

## Management systems

In order to uniform standards of management and behaviour for the LOTOS Group, codes of best practices have been adopted.

At Grupa LOTOS, the holding of an Integrated Management System certificate is not an end in itself. Solutions are implemented to allow the organization to benefit from the management system. The standards are seen as guidelines towards universal and optimal solutions from the point of view of the Company's business, which would increase the chances of delivering added value, i.e. make the implemented system more efficient and useful.

An Integrated Management System (IMS) is firmly rooted in the organization. Many years of experience allow us to improve it and establish uniform systems – the LOTOS Group-wide standards of management. Our aim is to further develop the IMS and build a shared management platform within the LOTOS Group, which would account for the specific characteristics of its subsidiaries.



We are aware that we cannot improve the management processes or introduce new systems separately from Grupa LOTOS' segment management and business risk management systems.

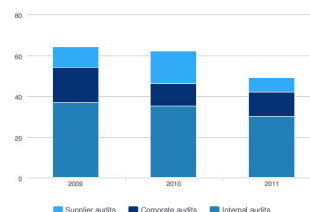
**Halina Stasiewicz**  
Director of Business Process Management Office  
of Grupa LOTOS

We are aware that we cannot improve the management processes or introduce new systems separately from Grupa LOTOS' segment management and business risk management systems. This approach warrants success in the increasingly changing environment, and makes it easier to adapt to changes, while overcoming communication and organizational barriers.

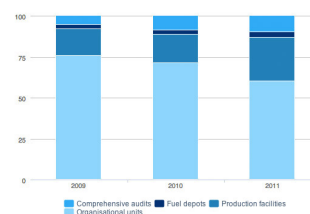
We always strive to take advantage of the cross-dependencies and links between various areas of Grupa LOTOS' operations, and therefore universal solutions are never implemented without taking into account the processes going on at the Company. We realise that these processes and their participants stand behind the quality of the organization.

A well organised and measured process, accounting for the Company's strategic objectives as well as any identified and assessed risks (with the use of the ERM system), may be a source of lasting competitive advantage

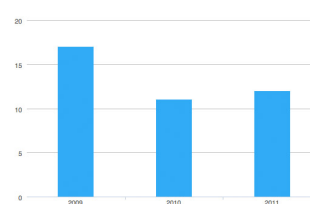
Structure of audits



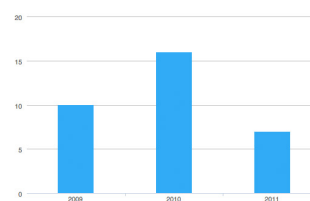
Structure of internal audits



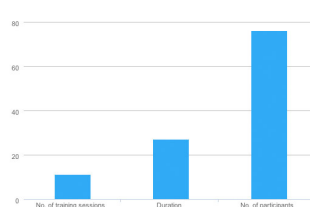
Corporate audits



Supplier audits



Auditor School 2011

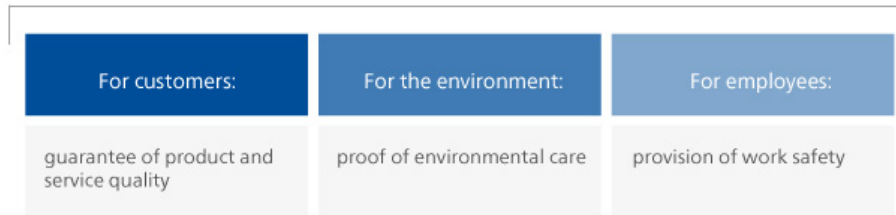


and provide the foundation for successful pursuit of the adopted strategy.

**Halina Stasiewicz**

– Director of Business Process Management Office of Grupa LOTOS

### Integrated Management System



#### The LOTOS Group's management systems As at December 31st 2011

Company name	Implemented management systems
Grupa LOTOS	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001. The requirements of AQAP 2110 (Allied Quality Assurance Publication) and requirements of the Internal Control System for trading in strategic materials (consistent with the PN-N-19001 standard) are met.
LOTOS Asfalt	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001. Implemented and certified Site Production Control management system.
LOTOS Kolej	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001. Implemented and certified Railway Transport Security Management System (SMS).
LOTOS Lab	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001. Certificate of compliance with PN-EN ISO/IEC 17025:2005 issued by the Polish Centre for Accreditation.
LOTOS Ochrona	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001.
LOTOS Oil	Implemented and certified Integrated Management System compliant with ISO 9001 and AQAP 2110 (Allied Quality Assurance Publication). Requirements of ISO 14001 and PN-N-18001 have also been implemented.
LOTOS Parafiny	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001.
LOTOS Petrobaltic	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001. 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 ISO 9001, ISO 14001, and PN-N-18001. Implemented requirements for welding quality assurance compliant with PN-EN ISO 3834-2:2007.
LOTOS Straż	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001.
LOTOS Czechowice	Implemented Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001.
LOTOS Paliwa	Implemented and certified Integrated Management System compliant with ISO 9001. Requirements of ISO 14001 and PN-N-18001 have also been implemented.
LOTOS Jasio	The company is currently implementing the Integrated Management System.
LOTOS Tank	The company is currently implementing the Integrated Management System.

## Audits of the Integrated Management System

Audits are a basic tool used to enhance the Integrated Management System and support the achievement of strategic and operational objectives of the LOTOS Group.

Nearly 300 audits have been performed at Grupa LOTOS in the last five years, and the number of audits carried out each year is comparable. The audits at Grupa LOTOS may be divided into three categories:

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

The findings of **internal audits** reveal areas where the processes, existing system solutions and efficiency can be improved, while being a valuable source of information on process efficiency. Thus, the audits enable the management of Grupa LOTOS to make informed management and operational decisions.

Corporate **audits carried out** at Grupa LOTOS' subsidiaries, assess the implementation of requirements set out in relevant standards and corporate paradigms.

**Supplier audits** confirm whether individual suppliers are able to meet Grupa LOTOS' requirements. As an additional tool of supplier supervision, such audits enable the Company to assess its suppliers and improve the quality of relationships between the business partners. The Company primarily audits suppliers performing construction works and repairs at the Gdańsk refinery, where compliance with OHS and environmental protection requirements is of paramount importance.

Additionally, other companies of the LOTOS Group carry out internal audits as part of their internal management systems, and supplier audits (where necessary).

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## Key system changes and projects completed in 2011

### Enterprise Risk Management System (*ERM*)

To ensure secure and effective pursuit of its strategic and operational objectives, the LOTOS Group has been consistently implementing and developing the enterprise risk management system. The system supports fast, appropriate and informed decision making based on prior risk analysis. The existing rules of risk identification and assessment allow us to promptly respond to threats, so as to mitigate or altogether eliminate them. Thanks to response plans, the ERM system makes it possible to adequately prepare for the occurrence of a given risk. The LOTOS Group also identifies newly emerging opportunities and possibilities, and strives to exploit them. The enterprise risk management enables the Company to undertake activities optimal for its business (within the acceptable risk limits). The ERM website, built and implemented in reliance on Grupa LOTOS' existing IT infrastructure, is an important element supporting the ERM system.

### Process management

Process management – which is adapted dynamically to both inside and outside changes – has been in place at Grupa LOTOS for years. In 2011, new tools started to be implemented that will allow process owners, taking into account their own best practices, to communicate their performance so as to optimise a given process with the use of all available and relevant information.

### Project management

Based on positive experience of implementing investments in property, plant and equipment, including the 10+ Programme, the process of introducing the project management methodology with respect to other projects executed at Grupa LOTOS has begun. In 2011, the existing practices and needs were reviewed, whereupon the relevant implementation model and project management rules were defined.

### Energy Management System (*EnMS*)

In 2011, the implementation of the energy management system compliant with EN 16001:2009 and ISO 50001:2011 was started. Steps were taken to introduce systemic solutions in the area of energy management, in order to improve Grupa LOTOS' energy efficiency through:

- systematised and standardised approach to the management of energy (in all its forms),
- identification of significant energy aspects of Grupa LOTOS' operations,
- documentation of sub-tasks undertaken in areas covered by the EnMS,
- identification of upgrade and development work required to achieve energy efficiency.

### Auditor School

A series of Auditor School training sessions took place at the LOTOS Group in 2011, as part of its efforts aimed at developing a consistent audit policy and a team of well-trained auditors. The training was tailored to the specific needs and situation of the LOTOS Group, and focused on practical development of all auditor skills.

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## Development plans

The plans for 2012 envisage the continuation of existing projects and implementation of new ones to meet the LOTOS Group's actual needs. The projects are going to be included in the Integrated Management System, which provides for:

- implementation of the Enterprise Risk Management System (ERM). For information on the Enterprise Risk Management System at the LOTOS Group, see the "Risk management" chapter,
- implementation of the Energy Management System (EnMS) in order to support measures aimed at improving the LOTOS Group's energy efficiency. The process will comply with the objectives of Poland's Energy Policy until 2030 (with respect to energy efficiency and environmental impact), and with quantitative targets relating to a reduction of greenhouse gas emissions by 2020. Grupa LOTOS intends to harness the potential of the already completed energy efficiency projects and to implement best practices, solutions and technical standards designed to save energy,
- continuous development of process management by implementing IT tools intended to facilitate the work of process owners (publishing and making available the results of process monitoring) and providing process participants with access to all required information. Optimal solutions or their elements will be selected from the available process management concepts,
- implementation of project management at the LOTOS Group is aimed at developing tools and methods for effective strategy delivery. Drawing on the world's best models and experience and using IT support, a uniform system will be introduced to enable:
  - selection of optimal projects to further the achievement of strategic objectives;
  - successful implementation of the projects;
  - effective monitoring of the implementation process;
  - reliable assessment of their results,
- improvement and extension of the Integrated Management System portal operated by the LOTOS Group – a tool for communicating internal requirements and legal acts, and for collecting information on environmental protection, as well as any powers of proxy granted and credentials issued.

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Related content:

**Structure of the organization**