

budimex

Integrated report of the Budimex Group for 2019



<http://www.budimex.pl/>





TABLE OF CONTENTS



6 Letter from the President

7 About the Budimex Group

13 Market environment and growth perspectives

16 Results for the last year

25 Contribution to infrastructure development and innovation culture

30 Value model and management culture

37 Compliance management, compliance system and ethics

39 Quality and its impact on safety of construction facilities

40 Social activities and relationships with communities

44 Working environment and focus on growth



48 Conditions, occupational health and safety (OHS)

62 Non-financial data tables

52 Impact on local environment and biodiversity

78 GRI Index

55 Reasonable use of resources and environmental protection

57 Summary of accomplishment of strategy objectives for the years 2016-2020

59 About the report



FINANCES

sales

PLN 7 570 M

ebitda

PLN 424 M

net profit

PLN 226 M

backlog

PLN 10 781 M

contracts signed

PLN 7 496 M

net cash

PLN 1 355 M





market value
(31.12.'19)

PLN 4 391 M



net presales
in developer segment

1 655 flats



employment

7 478 employees



taxes and social insurance
premiums (ZUS) paid

PLN 1 389 M



number of business partners
cooperating with Bx
during the year

17 198



average salary
of a worker at Budimex

PLN 5 197 gross



LETTER FROM THE PRESIDENT

102-14

Dear All,

I am pleased to provide you with the Integrated Annual Report of the Budimex Group for 2019, which summarised our financial results and social responsibility activities.

2019 was a challenging time for the Budimex Group. We focused on improving the profitability of contracts. We put a lot of effort into working on less profitable contracts, striving to generate positive margins. We focused also on improving cash flow and acquiring new orders from investors. We started the year with less positive assumptions, but in the end we achieved better than expected results.

The Budimex Group ended 2019 with a revenue of PLN 7.57 billion, which was slightly higher than in 2018, partly due to the commencement of consolidation of the FBSerwis Group results in the second half of the year. We generated a net profit of PLN 226 million, which translates into profitability of 3%. At the end of December, the net cash level of the Budimex Group was PLN 1.355 billion, an increase by more than PLN 200 million as compared to the previous year, despite the expenditure on the purchase of additional shares in FBSerwis and the payment of dividends.

We are aware that behind every success of the company there are people, so we do our best to ensure that work in the Budimex Group is satisfactory and gives development opportunities. As in previous years, we have built an engaging work environment on two pillars: investing in the development of employees and ensuring their safety in the workplace.

As a company with over 50 years of tradition, valued for its experience, reliability and trustworthiness, we know that the only right course of action is that

based on the principles of sustainable development. Due to the specificity of our business, everything we do has long-term consequences for the environment and society. Therefore, we place great emphasis on limiting the impact on the natural environment and climate change, as well as effective management of natural resources. We also constantly develop activities for local communities.

Our flagship social programs last year: Programs Parent's Zone and Hello ICE reached over 55.000 children. We carried out eight volunteer projects participated by 75 Budimex volunteers. We planted 200 trees as part of the "Tree for Survey" action. We took part in #ideathon together with other companies – an innovative project of competence volunteering, whose aim was to develop solutions leading to the improvement of the situation of disabled people in the labour market. We also supported several dozen organisations working for development and aid in less developed regions. In 2019, we were awarded many prestigious awards, including: Benefactor of the Year, Well-Seen Company, Best Quality Employer, HR Pearls, Top Brand Press, Company of the Year, Contractor of the Year and Infrastructure and Construction Diamond. We are the employer of choice for students and graduates, as shown by the Universum Global ranking in the "Engineering" category.

I would like to thank our Employees for their involvement in the work and development of the Budimex Group, as well as our Stakeholders and Investors for their long-term cooperation based on mutual respect and trust.

Dariusz Blocher

President of the Management Board of Budimex SA
Director of Ferrovial Agroman for Europe



ABOUT THE BUDIMEX GROUP

The Budimex Group is an unquestionable leader of the construction market. Experience, potential and resources available to the Group allow it to carry out nearly 300 projects annually from road, rail, public utility and industrial infrastructure. From the purchase in July 2019, the FBSerwis Group also has provided a wide range of facility management services.

The activities of the companies comprising Budimex Group contribute to Poland's economic development each day. We handed over dozens of kilometres of expressways, motorways, or vital bypasses for cities in 2019 only, for example: 20-kilometre fragment of Częstochowa bypass within the A1 motorway; 8-kilometre fragment of the Skarżysko-Kamienna bypass within S7 – completed six months before the agreed date; 10-kilometre fragment of Olsztyn bypass within S51 – 3 months before the project date; 13-kilometre fragment of Suwałki bypass; or the Independence Route in Białystok, allowing to bypass the city from the west. We also completed the key works on the railway line no. 7, connecting Warsaw and Lublin (LOT B and C1).

In October 2019, we put into operation the airport traffic control tower for Katowice airport on commission of the Polish Air Navigation Agency. It is the highest traffic control tower in Poland and one of the most state-of-the-art in Europe. We finished the construction of the Museum of the Cursed Soldiers in Ostrołęka. At its opening, Piotr Gliński, the Polish Minister of Culture and National Heritage, summed up cooperation with Budimex, the parent company in Budimex Group, “I would like to thank Budimex for meticulous construction and, as always, for exceptional effort to overcome any difficulties. I am glad that the project such as this museum was executed by a company with a Polish and long tra-

dition such as Budimex.” In 2019, we also constructed the largest and state-of-the-art distribution centre for Lidl in Kłuszyn and the Marki Educational and Recreation Centre – the first public utility building designed in the energy-saving BREEAM standard (internationally recognised certificate for ecological buildings). We entered the last stage of construction of the flood tank in Racibórz (advanced work stage at 85%) – a crucial project for the flood safety of the inhabitants of cities, towns and villages located by the Oder river in Śląskie, Opolskie, and Dolnośląskie voivodeships.

In 2019, we have also launched a number of new projects. We expand hospitals in Lublin and Gorzów Wielkopolski. Tauron entrusted us with the modernisation of Łaziska Power Plant and, on commission of PGNiG, we are going to build a new boiler house in Żerań Combined Heat And Power Plant. GAZ-SYSTEM SA entrusted us with the “Construction of the Strachocina-Polish Border pipeline with the infrastructure necessary for its operation”, which is connection of the Polish and Slovak transmission systems.

In addition to the execution of projects that promote economic, social, cultural and scientific development, Budimex Group is constantly involved in projects for the development of the construction sector. For the past ten years, the Group has operated under the Agreement for Construction Safety, which promotes a culture of safe work, develops standards and system solutions to eliminate hazards on construction sites. The Group also cooperates with ORLEN Asphalt, LOTOS Group, Gdańsk University of Technology and the Research Institute of Roads and Bridges to reduce the costs of construction and improve the durability of roads using polymer modified bitumen.

The Consortium with scientific and research entities also works on creating innovative devices for PKP PLK, which would allow for limiting the emission of vibrations and noise. The Budimex Group implements innovative projects financed from national funds, such as InRaViS and InRaNoS, whose purpose is to develop solutions that protect people and the environment against noise and vibration caused by rail traffic. Our engineers and managers are also involved in international projects financed by the European Commission, such as BIMERR – a project whose goal is to develop tools supplementing the BIM system, intended for analysis and planning of thermomodernization of multi-family buildings, or SAFEWAY – a project aimed at increasing the resistance of the trans-European network transport (TEN-T) for extreme events and improving infrastructure management. We conduct our activities based on advanced technologies and material solutions. We apply a management philosophy based on the pursuit of a circular economy, which we support with innovative activities, for example by using a road deconstruct recycling.

According to the adopted CSR Strategy, Budimex Group is guided by the principles of sustainable development, taking into account the needs of local communities and the environment. The Group continues to implement two key social responsibility projects: Parent Zone and Hello ICE. In 2019, we opened the 30th Parent Zone in the hospital for children in Chorzów, where a comfortable space was created for parents to spend their time with the children. We have extended the formula of Hello ICE programme, which has so far focused on the education of children of primary schools on road safety, with new elements: the map of hazardous points, which allows us to identify and eliminate them in cooperation with local authorities and a website with educational materials for teachers and parents. In the fourth quarter of 2019, we also took educational actions in the field of road safety at kindergartens. We also planted 200 trees in Białystok as part of “Tree for Survey” campaign.

We combine many years of tradition and experience with a management approach focused on seeking even better and more modern solutions, tools and technology that will enable us to execute projects even more efficiently, making sustainable development not only a concept, but literally materialise in the form of specific structures.

102-16

From 2011 to the last day of listing, we were part of the RESPECT index. We are currently in a group of companies listed in the new WIG-ESG, which replaced earlier RESPECT Index.

Budimex’s mission:

“Our mission is to perform construction projects, including housing estates, in a manner fit for the market leader, respecting the natural environment and ethical principles, caring about the customer satisfaction and user comfort, which we wish to achieve thanks to our professionalism and passion for construction, high efficiency and partner relations with suppliers and subcontractors.”

Our values are ethics, cooperation, responsibility and ambition.

102-2

We, as a capital group, provide construction and assembly services performed in the general contractor system in Poland and abroad. We also operate in the property development sector and manage real estate. The small range of the Group’s offer is commercial, production and transport activities. We also deal with municipal waste management, comprehensive maintenance of roads and technical service of buildings.

102-7

Budimex Group in numbers in 2019:

- Number of employees: 7,474
- Sales revenues: PLN 7,569,663 thousand
- Net profit: PLN 228,851 thousand
- Total assets: PLN 6,673,959 thousand
- Equity: PLN 836,640 thousand
- Long-term liabilities: PLN 1,049,392 thousand
- R&D expenditure: PLN 2,101 thousand
- Number of laboratory units: 27
- Number of test methods accredited: 53
- Number of contractors cooperating with Budimex throughout the year: 17,198
- Average salary of a worker at Budimex: PLN 5,197 (gross).

The Budimex Group's key companies include: Budimex SA, Mostostal Kraków SA, Budimex Nieruchomości Sp. z o.o. and FBSerwis SA.

Budimex SA is the parent company in Budimex Group. As a general contractor, it implements infrastructural, building and industrial investments, provides design services, rental of machines and laboratory services. Its role is to ensure a quick flow of information between the Group's companies, as well as to support them in their development and in effective management in order to build a strong market position of the entire Group.

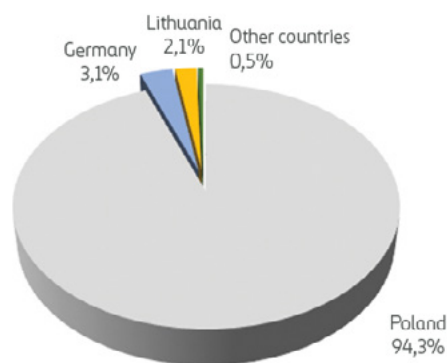
Mostostal Kraków SA provides construction and assembly services. It specialises in contracting and assembly of steel structures and devices for the cement and lime, power, steel and chemical industries. It offers also design services.

Budimex Nieruchomości Sp. z o.o. provides property development. The company's task is to purchase and prepare investment lands for the purposes of housing construction, to sell apartments, as well as to rent and serve real properties on its own account.

FBSerwis SA, whose sole shareholder is Budimex SA as of 3 July 2019, provides waste management, comprehensive services of road infrastructure maintenance and management of lighting infrastructure, as well as technical maintenance of buildings.

Apart from the aforementioned companies, the Group comprises several other entities identified in detail in the further part of the report (see: "Non-financial data tables").

Geographic structure of sales revenue in 2019:

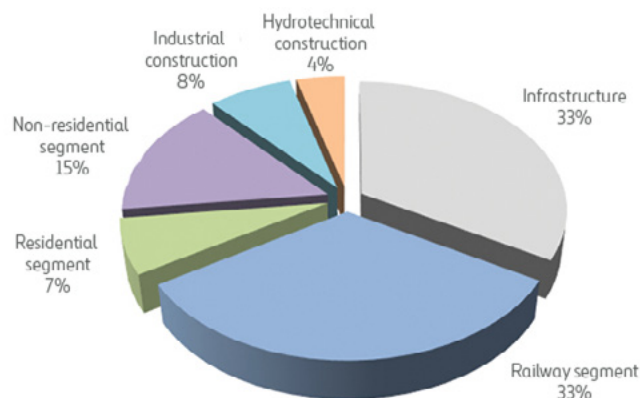


102-6

In 2020, we are still planning to operate in all important sectors of the construction market in Poland, as well as in the German and Lithuanian markets. Infrastructural investment projects co-funded by the European Union budget (in particular road and railway projects) are our opportunity to acquire new contracts. The value of the winning tenders was higher by 14% in 2019 than in 2018. We also want to consistently strengthen our position in residential and commercial building market and obtain new projects in the industrial and railway sectors. We plan further development on the municipal service market and initiating various Public Private Partnership projects.

In 2019, our companies signed construction contracts of the total value of PLN 7,496,046 thousand (including annexes). As of the end of 2019, the value of the Budimex Group's construction order portfolio was PLN 10,781,176 thousand, i.e. increase by 6% in comparison with the end of 2018.

The structure of our order portfolio (Budimex Group) as of 31 December 2019:



102-4 102-6

Main markets where Budimex Group operates are:

- Poland,
- Germany,
- Lithuania.

102-5**The shareholding structure of the Company as at 31 December 2019:**

| Shareholder | Type of shares | Number of shares | % share in the share capital | Number of votes | % share in the votes at the General Meeting of Shareholders |
|------------------------------------|-----------------|-------------------|------------------------------|-------------------|---|
| Ferrovial Agroman International SE | ordinary shares | 14 078 159 | 55,1% | 14 078 159 | 55,1% |
| Aviva OFE Aviva Santander | ordinary shares | 2 552 000 | 10% | 2 552 000 | 10% |
| Nationale Nederlanden OFE | ordinary shares | 1 360 000 | 5,3% | 1 360 000 | 5,3% |
| Other shareholders | ordinary shares | 7 539 939 | 29,5% | 7 539 939 | 29,5% |
| Total | | 25 530 098 | 100,0% | 25 530 098 | 100,0% |

102-10**Changes in the organisation of the Budimex Group in 2019:**

- On 2 January 2019, Budimex A Sp. z o.o. and Budimex PPP SA companies (not included in the consolidation because of the lack of operating activities) signed the agreement for the disposal of all rights and obligations related to the participation, respectively, in Budimex SA Energetyka 2 s.j. and Budimex SA Energetyka 3 s.j. companies to Budimex Budownictwo Sp. z o.o. (included in consolidation).
- On 3 July 2019, Budimex SA purchased from Ferrovial Services International SE 51% of shares in FBSerwis SA and thus acquired the control over the company and its subsidiaries.
- On 13 August 2019, the shareholders of Budimex SA Energetyka 1 Sp. j. and Budimex SA Energetyka 2 Sp.j. resolved to liquidate the companies without conducting liquidation proceedings. Budimex SA Energetyka 1 p.j. was removed from the National Court Register on 25 September 2019, while Budimex SA Energetyka 2 p.j. on 9 October 2019.
- On 20 September 2019, the shareholders of Budimex SA Budimex Budownictwo Sp. z o.o. s.c. adopted a resolution on dissolving the company due to the achievement of the economic objective for which the company was established.

At the same time, there were no changes in the management principles of the Budimex Group in 2019.

102-13**Membership in organisations:**

- Business Centre Club (BCC)
- Centrum Rozwoju Transportu – Klaster Luxtorpeda (Transport Development Centre – Luxtorpeda Cluster)

- Federacja Przedsiębiorców Polskich (Federation of Polish Entrepreneurs)
- Izba Gospodarcza Energetyki i Budownictwa (Polish Chamber of Power Industry and Civil Engineering),
- Izba Gospodarcza Energetyki i Ochrony Środowiska (Polish Chamber of Power Industry and Environment Protection; IGEOS)
- Izba Gospodarcza Transportu Lądowego (Polish Land Transport Chamber of Commerce; IGTL)
- Ogólnopolska Izba Gospodarcza Drogownictwa (Polish Chamber of Road Building; OIGD)
- Polish Cluster of Construction Exporters
- Polski Związek Pracodawców Budownictwa (Polish Association of Construction Employers; PZPB)
- Polskie Stowarzyszenie Wykonawców Nawierzchni Asfaltowych (Polish Asphalt Pavement Association; PSWNA)
- Polsko-Litewska Izba Handlowa (Polish and Lithuanian Chamber of Commerce)
- Polsko-Hiszpańska Izba Gospodarcza (Polish-Spanish Chamber of Commerce; PHIG)
- Porozumienie Pracodawców RP (Alliance of the Employers of the Republic of Poland)
- Railway Business Forum (RBF)
- Stowarzyszenie Emitentów Giełdowych (Polish Association of Issuers; SEG)
- Wschodni Klaster Budowlany (Eastern Construction Cluster)

In the Polish Association of Construction Employers, the President of the Management Board of Budimex SA acts as the Vice-President, while in the Polish Association of Asphalt Pavers, a representative of Budimex SA acts as a member of the board. In other organizations, Budimex SA acts as a regular member.

Awards and distinctions received in 2019 (in chronological order):

- **Best Quality Employer 2018.** This prestigious title was granted to Budimex in January 2019 by Centralne Biuro Certyfikacji Krajowej (Central Bureau of National Certification). The initiative is aimed at selecting and promoting companies that are distinguished by their reliability in terms of employment policy, employee solutions and human resources management. The companies are trustworthy enterprises that take care of the development of employees and ensure stable employment and friendly atmosphere at work. (January)
- **“Responsible Business in Poland. Good practices”.** In the 17th Report “Responsible business in Poland. Good practices”, two Budimex social programmes are listed: “Parent Zone. Budimex for children” and “Change the World. 50 years of Budimex”. This report is an annual publication of the Responsible Business Forum, issued since 2002. It presents the most inspiring and exemplary activities of CSR companies. (March)
- **Benefactor of the Year 2019.** Budimex won the 22nd edition of the “Dobroczyńca Roku” (“Benefactor of the Year”) competition in the “Education – Large Company” category. The Competition Jury awarded the company for the cooperation with the “Trzy czte ry!” Foundation. As part of this cooperation, the first forest school in Poland, the “Puszczyk” Forest Primary School, was opened near Białystok. (May)
- **“Well-Perceived Company” title (“Firma Dobrze Widziana”).** Budimex is one of the laureates of the Well-Perceived Company competition organised by the Business Centre Club under the Human Capital Operational Programme. Its aim was to select companies that are perceived as particularly active in the area of corporate social responsibility. (May)
- **Polish Entrepreneur 2018 – Industry Leader.** In June 2019, Jerzy Kwieciński, the Minister of Investment and Development, presented the President of Budimex with the award titled Polish Entrepreneur 2018 – Leader of the Industry of Gazeta Polska Co-dziennie newspaper. The sixth edition of this contest – Budimex was among only six companies awarded this distinction. (June)
- **Structure of the Year 2018.** The Polish Association of Civil Engineers and Technicians (PZITB) has, for the 29th time, awarded its annual prizes for best construction investments. The project which won the jury’s appreciation was a production and warehousing building with amenities and office section and with technical systems. It was built for Nuctech Warsaw Company. (August)
- **HR Pearls in the Best Recruitment Team 2019.** This award was granted to our Recruitment and EB Department. This is the first competition in Poland addressed to specialists and companies dealing with the provision of general HR services. The idea behind the competition is to integrate the recruitment environment and create an opportunity to promote its potential. (October)
- **Oracle’s Customer of the Year.** Budimex has received a distinction for the implementation of a cloud system for human resources management – Human Resources Information System (HRIS). This award was for the whole HR team, which, with the support of the IT team, has implemented the first HRIS functionalities in just 8 months. (October)
- **Sports Facility of 2019.** The Marki Educational and Recreation Centre (Mareckie Centrum Edukacyjno-Rekreacyjne – MCER) constructed by Budimex was awarded the prestigious title of the “Sports Facility of 2019” by the Klub Sportowej Polski organisation. The latter encompasses 991 different entities, including local government authorities, construction companies as well as sports and educational associations. (November)
- **CIJ Award – Leading Green Warehouse Development.** Lidl Logistics Centre in Kłuszyn, constructed by Budimex in 2018, won the prestigious CIJ Award in November 2019 in the category Leading Green Warehouse Development. The facility constructed for Lidl was considered the best logistic facility in Poland in terms of environmental protection and sustainable development. (November)
- **„Buduj Bezpiecznie 2019” – “Construct Safely 2019”.** Budimex took first place for the construction of the aircraft testing facility in Tajęcina. The competition is organised by the State Labour Inspectorate at regional levels.

It is aimed at promoting the General Contractors of construction works who ensure safe workplaces to increase the general level of safety in the construction industry in Poland. (November)

- **Top Brand 2019.** Budimex won the first place in the ranking of the prestigious Press magazine in the construction industry category. In 2019 the value and strength of Budimex brand in the media was twice as high as that of Skanska, Strabag, or Echo Investment. In the ranking of all brands present in Poland, Budimex took 62nd place, ahead of such companies as: Biedronka, ING Bank, Apple, Nike and Opel. (November)
- **Contractor of 2019.** The award was granted to Budimex by Builder, one of the most valuable magazines in the construction industry. (February 2020)

102-8 102-9

Supply chain:

The business model in which we act as a general contractor means in practice outsourcing many activities and operations and simultaneous coordination and control of the work of a number of subcontractors and suppliers. It is a network of partners who act to succeed through cooperation and coordination by our engineers and managers. At the same time, the most important actions and decisions, which means those based on key competences, remain within our scope. This way of operation allows flexible resource management and adjustment to current needs. It also allows us to react to changing

market situation. It offers the possibility of adjusting resources to the size and nature of the order portfolio. All this ensures in higher cost efficiency. In total, Budimex itself cooperated with 17,198 suppliers in the past year. At the same time, due to the diversified characteristics of works which change in the course of a project, the number and specialisations of the involved subcontractors and personnel also change.

However, such business model means greater responsibility for the operation of subcontractors' networks. As a result, we feel obliged to verify the external entities performing works on our behalf. This is important in terms of quality and safety of the works. Long-term relationships based on mutual trust and up-to-date knowledge about suppliers who provide services on the market constitute the company's unique capital. Thus, on the one hand, supply chain management requires effective selection of partners and their ongoing monitoring and, on the other hand, evaluations, providing feedback, and training for persons working on construction sites. Within this scope, the ability to support suppliers in identifying and reducing shortages is also important.

Our supply chain includes, apart from the subcontractors on construction sites, also the entrepreneurs who supply our companies with basic materials and raw materials and who provide selected specialist services. These include, among others, suppliers of steel and reinforcements, concrete, aggregates and cement, road barriers, railway rails, road bitumen, or fuels. We also use external transport and security services.



MARKET ENVIRONMENT AND GROWTH PERSPECTIVES

102-6 102-15

The economic growth, measured by the increase in gross domestic product, was slightly lower in 2019 than the year earlier (4.0% compared to 5.1% in 2018). At the same time, the general economic situation in the construction industry in 2019 achieved similar values as in 2018. However, it is worth noting that while the percentage of the businesses in construction indicated a strong shortage of qualified staff in 2018, the index stabilised in 2019. The moods have also improved with regard to the costs of materials.

In 2019, the value of construction and assembly production recorded a one-digit increase year-to-year at 6.0% of current prices (compared to 21.3% in the previous year). The decrease in the dynamics was observed in all three segments of construction, in particular in the infrastructure sector, in which the increase in construction and assembly production stood at 4.2% in 2019 (current prices), compared to 23.7% in 2018. The source of weakening in this sector was road construction. A slightly better economic situation compared to infrastructural construction was observed in general construction: an increase of 7.9% in comparison with an increase of 18.7% in 2018.

On the other hand, the structure of the market did not change. Civil engineering structures comprised the largest share in the construction and assembly production: 50% in total construction and assembly production compared to 51% share in 2018. The similar share of non-residential and residential construction was 33% and 17% and reached a comparable value as in 2018.

The dynamics and directions of construction industry growth in Poland are determined by the pace of the execution of large infrastructure projects and, thus,

the effectiveness of the use of EU funds. By the end of 2019, over 58 thousand co-financing agreements were signed with the value of PLN 447,2 billion, with the EU funds of PLN 272.0 billion, accounting for approx. 83% of the total funds allocated to Poland as part of cohesion policy.

In 2019, the number of apartments which were released for use, put up for sale or rent increased, reaching the level of 130.9 thousand (increase by 16.6% in comparison with 2018). The good situation is supported by the number of apartments for sale or rent, for which the construction permit was issued (an increase by 4.6% to 167.3 thousand year-to-year), and by the number of apartments for sale or rent, whose construction was commenced (an increase by 7.9% to 142.0 thousand year-to-year).

The cumulation of construction works in the scope of national roads and railway lines, supported by the high value of investments implemented in the area of general construction, resulted in a significant increase in the prices of construction materials, subcontracting services and labour costs in 2017-2018. The application of contractual provisions for the indexation of the contractor's remuneration, based on the indicators that do not reflect the actual price increases and that limit the increase of the remuneration by a very low level, proved to be insufficient. After lengthy discussions at the beginning of 2019, the main contracting entities in the infrastructural market decided to introduce changes to the indexation methodology for new contracts, in which no general contractor agreement was signed. In 2019, the contractors signed first contracts taking into account new indexation clauses and the assessment of their actual effectiveness will be possible at a more advanced stage of performance of these contracts.

The proposal to allocate the European funds to individual Member States under the Cohesion Policy for the period 2021-2027 provides for a somewhat lower amount for Poland than those granted in the current budgetary perspective. Nevertheless, Poland still remains the largest beneficiary of EU funds and the scale of support for infrastructure projects will most likely make it possible to maintain a significant role of EU funds in the development of the Polish construction sector in the coming years.

The forecasts from the beginning of this year have predicted that the construction market in 2020 will be driven by increasing investment expenditures carried out by public investors in infrastructure. The contracts for the years 2018-2019 on the market of large road and railway investments in 2020 should move into the advanced stage of execution. Thus, the construction and assembly production in the infrastructure segment can record an increase in 2020 compared to 2019. However, the possible impact of the global pandemic of COVID-19 on the market situation should be taken into account, which may result in an update of the above-mentioned forecasts.

Many companies in the sector have begun 2020 with a comfortable order portfolio, which secures companies' revenues for the next few quarters. At the same time, further increase of the costs of materials and labour is possible. However, the scale of this pressure will be lower than in 2017-2018. However, the situation on the labour market can be changed by the economic situation resulting from COVID-19 pandemic. The shortage of qualified workers in the industry, particularly in the railway sector, is also of great significance. This is additionally influenced by the changes in the regulations on the German labour market, which are to liberalise the employment of foreigners from outside the European Union in Germany. The changes in law can contribute to the drainage of the Polish labour market, i.e. the flow of the employees from the eastern border of Poland, who today significantly feed the Polish civil engineering market.

With regard to **road construction**, the government adopted the updated "**National Roads Construction Programme 2014-2020, with the perspective until 2025**" (PBDK) in September 2019. The new document aims to increase the programme budget from

PLN 135.2 billion to PLN 142.2 billion and to increase the number of kilometres covered by the financing. The length of national road fragments which are planned to be implemented is 3,568 kilometres in comparison with 3,268 kilometres included in the Programme adopted in 2017. In the years 2021-2030, the volume of orders on the road market will also be supported by the "**Construction of 100 Bypasses**", which was published in February 2020. The value of the planned investments was estimated at approx. PLN 28 billion and the material scope will cover the construction of 820 kilometres of roads. A potential source of orders on the road market may also be the concept of construction of the Warsaw agglomeration bypass, which is planned for the years 2025-2030. Project expenditures for the project can reach PLN 25-30 billion.

The construction market for railway infrastructure is a prospective area of construction for a general contractor. According to the current programme financing plan titled "National Railway Programme until 2023" (KPK), PKP PLK will implement projects from the basic list of projects, whose value amounts to PLN 73.1 billion. In addition, 66 projects worth approx. PLN 32.6 billion have been included in the reserve list. As of the first half of February 2020, PKP PLK has not published an order plan for 2020. The forthcoming end of the current EU financial perspective may influence the increase in the activity of PKP PLK in order to meet the deadlines for the settlement of the projects co-financed with EU funds.

The major challenge for the largest infrastructure investors and the working environment will be the planned construction of the Solidarity Transport Hub (STH). In the optimistic scenario, STH will be operational in 2027. According to the government estimates, the value of the planned investments in the project is approx. PLN 30-35 billion.

Further priorities and challenges are formulated in the hydraulic engineering sector. Above all, it is important to point out large investment needs in the area of **port investments, waterways and flood protection projects**. The government's main objective concerning the development of infrastructure, transport and water management is to increase the handling capacity of three Polish seaports: Gdańsk, Gdynia and Świnoujście. The value of port investments over the next 10 years may reach PLN 20-25 billion.

Some of the tasks will most likely be implemented in the public-private partnership formula. According to the “Assumptions for the development of inland waterways in Poland by 2020, with the projection by 2030”, the value of the investment projects aimed at developing water transport infrastructure for 2016–2030 exceeds PLN 77 billion. The investments in water transport are to be supported by an increase in investment on flood protection projects, which will obtain significant financial support from World Bank, among others.

In recent years, the **power construction sector** has maintained a good growth rate as a result of progress in the execution of several large power units with a total power of 5,8 GW. The investments in Jaworzno, Turów, Stalowa Wola and Żerań (Warsaw) are at the construction stage and in some cases in a very advanced stage, while the units in Opole, Koźienice, Włocławek and Płock were put into operation. In September 2019 and January 2020, respectively, an agreement was signed for the construction of further power units in the power plant in Puławy and Dolna Odra power plant. The aim is to replace the generation capacity of worn-out units with high efficiency ones. However, the Polish Ministry of Energy indicates that the new unit in Ostrołęka power plant with a power of 1,000 MW will be the last facility of this type with such a significant value in Poland. Further projects will focus on smaller facilities, mostly based on fuels other than coal. The concept of diversification of the system’s installed power, as shown in “Polish energy policy by 2040”, assumes gradual reduction of conventional energy sources, i.e. coal-fired power stations, and the increase of the scale of investments in offshore wind power plants, photovoltaic power plants and nuclear power plants. By 2040, the estimated value of investments resulting from the implementation of the developed policy will amount to even PLN 400 billion, including the cost of a nuclear power plant estimated at PLN 120–180 billion.

The value of all potential wind power investments in the Polish part of the Baltic Sea is estimated at about 100–120 billion PLN. In the years to come, further implementation of the investment programmes in electricity and gas transmission and distribution market is to be expected.

With regard to **residential construction**, despite the relatively high price dynamics, there was a slight increase in the number of apartments sold by development companies in 2019. The sales level of apartments in 2020 is difficult to be estimated, but there are several factors which will increase demand on the market.

Projects in the public-private partnership formula (PPP) may be an opportunity for further development of the construction market. PPP in Poland is still implemented on a limited scale, usually in the case of small projects. The positive signal is the fact that the PPP Team in the Polish Ministry of Development prepared and that the government adopted the strategic document titled “Government’s Policy for PPP Development”. It is assumed in the document that at least 100 new PPP contracts will be concluded between 2017 and 2020 and the value share of the signed PPP contracts in capital expenditures in the national economy within the public sector should be close to 5%.

In 2020, the global and European pandemic of COVID-19 entirely changes the forecasts for the construction and development market in Poland and will have a significant impact on the long-term performance of companies, including Budimex. The assessment of the market situation and the above-mentioned market forecasts formulated at the beginning of 2020 can be outdated to a large extent and they will be verified once the company will be able to estimate the impact of COVID-19 on the economy and the construction market in Poland.



RESULTS FOR THE LAST YEAR

In 2019, the construction market, measured with the value of sales of the construction and assembly production, increased by 6.0% in relation to 2018. It recorded a much lower increase than in 2018. The increase concerned the infrastructure sector (+4.2%) and residential, commercial and industrial sectors (+7.9%). In turn, our sales growth in the construction segment amounted to 1.5% (Budimex Group).

The share of the infrastructural segment in the total revenue from Budimex Group's construction and assembly services fell from 44.9% in 2018 to 43.2% in 2019. However, its share in the revenue structure increased from 9.0% to 16.6% in 2019, which was influenced by the acquisition of new railway contracts. The share of residential, commercial and industrial construction decreased from 46.1% in 2018 to 40.1% in 2019.

Sales structure by sectors of the construction market:

| Facility type | Sales value | | | |
|--|--------------|---------------|--------------|---------------|
| | 2019 | | 2018 | |
| | million PLN | % | million PLN | % |
| Civil engineering (infrastructure) | 3 092 | 43,2% | 3 163 | 44,9% |
| Rail | 1 190 | 16,6% | 634 | 9,0% |
| Commercial, including: | 2 870 | 40,1% | 3 250 | 46,1% |
| - Non-residential | 2 215 | 31,0% | 2 537 | 36,0% |
| - Residential | 655 | 9,2% | 713 | 10,1% |
| Total sales of construction and assembly services | 7 152 | 100,0% | 7 047 | 100,0% |

In 2019, the sales revenues from development activities amounted to PLN 557,811 thousand, with an increase compared to the previous year by 1.8%. It should be noted, however, that the revenue from the sale of property development activities are recognised in the books at the time of transfer of ownership of the apartment/premises to the buyer once the technical acceptance of the entire facility is completed. Therefore, the notarial sales of apartments depends on the completion dates of construction projects and the delivery

of finished apartments to customers and is not a seasonal phenomenon or one which is possible to compare year-to-year.

On the whole property development market in 2019, it was possible to observe a slight increase in the pre-sales of new apartments compared to the previous year. Net pre-sales of the new premises in our offer in the entire 2019 was 1,655 apartments in comparison with 1,208 in the previous year.

The most important construction contracts concluded by the Budimex Group companies in 2019:

| Investor | Type of object/project |
|---|--|
| PKP Polskie Linie Kolejowe SA | Construction works for the Gdynia Port Station as part of the Project titled "Improvement of rail access to the seaport in Gdynia" |
| PKP Polskie Linie Kolejowe SA | Performance of works and creation of the executive design and performance of works on the section Most Wisła – Czechowice-Dziedzice – Zabrzeg |
| PKP Polskie Linie Kolejowe SA | Performance of works concerning the modernisation of the railway line No. 7 on the section Dęblin – Nałęczów from 107.283 km to km 146.320 (originally LOT C – Dęblin – Lublin section) |
| Gas Transmission System Operator | Budowa gazociągu stanowiącego połączenie systemów przesyłowych Rzeczypospolitej Polskiej i Republiki Słowackiej wraz z infrastrukturą niezbędną do jego obsługi – gazociąg Strachocina-Granica RP |
| GAZ-SYSTEM SA | The construction of the gas pipeline for the connection of the transmission systems of the Republic of Poland and Slovak Republic with the necessary infrastructure for its operation: Strachocina – Polish Border pipeline. |
| Wałbrzych municipality and General Directorate for National Roads and Motorways Wrocław | Construction of the Wałbrzych bypass within the national road no. 35: |
| Zarząd Morskich Portów Szczecin i Świnoujście SA (Szczecin and Świnoujście Sea Port Management) | Adaptation of the infrastructure of the ferry terminal Świnoujście to the intermodal transport service |
| PKN ORLEN SA | The construction of an R&D centre of PKN Orlen SA in Płock |
| ASBUD Mokotów Sp. z o.o | Construction of residential buildings in a multi-family housing, at ul. Słonimskiego / Pamiętajcie o Ogrodach in Warsaw – Central Garden, stage I of the investment |
| General Directorate for National Roads and Motorways Katowice | Continuation of the works related to the construction of A1 motorway at the section of the Rzęsawa interchange – Blachownia interchange in the scope of securing works |

Consolidated statement of financial position of the Budimex Group

The main items of the consolidated financial statement of the Budimex Group, as of 31 December 2019, in comparison with the status valid as of 31 December 2018:

| ASSETS | 31.12.2018 | 31.12.2019 | Zmiana | Zmiana % |
|---------------------------------------|----------------|------------------|----------------|--------------|
| Non-current (long-term) assets | 988 641 | 1 434 542 | 445 901 | 45,1% |
| Tangible fixed assets | 258 123 | 512 921 | 254 798 | 98,7% |
| Investment properties | 28 365 | 7 721 | (20 644) | (72,8%) |
| Intangible assets | 28 389 | 168 822 | 140 433 | 494,7% |

| | | | | |
|--|------------------|------------------|------------------|--------------|
| Goodwill of subsidiaries | 73 237 | 168 508 | 95 271 | 130,1% |
| Investments in equity accounted entities | 37 427 | 2 076 | (35 351) | (94,5%) |
| Investments in equity instruments | 9 778 | 7 816 | (1 962) | (20,1%) |
| Retentions for construction contracts | 49 103 | 59 212 | 10 109 | 20,6% |
| Trade and other receivables | 21 807 | 41 887 | 20 080 | 92,1% |
| Concession agreement receivables | 46 416 | 46 690 | 274 | 0,6% |
| Other financial assets | 74 145 | - | (74 145) | (100%) |
| Assets for deferred income tax | 361 851 | 418 889 | 57 038 | 15,8% |
| Current (short-term) assets | 4 467 710 | 5 239 417 | 771 707 | 17,3% |
| Stock | 1 611 813 | 2 013 756 | 401 943 | 24,9% |
| Trade and other receivables | 819 300 | 1 096 157 | 276 857 | 33,8% |
| Retentions for construction contracts | 28 311 | 48 433 | 20 122 | 71,1% |
| Valuation of construction contracts | 561 537 | 444 008 | (117 529) | (20,9%) |
| Current tax assets | 33 102 | 108 | (32 994) | (99,7%) |
| Other financial assets | 4 495 | 120 978 | 116 483 | 2591,4% |
| Cash and cash equivalents | 1 409 152 | 1 515 977 | 106 825 | 7,6% |
| TOTAL ASSETS | 5 456 351 | 6 673 959 | 1 217 608 | 22,3% |

As of 31 December 2019, the consolidated value of assets increased by PLN 1,217,608 thousand in relation to the status as of the end of December 2018, as a result of the increase in the value of fixed assets by 45.1% (PLN 445,901 thousand) and increase in the value of current assets by 17.3% (PLN 771,707 thousand).

Non-current (long-term) assets:

The following factors caused the change in the value of fixed assets as of 31 December 2019 in comparison with the value as of 31 December 2018:

- increase in balance of tangible assets by PLN 254,798 thousand mainly due to the purchase and financial lease of fixed assets worth PLN 133,879 thousand, In turn, depreciation decreased the balance of tangible fixed assets by PLN 94,216 thousand. The tangible fixed assets worth PLN 16,317 thousand gross were sold,
- increase in the balance of intangible assets by PLN 140,433 thousand, as a result of taking the control over the company FBSerwis and its subsidiaries,

- increase in the balance of long-term deposits under construction contracts, retained by the recipients of the Group's companies by PLN 10,109 thousand, mainly as a result of higher sales,
- increase in the balance of deferred income tax assets by PLN 57,038 thousand, as a result of an increase in the balance of negative temporary differences on the position on the part of liabilities.

Current (short-term) assets:

At the same time, current assets increased by PLN 771,707 thousand, which was mainly the result of an increase in the balance of inventories by PLN 401,943 thousand, as a result of taking over the FBSerwis company and its subsidiaries and in connection with the development activity (e.g. the purchase of new plots for the construction of apartments) and the increased state of materials accumulated on railway contracts.

Other significant changes in current assets concerned:

- increase in the balance of other financial assets by PLN 116,483 thousand, mainly involving the purchase of corporate bonds issued by Polish banks with a value of PLN 119,588 thousand,

- increase in the balance of trade and other receivables by PLN 276,857 thousand;
- decrease in the balance of receivables from current income tax by PLN 32,994 thousand and a decrease in the balance of valuation of construction contracts by PLN 117,529 thousand.

| EQUITY AND LIABILITIES | 31.12.2018 | 31.12.2019 | Zmiana | Zmiana % |
|--|-------------------|-------------------|------------------|-----------------|
| Shareholders' equity attributable to the shareholders of the Parent Company | 743 341 | 808 149 | 64 808 | 8,7% |
| Core capital | 145 848 | 145 848 | - | 0,0% |
| Share premium less treasury shares | 87 163 | 87 163 | - | 0,0% |
| Other reserves | 1 600 | 1 180 | (420) | (26,3%) |
| Foreign exchange differences on translation of foreign operations | 6 947 | 7 000 | 53 | 0,8% |
| Retained earnings | 501 783 | 566 958 | 65 175 | 13,0% |
| Non-controlling shares | 7 136 | 28 491 | 21 355 | 299,3% |
| Total equity | 750 477 | 836 640 | 86 163 | 11,5% |
| Liabilities | 4 705 874 | 5 837 319 | 1 131 445 | 24,0% |
| Long-term liabilities | 788 821 | 1 049 392 | 260 571 | 33,0% |
| Loans, borrowings and other external sources of financing | 184 110 | 273 258 | 89 148 | 48,4% |
| Retentions for construction contracts | 222 751 | 229 522 | 6 771 | 3,0% |
| Provisions for long-term liabilities and other charges | 367 306 | 498 422 | 131 116 | 35,7% |
| Retirement benefits and similar obligations | 12 639 | 14 979 | 2 340 | 18,5% |
| Other financial liabilities | 2 015 | 19 807 | 17 792 | 883,0% |
| Provisions for deferred income tax | - | 13 404 | 13 404 | 100% |
| Short-term liabilities | 3 917 053 | 4 787 927 | 870 874 | 22,2% |
| Loans, borrowings and other external sources of financing | 54 823 | 177 108 | 122 285 | 223,1% |
| Trade and other liabilities | 1 720 438 | 1 530 773 | (189 665) | (11,0%) |
| Retentions for construction contracts | 214 866 | 215 032 | 166 | 0,1% |
| Provisions for construction contract losses | 158 035 | 240 677 | 82 642 | 52,3% |
| Valuation of construction contracts | 575 183 | 951 448 | 376 265 | 65,4% |
| Deferred income | 996 224 | 1 356 310 | 360 086 | 36,1% |
| Provisions for short-term liabilities and other charges | 187 938 | 216 746 | 28 808 | 15,3% |
| Current tax liability | 6 846 | 96 653 | 89 807 | 1311,8% |
| Retirement benefits and similar obligations | 1 412 | 1 877 | 465 | 32,9% |
| Other financial liabilities | 1 288 | 1 303 | 15 | 1,2% |
| TOTAL EQUITY AND LIABILITIES | 5 456 351 | 6 673 959 | 1 217 608 | 22,3% |

Equity and liabilities:

On the equity and liabilities side, changes referred to:

- decrease of “retained earnings” as a result of dividend payment,
- increase in long-term liabilities by PLN 260,571 thousand, primarily due to:
 - increase in liabilities due to long-term loans, borrowings and other external sources of financing by PLN 89,148 thousand (new financial lease liabilities),
 - increase in the balance of liabilities due to provisions for long-term liabilities by PLN 131,116 thousand, mainly as a result of an increase in the balance of provisions for guarantee repairs,
- increase in the value of short-term liabilities by

PLN 870,874 thousand, where the main changes referred to:

- increase in the valuation of construction contracts in the amount of PLN 376,265 thousand, mainly due to greater involvement of investors in current financing of construction projects in comparison with the previous year,
- increase in the balance of provisions for contract losses in the amount of PLN 82,642 thousand,
- increase in the balance of deferred income by PLN 360,086 thousand, mainly due to receiving advance payments for implemented construction contracts,
- and an increase in the balance of loans, borrowings and other external sources of finance by PLN 122,285 thousand.

Consolidated profit and loss account:

| CONSOLIDATED PROFIT AND LOSS ACCOUNT | 01.01 - 31.12.2018 | 01.01 - 31.12.2019 | Change | Change % |
|---|-----------------------|-----------------------|-----------------|----------------|
| Net sales of finished goods, services, goods for resale and raw materials | 7 387 137 | 7 569 663 | 182 526 | 2,5% |
| Costs of products, services, goods and materials sold | (6 758 048) | (7 018 111) | (260 063) | 3,8% |
| Gross profit on sales | 629 089 | 551 552 | (77 537) | (12,3%) |
| Selling costs | (30 650) | (30 478) | 172 | (0,6%) |
| General and administrative costs | (229 593) | (198 992) | 30 601 | (13,3%) |
| Other operating revenues | 67 977 | 99 453 | 31 476 | 46,3% |
| Other operating costs | (63 824) | (103 141) | (39 317) | 61,6% |
| Profit on sales of subsidiaries | 44 011 | - | (44 011) | (100,0%) |
| Operating profit | 417 010 | 318 394 | (98 616) | (23,6%) |
| Financial revenue | 28 291 | 60 127 | 31 836 | 112,5% |
| Financial costs | (40 118) | (50 949) | (10 831) | 27,0% |
| Share in net (loss) of subsidiaries measured by equity method | (1 795) | 4 785 | 6 580 | (366,6%) |
| Gross profit | 403 388 | 332 357 | (71 031) | (17,6%) |
| Income tax | (97 904) | (103 506) | (5 602) | 5,7% |
| Net profit for the period | 305 484 | 228 851 | (76 633) | (25,1%) |
| of which per: | | | | |
| - company's shareholders | 305 424 | 226 014 | (79 410) | (26,0%) |
| - non-controlling shares | 60 | 2 837 | 2 777 | 4628,3% |

As a capital group in 2019, we generated sales revenue in the sum of PLN 7,569,663 thousand, which represents increase by 2.5%, in comparison to figures for a corresponding period in 2018.

In 2019, construction and assembly production in Poland, expressed in current prices, increased by 6.0% compared to the same period of the previous year (an increase by 2.6% at constant prices), while our sales of the construction sector on the domestic market decreased by 0.3% in comparable periods.

In 2019, our gross profit on sales was PLN 551,552 thousand, in comparison with PLN 629,089 thousand in the previous year. Thus, in 2019, gross sales profitability was 7.3%, in comparison with 8.5% in 2018.

According to the accounting rules assumed, in case the budgeted costs for construction contract implementation exceed the total value of expected revenues, when this fact is identified, our companies create provisions for losses presented in the consolidated financial statement as "Provisions for construction contract losses". As of 31 December 2019, provisions for contract losses amounted to PLN 240,677 thousand. In 2019, the balance of provisions for contract losses increased by PLN 82,642 thousand.

In the case of construction services, our companies are obliged to provide a guarantee for their services. As of 31 December 2019, the value of provisions for guarantee repairs amounted to PLN 480,711 thousand. In the 12-month period ended 31 December 2019, the balance of provisions for guarantee repairs increased by PLN 62,853 thousand, including the change in the composition of our capital group which caused an increase in the balance of provisions by PLN 264 thousand.

In comparison with the previous year, the sales costs in the period of 12 months ending on 31 December 2019 decreased by PLN 172 thousand, while the general management costs were lower by PLN 30,601 thousand than costs borne in 2018. The ratio of share of the total sales costs and general management costs decreased from 3.5% in 2018 to 3.0% in the following year.

In 2019, other operating revenues amounted to PLN 99,453 thousand and included, among others, received compensations and contractual penalties in

the amount of PLN 38,463 thousand, release of reserves for penalties and sanctions in the amount of PLN 14,899 thousand, release of reserves for court cases and compensations in the amount of PLN 411 thousand, reversal of revaluation write-downs on receivables in the amounts of PLN 8,191 thousand, and write-downs on overdue liabilities in the amount of PLN 7,445 thousand. Moreover, in 2019, our companies disposed of certain elements of fixed assets, which enabled them to record a general profit in the amount of PLN 23,886 thousand. Additionally, in 2019, we recorded a profit from valuation of derivatives of the FX Forward type, obtained in order to limit the currency risks for construction contracts settled in foreign currencies in the amount of PLN 4,215 thousand.

In 2019, other operating costs amounted to PLN 103,141 thousand, including PLN 12,350 thousand of costs of write-downs on receivables, PLN 1,549 thousand for costs of write-downs on inventories. Costs of provisions for penalties and compensations amounted to PLN 71,787 thousand. The value of compensations and contractual penalties paid by our Group in 2019 amounted to PLN 9,107 thousand. In addition, we incurred costs of court fees and enforcement proceedings in the amount of PLN 2,299 thousand as a capital group. In addition, in 2019 we recorded a loss on the execution of FX Forward derivative instruments in the amount of PLN 3,774 thousand and we paid PLN 883 thousand as donations (data for the capital group).

In 2019, our Group showed an operating profit in the amount of PLN 318,394 thousand, which was 4.2% of the sales revenue value. In the previous year, the operating profit amounted to PLN 417,010 thousand, which was 5.6% of the sales revenue value.

In the period of 12 months ending on 31 December 2019, our Group recorded a profit on financial activity amounting to PLN 9,178 thousand, in comparison with the loss in the amount of PLN 11,827 thousand in 2018. Financial revenue for 2019 consisted primarily of interest of PLN 18,522 thousand, the acquisition of shares in the subsidiary in the amount of PLN 34,757 thousand, the release of provisions for guarantees and financial sureties of PLN 3,297 thousand and the valuation of receivables from the concession agreement of PLN 2,870 thousand.

In 2019, financial costs comprised, among others, the following: interest costs amounting to PLN 14,099 thousand, company incorporation/merger costs in the amount of PLN 4,443 thousand, bank commissions on guarantees in the amount of PLN 23,681 thousand, costs of discounted long-term receivables and liabilities under guarantee deposits amounting to PLN 886 thousand. In 2019, we also incurred a loss on the execution and valuation of interest rate swaps (concluded to reduce the interest rate risk) in the amount of PLN 1,426 thousand.

We closed the year of 2019 with a gross profit of PLN 332,357 thousand, in comparison to PLN 403,388 thousand in the previous year.

In 2019, the obligatory charge on the financial result resulting from the income tax amounted to PLN 103,506 thousand, including:

- the current part amounting to PLN 171,545 thousand;
- deferred part in the amount of PLN 68,039 thousand, decreasing the obligatory charge on the financial result resulting from the income tax for 2019.

As of 31 December 2019, our capital Group recognised the assets for deferred income tax in the amount of PLN 18,889 thousand, in comparison with PLN 361,851 thousand on 31 December 2018. The items of the financial statement relating to the deferred income tax in our Group result mostly from the specificity of construction contract settlements in which the moments of classifying costs as incurred and classifying revenues as fulfilled are different in the tax and accounting context.

The net profit assigned to Budimex SA shareholders for 2019 amounted to PLN 226,014 thousand, in comparison with PLN 305,424 thousand for 2018, which constitutes decrease by 26%. The net profit assigned to non-controlling interest for 2019 was PLN 2,837 thousand. In the previous year, this value amounted to PLN 60 thousand.

Consolidated statement of cash flow of Budimex Group

Cash and cash equivalents included in the Statement of Cash Flow comprise cash on hand and bank deposits payable on demand and deposits easily converted into a given amount of cash or which are subject to a slight risk of value change.

In the Group, mainly cash items are included in cash of restricted use, representing:

- security for bank guarantees;
- amounts gathered on escrow accounts and blocked accounts of development companies;
- accumulated on the split payment accounts,
- amounts gathered on trust and current accounts in the part payable to partners implementing construction contracts in cooperation with a Group company.

Our capital Group entered the year 2019 with cash on hand and cash in bank amounting to a total of PLN 409,152 thousand. For the purpose of the Statement of Cash Flow, this amount was reduced by the amount of cash of restricted use of PLN 141,124 thousand. The net cash flow for 2019 was positive and amounted to PLN 72,615 thousand. As of 31 December 2019, the Group's reported cash balance was PLN 1,515,977 thousand, of which the cash of restricted use was PLN 175,762 thousand.

In 2019, the cash from operating activities increased by PLN 574,369 thousand, mainly due to lower financial involvement of our companies and increased investors' involvement in the executed projects.

The cash flow from investing activities came out to a negative balance of PLN 185,282 thousand, which was mainly a result of acquiring corporate bonds issued by Polish banks and acquiring shares in the subsidiary.

The cash flow from financing activities for 2019 showed a negative balance and amounted to PLN 316,472 thousand and were mainly the payment of dividend for 2018 and of lease and loan liabilities.

Finance management at Budimex Group

Our cash balance, short-term bonds and liquid deposits as of 31 December 2019 amounted to PLN 1,635,698 thousand and were PLN 226,546 thousand higher than as of 31 December 2018.

The most important factors influencing the above-mentioned change in our financial resources during 2019 are events affecting the growth of the cash balance, such as:

- increase in the net balance of contractual advances received from customers in the construction sector,

- traditional seasonal drop in financial involvement in the implementation of large infrastructural contracts in the last months of the year,
- increase in the net balance of payments received from customers in the development segment,
- increase in the cash balance due to the commencement of consolidation of the companies from the FBSerwis Group, starting from July 2019,

and, on the other hand, the events affecting its decrease, such as:

- dividend payment by Budimex SA,
- purchase of land under development activity,
- acquisition by Budimex SA shares in the affiliate FBSerwis SA, financed from its own funds.

In accordance with our Group's policy, the cash surpluses were placed as bank deposits and short-term debt securities of high rating issuers. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials, which had a positive effect on their financial liquidity and generated extra finance income for Budimex SA.

At the same time, our companies had an external debt due to loans, borrowings and other external sources of financing, including financial lease, which amounted to PLN 450,366 thousand as of 31 December 2019, including PLN 175,862 thousand as an adjustment for the first application of IFRS 16 in H1 2019. The amount of our external debt for bank loans, borrowings and lease, without the above-mentioned IFRS 16 adjustment, i.e. comparable with the data from previous years, amounted to PLN 274,504 thousand and thus higher by PLN 35,571 thousand compared to 31 December 2018 (the table below). The amount of our financial debt includes: debt of Budimex SA and Budimex Kolejnic-two SA and Mostostal Kraków SA under financial lease agreements (financing the purchase of machinery and equipment for road and railway contracts), debt of companies from the FBSerwis Group, loan raised by Budimex Parking Wrocław Sp. z o.o. (financing parking concessions), as well as the loan raised by Budimex Nieruchomości Sp. o.o. (financing development projects). At the end of 2019, we did not have any debt due to bonds issued.

| Liabilities due to bank loans and borrowings and other external sources of finance: | 31.12.2018 | 31.12.2019 | 31.12.2017 |
|---|----------------|----------------|----------------|
| - long-term | 184 110 | 209 725 | 92 086 |
| - long-term (IFRS 16 adjustment): | - | 63 533 | - |
| - short-term | 54 823: | 64 779 | 30 324 |
| - short-term (IFRS 16 adjustment): | - | 112 329 | - |
| Total | 238 933 | 450 366 | 122 410 |

The following ratios illustrate the structure of finance at the Budimex Group:

| Ratio | 31.12.2019 | 31.12.2018 | 31.12.2017 |
|---|------------|------------|------------|
| Equity to assets ratio: (equity attributable to the shareholders of the Parent Company) / (total assets) | 0,12 | 0,14 | 0,15 |
| Equity to fixed assets ratio: (equity attributable to the shareholders of the Parent Company) / (fixed assets) | 0,56 | 0,75 | 0,95 |
| Total debt ratio: (total assets - equity attributable to the shareholders of the Parent Company) / (total assets) | 0,88 | 0,86 | 0,85 |
| Debt to equity ratio: (total assets - equity attributable to the shareholders of the Parent Company) / (equity attributable to the shareholders of the Parent Company) | 7,26 | 6,34 | 5,80 |

At the end of 2019, the ratios reflecting the sustainability of the capital structure deteriorated, i.e. both the total debt and the debt of equity increased. The greatest impact on the increase in the value of these ratios was: the purchase transaction of FBSerwis SA shares which was financed from the equity of Budimex SA and dividend payment by Budimex SA.

Liquidity ratios (current and quick) remained at a lower level at the end of 2019 than in previous years, despite an increase in cash balance, which was influenced by the same factors that contributed to the deterioration of debt ratios and, additionally, the consolidation of companies from the FBSerwis Group.

| Ratio | 31.12.2019 | 31.12.2018 | 31.12.2017 |
|---|------------|------------|------------|
| Current ratio (current assets) / (short-term liabilities) | 1,09 | 1,14 | 1,13 |
| Quick ratio (current assets – inventory) / (short-term liabilities) | 0,67 | 0,73 | 0,81 |

Owing to our current good financial standing, the cash resources, access to credit limits in banks, the still insignificant level and favourable structure of the financial debt, there are no threats to our ability to finance business activities in 2020.



CONTRIBUTION TO INFRASTRUCTURE DEVELOPMENT AND INNOVATION CULTURE

103-1(203) 103-2(203) 203-1

By implementing the commercial projects commissioned to us, we make changes to the socioeconomic development that make life of the people and the functioning of the businesses easier, safer or, simply, better.

Thanks to engineering works, we also help to protect nature. It is development to which we have a tangible contribution as a general contractor. Before our eyes, the environment is transformed: both at the level of the country and small local communities. We have been present on the market for more than 50 years and our commitment has helped to construct or modernise thousands of kilometres of roads: motorways, expressways, national roads, but also small local roads – no less important for residents. It is also impossible not to mention the railway infrastructure, thanks to which the Polish railways are changing after years of stagnation. Our activity includes also thousands of apartments, industrial and commercial facilities, including technical infrastructure for supporting environmental protection. We strive to ensure that all our projects are carried out not only with utmost care, but also to ensure that our knowledge and ever-expanding competences makes their implementation more and more effective and, in particular, less burdensome to the environment.

[CRE8] Significant investments made in 2019

Construction of the Olsztyn bypass on S51 road.

1 February 2019, Budimex handed a ten-kilometre section of the Olsztyn bypass on Expressway S51 from Jaroty interchange to Olsztyn Wschód interchange over to the General Directorate for National Roads and Motorways. The works were completed three months ahead of the deadline. During earthworks and land preparation, Budimex removed approx. 400,000 m³ of

humus, i.e. the plant soil layer, made over 2 million m³ of excavations and laid a total of approx. 500,000 m² (350,000 tonnes) of bituminous pavement. To stabilise the marshy and boggy terrain on which the bypass is established, we had to bring in 7 million tonnes of land here – this is the equivalent of the volume of 5 National Stadiums in Warsaw. One of the engineering challenges was the bridge over the Łyna River, a single-span steel structure with reinforced concrete elements. The bridge is 138 m long and was built on a marshy ground. In this contract, Budimex applied modern civil engineering solutions – composite reinforcement, which does not require expensive repairs due to, e.g., corrosion of the structure, as it is more resistant to adverse environmental factors. Drones were used for surveying.

Construction of Polska Walcząca lane in Warsaw.

On 2 February 2019, Budimex handed over a two-lane route connecting Czerniakowska street with Wolicka street. The investment had been carried out since April 2017 at the request of the Municipal Road Traffic Management Board in Warsaw. The total value of the project is PLN 39.5 million.

.BIG – organic office building (Ghelamco Poland).

The volume of this project completed in 2019 is over 73,000 m³ and its usable area amounts to 10,000 m². The building was executed in the BREEAM system. The office building is equipped, among others, with light intensity sensors, which automatically adjust lighting power according to the time of day and cloudiness. In the connecting parts and sanitary rooms, the presence sensors were used to automatically turn on or off the lighting. Heating and cooling systems were made with a high focus on the quality of thermal insulation. The building also includes a water-saving system, e.g. in washbasins. These solutions have a positive effect on limiting the operating costs.

Construction of the “Termy Uniejów” apartment hotel. On 20 September 2019, a grand opening of the four-star hotel “Termy Uniejów” took place. The building is distinguished by its exceptional structure and surroundings. The floor area of the facility is approx. 10,000 m². It is a modern and functional building that houses as many as 172 apartments. The construction of the hotel required solutions that would facilitate the use of its infrastructure by the staff and guests. Thermal water was used in the heating system of the entire apartment hotel. The implementation of the project involved numerous challenges, e.g. excavations in water saturated soil, logistics, as well as with appropriate protection and fencing of surrounding forests. The construction was completed in the Natura 2000 area.

Marki Education and Recreation Centre (MCER) is the most advanced public utility building in Poland. It is also the first Polish public facility holding a BREEAM certification at a level of “very good”. Thanks to the use of the most innovative technologies available, instead of consuming electricity, the facility will actually produce it and then feed it into the power grid. In addition, it will also collect rainwater and constantly optimise energy consumption in all of its areas. A cogeneration electricity generator was installed in building B. Combustion-generated heat will be used to heat the water used throughout the facility. A mechanism for recovering heat from shower sewage was installed as well. Photovoltaic panels are yet another important eco-friendly addition. The 60 kW rooftop installation will constantly supply the building with green energy. Budimex was awarded the “Sports facility of 2019” award for this project. Previously, MCER, still as an architectural design, was awarded with PLGBC Awards 2012. In 2019, MCER received the Green Laurel of the Polish Chamber of Commerce.

Częstochowa motorway bypass (A1). On 23 December, the Budimex, Strabag and Budpol consortium, together with the General Directorate of National Roads and Motorways, handed over a 20-kilometre fragment of A1 Częstochowa bypass from Blachownia interchange to Rzęsawa interchange. Budimex, Strabag and Budpol Consortium took over the construction site after the previous contractor at the construction progress of 50% in July 2019. Within five months, the consortium carried out the scope of works to ensure that the fragment was open to traffic.

Construction of S7 expressway. With the completion of the works on the 18.9-kilometre fragment of S5 expressway on 14 December 2019, drivers can travel on a modern road connecting Poznań and Wrocław. This was one of the most important investments in the Wielkopolskie Voivodeship. The investor is the General Directorate for National Roads and Motorways, Posen Branch. In addition to traditional geodetic equipment, photogrammetry and drones were used in the project many times. Some of the works were carried out using, among others, slip methods or 3D models.

Trasa Niepodległości – Independence Route in Białystok. On 28 August, Budimex, together with the investor Białystok City Hall, officially opened the Independence Route – the western bypass of the capital city of Podlasie region. This is strategic investment for Białystok. It ensures comfortable passage between remote settlements without driving through the city centre.

Modernisation of LCS Kutno on the E-20 railway. The consortium of ZUE – Budimex – Strabag companies completed the modernisation of LCS Kutno (Żychlin – Barłogi fragment) on the E-20 railway line 8 days before the deadline.

The Museum of the Cursed Soldiers in Ostrołęka 1 March 2019, the Museum of the Cursed Soldiers in Ostrołęka was officially opened. The construction of the museum began in July 2017 and included the modernization and extension of the old detention facility, which was originally a tsar-era prison built in 1903.

Construction of the Lidl Distribution Centre in Kałuszyn. Lidl’s largest and state-of-the-art logistics centre was established in Kałuszyn, Mińsk powiat. This is the largest facility of this kind in Poland and also the most innovative in Europe. It includes a warehouse of food and industrial goods for shops located in the Mazowieckie, Podlaskie and Lubelskie Voivodeships. The facility’s volume is close to the capacity of the Palace of Culture and Science in Warsaw and the floor surface would be enough to fit more than 5 football pitches.

Individual contracts and projects use innovative solutions. On the one hand, individual structures can function more sustainably. For example, they can be more energy-efficient or use rainwater.

On the other hand, the execution can be more efficient in both cost and environmental terms thanks to modern technological solutions. The contribution to socio-economic development does not concern only the tangible effects of the executed contracts, but also the innovative ideas that are developed for their implementation. It is also technological progress and solutions initiated by companies, such as ours.

In 2019, Budimex SA, the leading company of our capital Group, continued the R&D project implementation in the area of application of building information modelling (BIM) in thermal upgrading, testing of innovative materials in railway construction and creating a platform supporting safety on the trans-European transport networks TEN-T. Two international projects BIMERR and SAFEWAY are financed from the European Union funds under the Horizon 2020 Programme, while two national projects related to the InRaNos and InRaVis rail transport are co-financed by PKP PLK and the National Centre for Research and Development.

The value of co-financed projects at the level of the European Commission and at the national level with participation of our companies is as follows:

- SAFEWAY – Infrastructure management system, supporting the response to extreme events on trans-European transport networks (TEN-T) – EUR 4,869,100
- BIMERR – Development of a package of tools supplementing the BIM technology, supporting the energy renovation process of existing residential buildings - EUR 6,933,320
- InRaNoS (BRIK) – Innovative solutions within the scope of protection of people and environment from rail traffic noise – PLN 3,923,365
- InRaViS (BRIK) – Innovative solutions within the scope of protection of people and buildings from rail traffic vibrations – PLN 7,309,154

As one of 14 international partners of the consortium, Budimex SA operated in the R&D project named SAFEWAY . The project consists in carrying out four real case studies in four countries, which are connected with five regional corridors of the TEN-T base network. On these areas, there is conducted research, among others, on climate and weather phenomena,

fires, seismic risk and high temperatures. The project provides for a five-fold improvement of mobility and the reduction of costs of infrastructure maintenance by at least 20%. Its implementation is to contribute to the improvement of safety of the transport infrastructure, to establish the basis for development of tools for predicting and mitigating effects of extreme events in all types of road disasters.

Another international project joined by Budimex SA is BIMERR. 16 consortium members – companies and scientific entities from ten European countries – are involved in its implementation. BIMERR is connected with the building information modelling (BIM) and its main purpose is to support stakeholders involved in the thermal upgrading process in the area of AEC (architecture, engineering and construction) through the design and development of a new set of tools to support the renovation process of existing buildings – from concept to delivery.

“BRIK – Research and Development in the Railway Infrastructure” is a support programme for research and development works in the field of railway infrastructure organised by the National Centre for Research and Development and PKP Polskie Linie Kolejowe SA. Within the framework of the BRIK programme, Budimex SA is involved in two R&D projects – InRaVis and InRaNos.

The InRaNos project is implemented jointly by NCBiR, PKP PLK SA, the Consortium: Budimex SA, Instytut Ochrony Środowiska – Państwowy Instytut Badawczy (Environmental Protection Institute – National Research Institute), Warsaw University of Technology and TINES Investment Sp. z o.o. The project concerns the development of the prototypes of devices which are installed in the track superstructure to reduce vibrations and noise from rail traffic – rail and track silencers. The InRaNos project is implemented jointly by NCBiR, PKP PLK SA, the Consortium: Budimex SA, Instytut Kolejnictwa (Railway Institute), Instytut Ochrony Środowiska – Państwowy Instytut Badawczy (Environmental Protection Institute – National Research Institute), Warsaw University of Technology and TINES Investment Sp. z o.o. This project aims at the development of innovative solutions within the scope of protection of people and buildings from rail traffic vibrations.

As part of the works, four products intended for ballast (sub-ballast vibroinsulation mats and sub-sleeper pads) and non-ballast (sub-slab vibroinsulation mats and system of block rail supports in the cover) structures of track superstructure are to be developed. The role of Budimex in BRIK projects is to install instruments in the railway track on test sections and to cooperate in the development of guidelines for their assembly, assessment of effectiveness and scope of application. Thanks to these solutions, people and buildings will be better protected from noise and vibration. Developed devices and conducted tests may affect the popularisation of these methods in Poland. Numerical simulations and prediction models for efficiency of the devices will make a significant contribution for industry and science, constituting the starting point for the development of further solutions. Laboratory and field testing will allow the assessment of the effectiveness of solutions and to develop guidelines for their use in the railway infrastructure.

In addition, Budimex SA became involved in the municipal acceleration programme WARSAW booster'19 carried out for the capital city of Warsaw by the Seriatim Foundation. That project aimed at the support of young local technology companies in establishing relations with the municipal authorities and companies operating in Warsaw. That edition focused on searching for solutions in the area of municipal waste management.

Another external action was constituted by the organisation of YouNick Mint Venture Day by Budimex SA and the investment fund. The aim was the search for solutions within the scope of supply chain management.

Budimex works on an innovative power technology.

The Consortium includes the representatives of Budimex SA, Institute of Power Engineering – Research Institute and Mostostal Kraków, and it works on an innovative project called SeNeX. The aim of the proposed technology is to ensure the reduction of emissions of harmful substances from the combustion of hard coal in the MCP grate furnaces used in the power sector in Poland.

The new technology will be used by the power sector, in particular heat and combined heat and power plants,

and industrial plants, such as sugar factories or chemical plants.

The solution to the problem of reducing emissions is important for both ecological and economic reasons. Failure to meet the emission limits will result in financial penalties or even the order to shut down the heating boiler. As a result, the production capacity of the industrial plant can be reduced with all its consequences.

The project will use patented nozzles installed in the boiler. They ensure a precisely controlled injection of reagents to reduce sulphur dioxide (SO₂) and nitrogen oxide (NO_x) – within the appropriate temperature range inside the boiler and regardless of its load. The layout and the position of the nozzles will be controlled by an algorithm. The industrial and development research carried out by the consortium partners include the model and operation of the selected boiler and its purpose will be to indicate the optimum place of nozzle installation. The operating parameters will be determined and the project includes the development of the control algorithm for nozzle position and reagent dosing.

As part of SeNex, a special installation was designed, its implementation method and integration with the heating plant infrastructure. The project will end with tests, performance evaluation and technical and economic analysis of the proposed solution.

The project is co-financed by the National Centre for Research and Development within Measure 4.1 of the Smart Growth Operational Programme 2014–2020. The first works on SeNeX technology began in May 2019 and the completion is planned for February 2022.

Digital revolution in thermal upgrading. Budimex in an innovative, international project of BIMERR.

Building Information Modelling (BIM) is a key element of the digitisation of the construction industry, which contributes significantly to improving the efficiency of planning and execution of constructions. BIMERR is a supplement and extension of the BIM functionality with tools supporting the energy renovation process of residential buildings. Budimex SA will be the leader of one of the stages of this international, innovative project.

Various objectives are formulated worldwide to respond to climate change. The studies presented in the reports by, among others, International Energy Agency, indicate that buildings are the most significant energy recipients in the European Union, which account for almost 40% of its total consumption, as well as high CO₂ emissions – nearly 36%. A way to reduce the level of energy consumption and greenhouse gas emissions in Europe can be improvement in energy efficiency in developed areas. According to the “Energy Roadmap 2050” study published by the European Commission in 2011, most of the residential buildings in Europe are over 50 years old and the overall improvement of their energy efficiency is characterised by a low renovation rate of about 1% per year.

One of the main factors influencing the slow pace of energy renovation of buildings is the lack of their digital models, which significantly impedes the planning, evaluation and calculation of work efficiency. The objective of BIMERR project is to develop a package of tools that will enable the creation of improved digital models of existing residential buildings.

One of the assumptions of BIMERR is the development of Scan-to-BIM technology using smart glasses and augmented reality (AR). As a result, apart from geometrical data, digital models of residential buildings will be able to be supplemented, among other things, with the characteristics of materials and components affecting energy efficiency, data on energy consumption, as well as the manner of their operation. Another BIMERR innovation will be an algorithmic extension which enables the analysis of those patterns of behaviour of building residents that impact energy consumption.

The project also involves the creation of additional applications supporting BIM. The first of them, Renovation DSS (RenoDSS), will be dedicated to energy renovation projects of buildings and property managers. The application will assess the feasibility of renovation, e.g. with regard to the replacement of heating systems, insulation materials, or windows. It will also help to estimate the influence of the renovation on the economic indicators of the building. The second application is Process & Workflow

Modelling and Automation (PWMA). It will simulate the renovation at every stage of the process, from preparation to execution.

The tools will act in synergy and will enable creation of more accurate information models about buildings. The extended digital modelling will certainly bring greater opportunities for the use of BIM and will lead to higher efficiency of energy renovation planning in terms of quality, time and costs.

The solutions developed within BIMERR will be tested in real-world conditions. To this end, two residential buildings which require energy renovation will be selected. The tests will be carried out in Poland and Spain, due to differences in construction law regulations, building standards concerning the use of different components and various heating, ventilation and air conditioning systems. Budimex SA, leader of the testing stage and Ferrovial Agroman, will independently develop BIM models that will serve to assess the performance of BIMERR tools. This will create a set of guidelines to improve this innovative package.

BIMERR is an international project financed by EU funds within Horizon 2020 programme. 16 consortium members – companies and scientific entities from ten European countries – are involved in its implementation, e.g.: Austria, Belgium, Cyprus, Germany, Greece, Italy, Poland, Slovakia, Spain and the United Kingdom. The project started in January 2019 and its completion is planned for September 2022. The co-financing value is EUR 6,933,320. The BIMERR consortium is composed of: BOC Asset Management GmbH (AT), Budimex SA (PL), Conkar SA (GR), Ethniko Kentro Erevnas Kai Technologikis Anaptyxis (GR), Exergy Ltd (UK), Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung E.V. (DE), GlassUp S.R.L. (IT), Heriot-Watt University (UK), Hypertech (Chaiptek) Anonymos Viomichaniki Emporiki Etaireia Pliroforikis Kai Neon Technologion (GR), Merit Consulting House SPRL (BE), Novitech AS (SK), Suite5 Data Intelligence Solutions Limited (CY), Ubitech Limited (CY), University of Peloponnese (GR), Universidad Politécnica de Madrid (ES), Xylem Science and Technology Management GmbH (AT).



VALUE MODEL AND MANAGEMENT CULTURE

102-7 | 102-15

Value model

The value model aims to present the business model in the context of its impact on six categories of capital, i.e. financial, human, organisational, intellectual, social and natural capital.

In the reported period, no significant changes occurred in our business model (with the accuracy of inclusion in FBSevis's capital group).

| | Financial capital | Human capital | Organisational capital | Intellectual capital | Social capital | Natural capital |
|----------|---|---|--|--|--|--|
| Features | <p>The capital from which we finance our business – the funds entrusted to us by shareholders and lenders as well as the funds that we generate by creating profits.</p> <p>Taking care to multiply the entrusted capital and reliability in informing about the actual state of Budimex Group and its operations</p> | <p>A diverse team of experienced engineers and other professionals involved in creating a sustainable value.</p> <p>Takin care of safety and health of persons engaged in their work, their development and future.</p> | <p>Unique organisational structure allowing for the collection of complementary competences and, as a result, offering a wide range of services.</p> <p>Continuously improved operational processes that allow effective operation and guarantee the highest quality of execution.</p> | <p>Knowledge and competences.</p> <p>Unique technical solutions developed over the years, resulting from research and development.</p> <p>High quality laboratory testing.</p> | <p>Ability to build relationships with a broadly defined environment, including long-term relationships with suppliers and subcontractors.</p> <p>Being a good neighbour for local communities.</p> <p>Cooperation with other players, including competitors, to solve common industry problems (e.g. “Agreement for Safety in Construction”).</p> | <p>Direct and indirect environmental impact</p> <p>Respect for used but limited natural resources</p> <p>Care for environmentally valuable areas which are adjacent to our projects.</p> |

| | | | | | | |
|-------------------------|---|---|--|--|--|---|
| Results in 2019 | <ul style="list-style-type: none"> • Total assets: PLN 6,673,959 thousand • Equity: PLN 836,640 thousand • Long-term liabilities: PLN 1,049,392 thousand • Short-term liabilities: PLN 4,787,927 thousand • Sales revenues: PLN 7,569,663 thousand • Net profit: PLN 228,851 thousand | <ul style="list-style-type: none"> • Number of employees (in all capital Group companies consolidated in the financial reporting): 7,474 | <ul style="list-style-type: none"> • Tangible fixed assets: PLN 512,921 thousand • 1,163 pre-qualified subcontractors • 1,420 completed final assessments • 93 identified problems | <ul style="list-style-type: none"> • Intangible assets: PLN 168,822 thousand • 27 laboratory units located throughout the country • 53 accredited test methods, including seven extended methods • Participation in multimillion innovative projects | <ul style="list-style-type: none"> • Income tax paid to the state budget in the amount of over PLN 103,506 thousand • PLN 883 thousand for social purposes in the form of donations and PLN 1650 thousand spent on sponsorship • Elimination of social and environmental conflicts • Own social programmes • Cooperation and solutions developed within the framework of the “Agreement for Safety in Construction” | <ul style="list-style-type: none"> • Lack of environmental emergencies • Optimisation of the consumption of raw materials, materials, energy carriers and emissions • Recovery of secondary raw materials and soil and earth |
| Our approach | <p>We finance activities thanks to which the road and railway infrastructure, as well as public utility facilities are created. We purchase required resources and materials. We timely and reliably pay our liabilities to our business partners, and thus we provide them with financial liquidity.</p> | <p>We ensure fair working conditions for our employees and external subcontractors. We support our staff in development. We engage future engineers in the Budimex Academy and our internship and apprenticeship programme.</p> | <p>We provide safe workplaces for our employees and contractors.</p> | <p>We develop optimal and effective solutions to ensure safety of our customers and natural environment.</p> | <p>By getting involved in the construction of public and infrastructural facilities, we contribute to the improvement of the social and economic life quality.</p> | <p>We protect the most precious natural areas through adequate planning and protection of construction sites. We monitor our environmental impact and respond to any alarm signals.</p> |
| Related risk categories | <p>Foreign exchange risk.</p> <p>Price risk.</p> <p>Credit risk.</p> <p>Liquidity risk.</p> | <p>Risk of increase in employment costs, risk of lack of a sufficient number of qualified employees.</p> | <p>Risk of delay in timely performance or insufficient quality of the subcontractors’ work.</p> <p>Risk of delay in obtaining relevant administrative decisions.</p> | <p>Risk of change in the scope of works or technologies agreed in agreements.</p> | <p>Risk of delay in obtaining relevant administrative decisions.</p> | <p>Risk of delay in obtaining relevant administrative decisions.</p> <p>Risk of adverse weather or soil conditions.</p> |

Management governance

Next to the General Meeting of Shareholders, in accordance with the applicable national regulations resulting from the Commercial Companies Code, the Company's bodies are the Management Board and the Supervisory Board.

The Management Board's role is to manage the Company's affairs and to represent it. The Supervisory Board ensures constant supervision over company's activity, within all domains of its operation. The Supervisory Board is authorised to review all company's documents and demand reports and explanations from the Management Board and company's personnel, revise company's assets and inspect books and documents. The Supervisory Board has the right to demand (for their own purposes) to perform necessary studies and tests within the scope of the issues controlled and supervised by it.

As of 31 December 2019, the Management Board of Budimex SA included:

- Dariusz Jacek Blocher, President of the Management Board, Managing Director,
- Artur Popko, Vice-President of the Management Board, Chief Operating Officer,
- Cezary Mączka, Member of the Management Board, Chief HR Officer,
- Jacek Daniewski, Member of the Management Board, Chief Legal Officer,
- Henryk Urbański, Member of the Management Board, Director of Property Management Division,
- Marcin Węglowski, Member of the Management Board, Chief Financial Officer.

As of that day, the Supervisory Board of Budimex SA was composed of:

- Marek Michałowski, Chairman of the Supervisory Board,
- Juan Ignacio Gaston Najarro, Vice-Chairman of the Supervisory Board,
- Igor Adam Chalupiec, Secretary of the Supervisory Board,
- Danuta Dąbrowska, Member of the Supervisory Board,
- Agnieszka Słomka-Gołębiowska, Member of the Supervisory Board,
- Marzenna Anna Weresa, Member of the Supervisory Board,
- Janusz Dedo, Member of the Supervisory Board,
- Javier Galindo Hernandez, Member of the Supervisory Board,

- Jose Carlos Garrido-Lestache Rodríguez, Member of the Supervisory Board,
- Fernando Luis Pascual Larragoiti, Member of the Supervisory Board.

On 16 May 2019, due to the end of the ninth term of the Members of the Supervisory Board, the Ordinary General Meeting of Budimex SA appointed the Supervisory Board for the tenth term, which has remained unchanged with regard to the previous term. Therefore, the composition of the Supervisory Board between 1 January 2019 and 31 December 2019 is as follows:

- on 16 May 2019, in connection with the expiry of the mandate of a member of the Supervisory Board and the lack of appointment by the Ordinary General Meeting to serve in the Supervisory Board for the new term of office, Mr Piotr Kamiński ceased to serve as a member of the Supervisory Board,
- on 16 May, the Ordinary General Meeting appointed new members to the Supervisory Board in persons of Ms Danuta Dąbrowska and Ms Agnieszka Słomka-Gołębiowska.

Three committees operated within the Supervisory Board, i.e.:

- The Audit Committee.
- The Investment Committee.
- The Remuneration Committee.

In 2019, the composition of the Audit Committee changed as a result of Resolution No. 290 of the Supervisory Board of 16 May 2019, with the effect that the Supervisory Board of the new term appointed the Audit Committee as above. Until 16 May 2019, the Audit Committee was composed of the following persons:

- Marzenna Anna Weresa – chairwoman,
- Javier Galindo Hernandez – member,
- Janusz Dedo – member.

Similarly, the composition of the Investment Committee was changed, the members of which until 16 May 2019 were:

- Piotr Kamiński – chairman,
- Javier Galindo Hernandez – member,
- Fernando Luis Pascual Larragoiti – member.

The composition of the Remuneration Committee did not change during the year. On 16 May 2019, the new Supervisory Board appointed the Remuneration Committee in its previous composition by way of Resolution No. 290.

The composition of the Supervisory Boards as of 31.12.2019

| The Audit Committee | The Investment Committee | The Remuneration Committee |
|--|---|--|
| <ul style="list-style-type: none"> • Danuta Dąbrowska – chairwoman, • Javier Galindo Hernandez – member, • Agnieszka Słomka-Gotębiowska – member. | <ul style="list-style-type: none"> • Janusz Dedo – chairman, • Javier Galindo Hernandez – member, • Fernando Luis Pascual Larragoiti – member. | <ul style="list-style-type: none"> • Marek Michałowski – chairman, • Igor Chalupiec – member, • Juan Ignacio Gaston Najarro – member. |

102-18

Governance in the context of corporate social responsibility

The CSR Strategy for 2016-2020 constitutes the basis for our long-term actions in the field of corporate social responsibility. Its assumptions are publicly available. It is rooted both in the Mission of Budimex referring to sustainable development and in the key business policies of the Ferrovial Group.

We have identified eight key areas of social responsibility in our strategy:

- improvement of occupational health and safety standards,
- reduction of environmental impact,
- being a neighbour, guest and partner for local communities,
- elimination of a risk of unethical behaviours,
- development of unique competencies and friendly working environment,
- assurance of the top quality of performance,
- support for the culture of innovations,
- provision of surveillance mechanisms for social and environmental results of activities.

We assigned specific objectives, measures and values to each of those areas. Every year, we publicly review their implementation.

The directions of the aforementioned strategies are consistent with the policies adopted in the Ferrovial Group. These policies apply in all cases to all companies of this capital group, i.e. all companies of Budimex Group. The policies apply also to all employees, including the management personnel. From the point of

view of the area of social responsibility, the key policy is constituted by the Principles of the Company's Responsibility Policy. It draws on the UN Global Compact principles. Particular significant areas of responsibility are reflected in other group policies. They regulate such areas as environmental impact, anti-corruption, or protection of human rights.

The CSR Committee is responsible for a comprehensive approach to strategic management of corporate social responsibility. It consists of representatives of the Management Board and of selected organisational units. It is chaired by the President of the Management Board. The Committee meets regularly, at least four times a year. It delivers its opinions, approves and settles the accomplishment of CSR goals.

On the other hand, when it comes to day-to-day management, its efficiency at operational level is ensured by certified management systems governing quality, occupational health and safety and environmental protection. In the case of Budimex, which is at the forefront of our capital group, the Integrated Management System consists of the quality management system according to ISO 9001:2015, environmental management system according to ISO 14001:2015, occupational health and safety management system – compliant with PN-N-18001:2004 and OHSAS 18001:2007, information safety management system according to ISO/IEC 27001:2013, quality management system according to AQAP 2110:2016, power management system according to ISO 50001:2011, management system for codes of conduct related to customer satisfaction according to ISO 10001:2007, IT service quality management system according to ISO 20000-1:2011, welding-related quality system according to PN-EN ISO 3834-2:2007.

Budimex has its NATO Commercial and Government Entity Code (NCAGE) number 1836H – granted to entities whose activities are related to the range of defence products or provision of defence services. Additionally, the Integrated Management System takes into account the guidelines for corporate social responsibility management specified in the PN-ISO 26000:2012 standard.

In our other companies, Mostostal Kraków owns the certified management systems. The production, assembly and repair process is covered by the Quality Management System according to the Integrated Quality Management System (ISO 9001:2015 – quality management system, ISO 14001:2015 – environmental management system, PN-N-18001:2004, and OHSAS 18001:2007 – occupational health and safety management system). This company has also a number of other certificates confirming e.g. bridge, welding qualifications or qualifications of the Office of Technical Inspection (UDT). FBSerwis Wrocław has implemented a quality and environmental management system according to ISO 9001:2015 and ISO 14001:2015.

102-15

Risk management

The Office of Internal Control (Budimex SA) collects information on risks reported by directors of the key areas in the organisation and presidents of subsidiaries.

Based on the analysis of risks received, the following are developed:

- a map of key risks for the organisation presented at meetings of the Management Board and the Audit Committee,
- a map of other risks controlled and monitored by the Directors of Budimex SA Divisions, who simultaneously perform the function of members of the Supervisory Board in subsidiaries

For every risk, tools and activities for its minimisation are specified. Each risk is assessed at the level of inherent (before consideration of tools and activities for its reduction) and residual risk (after application of tools and activities for its reduction). The risk may be classified as very serious, serious, moderate and irrelevant with regard to its consequences and probability of its occurrence, as well as to business exposure.

The risks that are very serious and serious from the level of inherent and residual risk and key for particular areas of activities are controlled by the Management Board. Other risks, which, after applying tools and activities reducing risk at the level of residual risk, show the weight of moderate and low risk, are controlled by individual Division Directors. The risks are monitored on a quarterly basis. This approach covers financial and non-financial risks.

The key risk map includes few non-financial risks related to the availability of qualified employees and wage expectations. In turn, the map of other risks includes selected environmental risks.

102-15

Financial risk factors

As Budimex Group, we are exposed to various types of financial risk: currency risk, interest rate risk, price risk, credit risk and liquidity risk.

Despite the introduction of restrictive procedures for controlling receivables in the Group, there is still a risk related to the insolvency of investors (credit risk of contractors). Possible delays in the timely settlement of receivables may negatively affect the Group's financial results, which will require write-downs on receivables and financing the operations with external debt. The information concerning the Group's objectives and methods of financial risk management are included in the consolidated financial statements for the year ended 31 December 2019 (Note 3).

Each contract is different, i.e. it is accompanied by specific technical and economic conditions, which means specific risks affecting the level of the margin obtained. We monitor technical, organisational, legal, and financial risks related to the planning and current course of works in individual contracts. Despite the control mechanisms introduced and the protection of general risks (credit, currency and civil liability risks), it is possible for the occurrence of the factors that cause the execution of a contract with a margin lower than originally planned, among which are:

- increase in prices of construction materials, petroleum materials and energy,
- increase in service prices and limited availability or bankruptcy of subcontractors,
- increase in employment costs and limited availability of skilled workers,

- delays in timely performance of or insufficient quality of the subcontractors' works,
- delays in obtaining appropriate administrative decisions,
- change in the scope of work or technologies agreed in the contracts,
- adverse weather or ground conditions.

102-15 308-1 308-2 103-1(414) 103-2(414) 414-1

Risk management in the supply chain

Our supply chain includes thousands of suppliers and contractors with whom we cooperate on a daily basis. As a general contractor, we are responsible for the actions undertaken by the suppliers and contractors, supplied materials and provided working conditions.

The main non-financial risks in the supply chain concern:

- occupational health and safety,
- conditions of employment,
- environmental protection.

Every new contractor undergoes a preliminary assessment based on a questionnaire. The questionnaire consists of a supplier's declaration on compliance with applicable regulations within the scope of labour law, environmental protection, etc. All significant suppliers and subcontractors (100%) are subject to preliminary assessment (qualification). In the case of ending cooperation with a given supplier, the final assessment is conducted, including such issues as quality, timeliness, actual technical capacity, OHS, environmental aspects and issues related to human rights, including employees' rights. The assessment is conducted by contract

managers, who must indicate any irregularities or events that may constitute a threat, actions inconsistent with the principles applicable to sub-suppliers in the Budimex Group. Results of questionnaires and final assessments are gathered in the Central Database. Internal auditors have access to these data and use them to assess sub-suppliers. Auditors have also access to suppliers' bids, based on which the contract has been signed. When analysing the offer, contract history and the final assessment's result, they may compare the elements to which the given supplier undertook at the offer level with an actual process and effect of cooperation. Regardless of the assessment, after the end of a given contract, we send a Satisfaction Survey to the investor. Next, we analyse the assessment's results and conclusions during annual management reviews.

Based on the preliminary qualification and final assessments, we group the subcontractors as follows:

- recommended (top ratings),
- qualified (positive ratings, but slightly lower than in the case of recommended suppliers),
- rejected (low ratings, but qualification is conditional, i.e. cooperation can be started if e.g. business partner introduces corrective actions),
- disqualified (cooperation with a given partner is impossible, e.g. due to its financial situation or previous gross breach of rules on cooperation, e.g. in the area of ethics or environmental protection, i.e. bribery attempt or causing significant environmental damage).

We strive to supplement significant agreements with key contractors, even those having greater bargaining power, with an ethics-related appendix.

Results of preliminary (questionnaires) and final assessments at sub-suppliers in 2019 and the status as of 31 December 2019 for all Contractors are as follows:

| Scope of verification | 2016 | 2017 | 2018 | 2019 | Cumulatively (active) |
|---|-------------|-------------|-------------|------------|-----------------------|
| Framework agreements | | | | | |
| Material investment agreements defined as framework agreements | 16 | 19 | 30 | 11 | 164 |
| Material investment agreements containing ethical clauses. Total number of agreements with these clauses and % of material framework agreements | 11 (69%) | 11 (58%) | 24 (80%) | 8 (73%) | 134 (82%) |
| Percentage of all agreements with ethical clauses among all framework agreements | 50% | 72% | 73% | 73% | 82% |

| Scope of verification i | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|
| Questionnaires and final assessments | | | | |
| Number of questionnaires | 1191 | 1019 | 1163 | 885 |
| Number of conducted final assessments | 4583 | 3068 | 5329 | 1420 |
| Number of irregularities identified | 184 | 153 | 361 | 93 |
| Number of irregularities identified | | | | |
| Meeting deadlines | 61 | 45 | 121 | 31 |
| Product quality | 24 | 21 | 47 | 10 |
| Technical capacity | 50 | 41 | 78 | 23 |
| Compliance with price terms | 11 | 10 | 31 | 13 |
| OHS | 26 | 23 | 49 | 7 |
| Environmental protection | 12 | 12 | 35 | 9 |



COMPLIANCE MANAGEMENT, COMPLIANCE SYSTEM AND ETHICS

103-1(205) 103-2(205) 103-3(205) 205-1 205-2 205-3

CSR strategy for 2016-2020. One of the key areas and objectives for the strategy was “Eliminating the risk of unethical conduct”. They are also regulated by the group-wide policy of Ferrovial Group, including:

- Principles of the Anti-Corruption Policy,
- Principles of the Human Rights Protection.

In practice, monitoring of compliance with the applicable rules and inspections are carried out by our Office of Internal Control. The President of the Management Board supervises them. The Office of Internal Control is responsible for the identification and analysis of risks in our Group, as well as for the prevention of factors causing them. At the same time, it examines the activity of particular organisational units and subsidiaries. In the case of completed investments, the Office analyses the contract performance process, use of owned resources, draws up reports and issues instructions to take corrective actions. According to the implemented Procedure titled “Final Contract Settlement”, after the completion of each construction project, the Office of Internal Control personnel inspects final settlements of purchased and built-in construction materials.

All key projects are analysed with regard to the corruption risk. The special form is filled by 100% of the controlled entities. In turn, inspections on contracts of lower value are ad hoc and random. A post-inspection report does not disclose any tools used for their monitoring, considering them confidential. The Group assesses making such information public, in particular the analysis method, as potentially contributing to the reduction of their effectiveness and to an increased risk of unethical conduct. Risk monitoring is conducted in monthly, fortnightly or, if necessary, weekly cycles.

The Office of Internal Control may also carry out additional inspections. Its role is also to take preventive actions and build awareness of our employees with regard to the risks and activities that may lead to them. To this end, the Office of Internal Control has also prepared the guide for the Contract Director/Manager, describing production processes allowing for safe and correct contract performance based on applicable procedures and instructions. In addition, all employees and suppliers must familiarise themselves with the anti-corruption policy and procedures. All employees – newly hired and with long experience – must become familiar with applicable anti-corruption procedures during regular training sessions.

102-16 103-1(405) 103-2(405) 103-3(405) 103-1(406)
103-2(406) 103-3(406) 103-1(412) 103-2(412) 103-3(412)

The potential corruption is, of course, only one of a number of many unethical actions. Other factors certainly include the risk of disregard for human rights, including discrimination against persons on grounds of any characteristic (e.g. sex, age, education, religion, belief, sexual orientation). It is also possible to talk about the threat of harassment or a breach of ownership. Documents which allow to counteract the risk of unethical behaviour in everyday work at the operational level include the **Compliance Policy** and the **Code of Ethics**. The first one defines the Compliance System, which includes, among others, the Code of Ethics. The documents specify the principles allowing for prevention from any form of unethical behaviour, including corruption and bribery, and any form of discrimination. The rules expressed in the Compliance Policy and the Code of Ethics apply to all employees and persons employed by contractors of Budimex SA.

The **Ethics Committee** is responsible for the compliance with the Code of Ethics and for the monitoring of the compliance of the professional ethics standards with the rules of the Code of Ethics. This Committee is appointed by the President of the Management Board and is composed of:

- Member of the Management Board, Director of the HR Management Division,
- Member of the Management Board, Director of the Legal and Organisational Division,
- Director of the Office of Internal Control.

Every year the Ethics Committee draws up a report on its activities, which is then submitted to the Management Board and to the Audit Committee of the Supervisory Board.

The main principles of the Compliance Policy include:

- consideration for the law,
- ethics and honesty in conducting activity,
- transparency of activities of the Group's companies,
- zero tolerance for activities contrary to the law or to the Compliance System

The Compliance Policy introduces the so-called Compliance System, aiming at adopting and enforcing internal regulations properly. Supervision over the proper application of and adherence to the Compliance Policy is exercised by the Chief Compliance Officer appointed by the Company's Management Board, the Deputy Chief Compliance Officer, and the Compliance Committee established at the request of the Chief Compliance Officer. It includes representatives of every organisational division of the Company. The Chief Compliance Officer is a Member of the Management Board, Director of the Legal and Organisational Department.

Adherence to the Compliance Policy concerns the observation of the law and articles of association of Budimex SA and the Code of Ethics, regulations, policies, procedures, instructions, etc. in force in companies, particularly those related to the minimisation of the risk of participation of our employees in any activity that has features of corruption or influence peddling.

All the information about the Code of Ethics and Compliance Policy are available on the company intranet – Budinet. Each new employee familiarises itself with the Code of Ethics. Since 2017, the compliance matters

and ethics contained in them constitute a part of regular training activities for employees.

All our employees have access to the information and tools enabling them to report the observed violations and irregularities. Apart from the usual forms of communication, the Company has also made available:

- dedicated compliance communication channels such as compliance emergency phone number +48 789 404 104, special e-mail address compliance@budimex.pl or etyka@budimex.pl and electronic platform for anonymous reporting,
- option of reporting in person to the Chief Compliance Officer or its Deputy.

If a reporting person expresses such a wish, it remains anonymous. Everybody receives the assurance of no disciplinary sanctions to be used in connection with the fact of making a report. There are also reports made outside the above-mentioned communication channels, e.g. in the form of letters sent directly to the President of the Management Board or to members of the Management Board. In such a case, they are transferred directly to persons responsible for their consideration.

All the reports are investigated with maintenance of the confidentiality standards and may constitute the basis for development of facilitating and remedial measures. Every breach is recorded in writing together with recommendations or guidelines for further actions to be taken by a given organisational unit concerned by the report. The Chief Compliance Officer, in cooperation with the Compliance Committee and/or the Office of Internal Control, analyses every report in detail.

406-1

The Chief Compliance Officer is also obliged to regularly provide the Management Board and the Supervisory Board with reports containing information on the actions that have been taken in order to explain the given report (at least for a period of three months). Furthermore, the Supervisory Board's Audit Committee may request a report for a given period at any time. In 2019, six reports regarding non-compliance with the provisions of the Code of Ethics and/or Compliance Policy in Budimex SA were examined, including three related to staff matters, two – potential careless management, one breach of procedures. None of the events covered by the reports was confirmed and did not lead to financial losses in Budimex Group.



QUALITY AND ITS IMPACT ON SAFETY OF CONSTRUCTION FACILITIES



103-1(416)

103-2(416)

416-1

416-2

The quality of construction materials used and quality of performance affect not only the utility of the individual buildings constructed by us, but also their safety. Moreover, our responsibility covers the entire life cycle of the facility – from design, through contracting to its maintenance during use.

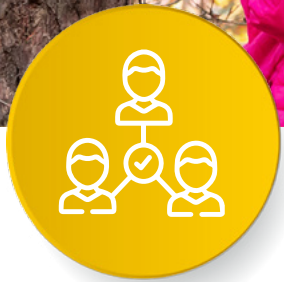
Provision of due diligence is supported, among others, by procedures regulating the performance of quality controls on construction sites and quality management for mineral and asphalt mixes, concrete mixes and aggregates. The procedures include the acquisition and use of a given raw material at various stages of the construction process. They indicate criteria and methods of obtaining materials, provide with guidelines and actions to be taken if deviations from the standard are found.

The acquired certificates and subsequent accreditations constitute the result of work of many people involved in ensuring top quality of construction sites, while uniform quality procedures apply to all our contracts. In 2019, we did not record any incidents that might have caused health and life hazards or construction disasters. In the reported period, no fine was imposed on us for non-compliance with the law and regulations concerning the provision and use of products and services. There was also no incident of non-compliance with the regulations concerning labelling the information on products and services.

In 2019, a total of 27 laboratory units all over Poland was conducting an ongoing quality control for works and construction products, also in the context of security of building structures, at stages before, during and after their performance. The Central Laboratory with an accreditation of the Polish Centre for Accreditation No. AB 1414 constitutes the main laboratory. Currently, it uses 53 accredited test methods, including seven extended methods. The laboratories are equipped with modern test apparatus compliant with the international standards.

The Laboratory management system complies with the standard PN-EN ISO/IEC 17025 “General requirements for the competence of testing and calibration laboratories”. Apart from an ongoing laboratory control, the Laboratory is actively supporting the Innovation Department through the performance of research and scientific projects in cooperation with recognised academic centres, e.g. with the Wrocław University of Technology, Gdańsk University of Technology, Warsaw University of Technology, and with the Road and Bridge Research Institute.

The laboratory works are performed by the highly-qualified personnel who is continuously improving its competences, also by participating in technical and managerial training. Quality experts are eager to share their practical technical knowledge by conducting training for engineering staff within the framework of the Budimex Academy.



SOCIAL ACTIVITIES AND RELATIONSHIPS WITH COMMUNITIES

103-1(413)

103-2(413)

203-1

413-1

413-2

The construction of infrastructure, including road and railway infrastructure, is a prerequisite for socioeconomic development. As a result, it improves the quality of life of both the society as a whole and local communities. Unfortunately, construction works involve specific nuisances, especially for the inhabitants of areas directly adjacent to the construction area. The works may mean increased traffic of vehicles, machine operation, and related noise. Each potential aspect of the environmental impact of the investment is already analysed at the stage of issuing administrative decisions, where inhabitants' representatives take part in public consultation. As Budimex Group, we conduct also non-obligatory, additional public consultation in the course of designing e.g. bypass routes or road closures. We provide the inhabitants with feedback channels – contact form available on www.budimex.pl, corporate social media profiles. In this way, we limit the potential risks that may lead to delays and stoppages, e.g. inhabitants' protests, blocked works, extended administrative procedures, and, at the same time, affect the image of Budimex Group companies.

As usually it is not completely possible to eliminate all obstacles and threats, we try to compensate the local communities for nuisances. We organise educational campaigns related to road safety for the youngest, first aid, and we finance the purchase of equipment for local volunteer fire departments. We often help local residents with minor works, such as the renewal of playgrounds.

For years, we have been initiating our original social programmes by engaging in activities for the benefit of local communities. We also support cultural and sporting events.

Our flag programmes include:

- **Parent Zone.** Since 2012, we have been carrying out the programme titled “Strefa Rodzica. Budimex Dzieciom” (Parent Zone. Budimex for Children). It consists in organising special spots in hospitals, on children's wards, where small patients and their parents can spend their time in a friendly environment and feel just like at home. This allows them, if only briefly, to forget about the toils of being sick and treated. One of the most important aspects of this programme is the personal involvement of our employees, who, as volunteers, participate in furnishing renovated premises – they help with the assembly and placement of furniture, and perform minor finishing works. So far, we have launched 32 Parent Zones, while new ones are planned. For all those years from 2012 to 2019 included, 500 thousand children and their carers have benefited from the Zones. 54 thousand children and their parents have already been using the Parent Zones established in 2019. (more information on: www.strefarodzica.budimex.pl)
- **Hello ICE.** “Hello ICE” is our another original social programme, which, in 2019, replaced the “ICE Intercom” after a decade. Its aim is to extend knowledge of the youngest pupils of primary schools (grade levels 1-3) and kindergartens in the field of road safety. A key part of the campaign is constituted by an interactive map which anyone can use to mark dangerous places that kids encounter on their way to school or kindergarten, as well as by educational materials (complete scenarios to conduct lessons) for teachers, educational games and plays for parents and children.

Moreover, pupils are equipped with plastic cards including data facilitating – in case of emergency – contact with their families. The “Hello ICE” programme has received the honorary patronage of the Minister of Infrastructure and the Minister of National Education, as well as a positive opinion of the Good Education Association. The campaign has also a wider educational dimension, as it promotes the road safety principles and first aid among children. By the end of 2019, nearly 300 dangerous spots were reported, eight Safety Days were completed in primary schools and kindergartens, as well as 1,400 ICE cards with reflectors were distributed. The mascot of the program is a friendly tiger Budi (more information at www.heloice.pl).

Special attention should be paid to the project **“Change the World. 50 years of Budimex”**. In 2018, Budimex, which is the backbone of our capital group, celebrated 50th anniversary. On that occasion, we decided to finance and implement a special, jubilee social programme. The programme referred to the philosophy that motivated our everyday business activities. By building motorways, bridges, or buildings, we make a substantial contribution to socioeconomic development, thus changing the world at the level of local community, region, country. Because we wanted to support those who think the same, we announced a competition. The condition for participation was to submit an innovative project, implementation of which would actually affect lives of local communities and promote a vital social idea. In September 2018, the competition’s winner was selected. 500 thousand zlotys from Budimex SA went to the “Trzy czte ry!” Foundation, the creator of the first Polish forest primary school “Puszczyk” in Osowicze near Białystok. The school infrastructure project was selected from nearly 100 submitted applications. The winners participated also in workshops organised by the company, where the project was analysed with the design thinking method, which allowed for its optimisation. After two and a half months, at the forest border near Białystok, a complex of pavilions was established, constituting the field base for the school, which now may inspire facilities all over the country. However, Budimex SA did not end its cooperation with the newly established school “Puszczyk”. **In 2019, the “Trzy czte ry!” Foundation was able to count on the company support – both financial and professional.**

Benefactor of the Year 2019 award for Budimex

Budimex SA was the winner of the 22nd edition of the contest “Benefactor of the Year”. The company won in the category “Education – a large company” for the construction of the first Forest School “Puszczyk” in Poland, located in Osowicz, near Białystok.

The competition is organised by the Academy for the Development of Philanthropy in Poland. This is the largest competition of this type, with the longest tradition in Poland. Socially responsible companies have been honoured with this award for over 20 years. In 2019 edition, the Competition Jury awarded the titles to laureates in 7 categories: local development, corporate foundation, education, ecology, social welfare, health, and sport.

The Competition Jury awarded Budimex for the cooperation with “Trzy czte ry!” Foundation, as part of which the forest primary school was opened. It was the Foundation which applied Budimex to the competition. “Thanks to Budimex, we were able to fulfil our dreams and prove that there is an alternative to traditional schools and show that the teacher’s role must be redefined. As labour market research shows, what we lack is not knowledge, but soft skills such as ability to cooperate, openness to changes, ability to listen to other people’s ideas, assertiveness. This is what we want to teach our children first and foremost,” said Agnieszka Kudraszow, President of the Foundation and the initiator and founder of the forest school.

Among other pro-social measures, it is certainly worth to mention those carried out by the employees themselves. Since 2015, the company has had the “Grant for Volunteering” employee volunteering programme. Within its framework, the employees may submit their own voluntary initiatives throughout the year. They are discussed during quarterly meetings of the CSR Committee that awards grants for their implementation. Projects concern mainly renovation and construction works. In 2019, 30 voluntary projects were submitted. Eight of them were implemented with the participation of 75 volunteers.

In 2019, Budimex participated also in a special project – #ideathon. That was the first social project of that type in Poland and an innovative example of competency volunteering, with the participation of the employees of Budimex and of eight other companies, i.e. DHL Parcel Polska, Dentsu Aegis Network Polska, Orange Polska, Alior, Grupa Żywiec, PwC, Leroy Merlin or Polpharma. In total, 100 people selected from among the employees distinguished by their creativity, talent and commitment cooperated with experts from the Integration Foundation supporting disabled persons for 25 years. During intensive workshops, they developed specific solutions that could change the situation of people with disabilities on the labour market in Poland. The event was led, among others, by Paulina Malinowska-Kowalczyk, press spokeswoman for the Polish Paralympic Committee, the first Disability Advisor to the President of Poland.

In 2019, we also completed the “Tree for Survey” campaign. In return for every completed survey concerning our integrated annual report, we promised to plant one tree and we kept our word. We planted nearly 200 trees in Białystok, where Budimex Group carries out several contracts.

In addition to the above-mentioned social programmes, Budimex Group continued its sociocultural and educational initiatives, including supporting the promotion of physical culture and sport. It is worth mentioning the following initiatives:

- the “Diamond Explorers” scholarship programme providing financial support to talented and effective groups of young people to give them the opportunity to participate in prestigious international and national scientific and technical contests, in particular in such fields as technology, engineering, design, industrial design, mathematics, and management,
- support for the Demos Foundation, which helps young people in a difficult life situation. The Foundation develops facilities to carry out educational, therapeutic and sports activities. It organises workshops for youth leaders and scholarship programmes. It also develops publishing activities oriented towards social, educational and cultural matters,
- restoration of the Polish church in Krakovets, Ukraine,
- support for the organisation of sports events and teams: Polish Championships of Disabled Sailors, Stomil Olsztyn Football Club, Polish Sports Bridge Association, Wybrzeże Gdańsk handball

team, Sokół Ostróda football team, and Women Basketball Sports Club “Katarzynki” in Toruń,

- other projects corresponding with the social goals of Budimex and oriented towards children and teenagers, e.g. the Children’s Foundation “Help on Time”, Hope Oncological Foundation, primary schools and technical universities.

“**Budimex Innovation**” Project is aimed at supporting newly created innovative enterprises, which want to modernise the construction and development industries just like we do. This project is an opportunity for start-ups to try out their solutions – to carry out tests, studies in a professional business, production, service environment. By supporting innovativeness and interesting ideas, we get into cooperation with universities, accelerators, investment funds and other external partners. We look for originators and creators of projects from areas where we ourselves try to improve quality and efficiency – understood not only in economic terms, but also with regard to environment and occupational safety.

While our key social activities are carried out by the parent company – Budimex SA – the most important activities of other companies from the capital group are also worth mentioning. **Budimex Nieruchomości** helped cycling enthusiasts from the Young Culture Foundation Hopsiup Project with organising the exhibition „History of the New Dynasy Cycling Track” at the National Stadium. That track, now run-down, used to operate at ul. Podskarbińska, next to the Mińska 69 settlement built by Budimex Nieruchomości Sp. z o.o. The company participated also in preparations for the Third Sport Children’s Day – the Tournament for Siekierki Kindergartners and the Sixth June Festival by the Mound for inhabitants of the Siekierki settlements. It has engaged also in lives of local communities in other cities where it operates. During the third Wrocław edition of the Good Neighbourhood action, local organisations from the Grabiszyn-Grabiszyn settlement were invited to submit their ideas for actions in the nearest neighbourhood. Microgrants were to be obtained – each in the amount of PLN 3,000. Local residents themselves voted for the idea to be supported. In turn, in Gdańsk, Budimex Nieruchomości was once again the main sponsor of the Running Grand Prix and the Zaspas Day. As a part of the Christmas campaign “**We give houses for Christmas**”, the customers buying apartments from Budimex Nieruchomości helped also with creating new homes for homeless animals in shelters.

In 2019, Mostostal Kraków engaged in a charity business run “Kraków Business Run 2019”, the Great Integrative Festival for Children of the Foundation “Prometeusz Pro Publico Bono” in Kraków and delivered prizes to the Tenth Małopolskie Championship of Logical Riddles for pupils of higher grades of primary and secondary schools in the Małopolskie Voivodeship.

Important actions include also educational contests addressed to primary school pupils organised by FBSerwis in cities where the company is engaged in municipal waste management. For example, the pupils of Wrocław primary schools participating in the competition “Let’s be ECO for Wrocław” had the task of building any utility object from selectively collected waste (paper, plastics, glass, metals). The authors of the best works, their teachers and schools, to which

they attended, were awarded with valuable prizes, and the official gala took place in the Great Room of the Old Town Hall in Wrocław. Similar competitions were held also in other cities – e.g. that year’s competitions “Be an ECO Łódź citizen” and “Let’s be ECO for Kamieńsk” were organised under the slogan “Children create Waste Figures”. The pupils of, respectively, Łódź and Kamieńsk primary schools created fictional characters – titular Waste Figures – only with use of waste that might be thrown away to containers for paper, glass, metals and plastics. The same company participates also in joint social campaigns carried out locally by municipalities and other organisations that care about shaping the proper patterns related to waste management. FBSerwis SA strives also for responding as far as possible to the needs of rescue services with which it cooperates (road maintenance).



WORKING ENVIRONMENT AND FOCUS ON GROWTH

103-1(401)

103-2(401)

We are constantly trying to attract and acquire employees with the greatest potential. At the same time, we encourage them to focus on long-term commitment and development within the organisation. This allows not only to build competences, but also to protect our company from losing such employees. This is why internal recruitment is preferred, holding out the prospect for long-term employee growth within the company. At the same time, we strengthen our sources of candidate acquisition by continuing the action of the “**I know, I refer**” programme. Its goal is to increase the efficiency of acquiring new employees by referring candidates by the current employees of the company. We pay a financial reward for an effective referral. Its amount depends on a type of job for which the referred candidate is to be hired. Additionally in 2019, Budimex, as the first construction company, implemented an external referral programme, thanks to which also persons from outside the company were able to refer employees. They could refer a person from their surroundings with use of a dedicated platform www.polecambudimex.pl. A financial prize is awarded for a successfully referred candidate.

Our employees are subject to periodic assessment with regard to the implementation status of individual tasks and the style of work consisting of competences forming the Competence Model. The assessment results are used to evaluate work efficiency, determine the demand for development of competences and to identify persons with a high growth potential. Based on the periodic assessment, there are planned, among others, developmental tasks. We define overall developmental and training needs based on the business strategy, the above-mentioned results of employee periodic

assessments, results of the Management Review and reports of training needs from business units.

To encourage current employees to maintain a long-term relationship with the company and attract young, most talented graduates, we provide the staff not only with attractive remuneration, comprehensive social package and opportunities for personal development, but also with a friendly working environment.

Additionally, as part of the “Budimex Academy” programme, Budimex representatives meet with students at technical universities, providing future engineers with their knowledge and experience. We also offer paid internships at Budimex throughout the year and the students interested in their growth in the railway construction industry to receive an annual scholarship.

Budimex Academy for the 10th time

Budimex, as the largest Polish civil engineering contractor, launched another student internship programme in March 2019. What can the students who dream about a career in the construction industry expect to find at the tenth-anniversary edition of the event? The benefits include paid internships, medical care and, of course, the opportunity to gain valuable experience in civil engineering while working with the leader on the Polish construction market. Budimex has been supporting the professional development of the young people who wish to work in the construction industry for 10 years. As part of that process, Budimex Academy project includes paid internships. Throughout that time, more than 3,000 students and graduates of Polish universities participated in these internships.

Best Quality Employer

The title of the Best Quality Employer was granted to Budimex by Centralne Biuro Certyfikacji Krajowej (Central Bureau of National Certification; CBCK). The awards ceremony took place on 18 January 2019. The CBCK initiative is aimed at selecting and promoting companies that are distinguished by their reliability in terms of employment policy, employee solutions, and human resources management. The companies are trustworthy enterprises that take care of the development of employees and ensure stable employment and a friendly atmosphere at work.

Budimex in the first three most desirable employers

Budimex was once again in the first three of the most desirable employers in the category of engineering among students and graduates of higher education institutions. This is according to the annual nationwide survey of Most Attractive Employers Poland 2019.

The survey participants included over 17 thousand students from 71 Polish universities, covering over 112 courses of study, including business, engineering, IT, medicine, the exact sciences, humanities and law. Budimex took the third place in the “Engineering” category, followed by Google and Microsoft.

“Graduates of technical and economic studies are an important group of current and potential employees. Many of the current Contract and Site Managers started working with us immediately after graduation. As an employer, we guarantee the possibility of promotion, self-realisation and professional development. We care about the development, health and safety of our staff,” said Cezary Mączka, Member of the Management Board, Chief HR Officer in Budimex. “It is worth noting that the Polish construction company is among top global brands and highly ahead of other civil engineering companies” said Cezary Mączka.

401-2

Social package

Our employees benefit from a dedicated offer of benefits, which include, among others:

- extra payments to the Employee Capital Plans (PPK), i.e. Budimex SA and Budimex Group

companies have agreed for additional voluntary contributions to monthly premiums. This means the employer helps the employees receive funds for higher pensions in the future,

- attractive package of medical benefits regardless of the employee’s position, vaccinations at work,
- wide selection of services within the framework of MyBenefit cafeteria, thanks to which every employee may decide on its own on the allocation of its funds from the Company Social Benefit Fund,
- finance for sports activities as part of the “Aktywni BX” initiative (sports sections) and the possibility of using sports facilities with the MultiSport card,
- life insurance and the possibility of insurance extension by additional risk categories (apart from the risks for which insurance is paid by the employer),
- additional, payable day off on one’s birth or name day,
- attractive loans and allowances for persons in a difficult life situation,
- housing allowances for white-collar workers,
- gifts for mothers on the birth of their children.

It is also worth mentioning that, as a rule, blue-collar workers receive a contract of employment. Moreover, while working away from their place of residence, they may expect free accommodation. All blue-collar workers, regardless of whether they are seconded or they work in their place of residence, have a free lunch every day.

We also implement an integrated IT system to support the employee management – Human Resources Information System (HRIS) created by Oracle. Its implementation will allow even more efficient management of human resources, thus improving the comfort of the employees themselves.

The latest cloud computing system for managing human resources of the HRIS class

Budimex is one of the first companies in Poland which locally implements this system in such a wide scope. It is planned to cover main ‘soft’ HR processes with the Oracle’s system, such as periodic assessment, setting goals, training and development, succession planning, recruitment, as well as support for the area of remuneration and benefits. In this way, the company hopes to provide a flexible self-service to employees and superiors, which is consistent with the latest global practices.

HRIS will cover nearly 6,000 employees in 5 companies of Budimex Group. The works on the implementation of the system have been underway since the beginning of 2019.

We are the first company in Ferrovial Group to have such solution. The technology is provided by Oracle and Fizz Consulting is responsible for its implementation, the implementation partner of the American company. It is the largest project of this type in the construction industry and one of the greatest implementations of cloud solutions in Poland. HRIS will support carrying out HR activities by allowing the employees to access the system on computers, tablets, or smartphones.

Development and training

The training rules are regulated internally, while the analysis results of developmental needs during an employee's periodic assessment are crucial. They constitute the foundation for determining individual development objectives based on which the Training and Development Department plans training activities.

Developmental activities are carried out according to the 70:20:10 model, i.e. 70% is development through practical implementation of tasks, 20% with the support of others (e.g. superior, coaching, mentoring, etc.), 10% is training.

While speaking about training activities, it must be noted that some trainers are the employees of our organisation (internal trainers). They include experts and practitioners, i.e. persons who deal every day with the issues within the scope of which they conduct training. Thanks to this, the training offer meets not only the developmental needs but, above all, it corresponds perfectly with the specificity of the company's operations. In addition, it develops and promotes the culture of knowledge sharing in the organisation.

The most important development programmes include:

- **Engineer's Academy.** This is a training offer provided by internal experts in a given field, dedicated to technical staff working on contracts. Through training, its participants can expand and update their technical knowledge, as well as exchange good practices with other trainees. Some topics are carried out in a classic form – in a classroom, but

there are also subjects that are largely taught on the construction site.

- **Contract Manager's Academy.** This project is supporting newly appointed Contract Managers and persons in preparation for promotion to this position in the acquisition of substantive competences and practical skills, as well as it allows to consolidate and deepen the already acquired knowledge within the scope of contract management. The programme is divided into three stages: internal workshops deepening substantive knowledge, external workshops focusing on development of soft competences, and individual support of participants as needed.

A special programme supporting the women's professional development is also worth mentioning:

- **Cast-Iron Success.** It is a programme aimed at women working on the construction site as white-collars. The aim of the programme is to support women in professional development, the development of leadership, soft, and managerial competences. After a two-stage verification, the women qualified for the programme participate in a cycle of workshops and meetings. The program lasts for a total of 12 months and a suitably long break is planned between meetings so that every participant is able to implement the training-related knowledge in its daily work.
- Individual development programmes for women who in 2019 reported their willingness for professional development in the organisation.

We carry out programmes aimed at developing leadership skills are extremely important, such as:

- **Super Leader.** The purpose of the Super Leader programme is to develop leadership competencies among senior managers – to strengthen the skills of strategy communication, development of subordinate teams and involvement of employees to achieve common goals. The programme consists of three modules, each of which presents a different style (leadership styles selected after diagnosis). Each module comprises four stages: a tutoring session with a consultant, performance of an implementation task, a skills laboratory and a set of materials to work on the development of a given leadership style (Manual).

- **Management Stairs.** The development path for management skills, which takes into account the management level, experience and necessary competences at individual managerial positions. It consists of four stages. Each level assumes the development of different skills necessary for being an effective manager, depending on a type of entrusted duties and experience (from the beginning manager to top management). Particular stages assume the knowledge development.

Managers may also apply and be nominated for the **Ferrovial Summa University** programme, which is a global management programme of the Ferrovial Group.

Our Group implements also programmes related to the development of interpersonal skills:

- **Communication Stairs.** The communication skills development programme is divided into four main stages, taking into account subsequent levels of acquired skills and knowledge (specific stages: effective communication, persuasion and influencing, building relations within the organisation and with external customer). Paths assume the knowledge development, therefore it is important to conduct training in an appropriate order. Each stage contains several proposals for training topics, thus allowing for comprehensive development tailored to the individual needs.
- **Extended DISC.** An Individual Extended DISC Analysis is a test which allows to get to know one's natural potential, predispositions and talents. It is based upon the self-assessment principle, i.e. how I behave in a specific situation. The main studied areas include behaviours manifested in the professional sphere. After the study, the employee receives a report containing a description of its natural predispositions and talents, as well as individual feedback prepared by the Development and Training Department's employees. Based on the Extended Disc study, we also conduct tailor-made workshops on team efficiency.
- **Feedback culture.** As part of the programme, we share various forms of expanding knowledge and

skills within the scope of provision and receipt of feedback, such as short online training on an internal intranet platform, online articles, films, and recommended books. The company conducts also a series of practical workshops for managers and specialists.

Employees can use the **e-Tutor platform**, thanks to which they can improve their knowledge of foreign languages free of charge. In 2019, they could participate in an individual English and Spanish language training and in group language courses in English and Russian. They may also receive co-financing of the costs of building qualifications or post-graduate studies.

102-13 **103-1(405)** **103-2(405)**

Respect for diversity

As Budimex Group, we signed the Diversity Charter. This is a voluntary international initiative that constitutes a commitment on equal treatment of all its employees and on prevention from any discrimination at work, acting for the benefit of creation and promotion of diversity, as well as it expresses the organisation's readiness to involve all employees and business and social partners in these activities.

Budimex has implemented the Diversity Policy concerning equal treatment with regard to, among others, gender, age, disability, health status, nationality, political beliefs, form, scope and basis of employment. Under the Policy, we have undertaken to create an organisational atmosphere and culture in the company to ensure respect for any form of diversity. The Diversity Policy deals also with recruitment, access to training courses and promotions, remuneration, combining professional duties with personal life, protection against mobbing and unfair dismissal. We also break the barriers connected with the health condition of employees by hiring disabled persons in Budimex. In order to manage the Policy efficiently, we have implemented the anti-discrimination and anti-harassment monitoring (see: "Compliance Management, Compliance System"), as well as a system of educational tools, trainings, and workshops. The results of compliance with this Policy are reported to the Management Board every year.



CONDITIONS, OCCUPATIONAL HEALTH AND SAFETY (OHS)

102-12 103-1(403) 103-2(403) 403-1 403-2

Care for the safety of the employees and persons performing works on construction sites is not for us only a matter of business risk management. It is a matter of ethics, moral and social responsibility. However, from a purely business point of view, the accident risk is also a risk of temporary exclusion of a qualified employee and, consequently, of additional difficulties in the execution of works, the risk of suspension of works or the loss of image, especially in the eyes of current or potential employees. Actions are based on the belief that safety is a common good and each and every working person is responsible not only for him-/herself, but also for colleagues. Therefore, the operations in the field of safety improvement on construction sites include everyone: employees, contractors, consortium members, suppliers, and individuals involved in the project implementation.

The OHS Policy has been in force throughout our capital group since 2016. Its goal is to ensure safe processes and workplaces free from any hazards for all employees. Additionally, within the framework of the Policy, good practices are implemented to build a safety culture. The implemented tools allow for the acquisition of knowledge on potential threats and for the accurate risk identification.

The assumptions of the OHS Policy are:

- compliance with laws and standards, application of good practices,
- risk assessment and planning, i.e. implementation of reliable occupational risk assessment processes for conducted activities, striving for robust planning, organisation and control of all measures,

tools and resources that make it possible to create a safe working environment for all employees,

- effective and consistent communication, i.e. provision of communication channels to facilitate communication and encourage everyone to make a positive contribution into the development and promotion of occupational safety,
- training and involvement in educational activities, i.e. provision of appropriate measures and tools to improve employee competences, so that they are aware of the risks associated with their roles and functions,
- resource allocation, i.e. establishing and maintaining effective occupational health and safety management systems, including the provision of necessary human and material resources to ensure occupational safety,
- occupational safety in the supply chain, i.e. provision of increased attention to the supply chain, implementation of OHS requirements as a criterion for selecting suppliers and business partners,
- measurement and monitoring of occupational safety measures in a regular and consistent manner, including a thorough study of incidents in order to reduce similar hazards in the future,
- continuous improvement and implementation of innovations in that area.

In all our companies, OHS committees operate with participation of representatives of employees and the employer, thus representing all employees (100%). The committee's task is to conduct OHS inspections, which are held weekly for all contracts. All the information from inspections and recommendations are stored in one place, so it may be quickly referred to and easily monitored, if necessary.

Certified OHS systems are implemented in the two of our key companies – in Mostostal Kraków as PN-N-18001, and in Budimex SA – OHSAS 18001 and PN-N-18001. FBSerwis SA and Budimex Nieruchomości Sp. z o.o. did not have any certified OHS management systems that would cover those companies as a whole.

403-5 403-7

OHS training and prevention

In the “Health and Safety Protection Plan” (BIOZ), we have described the safety rules which are common for the workers rotating between construction sites. Every employee on contract, regardless of being hired by our company or a subcontractor, must undergo training within the scope of OHS and internal safety procedures applicable within Budimex Group. At the beginning of every project, there occurs the so-called “Contract Start” – the contract management meets with an OHS specialist and an environmental protection specialist to discuss the required procedures. OHS-related materials have also been prepared for foreigners working on construction sites.

The training system and separate OHS procedures of Budimex Group constitute voluntary additional actions taken by us. Trainings take place more often than it is required by law. Their programme is co-created by employees. It is evaluated and consulted with them. OHS training courses are divided into mandatory and systemic training. For example in FBSerwis SA, the OHS service conducts the so-called preventive training once a month, while training on particularly dangerous works – at different frequencies depending on the business area, but it may take place even on a weekly basis.

In 2019, we trained 2325 employees, while 380 persons benefited from the first aid training.

In previous year, we introduced also several solutions important for improvement of the innovation safety level: In the IT system, we launched a module supporting the process of reporting and testing accidents at work, near misses and environmental emergencies. The module supports also the implementation of necessary preventive measures for the entire organisation. In 2019, the reporting system was further tested, after the preliminary tests in 2018. An application prepared

for its purposes is used to report and remove hazards found during the construction process by a suitably qualified construction site staff. It is further improved on the basis of notifications from its users. The system contributes to an increased detection of accidents and an increase in staff awareness of near misses. In addition, we can carry out more detailed statistical analyses thanks to a harmonised reporting system.

In the case of FBSerwis SA, the reduced accident risk and simultaneous improvement of the comfort of travellers are obtained thanks to the Yanosik application, which was released in 2018. It informs people moving along the roads maintained by the company about the implemented road works. This functionality enables drivers not only to consider performed works in their itinerary, but also to be more cautious. As a result, accidents in which travellers and our employees could be injured become less likely. In addition, FBSerwis SA implements many initiatives promoting security improvement, e.g. contests “Mummy, Daddy, Work Safely”, “Together for Safety”. In 2019, the first competition for giving first aid was organised, covering all regions and areas in which the company operated.

102-12 102-13

Agreement for Safety in Construction

For almost ten years, Budimex SA has been a signatory of the “Agreement for Safety in Construction” designed to promote proper OHS-related behaviour in the construction industry. This is the biggest initiative of this kind. Within the Agreement established in 2010, 13 largest companies from the construction industry have been cooperating with each other to develop the best OHS-related solutions, e.g. uniform document specimens, model of confirming professional qualifications of temporary employees, or a periodical training programme. The BIOZ plan is one of the results of this cooperation. Meetings of the Agreement’s Steering Committees gather presidents of the associated construction companies. In 2019, they dealt, among others, with fatal accidents that occurred in the last year. According to the Central Statistical Office data, the building industry is on the third place among the sectors where accidents at work happen and although year by year their number is decreasing, there is still much to do in this area.

As the signatory of the Agreement, we engage in many initiatives, for example we support two „small” Agreements at Regional Labour Inspectorates in Szczecin and Białystok, where smaller construction companies are associated. In addition, we take part in initiatives where the law and new standards of health and safety protection are created. In 2019, the Director of Occupational Health and Safety, Fire Fighting and Environmental Protection was appointed to the Working Team for Safety in Construction, under which the standard “Machinery for Concrete Transport and Pumping – Minimum Requirements” was developed together with the Association of Ready Mixed Concrete Producers in Poland.

403-2 403-9 414-2

Accident ratio

We described every accident in compliance with the Polish statutory classification and in compliance with the procedures and classification adopted by the strategic investor, Ferrovial Group, which provides with better capacity of analysing the post-accident statistics (they include e.g. differences in the accident assessment process and definition of a severe accident). Our internal self-regulations are more restrictive than the law within the scope of accident ratio. The accident analysis allows to clearly define what specific actions constitute the source of hazards, what kind of behaviour must be avoided and what kind of behaviour is recommended.

Employees’ exposure to hazards depends on the nature of works performed and is specific for every company. Slightly different hazards are present at contract work sites (e.g. roads) of Budimex and other at construction sites of Budimex Nieruchomości. As far as construction activities are concerned, hazards are related e.g. to the risk of falling from height or injury in contact with construction machinery. In the case of Mostostal Kraków, hazards are connected with the use of band saws and machines with moving parts for steel structure processing, handling structures with overhead cranes, and their loading and unloading. The FBSerwis employees, who, e.g., perform road and motorway maintenance, are exposed, among others, to collisions with vehicles in road traffic. In turn, waste management involves, for instance, risks related to biological agents (e.g. pricks, cuts with contaminated waste elements) and the risk

of collision with machinery and vehicles on and outside the premises of the disposal facility.

Another inspection by the National Health Inspectorate conducted in Budimex in 2019 was successfully passed, i.e. it confirmed the effectiveness of corrective actions, which allowed to eliminate breaches of NDN noise level at the operating positions of bituminous mass paver and bituminous worker found the previous year.

In 2019, FBSerwis SA implemented a series of actions, e.g. facility installations were checked (inventory), a map of the facility installation network was created, installations were measured, as well as procedures and instructions were verified and modified. In addition, first aid courses were initiated.

6th edition of the Safety Week at Budimex construction sites

Budimex has committed more than 5,000 employees and subcontractors to this year’s Safety Week. As many as 457 subcontracting companies were involved in the activities. 99 institutions and partners were included in the organisation of events. The Safety Week consisted of more than 200 activities and demonstrations.

Meetings, demonstrations of first aid and rescue actions, sightseeing at construction sites – just like every year, Budimex was actively involved in Safety Week initiative to promote the idea of safety at construction sites. Over 5,100 employees participated in more than 200 various events organised by the company.

The originator of the action is the Agreement for Safety in Construction, which was created as a bottom-up initiative of several general contractors. All of them have joined in one goal – minimising and finally eliminating accidents at construction sites.

This year’s edition of the Safety Week was carried out with the motto that refers to the strict following OHS rules and actions at all times in accordance with the developed standards. No time saving is worth putting life and health at risk. The institutions involved include, among others, the police, the fire service, technical universities, medical rescue services and the Chief Labour Inspectorate. Each person who participated in the action is a potentially saved life.

A series of meetings and workshops with health and safety experts were prepared for employees. The employees could learn, among others, first aid, to update their OHS knowledge. Also, anyone interested in the operation of rescue services could have a close look at specially organised demonstrations.

We also do not forget about children and teenagers, which is why we also invited local schools and kindergartens to participate in the Safety Week. Children in many towns had the opportunity to visit the construction sites and find out how to take care of their safety.



IMPACT ON LOCAL ENVIRONMENT AND BIODIVERSITY

103-1

103-2(413)

103(304)

304-2

In the CSR Strategy for 2016–2020, we declare we want to “Be a neighbour, guest and partner for local communities”. Thus, we support, among others, limiting the negative impact of our activities on the inhabitants of the areas adjacent to our sites and on local ecosystems. This obligation applies also to subcontractors. In practice, when we limit the impact on the social environment, we also limit the impact on the natural environment, as it means the same levels of noise or dust exposure.

The starting point for long-term minimisation of the impact of a given construction project is its responsible planning. This means, for example, the design of animal crossings in accordance with their migration routes or the ecotone zones in forests along the routes that protect the forest ecosystem. In order to protect nature, water drainage systems are created and transparent sound-absorbing screens are erected. Formally, the design preparation process, including public consultation and environmental impact level, for the given investment constitutes the investor’s responsibility. As a general contractor, we have no direct impact on these issues. However, as a designer for a given contract, they are fully responsible for the investment preparation with regard to its environmental and social aspects.

Yet, to minimise our impact as a general contract, we carefully prepare and organise construction sites, facilities, properly route technological roads, etc., so that our works are as troubleless as possible from the point of view of road participants and surrounding residents. Construction site facilities, warehouses, yards and transportation bases are firstly located on already developed and transformed grounds. If possible, the construction site is located within a sufficient distance from

inhabited areas. During the project implementation, we try to transport materials and raw materials mainly on already designated rights-of-way. We also protect tree roots and trunks against mechanical damage related to the use of heavy equipment. We separate animal and plant habitats, while water reservoirs are protected against potential contamination with chemical substances (e.g. oil derivatives). After the completion of works, we restore the environment condition to the nearest possible condition from before the construction. To compensate nature for losses, new trees are planted in place of the trees which had to be cut down. Even the top layer of soil (humus) that had to be removed is reused. It is common to conduct the so-called meta-plantation, i.e. to move plants from construction sites to new sites of the same requirements and qualities. If it is necessary to backfill a small reservoir, amphibians, reptiles and birds living in this location are transferred to a safe place upon their capture. In 2019, nearly 2500 amphibian specimens were transferred, such as green toad, moor frog, common frog, common toad, smooth newt, as well as 6 species of reptiles, such as viviparus lizard.

102-11

The work schedule depends on the natural cycle, which, for instance, affects work halting in the migration period of forest animals, amphibians or fish, or in the bird breeding season. All works comply with legal requirements, including those regarding the Natura 2000 areas. There is also conducted an environmental control of the impact area and habitats on a given territory, while environmental observation is conducted after the project completion. For all investments that may significantly affect the natural environment, we prepare an environmental impact report pursuant to the applicable legal regulations.

Works on the report involve experts from various areas, such as ornithology, herpetology, botany, etc. The report presents potential risks and recommendations of solutions that mitigate the investment effects as much as possible. All pro-environmental actions are supported by environmental specialists who monitor the situation on an ongoing basis, issue conclusions, guidelines and recommendations, such as naturalists, botanists, ichthyologists, dendrologists. Most construction sites are subject to environmental supervision according to environmental decisions and contracts with an entity ordering a given investment. Sometimes supervision is carried out at the request of the contract management or preventively, even when the law does not require this. This is simply the precautionary principle as applied by us.

On construction sites, we place information boards about the location of the construction waste land-fill site, place to wash concrete pumps, where special care should be taken due to the occurrence of protected species or tree protection zones. Such information allows employees and subcontractors to take care of environmental protection. We have implemented the associated system for visual identification of environmental protection standards only recently, in 2018, and the presence of relevant markings is verified during audits of the construction site assessment system.

102-11

One of the principles in force at our construction sites is to have the so-called environmental first aid kit, which includes materials for quick containment and neutralisation of spills of environmentally hazardous substances, such as oils or petroleum products. The kits are stored in marked places and the workers are informed about those places. In accordance with the precautionary principle, any potential contamination is treated as environmentally hazardous until its type and source are determined. Another requirement is to manage the waste produced, keep its records and collect it.

103-1(307) 103-2(307) 306-3 307-1

Our Environmental Protection Team, which carries out inspections and audits on the executed contracts, is responsible for the compliance with the adopted environmental protection rules. In 2019, there were no environmental incidents or accidents that would cause environmental damage. No significant substance

spillages were observed as a result of conducted monitoring. No fines or others sanctions were imposed on our capital group companies for the violation of environmental regulations. In 2019, two inspections were carried out by the voivodeship environmental protection supervisors. In both cases, Budimex did not agree with their content and therefore the cases are pending.

Specific risks are related to the activities of our other companies. Waste management activities (FBSerwis) entail the risk of environmental pollution associated with incorrect waste handling, e.g. waste storage in an ill-equipped place. As a result, dangerous substances may leak into the soil and water environment or malodorous substances may be emitted. Any failure to comply with the applicable rules of conduct may also result in excessive emission of noise and air pollutants. FBSerwis carries out waste management activities according to the general environmental protection requirements and relevant administrative decisions (integrated permits, permit to collect or process waste).

The permits specify the framework for activities and determine:

- waste handling method, including: waste treatment processes, quantities of waste treated and generated, waste storage areas, etc.;
- requirements ensuring environmental protection, including measures to prevent emissions, methods of accident prevention, acceptable levels of emission to the environment.

The applied procedures include, but are not limited to, the waste stream management and management of emissions to the environment (including e.g. prevention and minimisation of emissions; treatment of waste gas streams).

In 2019, FBSerwis took a number of measures to adapt its activities to the new legal requirements. The fire protection conditions were agreed for waste management plants and storage and transport bases. In all places where waste was collected or treated, new video surveillance systems were installed. In 2019, works related to the infrastructure modernisation and extension (extension of halls and storage yards, adaptation to fire protection requirements) started.

In 2019, two fire incidents occurred in the Waste Management Plant operated by FBSerwis Kamieński Sp. z o.o.:

- On 20 April, waste self-ignition occurred at the landfill site. Fire was extinguished by firefighters and FBSerwis staff. Evidence suggests arson. The police identified a breach in the site fencing.
- On 24 November, a fire incident was observed in the alternative fuel warehouse – RDF fuel heated up, which resulted in its self-ignition. Fire brigade was present at the site, however, due to the ignition specificity, the fire extinguishing action was not carried out. The origin of fire was limited to approx. 1 m³ of the material and it was physically removed from the building with heavy equipment.

103-1(308)

103-2(308)

308-1

308-2

Nature conservation in the supply chain

We oblige our subcontractors in our Subcontractor Code to respect legal standards and environmental decision at the investment site. As part of bid submission, the subcontractors who are interested in cooperation

must acknowledge, among others, the guidelines concerning environmental standards. Environmental requirements are included in an annex to agreements – “Environmental Protection Requirements.” Every subcontractor must respond to emergencies and environmental incidents according to the system and standards of the Budimex Group.

Every subcontractor is going through training related to the environmental protection procedures and to the rules of conduct in the event of failure. Their equipment is also subject to technical efficiency assessment. Supervisors of a given construction site receive specialist training in environmental protection, while the remaining staff participates in regular training courses titled “Training in the Area of OHS Management and Environmental Protection on Contract”.

In 2019, 885 suppliers were subject to initial qualification and 1,420 cooperation summary assessments were conducted, within which environmental issues were also analysed. Irregularities related to the environmental protection were found only in nine cases.



REASONABLE USE OF RESOURCES AND ENVIRONMENTAL PROTECTION



103-1(302) 103-2(302) 103-1(305) 103-2(305) 302-1

Fuel, energy and CO₂ emissions

Our demand for fuel and energy follows mainly from:

- production of bituminous mass,
- operation of construction equipment, transport of materials, raw materials and waste,
- use of company cars.

The current energy consumption of works (and the resulting emissivity) is closely linked to the stage at which the investment implementation is placed (e.g. increased demand for transport, operation of machines or production of bituminous mass). Due to a relatively long contract performance cycle (much more than one year), comparing energy demand and energy consumption on an annual basis is rather unreliable. Positive or negative changes in effects may result from the current state of implementation of the contract portfolio, instead of changes in the operating model. Nevertheless, they do occur, as we take actions aimed just at permanent reduction of energy consumption and emissivity, e.g. through successive replacement of equipment for models that are more environmentally friendly. We also carry out educational activities to inform employees about these issues and to rationalise their behaviour. It is about instilling healthy habits and eliminating bad practices, such as, among others, increased fuel and energy consumption. In 2019, the first electric vehicles appeared in Budimex SA. Quiet and environmentally friendly garbage trucks powered by compressed natural gas (CNG) also constitute an interesting solution. Three vehicles of that type joined the Wrocław fleet of FBSerwis in September.

103-1(301) 103-2(301) 301-1 301-2

Materials and raw materials

The materials and raw materials that are transported to and used at construction sites have also their environmental impact. Our most frequently used raw materials and materials include plain and modified road asphalt, cement, concrete, steel, hydraulic binders, lime dust, asphalt aggregate (including sand and grit), construction aggregate (sand, gravel), road aggregate (sand, grit, etc.), hydro-technical stone and railway breakstone. The following may be reprocessed: slag, rock spoil, cement, crushed-stone aggregate for bituminous mass, crushed-stone aggregate mixes, concrete, steel, wood.

The effective management of a demand for materials and raw materials and their recycling is possible thanks to value engineering (VE) – a monitoring system for their use, applied to optimise the use of materials and to limit the amount of produced waste. VE allows us also to reduce costs, which is a very good example of an activity aimed at the reduction of the investment's adverse environmental impact with simultaneous business benefits.

To optimise the transport of materials and thus minimise the carbon footprint of the entire investment, we have a network of our own bituminous mass factories, which, if necessary, may be relocated within five-six weeks.

Waste management

Waste produced during construction may adversely affect the local biosphere. They usually come from demolition and refurbishment works. Their quantity depends on a number of contracts and the level of their progress. We guarantee that waste is removed with utmost care and hazardous waste is appropriately disposed of so that not to pose a threat to people and environment. Waste management on construction sites is regulated by the Waste Management Plan contained in the BIOZ Plan. If hazardous waste is to be generated in the course of works, prior to the commencement of works the contractor must include this in the „Safe Work Performance” Instruction and respond to emergencies and environmental incidents during their performance. Proper waste management on construction sites and monitoring of potential residuals of hazardous substances is coordinated on an ongoing basis on the investment site by laboratories located there.

A different type of waste is generated at each construction stage. Bricks and concrete waste are produced during demolition of facilities, on the site where a new investment is to be established, while old asphalt or track ballast constitute waste produced after the road and track removal. The most

commonly generated waste types include soil and rubble, rocks and waste from renovation and disassembly of construction facilities and road infrastructure. Many of them can be re-used at subsequent stages of conducted works. Removed soil is a valuable raw material that may be applied for finishing works. Bushes or branches from clearance, which often cannot be avoided, may be used as a biomass fuel or gardening material after the so-called chipping, i.e. fine grinding.

Most of waste generated on construction sites may be recycled only in a limited way. Nevertheless, more and more often a lot of waste is used economically (e.g. crushed concrete from demolition may perform a role of aggregate, as well as the removed bituminous mass – crushed asphalt, is 100% re-used, etc.). At the demolition of buildings, metal, wood, glass, rubble, breckstone, etc. may be used.

In turn, Mostostal Kraków activities are mainly related to works using steel and other construction materials. Production starts with the process of the so-called fastening them and forming sub-groups. Next, welding is performed, usually with the MIG method. Finally, the entire structure is subject to finishing processes (e.g. to shot blasting). Waste, mainly steel fragments, dust and mill scale, is generated at various stages of processing.



SUMMARY OF ACCOMPLISHMENT OF STRATEGY OBJECTIVES FOR THE YEARS 2016-2020



| Objectives | Indicator (KPI) | 2019 | |
|--|---|---------------------------------------|----------------|
| | | Purpose | Accomplishment |
| Area 1: Improvement of occupational health and safety standards | | | |
| Zero fatal accidents among the company's employees and employees of subcontractors operating at construction sites | Liczba wypadków śmiertelnych | 0 | X |
| Lowering the value of the accident frequency index among Budimex Group's employees | Level of accident frequency among Budimex Group's employees | <100% of the last level's index value | X |
| Lowering the value of the accident frequency index among Budimex Group's employees | Level of accident frequency among Budimex Group's employees | <100% of the last level's index value | X |

Comment:

- in 2019, there were 2 fatal accidents in which 3 employees of Budimex Group died (collective accident on the Suwałki bypass and fatal accident on the German market). In addition, one fatal accident took place in 2019 at the subcontractor in which 1 person died,
- the frequency indicator of accidents increased slightly, i.e. its value increased from 14.18 in 2018 to 14.98 in 2019 (106% of the previous year's values),
- due to fatal accidents among employees, the severity index increased from 27.45 to 36.6, i.e. 133% of the previous year's index.

At the same time, it is worth noting:

- continuous training of the employees in OHS (increased number of trained persons and the total number of training hours),
- care for workplace ergonomics (percentage of positions of white-collar workers that meet the accepted ergonomic criteria at the level of $\geq 80\%$ vs. the previous year),
- providing collective and personal protective equipment that meets the requirements of standards and ensuring the highest possible comfort of use (0 justified complaints in this respect),
- improvement of the first aid system by equipping contracts with first aid equipment ($>75\%$ equipped sites with full staff of trained people),
- ongoing audits of subcontractors with regard to OHS (100% of audited contracts for OHS per month)
- building an organisational culture, the key element of which will be safety at work (compared to the previous edition of the survey, there was an increase in positive answers to the question "The company takes seriously health and safety issues" from the assessment of workplace environment).

| | | 2019 | |
|---|---|----------------------------------|---|
| Objectives | Indicator (KPI) | Purpose | Accomplishment |
| Area 2: Reduction of the environmental impact | | | |
| Effective use of energy and reduction of associated emission. | Toe/1 million sales revenue | 2,85 | X (2,90) |
| Optimum use of raw materials and materials and minimisation of generated waste. | %/1 million sales revenue | 8% | X (1,99%) |
| Control of environmental risks and environmental damage and emergency prevention | Number of emergencies | 0 | X (leakage to the ground of petroleum-derived substances during the disassembly of sewage systems) |
| <u>Comment:</u> | | | |
| <ul style="list-style-type: none"> The effective use of energy and reduction of emissions (Toe/1 million sales revenue – 2.80). Optimum use of raw materials and materials and minimisation of generated waste (% 1 million sales revenue). Control of environmental risks (number of failures < 1/1 million revenue – 0). | | | |
| Area 3: Being a neighbour, guest and partner for local communities | | | |
| Zero environment-related conflicts which might have resulted in the cessation of works | Number of environment-related conflicts which might result in the cessation of works | 0 | V |
| Area 4: Being a neighbour, guest and partner for local communities | | | |
| Zero unverified cases of potential unethical conduct | Number of unverified cases of potential unethical conduct | 0 | V |
| <u>Comment:</u> | | | |
| <ul style="list-style-type: none"> 100% of the analysed requests submitted by the employees of subcontractors. In 2019, 6 notifications regarding non-compliance with the provisions of the Code of Ethics and / or Compliance Policy at Budimex SA were recognized, of which 3 related to employee issues, 2 potential mismanagement, 1 violation of procedures. | | | |
| Area 5: Building unique competencies and friendly workplace atmosphere | | | |
| Maximising the value of the personnel satisfaction index | Satisfaction index value | ≥100% of the last testing value | - |
| <u>Comment:</u> | | | |
| Currently, it is difficult to compare the results of the engagement survey in the indicated categories with respect to the previous survey carried out in 2018: the latest results have been prepared on the basis of a different set of questions. | | | |
| Area 6: Top quality assurance | | | |
| Maximisation of the Quality Conformance (QC) index | Value of the Quality Conformance (QC) index | ≥100% of the last period's value | V |
| <u>Comment:</u> | | | |
| The QC value for 2019 was 94.6% compared to 94.3% for 2018. | | | |
| Area 7: Support of the culture of innovation | | | |
| Increase in innovativeness | Results of the "Workplace Atmosphere Survey" – question: "The company encourages me to look for innovative forms of work" | ≥100% of the last period's value | V |
| Area 8: provision of surveillance mechanisms for social and environmental results of activities. | | | |
| Provision of reliable financial and non-financial reporting | Social reporting | V | V |



ABOUT THE REPORT

102-45 102-52

This report is another annual integrated report, i.e. it presents all the financial, social and environmental results at Budimex Group. The report layout and the comparability of the data presented with previous years provides comprehensive information for accurate assessment of the organisation's performance.

102-10 102-45 102-51

It covers the most important activities of Budimex Group between 1 January and 31 December 2019. The previous report was published in May 2019. This report contains information and results for financial matters concerning all Budimex Group companies included in the consolidated financial statements: Among these companies, the greatest social and environmental impact was presented by: Budimex SA, Mostostal Kraków SA, Budimex Nieruchomości Sp. z o.o. and FBSerwis Sp z o.o. (the last company has been owned in 100% by Budimex SA as a result of ownership changes since July 2019). They were the focal point with regard to the description of non-financial aspects of the business. The report did not cover subsidiaries that were not included in the consolidated financial statement of the Group due to their intangibility. The list of these companies is included in the consolidated statement of the Budimex Group for 2019.

102-54 102-56

The report was prepared in accordance with GRI Standards in the core version with the guidelines of the International Integrated Reporting Council (IIRC) in the scope of integrated reporting. The report was subject to a non-mandatory verification of an independent auditor. It was carried out by Deloitte Advisory Sp. z o.o. sp. k. Verification based on selected GRI indicators (marked with „*” in the first column of the GRI Table).

102-10 102-43 102-46

Importance of issues in the report

The process of defining important aspects was conducted in Budimex Group for the first time in 2012 as part of comprehensive audit among key managers. The audit was based on the guidelines of the standard PN-ISO 26000 and concerned the analysis with indication of key areas of the Group's responsibility. One year later, the selected areas were re-verified in terms of environmental and financial aspects and then developed by the Budimex CSR Committee established in 2013. The areas are also strongly emphasised in the CSR Strategy for 2016-2020. The Strategy is settled in the report, which refers directly to the areas of the Strategy. These areas are monitored by the CSR Committee and they are modified in the event of significant changes in the business model or environment. They are monitored with the use of the following: the results of generally available studies and analyses concerning the construction sector, opinions of Budimex employees, exchange of experience during the Steering Committee meetings at the Agreement for Safety in Construction, associating the largest companies of the construction industry.

Following the publication in 2019 of the 2018 integrated report, we asked our stakeholders to evaluate the report, as we wanted to communicate better in the report in the coming years. They responded to different questions, e.g. regarding transparency and legibility, as well as the completeness of the information contained. They could also share their concerns as well as indicate expectations for future publications. Importantly, 92% of the respondents considered the report clear and transparent. 80% stated that it is complete and contains all necessary information.

The Management Board of Budimex SA decided that there was no need to repeat the significance test among the key managers for the purposes of this report, since, as compared to the previous year, no important changes in this respect have occurred. Such issues such as accident rates, cooperation with subcontractors, biodiversity are still most often indicated by stakeholders. This results from the unchangeable scope of business activity and environmental and social impact. The currently defined areas are consistent with the 2016–2020 Budimex CSR Strategy.

List of key issues for the Budimex Group’s activity:

- employment conditions, occupational health and safety (OHS),
- influence on local environment and biodiversity,
- unethical conduct prevention,
- quality and safety of construction facilities,
- reasonable use of resources and environmental pollution.

103-1 102-47

Based on the previously mentioned materiality analysis, the materiality of individual aspects is as follows:

| Social or environmental aspect | Aspects of impact and indicators according to GRI | Grupa Budimex | Budimex SA | Budimex Nieruchomości Sp. z o.o. | Mo-stostal Kraków SA | FBSerwis Sp. z o.o. |
|---|--|---------------|------------|----------------------------------|----------------------|---------------------|
| Employment conditions, occupational health and safety (OHS) | <ul style="list-style-type: none"> • Workplace: occupational health and safety (403-1, 403-2, 403-3) • Supplier assessment (414-1, 414-2) | high* | high* | high* | high* | high* |
| Impact on the local environment and biodiversity | <ul style="list-style-type: none"> • Biodiversity (304-1, 304-2, 304-3, 304-4) • Environmental assessment of suppliers (308-1, 308-2) • Local community (413-1, 413-2) | high* | high* | high* | high* | high* |
| Unethical conduct prevention | <ul style="list-style-type: none"> • Human rights: investments (412-3) • Human rights: complaint transfer procedure (103-3) • Anti-corruption (205-1, 205-3) | high* | high* | high* | high* | high* |
| Quality and safety of constructed facilities | <ul style="list-style-type: none"> • Customer health and safety (416-1, 416-2) | high* | high* | high* | high* | low* |
| Reasonable use of resources and environmental pollution | <ul style="list-style-type: none"> • Raw materials and materials (301-1, 301-2) • Energy (302-1,) • Emissions (305-1, 305-2,, 305-7) • Sewage and waste (306-2, 306-3) • Compliance with the regulations (307-1) • Environmental assessment of suppliers (308-1, 308-2) • Other (industry) (CRE2, CRE8) | medium* | medium* | medium* | medium* | medium* |

*Aspects in case of which the extended responsibility may be discussed, i.e. taking into account the activities of suppliers and subcontractors in the supply chain.

Stakeholders

When developing long-term relationships with stakeholders, we follow our corporate values: responsibility, ethics, cooperation and ambition. The CSR Committee appointed by the Group watches over the assurance that communication with key stakeholder groups is kept in a transparent form, in accordance with the open dialogue principles. We choose communication tools according to the needs of the specific group. We participate in many meetings and business and industry conferences, we have corporate profiles in social media, we use artificial intelligence (chat bot), we implement social projects, we are a member of associations and organisations acting for the construction industry, we conduct surveys for suppliers. In communication, we care a lot about developing direct relations.

The stakeholders map features 6 major groups which have an impact on the Budimex Group and those that the Group has impact on. They include:

- Employees and social partners (full-time employees, students and potential employees, former employees, trade unions, employees of subcontractors and suppliers, labour inspection and other similar supervision authorities);
- Investors (strategic investor, institutional investors, individual investors, Warsaw Stock Exchange, brokerage houses, banks);
- Customers (GDDKiA, institutional customers, individual customers, business partners, key suppliers, subcontractors, local government and government administration);

- Society (local communities within the investment area, residents and community leaders, universities and academics/students, technical and professional organisations);
- Natural environment (environmental organisations, environmental supervision inspectors, State Forests).
- Media, public opinion.

The CSR Committee and Communication Department are responsible for dialogue with stakeholders, regularly analysing and updating external and internal factors that may affect the dialogue process and the importance of key areas of the Budimex Group's responsibilities. The Group applies the principle of decentralised dialogue, which means that direct relations with stakeholders prevail. The contact frequency depends on the nature of the given group and its needs. The communication with stakeholders takes place not only in the form of actions required by law, i.e. by publishing information in current and periodic reports, but is also supplemented by numerous additional activities and tools. Channels of communication with stakeholders are adapted to the given target group. These include, among others, surveys for suppliers as well as all the other stakeholder groups, meetings, conferences, social media, chat bots, social projects, participation in external initiatives, e.g. Agreement for Safety in Construction.

The Communication Department, the Spokesperson and the Strategic Analysis Office are responsible for dialogue with external environment.



NON-FINANCIAL DATA TABLES

102-45

Table 1: Entities included in the consolidated financial statements

| Unit name | Registered office | Share in the share capital and number of votes (%) |
|---|----------------------------|--|
| Budimex SA (parent company) | Warsaw/Poland | n.d. |
| Mostostal Kraków SA | Cracow/Poland | 100,00% |
| Mostostal Kraków Energetyka Sp. z o.o. | Cracow/Poland | 100,00% |
| Budimex Bau GmbH | Cologne/Germany | 100,00% |
| Budimex Nieruchomości Sp. z o.o. | Warsaw/Poland | 100,00% |
| Budimex Budownictwo Sp. z o.o. | Warsaw/Poland | 100,00% |
| SPV-PIM1 Sp. z o.o. | Warsaw/Poland | 100,00% |
| Budimex Kolejnictwo SA | Warsaw/Poland | 100,00% |
| Parking Wrocław Sp. z o.o. | Warsaw/Poland | 51,00% |
| FBSerwis SA* | Warsaw/Poland | 100,00% |
| FBSerwis A Sp. z o.o. 1 | Warsaw/Poland | 100,00% |
| FBSerwis B Sp. z o.o. 1 | Warsaw/Poland | 100,00% |
| FBSerwis Karpatia Sp. z o.o. 1 | Tarnów/Poland | 100,00% |
| FBSerwis Wrocław Sp. z o.o. 1 | Bielany Wrocławskie/Poland | 100,00% |
| FBSerwis Dolny Śląsk Sp. z o.o. 1 | Ścinawka Dolna/Poland | 100,00% |
| FBSerwis Kamieński Sp. z o.o. 1 | Kamieński/Poland | 80,00% |

*Budimex SA purchased 51% of shares in FBSerwis SA on 3 July 2019 and thus acquired the control over the company and its subsidiaries.

413-1

Table 2: Charitable and sponsorship activities

| | 2018 | 2019 |
|----------------------|-----------|--------------|
| Budimex Group | | |
| donations (PLN) | 1 890 000 | 883 300,00 |
| sponsorship (PLN) | 1 202 500 | 1 650 380,00 |
| including Budimex SA | | |
| donations (PLN) | 1 890 000 | 797 930,00 |
| sponsorship (PLN) | 1 202 500 | 1 580 480,00 |

Table 3: Innovation activities

| | 2018 | 2019 |
|---|----------|--------------|
| Expenditure on R&D (with consideration of own expenditure and obtained subsidies, in PLN) | 4745 300 | 2 101 144,99 |
| Number of employees involved in innovative projects | 102 | 54 |

Table 4: Employment at the end of the year

| | 2018 | | | 2019 | | |
|---|-------|------|-------|-------|------|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group* | 1338 | 5568 | 6906 | 1456 | 6022 | 7478 |
| - Polish market | 1334 | 4496 | 5830 | 1451 | 4987 | 6438 |
| definite period | 391 | 1772 | 2163 | 376 | 1820 | 2196 |
| indefinite period | 943 | 2724 | 3667 | 1075 | 3167 | 4242 |
| full-time | 1314 | 4480 | 5794 | 1431 | 4969 | 6400 |
| part-time | 20 | 16 | 36 | 20 | 18 | 38 |
| age below 30 | 482 | 927 | 1409 | 473 | 863 | 1336 |
| age 30-50 | 773 | 2748 | 3521 | 879 | 3048 | 3927 |
| age over 50 | 79 | 821 | 900 | 99 | 1076 | 1175 |
| employees cooperating on the basis of civil law contracts** | 114 | 77 | 191 | 117 | 311 | 428 |
| - German market | 4 | 1072 | 1076 | 5 | 1035 | 1040 |
| definite period | 0 | 1052 | 1052 | 3 | 1005 | 1008 |
| indefinite period | 4 | 20 | 24 | 2 | 30 | 32 |
| full-time | 4 | 1072 | 1076 | 5 | 1035 | 1040 |
| part-time | 0 | 0 | 0 | 0 | 0 | 0 |
| age below 30 | 0 | 120 | 120 | 0 | 145 | 145 |
| age 30-50 | 1 | 606 | 607 | 1 | 560 | 561 |
| age over 50 | 2 | 346 | 348 | 4 | 330 | 334 |
| employees cooperating on the basis of civil law contracts** | 2 | 1 | 3 | 1 | 2 | 3 |
| Budimex SA | 1216 | 4782 | 5998 | 1187 | 4415 | 5602 |
| - Polish market | 1212 | 3857 | 5069 | 1182 | 3504 | 4686 |
| definite period | 356 | 1524 | 1880 | 285 | 1120 | 1405 |
| indefinite period | 856 | 2333 | 3189 | 897 | 2384 | 3281 |
| full-time | 1199 | 3860 | 5059 | 1163 | 3496 | 4659 |
| part-time | 15 | 10 | 25 | 19 | 8 | 27 |
| age below 30 | 451 | 803 | 1254 | 404 | 624 | 1028 |
| age 30-50 | 695 | 2459 | 3154 | 704 | 2316 | 3020 |
| age over 50 | 68 | 608 | 676 | 74 | 564 | 638 |
| employees cooperating on the basis of civil law contracts** | 99 | 73 | 172 | 76 | 55 | 131 |
| - German market | 4 | 925 | 929 | 5 | 911 | 916 |
| definite period | 0 | 906 | 906 | 2 | 883 | 885 |
| indefinite period | 4 | 19 | 23 | 3 | 28 | 31 |
| full-time | 4 | 925 | 929 | 5 | 911 | 916 |
| part-time | 0 | 0 | 0 | 0 | 0 | 0 |
| age below 30 | 0 | 97 | 97 | 0 | 129 | 129 |
| age 30-50 | 1 | 537 | 538 | 1 | 499 | 500 |
| age over 50 | 3 | 291 | 284 | 4 | 283 | 287 |
| employees cooperating on the basis of civil law contracts** | 2 | 1 | 3 | 1 | 2 | 3 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA).

**not included in the total employees, not including subcontractors.

Table 5: Admission of new employees

| | 2018 | | | 2019 | | |
|--------------------------|-------|------|-------|------------|-------------|-------------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group* | 273 | 2481 | 2754 | 237 | 1750 | 1987 |
| - Polish market | 273 | 1557 | 1830 | 234 | 791 | 1025 |
| age below 30 | 164 | 497 | 661 | 128 | 254 | 382 |
| age 30-50 | 97 | 838 | 935 | 95 | 411 | 506 |
| age over 50 | 12 | 222 | 234 | 11 | 126 | 137 |
| % share of new employees | 21% | 35% | 31% | 16% | 16% | 16% |
| - German market | 0 | 924 | 924 | 3 | 959 | 962 |
| age below 30 | 0 | 162 | 162 | 0 | 185 | 185 |
| age 30-50 | 0 | 493 | 493 | 1 | 544 | 545 |
| age over 50 | 0 | 269 | 269 | 2 | 230 | 232 |
| % share of new employees | 0 | 86% | 86% | 0 | 93% | 93% |
| Budimex SA | 237 | 2185 | 2422 | 168 | 1234 | 1402 |
| - Polish market | 237 | 1386 | 1623 | 165 | 389 | 554 |
| age below 30 | 150 | 418 | 568 | 98 | 132 | 230 |
| age 30-50 | 79 | 768 | 847 | 59 | 211 | 270 |
| age over 50 | 8 | 200 | 208 | 8 | 46 | 54 |
| % share of new employees | 20% | 36% | 32% | 14% | 11% | 12% |
| - German market | 0 | 799 | 799 | 3 | 845 | 848 |
| age below 30 | 0 | 135 | 135 | 0 | 171 | 171 |
| age 30-50 | 0 | 435 | 435 | 1 | 477 | 478 |
| age over 50 | 0 | 229 | 229 | 2 | 197 | 199 |
| % share of new employees | 0% | 86% | 86% | 0% | 93% | 93% |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA).

Table 6: Employee departures

| | 2018 | | | 2019 | | |
|----------------------|-------|-------|-------|-------|-------|------------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group | 205 | 1911 | 2116 | 237 | 2111 | 2348 |
| - Polish market | 205 | 909 | 1114 | 234 | 1114 | 1348 |
| age below 30 | 74 | 260 | 334 | 95 | 283 | 378 |
| age 30-50 | 110 | 499 | 609 | 124 | 612 | 736 |
| age over 50 | 21 | 150 | 171 | 15 | 219 | 234 |
| turnover ratio | 15,4% | 20,3% | 19,2% | 16,1% | 22,3% | 20,9% |
| - German market | 0 | 1002 | 1002 | 3 | 997 | 1000 |
| age below 30 | 0 | 175 | 175 | 0 | 142 | 142 |
| age 30-50 | 0 | 545 | 545 | 1 | 584 | 585 |
| age over 50 | 0 | 282 | 282 | 2 | 271 | 273 |
| turnover ratio | 0,0% | 94,6% | 94,6% | 60% | 96% | 96% |

| | | | | | | |
|-------------------|-------|--------|--------|------------|-------------|-------------|
| Budimex SA | 185 | 1596 | 1781 | 196 | 1602 | 1798 |
| - Polish market | 185 | 723 | 908 | 193 | 742 | 935 |
| age below 30 | 66 | 190 | 256 | 87 | 191 | 278 |
| age 30-50 | 103 | 412 | 515 | 98 | 425 | 523 |
| age over 50 | 16 | 121 | 137 | 8 | 126 | 134 |
| turnover ratio | 15,2% | 18,7% | 17,9% | 16,3% | 21,2% | 20,0% |
| - German market | 0 | 880 | 880 | 3 | 860 | 863 |
| age below 30 | 0 | 142 | 142 | 0 | 122 | 122 |
| age 30-50 | 0 | 494 | 494 | 1 | 511 | 512 |
| age over 50 | 0 | 244 | 244 | 2 | 227 | 229 |
| turnover ratio | 0,0% | 96,49% | 96,49% | 60% | 94% | 94% |

* data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA).

102-41

Table 7: Percentage of employees covered by collective agreements

| | 2018 | 2019 |
|-----------------------------|-------|-------|
| Budimex Group, including: | 96,5% | 81,4% |
| Budimex SA | 99,2% | 99,6% |
| BX Nieruchomości Sp. z o.o. | 0,0% | 0,0% |
| BX Kolejnictwo SA | 0,0% | 0,0% |
| FBSerwis SA | - | 0,0% |
| Mostostal Kraków SA | 99,5% | 99,7% |

Note: data refer to the Polish market.

405-2

Table 8: Ratio of basic salary of men and women by occupied position

| | 2018 | 2019 |
|---|-------|--------|
| Budimex Group | | |
| Blue-collar workers | 20,0% | 25,0% |
| White-collar workers | 15,0% | 18,0% |
| Managers | 6,0% | 6,0% |
| Directors | 10,7% | 10,0% |
| Management Board | - | 60,0% |
| Budimex SA | | |
| Blue-collar workers | 20,0% | 17,8% |
| White-collar workers | 17,0% | 19,9% |
| Managers | 7,0% | 7,3% |
| Directors | 14,0% | 11,9% |
| Management Board | - | - |
| Budimex Nieruchomości Sp. z o.o. | | |
| Blue-collar workers | 17,0% | 16,00% |
| White-collar workers | 5,9% | 16,7% |
| Managers | 13,6% | 24,0% |
| Directors | 0,7% | 1,0% |
| Management Board | 31,0% | 29,6% |

| | 2018 | 2019 |
|-------------------------------|-------|-------|
| Mostostal Kraków SA | | |
| Blue-collar workers | - | - |
| White-collar workers | -1,7% | 6,0% |
| Managers | 12,9% | 21,6% |
| Directors | - | - |
| Management Board | - | - |
| Budimex Kolejnictwo SA | | |
| Blue-collar workers | - | - |
| White-collar workers | 29,0% | 10,0% |
| Managers | - | - |
| Directors | - | - |
| Management Board | - | - |
| FBSerwis SA | | |
| Blue-collar workers | - | 31,3% |
| White-collar workers | - | 32,3% |
| Managers | - | 10,1% |
| Directors | - | 15,7% |
| Management Board | - | - |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o. (does not include FBSerwis SA and German market)..

202-1

Table 9: Ratio of remuneration at the lowest level to the official minimum wage in the country

| | 2018 | | | 2019 | | |
|----------------------|-------|------|-------|-------|------|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group | 117% | 129% | 129% | 106% | 112% | 112% |
| Budimex SA | 125% | 133% | 125% | 146% | 152% | 152% |

Note: data refer to the Polish market.

401-3A

Table 10: Number of employees on maternity/paternity leaves as of 31 December

| | 2018 | | | 2019 | | |
|-----------------------|-------|-----|-------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group* | 75 | 6 | 81 | 114 | 6 | 120 |
| - Polish market | 75 | 4 | 79 | 114 | 5 | 119 |
| - German market | 0 | 2 | 2 | 0 | 1 | 1 |
| Budimex SA | 148 | 277 | 425 | 99 | 6 | 105 |
| - Polish market | 148 | 247 | 395 | 99 | 5 | 104 |
| - German market | 0 | 30 | 30 | 0 | 1 | 1 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA); without FBSerwis SA in 2018.

401-3B

Table 11: Number of employees who returned to work after maternity/paternity leaves during the year

| | 2018 | | | 2019 | | |
|-----------------------|-------|-----|-------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group* | 72 | 287 | 359 | 87 | 337 | 424 |
| - Polish market | 72 | 259 | 331 | 87 | 315 | 402 |
| - German market | 0 | 28 | 28 | 0 | 22 | 22 |
| Budimex SA | 70 | 267 | 337 | 76 | 304 | 380 |
| - Polish market | 70 | 241 | 311 | 76 | 283 | 359 |
| - German market | 0 | 26 | 26 | 0 | 21 | 21 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSeerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków Sp. z o.o.); without FBSeerwis SA in 2018..

401-3C

Table 12: Percentage of employees who left the company within 12 months after their return to work from maternity/paternity leaves

| | 2018 | | | 2019 | | |
|----------------------|-------|--------|--------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Group | 31% | 12% | 16% | 18% | 12% | 14% |
| - Polish market | 32% | 10,50% | 15,20% | 18% | 10% | 11% |
| - German market | 0% | 25% | 25% | 0 | 55% | 55% |
| Budimex SA | 31,4% | 11,6% | 15,7% | 20% | 13% | 14% |
| - Polish market | 31,4% | 10,4% | 15,1% | 20% | 10% | 12% |
| - German market | 0,0% | 23,1% | 23,1% | 0% | 52% | 52% |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSeerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA); without FBSeerwis SA in 2018.

405-1

Table 13: Diversity in management bodies

| | 2018 | | | 2019 | | |
|----------------------|-------|-----|-------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex SA | | | | | | |
| Management Board | 0 | 7 | 7 | 0 | 6 | 6 |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 0 | 3 | 3 | 0 | 1 | 1 |
| age over 50 | 0 | 4 | 4 | 0 | 5 | 5 |
| including foreigners | 0 | 0 | 0 | 0 | 0 | 0 |
| Supervisory Board | 1 | 8 | 9 | | | |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 0 | 1 | 1 | 1 | 0 | 1 |
| age over 50 | 1 | 7 | 8 | 2 | 7 | 9 |
| including foreigners | 0 | 4 | 4 | 0 | 4 | 4 |

| | 2018 | | | 2019 | | |
|---|-------|-----|-------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Budimex Nieruchomości sp. z o.o. | | | | | | |
| Management Board | 1 | 3 | 4 | 1 | 3 | 4 |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 1 | 1 | 2 | 1 | 1 | 2 |
| age over 50 | 0 | 2 | 2 | 0 | 2 | 2 |
| including foreigners | 0 | 0 | 0 | 0 | 0 | 0 |
| Supervisory Board | 0 | 3 | 3 | 0 | 4 | 4 |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 0 | 0 | 0 | 0 | 1 | 1 |
| age over 50 | 0 | 3 | 3 | 0 | 3 | 3 |
| including foreigners | 0 | 2 | 2 | 0 | 1 | 1 |
| Mostostal Kraków SA | | | | | | |
| Management Board | 0 | 2 | 2 | 0 | 2 | 2 |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 0 | 1 | 1 | 0 | 1 | 1 |
| age over 50 | 0 | 1 | 1 | 0 | 1 | 1 |
| including foreigners | 0 | 0 | 0 | 0 | 0 | 0 |
| Supervisory Board | 1 | 2 | 3 | 1 | 2 | 3 |
| age below 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| age 30-50 | 1 | 2 | 3 | 1 | 2 | 3 |
| age over 50 | 0 | 0 | 0 | 0 | 0 | 0 |
| including foreigners | 0 | 1 | 1 | 0 | 1 | 1 |
| FBSerwis SA | | | | | | |
| Management Board | | | | 2 | 3 | 5 |
| age below 30 | | | | 0 | 0 | 0 |
| age 30-50 | | | | 2 | 2 | 4 |
| age over 50 | | | | 0 | 1 | 1 |
| including foreigners | | | | 0 | 0 | 0 |
| Supervisory Board | | | | 0 | 5 | 5 |
| age below 30 | | | | 0 | 0 | 0 |
| age 30-50 | | | | 0 | 2 | 2 |
| age over 50 | | | | 0 | 3 | 3 |
| including foreigners | | | | 0 | 1 | 1 |

404-1

Table 14: Average number of training hours per employee per year

| | 2018 | 2019 |
|----------------------|------|------|
| Budimex Group | | |
| by gender | | |
| Men | 7,9 | 7,1 |
| Women | 20,7 | 16,0 |
| by position | | |
| Management Board | 17,9 | 21,0 |
| Directors | 33,3 | 33,9 |

| | | |
|--------------------------------|-----------|-----------|
| Managers | 23,0 | 17,6 |
| Specialist positions and other | 5,4 | 4,9 |
| Total | 10 | 9 |
| including Budimex SA | | |
| by gender | | |
| Men | 9,0 | 8,1 |
| Women | 21,7 | 17,2 |
| by position | | |
| Management Board | 23,8 | 23,4 |
| Directors | 36,6 | 38,9 |
| Managers | 24,2 | 18,3 |
| Specialist positions and other | 6,1 | 5,6 |
| Total | 12 | 10 |

403-8

Table 15: OHS management system

| | 2018 | 2019 |
|---|--------|--------|
| Budimex Group* | | |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system | 13033 | 15572 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system | 99 | 93 |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system and internal audit | 11817 | 14417 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system and internal audit | 99 | 93 |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system, external audit and certification | 11817 | 14417 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system, external audit and certification | 99 | 93 |
| including Budimex SA | | |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system | 11 058 | 13 703 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system | 100 | 100 |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system and internal audit | 11 058 | 13 703 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system and internal audit | 100 | 100 |
| Number of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system, external audit and certification | 11 058 | 13 703 |
| % of own employees and third-party employees working under supervision of the organisation, covered by the OHS management system, external audit and certification | 100 | 100 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA).

Table 16: Accidents at work

| | 2018 | 2019 |
|--|------|---------|
| Budimex Group* | | |
| Fatal accidents at work among own employees | 0 | 2 |
| Total accidents at work among own employees | 121 | 130** |
| Accident ratio for total accidents at work among own employees | 8,89 | 8,44 |
| Serious accidents at work among own employees | 2 | 1 |
| Accident ratio for total serious accidents at work among own employees | 0,15 | 0,06 |
| Minor accidents at work among own employees | 119 | 127 |
| Accident ratio for total light accidents at work among own employees | 8,74 | 8,24 |
| Fatal accidents at work among third-party employees | 3 | 1 |
| Total accidents at work among third-party employees Including the number of collective incidents of third party employees | 104 | 72 0 |
| Accident ratio for total accidents at work among third-party employees | 8,37 | 4,03 |
| Serious accidents at work among third-party employees | 3 | 3 |
| Accident ratio for total serious accidents at work among third-party employees | 0,24 | 0,17 |
| Serious accidents at work among third-party employees | 97 | 68 |
| Accident ratio for total light accidents at work among third-party employees | 7,81 | 3,81 |
| including Budimex SA | | |
| Fatal accidents at work among own employees | 0 | 1 |
| Total accidents at work among own employees | 69 | 72 |
| Accident ratio for total accidents at work among own employees | 7,12 | 7,46 |
| Serious accidents at work among own employees | 2 | 1 |
| Accident ratio for total serious accidents at work among own employees | 0,21 | 0,10 |
| Minor accidents at work among own employees | 67 | 70 |
| Accident ratio for total light accidents at work among own employees | 6,91 | 7,25 |
| Accidents at collective work | | |
| Among own employees | | 2 |
| Among employees of third parties | | 0 |
| Total number of persons injured in accidents at work | | |
| Among own employees | | 74 |
| Among employees of third parties | | 72 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków SA, Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA). Accidents and accident rates among third party employees relate only to Budimex SA.

**in 2019, 2 collective accidents occurred in Budimex SA, in which 4 people were injured, including 2 deaths. No collective accidents were reported in other Group companies.

Note: For accident ratios indicated by the GRI Standards, a conversion factor of 1,000,000 h of work was assumed. I.e. they were calculated as the quotient of a number of accidents, divided by the total number of hours worked multiplied by 1,000,000 h. In the absence of a precise actual number of hours worked, there was assumed the product of a naverage number of employees per year and a number of working hours per year, in the situation where a working day lasts 8 hours.

Table 17: Occupational diseases

| | 2018 | 2019 |
|--|------|------|
| Budimex Group* | | |
| Number of people who died as a result of occupational diseases among own employees | 0 | 0 |
| Number of identified cases of occupational diseases among own employees | 1 | 0 |
| Number of people who died as a result of occupational diseases among third-party employees | 0 | 0 |
| Number of identified cases of occupational diseases among third-party employees | 0 | 0 |

including Budimex SA

| | | |
|--|---|---|
| Number of people who died as a result of occupational diseases among own employees | 0 | 0 |
| Number of identified cases of occupational diseases among own employees | 1 | 0 |
| Number of people who died as a result of occupational diseases among third-party employees | 0 | 0 |
| Number of identified cases of occupational diseases among third-party employees | 0 | 0 |

*data for the Budimex Group include the following companies: Budimex SA, Budimex Nieruchomości Sp. z o.o., Mostostal Kraków Sp. z o.o., Budimex Kolejnictwo SA, Budimex Budownictwo Sp. z o.o., FBSerwis SA, including operations on the German market (Budimex SA and Mostostal Kraków SA).

301-1

Table 18: Raw materials and materials

| Raw material/material | Unit of measurement | Budimex SA | |
|----------------------------|-------------------------|------------|-----------|
| | | 2018 | 2019 |
| Paper | thousands of tonnes | 0,1 | 0,094 |
| Wood | thousand m ³ | 14,03 | 10,89 |
| Asphalt | thousands of tonnes | 78,84 | 57,76 |
| Cement | thousands of tonnes | 231,98 | 99,86 |
| Concrete | thousand m ³ | 1681,39 | 870,40 |
| Hydraulic binders | thousands of tonnes | 316,26 | 100,96 |
| Lime dust | thousands of tonnes | 55,16 | 29,73 |
| Steel | thousands of tonnes | 78,76 | 109,49 |
| Asphalt aggregates | thousands of tonnes | 1 660,75 | 1 102,55 |
| Hydro-technical aggregates | thousands of tonnes | 230,67 | 163,82 |
| Railway aggregates | thousands of tonnes | 467,14 | 1172,65 |
| Other aggregates | thousands of tonnes | 19 224,79 | 21 342,00 |

Note: The decrease in the contracting of asphalt aggregate results from the fact that the production of mineral-asphalt mixes was reduced compared to the same period in 2018. The increase in consumption of railway and steel aggregates is related to the increase in the share of railway projects in the portfolio of the Company's orders.

301-2

Table 19: Consumption of raw materials constituting their reuse

| Category of recovered raw material | unit of measurement | Budimex SA | | | |
|---|---------------------|------------|----------|----------|-------|
| | | 2016 | 2017 | 2018 | 2019 |
| Combustion by-products | thousands of tonnes | 37,61 | 20,07 | 6,03 | - |
| Soil | thousands of tonnes | 1 686,73 | 1 380,20 | 1 706,51 | 86,66 |
| Rubble | thousands of tonnes | - | 91,99 | 44,32 | 24,47 |
| Crushed asphalt | thousands of tonnes | - | 66,05 | 64,77 | 31,56 |
| Aggregate | thousands of tonnes | - | 8,69 | 0 | - |
| Track ballast | thousands of tonnes | - | 65,79 | 39,24 | 0,29 |
| Loose materials reused as % of purchased aggregates | | 1,8% | 8,2% | 8,6% | 0,7 % |

Note: With regard to the re-use of soil due to the change of the provisions of the Waste Act, there have been difficulties in obtaining permits for recovery /processing of waste, while entering the finishing phase of the works makes the volume of earthworks smaller than in previous years.

Table 20: Fuel and electricity consumption

| Energy source and energy raw materials | Unit of measurement | Budimex Group | | including Budimex | |
|--|---------------------------|---------------|------------|-------------------|-----------|
| | | 2018 | 2019 | 2018 | 2019 |
| Diesel oil | GJ | 370560,04 | 539 988,79 | 356849,89 | 426396,15 |
| | tonne | 8617,68 | 12 557,88 | 8298,83 | 9916,19 |
| Petrol | GJ | 22319,78 | 24 937,95 | 19668,3 | 21803,86 |
| | tonne | 503,83 | 562,94 | 443,98 | 492,19 |
| Light fuel oil | GJ | 41244,02 | 24052,12 | 40791,59 | 23618,33 |
| | tonne | 959,16 | 559,35 | 948,64 | 549,26 |
| Heavy fuel oil /LSC/ | GJ | 0 | 12,44 | 0 | 0 |
| | tonne | 0 | 0,31 | 0 | 0 |
| Electrical energy | GJ | 96809,32 | 91329,12 | 85794,28 | 66335,14 |
| | MWh | 26891,08 | 25505,69 | 23831,75 | 18426,43 |
| Electrical energy from renewable sources | GJ | 24742,07 | 9157,93 | 24742,07 | 9821,21 |
| | MWh | 6872,80 | 2543,87 | 6872,80 | 2728,11 |
| Heat energy | GJ | 41585,97 | 41293,07 | 41291,29 | 40135,46 |
| | MWh | 11551,66 | 11470,10 | 11469,8 | 11148,74 |
| Coal dust | GJ | 461873,80 | 292849,28 | 461873,8 | 292849,28 |
| | tonne | 22312,74 | 14147,31 | 22312,74 | 14147,31 |
| Network Natural Gas | GJ | 19457,26 | 28995,13 | 8411,47 | 9516,40 |
| | tonne | 405,36 | 604,07 | 175,24 | 198,26 |
| LPG | GJ | 337,93 | 113,81 | 287,87 | 113,23 |
| | tonne | 7,14 | 2,41 | 6,09 | 2,39 |
| Propane gas | GJ | 5344,87 | 5225,48 | 932,06 | 847,52 |
| | tonne | 113,00 | 110,48 | 19,71 | 17,92 |
| Total | GJ | 1084275,07 | 954131,48 | 1040642,61 | 891436,57 |
| | Toe: | | | | |
| | /tonne of equivalent oil/ | 25897,47 | 22891,41 | 24855,32 | 21291,60 |
| Energetic efficiency | GJ/mln PLN | | | 146,05 | 121,38 |
| | Toe/mln PLN | | | 3,49 | 2,90 |

Note: Budimex SA treats all energy utilities purchased by it as direct consumption. All fuels are consumed by machines and devices owned by Budimex. Despite the fact that part of the electricity is consumed by subcontractors, it is also treated as direct consumption, because no separation mechanisms have been introduced for electricity consumed separately by Budimex and subcontractors.

Data regarding the FBSerwis Group are estimates at the beginning of February 2020 and were not subject to verification by an independent auditor.

Table 21: Purchase of energy from renewable sources

| Use of renewable energy | Unit of measurement | Budimex SA | | | |
|--|---------------------|------------|----------|---------|---------------------|
| | | 2017 | 2018 | 2019 | Change year-to-year |
| Purchase of renewable energy | GJ | 24253,87 | 24671,46 | 9649,25 | -60,9% |
| Production of renewable energy | | 11,45 | 70,62 | 171,97 | 143,5% |
| Total: | | 24265,32 | 24742,07 | 9821,22 | -60,3% |
| Reduction CO ₂ emission /purchase/ | tonne | 5469,25 | 5563,41 | 2175,90 | -60,9% |
| Reduction CO ₂ emission /production/ | | 2,58 | 15,92 | 38,78 | 143,5% |
| Purchase of CO ₂ Absorption Units /carbon offset/ | | = | 8000 | 0 | |
| Total: | | 5471,83 | 13579,34 | 2214,68 | -83,7% |
| Efficiency | tonne/PLN million | 0,93 | 1,90 | 0,30 | -84,2% |

Table 22: CO₂ emission

| CO ₂ emission | Unit of measurement | Mostostal Kraków SA | | Budimex Nieruchomości Sp. z o.o. | | FBSerwis SA** | Budimex SA | |
|-----------------------------|---------------------|---------------------|---------|----------------------------------|---------|---------------|----------------------------------|----------------------------------|
| | | 2018 | 2019 | 2018 | 2019 | 2019 | 2018 | 2019 |
| Direct emission (Scope 1) | tonnes | 1481,6 | 1348,45 | 599,38 | 1108,83 | 6754,82 | 76474,8 | 64041,40 |
| Indirect emission (Scope 2) | tonnes | 1570,91 | 1322,76 | 775,80 | 1226,18 | 2995,10 | 19330,69 | 14958,57 |
| Total: * | tonnes | 3052,51 | 2671,21 | 1375,18 | 2335,01 | 9749,92 | 95805,49 (12,32 ton /mln PLN) | 78999,97 (10,77 ton /mln PLN) |

*all values refer to the use inside the organisation (Scope 1, Scope 2).

**data regarding the FBSerwis Group are estimates at the beginning of February 2020 and were not subject to verification by an independent auditor.

Note: There was no biogenic CO₂ emission in Budimex SA in both Scope 1 and Scope 2. The calculations are made using a consistent indicator methodology in force in the Ferrovia Group based on the GHG Protocol and the actual consumption of all basic fuels and electricity. Excluding emissions from system heat consumption, which is not provided for by the Ferrovia Group methodology.

305-7

Table 23: Emission of pollutants into the air - main sources

| Name of pollutant | Unit of measurement | Budimex SA | | |
|------------------------|---------------------|------------|--------|-------------------|
| | | 2018 | 2019 | Name of pollutant |
| | | | | year-to-year |
| Sulphur dioxide | tonne | 83,70 | 18,89 | -77% |
| Nitrogen oxide | tonne | 76,55 | 32,09 | -58% |
| Carbon monoxide | tonne | 99,27 | 86,59 | -13% |
| Total inhalable dust | tonne | 39,54 | 22,89 | -42% |
| Aromatic hydrocarbons | tonne | 14,82 | 8,04 | -46% |
| Aliphatic hydrocarbons | tonne | 6,41 | 3,92 | -39% |
| Total | tonne | 320,29 | 172,42 | -46% |

303-1

Table 24: Total water consumption

| Water consumption | Water consumption | Unit of measurement | Budimex Group | | including Budimex SA | |
|-------------------|------------------------|---------------------|---------------|------------|----------------------|------------|
| | | | 2018 | 2019 | 2018 | 2019 |
| Water by source | Water from the network | m ³ | 364 841,12 | 324 370,69 | 337327,88 | 217 982,99 |
| | Underground water | m ³ | 0 | 2951,00 | 455 | 875 |
| | Surface water | m ³ | 0 | 0 | 0 | 0 |
| | Total | m ³ | 364 841,12 | 327321,69 | 337782,88 | 218875,99 |

304-1 304-3

Table 25: Activities conducted on valuable natural areas or in their vicinity

| Contract name | Work commencement date | Protected Areas |
|--|------------------------|--|
| "Reconstruction of the voivodeship road no. 323 km approx. 32+060-36+888 on the Luboszyce - Ciechanów section" | 22.07.2019 | Natura 2000 - "Barycz Valley" protected landscape area |

| Contract name | Work commencement date | Protected Areas |
|---|------------------------|---|
| “Performance of works and creation of the executive design and performance of works on the section Podg. Most Wisła – Czechowice – Dziedzice – Zabrzeg line 139 Czechowice-Dziedzice” | 11.10.2019 | “Rotuz” nature reserve; Special Area of Conservation PLH240039 „Zbiornik Goczałkowicki – Ujście Wisły i Bajerki”; the Oak Avenue natural monument at ul. Bielska and Cieszyńska (199 items) in the commune of Chybie |
| “S61 Zad3 Wysokie - Raczki” | 04.07.2018 | Rajgrodzkie Lake Nature Park |
| Strachocina Pipeline – Border of the Republic of Poland | 19.07.2019 | Natura 2000 Area – Beskid Niski PLB180002 and Bieszczady PLC180001; Beskid Niski Protected Landscape Area; Beskidy Wschodnie Protected Landscape Area; Cisna and Wetlina Landscape Park; Bieszczady Special Protection Area PLC180001; Dorzecze Górnego Sanu PLH180021; Beskid Niski Special Protection Area PLB180002; Beskid Niski Protected Landscape Area; Beskidy Wschodnie Protected Landscape Area; Cisna and Wetlina Landscape Park; Ostoja Jałńska PLH180014 |
| Kashubian route S6 Słupsk – Gdańsk part 1 | 11.06.2018 | Natura 2000 – Sites of natural habitats; buffer zone of the Tricity Landscape Park |
| Railway line no. 7 Dęblin – Nałęczów | 01.04.2019 | Natura 2000 Area “Puławy” PLH060055; Kazimierski Landscape Park |
| Construction of the voivodeship road no. 992 Jasto | 25.03.2019 | Area significant for the Wisłoka Community with tributaries PLH180052 |
| S3 Miękowo – end of Brzozowa circuit part 1 | 06.05.2019 | Natura 2000 Area „Puszcza Goleniowska” PLB320012; |

306-2

Table 26: Waste

| Main waste by type | | Budimex Group | | including Budimex SA | |
|-----------------------------|---|-----------------|-----------------|----------------------|-----------------|
| | | 2018 | 2019 | 2018 | 2019 |
| | | weight (tonnes) | weight (tonnes) | weight (tonnes) | weight (tonnes) |
| Hazardous waste, including: | | 183,364 | 1659,277 | 170,759 | 1647,82 |
| Waste code | Waste type | | | | |
| 07 01 03* | Organic halogenated solvents, washing liquids and mother liquors | 3,194 | 0,239 | 3,194 | 0,239 |
| 08 01 11* | Waste paint and varnish containing organic solvents or other hazardous substances | 5,210 | 5,687 | - | - |
| 09 01 01* | Aqueous solutions of developers and fixatives | 0,120 | | - | - |
| 09 01 04* | Fixer solutions | 0,110 | | - | - |
| 13 01 13* | Other hydraulic oils | | | - | - |
| 13 02 05* | Mineral engine oils, gear oils and lubricating oils | 0,490 | | 0,49 | - |
| 13 02 08* | Other engine oils, gear oils and lubricating oils | 0,400 | 2,820 | 0,4 | 2,82 |
| 13 05 07 | Oil water from oil dehydration in separators | | | - | - |
| 14 06 03* | Other solvents and solvent mixtures | 0,050 | | 0,05 | - |

| | | | | | |
|---------------------------------|---|------------|-----------|------------|-----------|
| 15 01 10* | Packaging containing residues of hazardous substances | 24,298 | 22,985 | 19,318 | 19,105 |
| 15 01 11* | High pressure packaging | 1,326 | 0,849 | 1,326 | 0,849 |
| 15 02 02* | Absorbents, filter materials and protective clothing contaminated by hazardous substances | 21,978 | 20,912 | 19,998 | 19,172 |
| 16 01 07* | Oil filters | 0,291 | 0,313 | 0,216 | 0,283 |
| 16 02 13* | Discarded equipment containing hazardous elements | 0,130 | 0,384 | - | 0,264 |
| 16 05 06* | Laboratory and analytical chemicals (e.g. chemical agents) | | 0,094 | - | 0,094 |
| 16 81 01* | Waste displaying hazardous properties | | 0,500 | | 0,5 |
| 17 02 04* | Glass, plastic and wood waste containing or contaminated with dangerous substances (e.g. wooden railway sleepers) | 57,380 | 780,834 | 57,38 | 780,834 |
| 17 05 03* | Soil and stones containing hazardous substances | 32,200 | 772,320 | 32,2 | 772,320 |
| Main waste by type | | | | | |
| Hazardous waste, including: | | 230,114 | 1659,28 | 217,509 | 1647,82 |
| Waste code | Waste type | | | | |
| 17 06 01* | Insulation materials containing asbestos | 15,440 | | 15,44 | - |
| 17 06 05* | Building materials containing asbestos | 6,767 | 51,34 | 6,767 | 51,34 |
| 17 09 03* | Other construction, renovation and demolition waste (including mixed waste) containing hazardous substances | 13,980 | | 13,98 | - |
| Non-hazardous waste, including: | | 109741,425 | 245484,43 | 108493,117 | 243950,46 |
| Waste code | Waste type | | | | |
| 01 04 12 | Waste from washing and cleaning of minerals | 23,56 | 495,54 | 23,56 | 495,54 |
| 02 01 03 | Plant-tissue waste | 643,01 | | 643,01 | - |
| 06 03 99 | Waste not otherwise specified | 50160,89 | | 50160,89 | - |
| 07 02 99 | Waste not otherwise specified | 1,07 | 1,21 | - | - |
| 10 01 01 | Slags, bottom ash and boiler combustion ash | 138393,7 | | 138393,7 | - |
| 10 06 80 | Lump copper slag and granulated slag | | | - | - |
| 12 01 01 | Ferrous metal filings and turnings | 26,67 | 29,41 | - | - |
| 12 01 02 | Ferrous dust and particles | 138,56 | 124,52 | - | - |
| 12 01 13 | Welding waste | 10,65 | 1,47 | 5,1 | 0,9 |
| 12 01 21 | Spent grinding bodies and grinding materials | 74,47 | 3,50 | 5,5 | 2,7 |

| | | | | | |
|---------------------------------|---|----------|----------|-----------|-----------|
| 15 01 01 | Paper and cardboard packaging | 75,09 | 78,16 | 73,3 | 76,46 |
| 15 01 02 | Plastic packaging | 235,71 | 51,51 | 235,38 | 50,92 |
| 15 01 03 | Wood packaging | 2,01 | 279,36 | 2,01 | 279,36 |
| 15 01 04 | Metal packaging | | | - | - |
| 15 01 06 | Mixed packaging waste | 47,33 | 75,17 | 47,24 | 75,14 |
| 15 01 07 | Glass packaging | 18,83 | 0,42 | 18,83 | 0,42 |
| 15 02 03 | Absorbents, filter materials, wiping cloths (e.g. rugs, towels) | 2,77 | 2,00 | 0,81 | 0,16 |
| 16 01 03 | Waste tyres | 8,94 | 3,53 | 8,94 | 3,53 |
| 16 01 15 | Antifreeze fluids | | | - | - |
| 16 01 19 | Plastics | 0,02 | | 0,02 | - |
| 16 01 20 | Glass | 0,05 | 0,24 | 0,05 | 0,24 |
| 16 02 14 | Discarded equipment | | 1,49 | - | 1,40 |
| 16 02 16 | Components removed from discarded equipment | 0,02 | 0,11 | 0,02 | 0,11 |
| 16 06 05 | Other batteries and accumulators | | | - | - |
| 17 01 01 | Concrete waste and concrete rubble | 44076,62 | 62916,32 | 44076,62 | 62904,60 |
| 17 01 02 | Brick rubble | 17354,81 | 24497,86 | 17354,81 | 24497,86 |
| 17 01 03 | Waste of other ceramic materials and equipment elements | 4,5 | 28,28 | 4,5 | 28,28 |
| 17 01 07 | Mixed concrete waste, brick rubble, waste ceramic materials | 6262,61 | 24583,13 | 6167,57 | 24567,18 |
| 17 01 81 | Waste from road repairs and reconstructions | 1524,73 | 55286,92 | 1524,73 | 55286,92 |
| 17 01 82 | Waste not otherwise specified | | 30,14 | - | 30,14 |
| 17 02 01 | Wood | 2649,34 | 3759,89 | 2649,34 | 3759,89 |
| 17 02 02 | Glass | 1,28 | 39,04 | 1,28 | 39,04 |
| Non-hazardous waste, including: | | 109741,4 | | 245484,43 | 243950,46 |
| Waste code | Waste type | | | | |
| 17 02 03 | Plastics | 38,49 | 67,24 | 38,49 | 67,24 |
| 17 03 02 | Bituminous mixtures | 1624,21 | 2261,42 | 1624,21 | 2261,42 |
| 17 03 80 | Waste tar | 80,89 | 5319,43 | 80,89 | 5319,43 |
| 17 04 05 | Iron and steel | 1653,208 | 1706,64 | 760,93 | 374,78 |
| 17 04 07 | Mixed metals | | | - | - |
| 17 04 11 | Cables | | | - | - |
| 17 05 06 | Dredging spoil other than those mentioned in 17 05 05 | | 3978,16 | | 3978,16 |
| 17 05 08 | Track ballast | 27286,07 | 50025,48 | 27286,07 | 50025,48 |
| 17 06 04 | Insulation materials | 525,3 | 745,28 | 525,3 | 738,06 |
| 17 09 04 | Mixed construction, renovation and demolition waste | 9879,42 | 9091,55 | 9863,42 | 9085,09 |
| 19 12 12 | Waste from mechanical waste treatment | | | 0 | - |

Table 27: Anti-corruption issues

| | 2018 | 2019 |
|--|-----------|------|
| Number of confirmed corruption incidents | 0* | 0 |
| Number of training courses within the scope of anti-corruption policies and procedures | 9 | 10 |
| % of employees familiar with anti-corruption policies and procedures | 100% | 100% |
| Number and % of persons holding managerial positions and having a function of superiors who completed anti-corruption training | 250 (90%) | |
| Suppliers familiar with anti-corruption policies and regulations (contractual provisions) | 100% | 100% |

*two cases that might be regarded as an attempt of corruption probe were reported.

Table 28: Infringements of human rights, including discrimination

| | 2018 | 2019 |
|--|------|------|
| Number of confirmed cases of human rights violations | 0 | 0 |
| Number of questionnaires analysed (suppliers) | 1163 | 885 |
| Number of final surveys analysed (suppliers) | 5329 | 1420 |

GRI INDEX

*indicators subject to verification by an independent auditor.

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|--|--|--------------------------|------|--|
| GRI 102: General Disclosures 2016 | | | | |
| 102-1 | Organisation name | | | Budimex Group |
| 102-2 | Primary brands, products and/or services | | | [About Budimex Group] More at www.budimex.pl |
| 102-3 | Location of the organisation's main seat | | | Siedmiogrodzka 9, 01-204 Warsaw, Poland, www.budimex.pl |
| 102-4 | Number of countries where the organisation operates, names of countries where major operations are located or those particularly relevant in the context of the report | 6.3.10 6.4.1 6.4.2 | | [About Budimex Group] |
| 102-5 | Ownership form and legal structure of the organisation | 6.4.3 6.4.4 6.4.5 | | Capital group with parent Spółka Akcyjna (joint-stock company) listed on the Warsaw Stock Exchange [About Budimex Group] |
| 102-6 | Markets served, including geographical scope, sectors served, description of customers/consumers and beneficiaries | 6.8.5 7.8 | | [About Budimex Group] Market environment and growth perspectives Detailed information on this subject can be found in the "Report on Budimex Group and Budimex SA activities for 2019" |
| 102-7 | Scale of activity | | | [About Budimex Group] [Value model and management culture] |
| 102-8* | Number of own employees and employees supervised by the company by gender and contract type | | 8 | [Supply chain] [Tables with non-financial data] |
| 102-9 | Organisation supply chain | | | [Supply chain] |
| 102-10 | Significant changes in the reported period, regarding size, structure, ownership form or value chain | | | [[About Budimex Group] [About the report] A detailed description of changes in the organisational structure of Budimex Group can be found in the "Report on Budimex Group and Budimex SA activities for 2019" |
| 102-11 | Explanation of whether and how the precautionary principle is applied by the organisation | | | [Impact on the local environment and biodiversity] The "Environmental management" and "OHS and EP organisation and management on the contract" procedures, which are a part of the Integrated Management System, define, among others, rules for the analysis of environmental requirements and the concept of environmental impact. They cover every, i.e. also potential, type of impact. |
| 102-12* | External, adopted or advocated by the organisation, economic, environmental and social declarations, principles and other initiatives | | | [Conditions, occupational health and safety (OHS)] • Diversity Charter (since 2016) (see: [Respect for diversity]) • Agreement for Safety in Construction (see: [OHS Training and Prevention]) |
| 102-13* | Membership in associations (such as industry associations) and/or in national/international organisations | | | [About Budimex Group] [Respect for diversity] Agreement for Safety in Construction (see: [OHS Training and Prevention]) |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---------------|--|----------------------------|------|---|
| 102-14* | Representations of the executive management concerning the importance of sustainable development for the organisation and its strategy | | | [Letter from the President of the Management Board] |
| 102-15* | Description of key impacts, opportunities and risks | 4.7 6.2.7 4.2 6.2 | | [Market environment and growth perspectives] [Value model] [Risk management] [Financial risk factors] [Risk management in the supply chain] Business risks are described in the "Report on Budimex Group and Budimex SA activities for 2019" |
| 102-16 | Organisation's values, principles, code and standards of conduct and ethics. | 4.4 6.6.3 | 16 | About Budimex Group] [Compliance management, compliance system, and ethics] |
| 102-18 | Structure and composition of the organisations' management body | 6.2 7.4.3 7.7.5 | | [Value model] [Management governance] Detailed information can be found in the "Report on Budimex Group and Budimex SA activities for 2019". Moreover, information about the current composition of the Management Board, Supervisory Board and its Committees, including biographies of individual persons, is available at: http://www.budimex.pl/pl/o-budimex/wladze.html |
| 102-40 | List of stakeholder groups engaged by the organisation | 5.3 | | [Stakeholders] |
| 102-41 | Percentage of employees covered by collective labour agreements | 6.3.10 | 8 | [Tables with non-financial data] |
| 102-42 | Basis for identification and selection of stakeholders engaged by the organisation | | | [Stakeholders] |
| 102-43 | Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 5.3 | | [Importance of issues in the report] |
| 102-44 | Key topics and concerns discussed by stakeholders and the organisation's response, including their reporting | | | [Importance of issues in the report] [Stakeholders] |
| 102-45 | Business units included in the consolidated financial statement | 5.2 7.3.2 7.3.3 | | [About the report] [Tables with non-financial data] |
| 102-46 | Process for defining the report content | 7.3.4 | | [Significance of issues to the report] |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---------------|--|-------------------------|------|--|
| 102-47 | Identified important aspects of social and environmental impact | | | [Significance of issues to the report] [Stakeholders] |
| 102-48 | Explanations concerning the effects of any adjustments of information included in previous reports, with provision of reasons for such adjustments and their impact (e.g. mergers, acquisitions, change in the base year/period, nature of business activity, measurement methods) | 7.3.2 7.3.3 7.3.4 | | none |
| 102-49 | Significant changes in relation to the previous report regarding the scope, range, or methods of measurement applied in the report | | | Since 2019, the report includes FBSerwis Sp. z o.o. |
| 102-50 | Reporting period (e.g. fiscal /calendar year) | | | Fiscal/calendar year: 01.01.2019-31.12.2019 |
| 102-51 | Publication date of the last report (if any) | | | May 2019 (integrated report) |
| 102-52 | Reporting cycle (annual, biennial, etc.) | | | [About the report] |
| 102-53 | Contact person | 5.3 7.5.3 7.6.2 | | Aldona Orłowski Director of the Recruitment, Development and Communication Department Budimex SA Siedmiogrodzka 9, 01-204 Warsaw, Poland aldona.orlowski@budimex.pl phone no.: (+48) 22 623 60 00 |
| 102-54 | Compliance with GRI Standards | | | [About the report] |
| 102-55 | GRI Index | | | [GRI Index] |
| 102-56 | Policy and current practice with regard to external verification of the report. If such data are not included in an independent assurance report, explanation of the scope and basis of external verification and of the relationship between the organisation and the assurance provider. | | | [About the report] |

GRI 202 Market Presence 2016

| | | | | |
|-------|---|---|-------|----------------------------------|
| 202-1 | Ratio of the lowest level wage compared to the local minimum wage on the given market in main locations of the organisation | 6.3.7 6.3.10 6.4.3 6.4.4 6.8.1 6.8.2 | 1,5,8 | [Tables with non-financial data] |
|-------|---|---|-------|----------------------------------|

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---|--|---|-------------------|---|
| 202-2 | Percentage of senior management hired from the local market | 6.4.3 6.8.1 6.8.2 6.8.5 6.8.7 | 8 | [Tables with non-financial data] The Polish market should be treated as the local market. Basically, the companies within the Budimex Group employ only Polish citizens. Individual foreigners, representing the main shareholder, sit in the companies' bodies. Their number is given in the table illustrating the composition of management and supervisory boards. |
| GRI 203 Indirect Economic Impacts 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Contribution to infrastructure development and innovation culture] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | 16 | |
| 203-1 | Contribution to development of infrastructure and provision of services for public benefit through commercial activities, transfer of goods and pro-bono activities. Impact of these activities on society | 6.3.9 6.8.1 6.8.2 6.8.7 6.8.9 | 2, 5, 7, 9, 11 | |
| GRI 205 Anti-corruption 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Compliance management, compliance system, and ethics] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | 16 | |
| 103-3 | Measurement and evaluation | | | |
| 205-1 | Percentage and total number of business units analysed for risks related to corruption | 6.6.1 6.6.2 6.6.3 | 16 | [Compliance management, compliance system, and ethics] The report does not disclose tools used in their monitoring, recognising them as confidential. Disclosure of such information, regarding, in particular, the way of conducting analyses, is assessed by the companies as contributing to the reduction of their effectiveness and to the increase in the risk of unethical conduct. |
| 205-2 | Percentage of employees trained within the scope of the organisation's anti-corruption policies and procedures | 6.6.1 6.6.2 6.6.3 6.6.6 | | [Compliance management, compliance system, and ethics] |
| 205-3 | Actions taken in response to corruption cases | 6.6.1 6.6.2 6.6.3 | | |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---|--|--|--------------|--|
| GRI 206 Anti-competitive Behavior 2016 | | | | |
| 206-1 | Total number of legal proceedings initiated against the organisation for anti-competitive conduct, anti-trust, and monopoly practices and their outcomes | 6.6.1 6.6.2 6.6.5 6.6.7 | 16 | In 2019, no legal steps were taken against any of the companies of Budimex Group (i.e. Budimex SA, Budimex Nieruchomości, Mostostal Kraków, FBSerwis in the period from 3 July 2019 to 31 December 2019). No legal steps were taken with respect to violations of the principles of free competition and monopolistic practices. |
| GRI 301 Materials 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Materials and raw materials] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 301-1 | Raw materials/materials used by weight and volume | 6.5.4 | 8, 12 | [Materials and raw materials] |
| 301-2 | Percentage of recycled materials used in the production process | | | [Tables with non-financial data] |
| GRI 302 Energy 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Fuel, energy and CO ₂ emissions] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 302-1 | Direct and indirect energy consumption by primary energy sources | 6.5.4 | 7, 8, 12, 13 | [Fuel, energy and CO ₂ emissions] [Tables with non-financial data] |
| GRI 303 Water 2016 | | | | |
| 303-1 | Total water consumption with indication of source | | | [Tables with non-financial data] |
| GRI 304 Biodiversity 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Impact on the local environment and biodiversity] |
| 103-2 | Disclosure on Management Approach (DMA) | 6, 7.3.1 7.4.3 7.7.3 7.7.5 | | |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|-------------------------------|--|---------------------------------------|-------------------|--|
| 304-1 | Location and area of the land owned, leased, or managed in protected areas or in areas of high biodiversity value outside the protected areas or adjacent to such areas | 6.5.6 | 6, 13, 14, 15 | [Tables with non-financial data] In the discussed indicator, Budimex recognised listed areas and protected species present in the areas of its activity, without detailed figures, since they are difficult to estimate. In the currently performed contracts, Budimex has only environmental decisions with figures presented in the limited scope. |
| 304-2 | Description of a significant impact of activities, products, and services on biodiversity of protected areas and areas of high biodiversity value outside the protected areas | | | [Impact on the local environment and biodiversity] |
| 304-3 | Habitats protected or restored | | | [Tables with non-financial data] |
| 304-4 | Number of species included in the Red List of the International Union for Conservation of Nature (IUCN) and in national lists of endangered species, identified on the organisation's area of impact by the level of extinction risk | | | Details of the protected areas listed in 304-1, including information on the occurrence of valuable species, can be found using the search engine: http://natura2000.gdos.gov.pl/wyszukiwarka-n2k |
| GRI 305 Emissions 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Fuel, energy and CO ₂ emissions] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 305-1* | Direct greenhouse gas emissions (Scope 1) | 6.5.5 | 3, 12, 13, 14, 15 | |
| 305-2 | Total indirect greenhouse gas emissions by weight (Scope 2) | | | |
| 305-7* | Emission of NO _x , SO _x and other significant compounds emitted to the air by the compound type and weight | | | [Tables with non-financial data] Pollutants are emitted by individual asphalt mixing plants, whose locations are indicated in the table along with emission values of particular compounds. Emissions are related to the work of paving plants and aggregate dryers, as well as tanks of bitumen, asphalt, limestone and stone dust. They are provided based on data from reports for public administration bodies. |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---|---|---------------------------------------|------------------|--|
| GRI 306 Effluents and Waste 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Waste management] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 306-2 | Total weight of waste by waste type and waste disposal method | 6.5.3 | 3, 6, 12 | |
| 306-3 | Total quantity and volume of significant spills | | 3, 6, 13, 14, 15 | |
| GRI 307 Environmental Compliance 2016 | | | | |
| 103-1 | Nature of important area | 4.6 | 16 | [Impact on the local environment and biodiversity] |
| 103-2 | Disclosure on Management Approach (DMA) | 4.6 | 16 | |
| 307-1 | Monetary value of fines and total number of non-financial sanctions for non-compliance with environmental laws and regulations | 4.6 | 16 | |
| GRI 308 Supplier Environmental Assessment 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Nature conservation in the supply chain] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 308-1 | Percentage of suppliers who were assessed with regard to environmental criteria | 6.3.5 6.6.6 7.3.1 | | |
| 308-2 | Significant current and potential environmental risks in the supply chain. | 6.3.5 6.6.6 7.3.1 | | |
| GRI 401 Employment 2016 | | | | |
| 103-1 | Nature of important area | 6 | | [Working environment and focus on growth] |
| 103-2 | Disclosure on Management Approach (DMA) | | | |
| 401-1 | Total number of employee leavers and employee turnover rate by age, gender and region | 6.4.3 | 5, 8 | [Tables with non-financial data] |
| 401-2 | Additional benefits provided to full-time employees that are not provided to temporary or part-time employees, by main organisational units | 6.4.4 6.8.7 | 8 | [Working environment and focus on growth] |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---|---|---------------------------------------|------|---|
| 401-3 | Percentage of return to work and retention rate after maternity/paternity leaves, in relation to gender | 6.4.4 | 5, 8 | [Tables with non-financial data] |
| GRI 403 Occupational Health and Safety 2018 | | | | |
| 103-1 | Nature of important area | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | [Conditions, occupational health and safety (OHS)] |
| 103-2 | Disclosure on Management Approach (DMA) | | | |
| 403-1 | Occupational health and safety (OHS) management system | | | |
| 403-2* | Hazard identification, risk assessment and incident analysis | | | [Conditions, health and safety (OHS)] [Accident rate] |
| 403-5 | OHS training | | | [OHS Training and Prevention] |
| 403-7 | OHS prevention and risk mitigation with regard to business relationships | | | |
| 403-8 | Employees covered by occupational health and safety management systems | 6.4.6 | 8 | [Tables with non-financial data] |
| 403-9 | Accidents at work | 6.4.6 6.8.8 | 3, 8 | [Accident rate] [Tables with non-financial data] |
| 403-10 | Occupational diseases | 6.4.6 6.8.8 | | [Tables with non-financial data] |
| GRI 405 Diversity and Equal Opportunity 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Compliance management, compliance system, and ethics] [Respect for diversity] |
| 103-2 | Disclosure on Management Approach (DMA) | 6.2.3 6.3.7 6.3.10 6.4.3 | | |
| 103-3 | Measurement and evaluation | | | |
| 405-1 | Composition of governance bodies and staff divided into categories according to gender, age, minority, and other diversity indicators | 6.2.3 6.3.7 6.3.10 6.4.3 | 5, 8 | [Tables with non-financial data] |
| 405-2 | Ratio of basic salary of men and women by occupied position | 6.2.3 6.3.7 6.3.10 6.4.3 | | |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|---|---|---|----------|--|
| GRI 406 Non-discrimination 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Compliance management, compliance system, and ethics] |
| 103-2 | Disclosure on Management Approach (DMA) | 6.3.6 6.3.7 6.3.10 6.4.3 | | |
| 103-3 | Measurement and evaluation | | | |
| 406-1 | Total number of discrimination cases and actions taken in that area | 6.3.6 6.3.7 6.3.10 6.4.3 | 5, 8, 16 | [Compliance management, compliance system, and ethics] [Tables with non-financial data] |
| GRI 412 Human Rights Assessment 2016 | | | | |
| 103-1 | Nature of important area | | | [Compliance management, compliance system, and ethics] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 103-3 | Measurement and evaluation | | | |
| 412-3 | Percentage and total number of investment agreements including human rights clauses or controlled in this regard | 6.3.3 6.3.5 6.6.6 | | [Tables with non-financial data] |
| GRI 413 Local Communities 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Social activities and relationships with communities] [Impact on the local environment and biodiversity] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 413-1 | Nature, scope and effectiveness of programmes and practices in the area of evaluation and management of the organisation's impact on the local community, including the impact of entering a given market, conducting and ending activity | 6.3.9 6.5.1 6.5.2 6.5.3 6.8 | | |
| 413-2 | Activities with significant potential or existing negative impact on the local community | 6.3.9 6.5.3 6.8 | 1, 2 | [Social activities and relationships with communities] |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|--|--|--|-------|---|
| GRI 414 Supplier Social Assessment 2016 | | | | |
| 103-1 | Nature of important area | 5.2 | | [Management of non-financial risk in the supply chain] [Accident rate] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 7.3.1 7.4.3 7.7.3 7.7.5 | | |
| 414-1 | Percentage of suppliers who were assessed against the employment criteria | 6.3.5 6.4.3 | 5, 16 | |
| 414-2 | Significant current and potential risks of employee relations in the supply chain | 6.6.6 7.3.1 | | |
| GRI 416 Customer Health and Safety 2016 | | | | |
| 103-1 | Nature of important area | | | [Quality and its impact on safety of construction facilities] |
| 103-2 | Disclosure on Management Approach (DMA) | 6 6.7.1 6.7.2 6.7.3 6.7.4 6.7.5 6.7.9 7.3.1 7.4.3 7.7.3 7.7.5 5 | | |
| 416-1 | Product life cycle stages at which the impact of products and services on the health and safety is assessed for the purposes of improving indicators and the percentage of important product and service categories undergoing such procedures | 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8 | | [Quality and its impact on safety of construction facilities] The procedures described in the content of the report are generally applicable and apply to all (100%) ongoing contracts |
| 416-2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, with consideration of result type | 4.6 6.7.1 6.7.2 6.7.4 6.7.5 6.8.8 | 16 | [Quality and its impact on safety of construction facilities] |

| GRI Standards | GRI guidelines | Area acc. to ISO 26000 | SDGs | Comment/Description |
|--|---|---------------------------------|------------------|--|
| GRI 419 Socioeconomic Compliance 2016 | | | | |
| 419-1 | Non-compliance with law and socio-economic regulations | 4.6 6.7.1 6.7.2 6.7.6. | 16 | <p>In 2019, there were no cases of violation of the rights of any indigenous population by any Budimex Group companies (i.e. Budimex SA, Budimex Nieruchomości, Mostostal Kraków, FBSerwis in the period from 3 July 2019 to 31 December 2019).</p> <p>In 2019, no non-financial sanctions for non-compliance with the law and regulations regarding the supply and use of products and services were imposed on any Budimex Group company (i.e. Budimex SA, Budimex Nieruchomości, Mostostal Kraków, FBSerwis in the period from 3 July 2019 to 31 December 2019).</p> <p>In 2019, there were no cases of non-compliance with regulations and voluntary codes concerning labelling and information on products and services by any Budimex Group company (i.e. Budimex SA, Budimex Nieruchomości, Mostostal Kraków, FBSerwis in the period from 3 July 2019 to 31 December 2019).</p> |
| Sector Supplement | | | | |
| CRE6 | Percentage of the organisation operating in compliance with international OHS management systems (e.g. ISO 18000) | | | For Budimex SA, PN-N-18001:2004 and OHSAS 18001:2007 are implemented and certified. Similarly, PN-N-18001:2004 and OHSAS 18001:2007 are applicable in Mostostal Kraków. Accordingly, they account for 63% and 8% of employed persons (71% in total). The data applies to employees in Poland (certification within the Republic of Poland). |
| CRE8 | Sustainability certification for new constructions, operation of existing constructions and dismantling of demolished constructions | | 7, 8, 10, 11, 12 | <p>[Contribution to infrastructure development and innovation culture]</p> <p>Moreover, the construction of Atrium Promenada facility in Warsaw – reconstruction, Warsaw, ul. Ostrobramska 75C, (BREEAM).</p> |

