

Product and service labelling

LOTOS Asphalt complies with the requirements of the Construction Products Act of April 16th 2004, which stipulates that a construction product may be placed on the market if it is suitable for use in construction works in line with its functional properties and intended use, that is if its functional properties are such that properly designed and constructed buildings in which it is to be permanently applied would meet basic standards.

In April 2011, the European Parliament and the Council issued a new Common Provisions Regulation specifying harmonised conditions for marketing of construction products. The Regulation permits product marketing within the European Union in the transition period, i.e. until June 30th 2013.

Construction materials manufactured by LOTOS Asphalt, which include such product groups as paving grade bitumens, modified bitumens, bituminous emulsions, bituminous adhesives, compounds, solutions and waterproofing materials, require submission of full product information. Construction product information, along with appropriate product marking either with the CE mark or the Polish building mark "B", is particularly important. Mandatory submission of product-related information is required for over 95% of the total volume of products sold.

Next to the required marking, the documents supplied with each delivery of the product being sold (such as proof of issue, quality certificate, etc.) provide the following information:

- address of the manufacturer and the production site where the product was manufactured,
- product name and grade/class based on the technical specification (standard or technical approval), and trade name,
- number and publication date of the Polish standard or technical approval that the product conforms to,
- number and issue date of the national declaration of conformity,
- name of the certification body (if involved in the applied conformity assessment system).

In 2011, following harmonisation of the EN 14023 standard concerning classification of polymer modified bitumens, LOTOS Asphalt completed the certification process for the Site Production Control management system, confirming compliance of the Gdańsk, Jasło and Czechowice production facilities with the requirements of the above standard. Thus, the company has achieved compliance with the EU's legal requirements concerning marketing of construction products.

Although petroleum bitumens are not listed among hazardous substances, LOTOS Asphalt includes information on substances contained in the product and the most recent recommendations on how to handle the product safely in the Information Sheet for substances or admixtures for which a Safety Data Sheet is not required.

Scope of product and service information required by LOTOS Asphalt's internal procedures:	Yes
Source of the product or service components.	x
Content, particularly with regard to substances that might produce environmental or social impacts.	x
Safe use of the product or service.	x
Disposal of the product and environmental/social impacts.	x
Other:	x
Hazards which may be involved in the product use.	
Details required by the technical specifications (harmonised standards, approvals) to be included in the information supplied with the product.	
Marking/labelling based on legal requirements (building law).	

In 2011, LOTOS Asphalt identified no incidents of non-compliance with the regulations and voluntarily applied procedures concerning marking and providing information on products and services, by outcome.

Pursuant to the Regulations concerning the International Carriage of Dangerous Goods by Rail (RID), applied by **LOTOS Kolej**, a dangerous good may be classified into one of thirteen groups. Classification of dangerous goods consists in assigning a given material or product to the appropriate hazard class and packaging group, as well as specifying the good's identification number (the UN number), hazard identifier and classification code. The hazard class is determined based on the characteristics of the major hazard posed by a given hazardous product, in line with the classification criteria of a given class.

Hazardous goods are products and materials containing hazardous substances which – given their physical, chemical or biological properties – pose a potential threat to human health or life, the natural environment or property if not properly handled in transport, in case of a failure or accident.

Consignors of hazardous goods are obliged to place orange-coloured information plates on each side of the railroad car. The obligation to place information plates applies also to empty, uncleaned railroad cars and containers in which hazardous substances were carried. In the case of the LOTOS Group companies' products, LOTOS Kolej is responsible for proper marking of railroad cars for carriage.

In 2011, no penalties were imposed on LOTOS Kolej for incorrect or defective marking of hazardous goods consignments.

As LOTOS Oil sells both packaged and bulk products, information on a given product is provided to recipients in various forms. In the case of packaged products, the required information is given on labels, while bulk product information is available in Safety Data Sheets. If a product is classified as dangerous, the relevant SDS is each time enclosed with the documents submitted with the first delivery of the product. Otherwise, the customer is provided with the SDS on demand.

Under the applicable regulations, the following product information is provided with LOTOS Oil's products being classified as dangerous:

- product name,
- names of hazardous substances contained in the product,
- name and address of the manufacturer,
- appropriate warning symbols and their designations,
- appropriate R-phrases,
- appropriate S-phrases,
- product quantity in the packaging,
- information on empty container handling,
- product description and use,
- approvals and specifications,
- and, frequently, a bar code.

For the company's products which are not classified as dangerous, the following information is provided on the labels:

- product name,
- product description and use,
- approvals and specifications,
- manufacturer address,
- product quantity in the packaging,
- and, frequently, a bar code.

LOTOS Oil has put in place a procedure for technical and process documentation control, which specifies the rules concerning inscriptions to be placed on product labels. It has also designated persons responsible for inscription, packaging and label information templates.

Other documents of the company's Quality Management System include: production process procedure, inspection and testing procedure, non-compliant product handling procedure, process instructions, technical requirements, and label and print templates.

Scope of product and service information required by LOTOS Oil's internal procedures:	Yes
Source of the product or service components.	x
Content, particularly with regard to substances that might produce environmental or social impacts.	x
Safe use of the product or service.	x
Disposal of the product and environmental/social impacts.	x
Other:	x
Hazards which may be involved in the product use.	
Details required by the technical specifications (harmonised standards, approvals) to be included in the information supplied with the product.	
Marking/labelling based on legal requirements.	

In 2011, no incidents of non-compliance with regulations and codes concerning product information were identified at LOTOS Oil.

To ensure access to product impact information, **LOTOS Paliwa** complies with the requirements specified by the applicable laws and internal procedures, which provide for making such information available.

As regards wholesale and retail sale, information concerning the properties of all fuels sold by the company is provided at a customer's request in the form of Safety Data Sheets for dangerous substances.

Fuel station managers are required to provide, at a customer's request, Safety Data Sheets for hazardous goods available in stores at the fuel stations.

Scope of product and service information required by LOTOS Paliwa's internal procedures:	Yes	No
Source of the product or service components.	<i>Within the scope of Grupa LOTOS</i>	
Content, particularly with regard to substances that might produce environmental or social impacts.	x	
Safe use of the product or service.	x	
Disposal of the product and environmental/social impacts.	x	
Other: Identification of hazards, procedure for inadvertent environmental release, transport information.	x	

In 2011, no incidents of non-compliance with the regulations and voluntary codes concerning product information were identified at LOTOS Paliwa.

LOTOS Parafiny provides information required under the effective Technical Requirements on the primary packaging of each product. Full information complies with the Integrated Management System procedure for product identification. The information includes:

- name of the manufacturer,
- product name,
- production date,
- Technical Requirements document number,
- ID (material number),
- nominal product quantity,
- batch number,
- safety and handling marks (where applicable).

The following information may also be provided:

- general product information (content, expiry date, storage conditions),
- bar code,
- manufacturer's certificate,
- approvals,
- advertising phrases,
- customer-required information.

For all products manufactured by LOTOS Parafiny, Product Sheets or Safety Data Sheets are drafted based on the applicable legal requirements (REACH Regulation, CLP Regulation). They provide information on the product's health and environmental impacts, presence of dangerous ingredients, REACH registration number (for substances), exposure controls, measures to be taken in case of fire or environmental release, as well as waste disposal.

Under the Integrated Management System, a number of documents are used by the company, which indirectly and directly govern the manufacture of products, including in particular: new product development procedure, product identification procedure, product safety and quality monitoring procedure, safe use of substance and chemical preparation data control instruction, document control procedure, and production and process documentation control procedure.

Scope of product and service information required by LOTOS Parafiny's internal procedures:	Yes
The sourcing of components of the product or service.	x
Content, particularly with regard to substances that might produce environmental or social impacts.	x
Safe use of the product or service.	x
Disposal of the product and environmental/social impacts.	x
Other: Handling during storage and transport. Physical and chemical properties, stability and reactivity. Waste handling.	x

In 2011, no incidents of non-compliance with the regulations and codes concerning product information were identified at LOTOS Parafiny.

Customer satisfaction survey

Grupa LOTOS and the major marketing companies of the LOTOS Group conduct customer satisfaction surveys on a regular basis.

Company	Survey frequency	Customers by segment	Common survey areas
Grupa LOTOS	once a year	Conglomerates, sulphur, aviation fuel	<ul style="list-style-type: none">cooperation assessment,
LOTOS Asphalt	once a year	Bitumen, HFO	<ul style="list-style-type: none">product quality assessment,
LOTOS Oil	once a year	Industry, automotive, regional distributors, motorcyclists	<ul style="list-style-type: none">market position survey,customer expectations,
LOTOS Paliwa	once every two years	LDS, fleet, wholesalers, independent stations, partner stations, retail customers	<ul style="list-style-type: none">assessment of commercial and marketing activities.
LOTOS Kolej	twice a year	Key business partners	
LOTOS Parafiny	once a year	Key business partners	

In 2011, a satisfaction survey was carried out among **Grupa LOTOS** customers to probe their opinions about the cooperation with the Company in the first half of the year. The survey covered the following distribution segments: conglomerates, sulphur and aviation fuel.

The questionnaire consisted of several close-ended questions with space for comments, and an open-ended question. Thanks to the questionnaires distributed in electronic form, the customers of Grupa LOTOS had a chance to evaluate:

1. interactions with Company representatives, including assessment of their competences,
2. response times for requests for proposal and orders,
3. product quality,
4. product availability,
5. timeliness of deliveries,
6. availability of product information,
7. price competitiveness.

The cooperation satisfaction survey was sent out to 27 commercially active customers. Thirteen questionnaires were filled in and returned, two of which came from a single conglomerate. This means that 44% of our customers took part in the survey.

The results of the survey suggest that the majority of our customers are willing to continue to cooperate with Grupa LOTOS: out of ten customers providing affirmative answers, seven justified their answers by stating that:

- LOTOS is a reliable supplier,
- LOTOS takes proper care to ensure product quality and availability,
- they are satisfied with the cooperation to date,
- they have no objections as to the cooperation to date,
- fuel availability is the decisive factor,
- LOTOS meets all their expectations.

One of the customers involved in a tender procedure for aviation fuel indicated that it had no choice but to work with Grupa LOTOS as the product supplier. None of the respondents declared unwillingness to continue their cooperation with the Company.

LOTOS Asphalt conducts an annual satisfaction survey among its business partners. The questionnaires are distributed via e-mail to customers in Poland and abroad who purchased large quantities of LOTOS Asphalt's products in the period covered by the survey. The process of market data acquisition is carried out simultaneously in two main areas, i.e. among customers purchasing bitumen and customers purchasing heavy fuel oil.

The questionnaire consists of several close-ended questions with space for comments, and an open-ended question, and has been designed to survey and analyse the quality of the cooperation to date. The customer satisfaction questionnaire included spaces for the respondent to suggest changes and improvements to the current or future business interactions with the company. The questions related to the following issues:

- pre- and after sales support,
- quality of products supplied,
- general assessment and evaluation of LOTOS Asphalt.

In 2011, the questionnaire was distributed among 228 customers. The return rate was 40%. According to the results of the survey, customers appreciate the superior quality of products and services offered by the company, and ongoing interactions

with its representatives. High scores were given to timeliness of deliveries, which is of key importance to businesses depending on bitumen products.

Findings derived from summary survey scores allow the company to assess the operations of its individual departments, and to define further steps to be taken in order to ensure that its business partners are fully satisfied. Each remark or comment from our customer is verified. If any of them is confirmed, corrective measures are implemented.

High quality of freight services is crucial for **LOTOS Kolej**'s continuing expansion on the Polish rail freight market. Customer satisfaction depends on several factors, such as highly specialised human resources, timeliness and predictability of deliveries, high quality of customer service, reliable and up-to-date information about consignments provided to customers, strong focus on customer needs, as well as flexible and customisable terms of business.

The managers of LOTOS Kolej acquire general customer satisfaction data in the course of direct interactions with customers. Such information concerns terms of contracts, including price terms. Additionally, in order to monitor customer satisfaction on an ongoing basis, LOTOS Kolej has introduced a survey-based system for evaluating its cooperation with customers. The surveys are carried out twice a year and concern the company's rail freight services. The questionnaire is distributed in paper form among selected customers; the participation is voluntary. After filling in the questionnaire forms, customers return them to LOTOS Kolej, where its sales force analyse the results. Later, they are also discussed in detail during the annual review of the Integrated Management System in place at the company.

The questionnaire consists of questions related to the following areas of cooperation:

- timeliness of deliveries,
- delivery times (as compared with other companies offering similar services),
- freight of products without damaging them,
- rolling stock quality (cleanliness, labelling, suitability),
- overall service quality,
- customer service quality (friendliness, competence, accessibility),
- customer interactions with the company's management staff,
- customer interactions with the technical personnel operating the rolling stock,
- scope of services (wide range of services on offer),
- service prices (as compared with similar companies),
- payment options, payment deadlines, possibility of obtaining a discount,
- response to complaints,
- credibility (management staff, financial credibility),
- overall evaluation of LOTOS Kolej.

In 2011, the survey involved 13 customers. On average, the score received by the company was 4.65 (on a scale from 1 to 5, 1 being the lowest). Compared with the survey conducted in 2010 among 17 customers, the service quality rating increased by 0.01.

The acquired data suggests that what the customers of LOTOS Kolej value the most is credibility, understood as reliability of employees and management staff, as well as financial credibility. Credibility was rated as "very good". Compared with that of its competitors, the ability of LOTOS Kolej to meet contractual deadlines also attracted high scores. In addition, customers stressed the high quality of communication with the management staff. LOTOS Kolej received the lowest marks for "service prices (as compared with similar companies)". However, even in this category the company's grade was "good".

LOTOS Oil conducts cyclical customer satisfaction surveys, covering two areas of its operations:

- wholesale channel, where the survey respondents are Authorised Distributors,
- direct sales channel, where customers from the industrial and automotive segments are the respondents.

The methodology of the surveys relies on a narrow definition and adaptation of key surveyed areas to the specific features of the oil market in a given distribution channel and to the operations of LOTOS Oil. To date, the surveys have covered the following areas:

- cooperation,
- range,
- products,
- sales,
- marketing,
- oil service,
- proposals for customer support.

In 2011, 185 customers from the three segments were invited to take part in the satisfaction survey. The return rate was 77.3%.

The surveys indicate that customers highly value those activities by LOTOS Oil which contribute to high service level, high

and consistent product quality, and adequate after sales support, including good working relations with commercial representatives, information on new product launches, product training and training related to proper selection of lubricants. One of the most important elements of such activities are the available added value benefits offered by the company. These include oil services for customers from the industrial and automotive segments, e.g. oil consultancy and analysis, or comprehensive oil management monitoring.

The above findings are derived from summary survey scores, and contribute to the work improvement process, primarily enabling the company to fine-tune its current operations to customer requirements. The customer satisfaction measurement is an evaluation of the overall level of service and product quality, and a measure of the company's success. In the current business setting, awareness of the customer satisfaction level is a prerequisite for maintaining a strong market position.

LOTOS Paliwa regularly measures the customer satisfaction level, in line with internal procedures of the Integrated Management System and ISO 9001, which focuses on the notion of "Customer-Driven Approach". The frequency and methodology of the measurement is defined in internal process sheets, and is different for retail and institutional customers.

Retail customers

Measure identifier	Measurement frequency	Procedure
Brand awareness indicator	1–2 times a year	Data analysed by the Director of Marketing at LOTOS Paliwa and used to formulate future marketing plans
Quality evaluation indicator	once a year / once every two years	Data analysed by the top management of LOTOS Paliwa to design and implement actions aimed at improving the indicator
Overall station evaluation (image) indicator	once a year / once every two years	Data analysed by the Director of Marketing at LOTOS Paliwa and used to formulate future marketing plans

The conducted surveys suggest that individual clients have diverse expectations regarding service stations. LOTOS Paliwa takes steps to ensure that the specific needs of our strategic customer groups are increasingly satisfied.

Premium customers appreciate a wide variety of non-fuel and food services offered by LOTOS service stations, as well as the LOTOS Dynamic fuels and Navigator loyalty programme. At the same time, *value-oriented* customers have access to service stations which are ever more friendly, staffed with polite, competent and skilful personnel, working on quality equipment and selling quality, affordable fuels. Successful market communications have led to a prevailing upward trend in unprompted awareness of the LOTOS brand and LOTOS Dynamic fuels.

To meet diverse customer expectations, in 2011 the company launched a new service station chain in the economy segment. The LOTOS brand is currently present in two segments: premium (LOTOS stations) and economy (LOTOS Optima stations).

Moreover, an external company monitors customer service quality at LOTOS service stations on an ongoing basis, using the Mystery Shopper method.

The standards for service stations and customer service are described in the Manual of Standards, which is available at every station. It presents the recommended standards of behaviour and conduct, as well as the requirements concerning customer service and the station's operation, targeted at staff. Compliance with the standards is monitored at specified intervals. Based on research findings reports, the company prepares staff training and improvement programmes, and amends the standards and evaluation criteria.

Thanks to constant improvement of research tools and increasingly stringent criteria, LOTOS Paliwa's performance improves year on year. In Q4 2011, 269 service stations were evaluated after 535 visits. Compliance with standards at LOTOS service stations was 95%, up by 4% year on year. The target compliance rate (95%–100%) was met in 161 out of 269 cases (Q4 2010: 70 out of 250). In Q4 2011, the level of customer service quality assessment at LOTOS service stations went up by 11% year on year, to 87%.

In the same period, customer service quality was rated as satisfactory (95%–100%) at 116 service stations – a significant increase from 39 such stations in Q4 2010.

In 2011, the company carried out an opinion survey among institutional customers, based on the following guidance.

Institutional customers

Measure identifier	Measurement frequency	Procedure
Customer cooperation satisfaction index	once a year / once every two years	Data analysed by the top management at
Account manager satisfaction index		management at LOTOS Paliwa to design and
Customer Service Office satisfaction index		implement actions aimed at improving the indicator

Functionality evaluation index

Brand image index

Data analysed by the Director of Marketing at LOTOS Paliwa and used to formulate future marketing plans

Institutional customers value the improving quality of cooperation with LOTOS Paliwa, which follows from better performance of the account managers and the company's efforts to promote its image as an innovative partner standing out against competitors. According to institutional customers, the comprehensive fuel offering and environmental awareness are the company's strengths.

Apart from the market research described above, measurements are also performed internally at LOTOS Paliwa. The company has a Contact Centre, where its customers can learn about its products and provide feedback on service stations or trade services. The company uses diverse channels of communication (the telephone, Internet, fax, etc.) to reach its customers.

Rules governing collection, distribution and processing of survey data are set out in the internal procedure of LOTOS Paliwa. The Contact Centre gathers and records customer opinions, and relays them to competent organizational units, where the data is analysed. In some cases, a reply is delivered. Furthermore, members of the top management periodically receive a report on customer opinions.

LOTOS Parafiny carries out annual satisfaction surveys among its key business customers. The survey has the form of a questionnaire, which in 2011 covered 85% of the customers. Apart from the company ranking (Likert five-point scale) and top competitor ranking, the survey included open-ended questions designed to gain insight into customer expectations and opinions.

Key evaluation criteria used in LOTOS Parafiny's surveys were determined by customers. They are as follows:

- product: quality, range, delivery shortcomings, packaging formats and methods (lumping of packaged products, possibility of using packaged products, e.g. granulate, pellets, slabs, product released to cartons),
- sales quality (administrative support), release of goods – loading,
- offering alignment with machinery,
- cooperation with the manufacturer.

In 2011, product quality was the most important criterion for customers, with the average score of 4.45, up by 0.04 compared with 2010. Administrative support, scoring 4.1, was considered the least important. On average, the company received the score of 4.45 in 2011, whereas its best competitor scored 4.21 on average. In 2010, the company scored 4.41, and its best competitor – 4.27.

In terms of the key factor group, that is offering quality and comprehensiveness, the company scored an average of 4.04, slightly more than competitors, scoring 3.98. This result came on the back of an unsatisfactory rating related to delivery shortcomings, where the company scored 3.94 on average (competitors: 4.25). The company evaluation histogram for the factor group shows that outliers (0 or 1) had a significant impact on the overall score. As in 2010, the majority of scores ranged between 4 and 5.

Most objections were voiced with regard to packaged products and products containing plant oils. Frequency and quality of direct interactions received the highest scores.

The responses to open-ended questions identified key customer expectations, including:

- extension of the range of available products,
- longer payment deadlines,
- extension of trade credit payment dates and amounts.

Compared with the 2010 survey, the quality of direct commercial interactions, substantive nature of negotiations and new product ideas attracted very high scores. The main complaint related to low quantities of certain products and high prices.

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