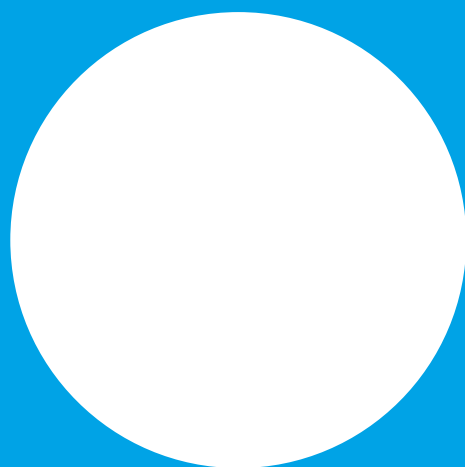




TRAKCJA
PRKiI



INTEGRATED REPORT

2016

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G4-1

Dear Sirs,

We would like to invite you to read the first integrated report drawn up by Trakcja PRKiI S.A., in which we present our activities in the scope of sustainable development. The previous year was a year of serious trail for the construction market in Poland due to the decrease in the value of orders and delays in starting new investment projects. Despite the aforementioned, the company continued the policy of conducting sustainable activity and organic development at the same time aiming at deepening the trust of our stakeholders. In 2016, we effectively implemented procedures resulting from the European Union directives MAR - Market Abuse Regulation and MAD - Market Abuse Directive, stipulating new standards of company's transparency. Furthermore, entering the group of responsible companies Respekt Index listed on the Warsaw Stock Exchange, we confirmed high management standards, among others, in the scope of corporate balance, social responsibility and ecology. In the past year we implemented activities aimed at assessing and decreasing the construction process risk by reinforcing the system of control and quality improvement in compliance with the principal's expectations. We significantly increased specialist performance potential as a result of which we extended competences, increased independence and the ability to quickly react to dynamic changes in the environment. Simultaneously, we improved our new business model and changed human resources structure by significantly reinforcing company's technical and engineering resources as well as we executed several innovative projects. By executing the above we are constantly monitoring the level of occupational safety and health at the company and we join initiatives aimed at the work safety culture development. As a construction company and certified railway carrier, we adhere to high safety management standards necessary for independent transport. Continuous assessment of the impact on the natural environment constitutes an important part of our activity.

It is also related with maintaining regular contacts with local communities and presenting an open approach to signals coming therefrom. We have high requirements from our employees and contractors in the area of ethics and we do not tolerate dishonest attitudes. Furthermore, we are constantly and systematically communicating any important events taking place in our organisation and thus, we are building sustained trust of our stakeholders.

I am fully convinced that reading this Integrated Report for 2016 will constitute an important source of complex information on Trakcja PRKiI S.A. and further progress in the area of sustainable development.

On behalf of the Company's Management Board
Jarosław Tomaszewski
President of the Management Board
Trakcja PRKiI S.A.



OUR COMPANY

KEY FACTS

G4-5 G4-9

Trakcja PRKiI S.A. (hereinafter referred to as the “Trakcja PRKiI”, “Company”, “our Company”) is one of the largest companies operating in the infrastructure construction and energy sectors in Poland. The headquarters of Trakcja PRKiI S.A. is located in Warsaw at ul. Złota 59. The Company is the parent company in the Trakcja Group. The ultimate controlling party 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.

Trakcja PRKiI in 2016 roku

Net profit of PLN 29 million	EBITDA of PLN 22 million
Gross profit of PLN 39 million	Sales revenues of PLN 826 million
Total assets of PLN 1 billion	46 completed contracts totalling to PLN 1.1 billion
937 employees	EXPANSION INTO NEW MARKETS



KEY ACHIEVEMENTS

One of the Company's major achievements in 2016 is the revival of its order book. We extended the best offer in 82 contracts which totalled PLN 1,638 million, including pending contracts of PLN 908 million as at December 31, 2016 (the contract amounts specified include the construction works allocated to consortium members).

Despite an increase in the revenues and the acquisition of BTW Sp. z o.o., the Company also succeeded in keeping the debt ratio at a low level (0.38, as compared to 0.35 in 2015). The Company's net debt was PLN 52 million as at December 31, 2016.

FOR THE FIRST TIME IN RESPECT INDEX

In 2016, our Company was included for the very first time in the index of sociably responsible companies (RESPECT Index), whose composition was announced for the 10th time.

"The RESPECT Index is the first index of socially responsible companies in the Central and Eastern Europe. The project was launched by the Warsaw Stock Exchange in 2009, a year in which the index composition was announced for the first time. The RESPECT Index portfolio covers Polish and foreign companies listed on the WSE Main Market. The companies that can aspire to become included in the index are those with the highest liquidity, i.e. those included in the WIG20, mWIG40 or sWIG80.

The companies included in the index are those screened by the WSE and the Polish Association of Listed Companies (SEG) in a three-stage process of review, whose investor relations are perfectly managed through the use of their current and interim reports, as well as their websites. They are also socially responsible towards environment, community and employees, which is analysed based on the questionnaire which is revised by the project auditor."



(Source: www.odpowiedzialni.gpw.pl)

COMPETENCES

Our Company specialises in various infrastructure construction areas such as:



Construction and comprehensive modernization of railway infrastructure, including tracks and a traction network, engineering facilities, platforms and railway stations, together with elements of small architecture.



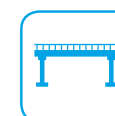
Construction and modernization of streets, roads, highways and surrounding infrastructure: walkways, cycle paths or lighting. Production of bituminous mass and concrete.



Construction of low and medium voltage switchgear for power supply of railroads, trams and trolleybuses. Manufacturing of support structures for traction networks.



Construction and modernization of traction substations for railways and public transport such as trams or trolley buses. Construction of cable and overhead power lines of medium and low voltage.



Construction and modernization of bridges and viaducts.



Construction of housing estates and cubature buildings of various uses.

SCOPE OF ACTIVITIES

G4-6 G4-8

In the year 2016, the Trakcja Group strengthened its position on the home markets: Polish and Lithuanian, and continued expansion into the Swedish and Latvian markets. In addition, Trakcja PRKil has opened a unit in Bulgaria that monitors the local market and the markets of other Balkan countries.

Type of activities in the state:



Railway



Road



Energy



Cubature



Bridge



Production



Organizational units of the Trakcja Group





OUR SELECTED PROJECTS

We are an innovative company which is always looking for new solutions and is ready to implement the latest technology. In June last year we have completed and successfully initiated the process of the switching of the overhead contact system voltage at the Warsaw Commuter Railway (WKD) from 600 V to 3 kV, which was designed and developed entirely by our Company.

In September 2016, we have initiated the first in Poland, and second in Europe storage of energy obtained from renewable sources, which was connected to the electric power grid in the Pomorze region, near Puck. This solution gained acclaim at the Power Industry Fair in Bielsko – Biała, and was awarded with the cup of the Chamber of Commerce for Energy and Environmental Protection. This project was developed by a consortium of companies, under the leadership of Qumak S.A. Our responsibilities included the design and production of battery racks, disconnecter cabinets, and the arrangement of various types of equipment.



Our Company has implemented a unique solution at the largest railway station in Poland – the Łódź Fabryczna station. The solution is the most advanced passenger information system, which is integrated with the station's safety system, and sets new standards in this respect.

COMPANY'S CORPORATE BODIES

AS AT DECEMBER 31, 2016

G4-34

MANAGEMENT BOARD



MAREK KACPRZAK
Vice President of the Board
Marketing and Production
Preparation Director



JAROSŁAW TOMASZEWSKI
President of the Board
Chief Executive Officer



PAWEŁ NOGALSKI
Vice President of the Board
Chief Financial Officer

SUPERVISORY BOARD

DOMINIK RADZIWIŁŁ – Chairman of the Supervisory Board
JORGE MIARNAU MONTSEERRAT – Deputy Chairman of the Supervisory Board
MIQUEL LLEVAT VALLESPINOSA – Member of the Supervisory Board
WOJCIECH NAPIÓRKOWSKI – Member of the Supervisory Board
FERNANDO PEREA SAMARRA – Member of the Supervisory Board
MICHAŁ HULBÓJ – Member of the Supervisory Board
ŁUKASZ ROZDEICZER-KRYSZKOWSKI – Member of the Supervisory Board

AUDIT COMITTEE

WOJCIECH NAPIÓRKOWSKI – Chairman of the Audit Committee
FERNANDO PEREA SAMARRA – Member of the Audit Committee
DOMINIK RADZIWIŁŁ – Member of the Audit Committee

REMUNERATION COMMITTEE

DOMINIK RADZIWIŁŁ – Chairman of the Remuneration Committee
MICHAŁ HULBÓJ – Remuneration Committee Member
MIQUEL LLEVAT VALLESPINOSA – Remuneration Committee Member



RISK MANAGEMENT

G4-2 G4-14

RISK RELATED TO THE CONSTRUCTION SECTOR

Construction is a high-risk industry. Let's think only of two factors: weather conditions, unforeseeable in the long term, and underground construction hazards (undocumented technical infrastructure facilities, water tanks, sites of archaeological interest, etc.). In such circumstances, risk management may not only be of considerable significance, but also a source of competitive advantage. Poor risk management plunges construction companies into financial difficulties and in extreme cases is even responsible for their bankruptcies. Furthermore, due to the ever increasing requirements of contracting entities in that respect, a risk management system is a must.

RISKS AND RISK MANAGEMENT SYSTEM AT TRAKCJA PRKiI S.A.

In response to these challenges, we have developed a risk management system that covers the whole company (macro risks) and follows a methodology which includes:

- definitions,
- risk management objectives,
- identification, description, measurement and assessment of risks,
- risk prioritisation,
- reactions to risk (control mechanisms),
- risk monitoring,
- reporting and improving review.

The risk management system is intended for all managers and key employees, as it should be widely known, understood and applied, if it is to meet its objectives. In order to strengthen the commitment to the risk management system, we have introduced an attractive incentive system for selected groups of employees strongly interrelated with their professional achievements.

IDENTIFICATION AND ASSESSMENT OF MACRO RISKS

Having analysed several various sources of information, we identified 28 significant macro risks (affecting the whole company) and divided them into strategic, financial and operational risks. The macro risks identified may include such risks as a significant decrease in the rail and road construction market size, a lack of capacities to implement the Company's strategy; insufficient capital expenditure on equipment necessary for the completion of construction contracts, non-optimum use of resources, a decrease in ability to acquire new construction contracts, and a failure to obtain administrative decisions necessary for the completion of construction contracts by the required deadlines. Each risk was assigned one person responsible for the risk concerned ("risk owner"). Next, the macro risks were assessed according to a scale of joint criteria (probability and consequence), which resulted in an initial risk level being established. After that, each risk was assigned control mechanisms (i.e. repetitive ways of dealing with risks) used by the Company and their impact on the initial risk was analysed. This way, the residue risk was assessed, which was to a large extent independent of the Company's activities.



The aforementioned information was summarised in the synthesis report entitled “Risk Profile” which was drawn up and implemented in the Company and which presents all the aforementioned data comprised on a single sheet. Another element of the macro risk management system is the Risk Matrix which includes individual risks. It provides a quick view of risks: which of them is critical, significant and less hazardous.

INITIAL RISK MATRIX (consequences * probabilities)

PROBABILITY	High (3 pt.)	3	6	9 S1 F3
	Moderate (2 pt.)	2	4 O2 O4 O5 O7 O8 S3 S4 S6 O11 F1 F2 F5 F6 F8	6 O1 O3 F4 S2 S9
	Low (1 pt.)	1	2 O10	3 S5 S7 O6 O9 F7
		CONSEQUENCES		
		Low (1 pt.)	Moderate (2 pt.)	High (3 pt.)

S1-S9 - strategic risks
F1-F8 - financial risks
O1-O11 - operational risks





HOW IS THE MACRO RISK MANAGEMENT PROCESS TO BE ORGANISED?

1. The “risk owners” (managers) receive a risk update reminder sent by the Organisational Department twice a year, in March and September. They are also provided with the Risk Matrix and “Fraud” survey for completion, as well as with an invitation to the next meeting dedicated to risk management in the Company.
2. A month later, the Management Board holds a plenary meeting about all the risks for the management. During the meeting the “risk owners” present the results of their analyses, including the risk assessment, effectiveness of the control mechanisms (reactions to risk) applied and the further action proposals intended to enhance the efficiency of the risk management process. The results of the analyses conducted are subject to discussion, which results in their being approved or adjusted.
3. After the meeting, the Organisational Department promptly draws up minutes of the meeting, which are enclosed with: The Company’s Risk Matrix and the “Fraud” survey results. After the approval of the minutes by the Management Board, the Organisational Department sends them to the parties concerned for their information.

IDENTIFICATION AND ASSESSMENT OF RISKS IN CONSTRUCTION CONTRACTS

Apart from the macro risk management system (at company level), the Company is to implement the risk management system in construction contracts (micro risks). It will be developed in keeping with the same methodology as applied to the macro risk management system. It will comprise the following:

- Contract Risk Sheet (adverse event),
- Contract Opportunity Sheet (positive event),
- Risk and Opportunity Impact on the Contract’s Gross Margin Table,
- List of Opportunities for the Contract.

HOW IS THE RISK MANAGEMENT PROCESS FOR THE CONSTRUCTION CONTRACTS TO BE ORGANISED?

1. Each Contract Manager and the Management Board meet once a month in order to discuss the contract completion status.
2. Each meeting’s agenda includes the contract risk management issues. The Contract Manager presents the risks using the Risk Sheet Update (which is a summary of information included in the Contract Risk Sheets) and the List of Opportunities for the Contract.
3. After the meeting, the Organisational Department promptly draws up minutes of the meeting, which contain the key conclusions and recommendations of the Management Board for the future. After the minutes have been approved by the Management Board, they are sent to the parties concerned for their information.



INTERNAL CONTROL SYSTEM AT TRAKCJA PRKii S.A.

Control means any measure taken in order to verify whether something functions in accordance with the assumptions, objectives or purposes defined.

Internal control in a company means any measure taken by the company's organisational units in order to verify:

- whether the processes function as designed, and in particular, whether the repetitive methods (mechanisms) for preventing irregularities which may occur in the processes are efficient?
- whether the processes have been designed accurately (logically and economically)?

In order to control such risks, the internal control system will be implemented, which will consist of the following 7 elements:



Internal Audit will be the “heart” of the system and will formally coordinate cooperation between other organisational (control) units. The coordination will be ensured by the Organisational Department. The IT support for audit work will be provided by the IT Department.





ETHICS AND PREVENTION OF CORRUPTION

G4-56 DMA-EN G4-EN34 DMA-LA G4-LA16 DMA-SO G4-SO11

Due to its nature, the construction industry is significantly more exposed to corruption and fraud than other branches of economic activities. The implementation of a construction project worth hundreds of millions Polish zlotys, using many types of mass materials and many types of specialised machinery, sometimes over several years, involves the deployment of high-value assets whose control 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 get benefits. In this sense, bribes are not only money and objects, but also promises of benefits.

In order to minimise the risk of corruption, we are to take a series of interconnecting actions under the “Anti-corruption and Anti-bribery Programme”, which comprises:



KEY ETHICAL PRINCIPLES

We support and follow the following set of simple principles:

- “Zero tolerance”,
- “The boss sets a good example”,
- “Education is better than punishment”,
- “Prevention of fraud brings benefits”.

We believe that 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 Company's operations. These principles are the final and fundamental point of reference for our employees as far as ethical and non-ethical behaviour is concerned.

CODE OF ETHICS

Based on common values that have been shared by our employees for years, in 2016 we developed and adopted the Code of Ethics of Trakcja Group. Our aim was to make the Code of Ethics functional and to the greatest extent possible helpful to our employees seeking advice on how to behave in certain professional circumstances, important for the Company because of its reputation and respect for the rights of its employees and also financial performance.

Our Code of Ethics focuses on the following values:



Under the Code of Ethics, employees are obliged to notify their supervisor or directly the Internal Audit Manager of any irregularities or lapses detected in the provisions of the Code of Ethics. In 2016, such notifications were not received.



Our Code of Ethics includes provisions that govern the quality and safety of data and the obligation to cooperate in emergency or critical situations and also the sharing of knowledge with successors. As demonstrated in the table below, some of those provisions, due to their significance, are to be implemented in Job Descriptions.

Provision	Code of Ethics	Job description
"Employees shall be obliged to share their entire professional knowledge with their successors. Failure to do so shall be regarded as unethical behaviour resulting in adverse consequences for the employee concerned."	X	X
"Employees shall be obliged to provide high-quality source data which are the basis for analyses carried out, and in particular are intended for the Company's management in order to enable them to make business decisions. Failure to do so shall be regarded as unethical behaviour resulting in adverse consequences for the employee concerned."	X	X
"Employees shall be obliged to back up all their files on a regular basis in order to protect the Company's data from hostile acts by IT criminals. Failure to do so shall be regarded as unethical behaviour resulting in adverse consequences for the employee concerned."	X	X
"Employees may not refuse to help other co-workers in any emergency or critical situation without specifying in advance a serious reason for such behaviour to their supervisors, unless such a request relates to basic skills at the workplace and can be complied with by the person requesting help without any problems."	X	
The Company does not tolerate any rudeness, laziness or lack of loyalty on the part of its employees towards the Company itself and other employees.	X	
The Company does not tolerate any fraud that involves its employees. It is important to be aware that unsatisfactory working time use, evasion of work or unjustified overtime shall be treated as theft of time (from the Company) and as an exposure of the Company to financial losses.	X	

ANTI-CORRUPTION EDUCATION AND EMPLOYEE STATEMENT

Each newly employed person undergoes training in adapting in new workplaces, during which they become familiar with the key ethical principles and the examples of corruption behaviour. In addition, during the employment relationship, employees may ask their direct supervisors or HR Department Manager to explain any ethical doubts they have or to advise them on how they should behave in certain situations.

We also aim at providing our employees, on a yearly basis, with a "Fraud" survey, which contains ca. 30 questions regarding all the most important aspects of pathologies and crimes that may be committed in a company. The questions will cover, in particular, such issues as: implemented ethical standards, fraud identification, fraud prevention through education, business areas, segments and locations of the Company's operations 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 Company attempts to have an so called 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. The Company guarantees that any information provided by such an employee shall be kept confidential.

FRAUD SIGNALLING CHANNEL

It is well known that the estimated losses of companies caused by corruption are measured in millions of Polish zlotys. Our Company 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 will be 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.

FRAUD SCHEME ANALYSIS

The Company's Management Board shall appoint persons responsible for carrying out fraud scheme analyses (if such are detected) and for announcing the outcomes of such analyses to the indicated groups of employees. It nis aimed at recognising mechanisms of behaviour of potential fraudsters and at taking appropriate corrective actions such as rotation of employees on job positions.

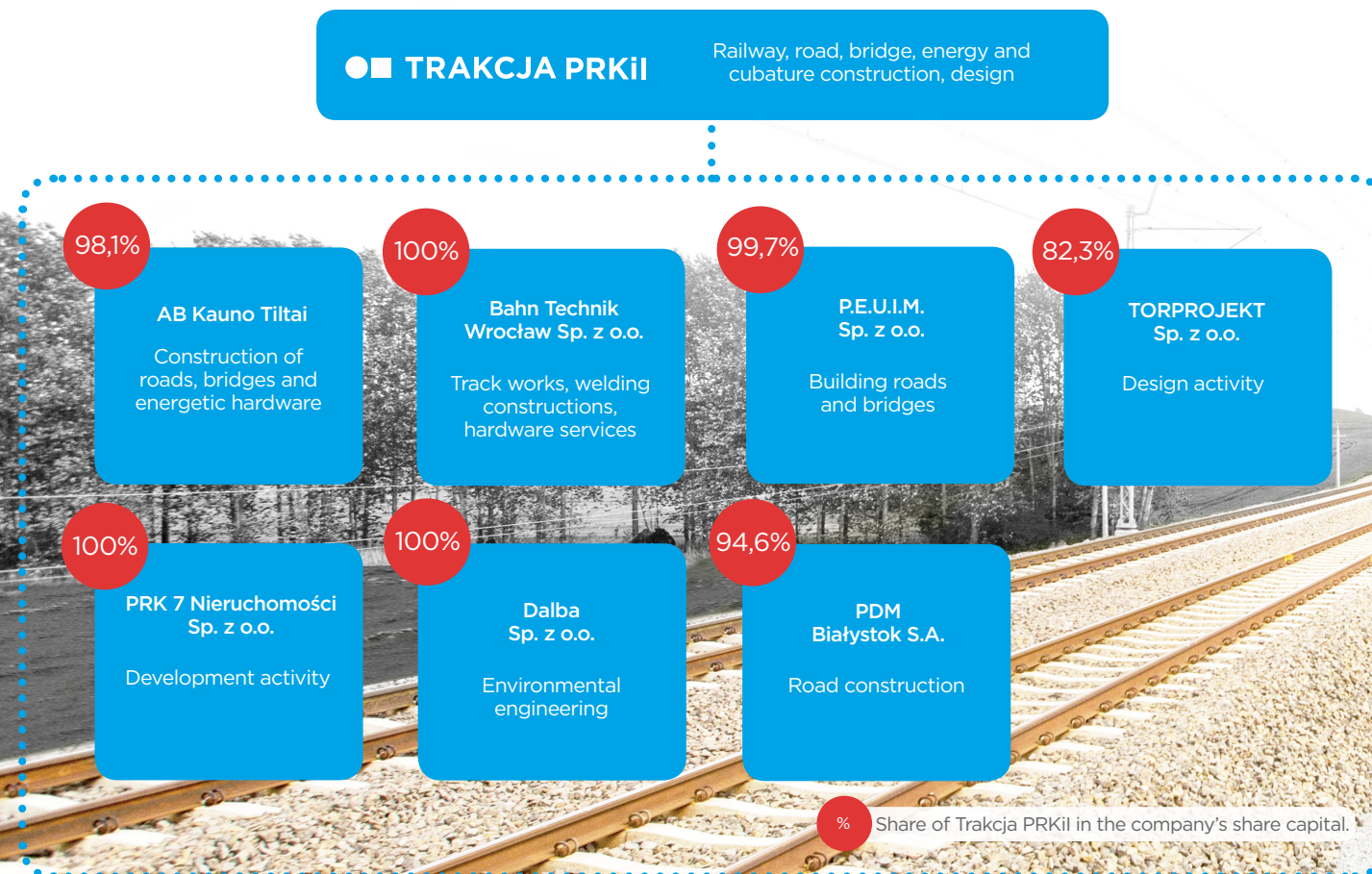


STRUCTURE OF TRAKCJA GROUP

G4-13 G4-17

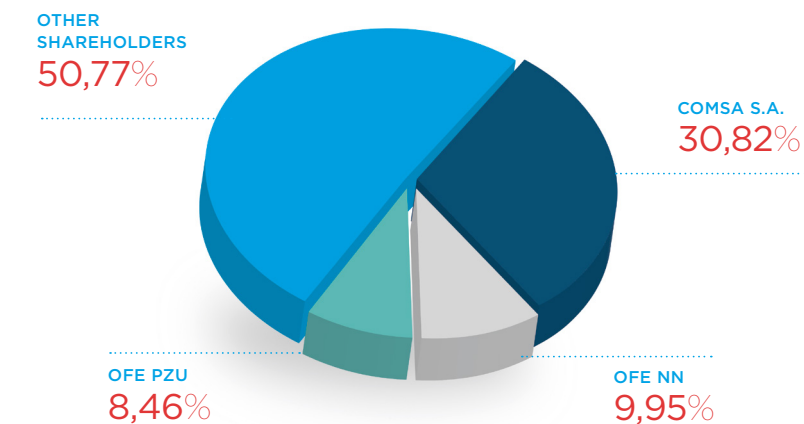
As the parent company of Trakcja Group, the Company prepares consolidated financial statements that include the financial data of all members of Trakcja Group. The consolidated financial statements of Trakcja Group are available at www.grupatrakcja.com in the tab entitled Periodic Reports.

Our Company is the parent company in Trakcja Capital Group, whose structure is as follows:



SHAREHOLDERSHIP

G4-7 G4-13



The company is listed on the stock exchange since **04.2008**

Number of listed shares: **51 399 548**

Shareholder	Number of shares	% share in initial capital	Number of votes	% share in votes at GSM
COMSA S.A.	15 843 193	30,82%	15 843 193	30,82%
OFE Nationale-Nederlanden	5 111 908	9,95%	5 111 908	9,95%
OFE PZU	4 349 650	8,46%	4 349 650	8,46%
Other shareholders	26 094 797	50,77%	26 094 797	50,77%
Total number of shares	51 399 548	100,00%	51 399 548	100,00%



GOOD PRACTICES

The Company complies with the recommendations and corporate governance standards specified in the document entitled “Good Practices of Companies Listed on the WSE 2016”. Information on any derogation from this has been detailed in our Annual Report for 2016.

RELATIONS WITH STAKEHOLDERS

G4-8 G4-9 G4-24 G4-25 G4-26 G4-27

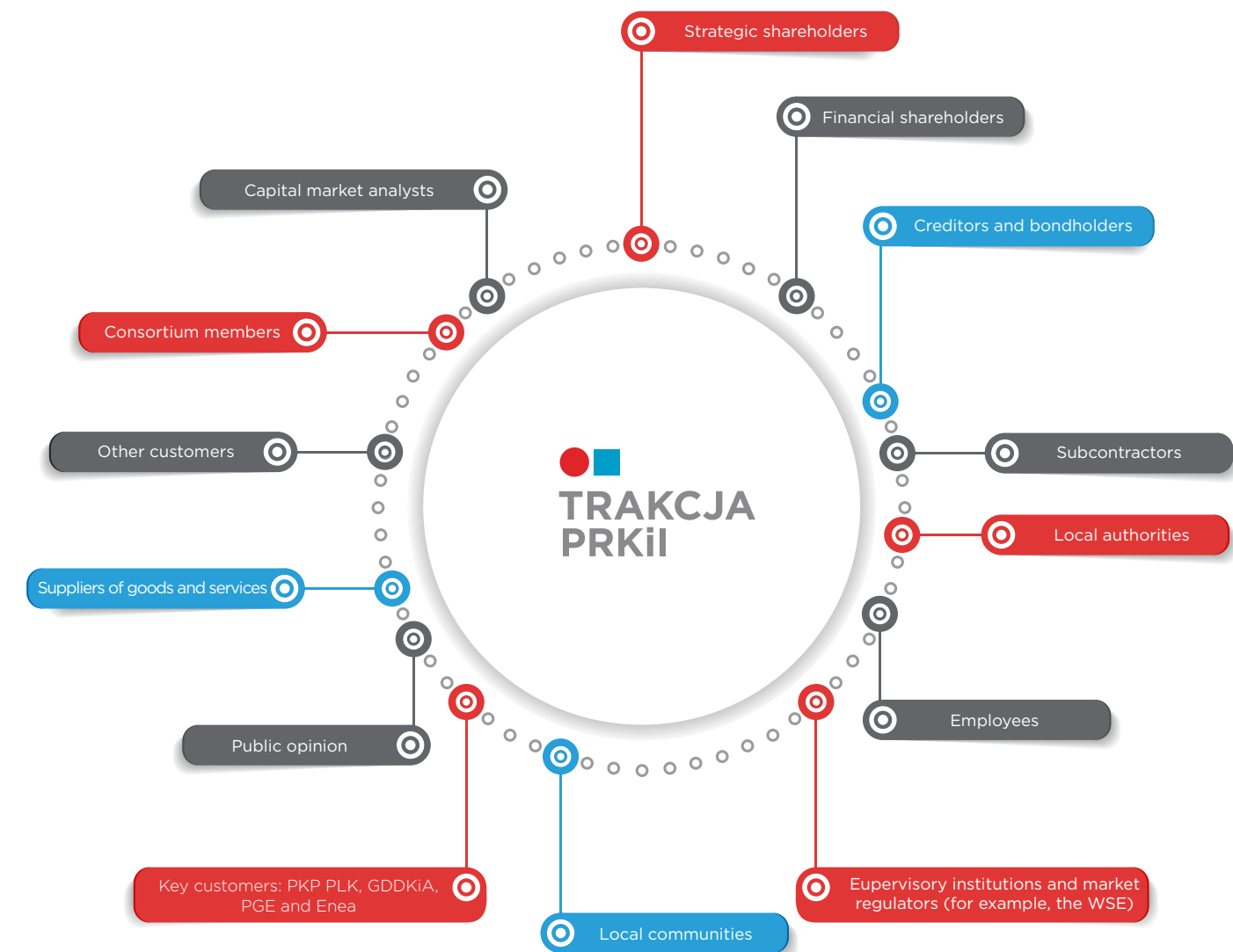
We know that our business has a significant impact on the environment, in which many of our stakeholders operate. We make continuous efforts to keep in contact with all the groups of our stakeholders on a regular basis and to make sure that our communication with them is effective. We are open to any signals from the environment and we endeavour to react to them as quickly as possible. We communicate on a cyclical and ongoing basis and react to any need reported in that respect. The Company appointed persons who know best what the expectations of the groups of stakeholders are and who therefore are responsible for communicating with the stakeholders. This way we have found out which aspects of social responsibility are important to our stakeholders and therefore we implemented measures matching the needs identified, such as regular meetings with investors or media, or engagement in business contacts which Polish authorities have abroad, for example, in Bulgaria, where Trakcja PRKiI has established an organisational unit.

The Company's relations with its stakeholders are of a dynamic nature and evolve over time, depending on the market conditions or pending contracts. In order to maintain the best possible relations with our stakeholders, we focus on dialogue and transparent communication.

Knowing social expectations, we are able to react to the needs of our environment faster and with more precision. We monitor the perception of our Company on a current basis, which enables us to understand the expectations of our stakeholders and to rapidly take measures allowing us to differentiate ourselves from the competition.

By taking part in local projects, our Company remains sensitive to local needs and endeavours to support 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 co-funding local initiatives.

A wide range of our stakeholders includes:





COMMUNICATION CHANNELS WITH THE STAKEHOLDERS

Through various communication channels we maintain continuous and active dialogue with our environment. The information policy is followed in two areas:

Formal Communication

It is an obligation imposed on companies listed on a stock exchange. The information obligations imposed by the provisions of the Regulation of the Minister of Finance are met through the use of the ESPI system and the Company's website www.grupatrakcja.com.

Reports

published on the Company's website are wide-ranging and constitute a source of essential data for shareholders, investors, banks, insurance companies, financial supervisory institutions and media related thereto. In order to reach to this group of stakeholders, the Company has also been holding cyclical information meetings, which were introduced half way in 2015, with the representatives of shareholders, investment funds, banks and insurance companies. In addition, our Company participates in information meetings held by brokerages for financial institutions.

Informal communication

This kind of communication is supplementary to the communication obligations imposed by the provisions of law, and its tools and procedures are tailored to the sensitivity of its recipients. For example, the stock exchange communications are supplemented with meetings with analysts, representatives of financial institutions, insurance companies and banks, which are held independently or in collaboration with brokerage firms and give an opportunity for obtaining direct and detailed information about the Company's operations.

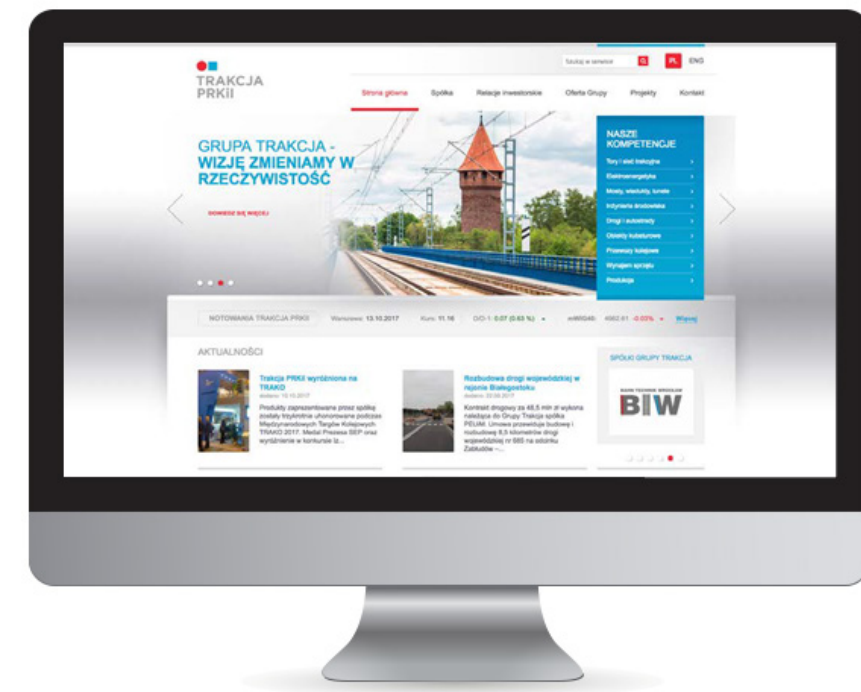
In addition to stock exchange reports and media releases, the Company also hold periodical media briefings with business journalists, during which it presents its key data essential to the capital market participants and the economic environment. The media team maintains continuous relations with business media houses. This enables the Company to make its standpoint known on any of the current industry-related issues or to meet the requirements of local communities. The annual media publications relating to the Company exceed 20 thousand.

Image communication

This kind of communication allows the Company to make important publications available to the strictly defined target groups.

Website

The Company's website is intended for publishing regular news in the form of current and interim reports, and media releases concerning the contracts signed and the work completion status.



Trakcja Group on youtube

This channel of communication allows for information available on the Company's website to be expanded through the presentation of videos providing information on the operations of Trakcja Group.



Industry events

We take part in the most important trade fairs, namely TRAKO International Railway Fairs, Innotrans, Energetics, and Energetab Energy Fairs.

Publications

Our Company releases various publications both in paper and electronic form. They include annual reports, Group's presentations and detailed brochures regarding switchboards manufactured by Trakcja PRKiI.



Non-verbal communication

The Company has a transparent visual identification system for its facilities, constructions sites, vehicles, construction machines, locomotives, specialised track machines and employee clothing.



Relations with local communities

We place great importance on our relations with local communities in whose neighbourhoods we carry out our construction works. The construction works are prepared and carried out in consultation with local authorities.

Intranet

In order to improve communication between its employees, the Company introduced an Intranet system called Trakcjonet. This internal information exchange platform is a knowledge base that enables the employees in various locations in Poland and abroad to access the Company's important documents and to download them directly.





MARKET SITUATION, OPPORTUNITIES AND THREATS

G4-2

Construction market situation with prospects for slight growth.

After a two-year growth, the construction and assembly output in Poland fell by 15.3% (as compared to an increase by 2.8% in 2015), which had an adverse impact on the infrastructure construction industry that experienced a decline of 19.0% (YoY in current prices). The key culprit of such an adverse outcome was the rail construction industry, which experienced a drop by 49.8%. It is expected that the construction market in 2017 will be of dynamic changes with slight prospects for growth. A much higher growth resulting from the construction works carried out under the contracts co-financed under a new EU perspective is expected between 2018 and 2020.

Our Company tries to increase the scale of its operations, financial strength and potential of contract implementation, and to become a leader of the Polish rail market in the construction and assembly services. The prospects for the rail construction industry are relatively optimistic. In November 2016, the Polish government adopted the updated “National Railway Programme up to 2023”. In accordance therewith, between 2015 and 2023 PKP PLK will implement projects included in the main list worth PLN 63.7 billion. The reserve list includes over 70 projects worth ca. PLN 35 billion, whose implementation depends on the potential savings made.

The “National Road Construction Programs for 2014-2023, including the prospects up to 2025” was approved in September 2015 and envisages expenses in the amount of PLN 107.1 billion. The list of investment projects includes works with the total length of 4,783 kilometres. According to information provided by the Ministry of Infrastructure and Construction in January 2016, the implementation of this program will require significantly higher funds, i.e. in the amount of PLN 198 billion. As a result, the government authorities decided to start working on the cost-effective solutions to be implemented to the programme and on giving priority to selected investment projects. Simultaneously, due to the planned acceleration of the contract award procedure and the entry of the contracts from the “design and build phase” to the “construction” phase, GDDKiA expects to increase the dynamics of expenses intended for road works in 2017. The objective for 2017 is to incur expenses of around PLN 23 billion in that area.



Prospects for the professional energy industry are also positive. In accordance with the development plans adopted by the administrators of the national electricity grid (Polskie Sieci Elektroenergetyczne), the investment projects scheduled for 2016-2025 are estimated to be PLN 13 billion.

The biggest threats to the Company’s operations come from the current economic situation in Poland.

According to the Ministry of Family, Labour and Social Affairs, the unemployment rate at the end of 2016 was 8.3% and further decreased to 7.1% at the end of June 2017. Increasingly falling unemployment causes, on the one hand, difficulties in finding suitably qualified staff and, on the other, continuous upward pressure on wages, therefore leading to a reduction in margins on the construction contracts that are carried out.

Another key factor is the so-called “investment gap” which appeared in 2016 between the subsequent EU perspectives, further widened by delays in launching tenders by PKP PLK and GDDKiA. Recently, our direct competition in the form of both general contractors and completely new market players in the infrastructure construction industry has also grown significantly. The aforementioned challenges, namely the reduced order book of the majority of entities operating on the market and the increase in competition have resulted in an aggressive price war starting every time a contract notice has been published. The majority of contracts have been awarded significantly below the investor’s budgets, as a consequence of which the industry’s profitability is expected to be lower in the upcoming years.

Owning to the expected acceleration in the implementation of the investment projects, the national market of subcontractors has also changed. Similarly to the situation on the employment market, the entities that carry out construction projects have more and more difficulty finding subcontractors, which also results in the prices paid being higher and the margins generated being lower.

We expect that our expansion on foreign markets will bring us significant benefits in future.

We believe that the emerging markets and the markets that are to be covered by the following EU financial perspectives have a huge potential. In 2016, we opened an establishment in Bulgaria, and in the first half-year of 2017 we set up three companies and one establishment in Ukraine. We also take measures aimed at expanding our activities on other markets, including the Scandinavian and the German ones.

CSR GOALS

G4-2

In 2016, the Company defined its objectives within certain areas of activities in the adopted CSR strategy.

Area of activities	Objective
Fair operating practices	<ul style="list-style-type: none">• Implementation of the Zero Tolerance for Fraud Programme• Adoption of the Code of Ethics
Labour practices	<ul style="list-style-type: none">• Improvement of the occupational health and safety management system• Satisfaction survey
Improvement of customer relations	<ul style="list-style-type: none">• Customer dissatisfaction survey• Stakeholder expectation survey
Efficient management of natural resources	<ul style="list-style-type: none">• Improvement of the natural resource management system• Waste monitoring management
Social commitment and development of local community	<ul style="list-style-type: none">• Implementation of the Helpful Hand Programme [pol. Pomocna dłoń] and the Quarter for Health Programme

Goal achievement in 2016: we adopted the Code of Ethics, improved the occupational health and safety management system and natural resource management system within the integrated management system. The Company manages its waste monitoring.

In 2016, due to the prolonged investment gap in the rail industry, the Company started to intensely diversify its activities. The increased activity in the road industry, the establishment of several new units in Poland and the entry to another industry, i.e. the energy sector, resulted in the Company being unable to achieve its remaining goals in 2016. We plan to take actions to achieve all the goals in 2017 and 2018.



BUSINESS MODEL

G4-4 G4-6 G4-9 DMA-EC G4-EC7

Trakcja PRKil S.A. has over 70 years of experience of implementing multi-sector infrastructure investment projects related to rail transport. In recent years, the Company has regularly incorporated in its structures many subsidiaries and as a result has expanded its competences and gained both experienced staff at every level of management and the specialised equipment. Simultaneously, in particular, after its successful IPO on the Warsaw Stock Exchange in April 2008, the Company has embarked on a path to the highest management standards and the creditworthiness on the capital market. Nowadays, our Company enjoys a high level of confidence expressed by financial institutions and insurance companies, as well as the acknowledgement of its customers which perceive the Company as a reliable and responsible entity.



Our core activities are the organisation and carrying out of construction and installation 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 traction network and power network equipment. The Company operates in Poland and has a branch in Bulgaria.

A wide spectrum of construction and installation works and also the manufacture of traction network and power network 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 following international standards:

- ISO 9001 – quality management,
- ISO 14001 – environmen management,
- ISO 18001 – safety management,

which collectively form the Integrated Management System which is assessed and certified on a regular basis by an independent certification body of TÜV SÜD Management Service GmbH with its registered office in Poznań.



Our industrial manufacturing includes the structure welding processes, and therefore our Company are covered by the internal compliance assessment system which is required by law if any construction goods used in EU countries are manufactured. This system is certified by UDT CERT for compliance with PN-EN ISO 3834-3:2007.

Our goal is to continuously maintain a high level of services in the design, construction and manufacture of equipment. We aim to achieve this goal by providing our customers with goods and services that meet their needs and comply with the applicable standards, and whose quality is high and price attractive.

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

It is especially important to us:

- to render services at the quality level agreed on with our customers,
- to ensure 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,
- to supervise continuously and efficiently 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 the facilities are free from failures and that future users will be safe,
- to increase continuously the competences of our management through external and internal training, further education for employees and the effective use of the knowledge gained,
- to verify and assess our providers of materials, services and also subcontractors that begin cooperating with us in order to eliminate any risks associated with unreliability,
- to cooperate with subcontractors and suppliers which meet our quality standards,
- to upgrade our machinery in order to enhance the competitiveness of our business,
- to prioritise proper communication with our customers and provide them with reliable information about all aspects of the works carried out, simultaneously ensuring that any information concerning our cooperation with customers remains confidential.

We are a company which is very important in terms of the assurance of adequate technical conditions for the maintenance of railway traffic, and the modernisation and construction of railway lines in Poland. For nearly 10 years we have been one of the leaders of this sector, by carrying out tens of contract each year.

Approximately 20% of the total length of railway lines prepared for the Pendolino trains, including the major sections: Warsaw-Gdynia, Warsaw-Katowice, Kraków-Rzeszów and Częstochowa-Wrocław, have been entirely modernised by Trakcja PRKiI. Currently, our Company is responsible for the construction of further railway line sections. In the road sector, Trakcja PRKiI is already active on an area covering 30% of the country, mainly in the Kujawy, Pomorze, Wielkopolska, Małopolska and Podlasie regions, modernising approximately 100 km of local and regional category roads each year. Energy contracts are currently underway in the central and southern parts of the country. Since 2001 we have also been a licensed railway carrier in the field of goods transport . Our company has licenses which allow us to use railway lines operated by PKP PLK S.A. To ensure the safety of transported goods, we have developed and implemented the Safety Management System.

Three years ago we started to expand our business in other sectors and new markets, on the basis of our solid financial foundations and broad experience. In the course of our participation in railway contracts of the value of several hundred million zlotys, we have performed several types of works in other fields that are complementary to railway track works – mainly in the road, power and civil engineering sectors. Experience gained in this process and adequate financial potential have enabled, since 2015, a dynamic increase in the number of road contracts won independently. Since 2016, on the basis of the same model, we have been expanding our business in the power engineering sector, mainly in connection with the construction of power transmission lines and power supply to various facilities. Our energy contracts portfolio includes several tens of contracts, and their value and technical level have been systematically growing.

This way, Trakcja PRKiI is planning to increase its stake in the infrastructural market in Poland, and to expand its business on foreign markets. Our current development is focused on neighbouring countries: Ukraine, Scandinavia, Baltic states and the Balkans, where the Company intends to expand its business in the railway and road construction sectors.



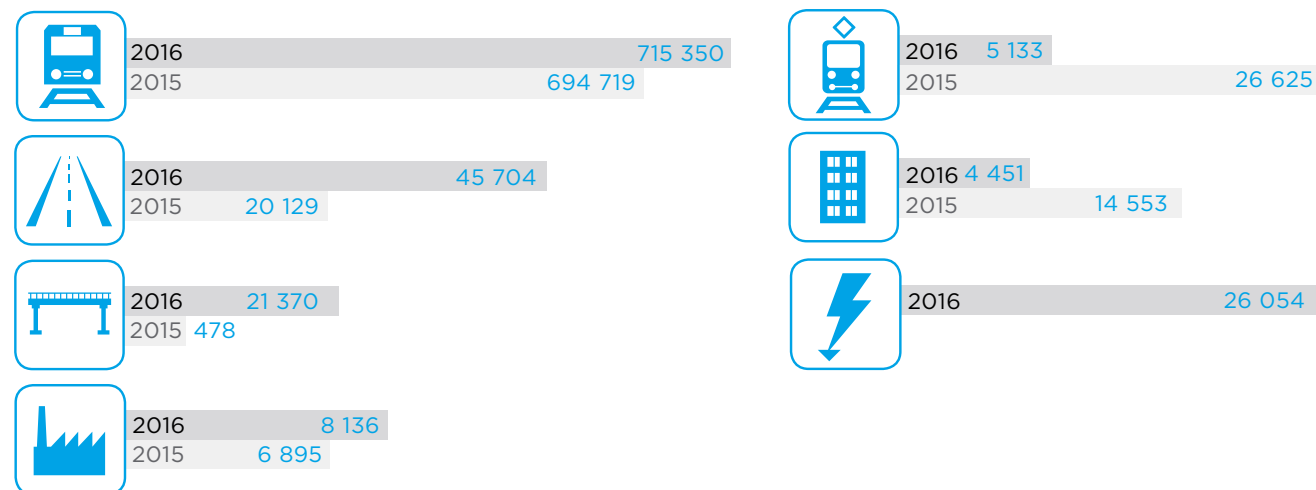


SALES STRUCTURE

G4-8

In the years 2015-2016, our Company generated its income mainly from railway contracts.

However, there is a gradual growth in diversification in terms of the types of delivered contracts, which is a trend we intend to intensify in the coming years.



	2016		2015	
	Value	Share	Value	Share
Railway construction	715 350	86.6%	694 719	91.0%
Road construction	45 704	5.5%	20 129	2.6%
Bridge construction	21 370	2.6%	478	0.1%
Tramway construction	5 133	0.6%	26 625	3.5%
Energy construction	26 054	3.2%	-	-
Production of equipment	8 136	1.0%	6 895	0.9%
Other activities	4 451	0.5%	14 553	1.9%
Total sales revenue	826 199	100%	763 399	100%

*(in thousand PLN)

Our clients are generally institutions. The main customer of our Company is PKP Polskie Linie Kolejowe S.A. ("PKP PLK S.A."), whose direct share in the Company's revenues from sales was approx. 78.9% in 2016. Since the establishment of Trakcja PRKiI, PKP PLK S.A. has been the major customer in the structure of its customers. Our second biggest customer of Trakcja PRKiI is Szybka Kolej Miejska Sp. z o.o. With its registered office in Warsaw, whose share in the Company's revenues was approx. 4.9% in 2016.

Our Company successfully conducts the biggest railway contracts in the country, and due to growing diversification, its portfolio also contains several road contracts:

Largest contracts completed by the Company in 2016	Contract value (mPLN)	Work type
Modernization of the railway line E30 / C-E30 on the section Kraków - Rzeszów, stage III (Podłęże - Bochnia)	625	rail works
Modernization of the railway line E59 on the section Wrocław - Poznań, stage II - section Wrocław - Dolnośląskie voivodeship)	535	rail works
Modernization of the railway line E30 / C-E30 on the section Kraków - Rzeszów, stage III (Dębica - Sędziszów Małopolski)	417	rail works
Development of execution projects and execution of works for Warszawa Okęcie (railway line No. 8)	360	rail works
Modernization of the railway line on the section Warszawa - Łódź, II stage, (Łódź Widzew - Łódź Fabryczna)	345	rail works
Modernization of the railway line E30 / C-E30 on the section Kraków - Rzeszów, stage III (Sędziszów Małopolski - Rzeszów Zachodni)	303	rail works
Modernization of the railway line E30 on the section Jaworzno Szczakowa - Trzebinia	296	rail works
Design and construction of the expressway S-5, Szubin-Jaroszewo	286	road works
Modernization of the E59 railway line on the section Wrocław - Poznań, stage III (Czempiń - Poznań)	156	rail works



RAILWAY CONTRACTS

The delivery of contracts in the railway sector essentially comprises of:

- The construction and modernisation of railway track structure,
- The construction and reconstruction of railway subbase and drainage,
- Renovation of railway lines,
- Complex delivery of railway contracts.

The specific character of works carried out by our Company basically involves track works, but prior to the start of the works a series of various preparatory and auxiliary works need to be carried out, depending on the implemented technology. Before starting the essential works, we need to build access roads, repair local and regional category roads, remove trees and vegetation which are in the way of the planned scope of the works.

We are involved in the renovation and repair of the existing overhead contact lines systems. This sector of works also involves the construction of in-situ, precast or pile foundations, installation of pylons, DC-AC overhead line networks and the overhead line disconnectors with manual or motor-powered operation.

Contracts carried out by our Company involve the improvement of safety of railway crossings with roads. We are able to achieve this by building new road pavements made of road slabs, as well as the replacement of train control devices.

The essential track works are always accompanied by renovation or construction of new civil facilities such as culverts, overpasses, bridges, 'ecoducts' (animal crossings), underground pedestrian crossings and rail station platforms, along with complex passenger information systems, as well construction of new drainage systems for the track structure and other civil structures. When we undertake a contract we try to ensure that apart from realising their practical functions, our projects also aesthetically blend in with the surrounding landscape, which is important for those using the railway, as well as for the local residents.

The essential method of delivery of contracts is their mechanisation, which enables us to carry out track works efficiently and rapidly, without compromising their quality.

Highly-efficient machines which we use for the execution of track works include:

1. Ballast cleaner RM80 with MFS100 wagons – undercutting, cleaning and replacement of track ballast, output of 600-750 m³/h,
2. Set of PTH-350 gantry cranes with platforms – removal, laying or continuous replacement of sleepers. The PTH-350 gantry crane is capable of transporting 40 prestressed concrete sleepers and 60 wooden sleepers, thus allowing the laying of approx. 1200 m of track in 8 hours,
3. CSM tamping machine – adjustment of horizontal and vertical alignment of track,
4. PUN – a set of machines for the continuous laying (replacement) of railway track – the most effective track renewal method, which is highly productive, at the same time reducing the number and physical effort of the workers.

In the context of supplementary activities, we engage in the production of various types of industrial devices used in the course of the modernisation of railroad infrastructure, such as: 15 kV contact wiring and container type switching station, direct current 3 kV, 1,5 kV, 1 kV, 0,8 kV switching stations, control cabinets, local and remote control devices and grid disconnecter actuators, steel structures for the assembly of substations and electric power devices, selected contact wiring equipment.

In the process of obtaining new railway contracts and during their delivery, it is necessary to ensure efficient cooperation within the Company, e.g. the cooperation with the Production Implementation Department, which participates in site inspections and is involved in the definition of the implemented works technology for contract valuation, including the verification of costs.





ROAD CONTRACTS

Participation in road contracts generally comprises the construction and renovation of motorways, roads, areas and car parks connected with maintenance of roads in winter and summer.

The execution of road contracts involves the performance of a wide scope of preparatory works, which are intended to ensure the adequate quality of works, as well as appropriate rate of progress of these works, and the optimisation of costs. The main difficulty lies with the individual, non-repetitive character of some construction processes, which require adequate experience to carry out a precise, individual analysis of each contract.

Project delivery can be divided into the following phases:

- Formal issues to be carried out before the start of works related to the signing of contracts with subcontractors, approval of materials, preparation of traffic organisation designs for the duration of construction works, performance of land survey measurements (verification of the initial condition of site and the setting out of structures on site), development of a schedule of works.
- Preparatory, demolition and earth works. Utility works (sewage, water supply network, electrical, telecommunication), coordination of these works.
- Paving works, base courses.
- Bituminous works and construction of civil engineering structures.
- Horizontal road marking and vertical road signs, traffic safety elements, roadside greenery and other finishing works.

In the technical sense, the most challenging phases are earth works and the construction of civil engineering structures, which are usually connected with variable subsoil conditions, not always possible to detect on the basis of geological boreholes, and the level of technical complexity of the structures themselves.

All of the above issues make these works the most time-consuming phase of works execution. Their duration is additionally extended in the event of any discrepancies between the actual conditions on site and the design assumptions, which brings about the need to approve revised technology and the execution of additional works themselves. In the case of earth works, significant input of technical equipment, and in the case of civil structures – human labour, is needed.

In the course of delivery of road contracts, each day we come across numerous obstacles and problems. Most of them are independent of the contractor: unfavourable weather conditions, concealed underground structures (water reservoirs, unexploded ordnances, undocumented cables), time needed to obtain necessary decisions and permits from national administration departments. On the basis of our extensive experience, we are able to effectively reduce the impact of these obstacles onto the rate of execution of works and their quality.

To better illustrate the workload needed for the completion of road construction project, it is worth mentioning that in the course of the construction of 20 km of the ‘S5 Szubin-Jaroszewo’ express road, we have used 250 thousand tonnes of asphalt, we have transported 2 500 thousand tonnes of soil, and we have built 25 various size overpasses and bridges.





ENERGY CONTRACTS

In the course of diversification of our business, we have undertaken various steps in the power engineering market. We are currently in the process of power engineering contracts related to:

- The construction and reconstruction of 110 kV overhead and cable distribution lines,
- The construction of HV, MV transformer stations,
- The construction and reconstruction of low and medium voltage lines,
- The construction of electrical and telecom installations in facilities such as hospitals, stadiums, sports halls,
- The construction of street lighting and power supply to ATSE devices along express roads.

Our business in this sector is mostly based on the execution of power engineering works, but also involves the execution of auxiliary works such as: foundation works; execution of temporary access roads and the repair of local and regional category roads; removal of trees on routes which are in the way of power engineering infrastructure facilities. In principle, on the basis of our own team of experienced employees, we intend to participate in contracts in the range of 70 million PLN to 100 million PLN. Specialist power engineering works such as tensioning works, line assembly works, station assembly works, specialist assemblies related to indoor installations, are mainly carried out by our electricians, and only some auxiliary works are given to our subcontractors.

Our production implementation department and the design department are currently working on the construction of a temporary HV line for the purposes of the on-going 110 kV line contracts. The future plans of our unit comprise the development of an in-house catalogue of supporting structures for the 110 kV line industry. We intend to use our in-house design of power line pylons in the course of our projects, and we are planning to produce power line pylons at the request of other companies providing construction services in the power engineering sector.



VALUE CREATION MODEL

G4-2

We are aware of the fact that our operations have an impact on various groups of stakeholders. Our goal is to make all our activities create value for all these groups. We take the decisions we take regarding the management and development of the Company basing on different sources and relationships that are of key significance for our ability to create value. Therefore, our value creation model comprises, in accordance with the guidelines of the International Integrated Reporting Council (“IIRC”), six types of capital that exert an impact on the creation of value:

- financial capital,
- manufactured capital,
- intellectual capital,
- human capital,
- social capital,
- natural capital.

Our goal is not only to focus on the maximisation of value of a single type of capital. Our aim is to ensure the balanced development of all types of capital.

Type of capital	Elements of capital	Objectives	Key values
Financial capital	Funds from shareholders and creditors.	Generation of profits (the highest possible profit), which enables us to pay dividends; optimal and safe structure of funding; high directly generated economic value.	Directly generated economic value: PLN 826.2 million (2015: PLN 763.4 million)

Type of capital	Elements of capital	Objectives	Key values
Manufactured capital	Infrastructure, equipment and facilities.	Acquisition of fixed assets that will enable the Company to generate the highest value for its stakeholders; acquisition of assets that are even more environmentally-friendly, energy-saving and more efficient.	The total of development, replacement and modernisation expenditure: over PLN 32 million (2015: PLN 21 million)
Intellectual capital	Copyrights, systems, procedures, policies, brand and reputation.	High quality of the organisational capital; positive image of the brand, effective management of contracts.	Contracts fulfilled in keeping with the customers' expectations and using the best possible solutions.
Human capital	Knowledge and experience of employees and ethical values.	Continuous development through training and opportunities for self-fulfilment; high level of safety (ensuring employees' safety), promotion of value, i.e. integrity, tolerance and equality.	8 thousand hours of training for employees (2015: 7.3 thousand). Costs of wages and benefits: PLN 104.6 million (2015: PLN 101.1 million)
Social capital	Relations with stakeholders, common standards and behaviours, development of local communities.	High level of dialogue with a wide range of our stakeholders; dialogue and innovation.	Public consultation on the implementation of project; PLN 31 thousand of donations for social causes (2015: PLN 34 thousand); implementation of additional works in order to improve the quality of life of local communities; settlement of conflicts in an amicable manner.
Natural capital	Biodiversity and natural resources.	Mitigation of any adverse impact of the Company's operations on the natural environment and biodiversity; reduction in the emission of harmful gases.	Energy consumption: 1 916.0 MWh (2015: 1 940.9 MWh); Implementation of the integrated management system and environmental plans.



COOPERATION WITH SUPPLIERS

G4-12

During the year we cooperate with many different suppliers and subcontractors. In the course of contract delivery, we purchase the following materials:

1. Railway track materials (rails, sleepers, switch sleepers, turnouts, buffer stops, geotextiles, ballast, breakstone, mixtures, unsorted aggregate and other types of aggregate),
2. Power engineering materials (cables, wires, conductors, light fixtures, pylons, transformer stations, remote control cabinets),
3. Contact wire system materials (contact wire equipment, insulators, contact wires, copper wires),
4. Metallurgic, steel materials (steel structures),
5. Construction materials.

We purchase also other items: (drainage systems and materials, concrete and stone elements, station platform slabs and walls, cement and other binders, structural wood).

We use the following methods of selection of suppliers:

- Purchasing platform,
- Auctions,
- Requests for Quotation,
- Master services contracts.

Invitations to auctions and requests for quotations are sent only to companies listed as PKP PLK certified suppliers.

Criteria for selection of suppliers:

- Price,
- Delivery on time,
- Warranty period,
- Payment deadline.

Forms of ordering:

- Purchase order with a specified identification number, payment deadline, date and location of delivery, and a detailed list of ordered elements,
- Purchase contract.

Our biggest suppliers of building materials in 2016 were:

- MORIS Sp. z o.o.,
- Track Tec S.A.,
- Regnars Sp. z o.o.,
- Centrum Elektryczne ANIA Boguccy Sp. z o.o. Sp.k,
- VOESTALPINE SCHIENEN GmbH,
- WYTWÓRNA PODKŁADÓW STRUNOBETONOWYCH S.A.,
- INTERFREZ Sp.z o.o.,
- SESTO Sp. z o.o.,
- TELE-FONIKA Kable S.A.,
- KOLEJOWE ZAKŁADY NAWIERZCHNIOWE BIEŻANÓW.



In 2016, in the document titled 'Principles of Cooperation of Trakcja PRKiI with Suppliers and Subcontractors' we have set out the values and principles that define our process of selection of suppliers and subcontractors:

We provide

1. Clear description of the issued purchase orders, which allows us generate comparable proposals.
2. Accessibility of documents and information needed to prepare proposals.
3. Transparent criteria of evaluation and selection of proposals.
4. Fair and equal treatment of all tenderers.
5. Maintenance of the highest standards in the course of the selection of proposals.

We expect

1. Delivery of the object of contract and fulfilment of all obligations on time and in accordance with all provisions.
2. Maintenance of the highest ethical standards
3. Respect for employees' rights and fulfilment of all obligations to the employees, national budget and all appropriate national institutions.
4. Care and concern for the condition of the natural environment.

We guarantee

1. Security of confidential proprietary information of our clients.
2. Respect of intellectual property.
3. Discretion regarding business secrets.
4. Confidential status of names of companies receiving the RfQ.
5. Respect of the rights of tendering companies – deadline for the preparation of proposals and their simultaneous opening.
6. Discretion regarding confidential proceeding.
7. Determination to seek amicable settlement of disputes.

We do not tolerate

1. Any reception or proposal of any gifts which could affect the proposal selection process.
2. Unfair practices in business relations, or any actions of a corrupt character that could lead to:
 - a. Misinforming the employer,
 - b. Preventing other tenderers from participating in the proceedings,
 - c. Cancellation of the proceedings,
 - d. Occurrence of other events which have detrimental effect on the fairness of proceedings.
3. Conflicts of interest between the interest of employees and the interest of our Company
4. Actions of our employees on behalf or in the interest of any of the tenderers.

In 2016 we have not reported a situation in which the share of the deliveries of one supplier exceeded 10% of the total value of purchased materials and services.



OHS AND THE COOPERATION WITH SUBCONTRACTORS AND SERVICE PROVIDERS

We put strong emphasis on aspects related to the approach of our subcontractors and service providers to Occupational Health and Safety. All of our subcontractors and service providers have to complete a training course related to internal OHS procedures and are obliged to comply with them. They are also informed of the hazards and principles of moving around the site area. Each employee of a subcontractor or service provider participating in the modernisation of railway lines, must receive a pass which allows them to perform works and to move around the area administered by PKP PLK. Detailed OHS requirements are included in contracts with subcontractors and service providers, which, apart from requirements resulting from general OHS regulations, include a subclause stating the consequences of the failure to observe the provisions of the contract and OHS regulations. Due to constant monitoring of the state of OHS, we have managed to implement good practices among subcontractors and service providers, and to change the perception of the importance of occupational safety. Today many of them are aware, that the safety of employees is a matter of priority.



SOCIAL RESPONSIBILITY

ENVIRONMENTAL IMPACT

DMA-EN

ENVIRONMENTAL POLICY

In our Company, the environmental policy forms part of the Integrated Management System policy. It includes, among many, a commitment to take measures aimed at reducing emissions of pollutants to the air, a commitment to consume materials and raw materials in a reasonable manner, and a commitment to reduce the quantities of waste treated by authorised entities.

Environmental objectives and their achievement in 2016

Detailed objective	Task	Comments
Compliance of the Company's activities with the applicable provisions of law	To prepare a report on environmental charges in 2015 by individual province	✓
Compliance of the Company's activities with the applicable provisions of law	To prepare records regarding waste generation in 2015	✓



Detailed objective	Task	Comments
A place in the ranking of the Wrocław City Office (the lowest level of communal wastewater)	To monitor industrial wastewater so that the maximum permissible levels are not exceeded	In progress
Compliance of the Company's activities with the applicable provisions of law	To update authorisations and decisions regarding waste generation, as well as those required under water legislation for the locations in Wrocław and Warsaw	✓
Raising pro-green awareness among employees	To urge employees to act in a pro-green manner at work (environmental call)	✓
Reduction in the SO2 emissions to the air by 0.5% as compared to the preceding year	To use fuel oils with a lower sulphur content	In progress
Compliance of the Company's activities with the applicable provisions of law	To review the provisions of law concerning environmental protection and waste management To notify the organisational unit managers of any changes in environmental protection regulations	✓
Prevention of technical failures	To ensure that the installation and the electrical and mechanical equipment is fully operational; to maintain equipment on an ongoing basis	In progress
Prevention of soil pollution	To inspect machines and equipment and to check fixtures for leakage more frequently To have oil changed in vehicles at service stations	In progress
Reduction in annual power consumption as compared to the preceding year	To purchase power tools and equipment which use less energy To use energy saving bulbs and lamps	In progress

MONITORING OF THE ENVIRONMENTAL IMPACT OF OUR BUSINESS

The following is a list of some of our activities undertaken to monitor the impact of our business on the natural environment:

Monitored Element	Method	Obligations	Frequency
Emissions from oil-powered boiler room	The boiler house is serviced by a specialist company once a month (monitoring of the level of emissions)	- inspection of installations, - CO2 detector fitted for the safety of employees, - use of appropriate fuel type - heating oil (certificate)	- inspection of boiler room once a month, - analysis of emissions twice a year
Industrial wastewater	Monitoring of content of petroleum hydrocarbons in tested sample, as well as other pollution values specified in the contract with MPWiK.	- phosphorus \leq 15 mgP/l, petroleum hydrocarbons \leq 15 mg/l, - maintenance of an operations book, - compliance with the provisions of contract with MPWiK	Analysis of wastewater content at least twice a year
Storm water	Monitoring of the content of total suspended solids and petroleum substances.	- total suspended solids content: \leq 100 mg/dm ³ , - petroleum substance content: \leq 15 mg/ dm ³	Analysis of water content at least twice a year
Waste material	Maintenance of waste record sheets, in compliance with environmental protection regulations (Waste Materials Act).	Compliance with provisions specified in the waste generation permit and in the waste management programme	Continuous compilation of waste record sheet copies



BIODIVERSITY

DMA-EN G4-EN12 G4-SO2

The environmental impact of our construction projects is of great importance to us and to our stakeholders. Because of the specific character of our business, each construction process has an effect on the surrounding environment, and most of our activities are of key importance to ecological organisations which monitor the entire process. In spite of the obvious benefits of the construction of railway lines and roads – social and economic – we must remember that each project delivered by our company most often involves a permanent and irreversible transformation of the landscape and natural environment, which may come as a certain disadvantage to the local communities.

Railway projects usually pass through, or near naturally valuable areas, which consequently affects the local biosphere. In the course of each investment phase, namely:

- Project planning,
- Project preparation,
- Project operation,

it is necessary to identify, evaluate and possibly mitigate most of the direct and indirect effects on the environment. In the course of each contract, specialists appointed in advance, with the support of experts from other scientific branches – e.g. ornithologists, herpetologists, entomologists or botanists – are responsible for the preparation of detailed reports of the impact of projects on the environment.

These reports allow us to realistically assess and analyse the actual impact of our projects on the environment. Conclusions presented in these documents propose in detail the means that should be employed to mitigate or eliminate the negative impact of a project on the environment. In effect, in most cases we introduce additional solutions which reduce the risk of a negative impact, which sometimes exceed the legal requirements.

How do we mitigate the negative impact of projects on the environment?

There are several ways that we use to minimise the negative effect of our projects on biodiversity. One of them involves early planning of railway lines in safe distances away from particularly naturally valuable areas. If the avoidance of such areas is impossible, still before the design phase we consult with companies which specialise in the migration patterns of animals. Thus detailed analyses based on different species and numbers of animals

are carried out, which afterwards affect the arrangement of various special elements of infrastructure, such as e.g. wildlife crossings. Each of these should be situated along migration paths which have been previously established in the course of research. Additionally, to effectively protect the local biodiversity, we give special attention to the planning of new vegetation. This vegetation is planted to direct the animals to their migration paths.

Additionally, the schedule of construction works is prepared with the consideration of the breeding seasons of birds present in the areas of the construction works. We also pay much attention to the protection of environment against noise. During the execution of construction works, we always conform to the allowable times of execution of works using noise-generating equipment. Moreover, along roads and railway lines we install noise barriers which serve to protect the immediate environment of the project against noise generated by passing cars. We install noise barriers with excellent technical parameters, which translates to high acoustic insulation and excellent noise absorbing properties.

Our projects are also prepared for emergency situation which may affect biodiversity. We employ all necessary equipment and means, such as e.g. a sorbent used in the event of a spillage of chemical substances into the soil.

Examples of the negative impact on the environment and countermeasures.

In the course of the execution of the project of ‘Construction of Express Road S5 Between the Szubin Interchange and the Jaroszewo Interchange’, we performed works connected with the relocation of interfering infrastructure. We were aware that our works represented a hazard to the existing fauna. Therefore we examined the presence of sand martins, amphibians and reptiles in that area. In the course of the inspection we extracted and moved 1 common toad, 4 green frogs, 4 common frogs and 1 sand lizard. During the course of bridge works we experienced spillage from heavy equipment, contamination with concrete grout and dust. Spillage from machinery was collected together with the contaminated soil layer and stored as hazardous waste.

During the execution of the Jaworzno Szczakowa-Trzebinia project, we were forced to remove trees in some areas. To counter the negative impact, we replaced them with 165 trees characterised by appropriate formation of crown and trunk, and with a concealed root system. The planting of trees was carried out in accordance with good gardening practices. Before the removal of trees we appointed an ornithologist to closely inspect the greenery to exclude the possibility of any protected bird species habitat.



ENVIRONMENTAL PROGRAMME

Every year we compile an environmental programme, which covers an updated list of environmental hazards, legal regulations related to environmental protection, and an environmental impact monitoring plan.

List of environmental hazards:

Type of Hazard	Action
Machinery/installation fire.	Our plant and sites are equipped with operational extinguishing equipment; (emergency) fire procedure instructions are displayed.
Spillage of vehicle oil/fluid, etc.	The plant area and site yards are provided with containers filled with sawdust, to be used for the collection of fluid spillage. Oil containers are situated in special basins.
Spillage of heating oil in the boiler room.	Basins installed around heating oil tank units.
Spillage of machine oil into the soil (e.g. caused by a ruptured hose).	Neutralisation using sawdust.
Penetration of hazardous waste into the soil.	All hazardous waste is appropriately identified by name and code, and secured inside tanks and containers.

We strive to optimise the consumption of materials within our Company. Actions which we undertake in this regard include:

Optimised Use of Materials	Reduced Consumption
Elimination of workplace-assigned printers	Cartridges and toners
Replacement of lights with energy-saving ones	Fluorescent lights
Double-sided printing	Scrap paper
Modernisation of machinery and vehicle fleet	Oil, fuels, grease, filters, automotive parts
After cleaning and sifting, inspected crushed aggregate is re-used	Crushed aggregate
Crushed concrete is used for base courses in roads	Concrete rubble
Milled material is handed over to an asphalt manufacturing company	Asphalt

ENERGY CONSUMPTION WITHIN THE COMPANY

DMA-EN

G4-EN3

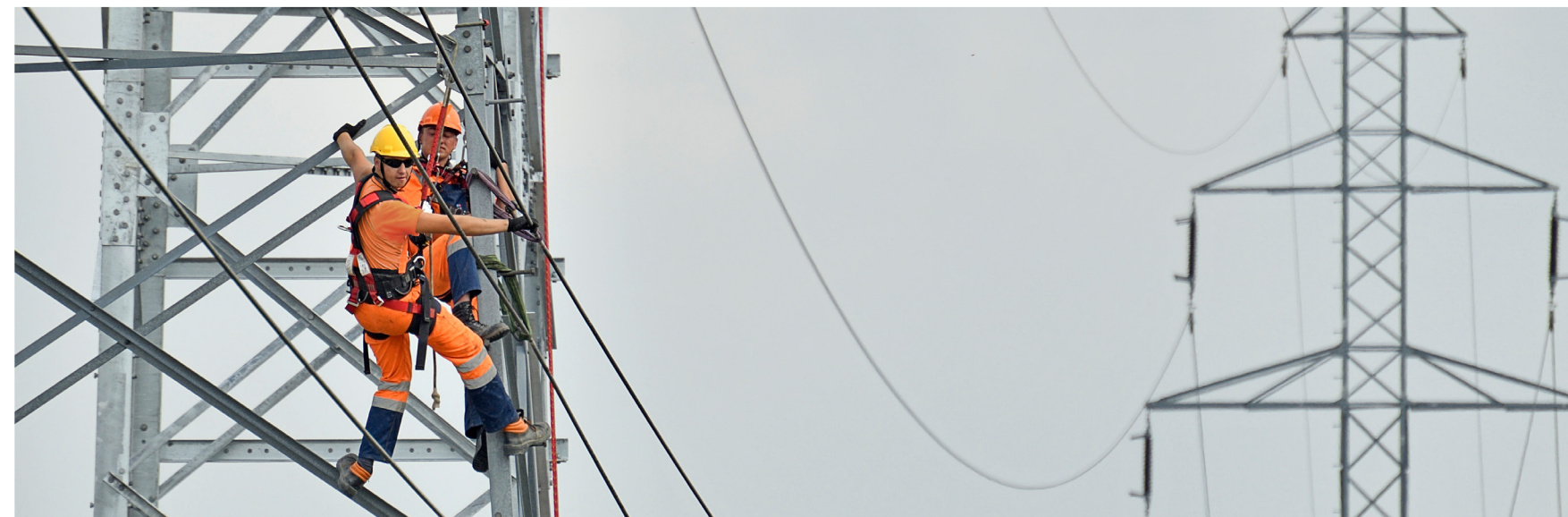
We try to rationalise the consumption of energy, which not only limits the negative impact on the environment, but also reduces our operating and environmental costs. Our employees are made aware via environmental calls, of the ways and benefits of energy saving. Energy-saving lighting is used inside office areas, natural light is used to a maximum extent and equipment is turned off when not used.

Energy and fuel consumption in 2016:

2016

Heating energy	4 510 GJ
Electric power	4 100 GJ
Gas energy	6 898 GJ
Heating oil	2 164 GJJ
Diesel oil	58 180 GJ
Petrol	2 636 GJ
LPG gas	106 GJ
Total consumption of energy and fuels	78 604 GJ

All consumed energy and fuels are generated from non-renewable sources



AIR EMISSIONS

DMA-EN

The specific character of our business prevents us from totally eliminating greenhouse gases and hinders any significant reduction in the use of fuel and energy. In spite of the existing obstacles, we implement actions to reduce the emission of substances to the atmosphere

Reduction in emission of pollutants emitted by the oil-powered boiler house. We rationalise the operation of our oil-powered boiler house situated in Wrocław at ul. Lotnicza 100. As a result, the quantity of pollutants emitted by this boiler house is small and does not exceed the allowable values.

Reduction in atmospheric pollution generated by vehicle exhaust fumes. We use modern vehicle fleets and catalytic converters. We also reduce the emission of exhaust fumes by replacing and modernising old equipment and transport means with more economic equipment with lower engine capacity, which is compliant with more stringent exhaust fume regulations.

Reduction of air dustiness. During the transport of loose materials, transport vehicles are tightly covered with tarpaulin.

MITIGATION OF THE IMPACT OF PRODUCTS AND SERVICES ON THE ENVIRONMENT

G4-SO2

The delivery of construction projects is inevitably connected with noise emissions. Our company, through its everyday use of mechanical equipment such as construction machinery and transporting means, has a high noise pollution index. Wishing to mitigate the negative impact of this effect, we have implemented numerous solutions and tools to combat this type of pollution of the natural environment. One of the ways to minimise these effects is the planting of trees, which not only reduce noise emissions, but also provide protection against exhaust fumes and dust. Additionally, vibration covers and noise barriers are used, which effectively reduce the emission of noise generated by the use of tracks and turnouts.

WATER CONSUMPTION

Our construction and manufacturing business does not require the use of water for technological purposes. Water is only used for social/domestic purposes. We rationalise the use of water by appealing to our employees, promoting slogans and reminders in water tapping points.





OUR EMPLOYEES

DMA-LA G4-LA2

Trakcja PRKiI employs nearly 1000 employees and is one of the largest employers in its industry.

There are over 20 different professions practised, which are specific to the rail industry, and therefore it is fundamental to develop and maintain employee competences as they are the foundation for the Company's human resources policy. The key success factors are incentive schemes that encourage employees to seek further improvements in operational activities.

Trakcja PRKiI endeavours to build long-lasting relationships with its employees by offering them attractive salaries, a differentiated bonus system, retirement allowances, jubilee bonuses and many other benefits such as contributions to the professional development of employees through the co-financing of English language courses, memberships in the industry organisations, for example, in the Chamber of Engineers, extensive medical assistance packages, Employee Pension 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 we carry out construction works in many industries, we offer our employees ample opportunities to develop competences within a single organisation.

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. Our concern for employees' professional competences is also reflected in the variety of medical assistance benefits and social care we provide them with.

The Management Board of Trakcja PRKiI is in continuous contact with trade unions that operate within the Company. Effective communication with a social partner is the foundation for a number of organisational changes, in particular in the employment restructuring process or in the remuneration regulations. Good relations with the trade unions reflect positively on the efficiency of social activities focused on our employees.

STRUCTURE OF EMPLOYMENT

G4-10 G4-LA12

The largest age group in our Company are employees between 30 and 50 years old who make up over 50% of the workforce. The second largest age group are employees over 50. The majority of the people employed are men. The majority of the Company' employees are employed under full-time employment contracts of unlimited duration. All employees are employed in one region, namely in Poland.

The total number of employees by gender:

	2016	2015
Women	141	132
Men	796	825
Total	937	957

The total number of employees by age:

	2016	2015
< 30	163	170
Between 30 and 50	503	474
> 50	271	313
Total	937	957



The total number of employees by type of contract and gender:

	2016			2015	
	Women	Men		Women	Men
Contract of unlimited duration	113	668		110	694
Contract of limited duration	28	128		22	131
Total	141	796		132	825
Full-time employment	137	793		127	819
Part-time employment	4	3		5	6
Total	141	796		132	825

Employees by employment category:

	2016			2015	
	Women	Men		Women	Men
Management Board	0	3		0	5
Senior management	10	40		7	35
Management	10	104		11	91
White-collar employees	119	140		109	132
Blue-collar employees	2	509		5	562
Total	141	796		132	825

Corporate bodies:

	2016			2015	
	Management Board	Supervisory Board		Zarząd	Rada Nadzorcza
Between 30 and 50	67%	43%		80%	43%
> 50	33%	57%		20%	57%

In 2015 and 2016 the Supervisory Board members were all male and three of them were foreign citizens.

PAY EQUITY

[DMA-EC](#) [G4-EC5](#) [DMA-LA](#) [G4-LA13](#)

There is no significant gender pay gap in our Company. In two employment groups it is men who are better paid and in the other two it is women. Employees in the lowest category of employment earn an average of over 60% more than the minimum remuneration in Poland.

The ratio of the average salary paid to men to the average salary paid to women by employment categories is as follows:

	2016		2015
Management Board	-		-
Senior management	110%		122%
Management	96%		94%
White-collar employees	108%		109%
Blue-collar employees	93%		110%

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

The ratio of standard entry level wage by gender to minimum wage in Poland is as follows:

	2016		2015
Women	177%		150%
Men	165%		166%

The minimum remuneration in Poland (PLN)	1 850		1 750
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EMPLOYEE TURNOVER

G4-LA1

The increased employee turnover in 2016 resulted from the restructuring process in the Company and from changes in the labour market in Poland, and in particular, a decrease in the unemployment level. Taking the planned expansion of our operations into account, our focus in 2016 was mainly on recruiting employees.

New employees by age and gender:

	2016	2015
< 30	64	47
Between 30 and 50	104	56
> 50	23	23
Total	191	126
Women	28	21
Men	163	105
Total	191	126
% of the newly employed in the total number of employees	20%	13%

Employee leaves by age and gender:

	2016	2015
< 30	56	31
Between 30 and 50	85	77
> 50	84	78
Total	225	186
Women	21	38
Men	204	148
Total	225	186
Fluctuation ratio	24%	19%

TRAINING

DMA-LA

G4-LA9

We are committed to ensuring that our employees have opportunities for development. In order to achieve this we offer them trainings and support in further education. In 2016, our employees participated in over 8 thousand hours of training. The average training time per employee increased by approx. 1.2 hour as compared to the preceding year, which is an increase of approx. 15% (YoY).

The number of training hours by employment category and gender:

	2016		2015	
	Women	Men	Women	Men
Management Board	0	64	0	0
Senior management	0	24	0	0
Management	0	208	0	136
White-collar employees	344	312	72	272
Blue-collar employees	24	7 432	0	6 912
Total	368	8 040	72	7 320

The average number of training hours by employment category and gender:

	2016		2015	
	Women	Men	Women	Men
Management Board	0.0	21.3	0.0	0.0
Senior management	0.0	0.6	0.0	0.0
Management	0.0	2.0	0.0	1.5
White-collar employees	2.9	2.2	0.7	2.1
Blue-collar employees	12.0	14.6	0.0	12.3
Average number of training hours	2.6	10.1	0.5	8.9



OCCUPATIONAL HEALTH AND SAFETY

DMA-LA

We place a strong emphasis on ensuring a high level of occupational safety, employee health protection and proper social conditions and on compliance with legal regulations applicable thereto.

In order to achieve this, we have implemented an occupational safety management system that is compliant with PN-N-18001 (OHSAS). The efficient system allows, in particular, for:

- injuries and losses related thereto to be prevented,
- occupational diseases to be eliminated,
- absence through sickness to be minimised,
- employees to be engaged in the area of the OHS,
- the quality and productivity at work to be increased.

The system is audited every year. In order to ensure a high safety culture, our Company has its own OHS Committee whose members are the representatives of employees and employer.

Its main tasks include:

- Assisting the employer in fulfilment of obligations related to the OHS,
- Reviewing working conditions,
- Assessing occupational health and safety on a regular basis,
- Giving opinions on measures taken by the employer in order to prevent accidents at work and occupational diseases,
- Developing proposals for the improvement in working conditions.



OHS PREVENTIVE ACTIONS

G4-15 G4-16

The Occupational Health and Safety Management Policy which has been applicable to our 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 support the contract management and perform the tasks of the OHS service.

Before commencing works:

- all employees need to become familiar with the BIOZ Plan and Manual on Safety at Work. These documents must be approved by both the construction manager and OHS coordinator,
- training is held in the area of local hazards, behaviour when on tracks and at construction sites and also first aid,
- the construction site is secured and provided with appropriate warning and information notice boards,
- all employees (of the Company and its subcontractors) must be equipped with badges authorising them to access and work in the rail system area.

The preventive actions include the “Commandments” which in a simple and clear manner remind our employees of the principles they must remember before commencing any works. For visitors, we have 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 our actions, we have 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. Our vision is to seek opportunities for development which will lead to our Company being certified as a “Safe Company”, and which is seen to be “supporting our employees in creating a safe type of business that is able to attract, develop, stimulate and retain exceptional people”.



We want to achieve this goal through:

- continuous analysis of occupational risks and the adoption of appropriate preventive actions,
- awareness-raising practices,
- improvements in working conditions, in particular, in very dangerous areas, and a simultaneous optimisation of costs,
- dialogue and consultations with employees.

In 2016, our company became a member of the European Federation of Railway Trackworks Contractors (EFRTC). The EFRTC deals with questions of safety in the works carried out at the railway sites. Trakcja PRKiI was one of the participants in a video conference, in which representatives of the largest railway construction companies in Europe took part. The conference was devoted to the implementation of Standard 16704 which covers both safety of works carried out at the railway site and best practices aimed at minimising the number of accidents and near-misses. Our Company implemented the two following management systems that are very important from the point of view of railway safety.

SAFETY MANAGEMENT SYSTEM (SMS)

Being a railway carrier, we have 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 and in the Regulation of the Minister of Transport on the safety management system dated 19 March 2007. 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.

MAINTENANCE MANAGEMENT SYSTEM (MMS)

This is a system that has been voluntarily implemented by our Company. It includes the procedures and manuals relating to the minimisation of risk associated with the maintenance of freight wagons in order to provide for their safe operation.

SAFETY CULTURE DECLARATION

In 2016, our 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 our Company declared its intention to:

- perceive safety as the paramount value for its employees and organisation,
- accept the safety standards and to integrate them into its everyday operations,
- move away from the practice of apportioning blame,
- record and analyse the incidents reported,
- report any type of irregularities or errors,
- 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.



SAFETY CULTURE IN RAIL TRANSPORT



OHS TRAINING

Due to the specific nature of the tasks performed, the 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 2016, training was held for:

- 72 employers and persons responsible for managing human resources,
- 30 administrative and office workers,
- 517 blue collar workers,
- 8 engineering and technical workers,
- 120 railway traffic workers (such as train managers, signallers, rail and construction machine and equipment operators),
- 4 employees of the OHS services.

The educational and preventive process implemented by the Company 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.

Highly-qualified staff is one of the Company's assets, and therefore the OHS employees increase their qualifications by participating not only in industry-based training, but also in workshops and meetings held in Poland and abroad. In November 2016, a leg protection training course was held in Jokipii (Finland).

Its participants included the OHS employees of the leading Polish, Slovak and Russian companies. Our employees were among those who participated. Another example of training, in which our OHS employees participated, was the conference entitled "Safe Rail System" which was held for railway construction companies. Among the speakers was the head of our OHS Department, who addressed the issue of safety culture in organisations.

COLLABORATION WITH THE CHIEF LABOUR INSPECTORATE

Our Company is a responsible employer which provides for safe working conditions for its employees, and therefore we carry out tasks imposed on us by the Chief 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 we continue to expand our cooperation with the Chief Labour Inspectorate. Inspectors visit all our 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. We also benefit greatly from using the training materials drawn up by the Chief Labour Inspectorate, the Central Institute for Labour Protection or the Polish Office of Rail Transportation.

SAFE WORK LEADERS' FORUM

In 2016, bearing in mind the need to provide hygienic and safe workplaces, Trakcja PRKiI took actions focused on being granted the Safe Work Leader Accreditation which is issued by the Central Institute for Labour Protection – National Research Institute (CIOP-PIB). In 1998, the CIOP-PIB established the Safe Work Leaders' Forum whose aim 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.



IMPACT ON LOCAL COMMUNITY

DMA-EC G4-EC7 DMA-SO G4-SO2 G4-SO11

Our Company plays an important role in providing for adequate technical conditions for the railway traffic and modernisation and construction of railway lines in Poland.

We are sensitive to the needs of local communities. Our operational skills and commitment are the basis for developing our relations with 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. We are aware of the fact that the contracts performed by us entail certain inconveniences for local communities. We recognise that the construction works carried out bring with them increases in the levels of vehicle traffic, dust and noise. We are conscious of the fact that, during the implementation of the railway contracts, certain level crossings need to be closed, there are changes made to the train schedule and certain connections are suspended, which has a significant impact on lives of local people. We endeavour to react positively to the wishes and concerns of the local authorities and residents and to consult them when scheduling the works carried out, so that minimum disruption is 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, whose participants are the investor and the supervision engineer, are usually held once a week.

Their purpose is to analyse the issues raised by residents and local authorities and to agree on actions aimed at minimising any inconveniences caused by a given contract. We are not able to estimate the number of objections raised by the local communities but we make efforts to ensure that no problems or issues reported remain unsolved. we frequently carry 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 PRKiI engages, as far as practicable, local employees, subcontractors and suppliers.

We aim to make sure that any inconveniences caused to local communities due to the project being implemented are as short in duration as possible. Therefore, with due care and quality we strive to complete the contracts before their deadlines, which may be illustrated by the following examples:

- The first vehicles were able to use the new section of the Niciarniana Street two weeks before the deadline which had been set for half December. The street was run under the railway line between the Łódź Widzew and Łódź Fabryczna stations.
- We completed laying over 600 metres of tracks which formed the last part of Line no. 17 leading to the tunnel entry to the Łódź Fabryczna station, two days before the scheduled deadline.

CSR ACTIVITIES

Our Company supports sport, cultural and charitable activities. It was one of the organisers and the primary sponsor of a two-day music event attended by world-famous blues musicians, which included music workshops for young performers. We also support any sport-related employee initiative and sponsor the company football team (kit, training and tournaments) and the participation of the Company's employees in the company races. For several years all greeting cards have been purchased from a foundation that collects funds for charitable purposes. We also plan to promote more intensely the 15 Minutes for Health Programme [pl: Kwadrans dla zdrowia] whose objective is to build municipal gyms. In 2016, we made donations of PLN 31 thousand (2015: PLN 34 thousand).





FINANCIAL PERFORMANCE

The condensed annual financial data provided herein is consistent with that included in the annual financial statements for the financial year ended December 31, 2016 and in the report on the operations of Trakcja PRKiI S.A. in 2016. All data is expressed in millions of Polish zlotys, unless otherwise indicated. Data should be analysed and read along with the aforementioned reports which are available at the Company's website: <http://www.grupatrakcja.com/pl/relacje-inwestorskie/raporty/raporty-okresowe/>



INCOME STATEMENT

	FROM 1.01.2016 TO 31.12.2016	FROM 1.01.2015 TO 31.12.2015
Sales revenues	826	763
Profit (loss) on sales	39	63
Gross profit margin on sales	4.7%	8.3%
General costs (management, marketing and selling costs)	(27)	(35)
Loss on other operating activities	(2)	2
Profit (loss) on operating activities	10	30
Operating profit margin	1.2%	3.9%
Profit (loss) on financial activities	20	12
Gross profit (loss)	30	42
Gross profit margin	3.6%	5.5%
Income tax	(1)	(6)
Net profit (loss)	29	35
Net profit margin	3.5%	4.6%
EBITDA	22	41
EBITDA margin	2.7%	5.3%

*(in PLN million)

In 2016, the revenues of Trakcja PRKiI were PLN 63 million (i.e. 8%) higher than the revenues generated in 2015 (PLN 826 million), and the gross profit margin on sales was 4.7%. The Company's operating profit for 2016 was PLN 10 million and its gross profit was PLN 30 million. The net profit for 2016 was PLN 29 million, which resulted in a net profit margin of 3.5%. Currently, the Company is mainly engaged in carrying out public contracts financed from EU funds. In 2016 the transitional period between two EU programmes continued, resulting in the investment projects scheduled for 2007-2013 being almost completed and the ones scheduled for the next programme not yet commencing. These circumstances affected the Company's performance.



BALANCE SHEET

The balance sheet total increased by 10% in relation to the preceding year and was PLN 1,014 million. The increase in the total assets resulted in an increase in the long-term investments which consisted in the purchase of the remaining 50% of shares in BTW Sp. z o.o. The increase in the total liabilities was caused by an increase in the trade liabilities and in the debt related to the acquisition of BTW.



ASSETS

31.12.2016 — 31.12.2015

Non-current assets	657	620
Tangible non-current assets	135	117
Intangible assets	54	56
Investments in the related entities	436	413
Other non-current assets	32	34
Current assets	357	299
Inventory	30	31
Trade and other receivables	281	102
Cash and cash equivalents	14	8
Construction contracts	19	136
Other current assets	13	22
Total assets	1 014	919

*(in PLN million)

EQUITY AND LIABILITIES

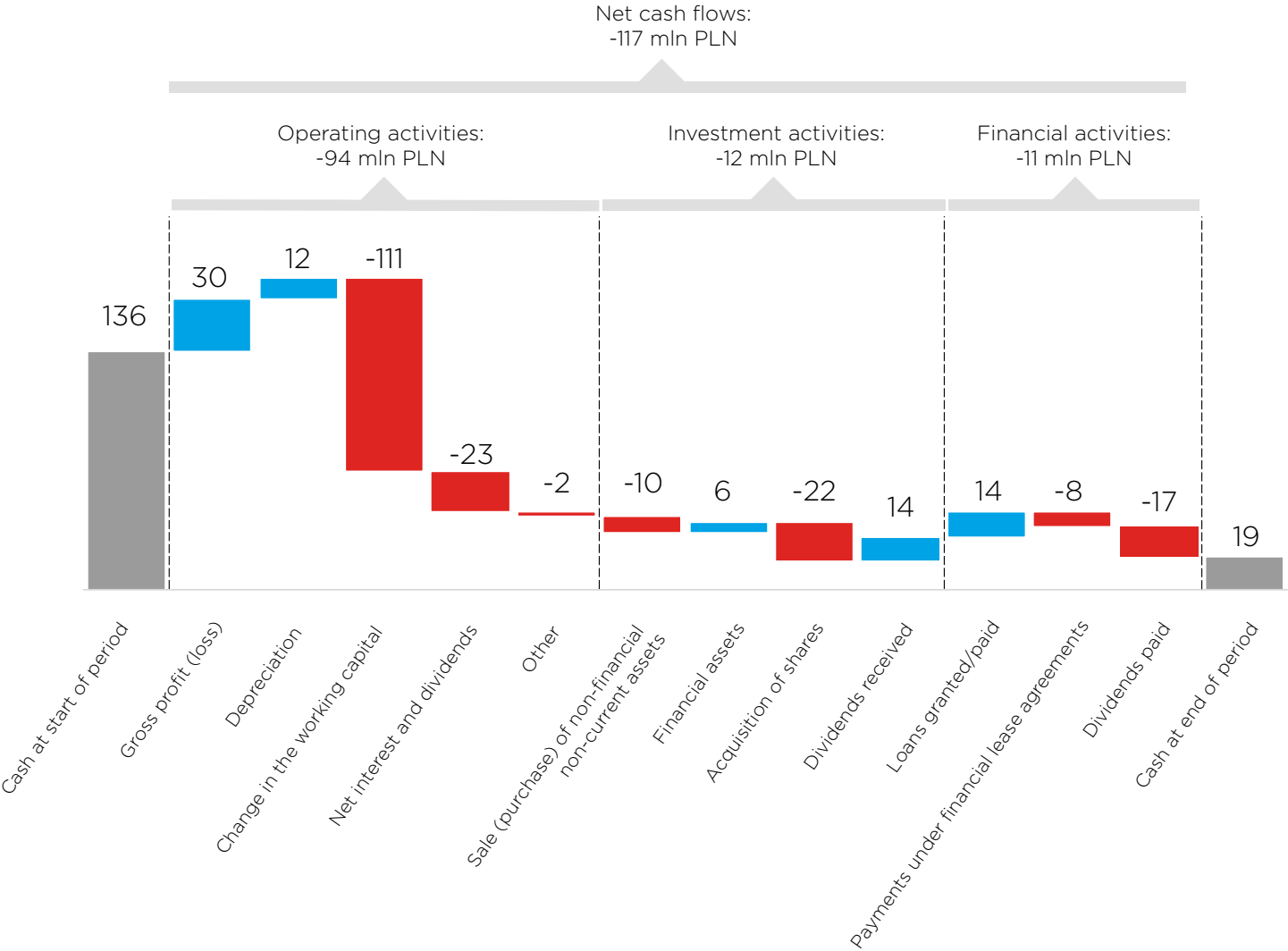
31.12.2016 — 31.12.2015

Total equity	625	613
Long-term liabilities	81	47
Interest-bearing loans and borrowings	55	33
Other long-term liabilities	26	14
Short-term liabilities	308	259
Interest-bearing loans and borrowings	16	10
Trade and other liabilities	245	182
Construction contracts	17	50
Other short-term liabilities	29	17
Total equity and liabilities	1 014	919

*(in PLN million)



STATEMENT OF CASH FLOWS



FINANCING STRUCTURE RATIOS

The Company monitors its capital structure using financing structure ratios. In 2016, their levels changed slightly; however, they still allowed for the good credit rating to be maintained and demonstrated that the capital structure supports the Company’s operating activities.

As at December 31, 2016 the equity to assets ratio was 0.62 and fell as compared to its level at the end of the comparable year. The equity to non-current assets ratio decreased from 0.99 as at the end of 2015 to 0.95 as at December 31, 2016. As at the end of 2016, the debt ratio was 0.38. The debt to equity ratio increased from 0.50 as at the end of 2015 to 0.62 as at the end of 2016. The ratio calculation formulas are provided in the report on the operations of Trakcja PRKiI S.A. in 2016.

OUR CAPITAL EXPENDITURE

G4-13

In 2016 we incurred significant capital expenditure. The biggest investment was related to the purchase of the remaining 50%, i.e. 4,000 shares in BTW of the nominal value of PLN 500 each, for the total value of PLN 21,500 thousand, in the course of which Trakcja PRKiI has become the sole shareholder of the purchased company. BTW Sp. z o.o. specialises mainly in specialist thermit welding of various types of railway, tramway and other rails. The company has many sophisticated machines and telecommunication devices, needed for the performance of track works.

Apart from the above, in 2016 we made many other development-, replacement- and modernisation-oriented investments, of the combined total value of over PLN 32 million. Major development investments included the construction of a new equipment yard in Bieńkowiec, purchase of ballast tampering machine 09-32 CSM (purchased in the form of a leaseback contract), and the takeover of a PUN track replacement train for use. The major replacement investments include the replacement of machinery resources (such as a Liebherr A900 excavator and a CAT D4K2 bulldozer), and new computer equipment. The key modernisation investments include expenditure for the modernisation of contact wire system pylons.



○ ABOUT THE REPORT

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This report is the first integrated report of Trakcja PRKiI S.A. It covers the year 2016. It has been drawn up in accordance with the Sustainability Reporting Guidelines issued by Global Reporting Initiative in the GRI G4 version and in the core version, using the International Integrated Reporting <IR> Framework. The data herein is collected, analysed and disclosed with due diligence. The reliability and compliance hereof with the Guidelines was verified and confirmed by an independent auditor, i.e. Deloitte Advisory sp. z o.o. The financial data originating from the financial statements was examined by an independent statutory auditor, i.e. Deloitte Polska spółka z ograniczoną odpowiedzialnością sp. k. The contents hereof were defined based on the CSR strategy adopted in 2016.

The CSR strategy defines, 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 and national standards,
- is integrated with the operations of the organisation and practised in its relations.

In accordance with the CSR strategy, the following key social responsibility 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 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 be to respond to the needs reported by stakeholders, and to create added value or universal benefits for a broad spectrum of beneficiaries both outside and within the organisation. Simultaneously, an attempt was made to have all the aspects which are significant for the Company reported.

Please find below information on the significance of individual areas, as indicated in the report, and on the impacts and ratios according to the GRI:

Social or environmental aspect	Impacts and ratios according to the GRI	Significance
Rational management of natural resources	<ul style="list-style-type: none">Raw materials and materials (G4-EN1; G4-EN2)Energy (G4-EN3)Biodiversity (G4-EN11; G4-EN12)Emissions (G4-EN21)Affluence and waste (G4-EN23)	High
Fair operating practices	<ul style="list-style-type: none">Compliance with regulations (G4-EN29; G4-SO8)Grievance mechanism (G4-EN34)Corruption (G4-SO5)Grievance mechanisms for impacts on society (G4-SO11)	High
Labour practices	<ul style="list-style-type: none">Employment (G4-LA1; G4-LA2; G4-LA3)Occupational health and safety (G4-LA5; G4-LA6; G4-LA8)Education and training (G4-LA9)Diversity and equal opportunities (G4-LA-12)Labour practices grievance mechanisms (G4-LA16)	High
Improvement of customer relations	<ul style="list-style-type: none">Economic performance (G4-EC1)Indirect economic impact (G4-EC7)	High
Social commitment and development of local community.	<ul style="list-style-type: none">Social community (G4-SO2)	High

FINANCIAL DATA TABLES

G4-EC1

Economic value generated (in PLN million)

	2016	2015
Directly generated economic value:	826	763
Revenues	826	763
Distributed economic value:	816	729
Operating costs	(710)	(634)
Other operating revenues	4	4
Other operating costs	(5)	(2)
Financial revenues	26	19
Financial costs	(6)	(7)
Employee wages and benefits	(103)	(101)
Dividend paid	(17)	-
Payments to local communities	-	-
Investment projects in communities	-	-
Donations made	(0)	(0)
Payments to government	(3)	(8)



NON-FINANCIAL DATA TABLES

G4-EN1

Materials/minerals used as per weight or volume:

	2016	2015
Aggregate (t)	700 363	350 000
Sawn wood (m3)	107	72
Cement (t)	818	243
Tar board (m2)	1 252	116
Copper contact wire (t)	495	
Hot-rolled flat products	162	234
Cast iron and steel barbed wire; woven and twisted wire, cables, strips and other similar copper or aluminium products (t)	976	134
Including bare conductors (t)	931	124
Steel bars, hot-rolled, hot-drawn or extruded, (t)	215	432
Sections, unprocessed apart from hot-rolling, hot-drawing or extrusion, made of steel (t)	2 050	727
Structural elements of railway or tramway tracks made of steel (t)	17 894	10 105
Including railway and tramway rails (t)	15 514	7 632

G4-EN21

Emission of compounds to the air:

	2016	2015
Benzene	104.7	68.6
Ring, aromatic hydrocarbons and their derivatives	319.2	508.5
Aliphatic hydrocarbons and their derivatives	46.36	114
Ring, aromatic alcohols and their derivatives	30.8	1.42
Aliphatic alcohols and their derivatives	269.03	7.47
Organic acids	159.98	61.91
Ketones and their derivatives	121.52	34.44
Nitric oxides	260.97	4.17
Carbon monoxide	441.46	27.47
Other dusts	92.78	21.38
Zinc	3.0	0
Non-metallic oxides	0,4	0
Benzopyrene	0.3	0
Sulphur dioxide	107.6	0

*(kg)



G4-EN23

Table of waste generated in 2016 (t):

	2016	2015
Mineral hydraulic oils without chlorinated organic compounds	0.960	0
Other engine, transmission and lube oils	3.700	0
Plastic packaging materials	0.080	0.010
Packaging containing the remains of hazardous substances or contaminated thereby	0.080	0.060
Sorbents, filtration materials (including oils not included in other groups), wiping textiles (e.g. rags, cloths) and protective clothing contaminated by hazardous substances (e.g. PCB)	1.215	0.460
Worn tires	1.420	1.700
Oil filters	0.840	0.160
Plastics	0.360	0.120
Other elements not included elsewhere	0.120	0.160
Worn devices with hazardous elements	0.077	0.587
Worn devices not included above	0.306	50.430
Other non-organic waste	0.340	0.100
Lead batteries and accumulators	1.134	0.043
Alkaline batteries	0.020	0
Concrete waste	6 360.0	4 484.40
Used ceramic insulators	10.3	2.160
Mixture of concrete waste and rubble	460.1	15.20
Wooden waste	3 080.0	1 775.55
Glass	0.5	0.340
Plastics	0.7	0.44
Wooden, glass and plastic waste	1 500.0	-
Other asphalt	6 600.4	825.00
Iron and steel	34.7	111.00
Other cables	0.5	0.980
Soil, earth, including stones, other	313 000.0	132 656.60
Excavated soil	4 530.0	0
Track ballast	149 600.0	455.00
Mixed waste from site	12 368.0	54.56

Total weight of waste generated in 2016 – 496 261 tonnes

Including hazardous waste – 6,608 tonnes

Non-hazardous waste – 489 653 tonnes

* (tonnes)

G4-EN2

Total weight of waste generated in 2016 – 496 261 tonnes, of which 122,300 tonnes were re-used for auxiliary purposes. This represents 24.6% of all waste and 25.0% of non-hazardous waste.

Waste re-used for auxiliary purposes:

	2016
Concrete waste and concrete rubble	5 400
Milled asphalt	1 500
Track ballast	115 400

* (tonnes)

The remaining waste was handed over to authorised entities (companies which have appropriate permissions for the collection of waste) or legal persons, in accordance with the regulation of the Minister of Environment of November 10, 2015.

G4-LA3

Return to work and job retention ratios after maternity/paternity leave by gender

	2016		2015	
	Women	Men	Women	Men
Employees who took maternity/paternity leave	10	29	12	21
Employees who returned to work after maternity/paternity leave	5	27	8	18
Employees who returned to work after maternity/paternity leave and continued working in the organisation for the next 12 months	7	15	3	29
Return to work ratio	50%	93%	67%	86%
Job retention ratio (in 12 months following maternity/paternity leave)	100%	83%	75%	100%






G4-9

G4-EN11

There are no protected areas or other areas of high environmental value with substantial biodiversity in the vicinity of the aforementioned locations of the Company.

Location	Area (in square metres)	Purpose
Wrocław, ul. Kniaziewiczza 19	4 823	Office facilities
Wrocław, ul. Lotnicza 100	134 092	Warehouse and repair facilities
Warsaw, ul. Gniewkowska 1	4 779	Office, warehouse and auxiliary facilities
Warsaw, ul. Golendzinowska 35 and 37	19 871	Office, warehouse and auxiliary facilities
Warsaw, ul. Skaryszewska 19	3 788	Warehouse and auxiliary facilities
Total	167 353	

GRI INDICATORS




No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
Strategy and analysis					
G4-1	Statement from the most senior decision-maker of the organization (such as CEO or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	[President's Letter]	3	✓	✓
G4-2	Description of key impacts, risks and opportunities	Risk management] [Market situation, opportunities and threats] [Objectives of CSR] [Value creation model] Risks are also described in Note 2.10. of the report on the operations of Trakcja PRKił S.A. in 2016 that is available at the Company's website.	12 33 35 50	✓	✓
Organisational profile					
G4-3	Name of the organisation	Trakcja PRKił Spółka Akcyjna		✓	✓
G4-4	Primary brands, products or services	[Business model]	37	✓	✓
G4-5	Location of the organization's headquarters	[Key facts]	5	✓	✓
G4-6	Number of countries where the organization operates, including their names	[Scope of activities] [Business model]	9 37	✓	✓






No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
G4-7	Nature of ownership and legal form	Joint stock company listed on the Warsaw Stock Exchange [Shareholdership]	25	✓	✓
G4-8	Markets served, including geographic breakdown, sectors served, and types of customers and beneficiaries	[Scope of activities] [Sales structure] [Relations with stakeholders]	9 26 40	✓	✓
G4-9	Scale of activities and scale of the organisation	[Key facts] [Relations with stakeholders] [Business model] [Non-financial data tables]	5 26 37 94	✓	✓
G4-10	Total number of employees by employment type, employment kind, employment contract, region and gender	[Structure of employment]	67	✓	✓
G4-11	Percentage of total employees covered by collective bargaining agreements	0% of employees were covered by collective bargaining agreements		✓	✓
G4-12	Supply chain description	[Cooperation with suppliers]	52	✓	✓
G4-13	Significant changes during the reporting period regarding the size, structure, ownership or supply chain	[Structure of Trakcja Group] [Shareholdership] [Capital expenditure]	24 25 85	✓	✓
G4-14	Report on whether and how the precautionary principle is addressed by the organisation	[Risk management]	12	✓	✓
G4-15	Externally developed economic, environmental and social charters or principles to which the organisation subscribes or which it endorses	[OHS preventive actions] [Safety Culture Declaration]	73	✓	✓
G4-16	Memberships in associations and organisations	[OHS preventive actions] European Federation of Railway Trackworks Contractors	73	✓	✓




No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
Identified material aspects and boundaries					
G4-17	List of all entities included in the consolidated financial statements or equivalent documents Is any entity included in the consolidated financial statements or equivalent documents not covered by the report	This integrated report covers the parent company Trakcja PRKil S.A. [Structure of Trakcja Group]	24	✓	✓
G4-18	Process for defining the report contents	[About the report]	87	✓	✓
G4-19	All the material aspects identified in the process for defining the report contents	[About the report]	87	✓	✓
G4-20	Significance of aspects identified within the organisation	[About the report]	87	✓	✓
G4-21	Significance of aspects identified outside the organisation	[About the report]	87	✓	✓
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Not applicable; this is the first integrated report issued by the Company		✓	✓
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Not applicable; this is the first integrated report issued by the Company		✓	✓
Stakeholder engagement					
G4-24	List of stakeholder groups engaged by the organisation	[Relations with stakeholders]	26	✓	✓
G4-25	Basis for identification and selection of stakeholder groups engaged	[Relations with stakeholders]	26	✓	✓






No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	[Relations with stakeholders]	26	✓	✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	[Relations with stakeholders]	26	✓	✓
Report profile					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	January 1, 2016 to December 31, 2016		✓	✓
G4-29	Date of the (most recent) previous report (if any)	This report is the first integrated report issued by the Company		✓	✓
G4-30	Reporting cycle (such as annual, biennial)	Annual		✓	✓
G4-31	Contact point for questions regarding the report or its contents	Michał Jastrzębski		✓	✓
G4-32	GRI Index	GRI Indicators		✓	✓
G4-33	External verification of the report	[About the report] [Independent Limited Assurance Report]	87 106	✓	✓
Governance					
G4-34	Governance body's structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	[Company's corporate bodies]	11	✓	✓




No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
Ethics					
G4-56	The organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	[Ethics and prevention of corruption]	20	✓	✓
Detailed information					
■ Category: Economic					
Economic performance					
DMA-EC	Approach to management	[Business model]	37	✓	✓
G4-EC1	Direct economic value generated and distributed	[Financial data tables]	89	✓	✓
Indirect economic impact					
DMA-EC	Approach to management	[Pay equity]	69	✓	✓
G4-EC5	Development and impact of infrastructure investments and services supported	[Pay equity]	69	✓	✓
Indirect economic impact					
DMA-EC	Approach to management	[Business model] [Impact on local community]	37 78	✓	✓
G4-EC7	Development and impact of infrastructure investments and services supported	[Business model] [Impact on local community]	37 78	✓	✓






No.	Indicator name	Comments / Description	 1 Page	 Entire	 Verification
■ Category: Environmental					
Materials					
DMA-EN	Approach to management	[Environmental impact]	57	✓	✓
G4-EN1	Materials/ Raw materials used by weight or volume	[Non-financial data tables]	90	✓	✓
G4-EN2	Percentage of materials used that are recycled input materials	[Non-financial data tables]	93	✓	✓
Energy					
DMA-EN	Approach to management	[Energy consumption within the organisation]	63	✓	✓
G4-EN3	Energy consumption outside the organisation	[Non-financial data tables]	63	✓	✓
Biodiversity					
DMA-EN	Approach to management	[Biodiversity]	60	✓	✓
G4-EN11	Location and area of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	[Non-financial data tables]	94	✓	✓
G4-EN12	Description of significant impact of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	[Biodiversity]	60	✓	✓




No.	Indicator name	Comments / Description	 1 Page	 Entire	 Verification
Emissions					
DMA-EN	Approach to management	[Air emissions]	64	✓	✓
G4-EN21	NOx, SOx and other significant air emissions by type of compound and weight	[Non-financial data tables]	91	✓	✓
Effluents and waste					
G4-EN23	Total weight of waste by type and disposal method	[Non-financial data tables]	92	✓	✓
Compliance					
G4-EN29	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	In 2016, as in the preceding years, the Company was not charged with any non-monetary sanctions for non-compliance by its employees with legal provisions of the environmental protection law		✓	✓
Environmental grievance mechanisms					
DMA-EN	Approach to management	[Ethics and prevention of corruption]	20	✓	✓
G4-EN34	Number of grievances about environmental impacts filed, addressed and resolved through formal grievance mechanisms	No grievances [Ethics and prevention of corruption]	20	✓	✓



No.	Indicator name	Comments / Description	 1 Page	 Entire	 Verification
■ Category: Social					
Subcategory: Labour practices and decent work					
Employment					
DMA-LA	Approach to management	All employees of the Company work in one region, namely in Poland. [Our employees]	66	✓	✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	[Employee turnover]	70	✓	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	[Our employees] All employees are provided with the same benefits.	66	✓	✓
G4-LA3	Return to work and job retention ratios after parental leave by gender	[Non-financial data tables]	93	✓	✓
Occupational health and safety					
DMA-LA	Approach to management	[Occupational health and safety]	72	✓	✓
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	The OHS Committee represents 100% of employees.		✓	✓

No.	Indicator name	Comments / Description	 1 Page	 Entire	 Verification
G4-LA8	Occupational health and safety topics covered in formal agreements with trade unions	Company Regulations, signed and accepted also by the Chairpersons of Trade Unions. All changes in the Company Regulations must be accepted also by the Chairpersons of Trade Unions. Certain issues covered by the document: standards for personal protective equipment distribution and rules for their use; list of particularly arduous works or works harmful for women's health; list of particularly hazardous works and works associated with high physical or mental effort		✓	✓
Education and training					
DMA-LA	Approach to management	[Training]	71	✓	✓
G4-LA9	Average hours of training per year per employee by gender and employee category	[Training]	71	✓	✓
Diversity and equal opportunities					
G4-LA12	Composition of management bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	[Structure of employment]	67	✓	✓



No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
Equal remuneration for women and men					
DMA-LA	Approach to management	[Pay equity]	69	✓	✓
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category and by significant locations of operation	[Pay equity]	69	✓	✓
Labour practices grievance mechanisms					
DMA-LA	Approach to management	[Ethics and prevention of corruption]	20	✓	✓
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	No grievances [Ethics and prevention of corruption]	20	✓	✓
Subcategory: Society					
Community					
DMA-SO	Approach to management	[Impact on local community]	78	✓	✓
G4-SO2	Operations with significant actual and potential adverse impacts on local communities	[Biodiversity]	60	✓	✓
		[Mitigation of environmental impact of products and services]	64		
		[Impact on local community]	78		
Corruption					
DMA-SO	Approach to management	[Ethics and prevention of corruption]	20	✓	✓
G4-SO5	Confirmed incidents of corruption and actions taken	In 2016, the Company did not have any confirmed incidents of corruption reported.		✓	✓

No.	Indicator name	Comments / Description	 Page	 Entire	 Verification
Grievance mechanisms for impacts on society					
DMA-SO	Approach to management	[Impact on local community] [Ethics and prevention of corruption]	20 78	✓	✓
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	[Impact on local community] [Ethics and prevention of corruption]	20 78	✓	✓

Independent Limited Assurance Report on Indicators Presented in the Integrated Report of Trakcja PRKiI S.A. for the year ended 31 December 2016.

To the Management Board of Trakcja PRKiI S.A.

Złota 59
00-120 Warszawa

Scope of work performed

We have undertaken a limited assurance engagement on the indicators presented in the Integrated Report of Trakcja PRKiI S.A. for the year from 1st January 2016 – 31st December 2016 (the “Integrated Report”), developed by Trakcja PRKiI S.A. (the “Company”). The indicators have been reported on the basis of G4 Sustainability Reporting Guidelines for “Core” option, issued by Global Reporting Initiative (GRI).

Responsibility of the Management Board of the Company

The Management Board of the Company is responsible for the preparation and presentation of the indicators presented in the Integrated Report in accordance with G4 Sustainability Reporting Guidelines for “Core” option, issued by Global Reporting Initiative (GRI). This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In compliance with International Standard on Quality Control No 1, issued by International Federation of Accountants Deloitte maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the indicators as marked in the GRI index presented in the Integrated Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected indicators presented in the Integrated Report are free from material misstatement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

In order to form our conclusion on the indicators as marked in the GRI index presented in the Integrated Report, we undertook in the period 29th August 2017 – 10th November 2017 the following procedures:

- Through inquiries, obtained an understanding of Trakcja PRKiI S.A. control environment and information systems relevant to reporting the indicators under review, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Obtained an understanding through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review.
- Evaluated whether Trakcja PRKiI S.A.. methods for developing estimates are appropriate and had been consistently applied. However our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate Trakcja PRKiI S.A. estimates.
- Compared the information included in the Integrated Report to internal documentation of the Company.
- Undertook site visits to assess the completeness of the indicators under review, data collection methods, source data and relevant assumptions applicable to the indicators.

Limitations

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.



Our limited assurance engagement has been limited to the indicators as marked in the GRI index presented in the Integrated Report and does not extend to the rest of the information included in the report nor the report as a whole. Accordingly, our conclusion below covers only these indicators and not all data presented or any other information included in the Integrated Report.

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Integrated Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

Conclusion

Based on our work we have obtained limited assurance that the information concerning the indicators as marked in the GRI index included in the Integrated Report developed by the Trakcja PRKiI S.A. are not incompliant with G4 Sustainability Reporting Guidelines for 'Core' level issued by Global Reporting Initiative and no matters has come to our attention to cause us to believe that the reviewed indicators presented in the Integrated Report are materially misstated.

Deloitte Advisory

Deloitte Advisory Sp. z o.o.
Warsaw, 10 November 2017

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