

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

and to additional claims in respect of the construction work performed. As at the date of this report, the final outcome of the proceedings is not known.

### 5.8 Significant achievements in the area of research and development

Innovative projects carried out by Budimex SA are described in section 3.2 of the Budimex Group's Report on non-financial information for 2020.

### 5.9 Retirement and similar benefit obligations toward former members of the management and supervisory boards

As at 31 December 2020, neither Budimex SA nor companies from the Budimex Group had any retirement and similar benefit obligations toward former members of management and supervisory boards.

## 6 CORPORATE GOVERNANCE

### 6.1 Corporate governance policies at Budimex SA and public availability of the underlying document

In 2020, the Company applied the "Best Practices of WSE Listed Companies 2016" adopted by a resolution of the WSE Supervisory Board, No. 26/1413/2015 dated 13 October 2015, within the scope indicated in Report No. 1/2016 of 4 January 2016, sent in the EBI system and published on the Company's website.

On 11 December 2015, under Resolution No. 22, the Company's Management Board adopted the new principles for use as of 1 January 2016, except for guaranteeing shareholders, using electronic means of communication:

- 1) two-way real-time communication during which shareholders can take the floor during the General Meeting of Shareholders while being in a place other than the place of the meeting – Rule No. IV.R.2 item 2) in Chapter IV General Meeting and Shareholder Relations,
- 2) the option to exercise voting rights in person or through an authorised legal representative during the General Meeting, outside the place of the General Meeting – Rule No. IV.R.2 item 3) in Chapter IV General Meeting and Shareholder Relations.

The Company upholds its previously presented position in relation to continued doubts as to the possibility of ensuring a legally safe manner of execution of the General Meeting if shareholders are granted the above-mentioned option, in particular, taking into account the number of shareholders usually participating in the General Meeting of Budimex SA. Therefore, in the opinion of the Company, such a situation still carries technical, and consequently legal, threats to the correct and efficient execution of the General Meeting.

In the above-mentioned resolution, the Management Board also determined that:

- a. in accordance with Rule I.Z.1.15. (diversity policy) in Chapter I. Disclosure Policy and Investor Communications, the Company applies the diversity policy to its governing bodies and key managers and, as a result, it will prepare in one document the principles of this policy, covering in particular such elements as gender, education, age, professional experience, so that it is possible to publish the relevant description on its website,
- b. Rule III.Z.3. in Chapter III. Internal Systems and Functions (the independence of the person managing the internal audit function and other persons responsible for the performance of its tasks in line with generally accepted international standards of the professional internal audit practice), is applied by the Company in such a way that in accordance with the adopted division of competencies between individual bodies of the Company, matters related to employing Office of Internal Control staff, including their remuneration, are in the competencies of the Management Board of the Company, and the Audit Committee of the Supervisory Board monitors the efficiency of internal control systems and internal audit, i.e. the actions of the Office of Internal Control, is informed of the activity plan of the internal audit, and receives reports of these activities or periodic summaries from the Office of Internal Control. Employees of the Office of Internal Control are obliged to perform audits primarily at the request of the Supervisory Board and the Audit Committee of the Supervisory Board,
- c. considering that the Management Board and the Supervisory Board apply previous corporate governance principles regarding a conflict of interest, and the relevant provisions do not occur in internal regulations of the Company regarding the Supervisory Board (Bylaws of the Supervisory Board), on the basis of principle V.Z.6. of DPS 2016 it will be proposed to the Company's Supervisory Board that it supplements the Bylaws of the Supervisory Board with a provision under which a member of the Supervisory Board will inform the Supervisory Board of an existing conflict of interests which has arisen or may arise, and shall refrain from discussing such issue, including refraining from voting.

At the same time, the Management Board applied to the Supervisory Board to adopt the resolution on the application of corporate governance principles concerning the above.

On 16 December 2015, under Resolution No. 240, the Company's Supervisory Board adopted the "Best Practices of WSE Listed Companies 2016" for use as of 1 January 2016, in the scope specified in the aforesaid resolution of the Company's Management Board.

On 14 March 2016, by Resolution No. 242, the Supervisory Board introduced the aforementioned amendments to the Bylaws of the Supervisory Board by adding sec. 12b to the Bylaws. Next, at the request of the Management Board, by Resolution No. 243

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of 14 March 2016, the Supervisory Board asked the Ordinary General Meeting to adopt a resolution on observing the "Best Practices of WSE Listed Companies 2016" to the extent specified in the aforementioned resolutions of the Management Board and the Supervisory Board.

In 2016, the Ordinary General Meeting of Shareholders of the Company, by Resolution No. 275 of 26 April 2016, adopted for use the "Best Practices of WSE Listed Companies 2016" as suggested by the Management Board and the Supervisory Board. The document containing corporate governance policies was and is still posted on the Company's website at <http://www.budimex.pl>.

The Diversity policy is published on the Company's website.

At the same time, it needs to be noted that the Company has been providing a broadcast of the General Meeting in real time for several years, and no changes in this respect are planned. In addition, measures were taken in 2020 to reorganise the internal audit function.

## **6.2 Compliance policy**

In September 2017, the Management Board of Budimex SA adopted the Compliance Policy. Adoption of the Policy demonstrates the importance that the Company attaches to conducting its business in compliance with applicable laws, ethical standards and fair play rules. The Compliance Policy adopted aggregated the internal regulations in place at the Company, making them more formal in scope and nature. It was also important to draw the attention of both the Company's external environment and employees/associates to the importance of complying with the applicable laws and with ethical and moral principles in day-to-day business operations. The Compliance Policy contains a catalogue of prohibited activities, although this catalogue is not exhaustive, and indicates the main areas of the Company's business where there may be a risk of violation of the law. It also refers to internal legal acts in force at the Company and aimed at organising and formalising specific processes in order to mitigate the risks indicated above. The day-to-day supervision over the Policy implementation has been entrusted to the Compliance Coordinator, supported by a deputy and the Compliance Committee, consisting of representatives of the most important organisational divisions of the Company. Attention had to be paid also to the fact that the Company introduced a uniform whistleblowing system based on compliance communication channels. At subsequent meetings of the Supervisory Board, the Company's Management Board provides the Supervisory Board with information on current activities carried out in the area of compliance and potential irregularities reported to the Company.

## **6.3 Diversity policy**

Diversity and openness constitute integral parts of both the business activities of the Company and its hiring policy. The Diversity Charter signed on 8 November 2016 is a confirmation of the Company's efforts in this area.

The contents of the Diversity Charter have been published on the Company's intranet, as well as made available to employees in printed form at the Head Office and in branches of Budimex SA. In addition, information on signing the Diversity Charter has been published at [www.budimex.pl](http://www.budimex.pl)

As a company with many years of experience, Budimex is aware that employees are the most valuable assets and that it is employees who, for many years, have been contributing to the Company's strong position on the market. Having regard to the creation of a friendly working environment, Budimex puts particular emphasis on the policy of equal treatment with regard to:

- gender,
- age,
- disability,
- race, nationality,
- religion, belief,
- lifestyle,
- gender identity, sexual orientation,
- family status,
- political convictions,
- the form, scope of and basis for employment,
- other types of cooperation and other conditions exposing people to discriminatory behaviour.

The Budimex Group companies undertook to implement diversity management and equal rights policies and to promote and disseminate them among all stakeholders of the organisation — from administrative to senior management and supervisory positions.

Budimex has developed and implemented equal rights and diversity management policies in the workplace, with special emphasis placed on recruitment, access to training programs and promotion opportunities, remuneration, reconciliation of professional and family obligations, and protection from mobbing and unjustified dismissal.

The Budimex Group's staff includes people of differing gender and age, which fosters dialogue between people from different generations. The largest group of employees are 30-50 years of age, followed by the group of employees under the age of 30, with people over the age of 50 forming a slightly smaller group. Budimex also breaks down barriers associated with the health of our employees by hiring people with disabilities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

**Structure of employees of the Budimex Group in 2020:**

| Age (in years)         | Women        | Men          | Total        |
|------------------------|--------------|--------------|--------------|
| <30                    | 463          | 891          | 1 354        |
| 30-50                  | 966          | 3 553        | 4 519        |
| > 50                   | 96           | 1 304        | 1 400        |
| <b>Total employees</b> | <b>1 525</b> | <b>5 748</b> | <b>7 273</b> |

**Age and gender structure of the Company's Management Board**

|                                   | Women | Men | Total |
|-----------------------------------|-------|-----|-------|
| Total Management Board, of which: | 0     | 5   | 5     |
| under 30 years of age             | 0     | 0   | 0     |
| 30-50 years of age                | 0     | 1   | 1     |
| over 50 years of age              | 0     | 4   | 4     |
| including foreign nationals       | 0     | 0   | 0     |

**Age and gender structure of the Company's Supervisory Board**

|                             | Women | Men | Total |
|-----------------------------|-------|-----|-------|
| The Supervisory Board       | 2     | 8   | 10    |
| under 30 years of age       | 0     | 0   | 0     |
| 30-50 years of age          | 1     | 1   | 2     |
| over 50 years of age        | 1     | 7   | 8     |
| including foreign nationals | 0     | 4   | 4     |

**6.4 Key features of the Company's internal control and risk management systems with respect to the process of preparation of the financial statements of Budimex SA and the Budimex Group**

The Management Board of Budimex SA is responsible for the implementation and functioning of the internal control system in the process of the preparation of separate financial statements of Budimex SA and the consolidated financial statements of the Budimex Group.

The obligation to prepare financial statements is realised in practice by qualified personnel of the Financial Department under the supervision of a Management Board Member – the Chief Financial Officer of Budimex SA.

The preparation of annual financial statements is preceded by a meeting of the Audit Committee with independent auditors in order to determine the audit scope and plan, and to discuss potential risk areas which may have an impact on the truthfulness and fairness of the financial statements. Additionally, the Budimex Group uses a computer program that supports the identification and management of risks related to the preparation of any financial information, including financial statements.

Preparation of the financial statements is an orderly process which accounts for the delegation of duties of the personnel of the Financial Department of Budimex SA, in accordance with their competences and qualifications. Separate financial statements of the Company are prepared on the basis of its books of account. The books of account of the most significant Group companies are maintained using the finance and accounting system, SAP R/3, which has been used for financial and management accounting purposes since 1 January 2003. The SAP R/3 system is managed centrally by qualified employees of Budimex SA who define authorisation levels for the implementation and modification of transaction data, templates of key reports and changes in the Company's chart of accounts.

Consolidated financial statements are drafted on the basis of consistent consolidation packages prepared electronically by individual Group companies. The process of consolidation is executed by the Department of Reporting and Consolidation and is supervised by the Head of the Accounting Department.

The companies of the Budimex Group apply consistent accounting policies approved by the Management Boards of Budimex SA and subsidiary companies. The correctness of application of the accounting policies by individual companies is regularly monitored by the Department of Reporting and Consolidation and by the Controlling Office of Budimex SA.

The Department of Reporting and Consolidation of Budimex SA is responsible for recommending solutions relating to modifying and updating accounting policies and other WSE reporting requirements, as well as for implementing solutions approved by the Management Board.

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During the preparation of the financial statements, among others, the following control activities are carried out:

- assessment of significant, non-routine transactions in terms of their effect on the financial position of the Group or the manner of their presentation in the financial statements,
- verification of the correctness of the assumptions underlying accounting estimates,
- comparative and substantive analyses of financial data,
- verification of the arithmetical correctness and consistency of financial data,
- analysis of disclosure completeness.

Annual financial statements are forwarded to the Chief Financial Officer for preliminary verification and then to the Management Board for final verification and authorisation.

Annual financial statements are subject to an audit by an independent certified auditor who presents post-audit conclusions and observations to the Audit Committee and then to the Supervisory Board. After reviewing the contents of the financial statements and this Directors' Report as well as the auditor's report, the Supervisory Board issues an assessment on their consistency with the accounting records, supporting documentation, and the actual state of affairs.

#### 6.5 Shareholders with direct or indirect ownership of significant blocks of shares

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2020 was as follows:

| Shareholder                             | Type of shares | Number of shares  | % share in the share capital | Number of votes   | % share in the number of votes at the GSM |
|---|----------------|-------------------|------------------------------|-------------------|---|
| Ferrovial Construction International SE | ordinary       | 12 801 654        | 50.1%                        | 12 801 654        | 50.1%                                     |
| Aviva OFE Aviva Santander               | ordinary       | 2 552 000         | 10.0%                        | 2 552 000         | 10.0%                                     |
| Nationale Nederlanden OFE               | ordinary       | 1 618 000         | 6.3%                         | 1 618 000         | 6.3%                                      |
| Other shareholders                      | ordinary       | 8 558 444         | 33.6%                        | 8 558 444         | 33.6%                                     |
| <b>Total</b>                            |                | <b>25 530 098</b> | <b>100.0%</b>                | <b>25 530 098</b> | <b>100.0%</b>                             |

#### 6.6 Holders of all securities which confer special control rights

The Company did not issue any securities that give special control rights.

#### 6.7 Restrictions on exercising voting rights

There are no restrictions concerning the exercise of voting rights.

#### 6.8 Restrictions on transferring ownership rights to the securities of Budimex SA

There are no restrictions on the transfer of ownership rights to securities of Budimex SA, except for the rights concerning registered shares whose disposal requires the pre-approval of the Company. Such approval has to be granted by the Management Board in writing to be valid.

#### 6.9 Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to make decisions on share issue or redemption

The Supervisory Board appoints and removes the President of the Management Board and, upon his/her request, the Vice-Presidents of the Management Board or other Board Members for a joint three-year term of office.

The Management Board is not authorised to take a decision on share issue. The rights of the Management Board regarding the decision to redeem shares do not vary from those set forth in the Code of Commercial Companies.

During 2020, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to make a decision on the issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

In accordance with the provisions of the Company's Articles of Association, the Management Board conducts the Company's affairs and represents the Company, which effectively means that the scope of duties of this body does not differ from that defined in the Code of Commercial Companies. Detailed rights of the Management Board of Budimex SA specified in the Company's Articles of Association are as follows:

- granting approval for disposal of registered (inscribed) shares,
- determining the share issue price in the case of a share capital increase,
- cancelling or limiting the pre-emptive right to newly issued shares upon approval by the Supervisory Board,
- defining the method of determining the share issue price or issuing shares in exchange for non-monetary contribution upon approval by the Supervisory Board,

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- making a decision on the purchase or disposal of property, perpetual usufruct or a share in property, machines and equipment, securities or other asset items where the unit price on acquisition or disposal does not exceed one fifth of the Company's share capital,
- taking a decision on the prepayment of year-end dividend upon approval by the Supervisory Board.

#### **6.10 Implementing changes to the Articles of Association of Budimex SA**

Changes to the Articles of Association are made by way of a resolution of the General Meeting of Shareholders and an entry in the National Court Register. These issues are regulated in sec. 13 letter r) of the Articles of Association in the description of the rights of the General Meeting of Shareholders. A draft resolution on amending the Company's Articles of Association should be submitted to the Supervisory Board for approval, as is the case for all resolutions of the General Meeting. In accordance with the provisions of the Code of Commercial Companies, such resolution should be adopted with a qualified majority of votes, i.e. (i) as a rule, three quarters of the total voting rights, and (ii) in the case of a significant change to business activities – two thirds of the votes.

#### **6.11 Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights**

The General Meeting of Shareholders of the Company operates on the basis of the Articles of Association, By-laws of the General Meeting (both documents are posted on the Company's website) and provisions of other laws, including the provisions of the Code of Commercial Companies. Detailed powers of the General Meeting of Shareholders have been described in sec. 13 of the Articles of Association. Shareholders exercise their rights in the manner specified in the Articles of Association, By-laws of the General Meeting of Shareholders and binding laws.

The General Meeting of Shareholders is convened as ordinary or extraordinary. Ordinary General Meetings of Shareholders take place, at the latest, within 6 months of the end of each financial year. General Meetings of Shareholders are convened by the Company's Management Board. The Supervisory Board may convene an Ordinary General Meeting of Shareholders if the Company's Management Board does not convene it within the period defined in the Code of Commercial Companies or in the Articles of Association; the Supervisory Board may also convene an Extraordinary General Meeting of Shareholders if such a meeting is deemed advisable. An Extraordinary General Meeting of Shareholders may also be convened by the shareholders representing at least half of the Company's share capital or at least half of the total number of votes in the Company. If this is the case, the shareholders appoint the chairman of the Meeting.

The shareholder or shareholders representing at least 1/20th of the Company's share capital may request in writing, or using electronic means of communication, that the Company's Management Board convene an Extraordinary General Meeting of Shareholders and include certain specific matters on the meeting agenda or matters that are to be introduced to the meeting agenda. If, within two weeks of the date of forwarding such a request, the Extraordinary General Meeting of Shareholders is not convened, the court of registration may authorise the shareholders initiating such a request to convene the Meeting. The court of registration appoints the person chairing the Meeting, and in the notification about the Meeting the shareholders should refer to such decision of the court of registration. The Meeting convened in this manner takes a resolution on whether the costs of convening and holding the Meeting are to be borne by the Company. The shareholders who requested that the Meeting should be convened may apply to the court to be exempted from the costs imposed by the resolution of the Meeting of Shareholders.

A dedicated email address which may be used in cases defined by the Code of Commercial Companies in connection with convening General Meetings of Shareholders is posted on the Company's website.

The General Meeting of Shareholders of the Company is convened by way of posting an announcement on the Company's website and in the manner reserved for forwarding current information, in accordance with the provisions of the Act on the Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies. The announcement should be made at least twenty six days before the scheduled date of the General Meeting of Shareholders.

A General Meeting of Shareholders may also take place in the manner specified in the Code of Commercial Companies on condition that the provisions of Article 405 of the Code of Commercial Companies are fulfilled.

A shareholder or shareholders representing at least one twentieth of the Company's share capital may request that certain matters be included on the agenda of the next General Meeting of Shareholders. The request should be forwarded to the Management Board of the Company no later than twenty-one days before the scheduled date of the meeting and should include justification for or a draft of the resolution concerning the proposed matter for the agenda. The request may be forwarded in an electronic form. The request may be forwarded in an electronic form. The Management Board must immediately, but no later than 18 days before the scheduled date of the General Meeting, announce changes to the meeting agenda that were introduced at the request of the shareholders. Such announcement is executed in the manner applicable to convening the General Meetings of Shareholders.

A shareholder or shareholders representing at least one twentieth of the Company's share capital may, before the date of the General Meeting of Shareholders, send to the Company in writing, or using electronic means of communication, draft resolutions concerning items placed on the agenda of the General Meeting of Shareholders or items that are to be placed on the agenda. The Company shall immediately post such drafts of resolutions on its website. During a General Meeting of Shareholders, each shareholder may submit draft resolutions concerning matters entered on the agenda.

The shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through authorised representatives. The authorisation to participate in the General Meeting of Shareholders and to exercise voting rights



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should be granted in writing or in an electronic form. Granting authorisation in electronic form does not require the use of a qualified electronic signature.

In accordance with the Articles of Association and applicable laws, the General Meeting of Shareholders adopts resolutions in particular on the following matters:

- considering and authorising the report on the Company's activities and of the financial statements for the prior financial year,
- reviewing and approving the directors' report on the Group's activities and the consolidated financial statements of the Budimex Group,
- acknowledging the fulfilment of duties by members of the Management and Supervisory Boards,
- creating and reversing of special funds and reserve capital, and their utilisation,
- profit appropriation or defining the manner of loss absorption; the General Meeting of Shareholders may resolve that dividend, in whole or in part, be allocated towards increasing the share capital and the shareholders are issued new shares in exchange,
- claims for losses incurred at the incorporation of the Company, or losses resulting from performing management or supervisory functions,
- disposing or leasing/renting the company or its organised part, or establishing restrictions on its use or disposal,
- taking decisions on company merger or liquidation, and in the case of the latter – appointing Company liquidators,
- issuing convertible bonds or bonds with pre-emptive rights, or subscription warrants,
- redemption of shares,
- an amendment to the Company's Articles of Association, especially concerning a share capital increase or decrease, or an amendment to the Company's objects,
- adopting By-laws of the General Meeting of Shareholders of Budimex SA,
- appointing and removing Supervisory Board members,
- defining the principles and amount of remuneration for Supervisory Board members,
- re-acquisition of own shares to offer them to employees or persons who were employed at the Company or any related company for the period of at least three years,
- conclusion by the Company of a loan, borrowing or suretyship agreement, or other similar agreement with a member of the Management or Supervisory Board, authorised commercial representative, liquidator, or concluding an agreement in favour of any of the said persons,
- determining the date on which the list of shareholders entitled to receive dividend for the year is prepared (dividend date).

Matters forwarded by the Management Board for consideration by the General Meeting of Shareholders should first be forwarded for the Supervisory Board's consideration.

Resolutions of the General Meeting of Shareholders are adopted by an absolute majority of votes, irrespective of the number of shares represented at the meeting, unless the provisions of the Code of Commercial Companies state otherwise.

## **6.12 Composition of the Management and Supervisory Boards, changes thereto in the last financial year and functioning of the management and supervisory bodies of the Company and their committees**

### **a) Composition of the Management Board**

As at 31 December 2020, the Management Board of Budimex SA was composed of the following persons:

- |                         |  |
|-------------------------|--|
| • Dariusz Jacek Blocher | President of the Management Board, General Director,             |
| • Artur Popko           | Vice-President of the Management Board, Chief Operating Officer, |
| • Cezary Mączka         | Board Member, Chief HR Officer,                                  |
| • Jacek Daniewski       | Board Member, Chief Legal and Organisational Officer,            |
| • Marcin Węglowski      | Board Member, Chief Financial Officer.                           |

In 2020, the composition of the Management Board did not change.

In 2020, there were no changes as regards authorisations to represent the Company granted by the Management Board.

### **b) Composition of the Supervisory Board and its Committees**

As at 31 December 2020, the Supervisory Board of Budimex SA was composed of the following persons:

- |  |  |
|--|--|
| • Marek Michałowski                      | Chairperson of the Supervisory Board,        |
| • Juan Ignacio Gaston Najarro            | Deputy Chairperson of the Supervisory Board, |
| • Igor Adam Chalupec                     | Supervisory Board secretary,                 |
| • Danuta Dąbrowska                       | Supervisory Board Member                     |
| • Agnieszka Słomka-Gołębiowska           | Supervisory Board Member                     |
| • Janusz Dedo                            | Supervisory Board Member                     |
| • Javier Galindo Hernandez               | Supervisory Board Member                     |
| • Jose Carlos Garrido-Lestache Rodríguez | Supervisory Board Member                     |
| • Artur Kucharski                        | Supervisory Board Member                     |
| • Fernando Luis Pascual Larragoiti       | Supervisory Board Member                     |

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In 2020, the composition of the Supervisory Board changed as follows:

- on 18 June 2020, Ms Marzenna Anna Weresa tendered her resignation as member of the Supervisory Board,
- on 18 June 2020, the Annual General Meeting appointed Mr Artur Kucharski to the Supervisory Board.

As at 31 December 2020, the Audit Committee was composed of the following persons:

- Danuta Dąbrowska – Chairperson,
- Javier Galindo Hernandez – Member,
- Agnieszka Słomka-Gołębiowska – Member.

The composition of the Audit Committee did not change in 2020.

As regards the independence of an Audit Committee member, provisions of the following apply: Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 and criteria of independence of Board members, within the meaning of the Best Practices of WSE Listed Companies 2016 (Rule II.Z.4. Section II Management Board and Supervisory Board, in the Best Practices of WSE Listed Companies 2016).

The status of independence of a Supervisory Board member is determined by the Company in accordance with the criteria defined in the Operating Instruction No. IO-01-07-02, relating to obtaining information from Supervisory Board members and the publication of this information, based on representations filed by Board members and based on Article 129 par. 3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017.

As at 31 December 2020, the Investment Committee was composed of the following persons:

- Janusz Dedo – Chairperson,
- Javier Galindo Hernandez – Member,
- Fernando Luis Pascual Larragoiti – Member.

The composition of the Investment Committee did not change in 2020.

As at 31 December 2020, the Remuneration Committee was composed of the following persons:

- Marek Michałowski – Chairperson,
- Igor Chalupiec – Member,
- Juan Ignacio Gaston Najarro – Member.

The composition of the Remuneration Committee did not change in 2020.

### **c) Operation of the Management Board**

The Management Board operates based on the provisions of the Company's Articles of Association, By-laws of the Management Board and other binding regulations, including the Code of Commercial Companies. The Management Board is composed of one or more members. The Management Board conducts the Company affairs and formally represents the Company.

The President of the Management Board is appointed and removed by the Supervisory Board. The President of the Management Board is, at the same time, the Company's General Director. The Supervisory Board, at the request of the President of the Management Board, appoints vice-presidents and other members of the Management Board for a 3-year joint term of office.

The functioning of the Management Board is managed by the President of the Management Board. The detailed manner of Management Board functioning has been defined in the By-laws of the Management Board approved by the Supervisory Board.

Resolutions of the Management Board may be adopted with an absolute majority of votes. In the event of an equal number of votes, the casting vote is that of the President of the Management Board.

The persons authorised to make representations or sign documents on behalf of the Company are:

- President of the Management Board – individual representation,
- two Board Members – acting together or one Board Member acting together with an authorised commercial representative.

Representations filed with the Company or submissions of documents are considered valid if addressed to one Board Member, or authorised commercial representative of the Company.

### **d) Operation of the Supervisory Board**

The Supervisory Board operates on the basis of the Articles of Association, By-laws of the Supervisory Board of Budimex SA and other legal regulations, including the Code of Commercial Companies. The organisation and operation of the Supervisory Board is defined in the By-laws of the Supervisory Board.

The Supervisory Board takes decisions provided at least half of Board Members are present at the meeting and all its members were invited to the meeting. The Supervisory Board adopts resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the Chairperson of the Supervisory Board. It is allowed that resolutions of the Supervisory Board are taken in writing or using means of direct communication. Resolutions of the Supervisory Board are valid

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and effective if all Board members were informed about the content of the draft resolution and at least half of the Board members participated in passing the resolution. Supervisory Board members may participate in taking resolutions by voting in writing by proxy i.e. through another member of the Supervisory Board, in all matters listed on the agenda of the Supervisory Board meeting, except for matters that were added to the agenda during the course of the Supervisory Board's Meeting.

In performing its duties, the Supervisory Board is authorised to review all documents of the Company or to request reports and explanations from the Management Board or employees of the Company; it may also verify the company's assets, books of account, registers and documents. The Supervisory Board is also entitled to order, for its own use, appropriate expert research in matters of its supervision and control.

The Supervisory Board supervises all aspects of the Company's operations in an ongoing manner. Included in the scope of duties of the Supervisory Board are, in particular, the following:

- assessment of the directors' report on the company's activities and evaluation of the financial statements for the previous year,
- evaluation of profit appropriation or loss absorption proposals made by the Management Board,
- recommending to the General Meeting of Shareholders the acknowledgement of the fulfilment of duties by members of the Management Board,
- presenting to the General Meeting of Shareholders annual written reports on the results of the assessment referred to above,
- suspending, for valid reasons, individual or all Management Board members and delegating Supervisory Board members for a period lasting no more than 3 months to temporarily perform the duties of those Management Board members who were removed, resigned or could not perform their duties for other reasons,
- approval of the By-laws of the Management Board of the Company,
- concluding agreements with the Company Management Board members, determining the remuneration of the President of the Management Board and of other Board members, determining policies for granting management bonuses, exercising rights towards Management Board members resulting from work relations; with the proviso that such agreements should be signed by the Chairperson of the Supervisory Board on behalf of the Supervisory Board,
- appointment of a new certified auditor from the list of certified auditors maintained by the National Council of Certified Auditors to audit the financial statements of the Company,
- approval of the agreement between the Company's Management Board and the underwriter to take up the Company's shares,
- granting approval to a Board member to deal with competitive business or to participate in a competing company,
- granting approval to excluding or limiting by the Management Board a pre-emptive right to newly issued shares,
- granting approval to the method of determining share issue price proposed by the Management Board or to issue shares for an in-kind (non-monetary) contribution,
- granting approval for the purchase or disposal of property, perpetual usufruct right or share in property, machines, equipment, securities or other assets, if the unit price on acquisition or disposal exceeds 1/5th of the Company's share capital; if the value of the transactions referred to in this point does not exceed the amount stated above, the decision is made independently by the Management Board.

In accordance with sec. 12, par. 3 of the By-laws of the Supervisory Board, the Supervisory Board may establish committees or appoint teams from among its members, or delegate a Board member to such bodies. As stated above, the following three committees operate as part of the Supervisory Board: Audit Committee, Investment Committee and Remuneration Committee.

#### **e) Tasks of the Audit Committee**

The role of the Audit Committee is to:

1. monitor the process of preparation of the financial statements of the Company and the consolidated financial statements for the previous year, perform detailed reviews of the results of audits performed by a statutory auditor at each audit stage; monitor the process of preparation of the Directors' Report, including statements on non-financial information;
2. monitor the effectiveness of the internal control systems, risk management systems and internal audit, also in the area of financial reporting;
3. monitor the performance of audit activities, in particular performance by an audit firm of an audit, while taking into consideration any and all motions and findings of the Audit Supervision Authority arising from the control activities carried out within the audit firm;
4. control and monitor the independence of the statutory auditor and of the audit firm, in particular when the services other than audit and review of financial statements are provided to the Company by the audit firm;
5. inform the Supervisory Board about the results of the audit and explain the manner in which the audit contributed to reliability of financial reporting at the Company and the role of the Audit Committee in the audit process;
6. assess the independence of the statutory auditor and grant consent to provision by the statutory auditor of permitted services other than the audit in the Company;
7. develop a policy for selecting the audit firm to conduct the audit;
8. develop a policy governing provision by the audit firm, entities affiliated with that audit firm and by any member of the audit firm's network of permitted services other than audit;
9. define the procedure for selection of the audit firm by the Company;



(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

10. present to the Supervisory Board a recommendation referred to in Article 16 par. 2 of Regulation No. 537/2014 (a recommendation for the appointment of statutory auditors or audit firms) in compliance with the policies referred to items 7 and 8 above;
11. submit recommendations designed to ensure integrity of the financial reporting process at the Company;
12. forward to the Supervisory Board conclusions and recommendations relating to the audit and assessment of the financial statements of the Company and of the consolidated financial statements for the previous year, to assess the Management Board's proposal concerning profit appropriation or loss absorption;
13. forward to the Supervisory Board conclusions and recommendations concerning acknowledgement of the fulfilment of duties by the Chief Financial Officer;
14. perform other tasks commissioned by the Supervisory Board depending on the current situation of the Company;
15. submit a report on the Committee's activities to the Supervisory Board on a semi-annual basis, by the date of approval of annual financial statements and after publication of semi-annual financial statements.

In 2020, the statutory independence criterion was met by Danuta Dąbrowska and Agnieszka Słomka-Gołębiowska.

In 2020, members of the Audit Committee who have the most extensive experience, knowledge and skills in the field of accounting and management are:

- Ms Danuta Dąbrowska, member of the Association of Chartered Certified Accountants (ACCA), member of supervisory boards of WSE-listed companies and

- Ms Agnieszka Słomka-Gołębiowska – professor at the Chair of International Comparative Studies at the Warsaw School of Economics, member of supervisory boards of WSE-listed companies.

Mr. Javier Galindo Hernandez – former long-term Chief Financial Officer of Ferrovial Construcción SA, the main company of the Ferrovial Group construction segment, is a member of the Audit Committee with the greatest experience, knowledge and skills in the broadly understood construction industry.

The Audit Committee held 7 meetings in 2020.

#### ***Key elements of the audit firm selection policy***

In accordance with the Articles of Association of Budimex SA, the audit company is selected by the Supervisory Board on the basis of a recommendation of the Audit Committee. It is prohibited to introduce any contractual clauses that would require the Supervisory Board to select an audit firm from a specific category or list of audit firms. Such clauses shall be null and void by operation of law.

At the same time, the Supervisory Board – during the selection of the audit firm – and the Audit Committee – at the stage of preparing recommendations – follow, among others, the following guidelines concerning the audit firm:

- a) the price proposed by the audit firm,
- b) the ability to ensure full range of services defined by Budimex SA,
- c) previous experience of an audit firm in auditing financial statements of entities whose business profile is similar to that of the Budimex Group and experience in auditing financial statements of public interest entities,
- d) professional qualifications and experience of persons directly involved in the audit carried out in the Budimex Group,
- e) the ability to collaborate with the Ferrovial Group auditors and to meet the deadlines for reporting to the Ferrovial Group.

The Audit Committee's recommendation to the Supervisory Board regarding the extension of agreement with audit firm to perform the audit was issued in 2019 and met the applicable conditions. The aforementioned recommendation regarding the selection of the audit firm was issued in 2017 and prepared as a result of Budimex SA's procedure for selecting an audit firm, carried out in the second half of 2016 and at the beginning of 2017. The procedure for selecting an audit firm was consistent with the "Budimex SA's policy and procedure for selecting an audit firm to audit financial statements".

#### ***Key elements of Budimex SA's policy for provision of authorised non-audit services by audit firms and entities affiliated with them***

The audit firm, entities affiliated with it and entities belonging to the same network may provide authorised non-audit services, as defined in Article 136 par. 2 of the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017, to Budimex SA, to its subsidiaries and to the parent company of Budimex SA. However, the Audit Committee is required to approve the conclusion of an agreement for such services, after prior analysis of threats to and safeguards for independence, referred to in Articles 69-73 of the Act. This approval must be recorded in the minutes of the Committee's meeting or be given in circular form and confirmed in the minutes of the next Committee meeting. If the seriousness of the threats to the independence of the audit firm is such that independence is compromised, the Audit Committee shall not approve the signing of an agreement for additional services. The services referred to above may be provided only to the extent not related to the tax policy of Budimex SA. All other non-audit services are prohibited.

#### ***f) Tasks of the Investment Committee***

The role of the Investment Committee is to provide opinions or approve decisions material for the Company from the point of view of the value of operations relating to: making investments or de-investments in non-financial assets, company incorporation or dissolution, making investments or de-investments or issuing financial assets, Budimex Group company mergers, divisions or transformations, carrying out financial operations, establishing special purpose vehicles (SPVs) to perform works or to render

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services based on terms and conditions other than those prevailing in the consortium agreements concluded by Budimex Group, preliminary agreements and non-binding initial offers, development projects and significant contracts with related parties.

The Investment Committee operates based on the procedure authorised by the Supervisory Board. The Supervisory Board is informed at its subsequent meetings about matters on which the Investment Committee was to provide opinions during the period in between the Supervisory Board's meetings.

#### **g) Tasks of the Remuneration Committee**

The tasks of the Remuneration Committee comprise:

- submitting for approval by the Supervisory Board, proposals concerning remunerating Management Board Members, especially in the form of fixed remuneration, performance-based remuneration, retirement benefit schemes and retirement benefit and long-term incentive programs, together with recommendations concerning objectives and assessment criteria for appropriate adjustment of remuneration of Management Board Members to long-term shareholder interests and the Company's objectives defined by the Supervisory Board; providing the Supervisory Board with proposals concerning the remuneration of individual Management Board Members and ensuring that the remuneration proposed is consistent with the remuneration regulations adopted by the Company and the assessment of the work performance of individual Board Members; providing the Supervisory Board with proposals concerning the appropriate form of employment contracts for individual Board Members; providing the Supervisory Board with proposals concerning bonus ratios, their weight for Board members based on the budget for the given year; offering assistance to the Supervisory Board in supervising the process under which the Company fulfils binding regulations in the area of remuneration disclosure requirements (in particular in the area of remuneration of members of the Management Board); monitoring the level and structure of remuneration of Management Board members based on independent payroll reports, market ratios and submitting to the Supervisory Board appropriate underlying analyses and conclusions; providing opinions on the appointment and removal of members of Supervisory Boards at Budimex SA subsidiary companies, except for SPVs;
- accepting, at the request of the Management Board, the bonus ratio for employees of the Budimex SA head office to be used in the calculation of the previous year's bonus and the percentage ratio for salary/wage increase in the current year;
- preparation of the annual report on activities of the Remuneration Committee.

#### **6.13 Remuneration Policy for Members of Management and Supervisory Boards, as well as key managers at Budimex SA**

On 18 June 2020, the General Meeting of Shareholders adopted the remuneration policy of the Budimex SA Governing Bodies.

The purpose of the policy is to set the general guidelines and framework for the remuneration of members of the Company's Management Board and Supervisory Board. The implementation of the purpose and objectives of the Policy is focused on promoting the fulfilment of the tasks entrusted to the members of the Management Board, the achievement of business results at the assumed level or exceeding expectations, as well as promoting the increase of the Company's operational, business and organisational efficiency.

The objectives and goals of the policy are the basis for the rules of remuneration of members of the Management Board of Budimex SA and members of the Supervisory Board.

The policy regulates, among other things:

- components of remuneration of members of the Management Board,
- components of remuneration of members of the Supervisory Board,
- it indicates the proportions between the components,
- it sets out a detailed framework for the award of variable remuneration components,
- it specifies how the bonus criteria are linked to the objectives.

#### **Supervisory Board Members**

The body authorised to determine the remuneration policy for members of the Supervisory Board of Budimex SA is the General Meeting of Shareholders. On 28 April 2015, the General Meeting of Shareholders resolved that members of the Supervisory Board of Budimex SA would receive monthly remuneration for their work in the following amounts:

- Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.7 ratio,
- President of the Audit Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.5 ratio,
- President of the Investment Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- President of the Remuneration Committee of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.3 ratio,
- Deputy Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio,

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

- Secretary of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.2 ratio,
- Supervisory Board Member – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio.

### **Management Board Members**

The body authorised to determine the remuneration policy for members of the Management Board of Budimex SA is the Supervisory Board. The policy defines all types of remuneration, in particular, fixed remuneration, performance-based remuneration, retirement benefit schemes and retirement benefits, and long-term incentive schemes.

In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board. Employment contracts with members of the Management Board are signed by the Chairperson of the Supervisory Board on behalf of the Supervisory Board.

Members of the Management Board of Budimex SA ("Company"), in connection with the work performed and position occupied on the Management Board, are employed at either Budimex SA or at subsidiary companies where they receive remuneration based on an employment contract concluded for a fixed term of office, with a termination notice period resulting from the Labour Code provisions. In addition, the employment contracts provide for severance pay in the amount of 6-12 monthly salaries, depending on the position, in the case of removal or non-appointment for the next term of office of the Management Board for reasons due to the Company. Where the contract is terminated due to an employee's resignation or his/her wilful misconduct to the detriment of the Company, severance pay is not paid and only the termination notice period resulting from the applicable Labour Code provisions remains in effect.

In addition, Members of the Management Board of Budimex SA have concluded, with the Company or the company paying their remuneration, separate non-competition agreements which are valid for a period of 12 months after the date of dissolution of the respective employment contracts. During the period of validity of the non-competition clause, the Company will pay the employee 25-100 per cent of his/her basic monthly remuneration, depending on the manner in which the employment contract is terminated and the party that initiated the termination. Contractual penalties have been established for the breach of the non-competition clause by a member of the Management Board.

Information on the remuneration of Members of the Management Board was presented in note 39.1 to the consolidated financial statements of the Budimex Group and in note 39 to the financial statements of Budimex SA.

The remuneration of Management Board members is composed of the following items:

- fixed remuneration – basic monthly salary,
- performance-based remuneration (annual bonus) which is composed of the following elements: task-related bonus which is determined on the basis of an annual assessment of task completion, and ratio-related bonus relating to the business activities of the Budimex Group,
- share-based remuneration under the "Ferrovial's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovialu") which consists in conditional awarding of rights to acquire shares in Ferrovial SA. Management Board members who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares in Ferrovial. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovial Group in three consecutive years and on the eligible persons' remaining employed by the Company at the date of awarding the shares.

As part of the ECP (Employee Capital Plan), the Company operates the voluntary Employer's Additional Contribution Scheme. Contributions are calculated as a percentage of the employee's remuneration. Members of the Management Board participate in the scheme on the same basis as all Budimex employees.

### **Key managers**

The body authorised to determine the remuneration policy for Key managers is the Management Board of Budimex SA. The remuneration policy has been determined in individual employment contracts.

The remuneration of key managers is composed of the following items:

- fixed remuneration – basic monthly salary,
- performance-based remuneration (annual bonus) which is composed of the following elements: task-related bonus, which is determined on the basis of an annual assessment of task completion, and ratio-related bonus relating to the business activities – areas under management,
- share-based remuneration under the "Ferrovial's objective-related share incentive scheme" ("Plan przyznania akcji związanych z celami Ferrovialu") which consists in conditional awarding of rights to acquire shares in Ferrovial SA. Management Board members who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares in Ferrovial. Both the fact of awarding and the number of awarded shares depends on achieving economic parameters budgeted by the Ferrovial Group in three consecutive years and on the eligible persons' remaining employed by the Ferrovial Group at the date of awarding the shares.
- in addition, for key employees with above-average business performance, the Company has introduced retention contracts.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

#### **Non-financial components of remuneration**

Non-financial components of remunerations to which individual Board Members and key managers are entitled are the same and include "in-kind" benefits such as free-of-charge medical care, payment of life insurance policy premiums, company car.

#### **Significant changes to the remuneration policy**

There were no significant changes to the remuneration policy during the last financial year.

#### **Assessment of the remuneration policy**

The remuneration policy in place is an effective management tool supporting the Company's strategic development objectives and enabling a flexible response to changes in the business environment caused by the shortage of subcontractors and the need to expand the Company's own execution capacities.

## **7 REPORT ON NON-FINANCIAL INFORMATION**

Budimex SA and the Budimex Group have decided to prepare reports on non-financial information as separate documents. The consolidated report of the Budimex Group on non-financial information and the separate report of Budimex SA on non-financial information will be published on the website [www.budimex.pl](http://www.budimex.pl).

## **8 REPRESENTATION BY THE MANAGEMENT BOARD**

To the best of our knowledge, the consolidated financial statements of the Budimex Group and financial statements of Budimex SA for the twelve-month period ended 31 December 2020 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial conditions and financial performance of the Budimex Group and Budimex SA. The Directors' Report gives a true view of the development, achievements and position of the Budimex Group and Budimex SA; it also includes a description of key risks and threats.

Pursuant to the representation by the Supervisory Board of Budimex SA, we hereby inform that the audit firm carrying out the audit of the consolidated financial statements of the Budimex Group and the financial statements of Budimex SA for the 12-month period ended 31 December 2020 – Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. – has been selected in accordance with the regulations, including those concerning the selection and procedure for the selection of the audit firm, and that:

- the audit firm and the auditors who performed the audit met the conditions required to issue an impartial and independent audit report on the annual consolidated financial statements of the Budimex Group and audit report on the financial statements of Budimex SA, in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics,
- the regulations on rotation of audit firms and lead auditors and on the mandatory cooling-off periods are observed,
- Budimex SA has a policy for selection of an audit firm and a policy governing the provision to Budimex SA of additional non-audit services, including services conditionally exempt from the prohibition of certain non-audit services, by an audit firm, an entity related to the audit firm or a member of the audit firm's network.

Warsaw, 22 March 2021

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|---|--|
| Dariusz Blocher<br>President of the Management Board  |  |
| Artur Popko<br>Vice-president of the Management Board |  |
| Jacek Daniewski<br>Member of the Management Board     |  |
| Cezary Mączka<br>Member of the Management Board       |  |
| Marcin Węglowski<br>Member of the Management Board    |  |