

**REPORT**  
of the Supervisory Board of Budimex S.A.  
for the Annual General Meeting (AGM) of Budimex S.A. 2018

- on results of the assessment of the annual activity report of the Company for 2017 together with the financial statements in terms of their compliance with the accounting records, documents and facts, as well as the Management Board's motion regarding distribution of profit for 2017, on the assessment of the report of non-financial information of Budimex S.A. for 2017 and of the report of non-financial information of Budimex Group for 2017,
- on the assessment of the Company's condition, including assessment of internal control systems, risk management, compliance and internal audit function (in accordance with rule II.Z.10.1. of Chapter II Management Board and Supervisory Board of the 'Code of Best Practice for WSE Listed Companies 2016'), including assessment of effectiveness of those systems and functions,
- on the assessment of the Company's fulfilment of information obligations relating to the application of the corporate governance rules specified in the Exchange Rules and the provisions relating to current and periodic information submitted by the Company as an issuer of securities (in accordance with rule II.Z.10.3. of Chapter II Management Board and Supervisory Board of the 'Code of Best Practice for WSE Listed Companies 2016'),
- on the assessment of rationality of the sponsoring and charity policy pursued by the Company (in accordance with rule II.Z.10.4. of Chapter II Management Board and Supervisory Board of the 'Code of Best Practice for WSE Listed Companies 2016'),
- on the self-assessment made by the the Supervisory Board (in accordance with rule II.Z.10.2. of Chapter II Management Board and Supervisory Board of the 'Code of Best Practice for WSE Listed Companies 2016'),

On the basis of Art. 382 Sections 3 and 4 of the Commercial Companies Code, and in accordance with Section 11 (1) (e) of the Rules of Procedure of the Supervisory Board, the Supervisory Board of Budimex S.A. has conducted an examination and assessment of the annual activity report of Budimex Group and Budimex S.A. and of the consolidated and separate financial statements for the financial year 2017 in terms of compliance with the accounting records and documents, and with facts, as well as an examination of the Management Board's motion on distribution of profits for 2017, and the Supervisory Board has also read the report of non-financial information for 2017 (consolidated and separate), as a result of which it finds that:

1. In the course of the audit of documents for the financial year 2017:
  - 1) the annual activity report of Budimex Group and Budimex S.A. was read and the Management Board gave explanations as to that report;
  - 2) the financial statements (consolidated and separate) were read and analysed in terms of: statement the financial condition, profit and loss account, comprehensive income report, statement of changes in equity, cash flow statement, additional information and explanations,
  - 3) the statutory auditor's report on the course and results of the audit of the consolidated and separate financial statements was read and the statutory auditor gave explanations and answered the questions of the Supervisory Board members;
  - 4) the reports of non-financial information of Budimex Group and Budimex S.A. for 2017 describing the issues relating to the influence of the Company and Group on the environment, social and employment issues, respecting human rights and anti-corruption issues, and the Management Board gave explanations on this matter. The reports describe

the business model, the policies pursued, main risks and key non-financial factors relating to the business activity.

2. On the basis of the analyses of the annual activity report and financial statements referred to in items 1) - 2) and reports of the statutory auditor referred to in item 3), the Supervisory Board finds that the information provided therein give a true and fair view of the result of the business activity of Budimex S.A. and Budimex Group, as well as the company's financial condition. In the Board's view, the reports of non-financial information referred to in item 4) cover the scope of information required by the Accounting Act and give a true and fair view of the business activity of Budimex S.A. and Budimex Group in the context of social issues, employment, environmental, human rights and anti-corruption issues.
3. In accordance with the opinion referred to in item 2, the Supervisory Board requests the Annual General Meeting of Budimex S.A. to adopt resolutions on:
  - 1) consideration and approval of the annual activity report of the Budimex Group and Budimex S.A. for 2017,
  - 2) consideration and approval of the report of non-financial information of Budimex S.A. for 2017,
  - 3) consideration and approval of the report of non-financial information of Budimex Group for 2017,
  - 4) consideration and approval of the financial statements of Budimex S.A. for the financial year 2017,
  - 5) consideration and approval of the consolidated financial statements for the year ending on 31 December 2017,
  - 6) distribution of profit for 2017,
  - 7) acknowledgement of fulfilment of duties of Management Board members of Budimex S.A. for 2017,and gives a positive opinion, as regards the formal requirements, of the wording of resolutions on:
  - 8) acknowledgement of fulfilment of duties of the Supervisory Board members in 2017.

In addition, the Supervisory Board gives a positive opinion on the initiative expressed in the draft resolution of the General Meeting regarding adoption of new Rules of Procedure of the General Meeting of Budimex S.A. and thus, it requests adoption thereof by the General Meeting.

4. On 3 April 2018 the Supervisory Board adopted Resolution no. 273 on consideration and statement of opinion on the draft resolutions of the Annual General Meeting of Budimex S.A. 2018, including on the audit of financial statements and annual activity report of the Budimex Group and Budimex S.A. for 2017, the motion regarding distribution of profits for 2017 and acknowledgement of fulfilment of duties of the Management Board members.  
The draft resolutions of AGM referred to in item 3 of this Report are attached to the above resolution of the Supervisory Board.
5. Assessment of the Company's condition, including assessment of internal control systems, risk management, compliance and internal audit function, as well as assessment of effectiveness of functioning thereof.

The primary object of business activity of Budimex S.A. is provision of construction and installation services, developer's activity and provision of management and advisory services

to Budimex Group companies. The execution of the advisory, management and financial functions by Budimex S.A. is aimed at:

- quick flow of information within the Group;
- strengthening the effectiveness of the financial and monetary policy of particular companies;
- strengthening the market position of the Group.

Within 12 months of 2017, Budimex S.A. generated sales revenue of PLN 5,825,000,000, which represents an increase of 11.9% as compared to the revenue from 2016.

The gross profit from the sale in 2017 was PLN 677,000,000, whereas in the preceding year it was PLN 636,000,000. Thus, the gross profitability in 2017 was 11.6%, whereas in 2016 it was 12.2%.

The cash flow balance for the purpose of the cash flow statement in Budimex S.A. in the beginning of 2017 was PLN 2,240,000,000. The net cash flow within 12 months of 2017 was negative and amounted to PLN 599,000,000. The cash balance as of 31 December 2017 was, therefore, PLN 1,640,000,000.

The Company's cash balance from operating activities decreased by PLN 298,000,000. The above sum was affected, above all, by the acquisition of non-tangible assets, bonds issued by banks, as well as loans given. The cash flow from financing activities in 2017 was negative and amounted to PLN 396,000,000. The expenses were concerning payment of dividends by the Company in the sum of PLN 383,000,000 and repayment of liabilities from financial leasing together with interest.

In 2017 the Budimex Group generated the total sales revenue of PLN 6,369,000,000 and it was higher as compared to the revenue generated in 2016 by 14.3%.

In 2017, the value of sales in the construction segment by Budimex Group increased by 12.6% as compared to 2016.

The value of sale in the sector of construction of buildings increased by 27.7% (from PLN 2,245,000,000 in 2016 to PLN 2,866,000,000 in 2017), whereas in the sector of infrastructural construction it went up by 1.8% ( from PLN 3,147,000,000 in 2016 to PLN 3,204,000,000 in 2017). The share of the infrastructural segment in the total revenue from construction and installation services of the Group decreased from 58.4% in 2016 to 52.8% in 2017.

In 2017 the revenue from the sale from the developer's activity was PLN 499,000,000, which was an increase of 42.6% as compared to the preceding year. The revenue generated from sale from the developer's activity is recognized at the moment of transferring the ownership of the apartment/premises to the purchaser after the handover of the entire property. Therefore, notarial sale of apartments depends on the dates of completion of construction projects and delivery of apartments to customers and is not a seasonal phenomenon and it should not be compared

As a result of macroeconomic factors in 2017, the entire developers' market experienced a significant boost and a dynamic increase in the demand for new apartments. The value of net pre-sales of new apartments in entire 2017 was 1,457, whereas in the preceding year it was 1,615. The decrease of 10% in the pre-sales has resulted from the near end of the special offer for the "Nowe Czysta" project in Krakow.

In 2017 the Budimex Group companies signed construction contracts of the total value of PLN 7,285,000,000 (with amendments). The order book of the Budimex Group companies as of 31 December 2017 was PLN 10,300,000,000, which represents an increase of 15% as compared to the end of 2016.

The gross profit from sales in 2017 was PLN 810,000,000, whereas in the preceding year it was PLN 751,000,000. The gross profitability of sales in 2017 was, thus, 12,7%, and in 2016 it was 13.5%.

The Group's financial condition remained solid throughout 2017. The net cash flow for 2017 was negative and amounted to PLN 561,000,000. In 2017 the cash balance from operating activities increased by PLN 196,000,000. The cash flow from the investment activity amounted to a negative balance of PLN 357,000,000. The cash flow from the financial activity amounted to a negative balance of PLN 400,000,000 and it resulted mainly from the payment of dividend for 2016.

The current financial condition of Budimex Group in terms of liquidity and access to external financing does not pose a threat to the financing of the business activity in 2018.

Budimex S.A. has a system of internal control in the process of drawing up financial statements and the Management Board is responsible for implementation and functioning of that system. Financial statements are drawn up by qualified staff of the Economic and Financial Division of Budimex S.A. under the supervision of the Management Board member, who is the director of the Division. The drawing up of the financial statements is preceded by a meeting of the Audit Committee with independent auditors, the subject of which is determining a plan and scope of audit of financial statements and discussing potential risk areas which could affect the fairness and correctness of financial statements. In addition, Budimex Group uses computer software supporting identification and management of risks relating to the drawing-up of any financial information, including financial statements.

Drawing up of financial statements is a planned process incorporating a proper assignment of tasks to the staff of the Economic and Financial Division of Budimex S.A. according to their competences and qualifications. The accounting records are the basis for the drawing up of separate financial statements. The accounting records of the most important Budimex Group companies are kept using the SAP R/3 financial and accounting software, which provides the basic information needed for the purposes of financial and management accounting since 1 January 2003. The SAP R/3 system is managed centrally by qualified staff of Budimex S.A., who determine the authorization levels for introducing and modifying transaction data, layout of basic reports and the chart of accounts.

Consolidated financial statements are drawn up on the basis of unified consolidation packages prepared by particular Budimex Group companies in electronic form. The process of data consolidation is performed by the Reporting and Consolidation Team under the supervision of the director of the Accounting Office.

The Budimex Group companies apply uniform accounting standards approved by the management boards of Budimex S.A. and other subsidiaries. Correctness of application of accounting standards by particular companies is monitored on an ongoing basis by the staff of the Reporting and Consolidation Team and the Controlling Office of Budimex S.A.

The Reporting and Consolidation Team of Budimex S.A. is responsible for recommending solutions in the scope of modification and updating of accounting policies and other requirements of stock-exchange financial reporting, as well as implementation thereof after prior approval by the Management Board.

In the course of drawing up of the financial statements, the following checking operations, among other things, are performed:

- assessment of important and unusual transactions in terms of their effect on the Group's financial condition and of the manner of their presentation in the financial statements;
- verification of relevance of adopted assumptions to the valuation of estimated values;

- comparative and substantive analysis of financial data;
- verification of arithmetic correctness and consistency of data;
- analysis of completeness of disclosures.

The drawn-up financial statements are submitted for initial verification to the director of the Economic and Financial Division, and then to the entire Management Board for final verification and authorization.

Annual financial statements are subject to audit by an independent statutory auditor, who, after completion of the audit, presents his/her conclusions and comments to the Audit Committee, and then to the Management Board.

In the Company there is the Internal Control Office under the authority of the President of the Management Board, which is separate structurally and is responsible for:

- identification and analysis of risks in Budimex Group;
- prevention of risk factors;
- inspection of the activity of organizational units of the Group companies;
- oversight over compliance with the Group's internal regulations and external, generally binding, regulations,
- analysis of the performance process of contracts;
- control of use of the resources held;
- drawing up reports and giving instructions for corrective actions and supervision over execution thereof.

The Audit Committee of the Supervisory Board monitors effectiveness of internal control and internal audit systems, i.e. of the actions of the Internal Control Office, it is informed about planned works relating to internal audit, receives reports on such works or periodic summaries from the Internal Control Office; the Internal Control Office staff are obliged to carry out inspections, inter alia, at the instruction of the Management Board, Supervisory Board and the Audit Committee of the Supervisory Board.

Budimex S.A. implemented the 'Compliance Policy' in order to ensure compliance of the organization's activity with applicable legal provisions, standards and internal regulations. Being one of the biggest construction companies operating in the Polish market, Budimex S.A. devotes considerable attention to implementation and application of the best standards relating to compliance with the law applicable in Poland and other regulations relating to the Company's business activity.

The general principles of the Compliance Policy of Budimex S.A. aimed at elimination or minimization of risks relating to all areas of the company's business activity are as follows:

- observance of the law;
- ethics and integrity;
- transparency of actions;
- zero tolerance for actions contrary to the binding law and Compliance System.

The Compliance Policy is respected by means of observing the law by the Company and consignees, as well as observing:

- the Company's statutes;
- Code of Ethics of Budimex S.A.;
- Rules of Procedure, Policies, Procedures, Instructions, Orders, etc., binding at the Company, in particular, those relating to minimization of risk of the Company or a consignee being involved in any practice which appears to be corruption or influence peddling, or those aimed at preventing the 'siphoning off' of Company's funds.

The persons directly responsible for application and observance of the Compliance Policy by the staff are, above all, their direct supervisors.

Within its powers or after obtaining proper recommendation of the Company's Supervisory Board, the Company's Management Board adopts the internal Policies, Procedures or Instructions relating to particular areas of the Company's activity, both covering the internal relations in the Company, and relations and rules of conduct with third parties, which are aimed at limitation of risk relating to the the Company's activity (including the area of Compliance) and prevention of situations which could put Budimex S.A. at risk of criminal, civil, administrative or penal fiscal liability.

Direct oversight over application and observance of the Compliance Policy by the Company and consignees is exercised by the Chief Compliance Officer, appointed for this purpose by the Management Board, and Deputy Compliance Coordinator, as well as by the Compliance Committee, established by the Chief Compliance Coordinator, composed of representatives of each organizational division of the Company.

The Compliance Committee submits information about its activity to the Company's Supervisory Board in subsequent meetings.

The Supervisory Board gives a positive opinion on the Company's condition, its functioning, including its effectiveness, internal control system (internal audit), risk management, and oversight over compliance with the law.

The Supervisory Board gives a positive opinion on the activity of the Management Board in 2017.

#### 6. Information on the composition and structure of the Supervisory Board and its committees in 2017.

In 2017 the following nine people were sitting on the Supervisory Board:

Chairman	Marek Michałowski,
Vice-Chairman	Alejandro de la Joya Ruiz de Velasco,
Secretary	Igor Chalupec,
members:	Marzenna Anna Weresa,
	Ignacio Clopes Estela,
	Janusz Dedo,
	Javier Galindo Hernandez,
	Jose Carlos Garrido Lestache Rodriguez,
	Piotr Kamiński.

In 2017 there were no changes in the composition or structure of the Supervisory Board of Budimex S.A.

The following members of the Supervisory Board do not meet the criteria of independence laid down in the rule II.Z.4 of the 'Code of Best Practice for WSE Listed Companies 2016', including in the Annex II to the Recommendation 2005/162/EC of the Commission of European Communities:

- Ms Marzenna Anna Weresa,
- Mr Janusz Dedo,
- Mr Piotr Kamiński.

Three three-person committees were proceeding within the Supervisory Board during 2017:

1. The **Investment Committee** performing tasks and competences specified in the PO-01-04 Operational Procedure *Rules on giving opinions and making decisions relating to investment, financial and corporate issues*, which was pre-approved by the Supervisory Board and approved by the Chairman of the Supervisory Board. The competences and tasks of the Investment Committee are also listed in Section 12 (9) – (11) of the Rules of Procedure of the Supervisory Board.
2. The **Audit Committee** performing tasks specified in in Section 12 (6) of the Rules of Procedure of the Supervisory Board of Budimex S.A. and Rules of Procedure of the Audit Committee approved by the Supervisory Board.
3. The **Remuneration Committee** performing tasks specified in in Section 12 (14) of the Rules of Procedure of the Supervisory Board of Budimex S.A. and Rules of Procedure of the Remuneration Committee approved by the Supervisory Board.

Composition of all **Committees of the Supervisory Board** as of the end of 2017 were as follows:

**Investment Committee:**

Piotr Kamiński - Chairman of the Committee  
Alejandro de la Joya Ruiz de Velasco – member of the Committee,  
Javier Galindo Hernandez – member of the Committee.

The composition of the Investment Committee did not change during 2017.

**Remuneration Committee:**

Marek Michałowski - Chairman of the Committee,  
Igor Chalupec - member of the Committee,  
Alejandro de la Joya Ruiz de Velasco – member of the Committee.

The composition of the Remuneration Committee did not change during 2017.

**Audit Committee:**

Marzenna Weresa – Chairperson of the Committee,  
Janusz Dedo - member of the Committee,  
Javier Galindo Hernandez – member of the Committee.

On 27 June 2017 Ms Marzenna Weresa and Mr Janusz Dedo made statements on independence of a member of the Audit Committee in accordance with criteria determined in the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017.

The composition of the Audit Committee did not change during 2017.

7. Activities of the Supervisory Board of Budimex S.A. and its committees in 2017

The Board held 5 meetings in 2017. The meeting of the Board held on 11 May 2017 was dedicated entirely to the discussion on the development strategy for the future of Budimex, including:

- geographic expansion of the business;
- diversification of the local business activity;
- development and improvement of technological solutions applied by the Company and solutions relating to development of staff, management systems, quality and safety of work.

The other 4 meetings were dedicated to analysis of the Company's current situation on the basis of materials and information concerning, in particular:

- canvassing, order book, major contracts won;
- financial results and net cash situation of Budimex Group;
- evolution of the developer's activity;
- investment and disinvestment in Budimex Group;
- current situation in significant court disputes concerning the Company and public entities;
- activities performed by the Compliance Team.

On 28 March 2017 the Supervisory Board had a meeting with representatives of the external auditor and obtained information on the approach to the audit of financial statements and results of actions taken by the statutory auditor.

In 2017 the **Supervisory Board** adopted eighteen resolutions on the following matters:

- changes in the Rules of Procedure of the Supervisory Board of Budimex S.A.;
- examination and statement of opinion on draft resolutions of the Annual General Meeting of Budimex S.A. for 2017;
- approval of annual activity report of the Board in 2017;
- appointment of an audit firm to review the semi-annual financial statements for six months of 2017 and 2018 and audit the financial statements of Budimex S.A. and selected companies of Budimex Group together with consolidated financial statements of Budimex Group for 2017-2018;
- expressing consent to the increase of financing of FBSerwis S.A. and providing a suretyship of the guarantee line by Budimex S.A.;
- granting a bonus for 2016 to members of the Management Board of Budimex S.A.;
- appointment of the President of the Management Board of Budimex S.A.;
- appointment of the Vice-President and members of the Management Board of Budimex S.A.;
- amendment of employment contracts with members of the Management Board of Budimex S.A.;
- changes to the Rules of Procedure of the Supervisory Board (bis);
- changes to the Rules of Procedure of the Audit Committee of the Supervisory Board of Budimex S.A.;
- expressing consent to the transfer of all shares held in the share capital of Elektromontaż-Poznań S.A. by Budimex S.A.

All meetings of the Supervisory Board in 2017 were held in the registered office of the Company, on dates specified by the Supervisory Board. The Company's Statutes and the Board's Rules of Procedure provide for a possibility of adopting resolutions by the Board by a written vote or by means of direct remote communication, however, in 2017 there was no need for the Board to use such measures. The dates of subsequent meetings of the Board were agreed on on an ongoing basis in a manner allowing each member of the Board to participate in those meetings.

The full **Investment Committee** of the Supervisory Board was considering motions on an ongoing basis. In 2017, 17 proposals were submitted to the Investment Committee. The Supervisory Board was informed about actions taken by the **Investment Committee** and results thereof in subsequent meetings of 2017 on the basis of materials concerning the decided and pending motions drawn up in accordance with the PO-01-04 Operational Procedure *Rules on giving opinions and making decisions relating to investment, financial and corporate issues*, and on the basis of any additional oral explanations.

On 3 April 2018 the **Investment Committee** submitted the written Report for the financial year 2017 to the Supervisory Board and the Supervisory Board approved it.



In 2017 the **Remuneration Committee** held 4 meetings and all of them were held in full composition. The Supervisory Board was informed by the Remuneration Committee about relevant actions taken by the Committee and results thereof on an ongoing basis.

**In 2017 the Remuneration Committee took the following actions:**

1. it discussed the company's results and approved the premium ratio of 2016 for the staff of the Head Office
2. it made decisions concerning the policy of increase in basic remuneration in 2017
3. it analysed non-competition agreements after termination of employment relationship and approved recommendations of changes in those agreements
4. it assessed performance of individual goals of the President of the Management Board and approved assessments of particular Members of the Management Board for 2016.
5. it approved the bonus ratios of the President and Members of the Management Board in 2016 and approved their individual bonuses
6. it approved the bonus goals for the President and Members of the Management Board and the staff of the Head Office in 2017.
7. it made a decision on the review of basic remunerations of the President and Members of the Management Board and decided to recommend an increase to the Supervisory Board.
8. it made a decision on approval of a change of the name of the Director of HR Division's position
9. it made a decision on the final shape of non-competition agreements
10. it approved the submitted proposal relating the number of PSP granted in 2017
11. it considered and approved the motions for consent to the purchase of apartments by the Members of the Management Board
12. it read the analysis of the company car policy
13. it gave an opinion on the motion for change of remuneration of the Management Board Member, Mr Fernando Pascuala, resulting from the International Secondment Policy
14. it approved the final recommendation relating to the new quotas for the purchase of company cars for the Management Board Members

At the same time, members of the committee were reading the information on macroeconomic indicators, unemployment rates, availability of workforce, changes in the labour market and forecasts concerning changes in remunerations.

On 3 April 2018 the **Remuneration Committee** submitted the written Activity Report for 2017 to the Supervisory Board and the Supervisory Board approved it.

In 2017 the **Audit Committee** held 6 meetings.

In its meetings, the Audit Committee met with representatives of the audit firm, Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k., to discuss the financial statements for 2016.

With regard to the financial statements for 2017, the Audit Committee together with the Economic and Financial Division of Budmex S.A developed criteria for selection of the audit firm for Budimex, it submitted recommendations to the Supervisory Board regarding selection of the entity authorized to audit financial statements for the financial years 2017 and 2018, and it cooperated, on an ongoing basis, with the team of the new auditor of Budimex Group, audit firm - Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

The **Audit Committee**, before the Annual General Meeting of Budimex S.A. 2017 (AGM) was held, recommended the Board and AGM to do the following:

- to approve the financial statements and the Management Board's activity reports for 2016;
- to distribute the net profit for 2016 with regard to the payment of dividends;
- to acknowledge fulfilment of duties of the Management Board member, director of the Economic and Financial Division, for 2015;
- to give a positive opinion on the internal control system and risk management system in the Company.

On 26 September 2017 the Audit Committee submitted a written activity report for the first half of 2017 to the Supervisory Board. On 3 April 2018 the Committee submitted the annual activity report. The Board approved the above reports.

#### 8. Assessment of the Company's fulfilment of information obligations.

In connection with adoption of the new 'Code of Best Practice for WSE Listed Companies' by the Exchange Supervisory Board, after adoption by means of resolutions of the new rules to be applied, by the Management Board (Resolution No. 22 of 11 December 2015) and by the Supervisory Board (Resolution No. 240 of 16 December 2015), on 4 January 2016 the Company sent the report no. 01/2016 on the scope of application of the new rules according to the new format introduced by the stock exchange as of 1 January 2016.

On 22 March 2018, on the basis of Section 91 (5) (4) of the Ordinance of the Minister of Finance regarding current and periodical information submitted by issuers of securities and the conditions for approving as equivalent information, required by the law of a non-member state, the Company published the issuer's activity report for 2017, including a separate statement of observance of the corporate governance (item 6 of the activity report for 2017).

Therefore, it should be assumed that in 2017 the Company succeeded in fulfilment of information obligations relating to the observance of the corporate governance as specified in the Exchange Rules and provisions relating to current and periodic information submitted by issuers of securities.

The Company applies the IO-01-07-01 Operational Manual 'Protection of confidential information and trading of financial instruments by persons using confidential information relating to Budimex S.A.', and the IO-01-07-04 Operational Manual regulating the rules and manner of transferring information published in current reports in connection with the listing of shares of Budimex S.A. on the Stock Exchange. The overall goal of both manuals is the correct fulfilment of information obligations laid down in applicable provisions by Budimex S.A. as a listed company. In 2017 the Supervisory Board did not find any irregularities in performance of the above obligations by Budimex S.A.

#### 9. Assessment of rationality of the sponsoring and charity policy pursued by the Company

Since 2011 the Company has pursued the CSR Policy (*Corporate Social Responsibility*), within the framework of which it developed its two programs in 2017:

- 'Parent Zone. Budimex for Children', the goal of which is to create places paediatric wards, where children could comfortably play with their parents, and, at the same time, the parents could have a meal, have some rest and use sanitary facilities. So far Budimex S.A. has launched 23 Parent Zones in paediatric hospitals,
- 'ICE Intercom. Budimex for Children', the idea of which is to provide pupils with plastic ICE cards enabling contact with their relatives in case of an emergency. The campaign has also a stronger educational purpose, which is promotion of road safety and first aid among young people.

The practical side of the CRS policy shows mostly in the sponsoring activity and supporting social charities. In 2017 the Company spent PLN 981,000 on donations, supporting mostly

foundations involved in helping children in various ways, for example: the ‘Na ratunek dzieciom z chorobą nowotworową’ foundation in Wrocław, helping children with cancer, or Fundacja Pomocy Dzieciom Poszkodowanym w Wypadkach Komunikacyjnych in Gdańsk, helping children injured in traffic accidents.

With regard to sponsoring policy, in 2017 Budimex was involved mostly in social and cultural, as well as educational initiatives, and in supporting physical activity and sport, e.g.:

- protecting the statues by supporting Społeczny Komitet Opieki nad Starymi Powązkami im. J. Waldorffa (*Social Committee for Protection of Powązki Cemetery*),
- supporting the organization of the charity match of Valleyball Stars in Szczecin,
- the Polish Women's Chess Championship,
- Polish Handicapped Sailors' Championships,
- Stomil Olsztyn Football Club;
- the Polish Bridge Union,
- ‘Katarzynki’ Women’s Basketball Sports Club in Torun,
- Augustow Half Marathon,
- Dni Bajki (*Fairy Tale Day*);
- sponsoring the second edition of the award-winning book ‘Teatr w budowie. Dziennik podróży’ by Bolesław Stelmach,
- CSK Festival “Scena w budowie” (*‘Stage under construction’*).

In addition, the Company takes individual actions aimed at minimizing the burdens of the construction process to the best of its abilities and in communication with local social partners.

The Supervisory Board gives a positive opinion on the above activity understood as a permanent area of the Company’s operations, as well as the initiatives, which the Board finds to be reflecting the assumed corporate social responsibility and bringing major promotional benefits.

#### 10. Self-assessment of the Supervisory Board.

In 2017 the Supervisory Board was operating in accordance with the rules laid down in the Company's Statutes and the Board’s Rules of Procedure. The Supervisory Board was considering and, at the request of the Management Board, giving opinions on important issues concerning the activity of the Company and Budimex Group by formulating recommendations for the Management Board with regard to implementation of repair instruments and improvement actions. Members of the Supervisory Board dedicated their time for the Company to the extent necessary for proper performance of their duties both as members of the Board, and in connection with their positions in particular committees. The Chairman of the Board, in addition to the above duties, was performing also the obligations relating to the convening of particular meetings of the Board and chaired the meetings.

All members (nine persons) were present at two out of five meetings of the Management Board. Eight members participated at the remaining three meetings.

In accordance with the Code of Best Practice for WSE Listed Companies 2016 applicable at the Company, the members of the Supervisory Board participated in the Annual General Meeting 2017 of Budimex S.A.

The Supervisory Board reckons the communication between the Supervisory Board and the Management to be good.

The members of the Supervisory Board appointed to particular Committees took an active part in the meetings of the Committees and in the decision-making process, in the way that they submitted ongoing information about the arrangements and decisions to the Supervisory Board. On the basis of the decision of the Supervisory Board, Mr Javier Galindo Hernandez was monitoring and giving opinions on the operations on derivatives concluded by the Company.

The Board reckons the competences of the Supervisory Board to be good in view of the Company's profile and activity, because the composition of the Board includes scientists, lawyers, economists and engineers.

Three out of nine members of the Board meet the criteria of independence laid down in the rule II.Z.4 of the Code of Best Practice for WSE Listed Companies 2016, including in the Annex II to the Recommendation 2005/162/EC of the Commission of European Communities.

*Secretary of the Supervisory Board  
Board*

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Igor CHALUPEC

**on behalf of the Supervisory Board of Budimex S.A.:**  
*Chairman of the Supervisory*

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Marek MICHAŁOWSKI