TRAKCJA GROUP

RAILWAY
ROADS
CIVIL

NON-FINANCIAL REPORT OF TRAKCJA GROUP AND TRAKCJA S.A. FOR 2021

This document is a translation
The Polish original should be referred to in matters of interpretation

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1. INTRODUCTION

This statement (hereinafter referred to as the "Statement" or "Report") has been prepared in accordance with Article 49b of the Accounting Act of 29 September 1994, as amended, which implements the guidelines of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on disclosure of nonfinancial and diversity information. It includes non-financial information on Trakcja Group ("Group") and Trakcja S.A. ("Trakcja", "Parent Company", "Company") for the period from 1 January 2021 to 31 December 2021 and constitutes a separate part of the Directors' Report on the operations of Trakcja Capital Group and Trakcja S.A. in 2021.

The data herein is collected, analysed and disclosed with due diligence. The contents hereof are defined based on the Parent's Company CSR strategy adopted in 2016.
The company as at the date of publication of this report did not develop or implement the investment plan referred to in annex 1 point 1.1.2.2. to Regulation 2178.

1.1. Strategy in the area of corporate social responsibility (CSR)

In the CSR strategy adopted by parent company in 2016 r, on the basis of PN-ISO 26000, social responsibility which is understood as responsibility of an organisation for any impact exerted by its decisions and actions on society and the environment, through clear and ethical behaviour, which:

- contributes to sustainable development, including the health and welfare of society;
- takes into account the expectations of stakeholders;
- is compliant with the applicable provisions of law and consistent with international standards;
- is integrated with the operations of the organisation and applied in its relations.

In accordance with the Parent Company's CSR strategy, the following key non-financial areas have been identified

- management of natural resources;
- operating practices;
- labour practices;
- customer relations;
- social commitment and development of local community.

The CSR strategy was created by several key managers of the Parent Company, who are responsible, in particular, for strategy, stock exchange reporting, communication and human resources. It has been decided that essential aspects of the strategy should respond to the needs reported by stakeholders and create added value or universal benefits for a broad spectrum of beneficiaries both outside and within the organisation. Simultaneously, an attempt was made to ensure that all the issues which are significant for the Group be reported.

1.2. Structure of the Group

Trakcja S.A. is the Parent Company of Trakcja Group. The Group's composition and structure as at 31 December 2021 is presented in the diagram below.

**) Trakcja S.A. holds a total of 98.09% (directly 96.84% and indirectly 1.25%) of share in share capital of AB Kauno Tiltai – subsidiary company. The indirect share result from acquisition of own shares by subsidiary.*

The ultimate parent company in Trakcja Group is COMSA S.A., a Spanish company which prepares the consolidated financial statements that include, among many, the data of Trakcja Group.

1.3. Key stakeholders and relationships with them

Being aware of the fact that the Group's impact on the environment in which many significant groups of its stakeholders operate, is significant, the Group continuously endeavours to be in regular contact with all the groups and to communicate with them in an effective manner. The Group is open to all signals emanating from the environment, in particular, those aimed at identifying new stakeholders and finds it important to respond to them swiftly. The Group communicates with stakeholders on a cyclical and ongoing basis and reacts to any need reported in that respect. The appointed persons who know best the expectations of the groups of stakeholders are responsible for communicating with stakeholders.

Relationships between the Group and stakeholders are of a dynamic nature and varied intensity which depends, for example, on the events scheduled for a given year, market conditions or stages of contracts that are currently in progress. In order to maintain the best possible relations with its stakeholders, the Group focuses on dialogue and transparent communication.

Knowing social expectations, the Group is able to react to the needs of its environment faster and with more precision. The Group monitors its own perception on a current basis, which enables it to understand the expectations of its stakeholders and to swiftly take measures allowing it to differentiate itself from the competition.

By taking part in local projects, the Group remains sensitive to local needs and endeavours to satisfy them. This relates, in particular, to such measures as increasing the scope of works carried out or carrying out additional works in order to facilitate and improve the life standard of local communities, or supporting local initiatives.

A wide range of the Group’s stakeholders includes:

- strategic shareholders;
- capital market analysts;
- supervisory institutions and market regulators (for example, the WSE and the Polish Office of Rail Transportation);
- creditors and bondholders,
- key customers: PKP PLK, GDDKiA, Lithuanian Road Administration, Lithuanian Airports and Kaunas City Office;
- employees;
- consortium members;
- subcontractors;
- suppliers of goods and services;
- local authorities;
- other customers;
- public opinion;
- local communities.

1.4. Business model

The Group's activities focus on the comprehensive performance of works relating to a widely understood rail and road infrastructure with the use of modern machinery. The Group specialises in providing engineering and construction services in the following scope: design, construction and modernisation of rail and tram lines, rail and tram electrification system and power lines, as well as the construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of rail and road infrastructure. In addition, Trakcja Group may perform general construction works, including the preparation of construction sites and the construction and modernisation of structures, as well as structural works and finishing works. The key part of the Group's activities consists in the construction of buildings both for rail infrastructure purposes (traction substation buildings, switch towers, railway crossing cabins, railway stations, train buildings and other) and for general purposes (residential and commercial). The services provided also include the development of power systems and remote control systems. For over seventy years, the Group members have been implementing complete power installations of medium and lately high voltage, both in new and in modernised and renovated rail power facilities.

The Group's goal is to continuously maintain a high level of services in the area of design, construction and manufacture of equipment. The Group wishes to achieve this goal by providing its customers with goods and services that meet their needs and comply with the applicable standards, and whose quality is high and price attractive.

All the Group's employees participate in this process, take full responsibility for the quality of their work and play an active part in boosting the Group's image in its customers' eyes.

It is especially important to the Group that:

- it renders services at the quality level agreed on with our customers;
- it ensures a quality level required for the construction and assembly works at all their stages, including the optimisation of individual construction processes through the detailed planning and selection of the option that is most beneficial, and also through diligence and the saving of time, materials and energy;
- it continuously and efficiently supervises the works carried out, to ensure not only that the standards are met, employees safe and the environment protected at our construction site, but also to keep the neighbourhood safe, minimise any adverse environmental impact and ensure that the facilities are free from failures and future users safe;
- it continuously increases the competences of our management through external and internal training, further education for employees and also effective use of the knowledge gained;
- it verifies and assesses providers of materials, services and subcontractors that begin cooperating with the Group in order to eliminate any risks associated with unreliability;
- it cooperates with subcontractors and suppliers which meet the Group's quality standards;
- it upgrades machinery in order to enhance the competitiveness of the Group's business;
- it prioritises proper communication with its customers and provides them with reliable information about all aspects of the works carried out, simultaneously ensuring that any information concerning the Group's cooperation with customers remains confidential.

Sales structure

In 2020 and 2021 Trakcja S.A. generated revenues primarily from rail and road contracts.

	2021		2020	
	value	share	value	share
Railway works	564 707	71,2%	512 852	78,6%
Road works	167 802	21,2%	68 402	10,5%
Bridge works	8 385	1,1%	-	0,0%
Tramway works	24 747	3,1%	41 475	6,4%
Energy works	5 532	0,7%	8 951	1,4%
Production	14 179	1,8%	13 144	2,0%
Other areas of activity	7 410	0,9%	7 929	1,2%
Total revenues from sales	**792 762**	**100%**	**652 753**	**100%**

In 2020 and 2021 the Group generated revenues primarily from rail and road contracts.

	2021		2020	
	value	share	value	share
Railway works	644 819	45,3%	531 576	39,7%
Road works	479 942	33,7%	476 564	35,6%
Bridge works	167 097	11,7%	173 837	13,0%
Cubature works	23 498	1,6%	35 923	2,7%
Tramway works	24 747	1,7%	42 696	3,2%
Energy works	42 874	3,0%	52 447	3,9%
Development works	12 620	0,9%	-	0,0%
Production	22 034	1,5%	25 317	1,9%
Other areas of activity	7 210	0,5%	622	0,0%
Total revenues from sales	**1 424 841**	**100%**	**1 338 982**	**100%**

Trakcja S.A.

The Company's core activities are the organisation and carrying out of construction and assembly works in the scope of comprehensive modernisation of railway and tramway lines, railway and tramway electrification system, power lines and industrial facilities, as well as the construction of bridges, viaducts, piers, overpasses, tunnels, underpasses, retaining walls, roads and associated elements of railway and road infrastructure and also the manufacture of contact line and power line equipment. The Company operates mainly in Poland.

The Company plays an important role in providing for adequate technical conditions for the rail traffic and modernisation and construction of rail lines in Poland. For nearly 10 years the Company has been one of the industry leaders, completing several dozen contracts a year. Approximately 20% of rail lines for Pendolino, including sections of such key routes as Warsaw-Gdynia, Warsaw-Katowice, Kraków-Rzeszów and Częstochowa-Wrocław were comprehensively modernised by Trakcja. Currently, the Company is in the process of modernising next rail line sections.

The Company plays an important role in ensuring adequate technical conditions for the rail traffic and modernisation and construction of rail lines in Poland. The Company is one of the industry leaders, completing several dozen contracts a year. Approximately 20% of rail lines prepared for Pendolino class trains, including key sections of routes: Warsaw-Gdynia, Warsaw-Katowice, Kraków-Rzeszów and Częstochowa-Wrocław were

comprehensively modernised by Trakcja. The Company is currently responsible for the implementation of many subsequent sections of the railway lines.

Road construction is the second area of activity of Trakcja and its subsidiaries in terms of revenue. The Group companies construct both national, voivodship (provincial) and local roads. Power engineering contracts are currently being executed in the central and southern parts of the country. Since 2001, the Company had been operating as an authorised rail transport operator that specialises in transporting goods. The Company has been awarded certificates that authorise it to use rail lines managed by PKP PLK S.A. As part of transport safety measures, the Company developed and implemented the SMS (Safety Management System).

The revision of the Company's business model, which has been in progress for almost two years and is currently coming to an end, is based on five pillars:

Basic business and operational assumptions of the Company's activity:

- Strengthening the Company's position on existing markets;
- Further diversification of activities, in particular through the development of tram infrastructure market,
- Restructuring employment through the expansion of engineering and managerial potential for the purpose of being able to implement more contracts;
- reorganisation of internal structures and processes in order to adapt to current market requirements, including threats related to Covid-19;
- disposal of non-operational assets, in particular real estate, in order to improve liquidity and debt ratios.

The Company operates in areas of high social importance, e.g. by implementing investment projects under the National Railway Programme and the National Roads Construction Programme. The vast majority of the Company's investment projects are co-financed by the European Union.

A wide spectrum of construction and assembly works and also the manufacture of contact line and power line equipment required internal standards to be developed such as the quality, environmental protection and safety procedures and detailed manuals. These standards are based on the international standards:

A certification audit of the Integrated Management System (IMS) was carried out in the Company from 14 March to 22 March 2022, which included:

- ISO 9001:2015 – quality management;
- ISO 14001:2015 – environmental protection management;
- ISO 45001:2018 – safety management.

The audit verified the functioning of the implemented IMS against the requirements of the above mentioned ISO standards and the documentation of the company management system.

The certification audit was carried out by a panel of auditors from the certifying entity Dekra Certification; the audit has been successfully completed, and application for certificates attesting the proper functioning of the three above mentioned Management Systems in the Parent Company has been submitted. Certificates will be issued in May 2022.

AB Kauno Tiltai Group

AB Kauno tiltai Group constructs transport infrastructure. It has been operating for almost 70 years and specialises in constructing roads, rail lines, bridges, viaducts, airports, tunnels, energy and energy networks and civil engineering objects. The Group also renders services of equipment rental and sales asphalt.

Every year AB Kauno tiltai implements approximately 150 investment projects of different scale and difficulty, from simple and quick reconstruction works to the largest transport infrastructure construction works both in Lithuania and abroad. The company ensures the quality of its works thanks to the certified laboratory which forms its integral part and whose findings are accepted all around the EU.

The group employs over 800 people, including 200 qualified transport infrastructure engineers. AB Kauno tiltai has branches in Latvia, Sweden, Ukraine and Poland.

AB Kauno tiltai has been awarded certificates for its management systems, which are compatible with international standards in the area of quality (ISO 9001), occupational health and safety (ISO 14001), and also environmental protection (ISO 18001) for over 15 years. The company has also been awarded the Bureau Veritascertificate.

AB Kauno Tiltai Group meets the highest standards when carrying out its activities and completing its projects, as well as selecting its subcontractors, partners, consultants and suppliers. In order to make sure that the structures built are of good quality and durability, much attention is paid to materials used when implementing projects. AB Kauno Tiltai Group consistently endeavours to provide its employees with healthy, safe and satisfactory working environment, and in particular, with tools, regular qualification improvement seminars, foreign language courses and engineering courses.

AB “Kauno tiltai” operates more than 400 construction machines and devices, equipped with state-of-the-art 3D systems. Investments in state-of-the-art technological solutions increase the competitive advantage in terms of quality, time and efficiency.

Its key customers are state institutions, namely the Lithuanian Road Administration, Lithuanian Airports and Kaunas City Office.

PEUiM sp. z o.o.

Przedsiębiorstwo Eksploatacji Ulic i Mostów sp. z o.o. (PEUiM) with its registered office in Białystok operates in the road construction sector and its business activities are concentrated in the north-east of Poland. PEUiM specialises in the construction of roads and pavements and in the installation of signalling and safety devices to secure roads. The company also manufactures bituminous mass.

From the beginning of its operations PEUiM sp. z o.o. constructs and maintains roads. The company employs highly qualified workers, has modern equipment and its own road laboratory. Thanks to this it guarantees timely completion and high quality of works and manages the construction works in a very efficient manner.

Dalba sp. z o.o.

Dalba sp. z o.o. is a company with its registered office in Białystok, whose activities consist in the performance of engineering works, mainly, during the construction of sanitary infrastructure, roads and streets.

PDM S.A.

On October 16, 2020, the name of the company changed from Przedsiębiorstwo Drogowo-Mostowe Białystok S.A. (PDM Białystok S.A.) to Platforma Działalności Międzynarodowej S.A. (PDM S.A.).

The Company is active in the execution of construction works and the acquisition of employees, mainly from the market of Eastern Europe. The Company additionally provides rental services for equipment and property for external companies.

BTW sp. z o.o.

On August 4, 2021, the name of the company changed from „Bahn Technik Wrocław" sp. z o.o. to „BTW" sp. z o.o.

Key activities of the Company are as follows:

- tamping and profiling of tracks, railway and tram turnouts;
- loading, unloading, assembling, disassembling railway turnouts and other elements of railway infrastructure (bridge objects, steel constructions) using a heavy-duty railway crane;
- dynamic stabilisation of railway tracks;
- crushed stone ballast cleaning/stripping in railway tracks;
- welding of railway and tramway rails;
- welding of rails, railway and tramway turnouts;
- regeneration of elements of the railway track superstructure using the electric arc surfacing method;
- stream replacement of railway track superstructure;
- execution of S-type glued-compressed insulated rail joints.

PRK 7 Nieruchomości sp. z o.o.

PRK 7 Nieruchomości sp. z o.o. with its registered office in Warsaw carries out real estate development activities and has a track record of several successful investment projects, which include, in particular, Husa Park in Warsaw - four-storey multi-family residential building. Currently, the company also implements cubature construction projects, particularly construction works for the Maria Grzegorzewska University (Academy of Special Education) in Warsaw.

Torprojekt sp. z o.o.

The company specialises in providing design and consultancy services in the area of linear, building and general rail construction and in the related areas for institutional customers all over the world.

2. ETHICS AND PREVENTION OF CORRUPTION

Due to its nature, the construction industry is significantly more exposed to corruption and fraud than other branches of economic activities. The construction projects worth hundreds of millions Polish zlotys are implemented using many types of mass materials and many types of specialised machinery. They are sometimes several years long and involve the engagement of high-value assets. Supervision over such projects is a demanding task. Corruption means any improper use of power, and bribery consists in the offering, giving, receiving or soliciting anything that has value in order to achieve benefits. In this sense, bribes are not only money and objects, but also promises of benefits.

The success of every Organisation lies not only in the quality of its services and products, but also in the way it conducts its business and the standards applicable in it. In order to maintain and foster the relations established, to streamline internal regulations and to remain a modern and competitive company in the market, procedures have been developed and implemented in accordance with the principles of the Compliance policy. It comprises the sets of standards, issues, regulations and sets of recommendations elaborated for Trakcja Group, ensuring that the Group companies operate in accordance with the law and the adopted standards of conduct included in the TRAKCJA Group Code of Ethics, the Anti-Corruption Procedure, the Policy for Counteracting Unwanted Behaviour in the Working Environment and the Procedure for Cooperation with Law Enforcement and Control Authorities. These documents will help to minimise the risk of violation of applicable legal regulations or loss of long-established trust. They will indicate ways to effectively avoid the creation of a negative image of the company. The aforementioned procedures must be observed not only by employees of Trakcja Group, but also by business partners.

2.1. Policy and procedures in the field of ethics and counteracting misconduct

The Company has developed and implemented internal procedures for preventing irregularities, including corruption, and counteracting undesirable types of behavior in work environment. They are aimed at regulating ethical conduct in compliance with the law and business standards – both within the organization, i.e. in relations between employees, and in external relations, i.e. with business partners in the broad sense. Further, the procedures enable employees to report any irregularities in the Company (also anonymously). The regulations also provide frameworks and best practices on the subject of giving and receiving gifts or hospitality by employees, or rules for employing family members. As regards the prevention of irregularities in work environment, the main objective is to actively prevent undesirable types of behavior from occurring in work environment and to support the establishment of a positive atmosphere and good relations among employees based on mutual understanding and respect. Employees have the opportunity to report complaints about undesirable behavior in this area as well.

It is the main objective of the Policy for Preventing Undesirable Behaviors in Work Environment to actively prevent undesirable behaviors in work environment and to support establishing a positive atmosphere and good relations among employees based on mutual understanding and respect. The Trakcja Group has implemented the “zero tolerance” policy for undesirable behaviors.

Pursuant to the Policy for Preventing Undesirable Behaviors in Work Environment, Trakcja established the institution of the Trusted Person. The Trusted Person is the first point of support for employees reporting undesirable behaviors, and is also tasked with monitoring and ongoing cooperation with the Company as regards needs assessment, planning and fulfillment of measures aimed at increasing employees’ awareness and educating them in the scope of recognizing and reacting to undesirable behaviors.

Moreover, based on the Policy for Preventing Undesirable Behaviors in Work Environment, Trakcja has also established a Committee whose main purpose is the consideration of complaints and general supervision and coordination of the Policy's implementation in Trakcja Group.

Other procedures implemented at the Company include rules regarding employment of family members and on giving and receiving gifts by employees. The aforementioned rules have been introduced due the Company's dedication to such values as: responsibility, trust, relations, honesty and transparency.

The Compliance procedures are applied in Trakcja S.A., and every new employee is made familiar with them. The Company's employees also had to submit personal declarations that they had read and understood the Anti-Corruption Procedure and the Policy for Preventing Undesirable Behaviors in Work Environment, in force at Trakcja Group.

The purpose of the Anti-Corruption Procedure of Trakcja Group is to reduce the risk of corruption by taking preventive measures against corruption-related risks, which may take place along the processes carried out in Trakcja Group. Further, the procedure also defines the rules of proceeding in the case of reporting and identifying cases of corruption and other irregularities, including, in particular, violations of internal procedures and legal regulations. The implementation and application of this procedure constitutes an absolute condition making it possible for all actions to be undertaken in compliance with the law and ethical principles and simultaneously prohibiting any actions in the nature of corruption or violating the provisions of applicable law. Both employees and business partners are required to comply with these principles. This means that no employee, supplier or any other person acting on behalf or in the name of the Company may offer, solicit, promise, give or accept a bribe or other improper payment.

The Procedure specifies in detail the principles that should provide guidelines for employee on how to deal with business partners or other third parties, including as regards compliance with legal and ethical standards for preventing corruption and cooperating with business partners who adhere to all legal requirements regarding prevention of corruption.

The procedure also regulates the giving and receiving of gifts so as to avoid ambiguous situations that could be considered a crime of corruption. Should any irregularities or violations of the Procedure or the Code be detected, an employee is obliged to report them to his or her supervisor or to the Compliance Director, or anonymously via the Trusted E-mail.

In addition to the above, in accordance with the Anti-Corruption Procedure, Trakcja Group maintains comprehensive documentation of all anti-corruption activities for audit purposes and also for the purpose of demonstrating due diligence in counteracting undesirable phenomena.

Further, Trakcja Group endeavors to avoid even potential conflicts of interest, as even the appearance of a conflict of interest may be detrimental to the Group's good working atmosphere and reputation. The matters related to conflict of interest have been regulated both at the level of internal relations between employees and external relations with suppliers, business partners, etc.

Anti-corruption procedure in BTW sp. z o.o

BTW sp. z o.o. has adopted the anti-corruption procedure, which applies to any corruption and fraud involving employees, as well as shareholders, consultants, suppliers, contractors and any entities having a business with the Company. In the document issued the Company defined corruption procedures and other fraud. The Company's employees are obliged to immediately notify the Company of any events of fraud or corruption. The Company implements the anti-corruption policy through the training of and awareness-raising among its employees. The Company has also developed a process for explaining corruption and other fraud events.

2.2. Results of policies' application

Anti-corruption education and employee statement

Each newly employed person is trained in adapting in new workplaces, during which they become familiar with the key ethical principles and the examples of corruption behaviour. Employees have constant access to the current version of the Procedure.

In addition, during the employment relationship, employees may ask their direct supervisors or Compliance Department to explain any ethical doubts they have or to advise them on how they should behave in certain situations.

The Parent Company also aims at providing all its employees, on a yearly basis, with a "Fraud" Survey, which contains approximately 30 questions regarding all the most important aspects of pathologies and crimes that may be committed in a company. The questions may cover, in particular, such issues as the following: implemented ethical standards, fraud identification, fraud prevention through education, business areas that are especially exposed to fraud, detected attempts of soliciting fraud, receipt of information on potential fraud, employee proposals on the implementation of additional mechanism preventing fraud. Any information collected from the surveys is intended for the update of the scope and contents of the adaptation training for new employees and may be used in communications addressed to all the employees.

When an employee leaves the employment, the Group attempts to have an exit interview with such an employee in order to find out about the real reasons why the employee is leaving the Company and about the mood among other employees and any potential corruption (or bribery) behaviour or other frauds detected. The Group guarantees that any information provided by such an employee shall be kept confidential.

Fraud Signalling Channel

The estimated losses of companies caused by corruption are measured in millions of Polish zlotys. The Group is to launch a safe and anonymous communication channel for employees who may want to report any potential crime.

The launch of such a channel was preceded by an awareness-raising campaign that is aimed at explaining any potential adverse effects of corruption and at highlighting that the channel launched will be intended only for facts and verified information, and not for slander, libel or any information motivated by frustration or revenge.

Risk management

The following risks have been identified in the area of preventing corruption:

- the risk of corrupt acts occurring;
- the risk of a conflict of interest and an employee's failure report it.

The Group has identified the following potential risks of corruption:

- the risk of materials being purchased and services (workers, equipment) subcontracted at inflated prices;
- the risk of liquid asset being stolen;
- the risk of assets being sold at undervalued prices;
- the risk of promises being made in order to promise certain benefits to third parties benefits due to transgressing the law;
- the risk of bribes being accepted or granted;

- the risk of employees being coerced into taking unlawful actions;
- the risk of discriminatory treatment of employees;
- the risk of confidential information being stolen and sold to third parties;
- the risk that an opportunity to enter into a transaction is surrendered to third parties.

In order to prevent corrupt behaviors and conflicts of interest from occurring, the Company has developed and adopted the Anti-Corruption Procedure. Moreover, an e-learning course has been prepared so that new employees may familiarize with the provisions of the Anti-Corruption Procedure.

The Group is planning to designate individuals that would be responsible for developing a fraud patterns analysis (should such fraud be uncovered) and communicating the results thereof to indicated employee groups. It is the purpose of this measure to identify operational mechanisms of prospective fraudsters and to take appropriate corrective actions, such as employee rotation.

3. RESPECT FOR HUMAN RIGHTS/ETHICS

3.1. Policies and Procedures in the Area of Respect for Human Rights

The Group follows the following principles:

- „The boss sets a good example";
- „Education is better than punishment";
- „Prevention of fraud brings benefits".

This is a strong, clear and consistent message aimed at raising the awareness among employees of such pathological phenomena and establishing anti-corruption standards and applying them to the Group's operations. These principles are the final and fundamental point of reference for employees as far as ethical and non-ethical behaviour is concerned.

Based on common values, the Code of Ethics of Trakcja Group was adopted.

Code of Ethics of the Trakcja Group

The Code of Ethics of Trakcja Group constitutes the basis for the Compliance Procedures. It contains a set of basic principles and values by which Trakcja Group is directed. The Code specifies common and most important values and principles of conduct, which should be followed by employees and partners of Trakcja Group when taking actions and making decisions aimed at establishing a positive image of the Company, companies from the Group and people connected with them. It is designed to be conducive to clearly defined high standards of behavior so as to protect the reputation of the Group and eliminate risks associated with actions contrary to the suggested patterns of behavior.

Moreover, the Code of Ethics of Trakcja Group is based on high values and ethical principles such as:

- responsibility and trust – responsible offers and declarations; reliable fulfilment of obligations towards customers;
- people – ensuring the best and decent working conditions, respect for the dignity and other interests of employees; opposition to discrimination, in particular on grounds of age, gender, origin, sexual orientation, worldview, disability, professional experience or other individual personal characteristics; freedom of association and dialogue with trade unions; monitoring of working conditions;
- relationships, honesty and transparency – adherence to the rules of fair competition; zero tolerance policy for corruption, bribery and other unethical behavior; obtaining contracts by way of fair competition; cooperating with business partners who care about occupational safety, comply with the law and have respect for natural environment, and are guided by the highest ethical values; facilitating compromise solutions through dialogue;
- quality and professionalism – ensuring performance with proper quality, professionalism and in the shortest time practicable; minimizing inconvenience to neighboring communities;
- safety – ensuring safety of employees in the workplace;
- natural environment – respect for the natural environment; using ecological technologies of works performance; choosing solutions with the lowest environmental impact;

- skills – systematic development of skills; expansion and renovation of the machine park with modern and environmentally friendly construction equipment.

In their actions, Group employees must adhere to a work culture and behave in an ethical manner. Relationships between employees are based on mutual trust, fairness, equality and tolerance. Therefore, the Group does not tolerate any actions that could be considered offensive or humiliating, gossiping, defamatory, blackmailing, sexual harassment or intolerance.

As per the Group's Code of Ethics, should any irregularities and violations be observed, employees of the Parent Company are required to report them to their supervisor or the Compliance Director.

3.2. Results of policies' application

The Company makes every effort so that all Group companies are a friendly place to work, free from dangers, conflicts, discrimination or mobbing. It is the objective of the Company to provide its Employees with conditions for continuous improvement of their qualifications and skills. For this reason, the Company continuously increases the level of protection of its employees against danger in work environment, leads the policy of equality, applies fair and objective criteria of employee assessment, provides employees with opportunities to improve their skills, inter alia by organizing internal training and courses.

Moreover, a training course "Preventing undesirable behavior" has been developed. During this training, each learns what "zero tolerance" for undesirable behavior means, what is discrimination, harassment or mobbing and how to submit a complaint against undesirable behavior.

Human rights and child labour and forced labour

The Group has adopted and adheres to the Group's Code of Ethics which is an expression of the Group's attitude towards the provisions of law that regulate civil rights and employment rights. In addition to the observance of national laws applicable in the locations in which the Group companies operate, they also adopted the work regulations and the remuneration regulations, whose aim is to provide for decent working conditions and fair compensation dependent on the position held, skills offered and performance achieved. Trakcja Group is a reliable employer providing stability of employment, which is demonstrated by the share of employees over 50 in the total employment, resulting mainly from the fact that new employees have been hired in that age group. The Group regulated issues related to decent working and living conditions of employees, and therefore basic human rights. The Group mitigates the risk of violation of labour regulations. A nature of work requires that many employees make business trips all around the country. By ensuring such benefits as residential premises, accommodation supplements, reimbursement of the costs of transport, coverage of additional costs of household outside the place of residence, provision for the high-quality healthcare services and supplements to leisure, recreation and social benefits, the Group has achieved a high level of employee satisfaction and respected their basic human rights.

The Group has not been notified of any cases of discrimination based on gender, belief, religious orientation or any other aspects, and therefore there is no indication that any additional regulations should be implemented in that area. In 2021 no actions were identified which could pose a significant risk that child labour or forced labour or compulsory labour may be used by the Group.

3.3. Risks and Risk management

As far as respect for human rights is concerned, the most notable risk factor stems from the failure to notify irregularities. In order to make sure such risk does not materialize, the Company has developed and adopted the Policy for Preventing Undesirable Behaviors in Work Environment, as well as e-learning courses. In addition, each Employee of the Company must submit a declaration whereby they undertake to comply with the provisions of the Policy.

4. ENVIRONMENTAL PROTECTION

4.1. Environmental policy and procedures

In 2021, the Company updated or adopted various environmental protection regulations. The implementation thereof has provided for the applicable legal requirements and obligations under the management system implemented in accordance with PN ISO 14001:2015 to be complied with. As a consequence, an environmental impact of the Company and, in particular, of its operations is monitored on an ongoing basis at the Company's business sites. Subsequently the Company endeavours to minimise the environmental impact exerted on both the natural environment and local communities.

Key factors that affect the future development of the Company's environmental protection strategy are the Company's financial condition and the situation caused by the COVID-19 pandemic. The implementation of modern solutions to mitigate the Company's impact on the natural environment always involves, on the one hand, significant financial expense for the entity and, on the other hand, intensive people-to-people contacts relating to the training sessions held for employees at the Company's business facilities and to the ongoing monitoring of operations carried out by the Company.

In 2021, the Parent Company implemented the updated environmental policy which formed part of the Integrated Management System policy. Trakcja S.A. achieves the objectives specified therein, in particular, by way of:

- identification, surveillance and protection of environment, minimizing negative impact and sustainable use of resources;
- awareness-raising and development of the environmental competence of employees;
- Cooperating with qualified and experienced contractors and suppliers that meet the Company's requirements in the area of environmental management.

In 2021, the Company updated its procedures, manuals and standards concerning environmental protection. The most significant of them are:

- Waste Management Manual;
- Environmental aspect procedure;
- Environmental standard;
- Standard for purchasing electrical and electronic equipment, batteries and/or accumulators and prepacked products outside the Republic of Poland;
- Standard for protecting trees, bushes and their roots;
- Standard for protecting fauna;
- Standard for protecting flora;
- Standard for noise reduction;
- Standard for dust reduction;
- Standard for water protection;
- Standard for washing vehicles, equipment and tools.

Environmental objectives of the Parent Company and their achievement in 2021:

Item	Objective	Task	Completion
1.	Ensuring that the activities carried out are in keeping with the applicable provisions of law	Implementing rules for using BDO under contracts and in other organisational units	Completed
2.	Protecting the natural environment	Developing procedures, manuals, standards and other documents related to the environmental management	Completed
3.	Ensuring that the activities carried out are in keeping with the applicable provisions of law	Obtaining a waste processing authorisation for Baza Techniczna in Wrocław	Completed
4.	Implementation of requirements related to introduction of packaging, equipment and batteries.	Identification of the quantity and type of assortment introduced by the Company. 2. Conclusion of an agreement with Recovery Organizations. 3. Submission of an update application in Database on products, packaging and waste management (BDO). 4. Entering the registration number on company documents.	Completed
5.	Waste management training for OPP	Training in waste management for employees directly in production OPP	Completed

Trakcja konsekwentnie dąży do stałego podnoszenia jakości świadczonych usług i realizacji celów klientów, wśród których obowiązującym standardem stało się monitorowanie wszystkich aspektów środowiskowych realizowanej usługi, a przede wszystkim ograniczenie do minimum wpływu na środowisko naturalne. In order to reach set goals and in addition to continual improvement of the Company's standards, in 2021 Trakcja introduced permanent records specifying environmental requirements into contracts with its subcontractors or companies performing services to the Company.

4.2. Results of policies' application

Long-term benefits from the implementation of the environmental management system, including the adopted IMS policy, are expected to be as follows:

- Greater confidence in the Company as an environmentally friendly entity;
- Minimised risk of administrative penalties of a financial or legal nature for failure to comply with the environmental protection regulations;
- Minimised risk of having to suspend the activities that cause an actual threat to the natural environment or to a human health or life, and thus a minimised risk of delays in completing works and being obliged to pay contractual penalties of a financial nature for failure to complete contracts within the time limits set.

Factory Production Control System

PEUiM sp. z o.o., a subsidiary of the Parent Company, has implemented the Factory Production Control System. It is based on the requirements of PN-EN 13108-21 Bituminous mixtures — Material specifications — Part 21: Factory Production Control.

This system applies to the products and services of PEUiM sp. z o.o. which fall into its activities consisting in the production of bituminous mixtures.

4.3. Environmental risks and risk management

Key environmental risks and opportunities are anticipated to be as follows:

RISKS	OPPORTUNITIES
1. Contamination of soil, groundwater and watercourses with hazardous materials, substances or waste	1. Implementation of standards providing organisational, technical and technological solutions, limiting to the minimum the impact of the works carried out by the Company on the environment and neighbouring local communities
2. Degradation of fauna and flora in investment areas	
3. Uncontrolled noise and vibration emissions to the environment	
4. Non-compliance of employees with external and internal legal requirements	2. Investments in new machinery, equipment and products with a lower environmental impact or minimising this impact
5. Failures and fires in buildings, machinery, equipment and means of transport	3. Use of CE conform machinery and equipment
6. Extreme weather conditions	4. Employee training

Key environmental risks and the risk management process have been defined in the table below.

RISKS	TRIGGER EVENT AND CAUSE OF RISK	RISK MANAGEMENT PROCESS
Contamination of soil, groundwater and watercourses with hazardous materials, substances or waste	Operation and maintenance of machinery (e.g. changing hydraulic and engine oils, topping up oil in machines), production, maintenance, refuelling and washing of vehicles, construction works, dismantling works, repairs and demolition works, operation of offices and construction site facilities, generation and storage of waste, use and storage of chemicals. Failures in machinery and equipment resulting in leaks. Improper operation of machinery, equipment and means of transport.	Regular revisions of machinery, equipment and means of transport, as well as their ongoing maintenance by the authorised personnel. Use of leak prevention agents (e.g. a “green” first aid kit: absorbing agent, cleaning agent). Performance of works in places designated for that purpose. Compliance with internal standards on waste storage and on handling of hazardous substances and materials. Selective collection of waste and its transfer to authorised entities. Training of employees and ongoing supervision of the works carried out.
Degradation of fauna and flora in investment areas	Tree and shrub felling, renovation works, dismantling works, demolition works and other construction works and earthworks carried out with the use of machinery.	Compliance with internal standards for trees and shrubs, protection of fauna and flora. Training of employees and ongoing supervision of the works carried out.

Uncontrolled noise and vibration emissions to the environment	Operation of construction vehicles and machinery during the construction works.	Regular revisions of machinery, equipment and means of transport, as well as their ongoing maintenance by the authorised personnel. Use of the CE marked machinery and equipment. Performance of works according to the day and night work schedules set. Investments in new machinery, equipment and products with a lower environmental impact or minimising this impact. Training of employees and ongoing supervision of the works carried out.
Non-compliance with external and internal legal requirements by employees	Insufficient knowledge of applicable legislation and external and internal regulations, haste.	Training of employees and ongoing supervision of the works carried out. Adequate scheduling of works.
Fires in buildings, machinery, equipment and means of transport	Operation of offices and construction facilities. Operation of machinery and equipment. Operation of means of transport. Failures in electrical systems at offices and construction site facilities, and also in machinery and equipment and means of transport. Improper operation of systems, machinery and equipment.	Regular revisions of building facilities, machinery, equipment and means of transport and their ongoing maintenance by the authorised personnel. Fire-fighting equipment in a working order, instructions in case of fire. Training of employees and ongoing supervision of the works carried out.
Extreme weather conditions	Heavy and intense rainfall, strong winds, thunderstorms, storms, tornadoes, tropical cyclones, hailstorms and tsunamis.	Regular monitoring of weather forecast and precautions against adverse weather conditions.

Risk maps for Trakcja have been presented below

RISK	Risk assessment				
	Probability	Impact	Probability	Evaluation of controls	Probability
Contamination of soil, groundwater and watercourses with hazardous materials, substances or waste	4	3	**12**	4	**4,8**
Degradation of fauna and flora	4	2	**8**	4	**3,2**
Uncontrolled noise and vibration emissions to the environment	3	1	**3**	3	**1,8**
Fires in buildings, machinery, equipment and means of transport	1	3	**3**	4	**1,2**

Extreme weather conditions	1	3	**3**	4	**1,2**

Risks are reviewed and analysed on a quarterly basis.

The Group's environmental impact monitoring

The environmental impact monitoring activities carried out by the Parent Company and, in some cases, by the Group subsidiaries, may include the following:

- Monitoring of the quantity and type of the waste generated, on the basis of the waste records kept;
- Monitoring of consumption of fuels and materials that cause air emissions;
- monitoring the purchases of products to ensure that they meet environmental requirements;
- Monitoring of the discharged waters' contamination levels as compared to those set forth in the water permit;
- Revisions and cleaning of equipment that mitigates the environmental impact, e.g. separators.

Biodiversity

Depending on the contract, Trakcja may be a contractor or a designer and a contractor. This in turn effects the entire investment and implementation process. Where Trakcja is a contractor, an investor is then responsible for the stage of planning of the investment and preparation of the project. The Company in this situation has no direct impact on the shape of the investment in terms of its impact on environment or local community. The situation is different when Trakcja is both a designer and a contractor. In such a situation, the Company is responsible for preparing the investment in an environmentally and socially appropriate way. However, whatever the role of the Company in the investment process, Trakcja takes the utmost care to carry out the work in order to minimize the impact on the environment. Indeed, because of the specific nature of the activity, every construction has an impact on the surrounding environment.

Implemented investment projects are very often located in or in the vicinity of areas with a high environmental value, which as a result has an impact on the local biosphere. For example, railway investments most often run through or near areas of high nature value, which in turn has an impact on the local biosphere. During each investment project stage, namely: investment project scheduling, investment project preparation and investment project implementation, it is necessary to identify, estimate and potentially minimise the majority of direct and indirect impacts with the support of experts from other scientific fields, e.g. ornithologists or botanists.

The Company undertakes following activities aimed at minimizing negative impact on biodiversity:

- carrying out work under environmental supervision monitoring the impact of investment, inter alia on fauna and flora and defining the necessary measures to reduce this impact; e.g. in 2021, projects under environmental supervision included:
    - contract BRW01 "Revitalization of railway lines No. 694/157/190/191 Bronów-Bieniowiec-Skoczów-Goleszów-Cieszyn / Wisła Głębce - Partial order A: Design and execution of construction works on the sub-section of Bronów - Wisła Głębce;
    - contract STG01 - Agreement No. 90/107/0028/19 / Z / I for the reconstruction of track systems with accompanying infrastructure on the E59 railway line, section Stargard - Szczecin Dąbie as part of the CEF project entitled: "Works on the E59 railway line, section Poznań Główny - Szczecin Dąbie "LOT G from km 171,120 to km 197,540;

- contract WGO01, WGO02, entitled "Construction of the Warszawa Główna station as part of the POII 5.1-13 PN project: Works on the cross-city line in Warsaw on the Warszawa Wschodnia - Warszawa Zachodnia section";
- contract LWC01 Execution of construction works in the area of LCS Łowicz - section Sochaczew - Żychlin as part of the project entitled "Works on the E20 railway line, Warsaw-Poznań section - other works, Sochaczew-Swarzędz section."

- schedule of construction works is adapted to the breeding periods of birds and bats that are present in the areas where the construction works are carried out;
- minimizing felling of trees and, where necessary, replantation;
- protection against damage of trees and tree trunks other than those that are to be removed by fencing or screening;
- for earthmoving and construction work carried out in the vicinity of water bodies, arrangements have been developed to prevent contamination with chemical substances from the construction site;
- protection of fauna and flora by an appropriate fencing off or relocation to another appropriate place; e.g. in 2021, on the BRW01 contract entitled "Renovation of railway lines No. 694/157/190/191 Bronów – Bieniowiec – Skoczów – Goleszów – Cieszyn/Wisła Głębce (…)" a green was left on the Bajerka valley to maintain the migration corridor of Horseshoe Bat, and the site was protected from the possibility of entering small animals (including amphibians) through the installation of temporary fences in the course of the investment boundary line, at sites where habitats exist;
- the use of the topsoil layer (humus) which is removed during construction work; at a later stage it is used e.g. in the development of green areas.

Energy consumption inside the organisation

The table below presents consumption of energy inside the organisation in the Parent Company, AB Kauno Tiltai, PEUiM sp. z o.o., BTW sp. z o.o. and PRK 7 Nieruchomości sp. z o.o. Other companies did not keep any records concerning consumption ofenergy inside the organisation in 2021 or 2020.

Trakcja Group:

	Year ended	
Energy (GJ)	**31.12.2021**	**31.12.2020**
Heat energy	140	0
Electricity	19 524	17 970
Gas energy	94 718	64 835
Heat energy (hard coal)	380	296
Fuel oil	21 127	24 481
Diesel	306 036	176 212
Petrol	19 632	11 399
LPG gas	774	1 106
Total energy and fuel consumption	**462 331**	**296 299**

Trakcja S.A.:

	Year ended	
Energy (GJ)	**31.12.2021**	**31.12.2020**
Electricity	7 049	5 976
Heat energy (hard coal)	380	296
Diesel	68 969	75 023
Petrol	10 422	9 511
LPG gas	184	1 021
Total energy and fuel consumption	**87 004**	**91 827**

Air emissions

The nature of the Group's activities makes it impossible to totally eliminate the emission of greenhouse gases and makes it difficult to significantly reduce the consumption of fuels and energy.

In order to minimise air pollution caused by car exhaust fumes, in 2021 Trakcja S.A. continued replacing its company cars with more environmentally friendly ones that meet stricter exhaust gas standards and adopted its company car use policy accordingly.

During the performance of contracts, in order to reduce emissions of dust during the transport of bulk materials, the means of transport are thoroughly covered with tarpaulins. When temperatures are high, access roads to the construction site facilities and along the entire works line are sprayed with water on a regular basis to eliminate dust.

Mitigation of environmental impact of products and services

Due to the nature of the construction works being carried out throughout the country, Trakcja S.A. conducts operations with a significant actual and potential adverse impact on the environment and local communities; the Company is aware of this fact and, therefore, adopts various measures aimed at minimising the adverse impact on the environment and local communities, such as:

- The construction equipment and means of transport in use are technically sound and operated and maintained in a proper way. The contractor uses construction machinery with the lowest possible sound power;
- The contractor limits the time in which the most onerous construction works are carried out, because of the noise generated, to daytime, i.e. such works are carried out from 6 a.m. to 10 p.m. Any works that need to be performed at night are carried out with the use of machinery with the least possible acoustic power and in the shortest possible time;
- Technological roads are located at the construction site at a distance from building facilities, usually along the footprint of the dismantled track; the construction equipment did not cause any disturbances or difficulties in the reporting period. The speed limit for vehicles at the construction site is 20 km/h in the construction area;
- The contractor conducts the works according to a schedule in which the works that are pose a threat to the environment (subgrade coring, gravel removal and screening, etc.) are carried out in a relatively short period (no more than several hundred metres per day) and the supply of materials is carried out taking into account this requirement. The construction site uses lighting with a warm light spectrum and sealed lamp casings;

- Chemical materials (mainly damp-proof coatings; water-based insulations are not significantly harmful to the environment, however some insulations are solvent-based and may cause environmental hazards) used to protect concrete elements are stored in sealed containers, in locked containers, at the construction site;
- Used construction equipment as well as means of transport are technically efficient and meet the standards for exhaust emissions. There is no repair work, repair of machines, equipment or means of transport on investment site. All machinery and technical equipment and tools meet the occupational health and safety requirements specified in separate regulations and are maintained in a state of technical efficiency and cleanliness ensuring their use without prejudice to the safety and health of workers and used only in the processes and conditions for which they are intended;
- Equipment and tools used at the construction site are in a working order and have valid certificates and attestations;
- At the construction site and construction facilities, the ground and water environment is properly protected against contamination with petroleum substances, i.e. machines are refuelled directly from tankers and cars are tanked directly at petrol stations. All machines are provided with absorbing agents in case of leakage;
- Construction site and facilities are equipped with agents for neutralising oil spills and with “green” first aid kits (mobile leak removal kits);
- During the construction works, the contractor reduces the generation of waste at source and its adverse impact on the environment after completion of the works carried out. Waste that cannot be recycled is disposed of by appropriate companies holding relevant authorisations/decisions. The Contractor keeps quantitative and qualitative records of the waste generated and provided to such companies, in accordance with the adopted catalogue and list of hazardous waste;
- Sprinklers are used at the construction sites and truck tarpaulins during earthworks in order to reduce dust emissions into the air;
- Heaps of excavated earth masses are formed around the earthwork sites which reduce noise emissions to the environment.

It should also be stressed that the tasks performed by the Company for the Contracting Entity and in accordance with its requirements, in many cases lead to the protection of the environment or local communities. For example, noise screens mounted along roads and rail lines protect the surrounding environment from noise produced by passing vehicles. The screens that are being installed have very good technical parameters, which is proven by high acoustic insulation and excellent noise absorption.

Waste

The Group endeavours to reduce to a minimum the quantity of the waste generated. Waste, if not used for internal purposes, is collected only by entities authorised by a relevant authority to carry out business activities in the area of waste management. The ongoing supervision is ensured through the quality and quantity records.

The table below specifies the major types of waste generated by the Group and by the Parent Company in 2021 as compared to 2020 (in tonnes).

Trakcja Group:

	Year ended	
	31.12.2021	**31.12.2020**
Non-hazardous waste (t)	**188 260**	**140 750**
Waste from concrete	14 511	22 898
Waste of other ceramic materials	11	339
Asphalt different	13 528	6 997
Iron, steel	201	7 608
Soil, soil, including stones	148 926	78 019
Rail rubble	5 839	18 232
Mixed construction waste	4 662	3 253
Wood waste	9	0
Other	573	3 404
Hazardous waste (t)	**3 373**	**6 808**
Waste wood, glass, plastic	3 092	3 404
Other waste	281	3 404

Trakcja S.A.:

	Year ended	
	31.12.2021	**31.12.2020**
Non-hazardous waste (t)	**169 188**	**122 755**
Waste from concrete	5 902	13 218
Waste of other ceramic materials	7	333
Asphalt different	7 754	1 302
Iron, steel	89	7 512
Soil, soil, including stones	148 926	78 019
Rail rubble	5 839	18 232
Mixed construction waste	169	872
Others	502	3 267
Hazardous waste (t)	**3 265**	**408**
Waste wood, glass, plastic	3 092	375
Other waste	173	33

5. SOCIAL ASPECTS

5.1. Policy and Procedure

The success of any organisation means not only the quality of services and products offered, but also the way of their communication both inside and outside the organisation.

In Trakcja, communication takes place in a natural way, bearing in mind both the specific nature of the industry and the internal structure of the company. Communication in Trakcja, understood as a process of sending, transferring, processing and receiving information between its sender and recipient, directly and indirectly, in a verbal and non-verbal, written and oral, digital and analogue way, can be divided into:

- Internal communication, understood as activities aimed at the exchange of information within the organisation, realised on the basis of the existing organisational structure of the company, between units and persons at the same level of the company hierarchy (horizontal communication) and between company bodies, superiors and subordinates (vertical communication).
- External communication, understood as a structured process of gathering information about the company and the exchange of this information with the environment, including in particular: customers, shareholders, contractors, competitors, suppliers, subcontractors, public opinion, public administration authorities and other institutions and individuals, carried out directly or via communication tools.

5.2. Results of policies' application

The purpose of communication in Trakcja S.A. is to support circulation of information necessary for correct operation of companies, ensuring that information is exchanged properly within the organization as well as between the organization and its environment – i.e. with customers, society, public administration bodies and other external institutions.

The Company's internal communication also contributes to building a business culture, developing employee skills and facilitates order within the Company's processes.

External communication contributes to establishing an image of a publicly involved enterprise that has a positive impact both on the local community and the public in general.

Additional, PR activities are aimed at:

- increasing recognition and consistently establishing a positive image of the Company in the market,
- strengthen the perception of Trakcja as an "employer of choice",
- maintaining information standards as compared to competitors,
- maintaining the flow of information between the Company on one hand and business partners, suppliers, shareholders, i.e. the external environment, on the other hand,
- serving as a source of information for the media.

In 2021, external communication activities were carried out in order to establish and maintain the enterprise's positive image in the perception of the public and potential customers; in addition, the following initiatives were improved and operationalized:

- Employer branding activities were carried out – in order to facilitate the establishment of a positive image of the Company among its own employees and to build relations with former, current and future employees of the Company as well as any all other persons operating on a daily basis within ecosystem of Trakcja. For the purpose of establishing recognition and creating a positive image of the Company,

templates of job vacancies on recruitment portals were standardized, the Employee Referral Program was implemented, communication regarding internal recruitment was facilitated, and activity on social media was enhanced.

- The Internal Communication Strategy was amended based on the principles that the company's employee is its best spokesperson. New communication tools were introduced, including: mailings, cyclical summaries, publication of "infoTrakcja", an internal magazine for employees, information boards / showcases on projects, posters, leaflets, publication of news in the intranet.
- A Visual Identification System for Trakcja Company was developed, with optional implementation at the level of subsidiaries. Building systematically and on a permanent basis of the identity of one of the largest infrastructure development companies in Poland, developing its brand, building its recognizability and a desired, positive image has an impact of the reception of the Company/group among customers, observers, shareholders or employees and builds trust in the Company and influences its recognizability.
- Social media channels at Facebook and the LinkedIn business portal were operationalized, expanded and developed: without engaging external agencies or using paid content (nearly 3,000 observers of the Trakcja's channel were obtained in the course of the year).
- In the fourth quarter of 2020, the Management Board of the Company adopted the External Communication Strategy of Trakcja S.A. for 2020/2021, whose assumptions provide for, inter alia: participation in industry events: forums, conferences, trade shows, panel discussions, strengthening cooperation with national, local and industry media. The purpose of the assumptions contained in the aforementioned document is to assist, inter alia, in establishing and strengthening relations with principals and local governments, in whose territories we implement our investments, and to notify the public opinion of Trakcja's above-standard involvement in the implementation of investments and continued dialogue not only with principals, but also with the entire environment in which contracts are conducted.

Considering the prevailing COVID19 pandemic, any scheduled in-person events in 2020 were held online, while trade fairs and exhibitions have been postponed or cancelled altogether.

Impact on local community

This year, no social conflicts were recorded in the Parent Company which would result in suspension ofconstruction works.

When executing projects, the Group uses solutions ensuring effective operations while not disturbing the functioning of the local community, e.g. by:

- supervision of OHS coordinators and enviroment protection, monitoring the course of daily work and activities performed in accordance with safety rules, training in procedures applicable to environmental protection, rules of conduct in the event of failure;
- ongoing technical checks and timely inspections of construction equipment;
- storing absorbing agents at the construction site facilities, next to parking cars, machines and technical devices, allowing for immediate counteraction of leaks of harmful liquids, e.g. engine oil or hydraulic fluid;
- carrying out ground works in the vicinity of trees or shrubs, or their complexes, only in harmony with the local environment;
- storage of small waste in the labelled containers that additionally prevent environmental pollution;

- hazardous waste, generated from construction work, is stored in containers placed on specially hardened storage yards, on construction sites or on sites leased specially for this purpose;
- securing containers and storage areas against access by bystanders and animals;
- optimal use of raw materials and consumables and minimization of waste (cleaned and sieved gravel is reused as a construction material, crushed concrete is used as a base for technical roads);
- use of protective mats to avoid damaging tree trunks by construction equipment, whereas in the case of repairs of possible damage to trees, compensatory plantings are carried out;
- minimising noise by working during the day, e.g. through the use of noise barriers;
- construction of temporary roads in such places as to minimize the inconvenience caused to road users and local residents.

The work carried out at each stage is monitored by environmental experts from various fields and by the investor, who monitor the situation on an ongoing basis, provide advice, conclusions and recommendations.

The Group plays an important role in providing for adequate technical conditions for the rail traffic, modernisation and construction of rail lines, and also construction of works both in Poland and in Lithuania.

The Group is sensitive to the needs of local communities. High quality of the works performed and fulfilment of liabilities are the key principles for building relationships between the Group and its customers. Each customer is guaranteed cooperation based on such values as professionalism, accountability, efficient management and respect for customers, employees, business partners, competitors, local communities and environment. Each construction project is preceded by a precise evaluation of the area's conditions and by the creation of positive relations that foster the effective carrying out of works. However, the construction works performed often cause increases in vehicle traffic, dust and noise. The Group is aware of the fact that the contracts performed entail not only benefits, but also certain inconveniences for local communities. During the performance of rail contracts, level crossings are closed, train schedules are amended and certain connections are suspended. During the performance of road works, it is necessary to introduce detours and other disadvantages that very often make the way to work or school much longer. All such changes have a significant impact on the lives of local inhabitants. The Group endeavours to react positively to any signals that come from authorities and inhabitants and to implements organisational solutions that minimise any inconvenience caused. Inconvenience resulting from the works carried out is one of the topics discussed at the meeting of the construction council which is a regular meeting with the investor held in relation to each contract performed. Such meetings are usually held once a week with participation of the investor and supervision engineer. They are used for analysis signals reported by inhabitants and local authorities and for agreeing on measures to be taken in order to minimise any convenience caused. The Group is not able to estimate how many various objections have been made by the local communities, but efforts are being made to make sure that no problems occur and no signals remain unsolved. The Group frequently carries out numerous works which exceed the scope of the contracts signed, but which improve the quality of life of the local residents. This includes, in particular, the modernisation of pavements or the construction of access roads to fields and premises, or the reconstruction of other infrastructure elements.

In order to stimulate the development of local entrepreneurship, Trakcja Group attempts to engage, as far as it is practicable, local employees, subcontractors and suppliers.

Collaboration with the National Labour Inspectorate

The Parent Company is a responsible employer which provides for safe working conditions for its employees, and therefore it carries out tasks imposed on it by the National Labour Inspectorate and by the Polish Office of Rail

Transportation, the Office of Technical Inspection and the General Office of Building Control. No evidence of gross negligence was found during the inspections carried out. This is primarily because each year the cooperation with the National Labour Inspectorate is expanded. Inspectors visit all the construction sites on a regular basis and provide our management with advice and support, and whenever possible, they also participate in the meetings of the OHS Department. Propaganda materials developed by the Labour Inspectorate, CIOP-PIB or UTK are also used.

Subcontractors and OHS

All subcontractors working on the Parent Company's construction sites receive training in the Company's internal OHS procedures and are obliged to comply with their provisions. They are also informed about any danger and rules for behaving at the construction site. Every employee of the Company's subcontractor, involved in modernisation or rail lines, must have a pass authorising them to perform work and access the premises of PKP PLK. The OHS requirements are detailed in the agreements made with subcontractors, which in addition to the requirements resulting from general OHS regulations include information about the consequences of a failure to comply with the provisions of the agreements and OHS regulations. The ongoing monitoring of compliance with the OHS regulations has resulted in good practices being developed among the subcontractors and in the perception of significance of the safety at work being changed.

Cooperation with suppliers

Please find below described the policies adopted by the following Group members: Trakcja S.A., AB Kauno Tiltai and PEUiM sp. z o.o.

Over the year the Company cooperates with many different suppliers and subcontractors. The following materials are purchased for the implementation of contracts:

- Track materials (rails, sleepers, switch sleepers, turnouts, rail buffer stops, geotextile, crushed stone, key aggregate, mixture, unsorted mix and other aggregates);
- Energy materials (cables, lines, wires, luminaries, electricity poles, transformer stations, remote control cabinets);
- Contact line materials (equipment, insulators, contact wires, copper wires);
- Steel, metallurgical materials (steel constructions);
- Construction materials;
- road materials (bituminous masses, surface concretes, road barriers, steel, aggregates, substructure materials, noise barriers).

In addition, the Company purchases: drainage systems and materials, concrete and stone elements, platform panels and walls, cement and other binders, construction wood.

The Company applies the following supplier selection methods:

1) Procurement platform:
   - Auctions;
   - Requests for proposal;
2) Framework agreement.

In the case of contracts where the ordering party is PKP PLK S.A., invitations to auctions and requests for quotation are sent only to companies on the list of qualified suppliers of PKP PLK S.A.

Supplier selection criteria:

- Price;
- Timeliness of deliveries;
- Guarantee period;
- Payment terms;
- price stability throughout the duration of the contract.

Goods procurement forms:

- Order with a reference number, payment date, date and place of delivery and detailed list of the ordered goods., along with the delivery schedule;
- Supply agreement.

In 2016 the values and principles followed by the Company for the purpose of selecting suppliers and subcontractors were collected in the document entitled "Principles of Cooperation with Suppliers and Subcontractors by Trakcja". The document is available on the Company's website.

AB Kauno Tiltai

In organising the procurement of the materials necessary for construction purposes, AB "Kauno tiltai" focuses on the following issues:

- Quality;
- Time (receipt of materials according to schedule);
- Price.

Special attention is paid to materials that are essential for the long-term operation of the structure. The company cooperates with local and international suppliers, acquiring inert materials, asphalt, metal structures, etc. It cooperates extensively with Polish, Czech and German companies.

Supplier selection methods:

- Market (current contacts) research;
- Participation in specialist trade fairs;
- Internet searches;
- Acquisition of suppliers on their own initiative.

Ordering forms:

- Purchase orders including payment dates, delivery dates and locations and detailed lists of the elements ordered;
- Purchase agreement.

The Company cooperates on an ongoing basis with many different suppliers providing it with materials of the highest quality, necessary for the implementation of investment projects, such as:

- Gravel, sand and mixtures;
- Raw metal and metal structures;
- Bituminous masses;

- Fuel;
- Electrical devices and power supply elements;
- Concrete structures;
- Asphalt;
- Gas;
- Other.

PEUiM sp. z o.o.

Main groups of the construction materials purchased:

1. Materials subject to by the Factory Production Control procedure:

- Road asphalt and binders;
- Glacial aggregates;
- Aggregates from rocks;
- Limestone flour.

2. Other construction materials:

- Stone elements;
- Concrete elements;
- Materials for drainage and geosynthetics;
- Cement and other binders.

In addition, the company purchases low-value inventory, OHS products and other materials necessary for the implementation of contracts.

Supplier selection and evaluation methods

Suppliers are selected using a percentage scoring. This enables to classify a supplier to a category of qualified suppliers or backup suppliers or to exclude a supplier from the classification.

5.3. Risks in relations with local communities

Temporary difficulties in the functioning of local communities are an immanent feature of the construction process. Changes in traffic organisation, detours, noise, impediments in access to properties result in temporary deterioration in the standard of living of residents, and consequently evoke negative emotions. The key risk during the works is the escalation of dissatisfaction, leading to the extension or suspension of construction works.

Threat	significant	actual	potential
organisational			
disturbance of traffic routes	x		
difficult access to nearby institutions, homes	x		
noise		x	
inconvenient routing of temporary roads		x	
communication/relational			
bad press	x		
communication without planned strategy			x
inadequate communication tools			x
lack of coordination between the internal and external communication			x
deadlines			
protracted works		x	
protests by environmental circles			x
protests by local communities			x
suspension of works related to the natural cycle		x	
unforeseen situations (weather conditions)			x

The Group has implemented a series of measures counteracting such situations, as a result of which in the last period they occurred only occasionally and did not have any significant impact on the contracts implemented in the previous year. These measures are as follows:

- Close cooperation with local authorities, in particular, at the stage of carrying out the preparatory works aimed at the selection of the solution most optimal for the local community;
- Regular information measures taken in collaboration with the awarding entity and local authorities;
- Ongoing monitoring of signals that come from residents, both directly to the Group and to the local authorities, the awarding entity or through the local media. Attention should be paid, in particular, to the daily monitoring of media: newspapers, radio, television, Internet, and in particular social media. Any publication that indicates any irregularities or tensions is forwarded to the relevant entity that manages the construction site concerned. The Parent Company monitors media on every working day and the report thereon is issued every day by 9.30 a.m. This way, the Parent Company issues on average

250 daily reports and nearly 150 ad hoc reports per year. Moreover, in the case of incidental reports to the Parent Company regarding irregularities, they are immediately reported to the contract management, and then their removal is monitored;

- implementation of the developed internal and external communication strategy;
- the process of maintaining regular contact with managers of organisational units;
- 24-hour on-call duty of the Company spokesperson;
- constant analysis by a professional security office of media mentions/comments/posts violating personal rights of the Company;
- Easy traceability of the Company – through the legible indication of the area in which works are carried out, and of vehicles and information boards, and the location of well-designated construction site offices.

Building confidence in the contractor – through non-standard actions such as information meetings with local population, educational trips to the construction site (in 2021, pandemic-related restrictions), provision of elements that improve visibility, etc.

6. EMPLOYEE ASPECTS

6.1. Employee policy and procedures

In 2021, the Company continued the changes that started in 2020 to optimize staff processes. As a part of the ENOVA365 HR and payroll system, further processes have been launched in the electronic document workflow including the Social Benefits Fund (ZFŚS) handling. Under ZFŚS has been launched a cafeteria platform MOTIVIZER, using which employees can take advantage from cultural and sports benefits. Each employee has access to an individual account charged with funds from the company's Social Benefits Fund.

The new group insurance scheme has been implemented by the Company from October 1, 2021. The terms of the insurance offer have been extended to all companies in Trakcja Group. The new insurance scheme offers five policies, from which employees can choose an offer that matches individual needs.

In 2021, the unified job grid has been implemented under the initiative. The implementation of the unified job naming nomenclature has reduced the number of job names used from 386 to 85, which has significantly streamlined and simplified the organizational structure of departments. The new job grid is the basis for the human resources process from recruitment to employment and promotion within departments and divisions.

6.2. Results of policies' application

Trakcja Group employs more than 2000 employees and is one of the largest employers in the construction industry both in Poland and in Lithuania. There are over 20 different professions practised, which are specific to the rail, road and energy industries, and therefore it is fundamental to develop and maintain employee competences as they are the foundation for the Parent Company's human resources policy. The key success factors are incentive schemes that encourage employees to seek further improvements in the operational activities and enhancement of returns on the construction contracts. The Group is conscious of the fact that in the construction industry, in which the majority of the Group companies operates, the human element is the factor that provides for competitive advantage. Therefore, the Group endeavours to build long-lasting relationships with its employees by offering them, in particular, attractive salaries, a differentiated bonus system, retirement allowances, jubilee bonuses and many other benefits such as contributions to the professional development of employees, extensive medical assistance packages, Employee Capital Plans, as well as the reimbursement of travel expenses, accommodation, extras related to the entrusted duties and various other long- and short-term benefits. In addition, due to the fact that the Group carries out construction works in many industries, it offers its employees ample opportunities to develop competences within a single organisation. In the subsidiary, AB Kauno Tiltai, career paths of all its employees are standardised and described according to ISO standards. The employee competences, in particular in the railway and construction-related professions, are regulated by numerous national regulations, compliance with which is ensured by the system of training and briefing that has been implemented by the Company. The management boards of the Group companies maintain a regular dialogue with trade unions that operate within the companies. Good relations with the trade unions reflect positively on the efficiency of social activities focused on our employees.

The Group companies that employ people adopted remuneration regulations and working regulations. The Group has implemented numerous incentive systems which are intended for all the employee groups and which aim at enhancing the work efficiency and optimising the employment costs.

The introduced state of pandemic and government restrictions in force from March 20, 2020 as well as concerns about development of the situation and its impact on functioning of Trakcja Group forced companies of Trakcja Group to make changes in the organization of work. Bearing in mind the health and safety of employees and maintaining continuity of operational activities of Trakcja Group, Management Board has developed a procedure

for dealing with risks related to the SARS CoV-2 virus. In addition, Trakcja Group, in accordance with the GIS recommendations, adapted work space, introduced possibility of remote work, provided disinfection and direct protection measures for employees.

The restrictions provided under the alert concern: restrictions in office work, limited to one person on duty in a department; procedure in the case of persons who advised the Company on the quarantine or isolation of a household member, reporting of each instance of employee illness, and directing him/her to quarantine or isolation. Additional restrictions have been introduced as regards field offices with a view of avoiding the elimination of contract staff. Furthermore, a Crisis Management Team has been appointed within the Company and preventive action instructions have been introduced with a view of preventing the spread of COVID-19 within Trakcja. The Company has financed the purchase of tests for the whole Group, as a well as a contract for office disinfection.

The aim of Trakcja Group is to ensure employment stabilization for its employees by offering a full-time employment contract and limiting the employment period based on fixed-term contracts.

At AB Kauno Tiltai, there is a policy "Description of supervision over applications adequate to the equal rights policy", which provides clear guidelines on how to ensure equal rights in the company. The company ensures that all job applicants or current employees are treated equally, irrespective of the circumstances.

Although the indicators show that men in Trakcja Group earn more than women, Trakcja Group ensures equal pay for the same work, and discrepancies are only due to different duties and workload.

Employment structure

Employment data presented below apply to all companies in Trakcja Group. In addition, persons acting as members of the Management Board of the Parent Company and some persons acting as members of subsidiaries' management boards provide services on the basis of managerial contracts concluded with the Company or a subsidiary. The data presented below relate to persons employed under an employment contract hence the persons employed on the basis of managerial contracts are not included.

Employment structure as at the balance sheet date in the Group and the Parent Company:

Trakcja Group:

	31.12.2021	31.12.2020
Women	367	333
Men	1 796	1 881
Total	**2 163**	**2 214**

Trakcja S.A.:

	31.12.2021	31.12.2020
Women	243	221
Men	877	939
Total	**1 120**	**1 160**

Total number of employees by age in the Group and the Parent Company:

Trakcja Group:

	31.12.2021	31.12.2020
< 30 years	346	370
30-50 years	1 126	1 143
> 50 years	691	701
Total	**2 163**	**2 214**

Trakcja S.A.:

	31.12.2021	31.12.2020
< 30 years	229	248
30-50 years	603	629
> 50 years	288	283
Total	**1 120**	**1 160**

Total number of employees by type of contract signed in the Group and the Parent Company:

Trakcja Group:

		31.12.2021			31.12.2020		
category	**Gender**	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
job contract	Women	83	225	59	72	207	54
	Men	263	901	632	298	935	648
civil law contract	Women	11	10	14	5	9	11
	Men	12	20	17	5	12	9

Self-employment in the Trakcja Group amounted to 63 people in 2021 (32 people in 2020).

Trakcja S.A.:

		31.12.2021			31.12.2020		
category	**Gender**	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
job contract	Women	59	156	28	54	140	27
	Men	170	447	260	194	489	256
civil law contract	Women	11	8	14	5	7	11
	Men	10	11	8	4	8	9

Self-employment in the Trakcja S.A. amounted to 51 people in 2021 (31 people in 2020).

The largest age group in the Group is that of employees between 30 and 50 years old who make up over 50% of the entire workforce. The second largest age group is that of employees over 50. The majority of employees are male. The majority of the Group's employees are employed under full-time employment contracts of unlimited duration. Employees are employed in Poland, Lithuania, Sweden and Ukraine.

The share of women in the employment structure reflects the nature of the construction industry.

Total number of employees by type of contract and gender in the Group and the Parent Company:

Trakcja Group:

		31.12.2021	31.12.2020
Contract of unlimited duration	Women	309	292
	Men	1 629	1 745
Contract of limited duration	Women	58	41
	Men	167	136

		31.12.2021	31.12.2020
Full-time job	Women	363	325
	Men	1 778	1 869
Part-time job	Women	4	8
	Men	18	12

Trakcja S.A.:

		31.12.2021	31.12.2020
Contract of unlimited duration	Women	192	184
	Men	748	841
Contract of limited duration	Women	51	37
	Men	129	98

		31.12.2021	31.12.2020
Full-time job	Women	241	216
	Men	873	934
Part-time job	Women	2	5
	Men	4	5

The Group's objective is to provide for stable employment to its employees through the enhancement of fulltime and reduction in part-time employment.

The Management Board of the Parent Company was presented in the Management Board category. The management boards of subsidiaries are presented in the position of senior management.

Employees by employment category, age and gender (number and percentage of employees):

Trakcja Group:

		31.12.2021			31.12.2020		
category	**Gender**	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
Senior management	Women	0	15	6	0	13	5
	Men	1	50	17	0	50	26
Other management stuff	Women	4	30	7	1	28	8
	Men	11	118	38	9	139	40
White-collar employees	Women	78	179	46	76	168	40
	Men	83	235	84	94	207	84
Blue-collar employees	Women	1	1	0	0	1	1
	Men	168	498	493	190	537	497
Total		**346**	**1 126**	**691**	**370**	**1 143**	**701**

	31.12.2021			31.12.2020		
category	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
Management Board	N/A	N/A	N/A	N/A	N/A	N/A
Senior management	1%	73%	26%	0%	67%	33%
Other management stuff	7%	71%	22%	4%	74%	21%
White-collar employees	23%	59%	18%	25%	56%	19%
Blue-collar employees	15%	43%	42%	15%	44%	41%

Trakcja S.A.:

		31.12.2021			31.12.2020		
category	**Gender**	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
Senior management	Women	0	12	4	0	10	3
	Men	1	38	9	0	38	17
Other management stuff	Women	4	22	2	1	25	3
	Men	11	89	23	9	104	23
White-collar employees	Women	54	122	22	53	105	20
	Men	54	112	35	73	103	36
Blue-collar employees	Women	1	0	0	0	0	1
	Men	104	208	193	112	244	180
Total		**229**	**603**	**288**	**248**	**629**	**283**

	31.12.2021			31.12.2020		
category	**< 30 years**	**30-50 years**	**> 50 years**	**< 30 years**	**30-50 years**	**> 50 years**
Management Board	N/A	N/A	N/A	N/A	N/A	N/A
Senior management	2%	78%	20%	0%	71%	29%
Other management stuff	10%	74%	17%	6%	78%	16%
White-collar employees	27%	59%	14%	32%	53%	14%
Blue-collar employees	21%	41%	38%	21%	45%	34%

Corporate bodies:

	31.12.2021		31.12.2020	
	Management Board	Supervisory Board	Management Board	Supervisory Board
30-50 years	60%	57%	67%	43%
> 50 years	40%	43%	33%	57%

In 2020 the Supervisory Board was composed of one woman and six men (four Polish citizens, three foreign citizens), in 2021 the Supervisory Board was composed of two woman and five men (four Polish citizens, three foreign citizens).

Pay equity

The ratio of the average salary paid to women to the average salary paid to men by employment categories in the Group and the Parent Company:

Trakcja Group:

	31.12.2021	31.12.2020
Management Board	N/A	N/A
Senior management	37%	84%
Other management stuff	64%	86%
White-collar employees	65%	66%
Blue-collar employees	36%	78%

Trakcja S.A.:

	31.12.2021	31.12.2020
Management Board	N/A	N/A
Senior management	68%	88%
Other management stuff	86%	81%
White-collar employees	65%	60%
Blue-collar employees	64%	76%

The category that consists only of men has not been included.

AB Kauno Tiltai follows the policy entitled “Supervision over Applications suitable to the Policy of Equal Rights”, which provides for clear guidelines on how to ensure equal rights in the company. The Company makes sure that all the job applicants and existing employees are treated equally, irrespective of circumstances.

Despite the fact that indicators show that men earn more in the Group than women, the Group ensures equal remuneration for the same job, and the discrepancies result only from different duties and responsibilities.

Employee turnover

In 2017-2018, the Parent Company actively sought new employees. In 2019, employment in the Group and the Parent Company stabilised: the level of new hires was similar to that of departures. The Group continued to

efficiently meet its ongoing human-resources needs and effectively acquired personnel for the development of the Group's new competences.

The Company has successfully run the Employee Recommendation Programme. Under the programme employees receive a one-time salary for effective referral of candidates to work who pass the review process and stay in the Company after the end of a trial period. The implementation of the programme has significantly translated into savings in the recruitment process. In 2021, under the Employee Recommendation Programme, employees recommended 99 candidates to work in the Company, out of which 38 candidates were hired after positive result of verification, including in that number higher managerial positions, which generated PLN 172 thousand of savings.

Trakcja addresses its employment offer both to experienced specialists with the desired engineering competences and to young students and graduates of vocational schools with technical profiles who are just beginning their adventure on the labour market. The company implemented in 2020 the Internship and Traineeship Programme in a structured form, thanks to which during summer internships, students and pupils from technical schools have an opportunity to join the company and learn in practice the specifics of work on construction projects. Each trainee is assigned a mentor who supports him/her during the traineeship in the company. The best trainees are rewarded with the possibility of permanent employment within the Company.

In 2021, the Company began its efforts to establish permanent cooperation with selected vocational schools and technical colleges, with the aim of promoting strategic professions in the Company and the possibility of attracting students of these specializations to practices and training periods before completion by them their vocational education.

In the Parent Company implemented the Onboarding process. It is a process aimed at introducing a new employee to the company and providing him/her with information about: job description, development opportunities, key procedures, organizational structure, strategy, mission and vision of the company. This process helps reduce employee turnover, increase employees' involvement, job satisfaction and productivity. In turn, employees who have the opportunity to get to know the company right from the first days of work, have better understanding of the company's goals and their role in achieving them. This makes them more involved in the work and life of the entire organisation. They identify themselves with the company, its mission and values more quickly, and perform their tasks more effectively from the first weeks of work. This process is particularly important when hiring young people with limited professional experience who need special assistance during their first days of work.

The onboarding process is also evaluated through a satisfaction survey. For white-collar workers it is sent electronically in the so-called welcome email. Blue-collar workers, due to the lack of corporate mail, receive it in hard copy. The return rate of questionnaires is about 60%. The results are analysed on a quarterly basis. Thanks to the collected comments and opinions, the Company improves the process on an ongoing basis and makes it even more friendly for new employees. Trakcja also supports the process of gaining experience and development of young engineers by participating in the costs of preparatory courses and the examinations for building qualifications as well as other certificates and skills necessary for engineering work.

AB Kauno Tiltai actively searches for new employees through the implementation of the “Akademija kaunotiltai” project, which is organised together with the following leading education institutions: Vilnius Gedimino technikos university and Kauno technikos kolegija and Baltijos pažangių technologijų institute. Numerous meetings are held with students and also school pupils on the working days. In addition to this many education fairs, noncommercial festivals are organised during which the company promotes the profession of an engineer. Another initiative is the TV programme entitled "Įdomioji inžinerija" ("Engineering Made Fascinating"). Most of the projects are now migrating to the digital world due to the COVID-19 situation.

New employees employed in 2020 and in 2021 by age and gender (and % share in a respective category) in the Group and the Parent Company:

Trakcja Group:

	Year ended			
	31.12.2021		**31.12.2020**	
	value	% share	value	% share
< 30 years	146	42%	174	47%
30-50 years	223	20%	242	21%
> 50 years	95	14%	117	17%
Total	**464**	**21%**	**533**	**24%**

	Year ended			
	31.12.2021		**31.12.2020**	
	value	% share	value	% share
Women	85	23%	88	26%
Men	379	21%	445	24%
Total	**464**	**21%**	**533**	**24%**

Trakcja S.A.:

	Year ended			
	31.12.2021		**31.12.2020**	
	value	% share	value	% share
< 30 years	71	31%	73	29%
30-50 years	122	20%	129	21%
> 50 years	48	17%	40	14%
Total	**241**	**22%**	**242**	**21%**

	Year ended			
	31.12.2021		**31.12.2020**	
	value	% share	value	% share
Women	60	25%	62	28%
Men	181	21%	180	19%
Total	**241**	**22%**	**242**	**21%**

Departing employees in 2020 and in 2021 by age and gender (and % share in a respective category) in the Group and the Parent Company:

Trakcja Group:

	Year ended			
	31.12.2021		31.12.2020	
	value	% share	value	% share
< 30 years	115	33%	153	41%
30-50 years	264	23%	270	24%
> 50 years	133	19%	148	21%
Total	**512**	**24%**	**571**	**26%**

	Year ended			
	31.12.2021		31.12.2020	
	value	% share	value	% share
Women	56	15%	79	24%
Men	456	25%	492	26%
Total	**512**	**24%**	**571**	**26%**

Trakcja S.A.:

	Year ended			
	31.12.2021		31.12.2020	
	value	% share	value	% share
< 30 years	49	21%	71	29%
30-50 years	163	27%	147	23%
> 50 years	54	19%	63	22%
Total	**266**	**24%**	**281**	**24%**

	Year ended			
	31.12.2021		31.12.2020	
	value	% share	value	% share
Women	42	17%	55	25%
Men	224	26%	226	24%
Total	**266**	**24%**	**281**	**24%**

Training

The Group is committed to ensuring that its employees have opportunities for development. In order to achieve this it offers them trainings and support in further education. In 2021, the Group's employees participated in over 5 thousand hours of training which represents an increase by 14% compared to 2020.

In the past year, due to external factors mainly related to COVID-19 pandemic, the Company focused on the development of e-learning trainings. With an e-learning platform in the Company, training content is available to all employees from any computer 24 hours a day. The Company, to ensure the quality of the trainings offered, does not use training products available on the market, but rather prepares the development content by itself

using the expertise and experience of internal experts. In addition to increasing employee involvement, the Company increases the exchange of experience and builds knowledge-based organization.

In 2021, the Company carried out a process of collecting and providing feedback using the 360-degree assessment method for the group of 67 key managers. In the course of the process, information about their working style has been collected. With use of the 360-degree method, feedback from multiple sources was obtained - from managers, their supervisors, subordinates, colleagues, internal and/or external customers. This way, the obtained knowledge is objective, comprehensive and based on a broad perspective. On the basis of the information gathered, each manager has received his competence profile and owing to this the Company will be able to plan a development program tailored to individual needs, which will result in improved quality of work and communication between teams.

Number of training hours by employment category and gender:

Trakcja Group:

	Year ended			
	31.12.2021		**31.12.2020**	
	Women	Men	Women	Men
Management Board	0	64	0	8
Senior management	323	816	222	432
Other management stuff	481	1 474	244	1 976
White-collar employees	2 226	4 559	3 488	5 738
Blue-collar employees	0	4 192	0	5 691
Total hours of training per year	**3 030**	**11 105**	**3 954**	**13 845**

Trakcja S.A.:

	Year ended			
	31.12.2021		**31.12.2020**	
	Women	Men	Women	Men
Management Board	0	64	0	8
Senior management	195	696	112	280
Other management stuff	184	747	80	480
White-collar employees	900	1 408	456	416
Blue-collar employees	0	852	0	2 591
Total hours of training per year	**1 279**	**3 767**	**648**	**3 775**

Average number of training hours by employment category and gender in the Group and the Parent Company:

Trakcja Group:

	Year ended			
	31.12.2020		**31.12.2020**	
	Women	Men	Women	Men
Management Board	0,0	12,8	N/A	1,3
Senior management	15,4	12,0	12,3	5,7
Other management stuff	11,7	8,8	9,4	23,5
White-collar employees	7,3	11,3	11,8	11,7
Blue-collar employees	0,0	3,6	0,0	4,6
Total average number of training hours	**8,3**	**6,2**	**11,9**	**7,4**

Trakcja S.A.:

	Year ended			
	31.12.2021		**31.12.2020**	
	Women	Men	Women	Men
Management Board	N/A	12,8	N/A	1,3
Senior management	12,2	14,5	8,6	5,1
Other management stuff	6,6	6,1	4,4	15,0
White-collar employees	4,5	7,0	2,4	1,3
Blue-collar employees	0,0	1,7	0,0	4,8
Total average number of training hours	**5,3**	**4,3**	**2,9**	**4,0**

Occupational health and safety

Trakcja S.A. has established "Work Regulations", which cover OHS issues such as:

- standards for the allocation of working clothes and footwear, protective measures for workers and rules for the management of these measures;
- the list of activities forbidden to women and rules for the employment of young people;
- the list of particularly dangerous works;
- the list of tasks to be carried out by at least two people;
- basic responsibilities of the employer;
- basic responsibilities of employees;
- determination of working time and rules for working time accounting;
- rules for using the employee's holiday entitlements;
- principles of employee responsibility for non-compliance with OHS regulations;
- rules for paying remuneration for work;
- list of job positions on which employee meals should be provided.

OHS preventive actions

The Occupational Health and Safety Management Policy which has been applicable to the Parent Company since 2012 allows for information to be collected in a comprehensive way not only about accidents but also about near-misses. The identification of hazards is used for scheduling training needs and for implementing both corrective and preventive actions. A significant role is played in this process by the OHS coordinators who suport the contract management and perform the tasks of the OHS service.

In 2021, Trakcja S.A. launched an application allowing each employee to record observations and events of near-misses. Throughout the year, employees on contracts reported all incidents, irregularities and good practices that were analyzed and which would allow for development of preventive measures.

The preventive actions include the "Commandments" which were developed by the Parent Company in 2016 and which in a simple and clear manner remind its employees of the principles they must remember before commencing any works. In 2017 the Commandments were transferred to banners and has become part of the construction site's designation. For visitors, the Parent Company has developed the "Information Brochure" which contains, in particular, the rules for behaving at the construction site, and which lists prohibited actions and mandatory protective equipment. Each new person or company entering the construction site must be reported to both the construction manager and OHS coordinator and must become familiar with hazards to which they may be exposed.

In order to structure its actions, the Parent Company has developed the "Long-term OHS Plan" in which the objectives, vision and mission of the OHS services are described along with the methods for their fulfilment.

The Company's vision is to explore development opportunities leading to a high level of OSH culture and the involvement of management level personnel in security matters.

In 2020 Trakcja S.A. has launched on WEBCON platform the OSH application to monitor the risks on the site and react quickly in case of irregularities. The application installed on mobile phones allows to report a problem to OSH staff or to issue recommendations to remove threats while being directly on the site, where it is often impossible or difficult to send an e-mail message. With a mobile notification, supervision receives information of an OSH breach on the contract and is able to respond without undue delay. In addition, the application allows for transparent communication. Since the date of notification it is known what is happening with an irregularity and how much time is needed to remove it. This information is extremely important when there are risks associated with the loss of health or life of workers. In 2021, the OSH staff in Trakcja S.A. carried out more than 800 inspections and issued more than 900 recommendations to correct irregularities which were implemented on an ongoing basis. The system in which recommendations are registered, makes it possible to categorize them and to draw attention to areas in which the Company needs to increase its attention.

In 2021, Trakcja S.A. committed the management level managers to review the OSH conditions at production units on a periodic basis. All "Safety Walks" visits were introduced through the process platform in order to supervise the safety status of the contracts being carried out.

The Parent Company has implemented the two following management systems that are very important from the point of view of rail safety:

1) SMS – Safety Management System

Being a railway carrier, the Parent Company has adopted and implemented the relevant procedures and measures for safe transporting of various goods by rail. All the solutions included in the SMS are intended to ensure that we can, on an ongoing basis, identify two sets of hazards: those that arise in all the areas related to rail transport services, and those resulting from cooperation with other participants in the railway market and other service providers. The SMS procedures ensure, on the one hand, the implementation of risk control

measures, and on the other, allow for the effectiveness of the applied measures to be monitored (in particular, through the audit and internal control system regarding the SMS). The SMS procedures are developed in accordance with the criteria set forth in Commission Regulation No. 1158/2010. Properly developed and effective SMS procedures should ensure, on the one hand, active implementation of risk control measures (solutions introduced by the company, allowing to reduce the identified risk to an acceptable value), and, on the other hand, monitoring the efficiency of applied solutions and constant improvement of adopted procedures, instructions and regulations, in order to maintain the required level of safety of conducted activities.

The procedures define:

- risk control;
- division of responsibilities and ensuring control by the management at various levels;
- employee competence management;
- audits and internal controls;
- reporting and investigation of railway incidents.

2) **Maintenance Management System (MMS)** This is the system introduced by the Company for the safe maintenance management of freight wagons. The maintenance management system includes a set of procedures and instructions aimed at minimizing risks associated with the maintenance of the railway vehicle and, as a result, ensuring that the vehicles maintained are able to move safely on the railway network. The system is intended to ensure that vehicles are maintained in accordance with the maintenance documentation for the vehicle concerned and with the guidelines and regulations resulting from the applicable law, including Technical Specification for Interoperability. The maintenance management system must be developed and implemented by the so-called entities in charge of maintenance.

Safety Culture Declaration

In 2016, the Parent Company signed the Safety Culture Declaration. This project was launched by the Polish Office of Rail Transportation. The key focus thereof is the implementation of safety culture principles in the rail transport industry by encouraging the railway sector operators to have improving safety as their paramount value. By signing this document the Company declared its intention to:

- perceive safety as the paramount value for its employees and organization;
- accept the safety standards and to integrate them into its everyday operations;
- honest and open dealing with weak points, focusing on finding solutions;
- move away from the practice of apportioning blame;
- record and analyse the incidents reported;
- report any type of irregularities or errors;
- reliable internal supervision over the implementation of management system processes;
- continuously improve the management systems through the taking of corrective and preventive actions;
- adopt a zero tolerance approach to any violation of the provisions of law or internal procedures.

In Trakcja Group, regulations on occupational health and safety are set out in the work regulations of individual companies and internal procedures. In a company from Trakcja Group, AB Kauno Tiltai, procedures regarding occupational health and safety have been developed, such as:

- Hazard identification, risk assessment and risk management,
- Organization of occupational health and safety.

OHS training

Due to the specific nature of the tasks performed, the Parent Company's blue collar workers are subject to regular OHS training every year. The engineering and managerial employees are trained every five years, and the administrative employees, every six years. In the course of the training held, the Group endeavours to demonstrate to its employees that safe behaviour at work results in better working conditions and better working method. The Group seeks to improve the safety awareness among its employees.

The educational and preventive process implemented by the Group includes also many other measures, i.e.:

- first aid training;
- refresher training for the management;
- unified construction site labelling and the provision of OHS banners and notice boards;
- identification of locations in which special precautions are required;
- introduction of a new model of personal protective clothing with the enhanced visibility, weather resistance and heat absorbency;
- creation of a tab in the Company's Intranet, dedicated to the occupational safety issues;
- management meetings whose agenda includes in particular the needs associated with the improvement in the job positions and OHS;
- brochures and articles dedicated to the OHS.

Safe Work Leaders' Forum

In 2017, bearing in mind the need to provide for hygienic and safe workplaces, the Parent Company was granted the Safe Work Leader Accreditation issued by the Central Institute for Labour Protection – National Research Institute (CIOP-PIB) and obtained the Safe Work Leader Card. The Leaders Forum is coordinated by the Central Institute for Labor Protection - National Research Institute (CIOP-PIB). Aim of the Forum of Leaders, operating since 1998, is to develop cooperation among its members, as well as employers and employees who, in order to optimise working conditions, apply the achievements of science and technology, in particular, those developed by the CIOP-PIB. The Safe Work Leaders' Forum is also responsible for taking actions aimed at implementing and distributing the results of the long-term programme entitled "Improving work safety and working conditions" and also those of other programmes coordinated by the CIOP-PIB, as well as carrying out research and targeted projects. The effects of the activities implemented in the Company were noticed and appreciated by the Chapter of the Forum, which in 2020 awarded Trakcja with the "Safe Work Leader Gold Card". In 2022, Trakcja will seek to extend this recognition for years to come.

"Visible – Safe" Campaign

Understanding the need for safety not only of employees but also of people moving in the vicinity of the projects, in 2017 the Parent Company launched a campaign entitled "Visible – Safe" and continued it also in 2018. The campaign is addressed to primary school children in the vicinity of the contract execution sites. During the

meetings, children are informed about the rules of moving around the construction site, get to know the machinery and equipment used during the work, and learn about the importance of using reflective elements to improve their safety through better visibility. The meetings are very well received by children, school management and local media.

Accidents at work

In recent years the Company has recorded a reduction in the number of accidents and a reduction in the lost time injury frequency (LTIF), which shows how many accidents happen per million man-hours in the Company.

A summary presenting the type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by gender for the Group and Parent Company is provided below. The accidents took place in Poland and Lithuania.

Trakcja Group:

	Year ended			
	31.12.2021		31.12.2020	
	Women	Men	Women	Men
Number of accidents	1	17	0	21
Accident rate (number of accidents x 1000 by average employment)	1	69	0	23
Number of incapacity for work related to accidents at work	13	690	0	1 221
Number of post-accident days per one accident	13	41	0	58
Fatal accidents	0	2	0	0
Heavy accidents	0	1	0	1
Other accidents	1	14	0	20
Number of registered occupational diseases	0	0	0	1

Trakcja S.A.:

	Year ended			
	31.12.2021		31.12.2020	
	Women	Men	Women	Men
Number of accidents	1	9	0	9
Accident rate (number of accidents x 1000 by average employment)	1	8	0	8
Number of days of incapacity for work related to accidents at work	13	487	0	480
Number of post-accident days per one accident	13	54	0	53
Fatal accidents	0	1	0	0
Other accidents	1	9	0	9

6.3. Risk associated with employment issues

The Company has identified risks in the HR area and has developed specific solutions to minimise them. The most significant risks include:

	Identified risk	Actions minimising the risk
1.	Loss of specialists with unique knowledge and experience	Implementation of mentoring and fostering the knowledge sharing culture.
2.	Loss of employees due to takeovers by competing companies	Introduction of clear remuneration rules, marketisation of pay rates, especially for production employees

3.	Inefficient planning of working time	Introduction of changes in the work regulations in 2021 aimed at optimisation of working time planning and settlement
4.	Lack of correlation between work efficiency and employees' remuneration	Introduction of pay scales in 2021
5.	Employment of people linked to each other ("nepotism")	Introduction of a regulation categorically prohibiting the employment of family members in the organisation
6.	Mobbing and undesirable actions	Implementation of a Policy on Counteracting Undesirable Behaviours in the Work Environment
7.	Incorrect promotions of employees within the organisation	Introduction of 360 assessment for managers, management succession and knowledge sharing activities in 2021

By defining the relevant risks and identifying specific solutions in the processes bearing these risks, the company very quickly initiated a number of solutions to be implemented by the organisation. As indicated in the table above, specific actions have been identified to minimise risks to a maximum residual risk at a level no higher than 4.

The above actions indicate the awareness and maturity of the organisation, which wants to change and build processes at a high level with full use of modern solutions.

7. Systematics for non-financial reporting (EU non-financial taxonomy)

7.1. Basis for preparation and accounting policy

On the basis of:

- ✓ Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment (Regulation 852),
- ✓ Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021 laying down technical eligibility criteria for determining the conditions under which an economic activity qualifies as contributing significantly to the mitigation of climate change or adaptation, and for defining, whether this economic activity does not cause serious damage to any of the other environmental objectives (Regulation 2139),
- ✓ Article 10 of Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021 supplementing Regulation 2020/852 by specifying the content of the presentation of information on environmentally sustainable economic activities to be disclosed by entities subject to Articles 19a or 29a of Directive 2013/34/EU and specifying the method of compliance with this disclosure obligation (Regulation 2178),

The Company and Trakcja Group disclosed data on turnover ratio, capital expenditure ratio and operating expenditure ratio under its activities.

In accordance with Regulation 2178 "economic activity eligible for systematic recognition" means economic activity as described in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, whether or not such economic activity fulfills any or all technical acceptance criteria set out in those delegated acts.

Turnover rate

In numerator the part of the net revenues from the sale of the Company and Trakcja Group has been selected, which qualifies for the following systematics: 6.14. and 6.15. respectively, and within Trakcja Capital Group 7.1., 7.2. and 4.9 additionally. This qualification is in accordance with annex 1 and annex 2 of Regulation 2139.

In the denominator, the Company and Trakcja Group recognized revenues from sales in accordance with IAS 1(82)(a) adopted by the Commission (EC), No. 1126/2008 and they are consistent with sales revenues disclosed in the profit and loss account and note 2.1 of additional information and explanations in Trakcja's financial statements for 2021 year, and for Trakcja Group respectively they are consistent with consolidated sales revenues disclosed in the consolidated profit and loss account and note 2.1 of additional information and explanations in the consolidated financial statements of Trakcja Group for 2021 and in item 2.2 of the Management Report on the Activities of Trakcja Capital Group and Trakcja S.A. in 2021.

Capital expenditure ratio (CapEx)

In numerator that part of the capital expenditure of the Company and Trakcja Group has been selected, which contributes and is used in the process of the activity qualifying for the following systematics: 6.5, 6.14, 6.15 respectively and within Trakcja Capital Group 4.9 additionally. This qualification is in accordance with annex 1 and annex 2 of Regulation 2139.
In the event of investments on cars, machinery and construction equipment, which the Company and the Group are not able to assign clearly to the activity, a proportional allocation method was used. The Group uses cars, machinery and construction equipment for various contracts, both for the activities eligible for the systematics and for the non-eligible activities; in addition, the same machinery can be used on different contracts, both road

and rail. The part of the investment in cars, machinery and construction equipment has been allocated to the various activities in accordance with the proportion of the revenues generated by this activity.

In the denominator, the Company and Trakcja Group recognized investment expenditure in accordance with:

- ✓ IAS 16 Property, Plant and Equipment, point73(e)(i) and (iii);
- ✓ IAS 38 Intangible assets, point 118(e)(i);
- ✓ IAS 40 Investment property, point 76(a) and (b) (for the fair value model);
- ✓ IAS 40 Investment property, point 79(d)(i) and (ii) (for a cost model);
- ✓ IAS 41 Agriculture, point 50(b) and (e);
- ✓ IFRS 16 Lease, point 53(h)

and point 2.7 of the Management Report on the Activities of Trakcja Capital Group and Trakcja S.A. in 2021.

Operating expenditure ratio (OpEx)

In numerator that part of the operating expenditure of the Company and has been selected, which contributes and is used in the process of the activity qualifying for the following systematics: 6.14, 6.15 respectively and within Trakcja Capital Group 4.9 additionally. This qualification is in accordance with annex 1 and annex 2 of Regulation 2139. It was then assessed how these costs/expenses from the denominator could be allocated to the activities eligible for the systematics. The total operating expenditure is allocated to each activity in accordance with the proportion of the revenues generated by this activity.

In denominator, the Company recognized operating expenses in accordance with the guidelines of Regulation 2178. The Company verified operating costs/expenditures and included the following direct non-capitalized costs: related to R&D expenditure, training and development in taxonomy, repair and renovation of buildings, maintenance and repair of machinery and equipment, and costs of staff repairing machinery.

Other information

In this report, the Company and Trakcja Group, in accordance with Regulation 2178, analyzed and disclosed data on the percentage share of activities eligible and not eligible for non-financial taxonomy systematics relating to trading, investment and operating expenditures.

In this non-financial report for 2021 the Company and Trakcja Group did not disclose data on compliance with the systematics. In accordance with Regulation 2178 “economic activity eligible for systematics recognition” is an economic activity which fulfills the requirements of Article 3 of Regulation 852. According to the requirements of the EU non-financial taxonomy, compliance disclosures will be required for non-financial reports for 2022; the Company has taken preliminary steps to meet the specific requirements of the Regulation for the availability of

data and to determine their impact on compliance with the systematics as well as investment strategy and plans of the Company and Trakcja Group.

The Company and Trakcja Group made the calculations for the first time for 2021 and does not have any calculations for the comparable year.

The Company and Trakcja Group did not develop or implement the investment plan referred to in annex 1 point 1.1.2.2. to Regulation 2178.

7.2. Assessment of eligibility for systematics in accordance with Regulation (EU)2020/852

In order to obtain a fair allocation of its business to the list of activities in annexes 1 and 2 to Regulation 2139 the Company and Trakcja Group have verified the extent to which the Company's and the Group's activities are consistent with the business descriptions in the said annexes.

The main activity of Trakcja Group is construction, modernization, exploitation and maintenance of railway roads for the purposes of the railway infrastructure eligible for point 6.14. The second activity of Trakcja Group in terms of revenue generated is the activity eligible for point 6.15: building, modernization, maintenance and exploitation of the road infrastructure necessary for urban transport. Trakcja Group is in possession of PRK 7 Nieruchomości, whose activity is classified under point 7.1 as real estate development and under point 7.2 as construction of buildings. The Company includes to other activities production activities for railway and tram infrastructure and within Trakcja Capital Group it includes energy business not qualified under point 4.9.

In order to achieve a fair allocation of capital and operating expenditures, the Company and Trakcja Group assessed to what extent the costs/operating expenditures incurred will be used in the realization of the activities eligible for systematics and to what extent these are separate codes from annexes 1 and 2 to Regulation 2139.

In order to avoid double counting in the allocation of turnover, capital expenditures and operating costs/expenditures in the KPI numerator in relation to the various economic activities, the Company and Trakcja Group adopted the rule, that when a given item was allocated to the KPI's numerator, it was not recognized in other KPIs' numerators.

The activity of Trakcja Group is mainly based on the execution of construction contracts (rail, road, tram, residential, construction of buildings) obtained under public procurement law and the production activity is mainly performed for the Company's own needs under execution of the given contract.

7.3. Contextual information

7.3.1. Context-sensitive information about the turnover rate

Percentage share of turnover for Trakcja S.A. in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Turnover (absolute value) (thousand zloty)**	**Part of turnover (%)**
Railway transport infrastructure	**6.14**	**580 583**	**73%**
Railway activities		562 934	71%
Energy activities		4 072	1%
Production for railway activities		13 577	2%
Infrastructure supporting carbon efficient road and public transport	**6.15**	**203 309**	**26%**
Road activities		169 602	21%
Activities related to bridges		8 385	1%
Activities related to trams		24 747	3%
Production for tram activities		575	0%
Turnover from environmentally sustainable activities (compatible with systematics) (A.1)		**783 892**	**99%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
...		-	0%
Turnover from activities eligible for systematics but not environmentally sustainable (not compatible with systematics) (A.2)		-	0%
Total (A.1 + A.2)		**783 892**	**99%**
B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS			
Turnover from activities not eligible for systematics (B)		**8 870**	**1%**
Other activities		7 410	1%
Energy activities		1 460	0%
Production for other activities		27	0%
Total (A+B)		**792 762**	**100%**

Percentage share of turnover for Trakcja Group in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Turnover (absolute value) (thousand zloty)**	**Part of turnover (%)**
Railway transport infrastructure	**6.14**	**664 451**	**47%**
Railway activities		643 019	45%
Production for railway activities		21 432	2%
Infrastructure supporting carbon efficient road and public transport	**6.15**	**674 161**	**47%**
Road activities		481 742	34%
Activities related to bridges		167 097	12%
Production for tram activities		575	0%
Activities related to trams		24 747	2%
Transmission and distribution of electricity	**4.9**	**41 414**	**3%**
Energy activities		41 414	3%
Construction of buildings	**7.1**	**35 665**	**3%**
Capacity construction activities		23 045	2%
Property development activities		12 620	1%
Renovation of existing buildings	**7.2**	**453**	**0%**
Capacity construction activities		453	0%
Turnover from environmentally sustainable activities (compatible with systematics) (A.1)			**0%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
...		-	0%
Turnover from activities eligible for systematics but not environmentally sustainable (not compatible with systematics) (A.2)		**-**	**0%**
Total (A.1 + A.2)		**1 416 144**	**99%**
B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS			
Turnover from activities not eligible for systematics (B)		**8 697**	**1%**
Other activities		7 210	1%
Energy activities		1 460	0%
Production for other activities		27	0%
Total (A+B)		**1 424 841**	**100%**

In 2021 Trakcja did not achieve revenues from lease and did not generate other revenues than those listed in the above tables.

The Company and Trakcja Group do not have comparable data for 2020 because the ratio is published for the first time.

In 2021 the Company and Trakcja Group did not issue green bonds and debt securities to finance the identified activities eligible for systematics.

7.3.2. Context-sensitive information on capital expenditure ratio

Percentage share of capital expenditure for Trakcja S.A. in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Capital expenditure (absolute value) (thousand zloty)**	**Share of capital expenditure (%)**
Transport by motorcycles, passenger cars and light commercial vehicles	6.5	4 872	57%
Railway transport infrastructure	6.14	1 109	13%
Infrastructure supporting carbon efficient road and public transport	6.15	238	3%
Capital expenditure under activities that are environmentally sustainable (compatible with systematics) (A.1)		**6 219**	**72%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
...		-	0%
Capital expenditure under activities eligible for systematics but not environmentally sustainable (not compatible with systematics) (A.2)		-	0%
Total (A.1 + A.2)		**6 219**	**72%**
B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS			
Capital expenditure under activities not eligible for systematics (B)		2 364	28%
Total (A+B)		**8 583**	**100%**

The key investment of the Company eligible for systematics in 2021 was the replacement of the car fleet with hybrid vehicles. This investment has reduced CO2 emissions to the atmosphere by 30%. A 30% reduction in emissions is equivalent to a reduction of 71 tons of CO2 that has an impact on climate change and is not emitted into the atmosphere. In order to reduce 71 tons of CO2, we need work of 16,000 trees a year. The Company's objective for 2022 is to continue the policy of changing the fleet to hybrid cars, which as the Company's investment has a direct impact on mitigating climate changes on Earth.

Percentage share of capital expenditure for Trakcja Group in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Capital expenditure (absolute value) (thousand zloty)**	**Share of capital expenditure (%)**
Railway transport infrastructure	6.14	2 171	8%
Infrastructure supporting carbon efficient road and public transport	6.15	14 168	50%
Transport by motorcycles, passenger cars and light commercial vehicles	6.5	4 995	18%
Transmission and distribution of electricity	4.9	666	2%
Capital expenditure under activities that are environmentally sustainable (compatible with systematics) (A.1)		**21 999**	**77%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
…		-	0%
Capital expenditure under activities eligible for systematics but not environmentally sustainable (not compatible with systematics) (A.2)		-	0%
Total (A.1 + A.2)		**21 999**	**77%**
B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS			
Capital expenditure under activities not eligible for systematics (B)		6 411	23%
Total (A+B)		**28 410**	**100%**

In 2021, the Company and Trakcja Group did not acquire tangible fixed assets and intangible assets as a result of a business combination.

All capital expenditures carried out in 2021 result from accepted investment plans of the Company and Trakcja Group for 2021.

The capital expenditure planned for the Company for 2022 amounts to PLN 16,979 thousand, including investments eligible for systematics in the amount of PLN 15,374 thousand, which represents about 91% of the expenditures eligible for systematics.

The capital expenditure planned for Trakcja Group for 2022 amounts to PLN 47,415 thousand, including the investments eligible for systematics in the amount of PLN 37,793 thousand, which represents about 80% of the expenditure eligible for systematics.

In 2021 the Company and Trakcja Group did not issue green bonds and debt securities to finance the identified capital expenditure eligible for systematics.

The Company and Trakcja Group do not have comparable data for 2020 because the ratio is published for the first time.

7.3.3. Context-sensitive information on operation expenditure ratio

Percentage share of operation expenditure for Trakcja S.A. in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Operational expenditure (absolute value) (thousand zloty)**	**Share of operational expenditure (%)**
Railway transport infrastructure	6.14	6 216	73%
Infrastructure supporting carbon efficient road and public transport	6.15	2 176	26%
Operational expenditures on activities that are environmentally sustainable (compatible with systematics) (A.1)		**8 392**	**99%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
...		-	0%
Operational expenditure from activities eligible for systematic but not environmentally sustainable (not compatible with systematics) (A.2)		-	0%
Total (A.1 + A.2)		**8 392**	**99%**
B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS			
Operational expenditure from activities not eligible for systematics (B)		95	1%
Total (A+B)		**8 487**	**100%**

Percentage share of operation expenditure for Trakcja Group in 2021:

A. ACTIVITIES ELIGIBLE FOR SYSTEMATICS			
A.1. Environmentally sustainable activities (compatible with systematics)	**Code**	**Operational expenditure (absolute value) (thousand zloty)**	**Share of operational expenditure (%)**
Railway transport infrastructure	6.14	10 870	43%
Infrastructure supporting carbon efficient road and public transport	6.15	13 249	52%
Transmission and distribution of electricity	4.9	1 089	4%
Operational expenditures on activities that are environmentally sustainable (compatible with systematics) (A.1)		**25 208**	**99%**
A.2 Activities eligible for systematics but not environmentally sustainable (not compatible with systematics)			
...			0%
Operational expenditure from activities eligible for systematic but not environmentally sustainable (not compatible with systematics) (A.2)		-	0%
Total (A.1 + A.2)		**25 208**	**99%**

B. ACTIVITIES NOT ELIGIBLE FOR SYSTEMATICS		
Operational expenditure from activities not eligible for systematics (B)	224	1%
Total (A+B)	**25 432**	**100%**

The Company and Trakcja Group considered, that the costs/operating expenses incurred are of a universal nature, are used in different activities and were allocated by means of a percentage of turnover of the type of activity qualified under systematics. In 2021 the Group incurred costs related to the maintenance, upkeep and repair of machinery and equipment (including costs of employees repairing machinery) in the amount of PLN 23,342 thousand and costs related to the renovation of buildings in the amount of PLN 2,091 thousand.

The Company and Trakcja Group do not have comparable data for 2020 because the ratio is published for the first time.

8. Climate issues

The identified impact of the construction (implementation) industry on climate change has been mainly emissions generated during construction work, in particular from the operation of the machinery and during transport. An important aspect to us is to reduce carbon footprint and to this end we are replacing our fleet with hybrid vehicles.

The direct, monitored impact of Trakcja Group on climate is CO2 emission related to fuel and electricity consumption. The indirect and positive factor is specific nature of most contracts in progress, namely the construction and modernization of railway lines. The railway, tram and energy activities in the Group do not have a significant impact on climate change and therefore have positive influence on climate change mitigation. The above-mentioned activities have an impact on climate change mitigation.

Trakcja Group identifies and calculates emissions affecting climate change using the international tool and GHG Protocol (https://ghgprotocol.org/), which establishes a comprehensive global standardized framework for the measurement and management of greenhouse gas emissions.

Top management sets short-term and long-term goals to reduce carbon footprint and thus reduce the impact of the Company on climate change.

Warsaw, April 27, 2022

Jakub Lechowicz

President of the Management Board

Paweł Nogalski

Vice-President of the Management Board

Arkadiusz Arciszewski

Vice-President of the Management Board

Piotr Mechecki

Vice-President of the Management Board

Jacek Gdański

Vice-President of the Management Board