

Organizational maturity

The results of the assessment for 2011 testify that Grupa LOTOS is oriented towards professionalization of its activities.

In 2011, an assessment of Grupa LOTOS' organizational maturity was carried out for the period covered by this report. It has been assumed that such an assessment will be performed on an annual basis by the internal audit function supported by an external consultant.

The organizational maturity of a corporation is the level of professionalism of its key organizational solutions, processes and activities, as well as their consistency with the best operating and management practices, which determine the organization's potential to achieve success in terms of stakeholder protection and stakeholder value creation.

In connection with the approach to management adopted by Grupa LOTOS, which assumes continuous improvement, the Company has been taking steps to obtain an objective assurance as to the maturity of solutions it has adopted with respect to:

- internal control,
- risk management,
- compliance,
- counteracting abuse,
- corporate governance.

In order to make an assessment of the above systems, a model has been prepared for the needs of Grupa LOTOS relying on the best business practices included in the GRC (Governance, Risk Management, and Compliance) model developed by Open Compliance & Ethics Group and other sources, for instance - with respect to corporate governance - "The Code of Best Practice for WSE Listed Companies". The model envisages a uniform approach to reviewing and assessing the design of the individual systems, as well as assessing the consistency of the systems' operation with their design. With the model in place, it is possible to assess each of the systems individually and to make a comprehensive assessment of the organizational maturity of the Company as a whole. The approach allows us to identify areas where performance has been improving or deteriorating, as well as to formulate recommendations and initiate steps to enhance them.

- The internal control system was audited both with respect to the solutions constituting the internal control framework, as well as solutions embedded in the particular defined processes within the organization. The assessment of the **internal control system** found that Grupa LOTOS had in place key organizational and process solutions, designed to the best practice standard, which constitute the framework of the internal control system, and that these solutions work as designed.
- The corporate risk management system was examined in terms of the design of elements aimed to ensure that the system's framework is correctly defined and that it works in a proper way, and that all risks are identified and assessed. The assessment of the corporate risk management system found that Grupa LOTOS had developed and put in place a **corporate risk management system** framework which is key to ensuring that the system meets its objective of effectively supporting the corporate management process and creating value added.
- The compliance system is assessed first of all in terms of the correctness of solutions aimed at ensuring compliance with both external and internal regulations. The assessment of the **compliance system** found that active steps were taken at Grupa LOTOS to ensure compliance of the Company's activities and internal regulations with the generally applicable provisions of the law. The Company also takes care to ensure compliance of its practical actions with the requirements laid down in the organization's internal regulations.
- The system of counteracting abuse is examined to verify whether the Company has in place any solutions whose purpose is to counteract abuse, including solutions which concentrate on fostering proper ethical attitudes, and whether it takes any actions to identify and assess areas susceptible to abuse. The assessment of the **system of counteracting abuse** found that it was advisable to take measures with a view to improving the Company's resilience to abuse, by taking a systemic approach to the issue.
- Corporate governance was examined in terms of effective management and organizational efficiency both within the Company, and in its relations with stakeholders. The assessment of the solutions making up the **corporate governance system** led to a conclusion that Grupa LOTOS had established most of the key corporate governance solutions, including solutions governing the relations between the Company's corporate bodies and solutions of strictly internal nature (related to its approach to managing the organization and its resources), and that these solutions were consistent with the applicable standards and best practices.

The results of the assessment of the Company's organizational maturity for 2011 testify that Grupa LOTOS is an organization oriented towards professionalization of its activities and adoption of solutions amounting to the best operating and management practices. Overall, the standards of design and consistency with the design were rated as "high" in the case of most systems, although there are differences with respect to the adoption and application of best practices for the individual systems determining the Company's organizational maturity.

The rating obtained by Grupa LOTOS was largely possible thanks to the efforts made in previous years in order to secure the value and sound operation of the enterprise, which have translated into an efficient internal control system, as well as solutions in the area of corporate governance and compliance. It was also possible thanks to consistent efforts aimed at establishing and embedding in the organization a risk management system, which - if consistently implemented and linked with the Company's decision-making processes - becomes an important factor in the process of creating value for shareholders and other stakeholders.

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