

**Resolution No. 309**  
**of Budimex S.A. Supervisory Board**  
**dated 2 April 2020**

regarding: approval of the annual report on the activities of the Supervisory Board in 2019.

Pursuant to § 16(9)(d) of the Articles of Association of Budimex S.A., it is resolved as follows:

**§ 1.**

The Supervisory Board accepts the Report for the Annual General Meeting (ZWZ) of Budimex S.A. in 2019:

- on the evaluation of the Company's management report for 2019 together with the financial statements in terms of their compliance with books, records and facts; on the evaluation of the non-financial report of Budimex S.A. for 2019 and the non-financial report of the Budimex Group for 2019,
- on the assessment of the Company's standing, taking into account the assessment of the internal control, risk management and compliance systems and the internal audit function (pursuant to rule II.Z.10.1 of Section II of the "Best Practice of GPW Listed Companies 2016"), including the evaluation of the effectiveness of the said systems and functions,
- on the assessment of the Company's compliance with the information requirements related to application of the corporate governance principles specified in the Warsaw Stock Exchange Rules and Regulations and in the laws on the current and interim information to be submitted by the Company as an issuer of securities (in accordance with rule II.Z.10.3. Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016").
- on the assessment of the rationality in the Company's sponsorship and charity activities (in accordance with rule II.Z.10.4. Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016").
- on self-assessment of the work of the Supervisory Board (in accordance with rule II.Z.10.2 Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016").

worded as attached hereto.

**§ 2.**

The Resolution shall become effective on the date of its adoption.

**Appendix – 1**

Text of the Report of the Supervisory Board of Budimex S.A. for 2019.

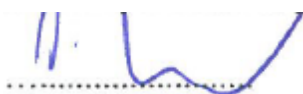
*10 members of the Supervisory Board participated in the voting.*

*Votes for: 10*

*Votes against: -*

*Abstained: -*

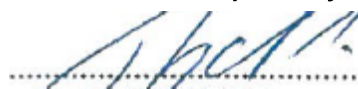
*Secretary of the Supervisory Board*



Igor CHALUPEC

for the Supervisory Board of Budimex S.A.:

*Chairman of the Supervisory Board*



Marek MICHAŁOWSKI

**REPORT**  
**of Budimex S.A. Supervisory Board**  
**for the Annual General Meeting (AGM) of Budimex S.A. in 2020**

- on the evaluation of the Company's management report for 2019 together with the financial statements in terms of their compliance with books, records and facts; on the evaluation of the non-financial report of Budimex S.A. for 2019 and the non-financial report of the Budimex Group for 2019,
- on the assessment of the Company's standing, taking into account the assessment of internal control systems, risk management, compliance and the internal audit function (in accordance with principle II.Z.10.1. Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016"), including evaluation of the effectiveness of the said systems and functions,
- on the assessment of the Company's compliance with the information requirements related to application of the corporate governance principles specified in the Warsaw Stock Exchange Rules and Regulations and in the laws on the current and interim information to be submitted by the Company as an issuer of securities (in accordance with rule II.Z.10.3. Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016"),
- on the assessment of the rationality in the Company's sponsorship and charity activities (in accordance with rule II.Z.10.4. Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016"),
- on self-assessment of the work of the Supervisory Board (in accordance with rule II.Z.10.2 Section II, Management Board and the Supervisory Board of "Best Practice of GPW Listed Companies 2016").

Pursuant to Article 382(3) and 382(4) of the Polish Companies Code and in accordance with § 11(1)(e) of the By-laws of the Supervisory Board of Budimex S.A., the Supervisory Board, during the meeting held on 2 April 2020, reviewed and evaluated the management report of the Budimex Group and Budimex S.A. and the standalone and consolidated financial statements for 2019 for their conformity with the books and documents and with the facts and read the standalone and consolidated non-financial report for 2019, and as a result the Supervisory Board states as follows:

1. During the audit of the documents for the financial year 2019:
  - 1) we have read the management report of Budimex Group and Budimex S.A. and heard the explanations of the Management Board concerning this report,
  - 2) we have read the standalone and consolidated financial statements and analysed the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement, the notes to financial statements,
  - 3) we have read the auditor's reports on the course and results of the audit of the standalone and consolidated financial statements and we heard the auditor's explanations and answers to the questions of the Members of the Supervisory Board,
  - 4) we have read the non-financial reports of Budimex S.A. and the Budimex Group for 2019 describing the issues concerning the impact of Budimex S.A. and the Budimex Group on environmental, social and labour issues, the respect for human rights, on counteracting corruption and bribery and we heard the explanations of the Management Board in this respect. The reports describe the business model, the policies in place, the main risks and key non-financial ratios related to the business.
2. Based on the analysis related to the documents referred to in items (1)–(2) of the management report and the financial statements and specified in item (3) of the auditor's reports, the Supervisory Board hereby states that the information disclosed in these documents accurately and reliably reflects the result of the business activities of the Company and Budimex Group, as well as the Company's assets and financial standing. In the opinion of the Supervisory Board, the report on non-financial information referred to in item (4) covers the scope of the information required under the Polish Accounting Act and correctly and reliably describes the activities of Budimex

S.A. and the Budimex Group as presented in the context of environmental, social and labour issues, the respect for human rights, counteracting corruption and bribery.

3. The Supervisory Board has read and approves the draft remuneration policy prepared by the Management Board based on Article 90d of the Polish Act on Public Offering, on Introduction of Financial Instruments to Organised Trading and on Public Companies dated 29 July 2005.
4. The Supervisory Board reviewed the information presented by the Company's Management Board on the need for the General Meeting to adopt resolutions on matters regarding the Company's current operations and forced by the current legal situation, i.e. the matters listed in (9)–(12).
5. In conformity with the position presented in items 2-4, the Supervisory Board requests that the Annual General Meeting of Budimex S.A. adopt resolutions regarding:
  - 1) reviewing and approving the management report of the Budimex Group and Budimex S.A. for 2019,
  - 2) reviewing and approving the non-financial report of Budimex S.A. for 2019,
  - 3) reviewing and approving the non-financial report of the Budimex Group for 2019,
  - 4) reviewing and approving the financial statements of Budimex S.A. for the year ended 31 December 2019,
  - 5) reviewing and approving the consolidated financial statements of the Budimex Group for the year ended 31 December 2019,
  - 6) granting discharge to members of the Management Board of Budimex S.A. for the fulfilment of their duties in 2019, and it approves the text of the following resolutions in the formal aspect:
  - 7) on granting discharge to members of the Supervisory Board of Budimex S.A. for the fulfilment of their duties in 2018,
  - 8) on adopting the Policy for remunerating members of Budimex S.A. governing bodies,
  - 9) on establishing the rules of Employee Capital Plan (PPK) participation for members of the Budimex S.A. Supervisory Board,
  - 10) on authorising the sale by Budimex S.A. of a real property – plot no. 37/10 district 1-11-07, situated in Warsaw, ul. Guźca,
  - 11) on amending § 16(4), § 16(5) and § 16(9)(m) of the Company's Articles of Association and adoption of a consolidated text thereof.
6. On 2 April 2020, the Supervisory Board adopted Resolution no 308 on reviewing and approving draft resolutions of the Annual General Meeting of Budimex S.A. for 2020, including resolutions on audit of the financial statements and the management report of the Budimex Group and Budimex S.A. for 2019. The draft AGM resolutions listed in section 5 of this Report are attached as annexes to that Resolution.
7. The assessment of the Company's standing, taking into account the assessment of internal control systems, risk management, compliance and the internal audit function, including the evaluation of the effectiveness of their operation.

The core objects of business of Budimex S.A. are: construction and assembly services, building development activities and the provision of management and consulting services for Budimex Group companies. The advisory, management and financial function of Budimex S.A. is to:

- ensure quick flow of information within the structure of the Group,
- strengthen the financial management efficiency of individual companies,
- consolidate the Group's market position.

During the 12 months of 2019, Budimex S.A. achieved revenue of sales of PLN 6,940 million, which is a 2.1% increase versus 2018.

In 2019, the gross profit on sales was PLN 393 million versus PLN 483 million in the previous year. So the gross return on sales was 5.7% versus 7.1% in 2018.

The 2019 opening balance of cash for the purpose of the cash flow statement in Budimex SA was PLN 1,136 million. Net cash flows in the 12 months of 2019 were positive and amounted to PLN 32 million. The cash balance for the purpose of the cash flow statement as at 31 December 2019 was PLN 1,168, and the cash balance in the statement of financial position was PLN 1,183 million.

The Company's cash balance for investment activity dropped by PLN 200 million, with the highest share of purchase of interest in affiliates and purchase of bonds issued by banks. The 2019 cash flows for financial activity were negative and amounted to PLN 227 million. Expenses were related to payment of dividends in the amount of PLN 161 million by the Company and repayment of finance lease liabilities with interest.

In 2019 the Budimex Group had a total revenue on sales of PLN 7,570 million – higher by 2.5% versus 2018.

In 2019, the value of Budimex Group's sales in the construction segment increased by 1.5% versus 2018.

Sales in the building construction sector dropped by 11.7% (from PLN 3,250 million in 2018 to PLN 2,870 million in 2019), sales in the infrastructure construction sector dropped by 2.2% (from PLN 3,163 million in 2018 to PLN 3,092 million in 2019) and sales in the railway construction sector increased by 87.7% (from PLN 634 million in 2018 to PLN 1,190 million in 2019).

In 2019, the revenue of sales in the property development business was PLN 558 million, which was a 1.8% increase versus the previous year. Revenues on sales in the property development business are recognised at the moment of transfer of ownership of the apartment/premises to the buyer after the technical commissioning of the entire facility. As a result, notary-certified sale of apartments depends on the completion dates of construction projects and on the handover of finished apartments to customers and is a phenomenon that is neither seasonal nor comparable year on year.

Due to the macroeconomic factors in 2019 all across the property development market, presale of new apartments compared slightly accelerated versus the year before. Net presale of new apartments in the whole 2019 was 1,655 apartments versus 1,208 in the previous year. The 37% increase of presold apartments was significantly higher than the growth trend observed in Poland's biggest cities. The main factors contributing to sales growth were: increase in the number of apartments built and expansion of the land held in 2018.

In 2019, the Budimex Group companies signed construction contracts of the total value of PLN 7,496,046 thousand (including addenda). As at 31 December 2019, the value of the Budimex Group's construction project portfolio was PLN 10,781,176 thousand, which was a 6% increase versus the end of 2018.

In 2019, the gross profit on sales was PLN 552 million versus PLN 629 million in the previous year. Consequently, the gross return on sales in 2019 was 7.3% versus 8.5% in 2018.

The financial standing of the Group in 2019 remained good. Net cash flows for 2019 were positive and amounted to PLN 73 million. In 2019, the balance of cash for operating activities increased by PLN 574 million. Cash flows for investment activities were negative and amounted to PLN 185 million. Cash flows for financing activities for 2019 were negative and amounted to PLN 316 million and they included mainly the payment of dividend for 2018 and repayment of lease and loan liabilities.

The current financial situation of the Budimex Group with regard to liquidity and access to external

sources of financing does not pose any threats to the financing of operations in 2020.

Budimex S.A. has an internal control system in the process of preparing financial statements and the Management Board of the Company is responsible for the its implementation and operation. The financial statements are prepared by qualified employees of the Economic & Financial Department of Budimex S.A. under the supervision of a member of the Management Board – the Head of the Department. The preparation of annual statements is preceded by a meeting between the Audit Committee and independent auditors held in order to establish the plan and scope of the audit of financial statements and to discuss potential areas of risks that may affect the reliability and accuracy of the financial statements. The Budimex Group also uses a computer program to support the identification and management of the risks associated with the preparation of all financial information, including financial statements.

The preparation of financial statements is a planned process, taking into account the appropriate division of tasks among employees of the Economic & Financial Department of Budimex S.A., matching their competences and qualifications. Standalone financial statements are prepared based on the books. The books of the Group's most significant companies are kept using the SAP R/3 financial accounting programme, which has been providing the basic information for financial and management accounting since 1 January 2003. SAP R/3 is managed centrally by qualified employees of Budimex S.A., who determine authorisation levels in terms of entering and modifying transactional data, the layout of the basic reports and changes in the chart of accounts.

The consolidated financial statements are prepared based on uniform consolidation packages prepared in an electronic form by individual Group companies. The process of data consolidation is handled by the Reporting & Consolidation Team under the supervision of the Head of the Accounting Office.

The companies of the Budimex Group apply uniform accounting principles approved by the management boards of Budimex S.A. and individual subsidiaries. The accuracy of the application of the accounting principles by particular companies is monitored on an on-going basis by employees of the Reporting & Consolidation Team and the Controlling Department of Budimex S.A.

The Reporting & Consolidation Team of Budimex S.A. is responsible for recommending solutions to modify and revise accounting policies and other requirements of the stock exchange and to implement them with prior approval of the Management Board.

During the preparation of financial statements, the following control activities are taken:

- assessment of significant and atypical transactions in terms of their impact on the Group's financial situation and the manner of presentation in the financial statements,
- verification of appropriateness of the assumptions adopted for the measurement of estimates,
- comparative and substantive analysis of financial data,
- the verification of the arithmetical and cohesion of data,
- the analysis of completeness of disclosures.

The prepared annual financial statements are submitted for preliminary verification to the Director of the Economic and Financial Department, and then to the entire Management Board for final verification and authorization.

The annual financial statements are subject to audit by an independent statutory auditor who, after the audit, presents its conclusions and observations to the Audit Committee, and then to the Supervisory Board.

The Company has a structurally separated Internal Control Office reporting to the CEO and the Audit Committee, which is responsible for:

- identification and analysis of risks in the Budimex Group,
- prevention of risk factors,

- audit of the activity of organisational units and Group companies,
- monitoring of compliance with the regulations applicable across the Group and the general external legislation in force,
- analysis of contract performance processes,
- monitoring of the use of the available resources,
- preparation of reports and issue of instructions for corrective actions and supervision over their implementation.

The Audit Committee of the Supervisory Board monitors the effectiveness of internal control systems and internal audit, i.e. the activities of the Internal Control Office, it is informed about internal audit plans, it receives the report concluding these activities or periodical summaries from the Internal Control Office, while employees of the Internal Control Office are obliged to perform inspections as at the request of the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board.

Budimex S.A. has a Compliance Policy in place in order to ensure compliance of the organisation's operations with the applicable laws, standards and internal regulations. As one of the largest construction companies in the Polish market, Budimex S.A. is committed in its activity to implement and follow the best standards regarding compliance with the applicable Polish law and other regulations related to the Company's activities.

The basic principles of the Compliance Policy of Budimex S.A. designed to eliminate or minimise the risks associated with all areas of the business of Budimex S.A. are:

- respect for the law,
- ethics and integrity,
- transparency of operations,
- no tolerance for any activities violating the law or the Compliance System.

The objectives of the Compliance Policy are achieved through observance by the Company and its stakeholders of the applicable laws and:

- the Company's Articles of Association,
- Budimex S.A.'s Code of Ethics,
- the Rules and Regulations, Policies, Procedures, Instructions, Orders, etc. in effect at the Company, including in particular those related to minimisation of the risk of the Company and its stakeholders being involved in any activities resembling corruption or influence peddling and designed to prevent embezzlement from the Company.

Direct responsibility for the application and observance of the Compliance Policy is borne mainly employees and their immediate superiors.

The Company's Management Board, within its authority or after obtaining appropriate recommendations from the Company's Supervisory Board, adopts the internal Policies, Procedures or Instructions related to particular areas of the Company's activity, also to the Company's internal relationships and relationships with third parties, designed to limit the risks associated with the Company's activities (including the Compliance area) and prevent situations that may result in criminal, civil, administrative or criminal and fiscal liability of Budimex S.A.

Direct supervision over the application and observance of the Compliance Policy by the Company and the stakeholders is exercised by the Chief Compliance Officer appointed by the Company's Management Board, and the Deputy Chief Compliance Officer, as well as the Compliance Committee established at the request of the Chief Compliance Officer, which comprises of representatives of every organisational division unit of the Company.

The Compliance Committee presents information on its operations to the Supervisory Board of the

Company at regular meetings.

The Supervisory Board positively evaluates the Company's situation, its operations, including the effectiveness of the internal control system, risk management and supervision over legal compliance.

The Supervisory Board positively evaluated the activity of the Company's Management Board in 2019.

8. Information on the composition and structure of the Supervisory Board and its committees in 2019.

As at 31 December 2019, the Supervisory Board of Budimex SA was composed of:

Marek Michałowski	Chairman of the Board
Juan Ignacio Gaston Najarro	Vice-Chairman of the Board
Igor Adam Chalupiec	Secretary of the Board
Danuta Dąbrowska	Board Member
Agnieszka Słomka-Gołębiowska	Board Member
Marzenna Anna Weresa	Board Member
Janusz Dedo	Board Member
Javier Galindo Hernandez	Board Member
Jose Carlos Garrido-Lestache Rodriguez	Board Member
Fernando Luis Pascual Larragoiti	Board Member

On 16 May 2019, since the ninth term of office of the Supervisory Board Members expired, the Annual General Meeting of Budimex SA appointed a Supervisory Board for the tenth term, composed of the above members. As a result, the composition of the Supervisory Board between 1 January 2019 and 31 December 2019 changed as follows:

- on 16 May 2019, in connection with the expiry of the term of office a Supervisory Board Member and the Annual General Meeting's failure to appoint him for a new term of office, Mr Piotr Kamiński ceased to serve on the Supervisory Board,
- on 16 May, the Annual General Meeting appointed new Supervisory Board Members: Ms Danuta Dąbrowska and Ms Agnieszka Słomka-Gołębiowska.

The following Supervisory Board Members meet the independence criteria specified in principle II.Z.4 of Best Practice of GPW Listed Companies 2016 and in Annex II to Commission Recommendation 2005/162/EC:

- Ms Danuta Dąbrowska,
- Ms Agnieszka Słomka-Gołębiowska,
- Mr Janusz Dedo.

During the entire financial year, three three-member Committees operated within the Supervisory Board:

1. The **Investment Committee**, with the rights and responsibilities as defined in the Operating Procedure PO-01-04, *The rules of approving on and making investment, financial and corporate decisions*, accepted by the Supervisory Board and approved by the Chairman of the Board. The rights and responsibilities of the Investment Committee were also laid down in § 12(9) through § 12(11) of the By-laws of the Supervisory Board.
2. The **Audit Committee**, with the tasks as determined in § 12(6) of the By-laws of the Supervisory Board of Budimex S.A. and in the By-laws of the Audit Committee approved the Supervisory Board,
3. The **Remuneration Committee**, with the tasks as determined in § 12(14) of the By-laws of the Supervisory Board of Budimex S.A. and in the By-laws of the Remuneration Committee approved by the Supervisory Board.

The **Committees of the Supervisory Board** at the end of 2019 had the following members:

**The Investment Committee:**

- Janusz Dedo – Chairman of the Committee,
- Javier Galindo Hernandez – member of the Committee.
- Fernando Luis Pascual Larragoiti – member of the Committee.

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

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

**The Remuneration Committee:**

- Marek Michałowski – Chairman of the Committee,
- Igor Chalupiec – member of the Committee,
- Juan Ignacio Gaston Najarro – member of the Committee,

The composition of the Remuneration Committee did not change during 2019. On 16 May 2019, the new Supervisory Board appointed the same members for the Remuneration Committee by way of Resolution No. 290.

**The Audit Committee:**

- Danuta Dąbrowska – Chairwoman,
- Javier Galindo Hernandez – member,
- Agnieszka Słomka-Gołębiowska – member.

In 2019, the composition of the Audit Committee changed as a result of Resolution No. 290 of the Supervisory Board of 16 May 2019 whereby the Supervisory Board of the new term appointed the Audit Committee as above. Until 16 May 2019, the Audit Committee consisted of:

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

9. Activities of the Supervisory Board of Budimex S.A. and its Committees in 2019.

The Board held five meetings in 2019. Four of them were devoted to analysing the Company's current situation based on materials and information related in particular to:

- acquisitions, the order portfolio, the most important contracts won,
- financial results and net cash position of the Budimex Group,
- the evolution of property development activities,
- investments and disinvestments in the Budimex Group,
- current situation in material litigation cases in which the Company and public entities are involved,
- activities performed by the Compliance Team.

The meeting on 16 May 2019 was devoted to the creation of the Supervisory Board of the tenth term once it has been elected by the Annual General Meeting.

In 2019, the **Supervisory Board** adopted fourteen resolutions on:

- reviewing and approving the management report of the Budimex Group and Budimex S.A. for 2018,
- reviewing and approving the materials and draft resolutions of the Annual General Meeting of



- Budimex S.A. in 2019,
- accepting the annual report on the activity of the Supervisory Board in 2018,
  - awarding a bonus for 2018 to members of the Management Board of Budimex S.A.,
  - appointing an auditing company to review semi-annual financial statements for the six months of 2019, 2020 and 2021 and to audit the financial statements of Budimex S.A. along with the consolidated statements for the financial years 2019–2021,
  - constituting the Supervisory Board of the tenth term,
  - appointing members of Supervisory Board Committees,
  - conditional consent to the purchase of 51% of shares in the share capital of FBSerwis S.A. by Budimex S.A.,
  - appointing the CEO of Budimex S.A.;
  - amending the employment contracts with selected Management Board Members,
  - assessing and accepting an agreement to settle and terminate the licence agreement with Ferroviał Agroman S.A.,
  - assessing and accepting the conclusion of a new licence agreement with Ferroviał Agroman S.A.,
  - approving the participation of Budimex S.A. in FBSerwis S.A. share capital increase,
  - define the Employee Capital Plan (PPK) scheme participation rules for Management Board Members.

All meetings of the Supervisory Board in 2019 were held at the Company's registered office on dates set by the Supervisory Board. The Company's Articles of Association and the By-laws of the Supervisory Board allow the Supervisory Board to adopt resolutions by written ballot or through means of direct distance communication. In 2019 the Supervisory Board took advantage of the written ballot option twice by adopting resolutions on assessing the annual financial statements and the management report of the Budimex Group and Budimex S.A. for 2018, and on appointing an auditing company to review semi-annual financial statements for the six months of 2019, 2020 and 2021 and to audit the financial statements of Budimex S.A. along with the consolidated statements for the financial years 2019-2021.

The **Investment Committee** of the Supervisory Board reviewed motions as they were submitted, with all members present. 17 requests were submitted to the Investment Committee in 2019. Throughout 2019, the Supervisory Board was informed about the actions undertaken by the **Investment Committee** and their results at regular meetings based on materials on processed and pending requests prepared in accordance with the Operational Procedure PO-01-04 *The rules of approving on and making investment, financial and corporate decisions*, as well as based on possible additional verbal explanations.

On 2 April 2020, the **Investment Committee** submitted a written Report for the financial year 2019 to the Supervisory Board, which the Supervisory Board accepted.

The **Remuneration Committee** held five meetings in 2019. The Board was informed about significant decisions made by the Remuneration Committee and their results.

**The Remuneration Committee took the following actions in 2019:**

1. It discussed the situation in the labour market, the dynamic of salary changes and the consequences of such changes for Budimex at every meeting.
2. It approved the pay increase rate separately for production jobs and support jobs.
3. It discussed and approved the motions for appointing new Supervisory Board Members for Budimex Nieruchomości: Jaime Gutierrez, Cezary Mączka, Marcin Węglowski.
4. It reviewed the achievement of the individual objectives of the CEO and Management Board Members of Budimex for 2018.
5. It approved the bonus rates for 2018 for the President and Management Board Members and approved the values of individual bonuses.

6. It approved the bonus rates and values for the Head of Power & Industry Construction Piotr Świecki.
7. It reviewed and approved the proposed bonus value of and payment terms for Mr Artur Popko.
8. It approved the value of the special reward for Mr Marcin Węglowski.
9. It approved the proposal of the CEO Blocher regarding no pay rises for Management Board Members in 2019.
10. It made the decision regarding the participation in the remuneration scheme based on the shares of Ferrovia.
11. It approved the targets and weights for the Budimex Group for 2019.
12. In connection with the promotion of Mr Artur Popko to Chief Operating Officer, the Remuneration Committee discussed and then approved the proposed pay changes.
13. In connection with the promotion of Mr Dariusz Blocher to Head of Ferrovia, the Remuneration Committee discussed and then approved the proposed pay changes.
14. It reviewed the information about the terms of contract termination with Mr Radosław Górski.
15. It reviewed the proposed government plan to pass a bill to limit the restriction on the annual retirement and disability pension calculation basis (30 times) starting from 2020 and discussed the consequences of the potential cost increase for Budimex.
16. It reviews the information about the launch of Employee Capital Plans (PPKs) at Budimex.
17. In connection with the promotion of Mr Dariusz Blocher to the Head of Ferrovia, the cost allocation proposal was discussed. The Remuneration Committee reviewed the proposal of Budimex.
18. It reviewed the proposed pay increase for 2020 during the pay rise process.
19. It acknowledged the proposal to consolidate the performance review system for Budimex employees and Management Board Members. The process was not put in motion.
20. Ignacio Gaston proposed preparing a long-term incentive system for the management. The new proposal will be presented at the level of the Ferrovia Group.
21. It reviewed the requirement of aligning the policy for remunerating members of the Management Board and Supervisory Board in Polish listed companies introduced by the act of 16 October 2019.
22. The Remuneration Committee reviewed the information about the terms of contract termination with Mr Henryk Urbański. The proposal was accepted by the Remuneration Committee.
23. It reviewed the information that the Legal & Finance Department prepared contracts regarding allocation of costs of the Head of Ferrovia Dariusz Blocher. The division of costs was accepted by 2 Committee Members; the third one abstained from vote.
24. It reviewed the information about the introduction of the Employee Capital Plans (PPKs) at Budimex where Budimex introduced voluntary contributions depending on the voluntary contribution declared by the employee, on the performance review and on seniority in the organisation; it recommended that the Supervisory Board adopt a resolution whereunder the Management Board Members of Budimex S.A. participate in the Employee Capital Plan scheme on the terms as applicable to company employees.

At the same time, the Committee Members regularly reviewed information on macroeconomic indicators, unemployment, availability of employees, changes in the labour market and forecasts regarding changes in salaries.

On 2 April 2020 **the Remuneration Committee** submitted a written report on its activities in 2019 to the Supervisory Board, which was accepted by the Supervisory Board.

The **Audit Committee** held 6 meetings in 2019.

During its meetings, the Audit Committee was meeting the representatives of the audit firm Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with regard to the financial statements for 2018 and 2019.

Prior to the Annual General Meeting of Budimex SA in 2019 (AGM), the **Audit Committee** recommended the following to the Supervisory Board and the AGM:

- approving of the financial statements, the non-financial reports and the management report for 2018,
- distribution of the net profit for 2018, taking into account the payment of dividend,
- granting discharge to a Management Board Member – Head of the Economic & Financial Department for the fulfilment of his duties in 2018,
- positive assessment of the internal control system and the risk management system at the Company.

On 24 September 2019, the Audit Committee submitted a written report on its activities for 1st half-year of 2019 to the Supervisory Board. On 2 April 2020, the Committee submitted the annual report on its activities. These above reports were accepted by the Supervisory Board.

#### 10. The assessment of the Company's compliance with information requirements.

Due to the adoption of the new “Best Practice of GPW Listed Companies 2016” by the Board of Exchange, after adopting resolutions on the application of the above new rules by the Management Board (Resolution No. 22 of 11 December 2015) and by the Supervisory Board (Resolution No. 240 of 16 December 2015), the Company sent report no. 01/2016, on 4 January 2016, on the scope of application of the above new rules in accordance with the new format introduced by the Stock Exchange on 1 January 2016.

Pursuant to section 91(5)(4) of the Regulation of the Polish Minister of Finance on current and interim information to be submitted by issuers of securities and on the conditions for considering information required under the laws of a non-member state as equivalent information, the Company published on ..... 2020 a statement on the activities of the issuer for 2019, including a structurally separated corporate governance statement (section 6 of the management report for 2019).

Consequently, the Company should be deemed to have correctly complied with the information requirements in 2019 as regards the application of the corporate governance principles set out in the Stock Exchange Rules and in regulations on the current and interim information to be submitted by issuers of securities.

The Company has one Operating Instruction 10-01-07-01 The protection of inside information of Budimex S.A. and insider trading and the Operating Instruction no. 10-01-07-04 regulating the rules and the procedure of providing information published in current reports in connection with the listing of Budimex S.A. shares in the Warsaw Stock Exchange. The overriding objective of both instructions is the correct execution by Budimex S.A. as a listed company of the information requirements laid down in the applicable regulations. In 2019, the Supervisory Board did not find any nonconformities in the compliance by Budimex S.A. with the aforementioned information requirements.

#### 11. The assessment of the Company's rationality in sponsorship and charity activities

Since 2011, the Company has been pursuing its CSR policy “*Corporate Social Responsibility*,” within which it developed two original programmes in 2019:

- “Strefa Rodzica. Budimex Dzieciom” – involving the creation of space in children’s hospitals where children can play with their parents in good conditions and where their parents can prepare their meals, relax on dedicated furniture, use sanitary facilities. So far, Budimex S.A. launched 32 Parent Zones in children's hospitals,
- “Hello ICE”, which replaced in 2019 the “Domofon ICE” programme pursued since 2009 and which is designed to teach the youngest schoolchildren and pre-school children about road traffic safety. The key elements of the campaign are: an interactive map which anyone can use to mark dangerous places that children encounter on their way to school or kindergarten, and educational

materials for teachers, educational games for parents and children. Moreover, pupils are given plastic cards with contact details to their families in case of emergency. 8 Safety Days were held in primary schools and kindergartens in 2019. The “Hello ICE” programme was held under the honorary auspices of the Minister of Infrastructure and the Minister of National Education, and it received a positive opinion from Stowarzyszenie Dobra Edukacja.

In 2019, the Company developed the programme “Grant na Wolontariat” (Grant for Volunteer Work) initiated in 2015, where Budimex staff can suggest their own volunteer work initiatives. Projects can be submitted all year long. They are discussed during quarterly CSR Committee meetings when decisions regarding the grants are taken. In 2019, 8 projects were executed by 75 Budimex volunteers.

Furthermore, Budimex took part in **#ideathon** – an innovative project of competence-based volunteer work designed to develop solutions to improve the situation of the disabled in the labour market.

In 2019, the “**Drzewo za ankietę**” (Tree for Survey) campaign was completed. Budimex promised to plant one tree for every filled out survey concerning our integrated annual report. Nearly 200 trees were planted in Białystok, where the company has several open projects.

Our social activities are especially visible in the sponsorship and charitable support for social objectives. In 2019, the Group intended PLN 764,000 to donations and thus significantly supported foundations providing diverse assistance to children and furthering the development of local communities in less developed regions, such as the following foundations: Fundacja Dzieciom Zdążyć z pomocą, Fundacja Onkologiczna Nadzieja and Fundacja Spełnionych Marzeń.

In 2019 Budimex S.A. was also involved in sponsorship of social, cultural and educational initiatives and in the development of sports through:

- > Polish Sailing Championships for the Disabled,
- > Stomil Olsztyn Football Team,
- > Polish Sport Bridge Association,
- > “Katarzynki” Women’s Basketball Club in Toruń,
- > Ostróda Sports Club,
- > Occupational therapy carpenter’s shop of the Demos and Siemacha foundations,
- > Elbląg Triathlon Team,
- > Reconstruction of a Polish church in Krakovets, Ukraine.

In cooperation with local social partners and within its possibilities, the Company also undertakes individual activities to minimise the inconveniences related to its contracts.

Currently, the Company pursues the objectives of its CSR Strategy adopted in 2016 for the years 2016–2020.

The Supervisory Board positively evaluates the above-mentioned activities, understood as a constant element of the Company's operations and as single initiatives; in the opinion of the Board, they reflect the assumptions of corporate social responsibility and bringing the Company important image-building benefits.

## 12. Self-assessment of the activities of the Supervisory Board.

In 2019, the Supervisory Board operated in accordance with the rules specified in the Company's Articles of Association and in the By-laws of the Supervisory Board. The Board examined, and at the Management Board's request reviewed, the issues relevant to the Company and to the Budimex Group related to the Company's current operations and formulated the potential recommendations for the Management Board as to the implementation of remedial instruments or improvements. Supervisory

Board Members devoted their time to the Company to the extent necessary for the proper performance of their duties, both within the Supervisory Board and within individual committees. Apart from the above-mentioned obligations, the Chairman of the Supervisory Board performed activities connected with convening individual meetings of the Board and chaired the sessions.

All the Supervisory Board Members were present at four out of the five Supervisory Board meetings held in 2019. One of the meetings was held in the absence of two members, excused for reasons related to their job duties. Members of the Management Board responsible for particular areas of the Company's activity participated in the meetings of the Supervisory Board.

According to the Best Practice of GPW Listed Companies 2016, which the Company follows, members of the Supervisory Board participated in the Annual General Meeting of Budimex S.A. in 2019.

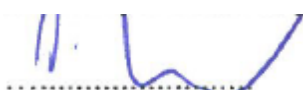
The Supervisory Board evaluated the communication between the Supervisory Board and the Management Board as good.

Supervisory Board Members delegated to individual Supervisory Board Committees actively participated in the meetings of Committees and in the decision-making process and kept the Supervisory Board informed about the arrangements and decisions made. Based on the decision of the Supervisory Board, Mr Javier Galindo Hernandez monitored and reviewed the operations on the derivative instruments entered into by the Company.

Considering the Company's profile and business activity, the Supervisory Board assesses the competences of the Supervisory Board Members as good, especially since the Board consists of scientists, lawyers, economists and engineers.

Three of the ten members of the Supervisory Board meet the independence criteria specified in rule II.Z.4 of the Best Practice of GPW Listed Companies 2016, including those laid down in Annex II to Commission Recommendation 2005/162/EC.

*Secretary of the Supervisory Board*



Igor CHALUPEC

for the Supervisory Board of Budimex S.A.:

*Chairman of the Supervisory Board*



Marek MICHAŁOWSKI