



BUDIMEX SA

**REPORT ON NON-FINANCIAL DATA FROM OPERATIONS
IN 2017**

Report of Budimex SA on non-financial information in 2017

This report (hereinafter: report) includes non-financial information on Budimex SA for the period from 1 January 2017 to 31 December 2017. This report is the tenth report on non-financial information published by Budimex, also known as the sustainable development report. Reports on non-financial data are published on an annual basis and verified each year by an independent auditor. The previous report was published on 4 July 2017.

This report has been prepared in line with the "in accordance" GRI guidelines at the "Core" level and includes general and industry indicators, specified in this standard's sectoral supplement for construction industry.

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1 KEY STAKEHOLDERS OF BUDIMEX SA

The stakeholder map comprises a total of 26 main groups – those influencing Budimex and those influenced by the Company. These are:

- 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 (the strategic investor, institutional investors, individual investors, Warsaw Stock Exchange, brokerage offices, banks);
- Customers (General Directorate for National Roads and Motorways, corporate customers, individual customers, business partners, key suppliers, subcontractors, local self-government and government administration);
- Society (local communities in the area of an investment, residents and community leaders, media, universities and academics, technical and professional organisations);
- Natural environment (environmental organisations, environmental supervision inspectors, State Forests).

In 2017, there were no material changes to the dialogue conducted with individual stakeholder groups and the use of communication channels, and key areas were defined on the basis of results from previous surveys and interviews with stakeholders. Thus, in the opinion of Budimex SA, it was not necessary to organise a separate stakeholder panel for the purposes of preparing this report. Important aspects specified in the report were developed on the basis of the managerial expertise supported by many years of experience. Therefore, Budimex SA believes that the needs of key groups of stakeholders and their expectations towards the Company are adequately addressed. The CSR Committee has been shaping the line of dialogue with stakeholders for over 5 years. The Committee analyses and updates the significant issues on an ongoing basis, both in terms of internal and external factors. Budimex SA is obliged to conduct dialogue in a decentralised manner, which means that majority of relationships with various groups of stakeholders tend to be direct as often as required by the specificity of a given group and depending on its needs. Information on the significance of individual aspects of the Company's operations is collected on an ongoing basis. For example, occupational health and safety is a material area due to the nature of the Group's business. Thus, the "Safety in Construction Agreement" signed by Budimex is another important form of dialogue concerning improvement of safety on construction sites, which is conducted in a continuous and organised manner.

2 SIGNIFICANCE OF INDIVIDUAL NON-FINANCIAL ISSUES

Budimex revises significant issues for the report in a survey and repeats it regularly, unless any events occur that require it to be carried out sooner (e.g. business model change).

The Management Board of Budimex SA decided that it is not necessary to repeat the significance survey for the purposes of preparing this report because there were no material changes in this respect in comparison to the previous year. The above results from the unchanging specificity of business operations and impact on the environment and society. In 2012, the Company carried out a comprehensive survey among over a dozen key managers, in accordance with the guidelines of the PN ISO 26000 standard. The survey aimed to analyse and identify areas of the Company's responsibility. In the following year, the results of this study were verified and developed by the Budimex CSR Committee. The Committee defined the areas which are significant from the environmental and financial perspective.

They include:

- working conditions, occupational health and safety (OHS),
- impact on local environment and biodiversity,
- non-ethical conduct prevention (bribery, corruption),
- quality and safety of constructions,
- rational use of resources and environmental pollution.

The above list of key issues along with an indication of the degree to which a given aspect is significant to the Company internally and externally was prepared on the basis of the survey (Table 1). The aforementioned survey on significance of non-financial issues in the opinion of stakeholders and with respect to the Company was used for the purposes of preparing this report. The survey also enabled identification of material non-financial risks.

Table 1. Area significance for Budimex SA:

Social or environmental aspect	Impact aspects and GRI indicators	Degree of area significance in the Company
Working conditions, occupational health and safety (OHS)	– Workplace: occupational health and safety (G4-LA-DMA, G4-LA5, G4-LA6, G4-LA7 G4-LA8) – Supplier assessment (G4-LA14, G4-LA15) – Labour practices grievance mechanisms (G4-LA16)	high*
Impact on local environment and biodiversity	– Biodiversity (G4-EN11, G4-EN12, G4-EN13, G4-EN14) – Supplier environmental assessment (G4-EN32, G4-EN33) – Environmental grievance mechanisms (G4-EN34)	high*
Non-ethical conduct prevention	– Local communities (G4-SO1, G4-SO2) – Human rights: investment (G4-HR1)	high*

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

	– Human rights: grievance mechanisms (G4-HR12)	
	– Anti-corruption (G4-SO3, G4-SO5)	
Quality and safety of constructions	– Customer health and safety (G4-PR1, G4-PR2)	high*
Rational use of resources	– Materials (G4-EN1, G4-EN2)	medium*
and environmental pollution	– Energy (G4-EN3, G4-EN5)	
	– Emissions (G4-EN15, G4-EN16, G4-EN18, G4-EN21)	
	– Effluents and waste (G4-EN23, G4-EN24)	
	– Compliance (G4-EN29)	
	– Supplier environmental assessment (G4-EN32, G4-EN33)	
	– Other (sectoral) (CRE2, CRE8)	

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

3 MANAGEMENT AREA

3.1 GROUP'S STRATEGY AND BUSINESS MODEL

3.1.1 Business activity

Budimex SA operates in the construction sector, which has a major impact on the society and natural environment. The company is a general contractor in the infrastructure sector, including: roads, railway, airports, commercial buildings, energy, industry and hydrology. The company was established in 1968, and it has been listed on the Warsaw Stock Exchange since 1995. In 2000, the Spain-based Ferrovial Group, one of the leading construction companies worldwide, acquired the majority stake in Budimex and became its strategic investor. Since 2011, Budimex has been a part of the RESPECT index – comprising companies which conduct their business in accordance with the highest standards of corporate social responsibility.

Budimex SA is a leading company in the Group. It provides construction and assembly services, carries out real estate development activities and offers management and advisory services to the other Group companies. It aims to ensure fast information flow across these companies, increase the efficiency of their financial business and strengthen the market position of the Budimex Group.

Shareholding structure as at 31 December 2017:

- Valivala Holdings B.V. Amsterdam (Netherlands) – Company of Ferrovial SA Group (Spain) – 55.1%
- Aviva OFE Aviva BZ WBK – 9.2%
- Nationale Nederlanden OFE – 5.4%
- Other shareholders – 30.3%

3.1.2 Strategy and areas of operation in consideration of environmental and social aspects

Budimex mission: "Our mission is to implement construction projects, including real estate development undertakings, in a manner worthy of a market leader, respecting the natural environment and ethics, with attention to customer satisfaction and user comfort, to be achieved thanks to our professionalism and passion for construction, high operating effectiveness and partner-like relations with suppliers and subcontractors."

Business objectives of the entire Budimex Group:

- Improving profitability by controlling and limiting construction risks;
- Concentrating the Group's potential in the domestic market;
- Developing activities in the railway and industrial construction market;
- Achieving a strong position in the domestic real estate development market;
- Maintaining profitable export activity in Germany;
- Entering the concession sector in Poland.

3.1.2.1 CSR strategy

The Corporate Social Responsibility strategy of Budimex for the years 2016–2020 has been developed on the basis of the Company's mission and the following values: Ethics, Cooperation, Responsibility and Ambition. It corresponds to the business strategy.

Eight priorities of social responsibility were identified on the basis of the objectives of the CSR strategy and key responsibility areas of the Budimex Group. These priorities were assigned specific actions and key performance indicators (KPI). Values that should be reached during this four-year period were determined for all objectives and their performance indicators.

The approach to corporate social responsibility was defined in the Company's Policy of Responsibility, where the Group undertakes to act in support of social development by improving people's standard of living, while simultaneously creating value for shareholders, employees and other stakeholders. The policy applies to the entire Group, including all companies.

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

The principles of Corporate Responsibility are based, inter alia, on the Global Compact guidelines, and are as follows:

- Ethical and responsible conduct in all activities;
- Respect for fundamental human rights;
- Transparency and application of best practices in the area of shareholder supervision;
- Contributing to social and economic development;
- Reducing the environmental footprint, tackling climate change, and efficient resource management;
- Promoting responsible actions in the supply chain;
- Protecting health and safety of employees and fostering equality, diversity and work-life balance;
- Innovativeness as an element of competitiveness and value creation;
- Stakeholder engagement;
- Financial stability and long-term perspective.

Table 2. Budimex CSR strategy for the years 2016–2020:

Strategic priorities	Objectives	KPI 2020 to verify objective implementation status
I. Improvement of occupational health and safety standards	Objective: no fatal accidents whatsoever, either among the Company's employees or among subcontractors' employees	0 fatal accidents
	Objective: lowering the accident frequency rate among Budimex employees	% of equipped construction sites fully manned with trained personnel, i.e. ~ 100% of indicator level from the preceding year
	Objective: lowering the accident severity rate among Budimex employees	<100% of indicator level from the preceding year
II. Limiting impact on the natural environment	Objective: effective use of energy and reduction of the related emission	2.8 – Toe (tonne of oil equivalent) / 1 million of income from sales
	Objective: optimum use of resources and materials and minimisation of generated waste	0.79 – % waste / 1 million of income from sales
	Objective: control of environmental risks and prevention of damages and environmental accidents	0 – number of accidents / 1 million of income
III. Being a neighbour and guest in local communities	Objective: no environment-related conflicts that could contribute to withholding construction works	0 – number of environment-related conflicts
IV. Eliminating the risk of unethical behaviour	Objective: no unverified cases of potential unethical behaviour	0 – number of unverified ethics-related cases
V. Development of unique competences and friendly workplace atmosphere	Objective: maximisation of satisfaction ratio among employees	≥100% of level from the previous study
VI. Ensuring the highest quality of project implementation	Objective: maximisation of the Quality Conformance (QC) rate	≥ 100% of level from the preceding year
VII. Support of a culture of innovativeness	Objective: increase of innovativeness	≥ 100% of level from the preceding year
VIII. Ensuring supervision mechanisms for social and environmental results of the activities	Objective: ensuring reliable financial and non-financial reporting	Implemented – annual reporting of financial and non-financial data

The CSR Committee comprising representatives of organisational units responsible for various aspects of business activity supervises the implementation of the CSR Strategy.

3.1.3 Value model

The underlying assumption of the value model, i.e. the business model of Budimex, is creation of values and their practical utilisation within the framework of six capital types: financial, human, organisational, intellectual, social, and natural. Their use and translation of the business model into financial, social, and environmental outcomes as well as business risks are presented in the model description below. There were no material changes to the business model of the Budimex Group during the reporting period.

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

Table 3. Business model of the Budimex Group, including Budimex SA, and its effect on financial, social, and environmental outcomes:

Financial capital	Human capital	Organisational capital	Intellectual capital	Social capital	Natural capital
Capital used to finance our operations – funds entrusted with us by shareholders, lenders, and creditors, as well as funds generated by us in the form of profits – care for increasing the capital entrusted and reliability in informing about the actual situation of the Budimex Group and its business	Diverse team of experienced engineers and other professionals engaged in the process of creating lasting value – care for safety and health of people involved in the works performed, their development and future	Unique organisational structure, policies, processes, and procedures enabling us to maintain high quality, timeliness and to eliminate mistakes. A structure allowing for effective and efficient operation	Intangible assets, i.e. knowledge and solutions, results of research and development and outcomes of laboratory tests	Ability to build relationships with the environment, e.g. building long-term relationships with suppliers and subcontractors, being a good neighbour in local communities, cooperating with other players, including focus on common problems in the sector (e.g. as part of the Safety in Construction Agreement)	Direct and indirect impact on the environment. Respect for the used but limited natural resources and care for valuable nature areas adjacent to investment projects implemented by Budimex – their protection, compensating for losses suffered by nature

The business model itself and its implementation involve certain business risks which were defined for each of the six areas and described further on in this report.

3.1.3.1 Value model and supply chain

The business model with Budimex as the general contractor is based on a network of subcontractors rendering work commissioned by the Company. When executing orders, Budimex SA coordinates the work of its subcontractors. Thus, care for cooperation with subcontractors is treated in terms of an investment in building a positive image of Budimex as a general contractor of individual investment projects implemented under the banner of the Company. Therefore, subcontractors of Budimex are obliged to follow the rules of environmental protection and occupational health and safety. Subcontractors are verified in terms of compliance of their operations with the standards of the Company and the Budimex Group, in particular with respect to the quality and safety of work, as well as to ethical clauses. During the cooperation, their work is continuously monitored, and at the end, a summary evaluation is conducted. Due to the risks such as poor workmanship or delays, subcontractors are also subject to audits.

Upon the execution of the cooperation agreement, each counterparty of Budimex is also obliged to sign:

- Requirements for occupational health and safety;
- Requirements for environmental protection;
- Code of Conduct for Counterparties.

The rule of partner-like long-term relationships between Budimex and its subcontractors applies, and if market conditions change, solutions aimed at optimising resources and the order book are implemented. Budimex is aware of the fact that it is a large partner for more than a dozen thousand our subcontractors and that a 'job well done' is in the interests of all the parties involved.

Apart from subcontractors, Budimex cooperates with suppliers of basic and raw materials and specialist services. Among major suppliers are the following manufacturers of:

- paving-grade bitumen (Orlen Asphalt, Lotos Asphalt),
- reinforced steel, reinforcing bars and metallurgical products (Arcelor Mittal Distribution Solutions Polska, Konsorcjum Stali SA, ThyssenKrupp Energostal SA, Vimex SA),
- aggregate and concrete (Cemex Polska Sp. z o.o., Dyckerhoff Polska Sp. z o.o., Lafarge Cement SA, KGHM Metracor SA, Kopalnie Dolomitu w Sandomierzu SA, Nordkalk Sp. z o.o., PGP Bazalt SA, ZPK Rupińscy Sp. j.),
- road and bridge barriers (Stalprodukt SA),
- fuels – heating oil, mazout (Lotos Paliwa Sp. z o.o., PKN Orlen SA, Lausitz Energie Bergbau AG),
- components of road culverts (Viacon Polska Sp. z o.o.),
- concrete products – tanks, retaining walls (PGP Bazalt SA),
- power (Energa Obrót SA, Tauron Sprzedaż sp. z o.o.),
- geosynthetics (Biuro Inżynierii Drogowej Drotest Sp. j.).

Detailed information on the supply chain of Budimex are available in the section "Managing risk in the supply chain" of this report.

3.1.3.2 Contribution to infrastructural development

Without a doubt, the construction sector strongly affects the environment. Commercial projects increase the residents' quality of life and infrastructural investment projects influence economic development and modernisation of the country. For example, ring roads relieve cities struggling with increasing level of traffic especially in the recent years, and consequently, with high levels of air pollution and smog. On the other, these are lasting changes to the natural environment. Budimex selects construction projects in consideration of maximising the benefits for all the parties concerned. Its portfolio comprises industrial facilities, residential and office buildings, cultural and public utility facilities, as well as roads, motorways, railway infrastructure, airports, hydro-engineering facilities, and materials recovery facilities.

3.1.3.3 Market situation in 2017 and outlook for 2018

Poland (96.8% share in revenues) is the primary sales market for Budimex followed by Germany (3% share in revenues) and other countries (0.2% share in revenues).

In 2017, the sales in the construction and real estate development segments increased, which had a positive effect on the sales results of the Company. Multiple 2- and 3-year contracts were also completed and settled. The factors, which had a material impact on the entire construction sector in 2017, included rising prices of subcontractors' services, an increase in employment costs and prices of building materials. Staff shortages on the market also contributed to the intensified employment policy in Budimex and its selective approach to new undertakings. As a general contractor, Budimex strived to support its subcontractors, e.g. by offering early payments. In the following year, further recovery in infrastructural tenders, stable development and increase in employment by approx. 1,000 persons in the entire Budimex Group, in particular in the Company itself, is expected.

Budimex is a leader in terms of revenue in the construction sector in Poland (Deloitte Report "Polskie spółki budowlane 2017" ["Polish construction companies 2017"], October 2017) and in comparison with the previous year, it strengthened its position, leaving the Skanska Group behind in the ranking. Among the other competitors of the Company, major players include the Strabag Group and the Polimex-Mostostal Group.

Budimex is a member of various organisations of employers or sector-specific associations.

Budimex membership in organisations and social initiatives:

- Business Centre Club
- Klub Polskich Laboratoriów Badawczych POLLAB [POLLAB Polish Research Laboratory Club]
- Ogólnopolska Izba Gospodarcza Drogownictwa [Polish Road Engineering Chamber of Commerce]
- Polski Związek Pracodawców Budownictwa [Polish Association of Construction Industry Employers]
- Izba Gospodarcza Transportu Lądowego [Land Transport Chamber of Commerce]
- Polskie Stowarzyszenie Wykonawców Nawierzchni Asfaltowych [Polish Asphalt Pavement Association]
- Polsko-Hispańska Izba Gospodarcza [Polish-Spanish Chamber of Commerce]
- Izba, Towarzystwo Gospodarcze Polska – Rosja [Chamber of Commerce, Economic Society of Poland – Russia]
- Railway Business Forum
- Stowarzyszenie Emitentów Giełdowych [Polish Association of Listed Companies]
- UN Global Compact
- Związek Mostowców RP [Polish Society of Bridge Engineers]
- Izba Gospodarcza Energetyki i Ochrony Środowiska [Polish Chamber of Power Industry and Environmental Protection]
- Związek Pracodawców Branży Infrastruktury [Infrastructure Sector Employers' Association]
- Karta Różnorodności [Diversity Charter]
- Pracodawcy RP [Employers of Poland]

3.2 MANAGEMENT APPROACH / MANAGEMENT CULTURE

3.2.1 Composition of the Management Board and the Supervisory Board

In accordance with the regulations for listed companies applicable in Poland, the Management Board, the Supervisory Board and the General Meeting of Shareholders are the governing bodies of Budimex SA. The Management Board deals with the current affairs of the Company and represents it externally. The Supervisory Board supervises all aspects of the Company's operations on a continuous basis. The Supervisory Board is also entitled to order, for its own use, appropriate expert studies regarding matters covered by its supervision and control. The General Meeting of Shareholders decides about the most important issues related to the Company's existence and its operations. The Members of the General Meeting of Shareholders are allowed to make decisions e.g. on the composition of other bodies and on the distribution of the Company's profit.

In comparison to the preceding year, the Company's Management Board was performing its duties during the reporting period with no changes to its composition.

As at 31 December 2017, the Management Board of Budimex SA was composed of the following persons:

- Dariusz Jacek Blocher, President of the Management Board, General Manager,
- Fernando Luis Pascual Larragoiti, Vice-President of the Management Board,
- Radosław Górski, Member of the Management Board, General Construction Director,
- Cezary Mączka, Member of the Management Board, Chief HR Officer,
- Jacek Daniewski, Member of the Management Board, Chief Legal Officer,
- Artur Popko, Member of the Management Board, Infrastructure Construction Director
- Henryk Urbański, Member of the Management Board, Chief Real Estate Officer,
- Marcin Węglowski, Member of the Management Board, Chief Financial Officer.

As in the case of the Management Board, in 2017, there were no changes to the composition of the Supervisory Board in comparison to the preceding year.

As at the end of 2017, the Supervisory Board of Budimex SA was composed of the following persons:

- Marek Michałowski, Chairman of the Supervisory Board,
- Alejandro de la Joya Ruiz de Velasco, Vice-Chairman of the Supervisory Board,
- Igor Adam Chalupec, Secretary of the Supervisory Board,
- Marzenna Anna Weresa, Member of the Supervisory Board,
- Ignacio Clopes Estela, Member of the Supervisory Board,

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

- Javier Galindo Hernandez, Member of the Supervisory Board,
- Jose Carlos Garrido-Lestache Rodriguez, Member of the Supervisory Board,
- Piotr Kamiński, Member of the Supervisory Board,
- Janusz Dedo, Member of the Supervisory Board.

In 2017, similarly to the previous year, the Supervisory Board consisted of three committees:

- Audit Committee (Marzena Weresa – Chair, Javier Galindo Hernandez, Janusz Dedo);
- Investment Committee (Piotr Kamiński – Chair, Alejandro de la Joya Ruiz de Velasco, Javier Galindo Hernandez);
- Remuneration Committee (Marek Michałowski – Chair, Igor Chalupec, Alejandro de la Joya Ruiz de Velasco).

The members of the Management Board and the Supervisory Board chair relevant assemblies, teams, or committees which aim to develop, implement and monitor the impact of the Company on the environment and society (e.g. CSR Committee, Ethics Committee).

3.2.2 Management approach

The Management Board of Budimex SA acts in compliance with the highest management standards, and the implemented management systems operate on the basis of transparent decision-making processes. In the event of finding any irregularities, corrective actions are taken without delay. Key stakeholders of the Company and all interested parties obtain relevant information in a reliable and timely manner. As a listed company, Budimex applies a set of corporate governance principles "Dobre Praktyki Spółek Notowanych na GPW 2016" ["Best Practices of WSE Listed Companies 2016"] in order to eliminate risks in the management area. The set describes, inter alia, the rules of implementing information and communication policies with investors, systems and internal functions, relationships with shareholders. Budimex SA applies all the principles contained in the set, with the exception of:

- two-way real-time communication, whereby shareholders can take the floor during the General Meeting of Shareholders from another location than the venue of the meeting,
- exercising voting rights in person or through a proxy in the course of the General Meeting of Shareholders from a location other than the General Shareholders' Meeting venue.

In the opinion of Budimex, implementation of these principles could lead to technical risks, and in consequence – to legal risks, when it comes to the proper organisation of the General Meeting of Shareholders. However, having regard to active communication with shareholders, the meetings of the General Meeting of Shareholders are streamed live for several years now.

Since 2013, Budimex has a CSR Committee composed of the representatives of the Management Board and chaired by the President of Management Board. The CSR Committee is responsible for a comprehensive approach to the management of social responsibility. If necessary, it points out to possible risks and problems from the perspective of social and environmental responsibility, recommends the course of decisions made, which will comply with the Integrated Management System Policy. The Committee holds regular meetings. It issues opinions, authorises and reviews activities in the area of social responsibility. The current CSR strategy for the years 2016–2020 was recommended by the Committee, and then accepted by the Management Board.

3.2.3 Risk management

On the basis of the survey on material areas of its business and their impact on the environment, guided by the six types of capital defined and described above, the Company identified risk groups pertaining to each capital type.

Table 4. Budimex operations and risks in the economic, social, and environmental areas:

Financial capital	Human capital	Organisational capital	Intellectual capital	Social capital	Natural capital
We finance investment projects thanks to which the road and railway infrastructure, as well as public utility facilities are created. Thanks to them, we are able to purchase required materials. We settle liabilities due to our business partners in a timely and reliable manner, thus ensuring their financial liquidity	We provide decent working conditions to more than a dozen thousands of our and external employees. We support the development of our employees. We engage future engineers as part of the Budimex Academy and the programme of internships and trainings	We make workplaces safe for people through proper work organisation	We develop optimal and efficient solutions ensuring safety to users and to social and natural environment	We contribute in an indirect manner to the improvement of social and economic life quality by involving ourselves in the construction of public and infrastructural facilities	We protect the most valuable nature areas by planning and securing construction sites in a proper manner. We monitor our impact on the environment and respond to any signals of threats

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

Currency risk	Risk of increases in employment costs	Risk of delays in timely performance or insufficient quality of subcontracted works	Risk of changes in the scope of works or technologies as agreed in the contracts	Risk of delays in obtaining relevant administrative decisions	Risk of delays in obtaining relevant administrative decisions
Price risk					
Credit risk		Risk of delays in obtaining relevant administrative decisions			Unfavourable weather or land conditions
Loss of liquidity risk					

Depending on the area to which it refers, risk management is precisely defined in the policies applicable in Budimex SA. The policies referring directly to risk management include the "Integrated Management System Policy" and the "Risk management control policy".

The IMS Policy was adopted and signed by the President of the Management Board in May 2017 (earlier, since May 2014, the "Management Policy" was in place, which was superseded by IMS) and it refers directly to corporate social responsibility. It includes information about the fact that Budimex SA is aware of short- and long-term effects of the company's operations with respect to the society and natural environment, and that sustainable development is of fundamental importance to the organisation and its strategy. The company undertakes to minimise this impact, while providing maximum quality of the services performed for the customers. The Policy includes information on the fact that the following areas are of crucial importance to the company's strategy:

- protection of life and health,
- ethical conduct,
- environmental protection and improvement of energy balance,
- top quality work and services,
- responsible information management and careful decision-making,
- management systems integration.

These are the same areas which were determined as critical by the CSR Committee and are the basis of the CSR strategy and reporting. At the same time, the President of the Management Board of Budimex SA obliged himself in this document to set objectives and tasks resulting from the IMS Policy and to make them a criterion for evaluating everyday work. The approach to managing social responsibility included in this Policy is based on the PN-ISO 26000:2012 standard.

Considering the risks in this area, one of the main ones is the risk of non-compliance of the activities conducted both by the company itself and its counterparties with key company documents and standards. The Integrated Management System Policy introduces the most important recognised business standards, in particular those for the construction sector.

The Integrated Management System consists of the following implemented standards and certificates:

- PN-ISO 26000:2012 – social and environmental responsibility management system in a company or organisation;
- ISO 9001:2008 – quality management system;
- ISO 14001:2004 – environmental management system;
- PN-N-18001:2004 and OHSAS 18000:2007 – occupational health and safety management system;
- ISO/IEC 27007:2013 – information security management system;
- AQAP 2011:2009 – quality management system;
- NATO Commercial and Government Entity (NCAGE2) code – quality management system.

The implementation and functioning of the above certificates was confirmed by an auditing company SGS Polska.

The functioning of the Policy is subject to regular economic, social and environmental audits. Its implementation also entails conducting annual internal audits. Internal audits are carried out by internal auditors – employees of Budimex SA with relevant competences. In 2017, the following internal and external audits were conducted in this regard:

- 16 internal audits and 1 external audit of the Integrated Management System (the audit lasted for about a week and involved the entire company);
- 13 internal audits and 13 external audits of the Plant Production Control system;
- 12 audits of the Construction Site Evaluation System (SOB).

Each time, they are additionally confirmed by an external audit. In 2017, no non-monetary sanctions for non-compliance with laws and regulations were imposed on Budimex SA.

3.2.3.1 Research laboratories and reliable quality control

In 2017, a total of 23 laboratories located throughout the country performed ongoing quality control of construction works and building materials, also in terms of safety of civil engineering structures prior to, during, and after the execution of construction works. The activities of the laboratory are based on highly skilled staff, whose competences are continuously improved, e.g. by the participation in technical and managerial trainings. In the previous year, 66% of employees from the Quality Control Office underwent training. We are also sharing practical technical knowledge through trainings for the engineering staff organised as part of the Budimex Academy. The requirements regarding the products are set out in the standards and legal regulations.

The leading laboratory of the Company is the central laboratory accredited by the Polish Centre of Accreditation under number AB1414. Accreditation is an objective and unique proof that the organisation operates in accordance with the best practice and limits the number of defective products, which contributes to decreases in production costs. In 2017, the number of accredited tests increased by 12% in comparison to the previous year. Laboratories are equipped with state-of-the-art testing equipment conforming to international standards. The testing equipment is validated and systematically calibrated. In 2017, laboratories were additionally equipped with specialist devices such as the Pavetest DTS-30 testing machine for fatigue testing together with a climatic chamber. The new device enables comprehensive assessment of durability parameters of mineral and asphalt mixes that are also manufactured by Budimex. The full scope of laboratory tests is available on the Budimex website. The Laboratory management system complies with the requirements of the PN-EN ISO/IEC 17025 standard "General requirements for the competence of testing and calibration laboratories". Apart from the ongoing laboratory control, Budimex engages itself in the execution of research projects in cooperation with renowned academic centres such as Wrocław University of Science and Technology, Białystok University of Technology, Warsaw University of Technology and the Road and Bridge Research Institute. We are actively supporting the Company's Innovation Development Department.

Uniform quality procedures apply to all contracts executed by Budimex.

In 2017, we did not record any incidents that could cause any danger to health and life, or any construction disasters. In 2017, no fines for non-compliance with laws and regulations concerning the supply and use of products and services were imposed on Budimex SA. There were also no incidents of non-compliance with any regulations regarding the marking of information about products and services.

3.2.3.2 Risk control and other important policies

Another important policy in Budimex SA in the area of risk management is the "Risk Management Control Policy". The Policy was adopted in April 2014 and states that Budimex considers risk an inherent element of its operations, and thus, its business and the implementation of objectives have to be proportionate in view of the risk taken. The company has a high regard for protecting health and safety of employees, respecting the Code of Ethics, and comprehensive risk management.

At the same time, the Policy states that prior to making a particular business decision, it is necessary to assess it in terms of specific risks, and if they are identified, the manager responsible for a given area is obliged to monitor them and respond, if needed. Pursuant to this Policy, the risk control system was coordinated and integrated with the crisis management system and the corporate insurance policy.

Other important policies in place in Budimex SA include:

- Company's Policy of Responsibility;
- Anti-Corruption Policy;
- Anti-Monopoly and Competition Protection Policy;
- Policy for Human Rights;
- Compliance Policy;
- Diversity Policy;
- Policy for Quality, Environment and OHS;
- Risk Management Control Policy;
- Policy for Information Security;
- Budimex CSR Policy;
- Policy for Cooperation with Local Communities;
- Policy for Security of Supplier Information Systems.

The above policies are described in detail further on in the report.

3.2.3.3 Managing risk in the supply chain

The supply chain of Budimex consists of hundreds of suppliers and counterparties with which the Company cooperates. Main risks identified in this area are as follows:

- Risks related to occupational health and safety;
- Risks related to employment conditions;
- Risks related to environmental protection;
- Risks related to timeliness and quality of work;
- Financial risks.

Credit risk of counterparties is crucial among financial risks and despite implementing restrictive debt control procedures in the Company, the risk of investor insolvency has not been eliminated. Delays in timely repayment of debt can have adverse effects on the Company's financial results. Detailed information on financial risk is presented in the financial statements for the year ended 31 December 2017.

Budimex SA has the Policy for Security of Supplier Information Systems in place, which aims to ensure security of information made available to suppliers and set standards and rules which Budimex partners should follow when processing important information. In addition, the Information Security Management System certified for compliance with the ISO/IEC 27001:2013 international standard, which minimises operational risk and satisfies the needs of customers, shareholders and employees of the company, was implemented. Within the framework of the system, particular emphasis is put on personal data protection.

Budimex SA monitors technical, organisational, legal and financial risks on individual contract sites. There is also risk that factors, which can influence the performance of a particular contract, will occur during its execution.

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

They include:

- increases in prices of building materials, energy and oil derivatives,
- increases in costs of subcontractor services,
- increases in employment costs,
- delays in timely performance or insufficient quality of subcontracted works.

To this aim, qualification questionnaires and final evaluations are carried out with respect to subcontractors.

Subcontractors can be included into one of the following four supplier categories on the basis of a preliminary qualification and final evaluations:

- recommended (top scores),
- qualified (positive scores but slightly lower than in the case of recommended suppliers),
- rejected from cooperation (low scores but qualification is conditional, i.e. cooperation is possible, if e.g. the business partner introduces corrective actions),
- disqualified (cooperation with a given partner is impossible due to e.g. its financial standing or prior material breach of principles of cooperation, e.g. in ethical or environmental area, i.e. offering a bribe or causing considerable environmental damage).

Table 5. Agreements and scope of business, social and environmental audits of subcontractors in 2017:

Scope of verification	2016	2017
Framework agreements		
Significant investment agreements defined as BZC framework agreements	16	19
Significant investment agreements containing ethical clauses. Total number of agreements with such clauses and % of significant framework agreements	11 (69%)	11 (58%)
Percentage of all agreements with ethical clauses among all framework agreements	50%	72%
Qualification questionnaires and final evaluations		
Number of qualification questionnaires	1,191	1,019
Number of final evaluations conducted	4,583	3,068
Number of identified irregularities	184	153
Number of identified irregularities		
Meeting deadlines	61	45
Product quality	24	21
Technical potential	50	41
Meeting pricing conditions	11	10
OHS	26	23
Environmental protection	12	12

In comparison to the preceding year, the number of identified irregularities decreased in total and in each category, except for the *Environmental protection* category, where it remained the same. Suppliers among which any irregularities were identified received recommendations in the form of a report determining further actions.

3.2.4 Ethics management

In 2010, Budimex SA implemented the Code of Ethics. Its purpose is to determine the rules aimed at preventing any form of unethical conduct, including corruption and bribery, as well as all forms of discrimination. The Code of Ethics applies to all employees and counterparties of the Company.

Principles contained in the Budimex Code of Ethics:

- I. Human rights and labour standards:
 1. Supporting and observing human rights adopted by the international community.
 2. Eliminating any cases of human rights violations by the company.
 3. Respecting freedom of association.
 4. Eliminating all forms of forced labour.
 5. Abolishing child labour.
 6. Effectively preventing discrimination in employment.
- II. Natural environment:
 7. Preventive approach to natural environment.

8. Involving in initiatives aimed at promoting attitudes of ecological responsibility.
9. Applying and promoting environmentally-friendly technologies.

III. Anti-corruption:

10. Preventing all forms of corruption, including extortions and bribery.

The Ethics Committee is responsible for observing the provisions of the Code of Ethics and monitoring compliance of the standards of professional ethics with the rules of the Code of Ethics. The Ethics Committee was established by the President of the Management Board and is composed as follows:

- Member of the Management Board, Chief HR Officer;
- Member of the Management Board, Chief Legal Officer;
- Director of the Office of Internal Control.

A report on the operations of the Ethics Committee is prepared and then submitted to the Management Board and the Audit Committee of the Supervisory Board on an annual basis.

The Ethics Committee supports the implementation, management and monitoring of the Compliance Policy which was introduced in September 2017 (effective as of the date of its publication on the internal intranet platform, i.e. 31.10.2017). The Compliance Policy means "ensuring compliance of the organisation's operations with the applicable legal provisions, standards, and internal regulations aimed at: preventing violations of the organisation's image and reputation, minimising risks of financial losses related to the organisation's operations which are contrary to the law or internal regulations, as well as reducing the risk of exposing the organisation to civil, administrative, or criminal liability". It also states that respect for the law and ethics in business is one of the fundamental principles of conducting business by the Company. Main principles of the Compliance Policy include:

- Respect for the law;
- Ethics and integrity in business;
- Transparency of operations of Group companies;
- No tolerance for actions contrary to the applicable law or the Compliance System.

At the same time, the Policy introduces the so-called Compliance System aimed at proper implementation and execution of internal regulations. Chief Compliance Officer and Deputy Chief Compliance Officer appointed by the Company's Management Board, as well as the Compliance Committee established upon the request of the Chief Compliance Officer and composed of the representatives of each organisational division of the Company supervise the proper application and observance of the Compliance Policy. The Member of the Management Board, Chief Legal Officer acts in the capacity of the Chief Compliance Officer.

Risks related to the failure to comply with the Code of Ethics and the Compliance Policy are primarily of legal and reputational nature. If any irregularities are identified, also financial losses and conflicts of interest may occur.

3.2.4.1 Reporting violations of the Code of Ethics and the Compliance Policy

Each employee can personally or anonymously report a noticed violation of the Code or the Compliance Policy to the Members of the Ethics Committee or Chief Compliance Officer, his Deputy or the Members of the Compliance Committee in writing to the address: ul. Stawki 40, 01-040 Warszawa or by e-mail to the address: etyka@budimex.pl or compliance@budimex.pl.

Only authorised Members of the Ethics Committee or the Compliance Committee can access the e-mail box. An emergency Compliance phone number is also available at the number: +48 789 404 104. Some reports are also received without following this procedure. In such cases, they are delivered directly to competent persons.

All reported cases are examined in line with the confidentiality standards and form the foundation for developing improvement or corrective actions. Each violation is recorded in writing along with recommendations or guidelines for taking further actions by a given organisational unit. Chief Compliance Officer, in cooperation with the Compliance Committee and/or the Office of Internal Control, analyses each report, if he/she expresses such wish and ensures that there will be no disciplinary measures related thereto. Chief Compliance Officer is also obliged to submit reports on reported cases to the Management Board and the Supervisory Board, stating information on what actions have been taken in order to clarify a given report (at least once in three months). Plus Audit Committee Supervisory Board has the right to demand such a report for the period.

In 2017, 3 reports on non-compliance with the provisions of the Code of Ethics and/or the Compliance Policy in Budimex SA were received:

- Anonymous report sent by mail to the General Manager of Budimex SA concerning unethical behaviour of a member of managerial staff, involving suspected violation of anti-corruption rules, difficulties in cooperation and the risk of a conflict of interest. The conducted analysis failed to confirm corruption allegations but the Fishbone assessment showed difficulties in cooperating with this person. Eventually, the employee handed in a notice of termination concerning their employment conditions.
- Personal report to the Ethics Committee about failing to inform the employer by a member of managerial staff about conducting competitive activities against Budimex SA and the risk of a conflict of interest. After the case has been examined, the employee was dismissed on disciplinary grounds.
- A letter sent to the Ethics Committee containing a report on suspected discrimination due to pregnancy of a fixed-term employee by her immediate supervisor, violating statutory standards for pregnant women, and terminating

employment. The analysis of the situation failed to confirm alleged discrimination and violation of standards, and termination of employment was deemed in line with the Labour Code.

None of these incidents led to any financial losses in Budimex SA. As in the previous years, no cases of forced labour or child labour were identified in Budimex SA and among its subcontractors. There were also no forms of discrimination or actions that could pose a threat to the freedom of association and collective bargaining.

Any information on the Code of Ethics and the Compliance Policy is available in the Company's intranet. Each new employee of Budimex SA is obliged to familiarise himself/herself with the Code of Ethics. Since 2016, ethics constitutes an element of regular trainings for employees, and comprehensive regular trainings in this area are planned for the future.

4 ENVIRONMENTAL ISSUES

Each year, Budimex carries out numerous contracts that are important also from the perspective of environmental protection: airport terminals, bridges, motorways and express roads, ring roads, sections of railway lines. In 2017, these included the ring roads of Ostróda and Olsztyn and the construction of a DN1000 high-pressure gas pipeline along the section from Czeszów to Kielc, among other investment projects. Budimex executes also pro-ecological investment projects aimed at limiting negative impacts on the environment of the already existing facilities, e.g. decarbonisation or flue gas desulphurisation projects. These are large investment projects, thus the Company is aware of the fact that construction activities may significantly affect the environment and local communities located in immediate proximity of performed works due to their interference with the biosphere. The impact of each investment project on the environment is multi-dimensional. It entails irreversible transformation of landscape and affects various parties, including residents and environmental organisations.

Depending on the location and size of the investment project, the scale of potential impact of construction activities on the environment is different. For example, road investment projects located in the vicinity of areas distinguished by high ecological sensitivity have considerably larger impact on the environment than investment projects carried out in urban areas, such as construction of residential buildings.

In order to protect the environment, Budimex SA frequently goes beyond the minimum legal requirements. At the Group level, own standards of environmental protection management were set:

- planning haulage roads in a way ensuring efficient use of land and minimal transformation of its surface,
- restoring the construction site to its previous state, prior to commencing construction works,
- reducing the process of tree logging to a minimum, moving plants, and carrying out compensatory planting,
- protecting trees located in the impact zone of the construction site against mechanical damage,
- locating construction facilities (depots, warehouses and transportation bases) mainly on already developed and transformed areas, if possible, far from residential buildings and valuable nature areas,
- reducing the occupancy of land in forests and wetland areas to a necessary minimum,
- transporting materials necessary for construction primarily within the designated roads,
- introducing solutions for protection against pollution with chemical substances coming from construction sites on sections where earthworks and construction works are conducted near water reservoirs,
- paying special attention to environmental protection against oil derivatives from cars and construction machinery,
- moving fauna and flora inhabiting areas which are in conflict with construction sites to new habitats,
- monitoring construction sites by naturalists, including: ornithologists, ichthyologists, herpetologists, entomologists, botanists, chiropterologists, depending on the specificity of the construction site and protected species inhabiting it,
- withholding construction works if animals are seen in the investment project area,
- closely correlating the schedule and cycle of works with the cycle of nature,
- carrying out construction works in the vicinity of noise-protected areas only during the day,
- material and waste management based on the 3R principle – Reduce, Reuse, Recycle,
- reducing to a minimum the idling time of machines and vehicles with combustion engines located on the construction site,
- limiting driving speed on the construction site and in its vicinity,
- preparing construction sites for unpredictable emergency situations and equipping them with equipment necessary in case of contamination.

It is worth noting that in 2017, Budimex SA involved itself in projects carried out to test innovations in technologies using recycled materials. Such road construction project with the use of warm mix asphalt containing asphalt granulate was carried out by the consortium of the Road and Bridge Research Institute, Warsaw University of Technology and Budimex SA and co-financed by the National Centre for Research and Development.

Environmental risks include primarily:

- Financial and legal risks: delays in issuing environmental permits, protests of local communities and local conflicts which could contribute to delays or withholding construction works;
- Business risks: lack of operational stability, downtimes and delays;
- Environmental risks: environmental emergencies and damage, interference with the natural life cycle of ecosystems;
- Reputational risks: failure to complete the investment project in time, loss of investor trust.

4.1.1 Policy for Environmental Protection

Budimex SA has in place the Policy for Quality, Environment and OHS, integrated with other policies. The Policy obliges the Management Board to comply with the national and international environmental provisions and to cooperate with supervisory authorities in this respect. Elimination and mitigation of negative impacts on the environment takes place by way of cooperation with stakeholders, trainings and increasing competences, ecological efficiency, countering climate change and managing biodiversity.

A team, which inspects and audits compliance with adopted principles of environmental protection of the executed contracts, including building certification according to LEED and BREEAM, functions within the framework of the Policy. In 2017, there were no incidents or environmental emergencies that would result in environmental damage. No fines or other sanctions were also imposed on Budimex SA with respect to violations of any environmental regulations. Monitoring revealed minor spillages and irregularities while refuelling in Budimex SA, which did not have a significant effect on the environment.

The MARS (Environmental Risk Analysis Module) tool is applied as part of the Policy and to prevent any risks and emergencies. In 2017, the tool has been successfully implemented already in 90%, and the provision of effective prevention procedures was successful in 96% in the previous year.

4.1.2 Biodiversity

External experts are engaged to perform inspections of areas which are particularly sensitive in terms of environmental protection. The schedule of construction works is closely correlated with the cycle of nature and it happens that works are withheld due to migration periods of forest animal, amphibian or fish species, or bird hatching season. If construction works are carried out in the vicinity of noise-protected areas, the works are performed only during the day. All works comply with legal regulations, including those pertaining to the Nature 2000 areas. Nature control of the impact zone and its habitats is also conducted, and upon the project's completion, a report on its environmental impact is prepared. In 2017, the implementation of two new important projects, which are of significance to protected areas, commenced: construction of the S5 express road along the Wrocław–Košćian section (Nature 2000 area – immediate proximity) and finishing off the construction of the Racibórz Dolny dry polder (Nature 2000 area).

4.1.3 Environmental protection management in the supply chain

Budimex uses its best efforts to minimise its impact on the environment, when implementing investment projects. One of the most important actions in this respect is to organise construction sites and their facilities properly. In accordance with the legal provisions in force, an environmental impact report is prepared for all investment projects with a potentially significant impact on the environment.

All subcontractors doing business with Budimex are subject to preliminary qualification in terms of compliance with the principles of environmental protection regarding applicable procedures, experience, as well as fully operational equipment and its quality. The Company's environmental requirements towards contractors are also specified in the Counterparty Code, which requires them to comply with the Company's standards in this area and to respect legal requirements and environmental permits on the premises of a particular investment project. These requirements are listed in the Appendix to the contract: Requirements regarding environmental protection. Each contractor is also liable for generated waste and its proper collection, disposal, and final utilisation. Waste management during the project is governed by the Waste Management Plan included in the SHP Plan. If any hazardous waste exists, the contractor is obliged to notify this fact in the Safe Working Instructions prior to commencing work. The contractor is obliged to respond to emergency situations and environmental incidents.

One of the standards which applies to Budimex construction sites is availability of the so-called environmental first aid kit, i.e. a set of fast response items to limit and neutralise spillages of environmentally hazardous substances such as oils, oil derivatives. In addition, supervisors on a given construction site undergo specialist trainings on environmental protection, and employees participate in regular trainings titled "Training on OHS Management and Environmental Protection on a contract".

In addition, all subcontractors entering construction sites receive appropriate training in applicable procedures in the field of environmental protection, including rules of conduct in the event of failure. The equipment used by subcontractors is also assessed in terms of its technical efficiency.

In 2017, 1,019 subcontractors (100%) underwent preliminary qualification and 3,068 evaluations summarising cooperation were conducted, where also environmental issues were analysed. Irregularities in this respect were found in 12 cases. The Ethics Committee did not receive any reports concerning violations in the area of environmental protection.

4.2 Materials

Effective management of demand for materials and their recycling in Budimex SA is possible thanks to the implemented system monitoring their consumption, which optimises material consumption and reduces the amount of generated waste. Recyclable materials include: slag, rock spoil, cement, crushed-stone aggregate for bituminous mixtures, mixtures of crushed-stone aggregates, concrete, steel, and wood. The raw materials which are most frequently used by Budimex include: unmodified and modified paving-grade bitumen, cement, concrete, steel, hydraulic binders, limestone dust, aggregate material: asphalt aggregates (sand, chippings), construction aggregates (sand, gravel), highway aggregates (sand, chippings and other), hydro-technical stone and crushed stone ballast.

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

Table 6. Use of materials in Budimex in the period of the last three years:

Material		unit	Budimex SA		
			2015	2016	2017
Paper		thousand tonnes	-	-	0.10
Wood		thousand m ³	-	-	14.15
Asphalt		thousand tonnes	37.36	63.13	69.84
Cement		thousand tonnes	117.67	144.18	207.95
Concrete		thousand m ³	825.77	963.19	1,113.93
Hydraulic binders		thousand tonnes	165.03	285.85	182.07
Limestone dust		thousand tonnes	14.05	26.81	35.72
Steel		thousand tonnes	38.80	41.82	128.33
Asphalt aggregates	Sand	thousand tonnes	180.09	77.17	104.57
	Chippings	thousand tonnes	664.03	968.57	1,140.14
	Other aggregates	thousand tonnes	73.67	93.21	176.53
Construction aggregates	Sand	thousand tonnes	45.94	6.85	73.90
	Gravel	thousand tonnes	546.89	1,123.65	1,550.74
Highway aggregates	Sand	thousand tonnes	9,356.52	12,518.81	10,819.32
	Chippings	thousand tonnes	284.72	503.36	642.03
	Other aggregates	thousand tonnes	3,336.33	4,620.22	5,321.02
Hydrotechnical aggregates	Hydro-technical stone	thousand tonnes	477.74	7.34	21.88
Railway aggregates	Crushed stone ballast	thousand tonnes	47.97	122.19	141.75

4.2.1 Waste and recycling

Waste constitutes an inherent element of construction business. However, the majority of waste materials in the construction sector is recycled, e.g. bituminous mixtures, steel, wood, construction rubble. Waste includes only those materials which could not be utilised on a given contract, and in particular hazardous materials. Substantial part of waste is recycled and reused by Budimex or entities cooperating with the company. The most abundant waste materials are soil and stones excavated during earthworks and excavations. The amount of waste depends on the number of contracts and their specificity.

Table 7. Waste (without excavated soil) Main waste by type:

Main waste by type		2015	2016	2017
		mass (tonnes)	mass (tonnes)	mass (tonnes)
Hazardous waste, including:		129.039	25.270	144.248
Waste code	Waste type			
07 01 03	Organic halogenated solvents, washing liquids and mother liquors	0.331	0.153	0.378
08 01 11	Waste paint and varnish containing organic solvents or other hazardous substances	-	0.520	-
09 01 01	Water-based developer and activator solutions	-	-	-
09 01 04	Fixer solutions	-	-	-
12 01 09	Machining emulsions and solutions free of halogens	-	-	-
13 01 10	Mineral-based non-chlorinated hydraulic oils	-	0.620	-
13 01 13	Other hydraulic oils	-	-	-
13 02 05	Mineral-based engine, gear and lubricating oils	-	0.360	-
13 02 08	Other engine, gear and lubricating oils	2.870	1.655	1.600
13 05 08	Mixtures of wastes from grit chambers and oil/water separators	17.400	-	-
13 07 03	Other fuels (including mixtures)	-	0.040	-
13 05 07	Oily water from oil/water separators	-	-	0.060

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

14 06 03	Other solvents and solvent mixtures	0.306	0.150	0.134
15 01 10	Packaging containing residues of hazardous substances	6.719	16.170	23.216
15 01 11	Empty pressure containers	0.338	0.140	0.350
15 02 02	Absorbents, filter materials and protective clothing contaminated by hazardous substances	0.200	2.809	4.376
16 01 07	Oil filters	0.350	0.210	0.450
16 02 13	Discarded equipment containing hazardous components	0.472	0.042	-
16 05 06	Laboratory chemicals	-	-	0.409
17 02 04	Glass, plastic and wood containing or contaminated with hazardous substances	-	-	4.070
17 05 03*	Soil and stones containing hazardous substances	65.780	1.820	109.205
17 05 05*	Dredging spoil containing hazardous substances	4.980	-	-
17 06 01*	Insulation materials containing asbestos	2.330	-	-
17 06 05	Construction materials containing asbestos	7.420	0.580	-
17 09 03	Other construction and demolition wastes (including mixed wastes) containing hazardous substances	19.460	-	-
Non-hazardous waste, including:		182,792.690	198,162.870	107,388.772
Waste code	Waste type			
01 04 12	Tailings and other wastes from washing and cleaning of minerals	385.280	2,864.060	1,331.340
01 05 99	Wastes not otherwise specified	78.000	-	-
02 01 03	Plant-tissue waste	4,854.000	237.400	14,726.400
07 02 99	Wastes not otherwise specified	-	-	-
10 06 80	Lump and granulated slag	-	55,000.000	-
12 01 01	Ferrous metal filings and turnings	-	-	-
12 01 02	Ferrous metal dust and particles	-	-	-
12 01 03	Non-ferrous metal filings and turnings	-	-	-
12 01 13	Welding wastes	-	-	0.280
12 01 21	Spent grinding bodies and grinding materials	-	-	-
15 01 01	Paper and cardboard packaging	47.360	55.170	86.442
15 01 02	Plastic packaging	36.110	61.610	145.637
15 01 03	Wooden packaging	7.950	9.500	10.300
15 01 04	Metallic packaging	-	0.080	-
15 01 06	Mixed packaging	61.370	68.070	94.385
15 01 07	Glass packaging	1.020	0.140	-
15 02 03	Absorbents, filter materials, wiping cloths	0.645	0.150	1.850
16 01 03	End-of-life tyres	5.520	8.800	14.800
16 01 15	Antifreeze fluids	-	-	-
16 01 17	Ferrous metal	-	0.200	-
16 01 19	Plastic	-	0.100	-
16 02 14	Discarded equipment	2.040	2.730	0.108
16 02 16	Components removed from discarded equipment	0.110	0.050	0.028
16 06 05	Other batteries and accumulators	-	0.500	-
16 07 99	Wastes not otherwise specified	-	9.000	-
17 01 01	Concrete	58,009.650	78,454.280	32,738.370
17 01 02	Bricks	17,940.450	6,291.400	8,332.460
17 01 03	Tiles and ceramics	6.180	9.600	10.600
17 01 07	Mixtures of concrete, bricks, tiles and ceramics	14,524.360	15,068.460	29,660.325
17 01 81	Waste from repair and reconstruction of roads	24,390.980	15,475.300	1,645.510

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

17 01 82	Wastes not otherwise specified	1.250	-	-
17 02 01	Wood	582.610	2,695.050	4,174.525
17 02 02	Glass	1.200	-	-
17 02 03	Plastic	40.070	11.490	21.687
17 03 02	Bituminous mixtures	10,843.690	2,544.860	777.380
17 03 80	Waste tar paper	77.080	0.580	48.671
17 04 05	Iron and steel	240.590	632.690	2,945.202
17 04 07	Mixed metals	38.030	22.080	3.040
17 04 11	Cables	2.160	-	1.915
17 05 08	Track ballast	6,150.000	0.860	370.660
17 06 04	Insulation materials	140.210	541.270	242.687
17 09 04	Mixed construction and demolition wastes	7,488.560	9,199.530	10,004.170
19 12 12	Wastes from mechanical treatment of wastes	9,640.960	8,897.860	-

Table 8. Consumption of raw materials as reuse in Budimex SA:

Category of recycled raw material	unit	2015	2016	2017
By-products of combustion	thousand tonnes	44.01	37.61	20.07
Soil	thousand tonnes	336.23	1,686.73	1,380.20
Construction rubble	thousand tonnes	57.05	-	91.99
Reclaimed asphalt pavement	thousand tonnes	-	-	66.05
Aggregates	thousand tonnes	-	-	8.69
Track ballast	thousand tonnes	-	-	65.79
Reused raw materials as % of aggregates purchased		2.91%	1.83%	8.17%

Table 9. Water consumption in Budimex SA:

Water consumption	unit	2015	2016	2017
Mains water	m ³	89,116.00	127,583.00	276,127.71
Subsurface water	m ³	-	-	864.00
Water drawn from surface sources	m ³	-	18,000.00	-
Total	m³	89,116.00	145,583.00	276,991.71

4.3 Fuel, energy and CO₂ emissions

The demand of Budimex SA for fuel and energy results from two processes:

- manufacturing bituminous mixtures,
- use of construction machines, transport of materials and waste,
- company vehicles.

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

Table 10. Fuel and electricity consumption in Budimex SA:

Source of energy and energy resources	unit	2015	2016	2017
Diesel oil	GJ	168,412.07	193,383.00	251,241.95
	tonne	3,916.56	4,497.29	5,842.84
Gasoline	GJ	7,103.48	8,498.00	13,512.02
	tonne	160.35	191.83	305.01
Light fuel oil	GJ	19,550.47	35,380.00	39,086.98
	tonne	454.66	822.78	909.00
Heavy fuel oil /LSC/	GJ	2,747.00	55,184.00	4,113.89
	tonne	68.00	1,365.94	101.83
Electricity	GJ	86,587.00	101,454.00	105,955.31
	MWh	24,051.92	28,181.63	29,432.03
Thermal energy	GJ	-	28,726.36	32,876.52
	MWh	-	7,979.55	9,132.36
Coal dust	GJ	167,561.00	230,078.00	322,847.36
	tonne	8,094.73	11,114.89	15,596.49
Network natural gas	GJ	-	4,254.13	2,962.24
	tonne	-	88.63	61.71
LPG	GJ	-	51.56	755.35
	tonne	-	1.09	15.97
Propane	GJ	90.13	1,108.70	922.45
	tonne	1.91	23.44	19.50
Total	GJ	452,051.15	658,117.75	774,274.08
	Toe: /tonne of oil equivalent/	10,797.06	15,718.87	18,493.22
Energy efficiency	GJ/ PLN million	122.25	122.74	131.48
	Toe/PLN million	2.92	2.93	3.14

In order to reduce fuel and energy consumption, the Group is retrofitting and replacing its equipment with more ecological one and performing educational activities aimed at encouraging employees to use energy and fuel in a rational manner. The impact of consumption of these resources depends on the specificity of a particular investment project. Reduced consumption applies also to the offices of Budimex SA, e.g. computer equipment or used paper which needs to be properly certified, and the car fleet is renewed on an ongoing basis. Budimex SA also purchases the so-called green energy generated in hydropower plants.

Table 11. CO₂ emissions in Budimex SA:

CO ₂ emissions	unit	2015	2016	Change	2017	Change
				y/y		y/y
Direct emissions (scope 1)	tonnes	31,083.09	44,456.00	43.02%	54,545.08	22.69%
Indirect emissions (scope 2)	tonnes	19,530.16	18,330.43	-6.14%	18,418.51	0.48%
Total:	tonnes	50,613.25	62,786.43	24.05%	72,963.59	16.21%
Efficiency	tonnes/PLN million	11.12	11.71	4.33%	12.39	6.81%

Table 12. Use of energy from renewable sources in Budimex SA in the period of the last two years:

Use of renewable energy	unit	2016	2017	Change
				y/y
Purchase of renewable energy	GJ	8,289.66	24,253.87	193%
Generation of renewable energy	GJ	-	11.45	-
Total:		8,289.66	24,265.32	193%
CO ₂ emissions reduction from renewable energy purchased	tonnes	1,869.32	5,469.25	193%
CO ₂ emissions reduction from renewable energy generated	tonnes	-	2.58	-
Total:		1,869.32	5,471.83	193%
Efficiency	tonnes/PLN million	0.35	0.93	167%

5 SOCIAL AND LABOUR ISSUES

5.1 Employees

The construction sector is characterised by large seasonality of the employment of subcontractors, and the specificity of subsequent stages of executed works entails rotation of subcontractors and changing number of workers on Budimex contracts. Shortages of manual workers or qualified specialists constitute a real risk for the Company in terms of quality and timeliness of the executed contracts. Other risks identified in this area are as follows:

- Risk related to human resources and loss of competence – high employee rotation, health or life loss by employees, outflow of qualified employees to competitors;
- Financial risks – costs of recruiting employees, decrease in labour productivity, legal actions and compensation payments;
- Business risks – investors' reluctance to cooperate.

Due to the above, Budimex cares about its image as a sought-after employer. It carries out employee development programmes, including managerial programmes, and conducts regular employee involvement studies. In 2017, the Company was awarded the titles of Investor in Human Capital, TOP 10 Employer in Poland, Most Desired Employer in construction and real estate sectors, Best Quality Employer 2017 and a distinction from the Rzeczpospolita daily – Responsible Employer 2017.

5.1.1 Diversity Policy

Diversity and openness should be the values underlying the Company's business decisions and constituting the basis of its employment policy. Intolerance and discrimination are the risks threatening the Group's integrity. Thus, Budimex SA implemented an equal treatment policy in terms of e.g. gender, age, disability, health condition, race, nationality.

As part of the Diversity Policy, Budimex SA obliged itself to create such corporate atmosphere and culture which will ensure respect for diversity. The Diversity Policy applies also to the areas of: recruitment, access to trainings and promotions, salaries and wages, work-life balance, protection against bullying and unjustified dismissal.

In order to manage the Policy in an efficient manner, monitoring against discrimination and bullying and a system of educational tools, trainings, and workshops were introduced. The outcomes of this Policy are reported to the Management Board on an annual basis. In 2017, there were no confirmed cases of discrimination.

Budimex is also one of the signatories of the Diversity Charter since 2016, undertaking to implement the principles of diversity management and the equal treatment policy, as well as to promote them among all stakeholders of the organisation. Customers, business partners, shareholders, suppliers and subcontractors are also informed about the diversity management model.

Due to the specificity of the construction sector, Budimex SA employs considerably more men than women.

Table 13. Number of employees as at the end of 2017 in Budimex SA:

	2016			2017		
	Women	Men	Total	Women	Men	Total
All employees	1,009	3,768	4,780	1,163	4,199	5,396
Polish market	1,003	2,821	3,824	1,156	3,186	4,342
• Definite period of time	433	947	1,380	508	1,258	1,766
• Indefinite period of time	570	1,874	2,444	648	1,928	2,576
• Full-time basis	991	2,814	3,805	1,137	3,180	4,317
• Part-time basis	12	7	19	19	6	25
• Aged under 30	362	616	978	438	687	1,125
• Aged 30–50	575	1,747	2,322	656	2,007	2,663
• Aged over 50	66	458	524	62	492	554

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

German market	6	947	953	7	1,013	1,020
• Definite period of time	0	929	929	1	991	992
• Indefinite period of time	6	18	24	6	22	28
• Full-time basis	6	947	953	7	1,013	1,020
• Part-time basis	0	0	0	0	0	0
• Aged under 30	0	142	142	0	130	130
• Aged 30–50	2	536	538	2	610	612
• Aged over 50	4	269	273	5	273	278

Table 14. Diversity in management bodies in Budimex SA:

	2016			2017		
	Women	Men	Total	Women	Men	Total
Management Board	0	8	8	0	8	8
• aged under 30	0	0	0	0	0	0
• aged 30–50	0	4	4	0	4	4
• aged over 50	0	4	4	0	4	4
• of which foreigners	0	1	1	0	1	1
Supervisory Board	1	8	9	1	8	9
• aged under 30	0	0	0	0	0	0
• aged 30–50	0	4	4	0	2	2
• aged over 50	1	4	5	1	6	7
• of which foreigners	0	4	4	0	4	4

The table below presents the ratio of basic salary and remuneration of women to men. In 2017, the disparity between salaries and remuneration slightly diminished in comparison to the previous year. The disparity results from the difference in positions held by women and men.

Table 15. Ratio of basic salary and remuneration of women to men by employee category in Budimex SA:

Position type	2016		2017	
	Women	Men	Women	Men
Blue-collar workers	86.65%	115.41%	85.39%	117.10%
White-collar positions	86.24%	115.96%	86.02%	116.25%
Managerial positions	91.05%	109.83%	94.24%	106.12%
Executive positions	87.91%	113.76%	92.10%	108.58%
Management Board	0.00%	100.00%	0.00%	100.00%

Table 16. New hires in Budimex SA in 2017:

Employee classification	2016			2017		
	Women	Men	Total	Women	Men	Total
All employees	273	1,439	1,712	288	1,747	2,035
Polish market	273	571	844	287	811	1,098
• Aged under 30	154	260	414	168	335	503
• Aged 30–50	116	274	390	114	398	512
• Aged over 50	3	37	40	5	78	83
German market	0	868	868	1	936	937
• Aged under 30	0	140	140	0	174	174
• Aged 30–50	0	499	499	1	549	550
• Aged over 50	0	229	229	0	213	213

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

Budimex SA also favours voluntariness and complete freedom enabling membership in trade unions. In 2017, 99.5% of employees were covered by collective bargaining agreements in Budimex SA.

Table 17. Employees covered by collective bargaining agreements in Budimex SA:

	2016	2017
Percentage of employees covered by collective bargaining agreements	99.5%	99.5%
Number of employees covered by collective bargaining agreements	3,804	4,324

5.1.2 Occupational health and safety

Occupational health and safety of employees employed directly in Budimex SA and indirectly in the companies of its contractors is among the key priorities. Budimex SA has been conducting the OHS Policy for many years now. The Policy and tools, which were implemented in its wake, allow for gathering knowledge about potential threats, and thus, for precise identification of risks of which the most important are: accidents in which employees may get hurt, routine and habits in task performance, being unaware of threats.

Budimex SA has the OHS Policy in place. Due to the nature of the Company's business, this is one of the most important policies in place. It aims to ensure safe processes as well as work posts and activities which are free from hazards. Most importantly, all legal provisions and regulations must be observed, and in addition, Budimex implements best practices building the Group's culture of safety. In accordance with the provisions of the Policy, the following actions are performed in the Budimex Group and in the Company itself:

- Compliance with regulations;
- Risk assessment and planning;
- Effective and consistent communication;
- Trainings and participation in educational activities;
- Resource allocation within the framework of safety management systems;
- Work safety in the supply chain, where OHS constitutes a criterion for partner and subcontractor selection;
- Measurement and monitoring of activities;
- Continuous improvement and implementation of innovations in this respect.

The OHS system is continuously analysed in terms of efficiency, with the possibility to quickly introduce corrective measures. The Company implemented numerous solutions and systems aimed to minimise accident risk. Therefore, one of the priorities of Budimex is working on the human factor, which can pose a potential threat to employees' safety, by eliminating attitudes and habits contributing to accidents in the construction sector. In 2017, there were no significant changes in the certified OHS systems. In the case of Budimex SA, these are the OHSAS 18001 and PN-N-18001 systems.

5.1.2.1 OHS in the supply chain

During the execution of each contract, frequent inspections and audits take place. They are aimed not only to detect potential threats but also to support subcontractors in adjusting their work to OHS standards applicable in Budimex.

Budimex SA is a member of the "Safety in Construction Agreement" which strives to promote proper attitudes towards OHS in the construction sector. This is the place, where everyday competitors work together to develop the best ones. One of the crucial projects initiated by the companies of the Agreement are gratuitous trainings for employees of small and medium-sized companies carried out in cooperation with the Social Insurance Institution. In 2017, a total of 3,200 people participated in trainings in 16 locations across the country.

The Company has the Safety and Health Protection Plan in place. The construction sector is characterised by the fact that employees rotate between construction sites, and thus, we put particular emphasis on the same SHP template. All persons performing work undergo trainings on OHS. As part of the so-called "Contract commencement", contract management meets with the OHS specialist and the environmental protection specialist to discuss required procedures. The trainings and procedures of Budimex go beyond any legal obligations. Trainings on internal safety procedures are compulsory also for employees of subcontractors.

In 2017, 23 OHS-related violations were found per 1,019 suppliers subject to preliminary qualification and 3,068 final evaluations. They all were reported and corrective actions were recommended for each violation. A negative evaluation in this respect may result in terminating cooperation with a given subcontractor.

5.1.2.2 Accident rates

In Budimex SA, each accident is described in compliance with the Polish regulatory classification and with procedures and classification adopted by the Budimex Group, which provides better possibilities of post-accident statistical analyses. In 2017, there were no indications that highest permissible concentrations and intensities (NDS, NDN) of harmful and dangerous factors were exceeded and no cases of occupational disease occurred. All employees are obliged to comply with OHS rules at their work posts, including the use of protective equipment, e.g. helmets, protective gloves.

Table 18. Accident rates in Budimex SA:

	Among own workers Budimex SA		Among subcontractors' workers	
	2016	2017	2016	2017
Number of accidents (total)	46	42	80	89
Number of fatal accidents	0	0	2	2
Accident frequency rate	12.82	10.27	n/a	n/a
Accident severity rate	37.85	37.79	n/a	n/a

Table 19. Accidents at work in Budimex SA:

	2016	2017
Injury rate (IR)	1.28	1.03
	W: 0.1%	W: 0.34%
	M: 1.58%	M: 1.26%
Occupational disease rate (ODR)	0	0
	W: 0%	W: 0%
	M: 0%	M: 0%
Lost day rate (LDR)	41.87	38.8
	W: 1.29%	W: 11.07%
	M: 52.39%	M: 48.18%
Absence rate (AR)	4.98%	5.02%
	W: 5.99%	W: 5.95%
	M: 4.57%	M: 4.70%

5.1.3 Relationships with Local Communities

Through the implementation of its investment projects, Budimex SA directly contributes to shaping the environment of local communities, e.g. by building roads, schools, hospitals. These investment projects have also indirect effect on the creation of new jobs. However, construction works have their drawbacks. Potential impact on the areas surrounding the investment project is analysed at the stage of issuing administrative decisions and representatives of communities are a party to these proceedings. This procedure is aimed at finding a consensus among different interests. Budimex feels responsible for cases in which property of local residents or entrepreneurs is damaged for reasons not attributable to Budimex. In 2017, a system for obtaining feedback from residents concerning completed works was implemented in 50% of investment projects. Also in 2017, 3 surveys on resident satisfaction related to investment projects implemented in their neighbourhood were conducted. All incidents and complaints are subject to examinations and corrective actions are taken if needed.

For many years, Budimex has been carrying out two original social schemes: "Domofon ICE" and "Strefa Rodzica" [ICE Intercom and Parent Zone]. As part of the first initiative, school children are provided with plastic cards containing information that facilitates contact with their family in the event of an accident. This also is an educational campaign promoting the rules of safe road behaviour and providing first aid. "Parent Zone" is a programme within the framework of which zones are arranged in children wards in hospitals, where children can spend time with their parents.

Other charity activities in 2017 focused on helping children and were performed in cooperation with non-governmental organisations. They received from the Budimex Group a total of 1,506 PLN thousand in the form of donations, mainly provided by Budimex SA.

Respect for human rights

Budimex SA adopted the Policy for Human Rights. It applies to all Budimex Group companies due to their acquisition by the Ferrovial Group.

The Policy complies with the Code of Ethics and the Compliance Policy. It aims to raise human rights awareness in the entire Company, monitor and solve any problems in this respect. The Policy must be observed by employees at all levels, customers, suppliers and contractors with which Budimex is doing business.

Main risk categories in this area include:

- Reputational risks – failure to verify information about a given investment project/contractor;
- Financial risks – cost instability of a particular investment project;
- Liability risks – payments of compensation, interest and legal costs;
- Risk of deteriorating relationships with existing business partners;
- Risk of an internal conflict between employees and the employer.

The Policy requires the employer to respect employee rights expressed in the Declaration on Fundamental Principles and Rights at Work adopted by the International Labour Organisation and obliges the employer to act without discrimination, while promoting equality of chances and valuing diversity, as well as complying with the prohibition on child and forced labour, freedom of association and the right to collective bargaining.

It is necessary to observe local law, provide information on conducted activities in a prompt, transparent and secure manner, while promoting respect for human rights, maintain open dialogue with interest groups and participate in social activities of a given community. In order to monitor this area, regular surveys on resident satisfaction related to the implemented investment project were scheduled. Three such surveys were carried out in 2017.

Actions taken in the area of human rights protection and promotion are as follows:

- cooperation with government administration and non-governmental organisations in this regard,
- implementation of social projects,
- implementation of relevant procedures,
- rejecting discrimination of any kind and creating atmosphere of mutual respect.

The obligation to respect human rights applies also to suppliers and contractors. To this aim, appropriate procedures for supplier evaluation and selection were established. Human rights are promoted at every stage of the supply chain. Counterparties are monitored in terms of human rights compliance in the conducted audits, and these issues are included in the Counterparty Code which they are obliged to sign. In 2017, 1,019 qualification questionnaires with suppliers and 3,068 final evaluations were conducted with respect to human rights compliance. The irregularities found did not refer to any violations of human rights.

The Ethics Committee is responsible for respecting human rights. No cases of human rights violations were identified in the Company in 2017.

6 ISSUES RELATED TO PREVENTING CORRUPTION AND BRIBERY

Many contracts in the construction sector are concluded for large amounts of money from different sources of financing (public or private funds) and their numerous parties are involved in their execution, which may lead to bribery and corruption. Key risks in this area may include: business risks, legal risks, financial risks and reputational risks. In order to prevent them, a risk map containing information on possible threats with respect to abuse is updated on a regular basis. Business risks are subject to strict monitoring.

Budimex SA has the Anti-Corruption Policy and the Anti-Monopoly Policy in place. The Anti-Corruption Policy specifies a list of permitted and prohibited behaviours and rules of procedure in case of their suspected occurrence. The Integrated Management System, which was described above, introduces the procedure of "Protecting the interests of the Budimex Group" which defines a set of rules for dealing with suspected abusive acts or omissions, including allegations of corruption. The procedure contains the so-called instruction titled "Rules of procedure in case of receiving an offer to accept a financial benefit and in case of attempted intimidation of an employee" and another instruction titled "Rules for participation in sponsored events and other activities satisfying the criteria of a conflict of interest". The first one sets out the rules of procedure in a situation when an employee is offered a financial benefit in exchange for specific actions or omissions, or in the case of attempted intimidation. The second one governs the rules for participation in sponsored events and specifies situations satisfying the criteria of a conflict of interest, accepting or offering gifts. Monitoring of compliance with the rules and inspections are conducted by the Office of Internal Audit supervised by the CEO.

All construction sites (100%) are subject to monitoring in terms of bribery and corruption. 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, according to the Group could contribute to reducing their effectiveness and increasing the risk of unethical conduct. Every month, fortnight or sometimes every week, the advancement of construction works is monitored. In addition, independent inspections conducted by the Internal Audit Office take place.

As part of managing the Policy in the supply chain, prior to executing each contract which will be performed on behalf of the Company by a third party, company analysis with the use of publicly available materials can be carried out. The party is obliged to sign a relevant declaration on respecting the Policy in the course of its work. If any corruption practices are found, the existing contract may be terminated immediately.

In 2017, one report was received, concerning the risk of a conflict of interest with respect to a member of managerial staff of Budimex SA who was dismissed on disciplinary grounds following the analysis of the case.

Budimex observes also the Anti-Monopoly Policy. As a leading company in the sector, the Budimex does not abuse its dominant position against its partners. There were cases of settling liabilities after the payment date in the construction sector, which put smaller suppliers in a difficult position. Budimex is known for making prompt and punctual payments. The standard settlement period is 30 days.

The risks identified by the Company in this area and actions taken in order to prevent them are as follows:

- Price fixing – it is prohibited for competitors to discuss prices offered to individual customers; all bids must be independent; it is prohibited to disclose bidding strategy to competitors; all legal and management guidelines must be strictly followed;
- Meetings of trade associations – conversations about prices, markets, customers, volumes, strategies must be avoided;
- Non-compete clauses – each trade agreement containing such clause must be verified and approved by the Legal Department;
- Boycotts – participation in boycotts with competitors is prohibited;
- Mergers and acquisitions – non-disclosure agreements must be respected;
- Market sharing – order solicitation agreements are prohibited, unless it is permitted by law;
- Exclusivity agreements – we do not require that the seller sell or license its product exclusively to the Budimex Group;
- Abusive pricing – we do not conclude any agreements that could be considered abusive.

In 2017, there were no violations in the area of the Anti-Monopoly Policy and no alleged irregularities with respect to the rules of free competition and monopolistic practices were reported against Budimex SA.

7 REPORT SPECIFICATION

Prepared on: 19 March 2018

Scope of the report: report of Budimex on non-financial information

Contact person: Katarzyna Wójcik, Communication Office, Budimex SA ul. Stawki 40, 01-040 Warszawa (headquarters), e-mail: katarzyna.wojcik@budimex.pl

Reporting standard: report prepared in line with the Global Reporting Initiative standard

Report verification: report was not verified by an external auditor

Report specification acc. to the Global Reporting Initiative standard:

Indicator	GRI guidelines	Reporting extent	Page
Strategy and analysis			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy	Fully	10
G4-2	Description of key impacts, risks, and opportunities	Fully	9Błąd! Nie zdefiniowano zakładki.
Organisational profile			
G4-3	Name of the organisation	Fully	2
G4-4	Primary brands, products, and services	Fully	5
G4-5	Location of the organisation's headquarters	Fully	25
G4-6	Number of countries where the organisation operates	Fully	8
G4-7	Nature of ownership and legal form	Fully	5
G4-8	Markets served	Fully	8
G4-9	Scale of the organisation	Fully	8
G4-10	Total number of employees	Fully	20
G4-11	Percentage of total employees covered by collective bargaining agreements	Fully	21
G4-12	Organisation's supply chain	Fully	7
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Fully	6
G4-14	Explanation of whether and how the precautionary principle is addressed by the organisation	Fully	5
G4-15	Externally developed charters, principles, or other initiatives	Fully	22
G4-16	Memberships of associations and organisations	Fully	8
Identified material aspects and boundaries			
G4-17	Information on all entities included in the organisation's consolidated financial statements or equivalent documents	Fully	2
G4-18	Process for defining the report content	Fully	4
G4-19	Material aspects identified in the process for defining report content	Fully	4
G4-20	Aspect boundary within the organisation	Fully	4
G4-21	Aspect boundary outside the organisation	Fully	4
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Fully	4
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Fully	4
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organisation	Fully	4
G4-25	Basis for identification and selection of stakeholders with whom to engage	Fully	4
G4-26	Approach to stakeholder engagement	Fully	4
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns	Fully	4
Report profile			
G4-28	Reporting period (such as fiscal or calendar year)	Fully	2
G4-29	Publication date of the last report (if any)	Fully	2
G4-30	Reporting cycle (such as annual, biennial)	Fully	2
G4-31	Contact point	Fully	25
G4-32	CSR index	Fully	25

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

G4-32a	Methodology	Fully	4
G4-33	Policy and current practice with regard to seeking external assurance for the report	Fully	2
Governance			
G4-34	Governance structure and its composition	Fully	8
Ethics and integrity			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Fully	12 Błąd! Nie zdefiniowano zakładek.
Economic category			
G4-DMA	"Management approach"		9
G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee wages and benefits, donations and other community investments, retained earnings, and payments to providers of capital and government	Fully	Information is available on page 8 in the report on non-financial data of the Budimex Group
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. Impacts of these activities on communities	Fully	23
Environmental category			
G4-DMA	Management approach to "Materials"		15
G4-DMA	Management approach to "Energy"		18
G4-DMA	Management approach to "Diversity"		15
G4-DMA	Management approach to "Emissions"		18
G4-DMA	Management approach to "Effluents and waste"		16
G4-DMA	Management approach to "Supplier environmental assessment"		15
G4-EN1	Materials used by weight or volume	Fully	15
G4-EN2	Percentage of materials used that are recycled input materials	Fully	18
G4-EN3	Energy consumption within the organisation	Fully	19
G4-EN8	Total water withdrawal by source	Fully	18
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Fully	15
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Fully	19
G4-EN16	Indirect greenhouse gas (GHG) emissions (Scope 2)	Fully	19
G4-EN18	Greenhouse gas (GHG) emissions intensity	Fully	19
G4-EN23	Total weight of waste by type and disposal method	Fully	16
G4-EN24	Total number and volume of significant spills	Partially	15
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Partially	15
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Fully	15
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Fully	15
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain	Partially	15
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Fully	15
Social category. Labour practices and decent work			
G4-DMA	Management approach to "Occupational health and safety"		22
G4-DMA	Management approach to "Diversity and equal opportunity"		20
G4-DMA	Management approach to "Labour practices grievance mechanisms"		13
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	Partially	22
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Fully	21
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	Partially	21
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Partially	22

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

G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain	Partially	22
Social category. Human Rights			
G4-DMA	Management approach to "Procurement and investment procedures"		23,24
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Fully	23
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Fully	20
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	23
G4-HR5	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Fully	23
G4-HR6	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of all forms of forced or compulsory labour	Fully	23
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Fully	23
Social category. Product responsibility			
G4-DMA	Management approach to "Customer health and safety"		10
G4-PR1	Life cycle stages at which health and safety impacts of products and services are assessed for improvement, and percentage of significant product and service categories subject to such procedures	Fully	10
G4-PR2	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, by type of outcomes	Fully	10
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Partially	10
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	10
Social category. Society			
G4-DMA	Management approach to "Local communities"		23
G4-DMA	Management approach to "Anti-corruption"		24
G4-SO1	Nature, scope and effectiveness of programmes and practices in the area of evaluation and management of the organisation's impact on local communities, including impacts of entering a market, operating and cessation of operations	Partially	23
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Fully	23
G4-SO3	Total number and percentage of operations assessed for risks related to corruption	Fully	24
G4-SO5	Confirmed incidents of corruption and actions taken	Fully	24
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Fully	24
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	24
Sector specific indicators for construction and real estate sector			
CRE6	Percentage of the organisation operating in verified compliance with internationally recognised OHS management systems (e.g. ISO 18000)	Fully	25
CRE8	Sustainability certification for new construction, management, occupation and redevelopment	Partially	15

Dariusz Blocher	President of the Management Board	..... signature	Henryk Urbański	Member of the Management Board	..... signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	..... signature	Marcin Węglowski	Member of the Management Board	..... signature
Jacek Daniewski	Member of the Management Board	..... signature	Artur Popko	Member of the Management Board	..... signature
Cezary Mączka	Member of the Management Board	..... signature	Radosław Górski	Member of the Management Board	..... signature

Warsaw, 19 March 2018