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Dear Sir/Madame,

I invite you to read the first edition of the social report of Trakcja PRKiI to help you better understand our company and our approach to sustainable development.

Since 2008, we are listed on the Warsaw Stock Exchange, and are therefore a transparent company providing to its shareholders, investors and other capital market entities equal access to reliable information. At the present, we have taken another challenge - to become one of socially responsible companies, listed on the RESPECT INDEX on the Warsaw Stock Exchange. This year we have developed a CSR strategy based on responsible leadership and management, social engagement, dialogue with stakeholders and social innovation. We believe that thereby will ensure its sustainable development in the economic, social and environmental dimensions. At the same time, in order to keep our stakeholders better informed, we have prepared the first edition of the social report, which is the new stage of a the new reporting standard.

Trakcja PRKiI, together with a group of subsidiaries, has extensive qualifications and successfully perform railway, energy, road and engineering contracts as well as produce equipment supplying power for railways and tramways. We have qualified and experienced staff and extensive construction and specialized equipment facilities, particularly specializing in railway works.

We are one of the few companies that can boast almost 70 years of uninterrupted operation. Over the years, steadily we gained new experience and we expanded our competence, so that we are now one of the leaders of the construction industry in Poland. We are implementing the contracts within the "Infrastructure and Environment" Programme, whose purpose is to improve the quality and efficiency of the economy whilst improving the environment and its resources.

Our work and dedication has been recognized by our customers, the backbone of which constitute public companies and institutions managing road and rail infrastructure, as well as local governments and energy distributors. We wish to establish the dialogue and maintain relationships with all our stakeholders, based on mutual respect, compliance with the rules of ethics and jointly implement sustainability objectives. According to our customers we are reliable, responsible and always discharging our commitments as a business partner.

We believe that this document will be another element that continues to build the confidence of all stakeholders in our Company.

*With kind regards,
Jarosław Tomaszewski
President of the Management Board
CEO
Trakcja PRKiI S.A.*

I. Business model of the Company



Our vision is as follows:
“Trakcja Group aims to achieve a leading position
among the companies building infrastructure
in the Baltic countries”.

■ **WHO WE ARE, WHAT WE DO, WHAT WE STRIVE FOR**

Trakcja PRKił SA (hereinafter referred to as the “Company” or “Trakcja PRKił”) is one of the largest companies in the sectors of infrastructural construction and energy in Poland.

**Our mission is:
“Development of the economic potential
of countries and regions and promoting
the mobility of society through the construction
of a modern transport infrastructure.”**

For over seven decades we have specialized in construction and comprehensive modernization of rail lines, including track works, traction network, construction of engineering structures, platforms and all passenger infrastructure elements. Our facilities meet the standards required for people with reduced mobility. In addition, we are building overhead and cable power lines of high, medium and low voltage and volumetric buildings for various purposes.

We provide comprehensive services related to investment and design processes. We prepare feasibility studies, construction projects, executive designs, tender documents and cost estimates.

We run a number of road projects to a diverse range, from local roads through road junctions up to express roads.

We are also a manufacturer of low and medium voltage switching stations supplying power to the tramway, trolleybus and rail tractions and medium voltage switching stations of alternating current 15 kV to power supply and power distribution for traction substations.

It is worth noting that on several occasions we have successfully completed so-called „mission impossible” contracts; projects that other contractors rejected due to tight parameters and completion times.

As a company with broad competencies, we are in constant motion realising in Poland another infrastructure investments. We kindly invite you to watch the movie, which will bring you closer to Trakcja PRKił at work.



■ WHERE WE WORK

We are implementing our vision persistently and consistently.

In 2015, Trakcja Group carried out nearly 300 specialist, multi-sector contracts in Poland, Lithuania, Latvia and Sweden. Their total value exceeded 7.3 billion PLN.



By following this operating philosophy, the Company on the one hand not only boasts a long and unbroken history of activity, but above all has a high position in the industry. The Company is able to build a community of targets for multiple parties occurring in the investment process, despite inevitable

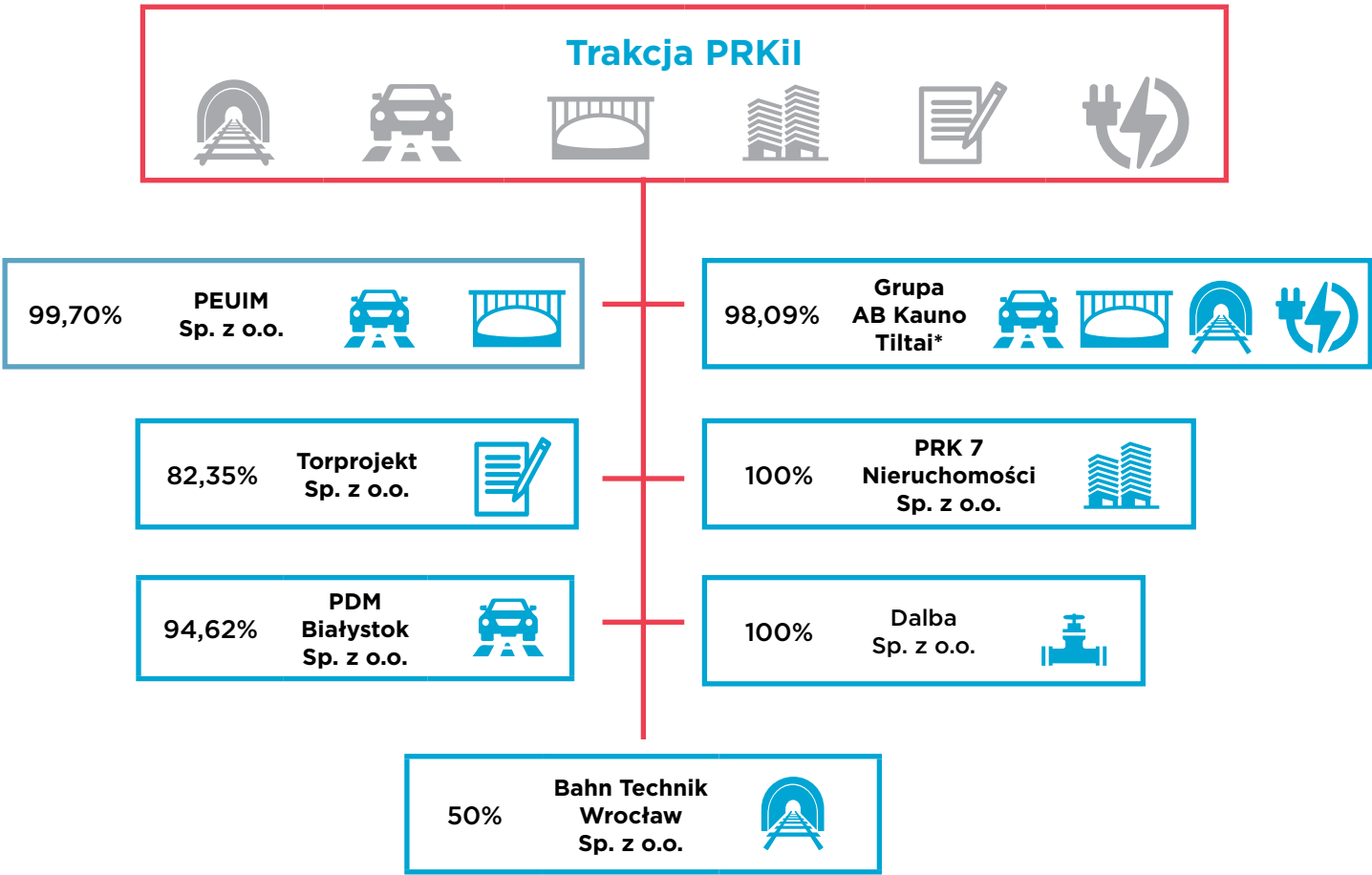
differences of their interests. At the same time we are able to achieve our own economic goals, and we have thereby survived many crises in the economy over the years. Therefore, the Company enjoys a position of trust among a wide range of stakeholders, in particular the authorities and financial institutions.

THE STRUCTURE OF OUR CAPITAL GROUP

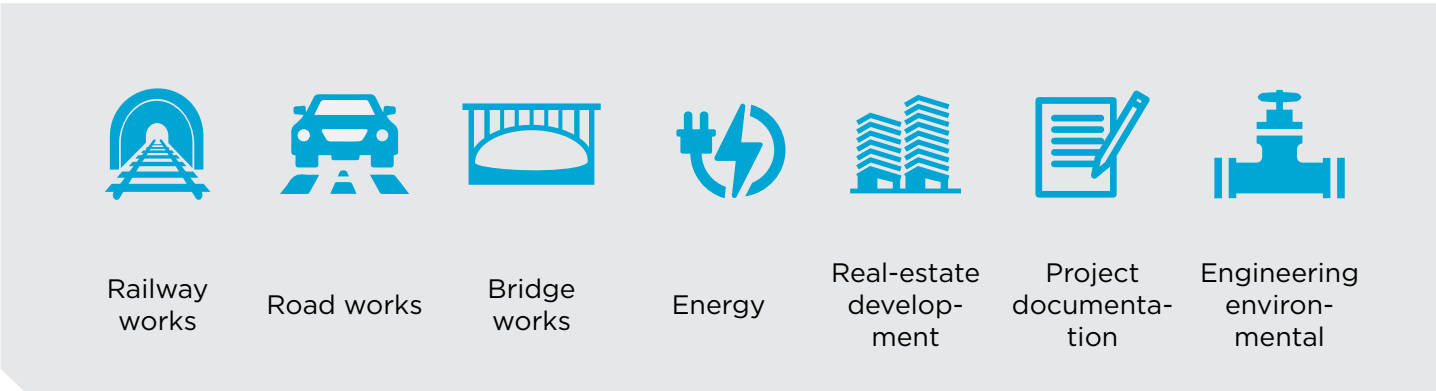
Trakcja Group includes Polish and foreign companies. Our Lithuanian subsidiary AB Kauno Tiltai is the largest player in the sector of infrastructural construction in the Baltic countries.

As of December 31, 2015

Trakcja PRKiI formed Group with the following subsidiaries:



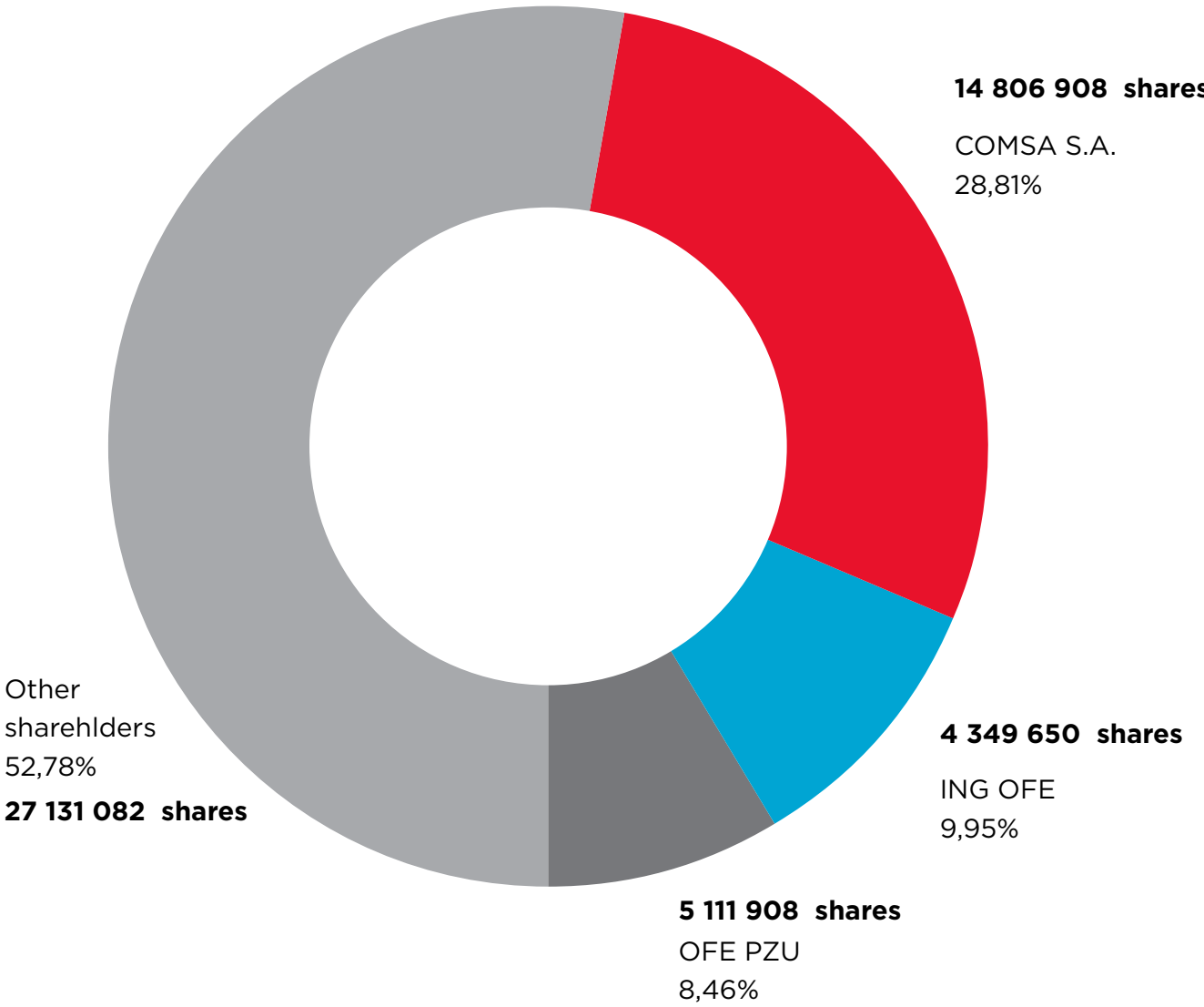
THE COMPETENCES OF THE COMPANIES OF TRAKCJA PRKiI GROUP



* Trakcja PRKiI S.A. has a total of 98.09% (96.84% directly and indirectly 1.25%) of the share capital of the subsidiary AB Kauno Tiltai. The indirect share is a result of the acquisition of shares by a subsidiary. The group of Lithuanian companies for which a parent is AB Kauno Tiltai. This companies are operating on Lithuanian, Latvian and Swedish markets.

SHAREHOLDER STRUCTURE

The shareholder structure of the Company as at 31 December 2015 is as follows: the strategic shareholder COMSA S.A. and two major institutional shareholders hold a total of 47.2% of the share capital.



RESULTS AND ACTIVITIES OF THE COMPANY IN 2015

In 2015 Trakcja PRKiI generated income of **PLN 763 million** while maintaining a high gross profit on sales of 8.3%. The Company ended 2015 with operating profit in the amount of **PLN 30 million** and gross profit in the amount of **PLN 42 million**. Net profit for 2015 amounted to **PLN 35 million** while maintaining a high net profit margin of **4.6%**. The Company is currently performing mainly public investment financed from EU funds. 2015 was the beginning of the transition period between the two EU perspectives, in which the investments planned for 2007-2013 have been completed, and those scheduled for the next perspective have not yet been started. This has affected the Company's results.

	2015	2014	Change y/y
Sale	763	966	8,3% High profitability of gross profit on Sales
Gross profit (loss) on sale	63	100	
Gross profit margin on sale	8,3%	10,3%	
SG&A	-35	-33	Significant improvement of other operating activity
Other operational activity	2	-9	
EBIT	30	57	
EBIT margin	3,9%	5,9%	
Financial activity	12	2	Improvement of financial activity
Gross profit	42	59	
Gross profit margin	5,5%	6,1%	
Income tax	-6	-9	
Net profit	35	50	
Net profit margin	4,6%	5,2%	
EBITDA	41	68	4,6% High net profit margin
EBITDA margin	5,3%	7,0%	

Data in million PLN








The balance sheet total as compared to 2014 decreased by 13% and amounted to PLN 932 million. Decrease of balance sheet total on the asset side was caused by the falling number of contracts and the decrease in the demand for working capital, while on the liabilities side by the decrease in long-term liabilities.

One of the greatest achievements of the Company was debt reduction at the end of 2015, compared with 2014. This was achieved through the redemption of bonds, a partial repayment of credits and loans and reducing the frequency of use of factoring services.

As recently as 2015, the Company has signed contracts for works worth over **PLN 1 185 million** (including the value of works per consortium), and generated revenues came mainly from railway contracts.

SALES STRUCTURE

In the years 2014-2015 Trakcja PRKiI has generated revenues mainly from railway contracts. However, diversification in the types of contracts is gradually progressing, and the Company intends to intensify this diversification in the coming years.

	2015		2014	
	value*	%	value*	%
 Railway works	694 719	91,0%	905 902	93,8%
 Road works	20 129	2,6%	4 301	0,4%
 Bridge works	478	0,1%	-	0,0%
 Tramway works	26 625	3,5%	-	0,0%
 Production	6 895	0,9%	12 830	1,3%
 Other areas of activity	14 553	1,9%	43 051	4,5%
 Total revenues from sales	763 399	100,0%	966 084	100%

*Data in million PLN

The Company successfully implements the biggest railway contracts in the country:

No.	Contract name:	The amount of the contract (million PLN)	Type of work
1.	Modernisation of the railway line E 65 / CE 6, section Warszawa - Gdynia - the area LCS Iława, LCS Malbork	869	Railway
2.	Modernisation of the railway line E 65 / CE 65, section Warszawa - Gdynia - area of LCS Działdowo	757	Railway
3.	Modernisation of the railway line E 30 / C-E30, section Kraków - Rzeszów, stage III (Podłęże - Bochnia)	627	Railway
4.	Modernisation of the E59 railway line, section Wrocław - Poznań, Phase II - section Wrocław - border of the Lower Silesia province	530	Railway
5.	Modernisation of the railway line E 30 / CE 30, section Kraków - Rzeszów, stage III (Dębica - Sędziszów Małopolski)	417	Railway
6.	Development of execution projects and execution of works for LCS Warszawa Okęcie, Project POLiŚ 7.1-19.1.a. pn. Modernization of railway line no. 8, section Warszawa Okęcie - Radom (LOT A, B, F) Phase II	357	Railway
7.	Modernisation of the railway line Warszawa - Łódź, stage II, lot B - section Łódź Widzew - Łódź Fabryczna	336	Railway

II. Environmental issues



Trakcja PRKil consumes a great amount of energy and raw materials from the Earth. In order to protect the environment and be socially responsible we try to recover as much of the materials used in constriction process as possible and reduce the consumption of natural resources.

CARE FOR THE ENVIRONMENT AND BIODIVERSITY

The size of the impact of our construction activities on the environment depends on the nature of the investment and its location. Infrastructure projects generally have a very large impact on the environment. Railway lines often run nearby protected or beautiful nature areas, which unfortunately can affect the local biosphere, both at the stage of their implementation and subsequent operation.

Counteracting the negative effects of building or improving railway infrastructure.

When performing these projects, we use solutions designed to ensure the smooth running of the project in its entirety. This benefits both the company, and also the local natural environment.

- WORK takes place under the watchful eye of social and safety coordinators. They control the daily work and activities carried out on site. And ensure they are undertaken in accordance with the principles of environmental safety.



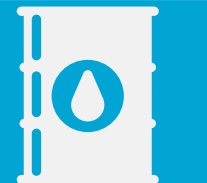
- EMPLOYEES are frequently reminded how big of an impact the work of construction companies has on the local environment and the biodiversity within it.



- GROUND WORKS can run near trees or shrubs or their roots. These works are carried out in accordance with the local environment concerns and wherever possible without causing excessive harm to the natural vegetation.



- ABSORBENTS are placed in the construction facilities; next to parked cars, machinery and technical equipment in order to temporarily prevent the leakage of harmful liquid. E.g. motor oils, hydraulic and brake fluids and coolant.



- "SAFE" WASTE resulting from construction work is stored in properly marked containers in paved storage areas.



- "SMALL VOLUME" WASTE is stored in labelled containers, which also helps to prevent any environmental pollution.



- HAZARDOUS WASTE is stored in containers placed in specially paved storage yards, separated on the construction sites or leased specifically for this purpose.



- THE GROUND OF THESE STORAGE AREAS is protected against infiltration into the soil or water table. Dangerous substances contained at these sites can permeate the ground with rainwater, etc. The use of containers and storage places that are adequately protected against access by unauthorized persons and animals minimises this risk.



RUBBLE

Following cleaning and sieving it is used again for building purposes.

CONCRETE RUBBLE

Crushed concrete is used for road bases.

ASPHALT

Milled material is transferred to a specialist company producing asphalt.

MINIMISING WATER CONSUMPTION

Technological processes used in the production process and on construction sites do not require water consumption. Water is used only for office and staff purposes. We continually monitor the efficiency of our water installations and fittings. Additionally, we raise awareness to our employees and contractors on how to save water. For example, using only the amount of water that is necessary to meet the needs of working, cleanliness and hygiene.

REDUCING GREENHOUSE GAS EMISSIONS

The nature of Trakcja PRKil's business is such that it is not possible to completely eliminate the use of fossil fuels and associated high energy usage. Despite the difficulties encountered, Trakcja PRKil takes actions to reduce greenhouse gas emissions.

We run a modern fleet of cars with catalytic converters. In addition, emissions are reduced by replacing and upgrading plant equipment and transport equipment to more economical, modern models. Doing so allows us to meet the stringent quality standards pertaining to exhaust gases. Sensible, considered use of fuels and energy has a positive effect on the environment and reduces operating and environmental costs. Due to the well-chosen equipment and effectively conducted energy saving processes there was a significant decrease in fuel consumption in 2015 compared to the previous year.

REDUCING THE CONSUMPTION OF MATERIALS AND ENERGY

We place great emphasis on the reduction of energy in the processes supporting our core operational activities; in addition we work tirelessly to raise awareness among workers regarding the necessity of the sensible use of resources all of our workplaces. Examples of measures implemented by Trakcja PRKil are listed below, and prove that we aim to reduce the consumption of materials and energy.

PRINTERS - Elimination of extraneous printers within the business generates savings on ink and toners.

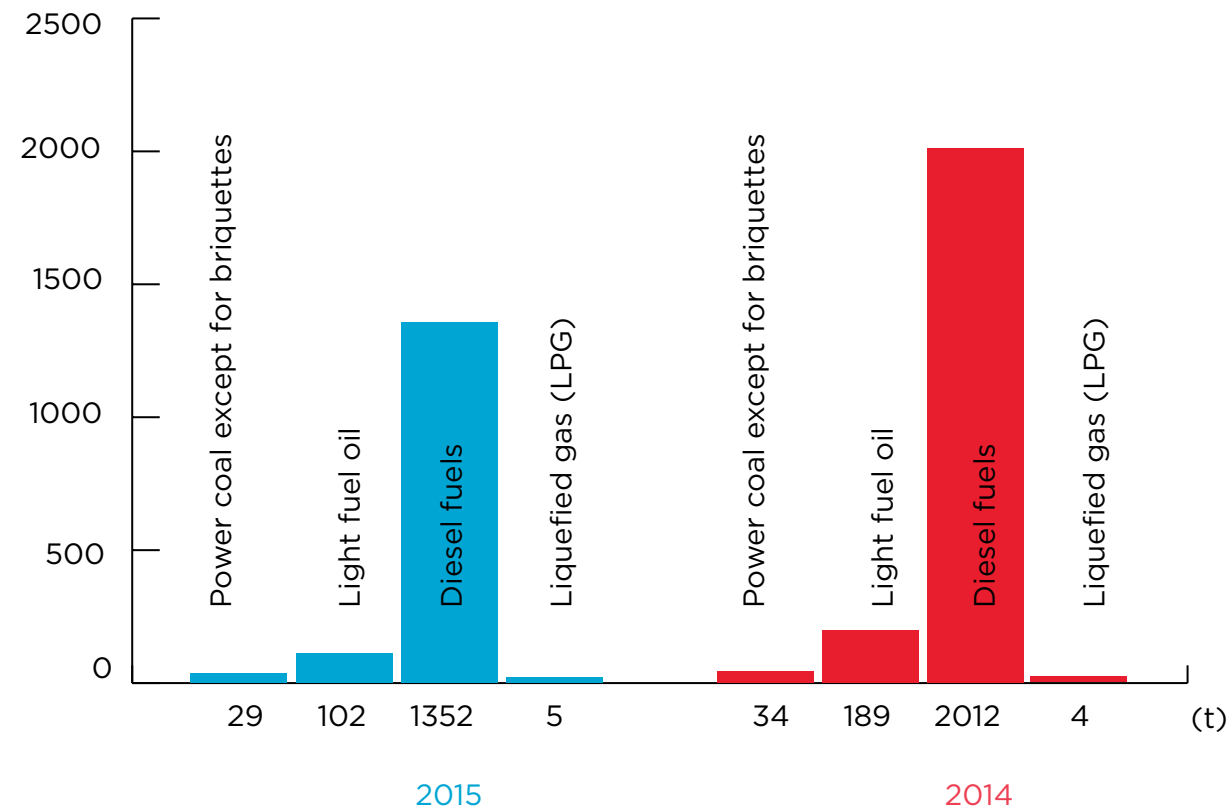
LIGHTING - Replacement of fluorescent lamps with energy-efficient lighting saves money on electricity and reduces energy consumption.

DOUBLE-SIDED PRINTING - Reduces paper consumption and production of waste paper.

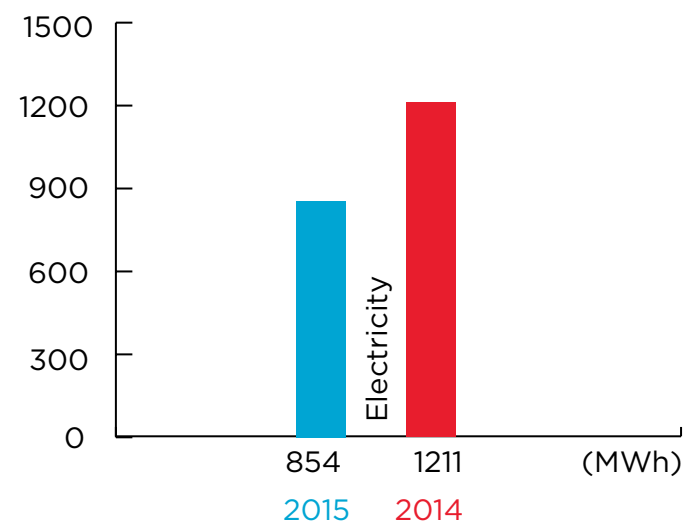
MODERN MACHINERY- Modern machinery and the systematic replacement of their components reduces the consumption of various fuels, oils and lubricants.

We use environmentally friendly trains for the transport of materials and raw materials.

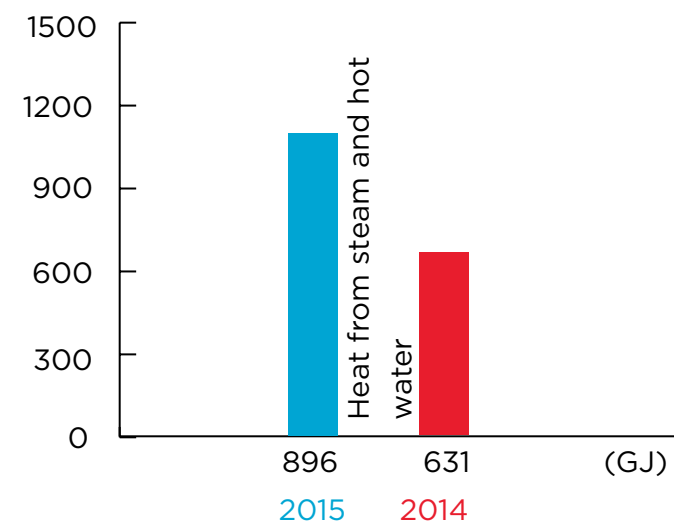
THE AMOUNT OF ENERGY CARRIES CONSUMED IN THE YEARS 2014 AND 2015



ELECTRICITY CONSUMPTION IN THE YEARS 2014 AND 2015



CONSUMPTION OF HEAT IN STEAM AND HOT WATER IN THE YEARS 2014 AND 2015



CONSUMPTION OF MATERIALS AND RAW MATERIALS

In 2015 as a result of the lower volumes of work, Trakcja PRKiI consumed a lesser amount of materials and raw materials. Aggregates have been an exception, their consumption increased by 8% compared to the previous year, mainly due to the higher value of road construction contracts.

	IU	2015	2014
Aggregates	(t)	695 011	643 392
Concrete	(m ³)	2 366	1 191
Cement	(t)	243	175
Cardboard	(m ²)	128	2 254
Iron and steel barbed wire and alike products of copper or aluminium	(t)	134	593
Bare wires	(t)	124	458
Steel wires	(t)	432	161
Steel sections	(t)	505	658
Steel construction elements for railway and tramway tracks	(t)	7 415	8 177
Railway and tramway tracks	(t)	7 632	10 276

USED LAND

Land in perpetual usufruct held by the Company in Wrocław and Warsaw:

Location	Area (m ²)	Purpose
Wrocław, ul. Kniaziewiczza 19	4 823	office
Wrocław, ul. Lotnicza 100	134 092	storage, repair
Warszawa, ul. Gniewkowska 1	4 779	office, storage, auxiliary
Warszawa, ul. Gołędzinowska 35 i 37	19 871	office, storage, auxiliary
Warszawa, ul. Skaryszewska 19	3 788	storage, auxiliary
Total	167 353	

III. Our environment and social responsibility



Amongst Trakcja PRKil's community of stakeholders, institutions, business organisations and agencies we understand that all of us have an impact on the achievement of the objectives our Company.



Local communities, rail passengers, road users and users of electricity are the direct beneficiaries of the effects of our operations. During the period of preparation and construction we seek to establish and maintain positive relationships with local authorities and residents.

In addition Trakcja PRKiI collaborates with nearly 1 500 suppliers and subcontractorsat the same time, which makes it one of the largest employers in the industry.

DIALOGUE WITH THE ENVIRONMENT

Trakcja PRKiI has been in operation over 70 years. We have built a strong reputation and our company has become a benchmark for high quality of work coupled with respect for employees and contractors. These features have become the foundation of our CSR Strategy, which match the definition set out in ISO Standard 26000.

Trakcja PRKiI understands it as:
The responsibility of organisations for the impact of its decisions and activities on society and the environment, manifested by transparent and ethical behaviour that:

- contributes to sustainable development, including the well-being and health of society,
- takes into account the expectations of stakeholders,
- complies with applicable law and is consistent with international norms of conduct,
- is integrated within the activities of the organisation and practiced in its business relationships.



CSR TARGETS FOR TRAKCJA PRKiI FOR THE UPCOMING PERIOD

The main operational objectives of Trakcja PRKiI CSR match the courses of action. They take into account a number of programs and indicators as part of a system for monitoring the degree of implementation of these objectives.

Course of action	Operational objective	Program implementing objective	Monitoring system and key indicators
Decent Work Policy	Code of Ethics as a set of core values for everyday working practices	Implementation and supervision of implementation of the Code of Ethics	Analysis Report of non-compliance with the code of ethics
	Building employee awareness of corporate social responsibility	Implementation of the program "Adaptation of the New Employee"	Report on the implementation of training
	Adopting anti-corruption measures	Implementation of the anti-corruption policy - "Zero tolerance for cheaters"	Annual meeting of managers related to the implementation of the anti-corruption policy
Working Practices	Increasing employee satisfaction	Audit / study / survey of job satisfaction in the Trakcja Group	Obtaining a positive assessment of the satisfaction survey "Trakcja as an employer"
		Audit / satisfaction survey	Monitoring the level of employee satisfaction within the workplace
	Increasing the culture of work safety	Improving the management of work health and safety	A reduction of the number of accidents at work indicates success
		Implementation and dissemination of the program "Time for safety"	Monitoring of the use of collective and individual protective equipment
Improving Customer Relationships	High levels of customer satisfaction	Analysis of customer satisfaction	Number and value of penalties received as a % of revenue / number of contracts
	Fulfilling customer expectations	Program of building and development of Trakcja PRKiI competences	Scoring obtained in pre-selection
	Policy of continuous improvement of quality of services	Development of clear and transparent rules of cooperation with subcontractors and consortium partners	Introduction of a verification procedure pertaining to the application of the rules by subcontractors and consortium members
Rational Management of the Environment	Minimizing the negative impact on the environment	Continuous improvement of environmental management system ISO 14001	Number of non-compliance found during inspections / audits
		Increase the use of ecological technological processes	Analysis of costs of energy and materials per unit of production and the costs of environmental charges
		Monitoring of waste management	Regular inspections - monitoring and reporting
Community Involvement And Development Of The Local Community	Supporting social actions	Implementation of the program "Helping hand". Supporting talents, outreach, children's recreation facilities, "a quarter for health", activities promoting culture	Analysis of the impact of the "Helping hand" program on community development

The relationship of our company with these stakeholders is dynamic and changes over time depending on market conditions or on ongoing contracts. To maintain the best possible relationship with our stakeholders we champion transparent communication to avoid problems before they can start, or to quickly resolve them once they have begun. We know the social expectations on our company are high and we are able to respond quickly and accurately to the needs of the environment.

The wide range of Company’s Stakeholders encompasses:	
Strategic shareholders	
Financial shareholders	
Capital market analysts	
Audit institutions and market regulators (eg. WSE)	
Creditors	
Bondholders	
PKP PLK	
GDDKiA	
Subcontractors	
Consortium members	
Suppliers of goods and services	
Local authorities	
Other customers	
Public opinion	
Local communities	
Employees	

We continuously monitor the perception of Trakcja PRKiI with relation to the environment, which enables us to understand the expectations and take rapid measures to differentiate ourselves from the competition.

■ CHANNELS OF COMMUNICATION WITH OUR STAKEHOLDERS

There are many channels of communication. We conduct constant and active dialogue within our working environment. Information policy is carried out in two fields:

THE FIELD OF FORMAL COMMUNICATION
Companies listed on the stock exchange are subject to such communication. Information duties described in the Regulation of the Minister of Finance are filed through the system ESPI and website www.grupatrakcja.com.

REPORTS
are published in this channel. They have a wide range and constitute a source of important information for shareholders, investors, banks, insurance companies, financial supervisors and related media. Another action implemented in mid-2015, in order to reach out to this group of stakeholders, are recurring information meetings with representatives of the shareholders, investment funds, banks and insurers. Trakcja PRKiI also participates in informational rounds for financial institutions, organised by brokerage houses.

THE FIELD OF IMAGE COMMUNICATION
This involves the targeted sharing of important publications to specific groups. These being:

COMPANY WEBSITE
News is presented in the form of current and periodic reports, press releases, signed contracts and the current status of work projects.

YOUTUBE CHANNEL OF TRAKCJA GROUP
This is an extension of the information available on the corporate website, where we present films demonstrating the activities of Trakcja PRKiI.

INDUSTRY EVENTS
We participate in the most important trade shows and fairs, for example: TRAKO International Railway Fair, Innotrans, Energetics and Energetab.

PUBLISHING
We prepare a number of publications about Trakcja PRKiI in both paper and electronic formats. Annual reports, Group offers and specific information presenting switching devices produced by Trakcja PRKiI.

NON-VERBAL COMMUNICATION
We use a system of visual identification on Trakcja PRKiI offices, construction sites, vehicles, construction equipment, locomotives, specialist track machines and on our workers clothing.

INTRANET
In order to improve mutual communication, our employees use our corporate Intranet-Trakcjonet. The internal information exchange platform is also a knowledge base. This allows workers in different locations, both in the country and abroad, access to view and download immediately important company documents.

RELATIONSHIP WITH LOCAL COMMUNITIES
We attach great importance to the relationship with local communities in the vicinity of projects we are undertaking. Preparation and execution of construction work is carried out in consultation with local authorities. Wherever possible, Trakcja PRKiI uses the services of local subcontractors and suppliers; thereby benefiting the local economy.



Modernisation of railway lines requires changes to the train timetable with track closures. Taking this inconvenience into account we conduct a number of measures to minimize disruption and shorten the expected time to complete the project. They include:

1. Utilising the full potential of people, equipment and materials supplied before the commencement of work.
2. The use of high-performance construction equipment, which accelerates the execution speed of the work.
3. The use of rail transport wherever possible in the supply of bulk materials. This avoids excessive road wear, traffic congestion, noise and minimises the emissions of carbon dioxide.

4. 24 hour works in locations where this is possible and does not cause noise pollution to residents.

5. Professionalism in the planning and organisation of work, thus limiting periods of technological breaks.

6. The use of high scalability and multifunctional modern equipment allows for more efficient utilisation.

In addition to this, Trakcja PRKiI is a socially responsible employer. We engage in national and local initiatives in cities where our facilities are located: Warszawa, Wrocław, Katowice and Rzeszów.



IV. Employee aspects



Trakcja PRKił's HR Policy is based on the principles of respect and tolerance for others. The purpose of our diversity policy is to create a varied team of employees in terms of gender, age, family status and other criteria.

■ **DIVERSITY POLICY**

Well-established features of the Company, operating on the market for nearly 70 years, has become a high quality of work and respect for employees and contractors. They also have become the foundation of CSR Strategy, which is part of the definition set out in standard ISO 26000.

The Company understands it as:

1. Providing a wide range of skills and competences.
2. Reinforcing the good reputation of the company.
3. Assisting in attracting and retaining talented employees.
4. Increasing the motivation and efficiency of staff.
5. Enhancing innovation and the creativity of employees.

The Company benefits from the knowledge and experience of older workers, deploying them in the role of mentor. Creating mixed-age teams encourages the transmission of knowledge and skills between employees. Trakcja PRKił appreciates young workers for their enthusiasm, speed, free thinking and the older for their patience, loyalty, prudence, integrity, experience and wisdom.

■ **HEALTH AND SAFETY AT WORK**

One of our priority tasks is to maintain a high level of health and safety in the workplace. Specifically: Providing workers with a duty of care toward their health, providing them with appropriate social conditions, and compliance with the applicable relevant laws. To meet these conditions Trakcja PRKił has implemented a safety management system compliant with PN-N-18001 (OHSAS):

- to prevent injuries to workers,
- to eliminate occupational diseases or health problems,
- to minimise sickness absenteeism,
- to engage employees to guide them to work in a sensible health and safety approved manner,
- to increase productivity and the quality of work output.

This system undergoes an annual audit certification. To achieve the goal of a high working safety culture, Trakcja PRKił has a Safety Committee which is composed of workers and employees. The main tasks of this committee include:

- reviewing working conditions,
- performing a periodic assessment of health and safety at work,
- giving opinions on measures taken by the company to prevent accidents and occupational diseases in the workplace,
- formulating proposals for improving working conditions.

The most important task of this Committee is to support our company in the carrying out of its duties relating to the field of health and safety and the improvement of working conditions.

■ **PREVENTATIVE MEASURES IN THE FIELD OF HEALTH AND SAFETY**

In recent years Trakcja PRKił has taken a range of measures to improve work safety. One of them was a campaign “Pracuj Bezpiecznie” (Work Safely), promoting good standards and eliminating bad habits. The campaign helped to identify areas of activity where there is the highest amount of risks and accidents at work, as well as define corrective measures. We are currently working on the introduction of a new organisational safety structure. Social and safety coordinators will become a part of the health and safety team and they will monitor on-site execution of our projects. The scope of their duties shall be:

- informing employees about current risks and how to safely perform their work.
- not allowing anyone to perform work that would directly endanger the health or life of employees,
- immediate suspension work if there is a direct threat to health or life of employees,
- taking action to eliminate hazards,
- ensuring work is conducted in accordance with the requested instructions,
- ensuring the cooperation of supervisors who monitor different groups of employees,
- to determine a clear way of communication and how to alert staff to dangers.

The process of education and prevention is realised in a number of other activities. These include:

- first aid training sessions,
- the uniform labelling of sites and their equipment. including health and safety banners and placards,
- identification of places requiring special caution,
- the introduction of a new uniform of work clothes with high visibility and resistance to weathering and heat absorption,
- company picnics with health and safety training sessions,
- a bookmark on the intranet website devoted to issues relating to work safety,
- conferences and meetings of managers, wherein the needs relating to the improvement of workplace health and safety are discussed amongst other issues.

■ **COOPERATION WITH THE NATIONAL LABOUR INSPECTORATE**

Trakcja PRKił is a responsible employer, taking care of its employees via the implementation of safe working conditions and practices. We implement the ideas and rules outlined by the National Labour Inspectorate and the Office of Rail Transport, Office of Technical Inspection and Building Construction Supervision.

■ **SUBCONTRACTORS AND SAFETY**

In 2016, Trakcja PRKił plans to sign an “Porozumienie dla bezpieczeństwa”(Agreement for Safety), implemented with the support of the National Labour Inspectorate and the Office of Rail Transport. The main objective of this project is to improve the safety culture in the Company. Especially on existing or large scale projects, where works are sometimes performed simultaneously by employees of several employers (subcontractors).

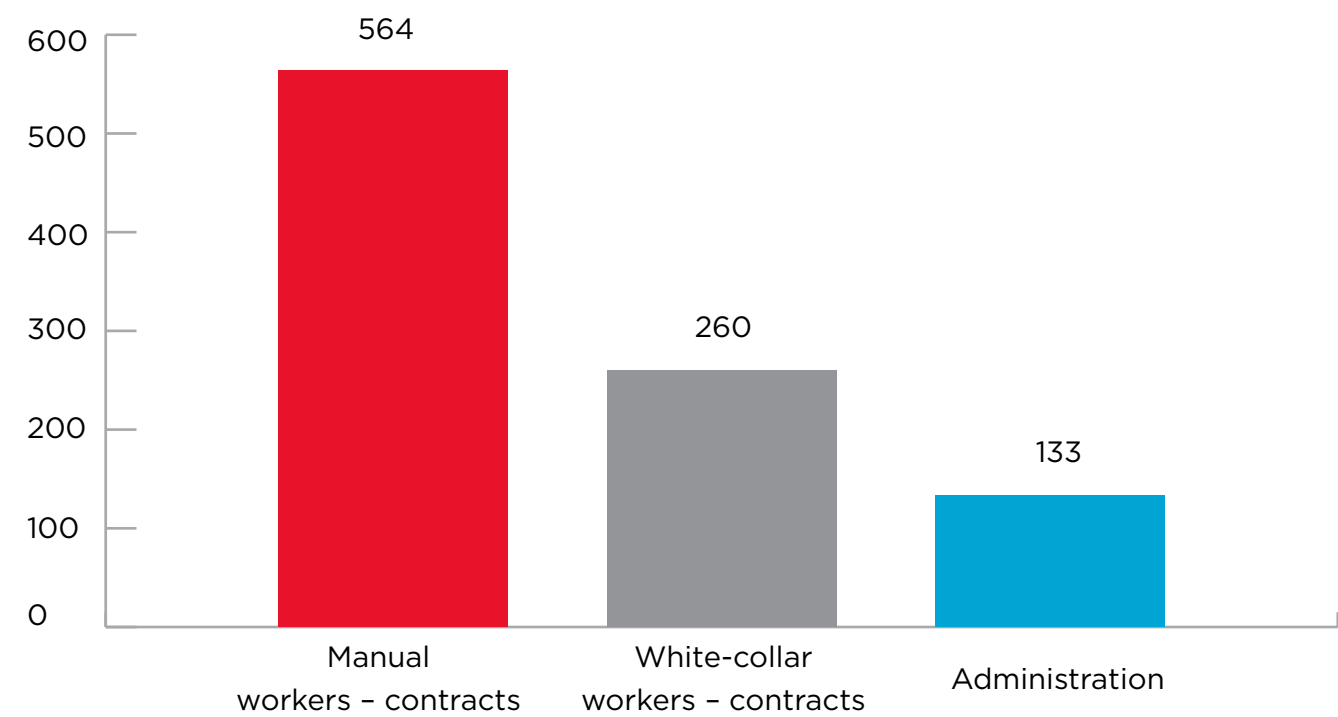
■ **CODE OF ETHICS**

Our Code of Ethics is based on the common values shared by the employees of our Company. During the period of seventy years, these have been a source of strength for the later challenges and provide a sense of security in periods of crisis and encourage our staff to work toward common goals.

Trakcja PRKił S.A. aims for development of the company through constant improvement and the use of capital knowledge and skills.

The attention to develop their skills and create favourable circumstances to allow our company to flourish.

Employment history within Trakcja PRKił reflects the long-term consistent policy of the Company; involving the building of human capacity which includes: managers, economists, engineers and technicians and staff with core competencies and years of experience.



	Women	Men	Total
Number of employees	132	825	957
Percentage of employees	13,8%	86,2%	100,0%

	Number of employees	Percentage of employees
< 30 years	170	17,8%
30-50 years	474	49,5%
> 50 years	313	32,7%
Total	957	100,0%

NEW EMPLOYEES

	Women	Men	Total
Number of new employees	21	105	126
Percentage of new employees	16,7%	83,3%	100,0%

	Number of new employees	Percentage of new employees
< 30 years	47	37,3%
30-50 years	56	44,4%
> 50 years	23	18,3%
Total	126	100,0%

DEPARTURES

	Women	Men	Total
Number of departures	38	148	186
Percentage of departures	20,4%	79,6%	100,0%

	Number of departures	Percentage of departures
< 30 years	31	16,7%
30-50 years	77	41,4%
> 50 years	78	41,9%
Total	186	100,0%

■ EMPLOYEES BY CATEGORY OF EMPLOYMENT

	Women	Men
Management Board	-	5
Senior Management	7	35
Other managment	11	91
White-collar posts	109	132
Blue-collar posts	5	562
Total	132	825

■ RELATION OF WAGES

Ratio of male to female wage by categories of workers	Ratio of male to female average wage
Management Board	-
Senior Management	121,61%
Other managment	93,84%
White-collar posts	108,86%
Blue collar posts	110,43%

Ratio of wages at the lowest level by gender in relation to the minimum wage in the country		
Minimum wage in 2015	Women	Men
1 750 PLN	149,99%	165,63%

■ DIVERSITY IN MANAGEMENT BODIES

Among the members of the Management Board of Trakcja PRKiI there is one foreigner, and in the Supervisory Board of Trakcja PRKiI sit three persons who are foreigners.

Management Board	Men
30-50 years	80,00%
> 50 years	20,00%
Total	100,00%

Supervisory Board	Men
30-50 years	43,00%
> 50 years	57,00%
Total	100,00%

■ EXPENDITURE ON HEALTH AND SAFETY

The following table shows the expenditure on health and safety in the year 2015 and the corresponding period. Lower capital expenditures in 2015 results from significant investments made in 2014. In 2014 the Company increased investment due to the merger with PRKiI and thus ended periods of wear for clothing and protective measures. In addition, competitive bids organised in 2015 allowed the company to maintain existing quality and generate savings at the same time.

	Amount of expenditure 2015	Amount of expenditure 2014
Trainings	37 140 PLN	30 040 PLN
Health and safety materials (clothing and protective equipment passed by the health and safety magazine)	752 632 PLN	1 647 906 PLN
Compensations for accidents paid by ZUS	13 900 PLN	40 600 PLN
Health care (refund for glasses for work with display screen)	9 900 PLN	8 400 PLN
Total	813 572 PLN	1 726 946 PLN

■ IDENTIFICATION OF HAZARDS IN THE CONSTRUCTION INDUSTRY

The identification of hazards in the workplace is conducive to the beginnings of corrective measures and effective prevention against serious, deadly and collective accidents at work. Examples of hazardous events causing accidents at work can include among others; slips, trips and set off by vehicles.

The causes of accidents may differ. Some are caused by human negligence o (e.g. disregard of threats), some are technical in nature (e.g. safety equipment defects), and some are organizational (e.g. allowing technically unprepared unskilled people into the workplace). Because of the many risks present, different types of work safety training is given. Employees are familiarised with the risk assessment for a given position and tasks arising from the ongoing work. Also emphasized is the importance of:

- Proper preparation of employees to work safely.
- The use of collective and individual protective equipment.
- The implementation of higher standards in general concerning health and safety at work.

This approach significantly reduced the number of potentially accidental events and emergency situations.

■ HEALTH AND SAFETY TRAINING

Due to the nature of work within Trakcja PRKiI, manual workers are subject to annual periodic training. Engineering and management staff are trained every five years, and employees in administrative positions every six years. In 2015, a number of health and safety training sessions were conducted, which covered following number of employees:

1. Initial Training - 30 people.
2. Recurring Training for:
 - senior executives and managers - 38 people,
 - administrative and office staff – 39 people,
 - manual workers - 598 people,
 - engineering and technical staff - 3 people,
 - railway traffic services (including train drivers, signalmen, operators of machines, railway equipment and construction vehicles) - 50 people.
3. Supplementary training concerning electrical engineering works- 58 people.

■ ECONOMIC VALUE

The economic value generated by the Company in 2015 amounted to 763 399 thousand PLN, while the retained economic value amounted to 33 945 thousand PLN.

	2015 (data in PLN)
Directly generated economic value:	763 399
Revenues	763 399
Distributed economic value:	729 454
Operating costs	(634 165)
Other operating income	3 622
Other operating costs	(1 635)
Financial income	18 650
Financial costs	(7 106)
Salaries and employee benefits	(101 254)
Paid dividend	-
Payments for the benefit of local communities	-
Investments in community	-
Given donations	(34)
Payments to the state	(7 533)
Retained economic value	33 945

V. Quality management



We set ourselves ambitious targets
in order to maintain a high level of quality.

Trakcja PRKiI offer a wide range of services in the field of construction, assembly production as well as the production of traction and energy equipment. This in turn required the development of internal standards and procedures. These took the form of detailed instructions regarding quality, environmental protection and safety. The aforementioned standards are based on international standards:

- ISO 9001 - Quality Management.
- ISO 14001 - Environmental Management.
- OHSAS 18001 - Safety Management.

All together they constitute the Integrated Management System, systematically assessed and certified by an independent certification body TÜV SÜD Management Service GmbH, based in Poznań.

Trakcja PRKiI is involved in the process of welding in industrial production. Therefore it operates under the corporate system of conformity assessment required by law in connection with the manufacture and construction of products used within the EU. This system is certified by UDT CERT for compliance with PN-EN ISO 3834-3: 2007.



Trakcja PRKiI pays special attention to:

- the delivery of services at the level of quality agreed with the client,
- the provision high quality of construction and assembly production at all stages, including the optimisation of individual construction processes. made possible through detailed planning and selection, diligence in implementation with the aim of saving time, materials and energy,
- continuous and effective supervision of safety in workplaces, construction sites and their surroundings and related machinery,
- the continuous increase of staff competence. made possible through employee training and the use of acquired knowledge,
- the verification and evaluation of materials provided by third party suppliers in order to eliminate the risks associated with their unknown quality or unreliability,
- cooperation with subcontractors and suppliers who meet our quality standards,
- modernisation of our machinery and plant equipment in order to raise the competitiveness of the Company,
- ensuring proper communication with our clients. to reliably inform them about all aspects of production or works undertaken, whilst ensuring confidentiality of information,
- to improve the integrated management system through the analysis of non-compliance, and taking corrective and preventive measures where required.
- implementation of environmental solutions, e.g. use of a train wash, recovering nearly 70% of waste water for reuse.

Trakcja PRKiI operates on the basis of ethical and business values reflecting our various philosophies. Competence in business and honouring commitments are the guiding principles of building relationships with our clients. Each client of Trakcja PRKiI is assured of cooperation based on such principles. We strive to maintain professionalism, responsibility, efficient management, respect for clients, employees, business partners, competitors, local communities and environment.



VI. Risk management



Ensuring these risks are minimised and do not occur is the primary objective of the Management Board, and their oversight is conducted at the level of the highest levels within the Company.

Trakcja PRKiI in the course of its business is exposed to various risks, which can be divided into three groups:

- industry risk,
- risk of non completion of contracts,
- financial risk.

■ **INDUSTRY RISK**

Trakcja PRKiI is exposed to risks associated with growing competition. The marketplace of railway and road construction where we operate is an attractive one because of the planned substantial investments within the country. Entry barriers to this market in Poland are not high, which is why the number of new companies is constantly increasing. Additionally, an important factor affecting the market position of our company are the financial plans of the Polish government for the modernisation of Poland’s infrastructure.

■ **THE RISK OF NON COMPLETION OF CONTRACTS**

This problem can be caused by a multitude of reasons: administrative failures, not working with the constraints of various construction laws, the Code of Administrative Procedure (KPA), the Environmental Protection Law, changes in the prices of materials and raw materials, changes in the prices of subcontractors, subcontractor’s non-completion or delay in the completion of works necessary to launch projects, underestimation of costs, potential contractual penalties for failure in the execution of contracts or adverse weather conditions.

Measures to minimise these risks include:

- the implementation of a modern system of contract management,
- monitoring the prices of subcontractors,
- the implementation of central purchasing for all projects and all organisational units.

A long history of working in these fields allowed Trakcja PRKiI to further develop project management techniques, enabling the realisation of works entrusted to our company within the assumed schedules, while maintaining the required quality and special requirements of investors.

■ **FINANCIAL RISK**

Concerning financial risks, Trakcja PRKiI is mainly exposed to the dangers of financing agreements and liquidity. While waiting for the possibility of implementing a larger number of contracts resulting from the new EU perspective, Trakcja PRKiI builds gradually its financial capacity.

This is because banks and insurance companies can reduce the availability of sources of financing and other financial instruments. In 2015, Trakcja PRKiI significantly expanded its ability to raise financing both in terms of credits and loans as well as guarantee products. We closely monitor cash flow to maintain a safe level of both external financing and liquidity. Periodic cash surpluses are placed in short-term bank deposits. To avoid potential risks in the future and minimise the risk associated with the loss of liquidity we conduct elaborate long and short-term analyses and forecasts. This helps us to monitor and control the important cash requirements of the Company.



VII. Anti-corruption efforts



To prevent such incidents Trakcja PRKiI has developed a set of rules aimed at fighting this problem in the work place. Closer ties between employees, coupled with education and motivating employees to condemn and report such actions when spotted are key to this strategy.





Corruption is a dangerous phenomenon that directly affects both the safety and overall condition of a company. Corruption occurs most often among employees when there are large contracts in play. In this case, unethical behaviour (bribery), appear more frequently.

The Board of TRAKCJA PRKiI SA plans to implement a program for countering corruption and bribery pathology in the Company's operations:

1. The principle of "Zero Tolerance"
2. The principle "Better to educate than to punish"
3. The principle of "The boss setting a good example"



RULES

Regarding the principle "Better to educate than to punish", we promote the values of honesty in the work place, manifested in attitudes such as: the banning of accepting promises which could bring illegal benefits or the transfer of the possibility of execution of the contract from the Company to another entity or an individual, the obligation of supportive cooperation and assistance to colleagues and the obligation to share professional knowledge with coworkers.

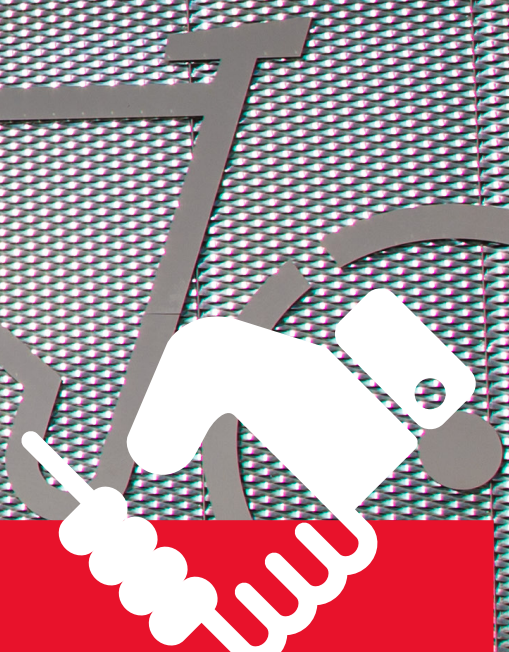
The program to fight bribery includes:

1. Decent Work Policy.
2. Code of Ethics.
3. "Anti-corruption" education as part of the Adaptation Programme for the New Employee.
4. The practice of management level employees signing disclaimers confirming the knowledge of the consequences of committing acts of corruption or bribery.
5. Creating a communication channel "Signalling the possibility of corruption or bribery".
6. Analysis of cases of corruption and bribery frauds to identify "patterns of criminal conduct".
7. An annual review of the effectiveness of anti-corruption and bribery policy, conducted in the form of a meeting of the Management Board with the senior management of the company.

VIII. The Company's relationship with contractors



TRAKCJA PRKiI takes care to maintain strong relationships with clients, and as a socially responsible company, applying good practices and clear rules of cooperation.



WE PROVIDE:



1. Comprehensive descriptions of our quotations, to allow the easy preparation of competitive quotes.
2. Access to documents and information necessary to prepare adequate quotations.
3. Clear and understandable criteria for the evaluation and selection of quotations.
4. Equal and fair treatment of all bidders.
5. Selecting the best offer based on the highest overall standards.

WE EXPECT:



1. Deliveries and services in accordance with the commitments made.
2. The maintaining of high ethical standards.
3. Respect for employees' rights, obligations towards employees, obligations towards state budget and other public institutions and laws.
4. Suppliers to respect the environment.

WE ENSURE:



1. Confidentiality of quotations, in part restricted by the contractors.
2. Protection of intellectual property.
3. Commercial confidentiality.
4. Confidentiality of the list of entities to which the information is addressed.
5. Equal time to prepare and review quotations.
6. Full confidentiality if there is a requirement for total confidentiality.
7. Striving to work toward amicable settlements of disputes.

WE DO NOT TOLERATE:



1. The receiving and giving of gifts whose value and nature could influence the selection process.
2. Corruption and unfair practices in the relationship between employees and suppliers, and between suppliers, which may result in:
 - misleading the customer,
 - deprivation of opportunity to participate in the bidding proceedings of other bidders,
 - cancellation of the proceedings,
 - any other occurrence of related events affecting the fairness of the proceedings.
3. Occurrence of a conflict of interests between employees with interests in both companies.
4. Actions in favour, or in the interest of, any of the bidders by employees.

As a company with broad competencies, we are in constant motion realising in Poland another infrastructure investments. We kindly invite you to watch the movie, which will bring you closer to Trakcja PRKiI at work.



We also recommend other publications on Trakcja PRKiI. The Stock Exchange Annual Report, Marketing Report and video content on the YouTube channel, complement the information contained in this report.

Stock Exchange Annual Report 2015

Marketing Report 2015

Trakcja Group YouTube channel

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We thank you for reading the first Social Report of Trakcja PRKiI. All the information that we have included in the report is reflected in our business and is the result of the work of the entire team of our Company during 2015.

We thank our Partners, Stakeholders, and most of all our Employees. It is through their professional work and the confidence of all concerned that we have continuously realized our goals for over 70 years - we have changed the vision into reality.

