

## **Rationale for the draft resolutions of the Annual General Meeting of Budimex S.A. convened for 18 June 2020**

### **Rationale for the draft Resolution No. 366 of the Annual General Meeting of Budimex S.A. on creating a reserve capital**

Pursuant to Article 396(4) of the Polish Companies Code and § 19(1) of the Articles of Association, the General Meeting has a right to create a reserve capital. The creation of such capital is connected with the draft resolution on distribution of profit for 2019, which provides for allocating some of the profit to that capital.

### **Rationale for draft Resolution No. 367 of the Annual General Meeting of Budimex S.A. on the distribution of profit for 2019**

The allocation of about a half of the profit made in 2019 and leaving the remainder of the profit in the Company takes into account the current difficult market situation, in particular the potential impact of the COVID-19 epidemic on the construction market and thus on the financial standing and the business of the Company in the long term. As at 31 March 2020, the Budimex S.A. had PLN 1,414,409,000 as cash and cash equivalents.

The remainder of the profit shall be allocated for reserve capital for the purpose of dividend payment or payment of interim dividend by the Management Board. Any decisions on using the funds in the reserve capital shall consider the current market situation and shall be made by competent governing bodies of the Company.

### **Rationale for draft Resolution No. 386 of the Annual General Meeting of Budimex S.A. on adoption of the Policy for remunerating members of Budimex S.A. governing bodies**

In accordance with the Polish Act on Public Offering of 29 July 2005, on Introduction of Financial Instruments to Organised Trading and on Public Companies, the Company's General Meeting adopts, by way of a resolution, a remuneration policy for members of the Management Board and the Supervisory Board (Article 90d(1) of the Act). Pursuant to Article 90d(1) of the Act, the Management Board of Budimex S.A. has prepared a Policy for remunerating members of Budimex S.A. governing bodies. The Policy has been published along with the materials related to the Annual General Meeting convened for 18 June 2020.

### **Rationale for draft Resolution No. 387 of the Annual General Meeting of Budimex S.A. on establishing the rules of Employee Capital Plan (PPK) participation for members of the Budimex S.A. Supervisory Board**

Pursuant to the Polish Employee Capital Plan (PPK) Act of 4 October 2018, Budimex S.A., as employer, is under the obligation to implement a PPK scheme for employees, including Supervisory Board members (Article 2(1)(18)(e) and Article 2(1)(21)(e) of the Act). Given that Budimex S.A. has implemented a PPK scheme and the Supervisory Board members meet the statutory scheme eligibility criteria, they may join the scheme on the terms defined by the Company. The adoption of the Resolution by the Annual General Meeting arises from section 16(10) of the Budimex S.A. Articles of Association, whereunder it is the responsibility of the General Meeting to establish the remuneration of the Supervisory Board members.

### **Rationale for draft Resolution No. 388 of the Annual General Meeting of Budimex S.A. on authorising the sale by Budimex S.A. of a real property – plot no. 37/10 district 1-11-07 situated in Warsaw, ul. Guźca**

The real property was covered by a draft resolution of the AGM after the 2002 investment. It is a part of a road of an area 529 m<sup>2</sup>, which cannot be developed. The City of Warsaw declared it could buy the real property from Budimex S.A. The proposed AGM resolution no. 387 was included on the agenda of the Annual General Meeting at the request of the buyer.

**Rationale for draft Resolution No. 389 of the Annual General Meeting of Budimex S.A. on amending § 16(4) § 16(5) and § 16(9)(m) of the Company's Articles of Association and adopting a consolidated text of the Articles of Association**

The amendments of § 16(4) § 16(5) of the Articles of Association are connected with the new wording of Article 388 of the Polish Companies Code introduced by the Act on Amendment of the Act on Special Solutions Related to Prevention, Counteracting and Fighting Covid-19, Other Infectious Diseases and the Crises They Cause and Some Other Acts in effect as of 31 March 2020. The amendments proposed to § 16(9)(m) of the Articles of Association do not change the rules of making investment decisions by particular Company governing bodies to the extent described in that clause and, just as the aforementioned amendments of § 16(4) § 16(5), they are intended exclusively to prevent any doubt in this respect.

**Comparison of the wording of the provisions of the Articles of Association:**

**The original wording of § 16(4) § 16(5) of the Company's Articles of Association**

*"4. The Supervisory Board adopts resolutions if at least half of the members are present at the meeting and all the members have been invited. The Supervisory Board shall adopt resolutions by an absolute majority of votes. In the case of split vote, the Chairperson of the Supervisory Board shall have the casting vote.*

*5. The Supervisory Board may adopt resolutions in writing and via means of direct remote communication. Resolutions are valid if all members of the Supervisory Board have been notified of the content of the draft resolution."*

**Proposed wording of § 16(4) § 16(5) of the Company's Articles of Association**

*"4. The Supervisory Board adopts resolutions if at least half of the members are present at the meeting and all the members have been invited. Participation in Supervisory Board meetings is also possible through means of distance communication. The Supervisory Board shall adopt resolutions by an absolute majority of votes. In the case of split vote, the Chairperson of the Supervisory Board shall have the casting vote.*

*5. The Supervisory Board may adopt resolutions in writing and via means of direct distance communication. Resolutions are valid if all members of the Supervisory Board have been notified of the draft resolution text and at least a half of Board members have taken part in adoption of the Resolution."*

**The original wording of § 16(9)(m) of the Company's Articles of Association**

*"m) authorising a purchase or sale of real estate, perpetual usufruct right or interest in real estate, machinery and equipment and/or sale or purchase of securities or other assets where the unit purchase or selling price exceeds one fifth of the Company's share capital; in any transactions which are covered by this clause but do not exceed the stipulated value, the Management Board makes decisions on its own."*

**Proposed wording of § 16(9)(m) of the Company's Articles of Association**

*"m) authorising a purchase or sale of real estate, perpetual usufruct right or interest in real estate, machinery, equipment, securities or other assets where the unit purchase or selling price exceeds one fifth of the Company's share capital; in any transactions which are covered by this clause but do not exceed the stipulated value, the Management Board makes decisions on its own. By extension, transactions which are covered by this clause, do not require a resolution of the General Meeting adopted according to Article 393(4) of the Polish Companies Code."*

**Rationale for draft Resolution No. 390 of the Annual General Meeting of Budimex S.A. on changes in the composition of the Budimex S.A. Supervisory Board**

The Management Board has decided to include an item "Changes in the composition of the Budimex S.A. Supervisory Board" on the AGM agenda given that in the previous years the shareholders signalled the need to allow the General Meeting to appoint new Supervisory Board members of Budimex S.A.