainability as an essential process for the Company and appreciating the importance of a responsible approach to business, brought matters related to sustainable development under discussion while performing their duties in 2014.

Go to the page »

<<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/commitment-to-sustainable-development>>

Powers of the Supervisory Board

The Supervisory Board of Grupa LOTOS exercises ongoing supervision of the Company's business, across all areas of its operations. It performs its duties collectively, but may also set up ad hoc or standing committees to exercise supervision of specific areas of the Company's activities.

Standing committees of the Supervisory Board include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee. The Supervisory Board may delegate its members to individually perform certain tasks or functions.

The procedures followed by the Supervisory Board of Grupa LOTOS are defined in the Company's Articles of Association and Rules of Procedure for the Supervisory Board.

Articles of Association of Grupa LOTOS S.A.
(PDF) <<http://inwestor.lotos.pl/repository/45906/en/>>

Regulations of The General Assemblies of Grupa LOTOS S.A. (PDF)
<http://inwestor.lotos.pl/pobierz_plik/37542/>

By-Laws of the Supervisory Board of Grupa LOTOS (PDF)
<http://inwestor.lotos.pl/pobierz_plik/37177/>

Members of the Supervisory Board of Grupa LOTOS should perform their duties to a professional standard of care. Pursuant to the Rules of Procedure for the General Meeting and the 'Code of Best Practice for WSE Listed Companies', members of the Supervisory Board should also possess appropriate expertise and experience, and be able to devote the time necessary to perform their duties.

Composition of the Supervisory Board

✔ Data has been verified > See full text of the Independent Assurance Report



Wiesław Skwarko

Chairman of the Supervisory Board

Mr Skwarko has continuously served on the Supervisory Board of Grupa LOTOS since June 30th 2008, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office as the Chairman of the Board by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

As Chairman of the Board, Mr Skwarko coordinates the work of and presides over the Supervisory Board, and represents it before the Company's other governing bodies and third parties. He is also actively engaged in the work of Supervisory Board committees, in the capacity of chairman of the Strategy and Development Committee and member of the Audit Committee.

Qualifications, professional experience and achievements:

Mr Skwarko graduated from the Faculty of Foreign Trade of the Warsaw School of Economics.

In 1987–1994, he was employed as assistant lecturer at the Warsaw School of Economics. From 1990 to 1999, he was a partner at Access Sp. z o.o., then became Member of the Management Board of Rothschild Polska Sp. z o.o. In 2005–2006, he served as Head of the Privatisation Office at Nafta Polska S.A. In 2006, he took the position of Financial Strategy and Capital Development Director, initially at CTL Maczki Bór of Sosnowiec and then at CTL Logistics S.A. of Warsaw. From January 10th 2008 to December 31st 2009, he served as Member of the Management Board of Nafta Polska S.A., and from January 1st 2010 until the end of April 2011 he was the liquidator of Nafta Polska S.A. w likwidacji (in liquidation). From October 27th 2010 to July 31st 2012, he served as Vice-President of the Management Board of ZAK S.A. of Kędzierzyn Koźle. Since September 10th 2012, he has served as President of the Management Board of Kędzierzyńsko-Kozielski Park Przemysłowy Sp. z o.o.



Agnieszka Trzaskalska

Deputy Chairperson of the Supervisory Board

Ms Trzaskalska has continuously served on the Grupa LOTOS Supervisory Board since February 29th 2012, as a Member of the Board of the 8th and 9th term of office. She was appointed for the 9th joint term of office by a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

By the Supervisory Board's decision, she has served as Deputy Chairperson of the Supervisory Board of the 9th joint term of office since July 28th 2014. In this capacity, she has the right to exercise all the powers of the Chairperson set forth in the Company's Articles of Association and the Rules of Procedure for the Supervisory Board of Grupa LOTOS, provided she is authorised to do so by the Chairperson or is acting in the Chairperson's absence. She also chairs the Organization and Management Committee, and works on the Strategy and Development Committee.

Qualifications, professional experience and achievements:

She has completed doctoral studies at the Faculty of Law and Administration of the Warsaw University; she holds a graduate diploma in law from the Faculty of Law and Administration of the University of Silesia.

Since 1999, she has been employed at the Ministry of the State Treasury, where she has held various posts in owner supervision, corporate

supervision and ownership transformations. At present, she serves as Deputy Head of the Ownership Transformation and Privatisation Department, where she coordinates the sale of shares in state-owned or partially state-owned companies.

Ms Trzaskalska has many years of experience in corporate law, owner supervision and corporate transformations, as well as extensive experience gained on the supervisory bodies of commercial-law companies and other entities, including as: Member of the Supervisory Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (May–July 2014), Deputy Chairperson of the Supervisory Board and subsequently Member of the Supervisory Board of TAURON POLSKA ENERGIA S.A. (2007–2014); Deputy Chairperson of the Supervisory Board of LOTOS Petrobaltic S.A. (2007–2012), and Board Member of the Foundation of the Polish Students' Parliament of Warsaw (2000–2003). Currently, she serves as Deputy Chairperson of the Supervisory Board of PLL LOT S.A. Moreover, since March 31st 2015 she has also been a Member of the Supervisory Board of Jastrzębska Spółka Węglowa.



Oskar Pawłowski

Secretary of the Supervisory Board

Mr Pawłowski has continuously served on the Grupa LOTOS Supervisory Board since February 11th 2010, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

By the Supervisory Board's decision he has served as Secretary of the Supervisory Board of the 9th joint term of office since July 28th 2014. He also held this position on the Board of the 7th and 8th term of office. As Secretary of the Board, he is responsible for organising and documenting the Supervisory Board's work and providing it with administrative and technical support. He also remains a member of the Organization and Management Committee and the Audit Committee of the Supervisory Board.

Given the ongoing restructuring of the Company's North Sea projects, the Supervisory Board, by virtue of its decision of May 23rd 2013, delegated Mr Pawłowski to independent supervision of the restructuring of the Norwegian assets of the LOTOS Group's Exploration & Production Segment. The Supervisory Board of the 9th joint term of office, by virtue of its decision of July 28th 2014, maintained Mr Pawłowski's powers of delegation to supervise the restructuring of the Norwegian assets. Mr Pawłowski is a Member of the Board of Directors of LOTOS Exploration & Production Norge A.S. (as an observer).

Qualifications, professional experience and achievements:

Mr Pawłowski is a graduate of the Faculty of Law and Administration of the Adam Mickiewicz University of Poznań and Cambridge University, where he graduated in British and EU law.

In 2006, he completed legal counsel training held by the Board of the District Chamber of Legal Counsels in Poznań and was entered in the register of legal counsels.

Mr Pawłowski was a lawyer at Kancelaria Prawna Głowacki, Grynhoff, Hałaziński s.j. (in 2000–2002), at D. Janczak i Wspólnicy Sp. k./Domański Zakrzewki Palinka Sp. k. – Ernst & Young Law Alliance – Energy Group (in 2002–2003) and at the Law Office of Legal Counsel Włodzimierz Głowacki (in 2003–2007). Currently, Mr Pawłowski is a Managing Partner at the Oskar Pawłowski i Wspólnicy Sp. k. law firm.

He has over 10 years of experience in legal counsel services. His expertise includes, in particular, the regulatory environment of the energy sector and legal services in property trading and investment. Mr Pawłowski has extensive experience in corporate law as well as mergers and acquisitions.

He also serves as Energy Arbitrator at the Arbitration Court of the Chamber of Industrial Power and Energy Customers. He is a Member of the Tribunal of the Polish Automobile and Motorcycle Association. He speaks fluent English. He has authored the following papers: 'Rights of Electricity Consumers and Methods of Their Protection' (Rynek Energii 2/2009) and 'Legal Due Diligence in Property Transactions' (Inwestor 1/2010).



Magdalena Bohusz-Boguszewska

Member of the Supervisory Board

Ms Bohusz-Boguszewska has been a Member of Grupa LOTOS Supervisory Board since June 30th 2014. She was appointed for the 9th joint term of office by the Annual General Meeting of Grupa LOTOS. Ms Bohusz-Boguszewska works on the Strategy and Development Committee and the Audit Committee.

By virtue of the Supervisory Board resolution of August 22nd 2014, she was delegated to independently exercise detailed and ongoing supervision of the Project "Construction of a Delayed Coking Unit (DCU) and Auxiliary Installations", including the process of negotiation and selection of main contractors and arrangement of financing.

Qualifications, professional experience and achievements:

A graduate of Law from the European School of Law and Administration (Europejska Wyższa Szkoła Prawa i Administracji).

In October 2014, she became Head of the Strategy and Development Department at Agencja Rozwoju Przemysłu S.A. She has worked at the Polish Ministry of State Treasury since 2012. Until October 2014 she served at the Ministry as Head of the Supervision, State Aid and Assistance Division of the Restructuring and State Aid Department, overseeing and coordinating work related to the supervision of state-owned enterprises, corporate restructuring, as well as state aid and assistance considered non-public aid granted to entrepreneurs by the Minister of State Treasury. Between 2004 and 2012, she was employed at the Polish Ministry of Economy, where her responsibilities included the supervision of state-owned coal mining companies, and then legislative work to prepare draft amendments to the existing legal framework reflecting the government's strategies towards the coal mining industry. She has experience as a supervisory board member, having served in that capacity at a number of companies, including H. Cegielski – Poznań S.A. and Stomil – Poznań S.A.



Małgorzata Hirszel
Member of the Supervisory Board

Ms Hirszel has served on the Grupa LOTOS Supervisory Board since June 30th 2008, as a Member of the Board of the 7th, 8th and 9th term of office.

She was appointed for the 9th joint term of office by a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014. Ms Hirszel works on the Supervisory Board's Organization and Management Committee and the Strategy and Development Committee.

Qualifications, professional experience and achievements:

Ms Hirszel is a graduate of the Faculty of Law and Administration of the University of Warsaw; she has also completed a post-graduate course in European Studies at the Faculty of Journalism and Political Science of the University of Warsaw. Currently, she is pursuing doctoral studies at the Institute of Legal Sciences of the Polish Academy of Sciences.

In 2000, she joined the Chancellery of the Prime Minister, where she has served as Head of the Council of Ministers Committee Department and as Secretary of the Council of Ministers Standing Committee since 2007.



Michał Rumiński
Member of the Supervisory Board

Member of the Grupa LOTOS Supervisory Board since February 11th 2010, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014. Mr Rumiński serves as Chairman of the Audit Committee, and sits on the Strategy and Development Committee and the Organization and Management Committee.

Qualifications, professional experience and achievements:

Mr Rumiński is a graduate of the University of Chicago Booth School of Business, the Warsaw School of Economics, and the University of Warsaw, Faculty of Law and Administration.

Since 2012, he has been President of the Management Board and Managing Partner of EEC Ventures, specialising in asset management and capital advisory services, including specialised financial services in clean tech and sustainability investments. From 2007 to 2012, Mr Rumiński was associated with MCI Euroventures (an investment fund), in the following positions: Investment Partner, Member and then President of the

Management Board of ABC Data S.A. – the largest portfolio company, and member of the supervisory boards of other companies. In 2000–2007, he worked for the KBC Group, where he completed a number of equity transactions as well as public and private equity investment projects. From 2004, he held the position of Corporate Finance Director at KBC Securities S.A. and was responsible for developing the strategy and forming the corporate finance department at the KBC Securities investment bank in Poland. Before that, Mr Rumiński had served as Head of the Investment Banking Division at Kredyt Bank S.A. He has authored a number of publications dealing with the Polish and global capital market.

Under the Company's Articles of Association, the Supervisory Board may comprise five to nine members, appointed for a joint three-year term of office by the General Meeting in a secret ballot, by an absolute majority of votes, from an unlimited number of candidates. The number of Supervisory Board members is determined by the General Meeting. The Chairperson of the Supervisory Board is appointed by the General Meeting, while the Deputy Chairperson and the Secretary are elected by the Supervisory Board from among its other members. Any or all Supervisory Board members may be removed at any time prior to expiry of their term of office.

Notwithstanding the foregoing, pursuant to Article 11.2 of the Articles of Association, the State Treasury is entitled to directly appoint and remove one member of the Supervisory Board as long as it remains a shareholder in the Company.

From January 1st 2014 to June 30th 2014, the Supervisory Board (of the eighth term) was composed of the following members:

1. Wiesław Skwarko – Chairman,
2. Marcin Majeranowski – Deputy Chairman,
3. Oskar Pawłowski – Secretary,
4. Agnieszka Trzaskalska – Member,
5. Małgorzata Hirszel – Member,
6. Michał Rumiński – Member.

In connection with expiry of the eighth term of office of the Supervisory Board, on June 30th 2014 the Annual General Meeting of Grupa LOTOS, acting in accordance with Article 11.1 of the Company's Articles of Association and Resolution No. 21, set the number of members of the Supervisory Board of the ninth term of office at seven, and in accordance with Articles 385.1 and 385.2 of the Commercial Companies Code as well as Articles 9.4 and 11.2 of the Articles of Association, appointed new members to the Supervisory Board of the ninth term:

- Wiesław Skwarko – as Chairman,
- Magdalena Bohusz-Boguszewska,
- Małgorzata Hirszel,
- Agnieszka Trzaskalska,
- Oskar Pawłowski,
- Michał Rumiński.

The State Treasury, represented by the Minister of State Treasury, did not exercise its right to directly appoint one Supervisory Board member by the date of this Report.

The Supervisory Board of the ninth term of office was established at its first meeting. Ms Agnieszka Trzaskalska was appointed Deputy Chairperson of the Supervisory Board (Resolution No. 1/IX/2014), and Mr Oskar Pawłowski was appointed Secretary of the Supervisory Board (Resolution No. 2/IX/2014).

In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Supervisory Board of the ninth term was thus composed of the following persons:

1. Wiesław Skwarko – Chairman,
2. Agnieszka Trzaskalska – Deputy Chairperson,
3. Oskar Pawłowski – Secretary,
4. Magdalena Bohusz-Boguszewska – Member,
5. Małgorzata Hirszel – Member,
6. Michał Rumiński – Member.

Members of the Supervisory Board delegated to independently perform certain functions:

Marcin Majeranowski – delegated by virtue of Supervisory Board Resolution No. 66/VIII/2013 of January 11th 2013 to independently supervise the execution of the LOTOS Group's capital restructuring programme and its schedule. As the eighth term of office of the Supervisory Board expired, his powers of delegation lapsed.






Oskar Pawłowski – delegated by virtue of Supervisory Board Resolution No. 98/VIII/2013 of May 23rd 2013 to independently supervise the restructuring of the Norwegian assets of the exploration and production segment. As the eighth term of office of the Supervisory Board expired, these powers of delegation lapsed. The Supervisory Board of the ninth joint term of office, by virtue of its decision of July 28th 2014 (Resolution No. 6/IX/2014), again granted to Mr Pawłowski, within the scope of individual supervision, same powers of delegation as before.

Magdalena Bohusz-Boguszewska – delegated by virtue of Supervisory Board Resolution No. 10/IX/2014 of August 22nd 2014 to independently exercise detailed and ongoing supervision of the Project "Construction of a Delayed Coking Unit (DCU) and Auxiliary Installations", including the process of negotiation and selection of main contractors and arrangement of financing.

At present, the Supervisory Board of Grupa LOTOS consists of six members.

Number of women and men on the Supervisory Board of Grupa LOTOS in 2012–2014

Year	Period	Total members	Number of women	Number of men
2012	Jan 1–Jan 27	6	1	5
	Jan 27–Feb 29	5	1	4

	Feb 29–Dec 31	6	2	4
2013	Jan 1–Dec 31	6	2	4
2014	Jan 1–Jun 30	6 	2 	4 
	Jun 30–Dec 31	6 	3 	3 

Standing committees of the Supervisory Board

Standing committees of the Supervisory Board of Grupa LOTOS, acting as supporting, advisory and consultative bodies, include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee.

Each committee is composed of three to five persons, appointed by the Supervisory Board from among its members. The committees are headed by chairpersons, who are appointed by the Supervisory Board from among the committee members. All Supervisory Board members have the right to participate in the meetings of each committee.

The Audit Committee has been established to advise the Supervisory Board on proper implementation of the budget reporting, financial reporting and internal control standards, and to collaborate with the Company's auditors.

The Strategy and Development Committee's role is to provide the Supervisory Board with opinions and recommendations regarding planned investment projects with a potentially material effect on the Company's assets, related to its long-term strategies.

The Organization and Management Committee provides the Supervisory Board with opinions and recommendations regarding the Company's management structure, including organizational solutions, remuneration scheme and choice of personnel, to enable the Company to achieve its strategic objectives.

The specific powers and duties of the committees are defined by the Rules of Procedure for the Supervisory Board and the Rules of Procedure for the individual committees.

In 2014, the committees of the Supervisory Board were composed of the following persons:

Audit Committee of the Supervisory Board

In the period from January 1st to June 30th 2014 (until the end of the eighth term of office), the Audit Committee of the Supervisory Board was composed of the following persons:

1. Michał Rumiński – Chairman (*appointed chairman of the committee on August 11th 2011*),
2. Wiesław Skwarko – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Audit Committee, appointing Michał Rumiński as the chairman (Resolution No. 3/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Audit Committee was thus composed of the following persons:

1. Michał Rumiński – Chairman,
2. Wiesław Skwarko – Member,
3. Oskar Pawłowski – Member,
4. Magdalena Bohusz-Boguszewska – Member.

Strategy and Development Committee of the Supervisory Board

In the period from January 1st to June 30th 2014 (until the end of the eighth term of office), the Strategy and Development Committee of the Supervisory Board was composed of the following persons:

1. Wiesław Skwarko – Chairman (*appointed chairman of the committee on August 11th 2011*),
2. Małgorzata Hirszel – Member,
3. Michał Rumiński – Member,
4. Agnieszka Trzaskalska – Member,
5. Marcin Majeranowski – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Strategy and Development Committee, appointing Wiesław Skwarko as the chairman (Resolution No. 4/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Strategy and Development Committee was thus composed of the following persons:

1. Wiesław Skwarko – Chairman,
2. Małgorzata Hirszel – Member,
3. Michał Rumiński – Member,
4. Agnieszka Trzaskalska – Member,
5. Magdalena Bohusz-Boguszewska – Member.

Organization and Management Committee

In the period from January 1st to January 18th 2014, the Organization and Management Committee of the Supervisory Board was composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson (*appointed chairperson of the committee on March 8th 2012*)
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member.

By way of its decision of January 18th 2014 (Resolution No. 110/VIII/2014), the Supervisory Board appointed Michał Rumiński to the Organization and Management Committee. In the period from January 18th to June 30th 2014 (until the end of the eighth term of office), the committee was composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson,
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member,
5. Michał Rumiński – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Organization and Management Committee, appointing Agnieszka Trzaskalska as the chairperson (Resolution No. 5/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Organization and Management Committee was thus composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson,
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member,
5. Michał Rumiński – Member.

Remuneration of the Supervisory Board

The rules of remuneration for members of the Supervisory Board are defined by the General Meeting.

Remuneration of the Grupa LOTOS Supervisory Board members is subject to limitations and conditions prescribed under the Act on Remunerating Persons Who Manage Certain Legal Entities of March 3rd 2000 (Dz.U. of 2000 No 26, item 306, as amended). In accordance with the Act, in 2000 the

Extraordinary General Meeting defined a remuneration policy for Supervisory Board members. Pursuant to the policy:

- Supervisory Board members receive monthly remuneration equal to the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of the preceding year, as announced by the President of the GUS (Central Statistics Office),
- The remuneration is payable irrespective of the frequency of Supervisory Board meetings, except if, in a given month, a member of the Supervisory Board is absent from all meetings held in that month without valid reasons,
- If a Supervisory Board member is appointed or removed from office during a calendar month, the remuneration amount is calculated according to their number of days in office,
- The Company reimburses any expenses incurred by the Supervisory Board members in connection with the performance of their duties, and – pursuant to the Personal Income Tax Act – calculates and deducts personal income tax prepayments from their remuneration.

In line with the provisions of the afore-mentioned Act, in 2014 the Supervisory Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of 2009.

Remuneration of the Supervisory Board members in 2014

Name and surname	Amount (PLN)
Wiesław Skwarko	38,000
Agnieszka Trzaskalska	38,000
Oskar Pawłowski	38,000
Małgorzata Hirszel	38,000
Magdalena Bohusz-Boguszewska	17,000
Michał Rumiński	38,000
Marcin Majeranowski	21,000
Total	228,000

Independence status of the Supervisory Board

The term 'independent members of the supervisory board' in reference to public companies was introduced in the 'Code of Best Practice for WSE Listed Companies', which is designed to foster transparency in listed companies.

In accordance with Rule 6, Section III of the Code, at least two supervisory board members should meet the independence criteria set out in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In addition, a person who is an employee of the company, its subsidiary company or its associated company, or has an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the general meeting, cannot be deemed to meet these independence criteria.

Therefore, independent members of the supervisory board are persons who are not linked in any way to the shareholders, the company or its employees, as such relations could potentially result in a conflict of interests.

According to the representations made for the purposes of the Grupa LOTOS Prospectus, approved by the Polish Financial Supervision Authority on November 7th 2014, and as at the date of the Prospectus, the following members of the Supervisory Board met the criteria of independence, within the meaning of Annex II to the Commission Recommendation of February 15th 2005 and Section III.6 of the Code of Best Practice: Wiesław Skwarko, Oskar Pawłowski, Małgorzata Hirszel, Michał Rumiński, and Magdalena Bohusz-Boguszewska.

The independence criteria within the meaning of the Act on Qualified Auditors were satisfied by: Wiesław Skwarko, Agnieszka Trzaskalska, Oskar Pawłowski, Małgorzata Hirszel, and Michał Rumiński.

Avoidance of conflicts of interest

Members of the Supervisory Board of Grupa LOTOS make IFRS-compliant disclosures on related-party transactions in accordance with IAS 24 Related Party Disclosures for the purposes of the Company's financial statements. According to the representations made in the first half of the year, two members of the Company's Supervisory Board were employed at the Ministry of State Treasury, which they both claimed had no influence on their duties on the Supervisory Board. At present (since June 30th 2014), one member of the Supervisory Board is employed at the Ministry of State Treasury and upholds his previous representation that this has no influence on his duties on the Supervisory Board. The remaining Supervisory Board members declare they have no economic links, family ties or other relations with a shareholder holding 5% or more of the total vote at the General Meeting of Grupa LOTOS and which might sway their position on matters decided by the Supervisory Board.

The Company is not aware of any conflicts of interest that arose or could have arisen in 2014, which the member concerned should have notified the Supervisory Board about, and as a result of which the member should refrain from taking the floor and voting on resolutions pertaining to the matter giving rise to such conflict of interest.

In addition to the above requirements, upon appointment, members of the Company's Supervisory Board are required to make a representation to the effect that they are not engaged in any activities competing with the Company's business, and that they are not partners in any competing partnership under civil law or another type of partnership, nor members of a governing body of an incorporated company or of any other competing legal entity.

Commitment to sustainable development

The Supervisory Board and its committees are an important element of the system assessing the performance, opportunities and risks of Grupa LOTOS, and ensuring that the Company's sustainability-related activities remain transparent.

Aiming to meet the highest standards of sustainable development, the Supervisory Board reviewed the core issues and areas of the Company's operations, both in the context of natural resources, as well as the Company's social and environmental impact.

In 2014, the Supervisory Board held eight meetings and passed 43 resolutions. Key matters pertaining to the Company's performance, opportunities and risks in the area of sustainable development brought under discussion by the Supervisory Board included:

- Implementation of the '2013-2015 Effective and Rising Programme', which aims to expand and restructure the LOTOS Group,
- Share capital increase at the Company,
- Implementation of investment projects, including the preparatory work on launching the EFRA – Effective Refining Project, and purchase of land properties for future investment projects,
- Exploration and production operations in line with the Polish Geological and Mining Law, including the portfolio of licences held,
- Current financial performance of Grupa LOTOS and its subsidiaries, and spending under the 2014 budget,
- The budget for 2015,
- Refinancing of the Company's inventories,
- Financing of CSR projects by Grupa LOTOS, including plans to establish a corporate foundation,
- The Company's sponsorship activities.

In 2014, the committees of the Supervisory Board, viewing sustainability as an essential process for the Company and appreciating the importance of a responsible approach to business, performed their advisory and supportive duties by bringing the following matters under discussion:

- Performance of the LOTOS Group's Strategy,
- Results of the review and audit of the LOTOS Group's financial statements,
- Financial performance of Grupa LOTOS and its subsidiaries in individual periods,
- The objectives and budget for 2015,
- Debt servicing projections and liquidity management plan,
- Hedge accounting,
- The Company's internal audit function,
- Assessment of organizational maturity,
- Management of risks, including the misconduct risk,
- Profitability of the service station chain,
- Status of exploration and production projects.

The activities of the Supervisory Board are evaluated by the General Meeting, which has the authority to grant discharge to members of the Supervisory Board in respect of performance of their duties. The basis for the granting of such discharge is a report containing an assessment of the Company's standing, covering the sustainable development issues detailed above, presented annually by the Supervisory Board pursuant to the Rules of Procedure for the Supervisory Board and the 'Code of Best Practice for WSE Listed Companies'.

The Board

Powers of the Board

The Board of Grupa LOTOS operates on the basis of the Grupa LOTOS Articles of Association and its Rules of Procedure. These documents are available to the public on the Company's website.

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<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/powers>

Composition of the Board

In 2014, the Board of Grupa LOTOS in its eight joint term consisted of 5 members.

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<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/composition>

Remuneration of the Board

In line with the amended so-called Compensation Cap Act, in 2014 the Grupa LOTOS Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector in the fourth quarter of 2009.

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<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/remuneration>

Avoidance of conflicts of interest

Avoidance of a potential or actual conflict of interest arising is one of the key principles of the LOTOS Group's Code of Ethics.

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<http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/avoidance-of-conflicts-of-interest>

Powers of the Board

The Board of Grupa LOTOS represents the Company before third parties and manages its corporate affairs. In addition, individual Board members perform their duties in line with the division of powers and responsibilities resulting from their operational functions within the Company. Each member of the Board is authorised to represent the Company in court and out of court in relation to its business, with the exception of matters reserved for the General Meeting or Supervisory Board under the Commercial Companies Code or the Company's Articles of Association, as well as matters falling outside the scope of ordinary management of the business where they require the Board's prior resolution and matters within the powers of another member of the Board.

The Board operates on the basis of the Grupa LOTOS Articles of Association and its Rules of Procedure.

Articles of Association of Grupa LOTOS S.A. (PDF)

<<http://inwestor.lotos.pl/repository/45906/en/>>

Management Board Regulations of Grupa LOTOS (PDF)

<http://inwestor.lotos.pl/pobierz_plik/37296/>

Composition of the Board



Paweł Olechnowicz

President of the Board

Mr Olechnowicz has held the position of President of the Board of Grupa LOTOS since March 12th 2002, as member of the Boards of the fourth, fifth, sixth, seventh and eighth term. Since September 2007, he has served as Chairman of the Board of Directors of LOTOS Exploration and Production Norge AS and since April 2011 – Chairman of the Board of Directors of AB LOTOS Geonaftha.

He is in charge of, and takes responsibility for, the overall management and direction of the LOTOS Group's operations.

Qualifications, professional experience and achievements:

Graduated from Kraków University of Technology (the Faculty of Technology and Mechanisation of Foundry Engineering), completed a post-graduate course in Organization, Economics and Industrial Management at Gdańsk University of Technology, holds an MBA from INSEAD in Fontainebleau, and attended a number of courses in management, both in Poland and abroad.

In 1977, Mr. Olechnowicz began his professional career in Zakłady Mechaniczne Zamech of Elbląg (renamed ABB Zamech Sp. z o.o. in 1990). In 1990–1996, he was President of the Management Board and Director General of ABB Zamech Ltd.; concurrently, in 1994–1996, also served as Vice-President of ABB Polska. Subsequently, for two years Mr Olechnowicz worked at the headquarters of ABB Ltd. Zurich, Switzerland, as Vice-President for Central and Eastern Europe. In 1999–2000, Mr Olechnowicz was Vice-President and Deputy Director General of ZML Kęty S.A., and from 2001, managed his own consultancy firm, Paweł Olechnowicz-Consulting. He was one of the founders of Central Europe Energy Partners (CEEP), an expert organisation established in 2010 in Brussels to represent the interests of energy companies from Central and Eastern Europe. He serves as Chairman of the Board of Directors of CEEP.

After taking the position of President of the Board of Grupa LOTOS, Mr Olechnowicz began the dynamic process of modernising the Company's structures and developing its production and marketing potential. He was responsible for the Company's business consolidation with Petrobaltic, an exploration and production company, and the Czechowice-Dziedzice and Jasło refineries. He also floated Grupa LOTOS shares on the Warsaw Stock Exchange (June 9th 2005) and used the IPO proceeds (approximately PLN 1bn) to carry out the 10+ Programme which involved construction of state-of-the-art liquid fuel production installations at the Gdańsk refinery and increased its throughput capacity from 6 to 10.5 million tonnes. The 10+ Programme, carried out in 2007–2011 and valued at nearly EUR 1.5bn, was one of the largest investment projects to be implemented in Poland in the last 25 years. Mr Olechnowicz led the implementation of the cost-cutting Package of Anti-Crisis Measures developed jointly by the Company's management and staff (2009), as well as the efficiency-enhancement and cost-cutting Optimal Expansion Programme (2012). In late 2014 and early 2015, Mr Olechnowicz as CEO of Grupa LOTOS led a successful follow-up issue of the Company shares. The Company raised approximately PLN 1bn from the issue and plans to use the proceeds to finance investment projects under the '2013-2015 Effective and Rising' Programme. These include mainly the construction of a Delayed Coking Unit (DCU) and auxiliary installations as part of the EFRA Project, and development of the B4/B6 gas fields in the Baltic Sea. In 2014, at the 'Nafta i Chemia' conference devoted to the oil and chemical industries, President of Grupa LOTOS Paweł Olechnowicz was awarded the 'Man of the Decade' title.



Mariusz Machajewski

Vice-President of the Board

Mr Machajewski has held the position of Vice-President of the Board of Grupa LOTOS since June 19th 2006, serving as a member of the Board of the sixth, seventh and eighth term. Since 2006, he has served as Deputy Chairman of the Supervisory Board of LOTOS Paliwa Sp. z o.o., and since 2010 – as Chairman of the Supervisory Board of RCEkoenergia Sp. z o.o.

Since 2013, Mr Machajewski has also been member of the Supervisory Board of Stowarzyszenie Emitentów Giełdowych (Polish Association of Listed Companies).

He is mainly in charge of, and takes responsibility for, the overall management of the Company's economic, financial and accounting activities, as well as all matters related to its asset base and restructuring processes. In addition, he also exercises supervision over matters related to the formulation of corporate guidelines and standardisation of procedures related to the conclusion of agreements, selection and evaluation of trading partners, as well as development of IT systems and telecommunication services.

Qualifications, professional experience and achievements:

Mr Machajewski is a graduate of the Faculty of Economics at Gdańsk University. He also attended a number of courses in management and economics in Poland and abroad.

In 1994–1997, he worked at Stocznia Gdynia S.A. (Gdynia Shipyard). In 1997, he joined Grupa LOTOS (formerly Rafineria Gdańska S.A.), where he was placed in charge of the Company's controlling functions in 1999. Since mid-2002, he has held the position of Chief Financial Officer. From April 2005 to June 2006, he also served as the Company's commercial proxy. Appointed to the Board in June 2006. He was involved in the Company's internal restructuring, which led to the creation (in 2005) of the Finance and Accounting Centre, a body primarily intended to provide accounting services to Grupa LOTOS and its subsidiaries. He assisted in preparations before the floatation of Grupa LOTOS shares on the Warsaw Stock Exchange on June 9th 2005. Mr Machajewski played an instrumental role in formulating and arranging the financing framework for the 10+ Programme. The credit facility executed in June 2008 to finance the 10+ Programme was the largest transaction in the Company's history. It was declared transaction of the year in the European oil industry and named the Best Financing Project of the year by a number of prestigious specialist journals. Mr Machajewski prepared and oversaw the implementation of the cost-cutting Package of Anti-Crisis Measures (2009) and the efficiency-enhancement and cost-cutting Optimal Expansion Programme (2012). In charge of restructuring processes, he is responsible for the implementation of the LOTOS Group's development and capital restructuring programme '2013-2015 Effective and Rising', and oversees the exercise of corporate supervision at subsidiary companies. He supervised the processes of share capital increase at the Company carried out in 2014 and development of the framework for arranging financing for the ongoing 'EFRA – Effective Refining' Project.



Zbigniew Paszkowicz

Vice-President of the Management Board

Mr Paszkowicz has held the position of Vice-President of the Management Board of Grupa LOTOS since June 28th 2012, when he was appointed by the Supervisory Board to the Board of the eighth term.

In October 2012, he was appointed President of the Management Board of LOTOS Petrobaltic and since January 2013 has served on the Board of Directors of LOTOS E&P Norge AS.

He is in charge of, and takes responsibility for, the overall management of the LOTOS Group's exploration and production segment. As part of this role, he is charged with the oversight of companies in that segment.

Qualifications, professional experience and achievements:

In 1989, Mr Paszkowicz completed mechanics studies at the Ship-building Institute of the Gdańsk University of Technology. Graduate of Ecole Nationale Supérieure du Pétrole et des Moteurs, where in 1991 he obtained engineer's diploma at the Faculty of Petroleum and Internal Combustion Engines.

His career with Grupa LOTOS (formerly Rafineria Gdańska S.A.) commenced in 1992, initially as a specialist in the Maintenance Planning and Preparation Department. In 2002–2004, he was head of the Plant Engineering Unit, in charge of reorganisation of overhaul services and maintenance of refinery operation based on advanced prevention methods. In 2004, he was appointed Technical Director of Grupa LOTOS and was directly responsible for the preparation and execution of the Spring 2005 maintenance shutdown, during which the plant's annual processing capacity was increased from 4.5m to 6m tonnes of crude oil. In 2006, he was appointed Head of Refinery Expansion, in charge of execution of the 10+ Programme, the largest industrial project of the last decade in Poland. After completion of the Programme, in April 2011 he took the position of Deputy CEO of Grupa LOTOS, and his responsibilities included monitoring of implementation of the Company's Strategy; supervision of support functions for the Company's governing bodies; development of corporate guidelines and uniform contracting procedures; development of IT and telecommunication systems, and security and physical protection. He also provided support to the CEO within his remit. In January 2012, he was appointed Chairman of the Supervisory Board of LOTOS Petrobaltic. In June 2012, he was appointed Vice-President of Grupa LOTOS, and since October 2012 he has also served as President of the Management Board of LOTOS Petrobaltic. His primary area of focus is development of the exploration and production operations. Since June 2012, he has been directly involved in development of the strategy for and successful completion of negotiations (with Talisman of Canada, licence operator) on removal of a defective rig from the YME field and recovery of invested funds (March 2013). He also monitored the acquisition of an interest in the Heimdal field, which is the hub for processing and distribution of natural gas extracted from the Norwegian Continental Shelf (November 2013). Mr Paszkowicz supervises intensive appraisal work on hydrocarbon deposits in the Baltic Sea to enable full use of the potential and resources available in the Polish economic zone. He supervised the final phase of development of the B8 field, involving in particular conversion of the Petrobaltic drilling rig into a production platform, and construction of subsea production infrastructure. As part of strategy implementation, in March 2014, the then newly acquired LOTOS Petrobaltic rig was transported to the Baltic Sea.



Marek Sokołowski

Vice-President of the Management Board

Mr Sokołowski has served as Vice-President of the Management Board of Grupa LOTOS since April 19th 2002, as member of the Boards of the fourth, fifth, sixth, seventh and eighth term.

Between 2002 and 2009, he was the Chairman of the Supervisory Board of LOTOS Kolej. Since May 2005, he has served as Chairman of the Supervisory Board of LOTOS Terminale (formerly LOTOS Czechowice) and since December 2010 – as Chairman of the Supervisory Board of LOTOS Biopaliwa.

He is in charge of management of production, technical, and technology development units; investments related to technical and technological development; supervision of the processing business in the LOTOS Group.

Qualifications, professional experience and achievements:

Mr Sokołowski graduated from Gdańsk University of Technology (Faculty of Electrical Engineering), completed a post-graduate course in industrial investments and a number of management courses in Poland and abroad.

He has worked at Grupa LOTOS (formerly Rafineria Gdańska S.A.) since 1973. In 1990, Mr Sokołowski was appointed to the Management Board and took the position of Technical Director, in charge of plant engineering and execution of investment projects. At the end of 1994 and beginning of 1995, he participated in the development of the 'Technical Development Programme for Rafineria Gdańska S.A. until 2000', designed to increase the refinery's annual crude processing capacity from 3m to 4.5m tonnes, and to construct conversion installations, including the hydrocracking unit. From 1996, he managed execution of the Programme until its completion at the end of 1999. Until April 2002 Mr Sokołowski held the position of Chief of Technical Services, concurrently serving as the Company's commercial proxy. In April 2002, he was appointed Vice-President of the Management Board of Grupa LOTOS. In 2004–2011, he was responsible for refinery expansion as part of the 10+ Programme (formerly the Comprehensive Technical Development Programme), officially launched in August 2007 by laying the cornerstone for the diesel oil hydrodesulfurisation (HDS) unit.

Once all the new installations built as part of the 10+ Programme came on stream, the refinery's crude processing capacity, depth of crude processing, and feedstock flexibility improved considerably. Completion of the 10+ Programme placed Grupa LOTOS in the elite group of the most advanced refineries in Europe. In recent years, Marek Sokołowski has been the promoter of the idea of enhancing the refinery's energy security by connecting it to mains gas network. Another of his initiatives was organisational changes as part of the Operational Excellence Programme, whose implementation resulted in the Gdańsk refinery being evaluated by international auditors (Solomon Inc.) as one of the most efficient refineries in Europe. Currently, Mr Sokołowski is involved in efforts aimed at building a new unit under the 'EFRA – Effective Refining' Project, the purpose of which is to achieve a significant improvement in refining margin thanks to an increased crude distillate yield. Mr Sokołowski has been a member of the Board of the Polish Chamber of Chemical Industry.



Maciej Szozda

Vice-President of the Management Board

Mr Szozda has served as Vice-President of the Management Board of Grupa LOTOS since July 1st 2009, as member of the Boards of the seventh and eighth terms.

Since August 2009, he has chaired the Supervisory Board of LOTOS Paliwa., and since December 2010 he has served as Deputy Chairman of the Supervisory Board of LOTOS Biopaliwa.

He is responsible for overall management of and responsibility for marketing, procurement and distribution processes at the LOTOS Group. He is also charged with oversight of companies allocated to the LOTOS Group's marketing segment.

Qualifications, professional experience and achievements:

Maciej Szozda graduated from the Warsaw School of Economics (Faculty of Trade).

In 1980, he began work at PHZ Labimex. In 1983–1984, he was Managing Director at KMW Engineering. Then, until 1986, he worked in the United States as contract manager. In 1986, he joined Przedsiębiorstwo Zagraniczne Ipaco, where he held the position of Director, and in

1987–1989 he was Export Manager for Sinexim GmbH of West Berlin. From 1989, he operated as a sole trader, working for Easy Garments UK Ltd. (Easy Jeans) as Head of its Representative Office for Poland and the CIS countries. In 2002, he joined PKN Orlen, where he served as (in chronological order) Director of the Retail Network Planning and Development Office, Director of the Retail Network Development Office – Europe, and Retail Sales Executive Director. From October 2008 to February 2009, Mr Szozda was a member of the Supervisory Board of Orlen Deutschland AG. From 2007 to March 2009, he served as a member and then President of the Management Board of AB VENTUS NAFTA of Vilnius, a company of the ORLEN Group.

He joined Grupa LOTOS in 2009. He supervises efforts aimed at increasing the LOTOS Group's share in the fuel market through development of the service station network, and continued improvement of the stations' efficiency, involving implementation of uniform operating standards.

The network development is also a result of capital expenditure on Motorway Service Areas, which have been built since October 2009 at various motorway sections in Poland. Their current number is 17. LOTOS Dynamic fuels, marketed across the network, became available in all larger Polish towns in December 2009, and won the first place in the fifth edition of the 'Consumer Laurel 2009' programme in the Premium Fuel category.

Mr Szozda implemented the concept of OPTIMA budget service stations, where basic fuels are available at attractive prices. In 2011, the Company beat the national record for the number of stations opened within one year by adding as many as 68 new locations to its network. Between 2009 and 2015, the number of stations in the network doubled. In 2012, LOTOS stations won the prestigious Crystal Emblem of European Trusted Brands. Mr Szozda's other responsibilities include efforts to maintain LOTOS' leading position on the domestic lubricants market; continuous improvement of other products' market shares; and development of aviation fuel sales, which in 2013 resulted in the formation of a joint venture LOTOS-Air BP Polska.

In accordance with the Articles of Association of Grupa LOTOS, the Board may consist of three to seven members. The Supervisory Board appoints and determines the number of members of the Board. Board members are appointed for a joint term of three years.

From January 1st to December 31st 2014 and as at the release date of this Report, the composition of the Board of Grupa LOTOS in its eighth term was as follows:

Paweł Olechnowicz	President of the Board, Chief Executive Officer
Mariusz Machajewski	Vice-President of the Board, Chief Financial Officer
Zbigniew Paszkowicz	Vice-President of the Management Board, Exploration & Production
Marek Sokołowski	Vice-President of the Management Board, Chief Operations Officer
Maciej Szozda	Vice-President of the Management Board, Chief Commercial Officer

Positions held by members of the Board of Grupa LOTOS at other companies in 2014, as at the release date of this Report

Name and surname	Position on the Board of Grupa LOTOS	Company	Function at the company	Term of office
Paweł Olechnowicz	President of the Board	LOTOS Exploration and Production Norge AS	Chairman of the Board of Directors	January 1st–December 31st 2014
Paweł Olechnowicz	President of the Board	LOTOS Geonafta	Chairman of the Board of Directors	January 1st–December 31st 2014
Marek Sokołowski	Vice-President of the Management Board	LOTOS Terminale S.A.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Marek Sokołowski	Vice-President of the Management Board	LOTOS Biopaliwa Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Mariusz Machajewski	Vice-President of the Board	LOTOS Paliwa Sp. z o.o.	Deputy Chairman of the Supervisory Board	January 1st–December 31st 2014
Mariusz Machajewski	Vice-President of the Board	RCEkoenergia Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Maciej Szozda	Vice-President of the Management Board	LOTOS Paliwa Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Maciej Szozda	Vice-President of the Management Board	LOTOS Biopaliwa Sp. z o.o.	Deputy Chairman of the Supervisory Board	January 1st–December 31st 2014
Zbigniew Paszkowicz	Vice-President of the Management Board	LOTOS Exploration and Production Norge AS	Member of the Board of Directors	January 1st–December 31st 2014
Zbigniew Paszkowicz	Vice-President of the Management Board	LOTOS Petrobaltic S.A.	President of the Management Board	January 1st–December 31st 2014

Remuneration of the Board

As the State Treasury's equity interest in the Company exceeds 50% (50% of the total number of shares), remuneration paid to members of the Board of Grupa LOTOS is regulated by the Act of March 3rd 2000 on Remunerating Persons Who Manage Certain Legal Entities (Dz.U. of 2000 No. 26, item 306, as amended). In accordance with the Act, the President of the Board's monthly remuneration is determined by the General Meeting, while the remuneration of the remaining Board members is set by the Supervisory Board in line with the Company's Articles of Association.

On November 13th 2009, the Supervisory Board set the remuneration of the Vice-Presidents of the Company's Board at six times the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of the preceding year, as announced by the President of the Central Statistics Office (GUS), and proposed to the General Meeting the monthly remuneration of the President of the Board. On December 17th 2009, concurring with the proposal of the Supervisory Board, the General Meeting determined the same level of remuneration for the President of the Board.

Furthermore, in accordance with their individual employment contracts, members of the Board of Grupa LOTOS are entitled to the following additional benefits:

- Life insurance costs (including monthly insurance premiums),
- Access to additional non-public healthcare, both in Poland and abroad, for the Board member and their family.

Although the President of the Board and the Vice-President of the Management Board, Chief Commercial Officer, who reside outside the city where the Company's registered office is located, are entitled to a furnished apartment in the Gdańsk-Gdynia-Sopot metropolitan area (with lease and service costs covered by the Company), they are not using this additional benefit.

Furthermore, in accordance with the Act of March 3rd 2000 and the Regulation of the Minister of State Treasury of March 12th 2001 on specific rules of awarding an annual bonus to persons who manage certain legal entities and the award procedure (Dz.U. of 2001 No. 22, item 259), members of the Board may be awarded an annual bonus equal to no more than three times the average monthly salary in the year preceding the award.

The decision whether to award an annual bonus to the President of the Board is made by the General Meeting, on recommendation of the Supervisory Board. As regards the other Board members, such decision is made by the Supervisory Board.

An annual bonus may be awarded provided that the financial statements are approved by the General Meeting, and the Company has:

- Improved its financial performance,
- Improved its market or industry position,
- Implemented its restructuring or growth plans effectively,
- Not exceeded the maximum average monthly remuneration growth rate,
- Repaid its liabilities to the state budget in a timely manner.

A Board member may be awarded an annual bonus provided that they served on the Board for a full financial year and did not commit a gross breach of their professional duties in that period, their employment contract was not terminated for reasons attributable to the Board member, or their management contract was not terminated and the Board member was not removed from their position for reasons constituting grounds whereby their employment contract could be terminated without notice.

In line with the amended afore-mentioned Act on Remunerating Persons Who Manage Certain Legal Entities (Compensation Cap Act), in 2014 the Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of 2009.

Remuneration of the Grupa LOTOS Board members in 2014

Name and surname	Amount (PLN)
Paweł Olechnowicz	297,000
Marek Sokołowski	254,000
Mariusz Machajewski	273,000
Maciej Szozda	261,000
Zbigniew Paszkowicz	261,000
Total	1,346,000

Avoidance of conflicts of interest

With a view to avoiding conflicts of interest, the Company observes the provisions of the Commercial Companies Code, the Rules of Procedure for the Board, as well as the Code of Best Practice for WSE Listed Companies.

In compliance with the Rules of Procedure for the Board, and pursuant to Art. 377 of the Commercial Companies Code, if a conflict of interests arises between the Company and a Board member or persons with whom the member has personal ties, the member should refrain from swaying the Company's decisions on matters which have given rise to such conflict. Additionally, in compliance with the Code of Best Practice for WSE Listed Companies, a Board member should notify the Board of any actual or potential conflicts of interest and should refrain from taking part in the discussion and from voting on a resolution concerning the issue which has given rise to such conflict of interest. In compliance with the Rules of Procedure for the Board, members of the Board who wish to serve on management or supervisory bodies of other companies are required to seek the approval of the Company's Supervisory Board. In addition, we apply the provisions of the Commercial Companies Code (Art. 387) stating that Board members are prohibited from serving on the Supervisory Board during their term of office on the Board. This also applies to other persons reporting directly to a Board member.