

2012



Global Compact – Report



ELEKTROBUDOWA SA

2012-11-30

Katowice, 30 November 2012

Ladies and Gentlemen,

Two years have passed since ELEKTROBUDOWA SA joined Global Compact, the Initiative of UN Secretary General and declared to align its operations and strategies with the ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Implementation of Global Compact strategy provides opportunities for corporate development and preserving the position of a leader who sets new quality in conducting business.

Since publication of its very first Global Compact Report ELEKTROBUDOWA SA have taken up a few challenges to increase its credibility and build durable and transparent relations with the external environment.

Owing to its commitment to environmental, social, ethical and corporate governance issues, ELEKTROBUDOWA SA for the fifth time in succession was included in the exclusive circle of companies listed in the Warsaw Stock Exchange, RESPECT Index, the first CSR index in the Central and Eastern Europe. Participation of ELEKTROBUDOWA SA in the index composition is not only a great honour for us but also an obligation to raise ethical standards. A qualification procedure consisting of a few phases and an audit performed by independent auditors show our permanent, strategic approach to the matter. It is also a testimony of our employees' growing awareness of broadly understood corporate social responsibility and increased responsibility not only for core business task such as raising shareholder value but also for the ways of achieving it, all the more so because the market position of ELEKTROBUDOWA SA, its range of activity and a large circle of stakeholders pose a lot of challenges.

We are committed to respecting and reconciling diverse expectations of shareholders, local communities, employees and business partners. The Company's actions are closely observed by the publics who expect us to act responsibly and appraise us not only on what we do but also how we do it.

In 2012 we were observing all principles of respect of human rights. We did not record any occurrence of violating the principles of equal treatment in employment or mobbing. Financial accountability for violation of employee rights resulting from the legal cases before labour courts did not exceed 0.0033% of the sales revenue. Dialogue with the publics, regular meetings to exchange information and participation of trade unions in managing the company has been our norm for years. In 2012 we reduced the number of injuries at workplace.

The 2012 environmental targets were clearly defined and they include reduction of emissions and reduction of water, electricity and solid fuel consumption. The consumption is regularly monitored and analysed. With the care for the natural environment in mind we organized a number of initiatives to influence the attitudes of our employees and to increase environmental sensitivity.

An extremely important issue, clearly highlighted in the Code of Ethics implemented in 2011, is counteracting corruption practices. Actions taken in this respect express the lack of tolerance for such practices. Various publications, trainings, meetings focused on these issues have the aim of increasing the employees' awareness of and sensitivity to these problems. During the last year no instances of occurrence of such practices have been recorded in the Company.

Submitting a subsequent corporate responsibility report I assure You that we will spare no effort to continue on improvement of our activities, not only in economic terms but also in terms of ethics, to the benefit of general public.

Yours truly,



Jacek Faltynowicz

President

CORPORATE SOCIAL RESPONSIBILITY REPORT

ELEKTROBUDOWA SA

GLOBAL COMPACT – REPORT

PART I

GENERAL

Sustainable development is a key component of the strategy of ELEKTROBUDOWA SA.

In 2011 a formal document was implemented which defined major areas of environmental impact of the Company's business activity. The document pointed out that it is a fundamental value for the company to conduct activities with the focus on building good, stable relations with customers and all interested parties. It was also underlined that ELEKTROBUDOWA SA joined the United Nations initiative, UN GLOBAL COMPACT and follows the requirements of "Best Practices of WSE-Listed Companies" and also that the Company developed its Code of Ethics which provides a set of values followed by the Company and its employees.

Aware of the environmental impact of its activities, ELEKTROBUDOWA SA has assessed economic, social and environmental impacts of conducting business on local environment. The Management Board of the Company has appointed its Representative to represent and coordinate activities in the broadly understood Corporate Social Responsibility (CSR).

Tasks of the Representative include:

1. Evaluation of economic, social and environmental impact of the Company's activities on the environment.
2. Developing CSR strategies and plans and defining effective measures of CSR activity.
3. Taking decisions and actions in the scope of CSR and accountability for such decisions and actions.
4. Building of the managers' and employees' involvement in the CSR actions.
5. Consulting with local communities and the Company's stakeholders on effectiveness and comprehensiveness of the CSR actions.
6. Developing CSR reports and communicating about CSR actions to the Company stakeholders.

ELEKTROBUDOWA SA applies the Integrated Management System according to PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-EN ISO 3834-2:2007, OHSAS 18001:2007 and PN-N 18001:2004 and complies with quality standards defined in AQAP 2110 and KTA 1401.

Within the sustainable development strategy, ELEKTROBUDOWA SA puts particular emphasis on:

1. Environmental Aspects

The main goal concerning environmental aspects is preventing environment pollution through application of up-to-date, environment friendly technologies, rational waste management, control of emissions and industrial effluents, and limiting the consumption of resources (such as: water, electricity, paper). ELEKTROBUDOWA SA implements the systems that enable monitoring environmental impacts, particularly in respect of natural resources consumption. ELEKTROBUDOWA SA has developed a training programme to support its employees in implementation of environmental protection policy; the company provides relevant regular training.

2. Employment policy

Principal objective of the employment policy is the application of standards provided in the Universal Declaration of Human Rights. ELEKTROBUDOWA SA does not use forced or compulsory labour, does not employ children, counteracts any forms of discrimination in respect of employment and kind of performed work. ELEKTROBUDOWA SA recognizes the employees' right of association and collective bargaining. ELEKTROBUDOWA SA reasonably collaborates with society partners, undertakes preventive actions in the sphere of occupational health and safety, counteracts loss of employment, establishes honest principles of remuneration and offers



benefits in excess of privileges prescribed by law, also applies relevant procedures of investigating complaints and grievances and disciplinary procedures. One of essential elements of policy implemented by ELEKTROBUDOWA SA is organisation of traineeship for secondary school and university students as well as support for graduates to enter the labour market by offering them jobs.

3. Social commitment

The principal aims in respect of social commitment are involvement of stakeholders and integration with local communities. ELEKTROBUDOWA SA implements policy of open communication with local communities which includes consultations before purchases or starting operations, and immediately informs the communities about potential hazards. ELEKTROBUDOWA SA carries on conscious policy of supporting society-oriented activities including charity, social policy, health protection and promotion, supporting national minorities, science, education, culture, art, protection of cultural heritage and tradition, promotion of physical culture and sport, promotion and organization of voluntary service.

4. Business environment

The main objective in respect of business environment is transparency of activities carried out by ELEKTROBUDOWA SA, informing the shareholders about business operations and the financial and economic situation on a current basis. ELEKTROBUDOWA SA complies with the rules of "Best Practices of WSE Listed Companies". The company implements procedures of countering of bribery and corruption and conducts training in ethical supply chain and anti-bribery and anti-corruption practices for the employees. ELEKTROBUDOWA SA has developed a Code of ETHICS, which was disseminated among all employees. ELEKTROBUDOWA SA evaluates key suppliers and subcontractors in respect of human resources, OHS regulations and corruption prevention. ELEKTROBUDOWA SA expects its key suppliers and contractors to respect values determined in the sustainable development strategy which was implemented in 2011.

PART II.

THE TEN PRINCIPLES OF GLOBAL COMPACT

Presented below are actions taken or initiated during the last year by ELEKTROBUDOWA in respect of 10 principles of Global Compact. On the occasion of presenting our approach to particular principles we also described the activities which go beyond direct scope of the principles but are strongly associated with e.g. staffing policy, environmental policy, etc. By doing this we wanted to present a broad context of activities of ELEKTROBUDOWA SA and their impact on building positive relationships with our owners, customers, employees and the business environment.

Principle 1

Supporting and respecting the protection of internationally proclaimed human rights.

ELEKTROBUDOWA SA not only supports and observes human rights adopted internationally, but also actively implements employee standards which significantly go beyond universally binding legal regulations. Adopted by the Company human capital management strategy places particular emphasis on the issues of employees professional development and motivations, prefers internal recruitment in the situation of vacancies, underlines the aspects of counteracting of discriminatory practices.

We present below only some of activities implemented in 2012 as part of the broad package of employee benefits.

PREVENTIVE MEDICINE

As in previous years, the company consequently implements employee Health protection policy.

In 2012, beside standard health protection provided by the provisions of labour law, including occupational and preventive medicine, ELEKTROBUDOWA SA launched two cancer detection campaigns.

In the first campaign, *“Early detection and treatment helps conquer melanoma – dangerous skin cancer”* 67 persons, 50 male and 17 female, were screened. 13 skin pigmentations were diagnosed for observation. Pigmentations to be removed were diagnosed in 11 persons. The tests were carried out with the use of a video dermatoscope by an oncologist from the Wielkopolskie Oncology Centre in Poznań. The screening was accompanied by an information campaign on other types of cancer. The employees received information brochures and pamphlets such as “European Code Against Cancer” or “Healthy Life Code”. The campaign was organized together with the Polish Melanoma Patients Association.

Another campaign will be conducted at the end of 2012 and beginning of 2013. The programme “Early detection of lung cancer” will be launched in cooperation with the Thoracic Surgery Development Foundation - BESKIDZKA Fundacja Rozwoju Torakochirurgii. Diagnostic tests will be performed on a few hundred persons. A preliminary stage of classification into risk groups has been completed in order to decide what kind of tests should be performed.

Provision of extra medical care and implementation of health protection programme translates directly into reduced number of sick leave days and reduced costs of health-related staff fluctuation; it also improves the company image as the employer caring for its employees' health. It is not without significance that medical care can be provided also for the employees' families.

SUPPORTING EMPLOYEES' INTERESTS

In 2012 the company continued supporting interests consists in individual approach to an employee, probing into his/her system of needs and expectations. Tools used in this plan are connected with broad range of interests and hobbies covering cultural and sports events. The programmes offered by the company are more and more popular among the employees. The number of participants in the MULTISPORT programme rose by 35% in 2012 compared to 2011. The company allocated nearly 100,000 PLN for partial funding the MULTISPORT programme.

ELEKTROBUDOWA SA – A PARENT-FRIENDLY COMPANY

ELEKTROBUDOWA SA as a company which follows new trends in personnel management aspires to create work environment enabling its employees to combine a career with parenthood.

In 2012 a programme of supporting new parents was continued. The aim of the programme



Children of our employees during the performance of Banialuka Theatre in Katowice

is to provide the employees with clear and accurate information about their rights and privileges and to help our female employees return to work after maternity leave.

During 2012, 59 babies of our employees were born. Every parent received a small gift for a baby and a congratulation letter signed by the CEO. Also, the women who were on sick leaves during their pregnancy, on

maternity or childcare leaves were receiving the in-company brochure, ELEKS, providing them with current information about company events. Mothers coming back to work in full time after the maternity leave for 2 months can work an hour less daily, maintaining her right to full remuneration. The right is valid whether a mother exercises her right to breaks in work for feeding or not. Mothers bringing up a child below 2 years of age can work according to individual work system agreed with their boss. The right can be also exercised by a single parent bringing up a child up to 2 years of age.

INTEGRATION BUILDS UP COMMITMENT

Integration of personnel plays an important role in corporate culture of ELEKTROBUDOWA. Beside annual trips where the employees can visit the sights and enjoy their company at a party, other annual company events have already become a tradition, such as a picnic for employees and their families, and a volley-ball tournament in which



Santa Claus party for ELEKTROBUDOWA SA employees' children

teams representing the company divisions play against one another. Twice a year, on occasion of Children's Day and Santa Claus, children and grandchildren of our employees meet and play together during events dedicated specially to them. In 2012 about 1000 of employees and 350 children altogether took part in those events.

INVESTMENT IN EMPLOYEE DEVELOPMENT

ELEKTROBUDOWA SA belongs to those modern companies who invest in their employees by improving their skills, and implement such a human capital policy where the process of education and development of personnel is perceived as important investment that contributes to success of individuals and the company success

During the last year 56 employees continued their education in different types of universities. 147 persons were learning languages, mostly English but also Russian and German. 670 persons took part in various in-company courses and trainings while 170 employees participated in courses organized by external companies.

Training in the issues of the integrated quality and environmental management system covered 199 employees. 125 persons obtained electrician's qualifications certified by the Polish Electrical Engineers Association. Furthermore, 1482 employees were trained in occupational health and safety matters.

During the last financial year the company invested 1,789.9 PLN in development of its employees' skills. Detailed breakdown is provided in Table 1.

Table 1. Expenditure for employee training in 2011

DIVISION	Total expenditure for training (in PLNk)	Average annual expenditure per employee (in PLN)	Average number of employees (in job equivalents)
Power Generation Division	508.7	578	879.43
Industry Division	509.5	1131	450.54
Power Distribution Division	183.5	3151	58.24
ELEKTROBUDOWA SA	1789.9	910	1 967.33

Principle 2

Elimination of all forms of human rights abuses

In 2011 ELEKTROBUDOWA SA implemented its Code of Ethics, which is a fundamental tool for eliminating any incidents of human rights abuse by the Company. ELEKTROBUDOWA SA also observes legal norms set in generally binding legal regulations, the labour code in particular. Furthermore, the company complies with basic stipulations of the Universal Declaration of Human Rights of 1948 in respect of freedom of thought, conscience and religion, freedom to hold opinions and manifest them, right to just and favourable conditions of work. Thereby the company complies with the prohibition of slavery and prohibition of cruel, inhuman or degrading treatment.

Principle 3

Upholding the freedom of association

ELEKTROBUDOWA SA declares and respects freedom to belong to an association guaranteed for the employees and conducts active dialogue with society partners. In the Company there are 3 trade unions which associate about 35% of employees altogether. Each union is self-governing and independent of the employer. Regular meetings with the trade unions' representatives are held as part of the social dialogue. The trade unions and the Consultation and Information Committee appointed according to the generally binding labour regulations are consulted with when decisions on the Company development are being taken. Society partners and the said Committee are regularly informed about any actions that may influence the employees' interests, such as conditions of work and employment, remuneration, welfare, etc.

ELEKTROBUDOWA SA and the trade unions have entered into Cooperation Agreement, in which the rules for cooperation between the Company Management Board and the company trade unions acting on behalf of their members are determined.

In 2012 there was not a single case of collective bargaining with the trade unions acting on the corporate level. Either there was no instance of discriminating an employee because of his/her union association or non-association.

Principle 4

Elimination of all forms of forced and compulsory labour.

ELEKTROBUDOWA SA promotes “volunteering”. This expression refers to the consent of an employee to enter into an employment relationship or other legal relation. The company concludes an employment contract with an employee on fair terms and under no constraint and an employee can terminate the contract at will. The process of recruitment and the employment relationships are all the time based on voluntary, backed with information, agreement of the parties. The Company follows relevant regulations of the EU legislation and the national legislation of the Republic of Poland.

Principle 5

The effective abolition of child labour.

Abolition of child labour is a fundamental principle and objective of the most important declarations of human rights and relevant law provisions. ELEKTROBUDOWA SA does not employ, except your workers employed in compliance with the generally binding labour regulations, any persons under eighteen years of age. Also, the Company in absolute terms complies with regulations included in the labour code and other legislative acts.

Principle 6

The elimination of discrimination in respect of employment and occupation.

EQUAL TREATMENT IN RESPECT OF EMPLOYMENT

Since 2009 ELEKTROBUDOWA SA has applied the principles of equal treatment in respect of employment, implemented in the form of a document. The principles say that all employees irrespective of sex, age, disability, race, religion, nationality, political opinion, trade union membership, ethnic origin, belief, sexual orientation and also employment for the specified or unspecified time or in full or part time have the right to be treated with respect for their dignity and that they are treated equally in respect of employment and its

termination, terms of employment, promoting and access to occupational skills development training.

Furthermore, the employees of ELEKTROBUDOWA SA are entitled to equal pay for the work of equal type or value.

All internal documents in ELEKTROBUDOWA SA, particularly the Collective Labour Agreement, Work Regulations, Regulations for Managing the Company Social Benefit Fund, etc., are developed with respect for the principle of equal treatment in respect of employment, in order to ensure that none of their provisions causes unfavourable disproportions or particularly adverse situation in respect of establishing and terminating employment relationships, terms of employment, promotion and access to occupational skills development training towards all or a significant number of employees belonging to the group distinguished in respect of one or more reasons of discrimination.

ELEKTROBUDOWA SA does not accept any actions of encouraging another person to infringe the principle of equal treatment in respect of employment or ordering anybody to infringe the principle.

Beside the principles of preventing direct and indirect discrimination, an important role is that of the principle of preventing personal and sexual harassment. It has been regulated that unacceptable in ELEKTROBUDOWA SA is such inappropriate behaviour that aim at or result in destroying individual dignity and creating around an employee an atmosphere of intimidation, hostility, humiliation or causing embarrassment (personal harassment). Unacceptable is also the behaviour with sexual innuendo or referring to sex of an employee, that aim at or result in infringing dignity and creating around an employee an atmosphere of intimidation, hostility, humiliation or causing embarrassment; such conduct includes unnecessary physical contact, verbal or non-verbal elements (sexual harassment).

The principles of equal treatment in respect of employment describe also procedures for reporting of workplace violence. According to these procedures, any worker who suffered from violation of the principle of equal treatment in respect of employment has the right and obligation to report the incident. When such incident has been reported, an investigation is started.

In 2012 no incident of violation of the principle of equal treatment in respect of employment was reported in accordance with procedures contained in the principles of equal treatment in employment, neither was a court judgement passed concerning violation of such principle.

MOBBING ELIMINATION

Beside the principles of equal treatment in respect of employment the principles of mobbing at work elimination have been applied in ELEKTROBUDOWA SA since 2009. According to those principles any incidents of mobbing understood as *“actions or behaviour concerning an employee or directed against an employee which consists in a persistent and long-lasting harassment of or threats to the employee which result in a reduced self-assessment of his/her professional abilities, and which cause or are aimed at humiliating or ridiculing the employee, isolating or eliminating him/her from the group of co-workers”*, are considered highly reprehensible in ELEKTROBUDOWA SA and under no circumstances shall be tolerated. Witnesses of mobbing practices against another worker have the right and obligation to report the incident. Persons subject to mobbing have the right and obligation to report the incident. When mobbing behaviour has been reported, an investigation is started.

ELEKTROBUDOWA SA, in its principles of mobbing elimination in place, has assured that it will support the employees who were subject of mobbing at workplace.

In 2012 no occurrence of mobbing in ELEKTROBUDOWA SA was recorded, neither was a court judgement passed concerning mobbing practices against the company employees.

Principle 7

Precautionary approach to environmental challenges.

ELEKTROBUDOWA SA has a direct and indirect impact on the environment through its manufacturing process and provision of building services. In its business activity our company adheres to environmental protection requirements. We are in a constant dialogue in the quality and environmental issues with users of our products and other publics involved with our company. Basing on the results of many surveys investigating the environmental impact of ELEKTROBUDOWA SA, we have identified the main sources of the impact. They include:

1. Surface coating process in the powder paint shop.
2. Welding processes.
3. Fuel burning in the electric power systems.
4. Fuel burning in vehicle engines.
5. Painting and drying processes in liquid coating shop.
6. Wastes produced in manufacturing process and in executing services.

The company systematically implements new technologies and procedures in order to improve “cleanliness” of production and invests in improving products quality to reduce their environmental burden.

Our production plants in Konin and Tychy apply the best available technologies which ensure clean production and contribute to constant reduction of emissions, reduction of natural resources, electricity and water consumption, sewage treatment and failure prevention. Monitoring systems implemented by the company provide control of the factories’ environmental impact.

ELEKTROBUDOWA SA requires that its subcontractors also care for the environment. In January 2012 the company developed the Environmental Management Plan. Its main environmental targets include:

1. Identification of substances and materials used for execution of services by the company divisions, which are the source of emissions to the air, including assessment of their quantity and impact on the environment and work safety.
2. Identification of kinds and quantities of paint and lacquer used and quantities of electrodes used in welding.
3. Improvement of cooperation with subcontractors in environmental protection through increasing the control of the subcontractors in respect of waste management.
4. Reactive power compensation in the Busduct Factory in Tychy and reduction of reactive power consumption to the volume defined by the electricity supplier.
5. Improvement of safety of storing chemicals at building sites.

Assessment of accomplishment of undertaken tasks indicates that our environmental protection targets will be achieved.

Principle 8

Undertaking initiatives to promote greater environmental responsibility.

The year 2012 was a period of the increased efforts to accomplish the objectives formulated in the sustainable development strategy. Building the environmental awareness in our employees is a fundamental principle aimed at protection of our common good, clean environment. We provide regular training in environmental protection issues for our employees, promote healthy lifestyle, organize trips to areas where we can admire our natural heritage, provide educational materials teaching how the environment can be cared for in our everyday lives. In May this year the company organised an “I am ECO” day, a day without rubbish. Employees could see and become convinced that recycling is not a caprice of environmentalists but a means for substantial savings of electricity, natural resources, reduction of pollution and reduction of waste on a rubbish dump. The campaign was addressed to the employees and their families. Children received colourful gadgets referring to environmental topics. The employees could exchange information about their environmental achievements and failures. The purpose of this campaign was to raise the employees’ awareness to their impact on the environment. In order to save paper, new email signature blocks have been introduced, which include a clause on environmental care. The in-company brochure published an appeal to the employees to care for the environment and provided some tips how we can do this in everyday life.



“I am ECO” campaign. A day without rubbish in the Head Office, Katowice.

Principle 9

Development and diffusion of environmentally friendly technologies

In consideration for natural environment and health of employees, ELEKTROBUDOWA SA takes the following into account in planning its projects:

- Use of substances with low hazard potential.
- Effective use of energy.
- Efficient consumption of water and media, materials and fuels.
- Application of waste-free or low-waste technologies and the possibility of waste recovery.
- Type, range and volume of emissions.
- Using comparable processes and methods which were successfully used on an industrial scale.
- Progress in science and technology.
- Environmental impact of our subcontractors and business partners.

Basing on the identified sources of pollution produced in effect of our business activities, we have taken appropriate steps to eliminate or mitigate our negative impact on the environment. We have equipped our factory in Tychy in state-of-the-art coating shops. Powder paint which is used there are ecological products which do not include volatile substances that would be released in the process of coating. Gas emissions to air in the process of manual or automatic welding have been minimized owing to installation of modern filter and ventilation devices. Their filtration efficiency is 99.5% which is unique in this type of manufacture processes and is a negligible emission. The manufacturing room is heated by gas-powered ceramic radiant heaters. Infrared radiant energy emitted by heaters is converted into heat when it strikes objects in the area. In a natural way it warms the floor, machines and personnel in the heated area, while it does not warm any objects in the upper part of the building. Therefore only the surface, not the cubage of the building is warmed.

Principle 10**Working against corruption in all its forms, including extortion and bribery**

The employees of ELEKTROBUDOWA SA observe the legal regulations in force in the country where the Company operates. Therefore tender procedures carried out by ELEKTROBUDOWA SA are transparent and complying with the valid stipulations of the Public Procurement Law. Issues concerning receiving and offering of material rewards have been regulated in the company's Code of Ethics. It includes a total prohibition to offer any undue benefits to customers, their employees or representatives, or to any other third parties. The same refers to receiving. The Company allows the employees to receive small promotional or courtesy gifts, handed openly, which do not have any influence on tasks being performed or decisions taken. In ELEKTROBUDOWA SA there is a function of Internal Auditor whose duty is to carry out in-company inspections. Additionally, as part of compliance with the principle of transparency, the Company voluntarily submits to audits performed by independent external bodies with the purpose of indicating any irregularities and help in improvement of the procedures and practices in place.



PART III

CONCLUSION

The purpose of this Report is to present activities of ELEKTROBUDOWA SA which fall within the interests of the UN Secretary's General Initiative, Global Compact, in respect of the ten principles in the areas of supporting and respecting human rights, work standards, environment protection and anti-corruption, and to comply with the obligation resulting from participation in this valuable, worldwide corporate initiative promoting the ethical side of business. For ELEKTROBUDOWA, participation in this initiative is an essential contribution to corporate social responsibility and promotes continual improvement of areas which are important for our stakeholders, both in respect of business and social needs.



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