

## Impact on the society

The Company contributes to the road traffic safety, equal opportunities initiatives, and environmental protection and awareness.

The LOTOS Group's CSR strategy focuses on the optimum utilisation of the organization's resources and capabilities to generate economic and social benefits for the company and its surroundings. To ensure its successful implementation, the social, environmental, ethical, and human rights issues covered by the strategy have been integrated into our core operations and business strategy.

The LOTOS Group's prime objective in the area of corporate social responsibility is to take systemic and dynamic approach to problems arising in the LOTOS Group's social environment and aligning its business objectives with important social and environmental issues. Our responsibility for local communities is manifest in the commitment to ensure that our production activities are carried out in accordance with the sustainability principles and cause no social or environmental damage in our surroundings.

Our strategic approach to corporate social responsibility contributes to:

- strengthening of the LOTOS Group's competitive position,
- increased involvement of internal and external stakeholders,
- proper identification and limitation of social and environmental risks entailed by the organization's operations,
- counteracting material problems and challenges identified in the Company's surroundings.

When making business decisions, the LOTOS Group's entities take into account their indirect impact on local communities and development of the regions where they operate. This refers in particular to responsible relations with business partners, including small and medium-sized enterprises playing an important role on local markets. We seek to have influence over the quality of vocational training in those disciplines which in the coming years are set to drive the innovative and dynamic development of both the LOTOS Group and the entire industry.

The robust financial performance for 2011, achieved on the back of additional capacities of the 10+ Programme units, increased oil throughput and higher sales, allowed to pursue the social and environmental projects envisaged for the period. Given the prevailing difficult conditions on the European financial markets, which may result in an economic slowdown in Poland, and with the intention to ensure the LOTOS Group's secure development, Grupa LOTOS launched in early 2012 the Optimal Expansion Programme. The programme provides for the launch of a number of projects designed to improve the efficiency of the Grupa LOTOS's activities, for instance in the sponsorship area. The objective behind the projects is to ensure optimal and sustainable conditions for the Company's development, taking into consideration the indirect financial impact we have on our stakeholders.

The LOTOS Group's involvement in important social and environmental issues, as well as the scale and nature of its economic impact on external and internal stakeholders both locally and nationwide, have all followed from the Social Responsibility Strategy for 2008-2012.

**Jowita Twardowska**  
Communication & CSR Director of Grupa LOTOS



The LOTOS Group's involvement in important social and environmental issues, as well as the scale and nature of its economic impact on external and internal stakeholders both locally and nationwide, have all followed from the Social Responsibility Strategy for 2008-2012. As the validity period of the document (adopted by the Board of Grupa LOTOS in 2008) is soon due to end, in 2011 work began to review the objectives behind the organization's social, environmental and economic impact which were adopted four years ago.

The main reasons prompting us to update the existing strategy include: the adoption of the business strategy for 2011-2015 along with development directions until 2020, and the resulting need to support the key business processes with appropriate CSR efforts; and the completion of the 10+ Programme, in the course of which we identified new challenges related to sustainable development. As the existing strategy has spanned a long period, it is necessary to review its premises by analysing the effects of actions undertaken in that period with respect to the organization's internal achievements and the changing external conditions. We also want to adjust our activities to emerging trends and directions of CSR development in Poland and across the EU.

Work on the updated strategy began in the middle of 2011. Our CSR management system provides for annual assessments of the completed and planned activities in this area, carried out at meetings of the LOTOS Group's management staff. The initiative, called "the CSR Day", brings together approx. 90 managers responsible for the key business areas. In the middle of 2011, the management staff began to define the key and operating CSR objectives for the new 2012-2015 timeframe. The objectives were defined in greater detail and refined during 80 hours of strategic workshops with the LOTOS Group's specialists. Understanding the expectations of our external stakeholders was a thing of utmost importance. To this end, a series of opinion polls were conducted, along with consultations with broadly represented key stakeholder groups - representatives of NGOs, various state authorities, academics and businessmen.

The feedback gathered from the consultations has given us a better insight into the challenges and problems faced by the Company's social environment. In addition, our aim was to explain to the stakeholders the conditions of our business and the resulting financial and organizational capabilities with respect to key social and environmental issues. Having focused in our work on the two perspectives, we believe that the LOTOS Group's CSR strategy until 2015 will help to make the best use of the Company's capabilities, enabling us to successfully respond to the needs of our environment.

**Jowita Twardowska**

– Communication & CSR Director of Grupa LOTOS

#### Significant financial assistance received from the government

Grupa LOTOS	2009	2010	2011
			PLN thousand
Subsidies received	5,908	-	5,206
Subsidies settled	-	-	433
The balance sheet value of subsidies as at the end of the year <sup>1</sup>	25,276	25,275	23,580
LOTOS Group	2009	2010	2011
			PLN thousand
Subsidies received	5,908	791	7,431
Subsidies settled	744	1,122	1,654
The balance sheet value of subsidies as at the end of the year <sup>2</sup>	40,343	40,012	39,321

<sup>1</sup> Licences granted free of charge.

<sup>2</sup> Including mostly licences granted free of charge and subsidies from EcoFund to use waste gas from an off-shore crude oil extraction platform for heating purposes.

During the year finished on December 31st 2011, the LOTOS Group made a write-off for the loss in value of its expenditures, including for licences granted free of charge, to the amount of PLN 6,468 thousand (as described in Note 17 in the Notes to the Consolidated Financial Statement of the LOTOS Group for the reporting year finished as at December 31st 2011

[Link → \(/assets/dokumenty/ec4\\_nota\\_17.pdf\)](#).

Until April 30th 2011, Grupa LOTOS benefited from a tax advantage, aimed at supporting the use of biocomponents, in the areas of excise duty and fuel duty – the so-called biocomponents advantage – as regulated by the following legal provisions:

- the Excise Duty Act of December 6th 2008 (Journal of Laws (Dz. U.) of 2009, No 3, item 11, as amended) – Art. 89, section 1, points 3, 7, 8;

- the Regulation of the Minister of Finance of February 24th 2009 on excise duty exemptions (Journal of Laws (Dz. U.) of 2009, No 32, item 228) – § 11;

- Act of October 27th 1994 on Paid Motorways and the National Road Fund (Journal of Laws (Dz. U.) of 2004, No 256, item 2571, as amended) – Art. 37h.

Under the aforementioned regulations, which had been approved (notified) by the European Commission, Polish authorities applied two mechanisms of financial support with regard to excise duty and fuel duty – an excise duty reduction and a fuel duty exemption.

State aid under these regulations was approved by the decision of the Commission N 57/08 of September 18th 2009

authorising Poland to grant operational aid for biocomponents. The Commission's authorisation for applying the tax advantage expired on April 30th 2011.

Until April 30th 2011, the LOTOS Group (in particular, LOTOS Biopaliwa Sp. z o.o.) benefited from the tax advantage on biocomponent production, as regulated by the Corporate Income Tax Act of February 15th 1992 (Journal of Laws (Dz. U.) of 2011, No 74, item 397 t.j., as amended) – Art. 19a. State aid under these regulations was approved by the decision of the Commission N 57/08 of September 18th 2009 authorising Poland to grant operational aid for biocomponents. Under the advantage, manufacturers of biocomponents were allowed to deduct from the income tax due the amount of max. 19% of the excess of the value of their biocomponent production over the value of their liquid fuel production of the same calorific value, as calculated on the basis of average prices. The Commission's authorisation for applying the tax advantage expired on April 30th 2011. The still outstanding amount of the tax advantage is now being settled in the current advance corporate tax payments.

LOTOS Asphalt conducts its operations within the Tarnobrzeg Special Economic Zone, EURO-PARK WISŁOSAN, under Permit No. 158/ARP S.A./2008 issued on January 23rd 2008. The permit is valid through November 15th 2017. Owing to the fact that its investments are conducted within the Tarnobrzeg Special Economic Zone, LOTOS Asphalt is entitled to a tax exemption which allows it to reduce the income tax due by an amount not exceeding 50% of total investment expenditures incurred within the Tarnobrzeg Special Economic Zone.

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