



BAYER CONSTRUCT ZRT.  
**ESG Report  
Outline**

ENVIRONMENTAL, SOCIAL,  
AND GOVERNANCE  
REPORT FOR FINANCIAL  
YEAR 2022

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# 1. Executive Summary



## Valued stakeholders,

We are pleased to present the inaugural Environmental, Social, and Governance (ESG) report of Bayer Construct Zrt for the fiscal year 2022. This marks a significant milestone in achieving robust ESG performance and signifies our commitment to conducting business responsibly and transparently. While this is our first venture into comprehensive ESG reporting, it represents a substantial step in embedding sustainability into the core of our business operations.

Aligning with the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (UN SDGs), and the Sustainability Accounting Standards Board (SASB) standards, this report underscores our dedication to upholding industry-leading frameworks in our ESG reporting. These guidelines are our compass in this initial phase and will continue to guide our ESG efforts. In 2022, our ESG reporting was centered

on Bayer Construct Zrt. Moving into 2023 and beyond, our scope will widen to include all subsidiaries and, by 2024, all affiliated companies. This phased approach ensures a thorough and detailed integration of ESG principles across our entire operation, allowing for a comprehensive and transparent view of our performance. Our Materiality Assessment, a critical component of this report, identifies and ranks the most significant ESG risks and opportunities based on their relevance to our business and importance to stakeholders. This assessment forms the foundation of our ESG strategy, action plans, and performance metrics. We have strived to provide a balanced view of our performance, conscientiously reporting our achievements and areas where there is room for growth. As this is our first ESG report, we acknowledge that there may be areas of improvement or gaps in our data. We are fully aware of

these initial limitations and are committed to addressing them as we continuously improve our ESG reporting processes. The alignment of our activities with the UN SDGs is detailed in this report, demonstrating how our operations contribute to these global objectives. Our stakeholder engagement and feedback, encompassing employees, customers, investors, communities, and regulators, have played a crucial role in shaping our ESG strategy and initiatives, providing invaluable insights driving our continuous improvement. Looking forward, we have set forth ambitious yet achievable targets and initiatives to enhance our ESG performance. These include significant reductions in our greenhouse gas emissions, increased energy efficiency across operations, and the implementation of comprehensive diversity and inclusion programs. We are also preparing for the implementation of the Task Force on



Climate-related Financial Disclosures (TCFD) guidelines within our annual reporting regime, alongside the continued use of SASB and Climate Disclosure Standards Board (CDSB) frameworks.

Our inaugural ESG report serves as a baseline for future reports, setting the stage for continuous improvement. We aspire to progressively enhance our ESG reporting, adhere to the forthcoming EU Taxonomy regulation in 2025, and achieve a maximum ESG rating score. Our vision is to become the best ESG-rated construction and building technologies company in Central Europe. As we embark on this path of continuous improvement, we remain excited and committed to contributing to a more sustainable and resilient future for all stakeholders.

Sincerely,  
**Attila Balázs**



# 2. Company Overview

## 2.1 Bayer Construct at a Glance

Company profile:



Legal name  
**BAYER  
CONSTRUCT**



Nature of ownership  
and legal form  
**LIMITED  
COMPANY**



Location of  
its headquarters  
**SÓSKÚT,  
HUNGARY**



Countries of operation  
**HUNGARY  
AND  
ROMANIA**

Our story began in 2002 when Bayer Construct Zrt. was formed with the initial focus on monolithic structural production in Hungary. Over the past twenty years, we have grown from a small family business to a group of companies. Bayer Construct is active in the engineering and construction industry, while the group works in mining, construction materials, real estate services, and leasing. Our activities have expanded to complete construction projects, general contracting, building material production, and real estate development. This variety makes us both unique and resilient, allowing us to deliver projects on time and with high quality, using in-house expertise and products. The Bayer Group is a vertically integrated construction company.

Within the group, construction activities remain the main profile of Bayer Construct. Based on human resources and total assets, Bayer Construct is the largest Hungarian structural construction company, thus often the contractor of large projects such as Puskás Arena, Etele Plaza, and Agora Budapest. Last year, we decided to develop our in-house innovation and design department with structural and interior design expertise. We believe that design tasks will play a vital role in the construction companies of the future, so it was a strategic issue for us to have integrated processes from product design to complex BIM design.

## 2022 IN NUMBERS

**NEW PROJECT**  
18 externally  
commissioned  
+ 3 internal projects

**REVENUE**  
64 000 million HUF

**NUMBER OF EMPLOYEES**  
537

**AWARDS**  
Residential Development  
of the Year 2022

**SOME OF OUR  
ONGOING WORK**  
Renovation of the historic  
Adria palace Building,  
Budapest

Construction of  
a section of the M83  
dual carriageway

Balance Garden  
modern residential  
development

## 2.2 Our Value Chain and Stakeholders

We work on many projects, including large-scale infrastructure, renovations, new commercial and residential buildings, and the construction of smaller properties. Some of these are commissions by external clients, while others are our initiatives from within the Bayer Group.

Our design and construction division relies heavily on the experience and resources of the broader group engaged in several related activities, such as mining, construction material manufacturing, product design, and real estate development.

From the outset, our architects and engineers incorporate the material choices and technological solutions that Bayer can provide and have tested on previous projects. Our construction division coordinates the execution of the project, which usually includes providing the machinery and raw materials as well.

Our most significant advantage over our competitors as working with our materials allows us to speed up the construction process and be less reliant on external suppliers. Approximately 60-70% of the raw materials we use for our buildings come from our factories within the group. The monolithic reinforced concrete construction works complement our state-of-the-art reinforced steel processing and bending plant in Sós-kút, and we also produce ready-



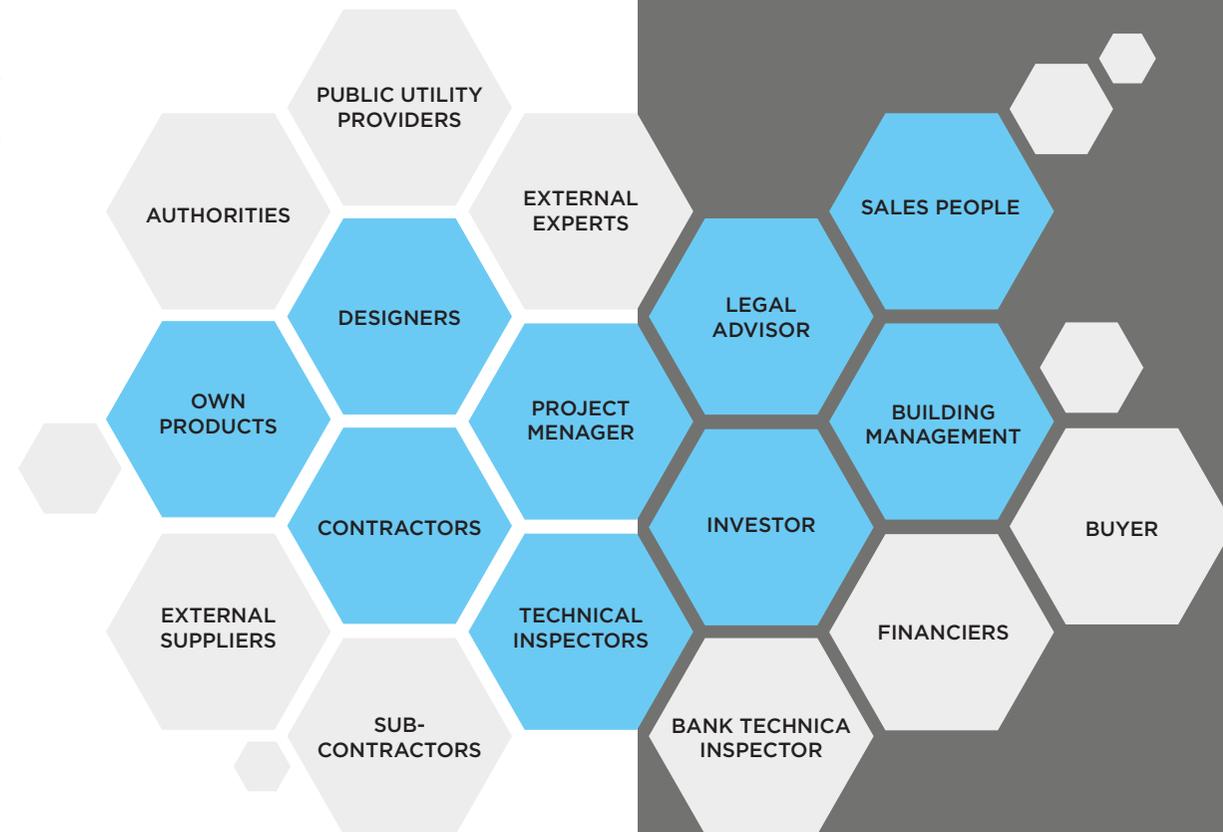
mixed concrete using our mobile concrete mixing plants. The group also produced highly prefabricated building elements, paving stones, and ready-to-assemble bathrooms.

In some projects, the customer provides the concrete material; however, in the case of newly contracted works, we give the reinforced steel ourselves in all cases. Regarding external suppliers, we work with a tried and tested list of companies and audit each new potential partner before establishing a business relationship.

Property sales are typically in turnkey condition, furnished according to the interior designs, so buyers can immediately enjoy the finished product, representing a benchmark in the real estate market. After the handover, our Facility Management branch can further assist with the operation, maintenance, and property maintenance.

## Activities within the Bayer Group Business Unit

General Construction	<b>Bayer Construct Zrt. Core service</b>
Planning and Design of buildings	<b>Bayer Construct Zrt. Core service</b>
Mining	<b>Kvarchomok Zrt., Lacházi Kavicsbánya Zrt., Biharbánya Zrt.</b>
Construction Material Manufacturing	<b>Bay Iron/Bayer Construct Zrt.</b>
Construction Product Manufacturing	<b>Viastein Zrt., Bay Iron Zrt.</b>
Property Development	<b>Bayer Property</b>
Real Estate Services	<b>BARNES Hungary</b>
Facility Management	<b>Bayer Mester Zrt.</b>
Cranes/construction equipment/ Lifting machine rental	<b>Lifthold Zrt.</b>
Car fleet	<b>Innoviarent Zrt.</b>
Workers Hostel	<b>Eduva Szék Zrt.</b>



In a nutshell, we consider the following groups as our key stakeholders:

## 2.3 Overview of the Company's ESG Strategy

As Bayer Construct Zrt embarks on its journey towards enhanced ESG performance, we recognize the value of a strategic approach. In the formulation of our ESG strategy, we have built on the United Nations Sustainable Development Goals (UN SDGs) and aligned our objectives with international sustainability priorities.

### Mission Statement

Our mission and task is to create outstanding quality, lasting and future-proofed assets that meet the highest standards on the market. With our developments and products, we aim to serve the everyday needs of our customers and consider usability, aesthetics, and environmental sustainability as the key priorities.





# OUR GOALS

Linked to our mission statement, we wish to achieve the following goals with reference to the UN Sustainable Development Goals:





### 3.1 Materiality Assessment: Identification of the Company's Most Significant ESG Risks and Opportunities

The Materiality Assessment serves as a critical component of our ESG report, providing an in-depth analysis of the most significant ESG risks and opportunities Bayer Construct Zrt faces. This assessment, guided by the principles of the United Nations Sustainable Development Goals (UN SDGs), and is based on their relevance to our business operations and their importance to our diverse group of stakeholders.

We identify and prioritize ESG topics that are of substantial interest to our stakeholders and have a significant impact on our business. We further ensure that our strategies contribute to broader global sustainability objectives by aligning these priorities with the UN SDGs.

The Materiality Assessment process involves continuous engagement with our stakeholders, including employees, customers, suppliers, communities, investors, and regulatory bodies. We gather their insights through surveys, interviews, and regular meetings to identify the ESG issues of highest concern to them.



This section will delve into the results of our Materiality Assessment, offering an exploration of the ESG risks and opportunities we have identified as being most pertinent to our business and stakeholders. Understanding and addressing these material issues is integral to our sustainable growth and crucial in our journey toward becoming the best ESG-rated construction and building technologies company in Central Europe.

We are affected by environmental, social, and governance issues in the construction industry. Our materiality analysis aimed to narrow down the topics that matter to us most, and our activities have the most considerable influence on – whether it is a positive impact to amplify or a negative one to prevent from happening.

## How did we define our priority topics:

- » We considered our existing sustainability objectives and goals set out in Chapter 2.3.
- » We set up an internal ESG focus group with representatives from different departments to provide information for the development of this report.
- » Considered reporting and sustainability standards, including the UN SDGs, GRI, and SASB, and green building certifications such as LEED and BREEAM.
- » We considered sector-specific guidance on ESG risks.
- » Although we did not undertake a separate engagement exercise for this report, we considered the feedback we regularly receive from the stakeholders we work with



# Key ESG risks in the construction sector

This report provided an opportunity to review how we handle ESG-related risks. We thought about instances where our activities could seriously impact our stakeholders and the environment and, in return, cause financial and reputation trouble to Bayer Construct Zrt. Based on the guidelines provided by the International Finance Corporation (Environmental and Social Management System Implementation Handbook on Construction), we automatically moved the following topics to the “critical” section of our materiality mapping:

- » **Environmental: Pollution Prevention and Resource Efficiency**
- » **Occupational Health and Safety**
- » **Labor**
- » **Community Health, Safety, and Security**



## Material ESG topics

Critical	Strategic	Other priorities
Compliance and integrity	Climate Change & GHG Emissions	Community Impact
Pollution Prevention and Incident Control	Energy Management	Biodiversity
Sourcing Materials	Material Efficiency	Diversity and Inclusion
Occupational Health and Safety	ESG Innovation	
Product Quality & Customer Safety	Water Efficiency	
Human Rights and Labour Conditions	Employee Training	
Labor relations / Management (employee satisfaction)		
Waste Management		

Enablers: responsible governance, ESG reporting, transparency, stakeholder communication, and engagement

This ESG report emphasizes critical and strategic priorities in line with our materiality mapping. These are issues that we care about the most and have a direct influence on. We track our performance more closely on essential matters and have the most rigorous organizational practices in place. Concerning strategic issues, we identified several commitments to improve our ESG performance.

### 3.2 Performance Metrics: Detailed Reporting on Key ESG Indicators, Based on GRI, UN SDGs, and SASB Metrics

At Bayer Construct Zrt, a robust understanding of our Environmental, Social, and Governance (ESG) performance is essential to our commitment to sustainability and responsible business practices. In the formulation of our ESG report, we have turned to industry-leading frameworks such as the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (UN SDGs), and the Sustainability Accounting Standards Board (SASB). These standards offer a comprehensive, globally recognized approach for reporting on economic, environmental, and social impacts. GRI provides a universal standard that enables stakeholders to compare our performance against industry peers. The UN SDGs guide us in aligning our goals with global priorities, while SASB offers sector-specific standards that help us focus on financially material ESG issues.

The integration of these standards into our ESG report is crucial. It ensures transparency, comparability, and accountability in our ESG practices, offering our stakeholders a detailed, clear, and reliable picture of our ESG performance. Moreover, it ensures that our ESG strategy is holistic, encompassing all relevant factors that might affect our business and stakeholders.

With the upcoming EU Taxonomy regulation set to effect in 2025, we are mindful of the need to align our practices with these evolving standards further. This inaugural ESG report for the fiscal year 2022 marks a critical milestone in our journey towards an ESG-conscious decision-making process across all business operations. It serves as a foundation upon which we aim to build, continually refining our strategies, actions, and progress tracking to ensure we remain at the forefront of ESG performance.

As our first comprehensive ESG report, we acknowledge that there may be gaps or areas for improvement in our quantitative and qualitative data. We also recognize that not all of our findings will be positive. However, we are committed to transparency and believe acknowledging these gaps and shortcomings is vital to our ESG journey. By openly reporting negative or incomplete data, we are demonstrating our commitment

to transparency and identifying areas for improvement, which will help us to enhance our ESG performance and reporting practices in the future.

Our ultimate goal is to establish a framework for ESG reporting that meets and exceeds industry best practices and can achieve a high ESG rating score. This report is the first step towards that goal, and we look forward to developing our ESG strategies, refining our practices, and improving our performance as we continue on this path.

The following sections will provide a detailed and in-depth view of our ESG performance during the fiscal year 2022. This will give our stakeholders a comprehensive understanding of our current position, our commitment to sustainability, and our plans for the future as we strive to become the best ESG-rated construction and building technologies company in Central Europe.



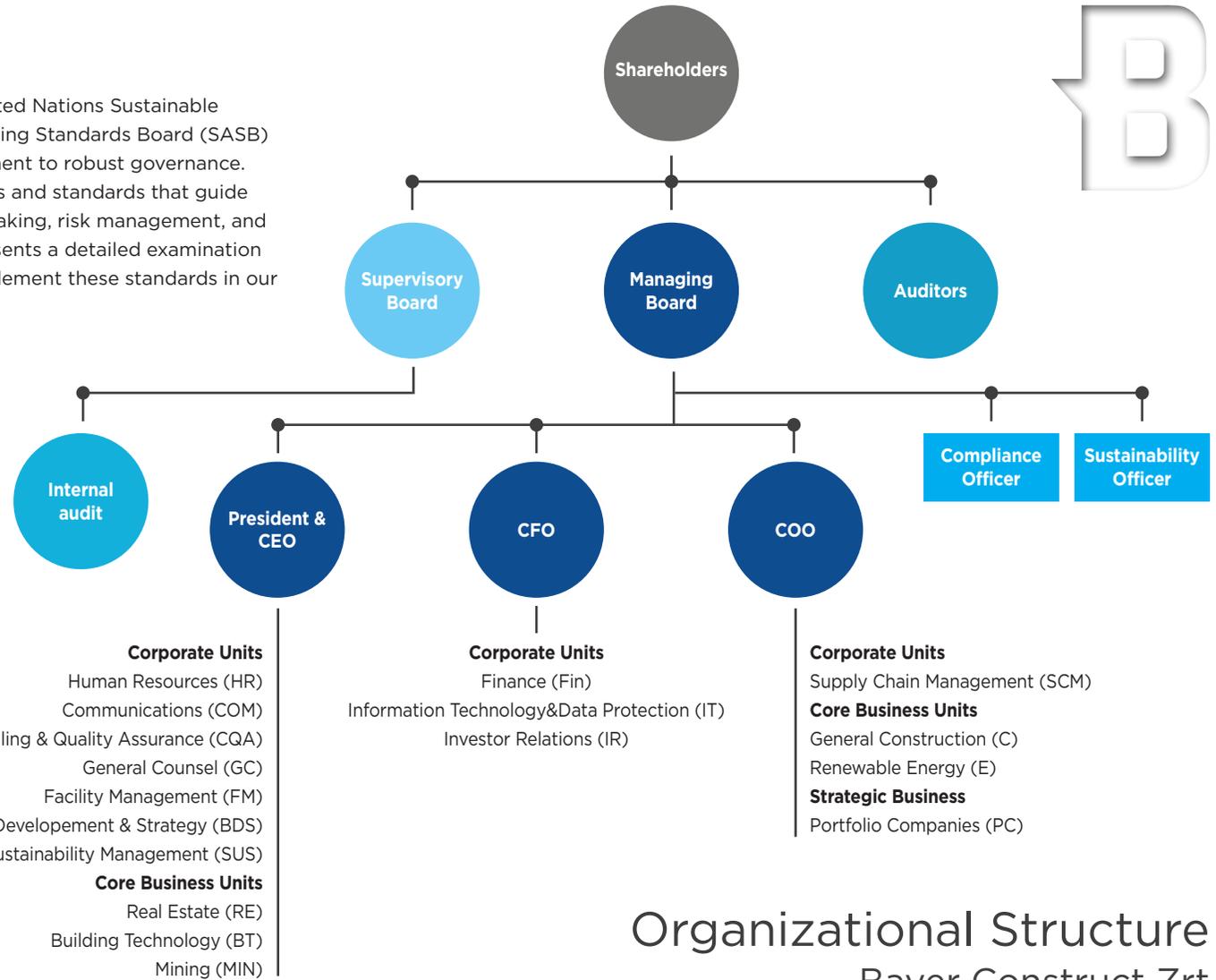
## 4. Governance



In alignment with the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (UN SDGs), and the Sustainability Accounting Standards Board (SASB) guidelines, Bayer Construct Zrt maintains a steadfast commitment to robust governance. These internationally recognized frameworks provide principles and standards that guide our governance infrastructure, promoting effective decision-making, risk management, and accountability across all operational domains. This section presents a detailed examination of our governance structure, offering insights into how we implement these standards in our corporate governance.

## 4.1. Structure of the Organization's Governance

Bayer Construct Zrt has designed a governance structure that supports responsible and effective decision-making. These standards guide the development of governance roles and the organization's leadership structure. We offer a comprehensive review of our governance structure, detailing the interconnections between different governing bodies within the organization, their roles, responsibilities, and how these are communicated to our internal and external stakeholders. At Bayer Construct Zrt, our governance structure is clear, transparent, and documented in our corporate governance charter. This charter outlines roles, responsibilities, and decision-making processes at every level of the organization, fostering accountability and efficiency.



## Organizational Structure Bayer Construct Zrt

Bayer Construct has a two-tier board structure consisting of the Management Board and a Supervisory Board. While this is not legally binding for Limited Companies, this represents a good business practice and allows us to have more checks and balances. As the top management body, the board must serve the company's best interests and achieve sustainable growth in company value.

The board members are jointly responsible for the company's entire management and decide on fundamental business policy and corporate strategy issues, as well as single-year and multiyear planning. The Supervisory Group oversees and advises the Managing Board to manage the company's business.

## 4.2. Competencies and Performance Evaluation of the Highest Governance Body

Our Board of Directors comprises individuals with diverse expertise and experience, ensuring a broad range of perspectives. Performance evaluations of the Board are conducted annually by an independent third party. These evaluations assess individual director performance, the effectiveness of the Board as a whole, and areas for improvement.

Board members are selected through/nominated by the shareholders. Our current board members bring their experience from various fields, including finance, legal areas, and technical expertise within the construction sector, such as engineering.

Our Management Board and Business Unit Managers meet quarterly to discuss ongoing projects, business development, planning, and strategic decisions. This structured approach ensures that the board remains in touch with the business's day-to-day operations and that strategic decisions are responsive to the problems and opportunities that staff experience while working on projects.

In 2022, we also nominated a sustainability officer with the responsibility to oversee the development of this report and, moving forward, inform the Management Board of ESG-related risks and opportunities.

## 4.3. Role of Stakeholders in Governance

Bayer Construct Zrt acknowledges the importance of stakeholder perspectives in shaping our governance, consistent with the principles of UN SDG 16 (Peace, Justice, and Strong Institutions). These standards and principles guide our stakeholder engagement activities, ensuring their voices inform decision-making and strategic planning. This commitment to stakeholder involvement underlines the inclusive nature of our governance model.

We value our stakeholders' input and actively engage with them. For example, we hold regular town hall meetings for employees and annual general meetings for shareholders, where they can voice their concerns and suggestions. We also have processes to consider stakeholder feedback in our decision-making processes.

## 4.4. Composition of the Highest Governance Body and its Committees

We ensure that our highest governance body and its subsidiary committees effectively steer our organization. We aim to ensure that the composition of our governance bodies reflects diversity and inclusivity.

Our Board of Directors is composed of a balanced mix of executive and non-executive directors to ensure independent oversight. The Board is supported by several committees, such as the Audit Committee, the Nomination Committee, and the Remuneration Committee, each of which has clearly defined roles and responsibilities.

## 4.5. Remuneration and Incentives

We recognize the importance of fair remuneration and incentives in motivating and rewarding our leadership.

We believe in fair and competitive remuneration to attract and retain talent. Our remuneration policy is linked to both individual performance and the company's overall performance, aligning the interests of our employees with those of the company. Our executive remuneration includes a long-term incentive plan to foster sustainable decision-making.

## 4.6 Supply Chain Management

We need to ensure that everyone who is part of our supply chain shares our values and objective to achieve high quality. The organization maintains various partners in geodesy, structural construction, rebar installation, formwork, and masonry work.

The company's procurement process is regulated to ensure that we only select suppliers who can provide products and services that align with Bayer's requirements on quality, timely delivery, health, and safety at work and avoid adverse environmental impacts. Potential partners are evaluated continuously and carried out through a shared online database. In the reporting year, 90% of our suppliers were given an "Excellent" rating based on our criteria. The aim for the following year is to increase the rating to 95%.

# Case Study A - Governance: How Good Corporate Governance at Bayer Construct Zrt Benefited Investors and Employees

In 2022, Bayer Construct Zrt faced a challenging decision: the company had the opportunity to bid on a large, lucrative construction project. However, the project was located in a region known for its complex regulatory landscape and environmental sensitivity. This posed significant potential risks and ethical considerations.

Exercising its commitment to transparency and stakeholder engagement, the Board of Directors involved investors and employees in decision-making. A detailed analysis of the potential project was prepared and shared with all stakeholders. This included the financial benefits and risks, potential environmental impact, regulatory challenges, and the company's capacity to manage these complexities.

In town hall meetings and investor briefings, the Board solicited feedback from employees and investors. Employees, who had firsthand knowledge of the company's operational capabilities, voiced concerns about the capacity to manage environmental and regulatory risks effectively. While

acknowledging the potential financial returns, investors echoed similar concerns about the long-term reputational risk the company might face if the project led to environmental harm or regulatory breaches.

Guided by this feedback and the principles of responsible decision-making, the Board ultimately decided to pass on the project. While it was a difficult decision, it underscored Bayer Construct Zrt's commitment to ethical operations and long-term sustainability.

In the short term, this decision led to the company missing out on a potentially profitable contract. However, in the long term, it had multiple benefits. It increased trust among employees, who saw that their insights and concerns were taken seriously. This, in turn, boosted morale and retention. The company's prudent decision-making and commitment to ethical operations enhanced investors' confidence in the Board's governance. Over the next year, this trust paid off: Bayer Construct Zrt won several other contracts that were more aligned with its capabilities and ethical standards,

leading to solid financial performance without compromising its commitment to sustainable and responsible operations.

This case underscores how good corporate governance, rooted in transparency, stakeholder engagement, and ethical decision-making, can benefit all stakeholders, contribute to a positive corporate culture, and drive long-term success.





## 5. Environmental Responsibility

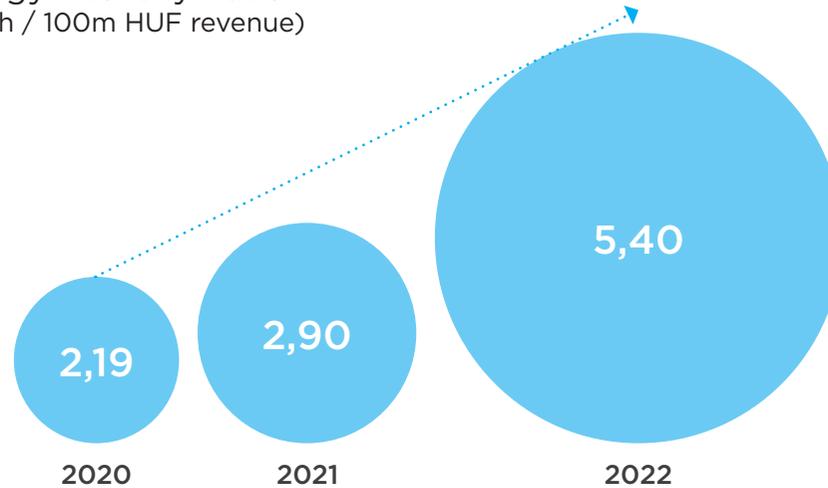
As a responsible entity within the construction industry, Bayer Construct Zrt is highly aware of its potential environmental impact. Recognizing this, we have framed our ecological strategies and initiatives within the broader context of United Nations Sustainable Development Goals (UN SDGs). Our commitment to environmental stewardship is central to our business ethos. It is realized through targeted efforts in energy consumption and efficiency, greenhouse gas emissions reduction, water management, waste management, biodiversity preservation, and compliance with environmental laws and regulations.

## 5.1. Energy Consumption and Efficiency

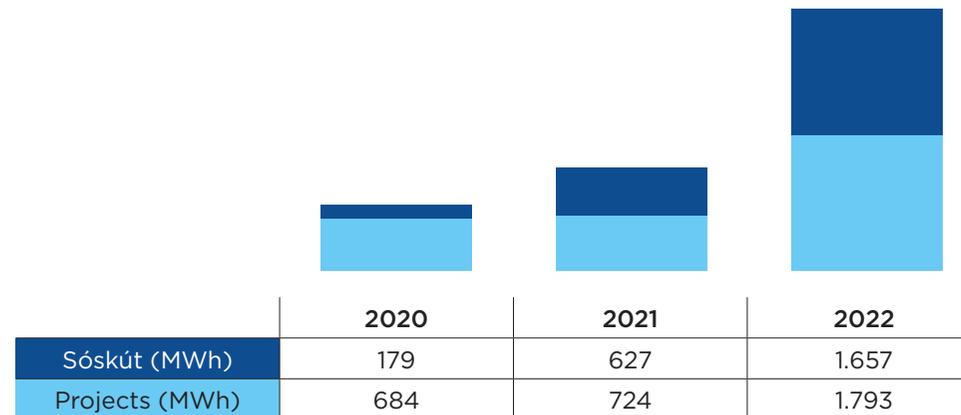
We recognize our responsibility for managing our energy consumption and working towards increased efficiency. This section outlines our approach to energy use, the measures we have taken to improve efficiency, and the impact of these initiatives. Our commitment to UN SDG 7 (Affordable and Clean Energy) drives these actions

At Bayer Construct Zrt, we have implemented an energy management system following the ISO 50001 standard. This involves continuously monitoring our energy usage and identifying opportunities for energy efficiency. For instance, we have replaced conventional lighting systems in our office buildings and construction sites with LED lighting, which has resulted in significant energy savings.

### Energy Intensity Ratio (MWh / 100m HUF revenue)



### Energy Consumption by Source



*/Sós-kút electricity consumption includes everything that is not a project; it relates to production, on-site work, and the consumption of the offices. 2020 and 2021 data does not include the consumption of rented offices where staff worked before moving to the current HQ./*

One of our recent achievements in reducing our emissions was phasing out gas. Our new Headquarter building replaced our old offices, a modern, energy-efficient facility with a BB energy rating.

The growth in our construction activities and the new HQ housing more staff resulted in increased energy intensity. We are working hard to turn this trend around, and in 2023, we will perform a deeper analysis of how our dynamic growth has impacted the energy intensity of our operations.

## What do we do to reduce our consumption?

- » Improve our processes: we regularly re-evaluate our workflows and integrate automation and technology upgrades wherever possible to reduce the time and energy required.
- » We choose the best equipment: we do extensive research and collaboration with manufacturers who supply our equipment; we want to work with modern and energy-efficient equipment. Regarding older equipment, our first port of call is refurbishment and repair.
- » Change user behaviors: we train our staff to use equipment properly and understand where their work fits into the process.

## 5.2. Greenhouse Gas Emissions

Our company has reduced our carbon footprint by investing in renewable energy sources. For instance, we've installed solar panels at our headquarters, offsetting some of our electricity consumption. We also use hybrid or electric vehicles for company transport where possible.

From the energy we use in our office to the end-of-life treatment of the buildings we create, we have a role in reducing CO2 emissions. Our first ESG report highlighted several areas where we already work actively towards lowering our impact. However, it has also clarified that we must take a more scientific approach to measuring it.

Our commitment for the coming year is better to understand the source of our direct and indirect emissions and set a decarbonization target that is both ambitious and realistic.

### Swapping to clean energy

In response to the energy crisis, we have committed to undertaking a significant feasibility exercise to compare renewable energy generation alternatives that could allow for a principal reduction in our direct CO2 emissions and help adapt our business to climate change. After the initial research and a study tour to Iceland, we decided that geothermal energy would be the right approach. Although it requires a considerable capital investment, it is a reliable, all-year-round renewable energy source. We have two projects - Zugló Városközpont and MTK Sports Park -where we await approval to use geothermal technology to meet the heating and hot water demand. In addition, permits are pending for research into producing energy for the Sósút and Biharkeresztes sites. In most cases, the construction materials traveled thousands of kilometers by land,

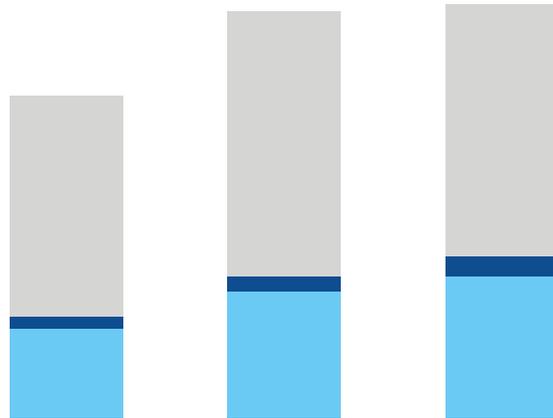
sea, truck, or rail to warehouses and depots and then to the construction site, consequently driving the GHG (Greenhouse Gas Emissions). Our aim is to significantly reduce the GHG in producing raw materials and building components as close as possible to the place of use.

We monitor our fleet's fuel consumption, which has grown alongside our operations over the past years. In the reporting year, approximately 60% of our total fuel consumption came from operating our construction machinery and 40% from the cars used by our employees and management staff. Over the past two years, employee car consumption contributed most to the increase in our total fuel consumption. The number and the consumption of construction machinery has actually dropped slightly from 2021 to 2022.



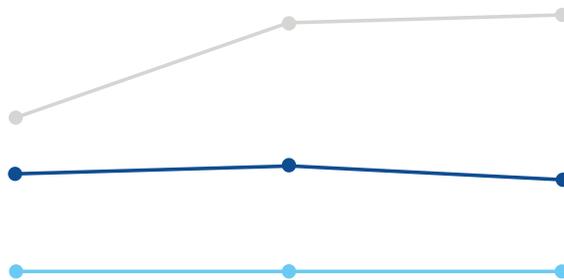
Total Fleet fuel consumption	2020	2021	2022
Liters	1.050.696	1.326.255	1.351.368
% change from previous year	N/A	+26%	+2%

Fuel Consumption  
by Source  
Liters of Fuel



	2020	2021	2022
Construction Machinery	720.851	865.585	825.901
Management	36.573	48.860	63.809
Employees	293.273	411.810	461.658

Number of Vehicles  
by Type  
Number of vehicles



	2020	2021	2022
Construction Machinery	126	130	122
Management car	24	25	26
Employee car	189	253	261



## What do we do to reduce our mileage?

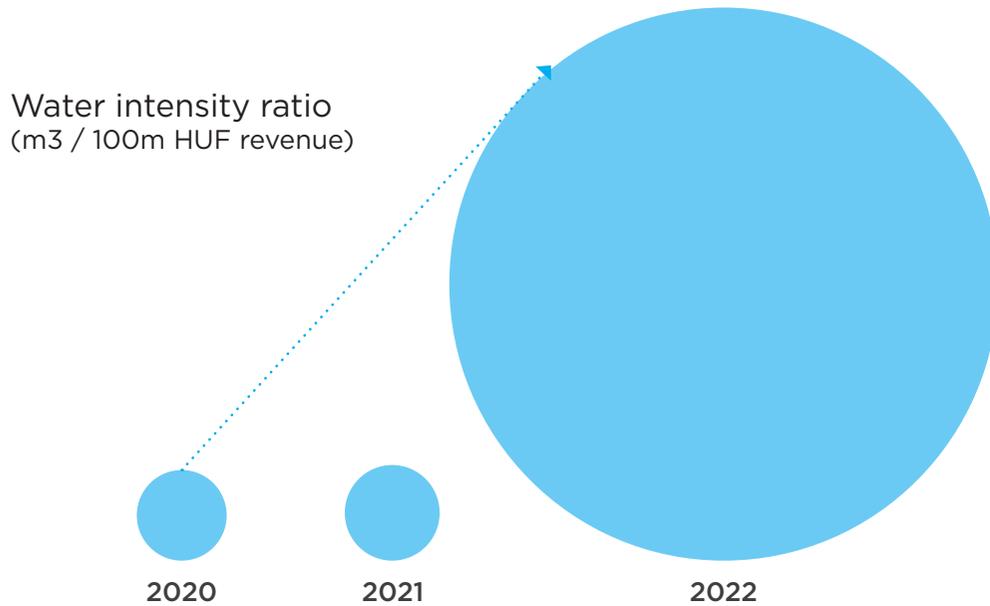
- » Cost-efficient solutions - organizing return journeys and linking projects to reduce the number of trips.
- » Distance optimization - procuring materials from the nearest plant whenever possible.
- » Own transport arrangements - centralized transport arrangements make for easier logistics.
- » Using our transport vehicles - fuel efficiency and environmental credentials are among the top considerations when we choose our cranes, lorries, and other vehicles.
- » Hybrid working - enabling our white-collar staff to work from home.

### 5.3. Water Management

This segment provides insights into our water usage, and our efforts to minimize water waste, supporting UN SDG 6 (Clean Water and Sanitation).

We have implemented water-saving measures such as rainwater harvesting systems and low-flow plumbing fixtures in our facilities. On construction sites, we aim to reuse water whenever possible, reducing the demand for fresh water.

Most of our spending on water and wastewater comes from projects, while a smaller proportion is the consumption at the Sós-kút HQ complex. The increase in water use over



WATER CONSUMPTION

From projects & Sós-kút operations	2020	2021	2022
m <sup>3</sup>	1.191	1.258	7.277

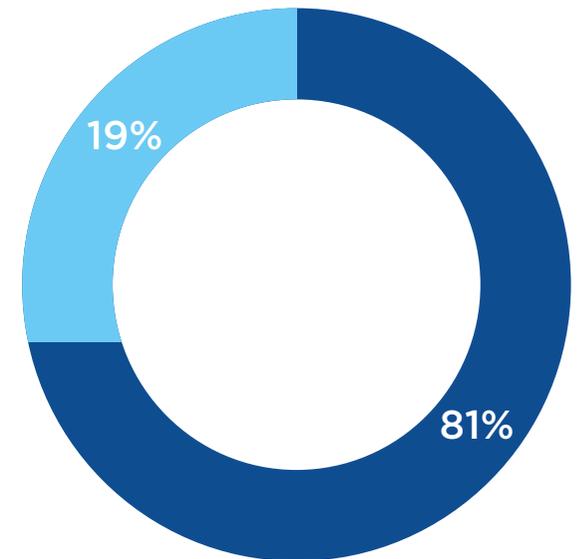
\*2020 and 2021 data does not include the consumption of rented offices where staff worked before moving to the current HQ.

the last two years can be attributed to the growth of our headquarters at Sós-kút, housing an additional 200-300 employees who previously worked in other rented offices. Water consumption data in the rented offices for 2022 does not exist, contributing to lower figures in previous years. The fact that our modern HQ has water-efficient fixtures helps reduce our impact; however, for the next reporting year, we will further break down our water usage to identify efficiency potentials.

#### Ratio of Water&Waste Water Costs in 2022

Water consumption costs	2020	2021	2022
Total	3 914 253 HUF	4 532 794 HUF	12 645 220 HUF
Projects	1 799 441 HUF	2 888 036 HUF	10 221 360 HUF
Sós-kút	2 114 812 HUF	1 644 758 HUF	2 423 860 HUF

*/Sós-kút costs include everything that is not a project; it can be related to production, on-site work, and the consumption of the offices./*



# Case study: Design thinking & Zugló City Center

A significant part of the environmental impact of a construction product stems from the design process. We also have an essential role in ensuring that the buildings we design, and construct will have a minimal environmental impact. Therefore, a responsible approach is needed, which considers the product's entire life cycle.

Our static design team of 30 is unique in its ability to take on projects with technical designs and transform them so that they can work with the technologies that Bayer has to offer. We have integrated processes from fabrication design to complex BIM design and interior and 3D planning.

Zugló City Center is an excellent example of our design approach that connects design, delivery, and operations.

The mixed-use development in the heart of Budapest's XIV. district, and will be delivered in six phases. We have incorporated the below solutions to reduce the environmental impact of all life cycle stages:

- » Resource-appropriate conceptual design - structure-oriented planning, use of tried and tested structures and materials supplied directly from our factories.
- » Simplification - modular elements allow for a faster process, minimal waste, and easy disassembly.
- » Energy-efficient systems - thermal systems, heat pumps, and higher-performance insulation- contribute to much-improved energy demand in buildings of approximately 60kWh/m<sup>2</sup> per annum.
- » Water efficiency measures - rainwater harvesting will reduce freshwater demand, and the centralized stormwater drainage to a nearby stream will reduce the need for additional infrastructure.
- » Green and blue infrastructure - creating multi-functional open spaces for climate adaptation and the enjoyment of users.
- » The BREEAM certification is an industry-standard building certification covering many environmental aspects of our company's ESG activities.





## 5.4. Waste Management

Supporting UN SDG 12 (Responsible Consumption and Production), Bayer Construct Zrt has established a comprehensive waste management strategy. This section covers our waste generation, our waste reduction and recycling strategies, and the effectiveness of these measures.

Bayer Construct Zrt follows a comprehensive waste management strategy that emphasizes the “Reduce, Reuse, Recycle” principles. We have a dedicated team that segregates waste at source, ensuring recyclable materials are properly processed. In our construction projects, we aim to reuse materials and minimize waste sent to landfills.

Construction involves the use and reuse of a significant amount of raw materials. Most of the waste we produce is from excavation and site preparation works. Depending on the reporting year, soil and excavation materials to lay the foundation for buildings and their associated infrastructure comprise 40-80% of our total waste. Reducing excavation waste is not possible. However, all non-hazardous soil and stones are recycled. Other significant waste streams include mixed construction and demolition waste and concrete.

Over 99% of the waste we produce during construction and equipment maintenance is diverted from landfills. Most waste we send to landfills is general mixed waste, including commercial, municipal, and mixed packaging.



Waste generation & management	2020	2021	2022
Total waste (metric tonnes)	17 482	91 665	324 090
Diverted from disposal (metric tonnes) prepared for reuse, recycling, and material recovery	17 313	91 500	324 051
Sent to landfill (metric tonnes)	168	165	39

Our on-site waste recovery involves breaking and sorting waste and performing accredited contamination control. Based on the measurement results, the waste can be used on-site as a construction material – where possible, or waste disposed of on designated dump sites.

Waste management is either performed by Bayer Construct Zrt. or an external company with the necessary permits. This solution allows the replacement of market products with natural resources as suitable construction materials (recycled materials), thus strengthening the implementation of a circular economy.

A licensed specialist company carries out the transportation and treatment of waste generated on-site. If possible, the waste is handed over to a waste recycling company. The smallest distance between the site and the waste treatment location is a priority during the service provider selection process.

Besides construction, some waste generation results from maintenance works (e.g. servicing machinery). We have introduced the environmentally conscious reuse of industrial cleaning cloths and wipes with the MEWA system, thus minimizing hazardous waste generated during maintenance.

Although this is a significantly smaller proportion of our waste produced, we also recycle communal waste in our office building at Sósút.

We aim to reduce the use of hazardous materials as much as possible and have strict procedures for working with dangerous materials, including waste.



## 5.5 Sourcing and Material Efficiency

Regarding sourcing raw materials, our design philosophy uses high-quality, locally sourced products. We are in a great position as we can supply our construction sites with building materials from the group's factories and plants, including prefabricated reinforced concrete elements, aerated concrete masonry elements, paving stones from the group's plant in Biharkeresztes, or reinforcing steel mesh, reinforcing steel reinforcement, joinery products, locksmith elements from our plants in Sósút.

**60-70% of the raw materials used for the buildings we construct come from the factories belonging to the company group.**

In turn, it means that we can tightly control quality, shipping schedules and reduce the emissions related to transportation.

Wherever possible, we choose construction materials that are either naturally degradable, the product of a plant using recycled materials, or that can be reused after their life cycle without generating waste and are recycled as raw materials. Most of our in-situ construction materials are mineral-based products made from silica, gravel, or sand, which are naturally degradable and easily recycled.

When constructing a new building on the site of an existing building, the concrete and brick waste from demolished buildings are accounted for in the design, sorted after crushing on-site, and designed into a road base or as backfill under structural concrete, reducing both waste generation and the carbon dioxide emissions to air from the waste transport. We trace our building materials throughout their life cycle. Thanks to a strict quality control system, all the building materials we provide from our factories have an "identification letter" that records the exact manufacturing conditions and produced ingredients. **That process step means that nearly 90% of the building materials used are recyclable in the event of future demolition.**

We take particular Care to ensure that the materials used in construction are designed into the buildings as far as necessary, thereby minimizing waste generation during construction wherever possible.

Plastics are present in all industries, while in the construction industry, it often comes in the form of packaging or plastic insulation foam. For the packaging of our products, we use recycled plastic and reusable pallets.

## 5.6 Modern Technologies

Our company's philosophy is that capital reinvested in technology is the key to a sustainable future for Bayern. Over the last three years, the group has spent more on technology development than its annual revenue for 2019. Modern construction technologies play a crucial role in reducing the industry's environmental impact by allowing for minimizing the time, energy, and waste required to carry out projects.

Since 2019, we have integrated BIM (Building Information Modelling) design into our portfolio of services. We can collect intelligent building data into a digital model representing an asset's life cycle. This approach pairs well with our prefabricated concrete building products manufactured by Bayer Group, which are also highly unique and pioneering in the sector. BIM design and prefabrication allow for precision and eliminate human error, which leads to almost zero waste in the manufacturing process and also makes construction and subsequent recycling at the end of the building's life much easier.

We also introduced automatic welded reinforcing steel mesh in structural construction in Hungary and Central Europe. This technology replaced hand-assembled reinforcing steel for entire wall structures, helping us achieve twice the construction speed with half the workforce generally required for this work process.

We frequently use new building materials and construction methods and are committed to digital technologies: for example, our excavation machines use automatic level control, and we use drones for our surveys. All of these bring significant efficiency gains to the construction industry.

## 5.7. Impact on Biodiversity

Following UN SDG 15 (Life on Land), we recognize our role in biodiversity protection. This subsection provides a brief overview of our impact on biodiversity, the measures we have taken to minimize this impact, and our efforts to integrate biodiversity considerations into our business operations.

Whenever we undertake a new construction project, we conduct a comprehensive Environmental Impact Assessment (EIA) to ensure minimal disruption to local ecosystems. We also engage local environmental consultants to advise on safeguarding biodiversity.

We own all the buildings and operation sites in industrial parks, which typically do not directly contact protected areas. Industrial sites are also separated from residential areas and agricultural land by wooded shrub buffers, which filter out a significant proportion of noise and dust pollution.

Bayer Construct has no greenfield developments; all of our projects are brownfield. Our structural engineering business takes on several environmental challenges of our brownfield projects. The following positive practices have been used in some cases, to protect and enhance biodiversity:

- » recycling of topsoil from greenfield sites
- » protection of vegetation during construction
- » ecological education of workers
- » preference for native plants/incorporation of ecologist's recommendations

## 5.8. Compliance with Environmental Laws and Regulations

Bayer Construct Zrt is committed to ensuring compliance with all relevant environmental laws and regulations. This section details our internal controls, auditing processes, and the steps we take to ensure that our operations remain within the boundaries of environmental legislation. This commitment aligns with UN SDG 16 (Peace, Justice, and Strong Institutions).

Bayer Construct Zrt maintains a robust compliance system to ensure we adhere to all relevant environmental laws and regulations. This involves regular training for our employees, periodic internal audits, and engagement with legal experts to stay updated with any regulation changes.

We must adopt internal procedures and processes that contribute to better management and are practical for our day-to-day operations. Besides observing Hungarian regulations and legislation relevant to our sector, we decided to adopt the ISO standards, which help us manage and control our processes in line with international best practices:

- » ISO 9001 - regulates the quality of key manufacturing, production, and customer-related processes.
- » ISO 14001 - sets out the criteria for environmental management.
- » ISO 45001 - guides occupational health and safety management standards.

The Business Conduct Guidelines is one of several essential guidance documents for our work, which brings together the requirements of the above standards. The handbook is reviewed annually alongside key performance indicators and targets that help monitor its implementation. The H&S and Environmental Compliance Officer and a representative of the Management staff coordinate the review process. The details and requirements of the Business Conduct Guidelines are communicated to the teams and trained throughout learning modules.

## 5.9 Pollution Prevention

Pollution prevention is one of the critical considerations for responsible construction. We have strict processes in place to ensure that chemicals, contaminated waste, and surface run-off are contained within the site and treated appropriately to prevent the pollution of water, air, and soil resources. Furthermore, reducing air emissions and noise impact from construction works is essential to be a good neighbor to local communities.

Procedures regarding pollution prevention are set out in our Environmental Management Plan, prepared and updated regularly as part of the ISO process. The plan sets out an approach to assessing project environmental risks and the rules around working with toxic materials and waste. It includes detailed guidance on preventing and dealing with emergencies if they arise. The register of environmental factors covers all construction activities and extends to our subcontractors' work.

We protect the soil from erosion and pollution. In general, we cover the less used outdoor areas with mulch or plants to prevent rainwater run-off, and we prefabricate roads used for transport and landfill by laying a geotextile and crushed stone foundation, then demolishing after construction.

In all cases, we will ensure that the contamination from the project does not enter nearby waters. We generally use tanks for water intake and waste treatment and filter systems for wastewater treatment.



In the reporting year,  
Bayer Construct Zrt  
incurred no fines  
and was no part of  
legal proceedings  
due to environmental  
non-compliance.

# Case Study B - Environment: Demonstrating Environmental Consciousness in Sand and Gravel Mining Operations at Bayer Construct Zrt

In 2022, Bayer Construct Zrt embarked on a new venture to open a sand and gravel mining operation in Hungary. Recognizing the potential environmental impacts of such operations, the company was determined to integrate environmental consciousness into every aspect of the project, going beyond mere regulatory compliance.

From the start, Bayer Construct Zrt invested significantly in state-of-the-art mining equipment imported from Germany. This equipment, designed for high efficiency and minimal environmental impact, featured advanced dust suppression technology to minimize air pollution and noise reduction features to limit disturbance to the surrounding areas. The machinery was also designed for energy efficiency, reducing the operation's overall carbon footprint.

Furthermore, Bayer Construct Zrt ensured that the sourcing of this equipment followed sustainable supply chain practices, ensuring that the entire lifecycle of the equipment – from production to eventual disposal or recycling – adhered to rigorous environmental standards.

Simultaneously, the company undertook a meticulous planning process for the post-mining use of the land. While the law required the company to restore the land to its original state after the completion of the mining operation, Bayer Construct Zrt decided to go a step further. From the project's inception, they began planning a re-naturalization process that aimed not only to restore but to enhance the area's biodiversity.

Working with local environmental experts, Bayer Construct Zrt developed a comprehensive plan that included the creation of new habitats for local wildlife, the planting of native vegetation to prevent soil erosion and promote biodiversity, and the creation of wetlands to support local bird populations.

The company's proactive and innovative approach to environmental responsibility was well-received by local communities, environmental groups, and regulatory bodies. It also positively impacted the company's reputation among investors and clients, who increasingly value environmental responsibility.

This thoughtful approach to resource extraction corresponds with several United Nations Sustainable Development Goals (UN SDGs):

SDG 12 (Responsible Consumption and Production): By investing in advanced machinery, the company promotes sustainable extraction and use of natural resources, contributing to this goal.

SDG 13 (Climate Action): Bayer Construct Zrt's commitment to mitigating its environmental impact aligns with global efforts to combat climate change and its impacts.

SDG 15 (Life on Land): The company's commitment to re-naturalization helps protect, restore, and promote sustainable use of terrestrial ecosystems, manage forests sustainably, combat desertification, halt and reverse land degradation, and halt biodiversity loss.

Bayer Construct Zrt's investment in advanced, environmentally-friendly equipment and its commitment to comprehensive re-naturalization demonstrate that it is possible for industries like mining to operate in a manner that respects and nurtures the environment. This case serves as a powerful example of how Bayer Construct Zrt is leading the way in environmental responsibility within the construction industry.



## 6. Social Responsibility



Bayer Construct Zrt firmly believes that our social obligations are integral to our corporate identity, extending far beyond the boundaries of our immediate business operations. As such, our social responsibility initiatives are designed and implemented with due regard to the guiding principles of the United Nations Sustainable Development Goals (UN SDGs). This chapter will delve into the various aspects of our social responsibility, with a specific focus on employee health and safety, diversity and inclusion, training and education, labor practices and human rights, community impacts, and customer health and safety.

## 6.1. Employee Health and Safety

This section explores our rigorous health and safety protocols, preventative measures, and strategic responses to health and safety challenges. Our efforts reinforce our commitment to UN SDG 8 (Decent Work and Economic Growth).

Bayer Construct Zrt has implemented a comprehensive Occupational Health and Safety Management System (OHSMS), which includes regular risk assessments, safety audits, and health surveillance.

Training on workplace safety is mandatory for all employees and contractors. A good practice is the “Safety First” program, which empowers workers to halt operations if they perceive an imminent safety risk.

### Risk and Hazard Assessment

Every year, we prepare a risk assessment for our activities that establishes the risks associated with work processes and sets out how they can be minimized and avoided.



Our company follows the following hierarchy when mitigating risks:

- » elimination of the risk,
- » substitution by less hazardous processes, substances, and equipment,
- » technical solutions and organizational measures,
- » signs/warnings and/or administrative regulations, training,
- » use of personal protective equipment.

The risk assessment also covers subcontractors who work with us on-site and visitors.

### Preventing accidents

Our Work Safety Procedure sets out responsibilities on an organizational level and for individual projects. These procedures cover all health and safety aspects, from having up-to-date emergency procedures and conducting drills to project-level considerations such as inspecting machinery, providing appropriate protective equipment to staff, and recording incidents or near misses.

A project-by-project contingency plan for emergencies is displayed in a visible place at all our construction sites, and our fire safety policy covers the measures to be taken in the event of a fire.



All our employees receive appropriate safety equipment tailored to their activities and attend mandatory health checks annually to identify any condition that might make them unfit to perform their roles. In 2022, **100% of our employees, including newly recruited staff, received safety training** led by our internal HS officers and an external specialist company at the start of each project. Having a good understanding of the machines, substances, and processes they work with ensures that they perform their tasks safely and can recognize potential environmental hazards.

Responsible personnel inspects construction sites regularly for compliance with health and safety procedures. We plan to increase the number of these checks further to reduce near misses and actual accidents.

In addition, employees are also obliged to report immediately to the relevant manager any environmental, health and safety, potential or actual hazards that they become aware of. Managers investigate and assess the hazard directly and eliminate it immediately. After the hazard elimination, the responsible manager must report to the CEO on the emergency and its resolution.



Health and Safety Statistics	2020	2021	2022	Goal
Accidents Total (days)	5	4	6	0
Over three days recovery (days)	3	3	2	0
H&S site visits (/project/year)	no data	no data	8	45
Fines associated with H&S non-compliance (in HUF)	150.000	0	0	0



During exceptional circumstances such as the Covid-19 pandemic, we have introduced additional health and safety procedures for both our office-based and on-site workforce. These included increased cleaning procedures, social distancing, and home working arrangements.

## 6.2. Diversity and Inclusion

Bayer Construct Zrt is steadfast in its dedication to fostering a diverse and inclusive workplace. This subsection illustrates our commitment to equal opportunity, our initiatives to support diversity and inclusion, and the tangible benefits of such a diverse workforce. Our endeavors in this domain testify to our support for UN SDG 5 (Gender Equality) and UN SDG 10 (Reduced Inequalities).

Our “Diversity and Inclusion” initiative celebrates the variety of backgrounds, experiences, and perspectives within our workforce. A best practice is the establishment of our Employee Resource Groups (ERGs), such as those for women, LGBTQ+ employees, and employees of different ethnic backgrounds, which create supportive networks and contribute to policy development

At the end of 2022, Bayer Construct had 537 employees. 127 employees started their careers with our company during the year, with a balanced age profile.

In a largely male-dominated industry, diversity and inclusion are essential. Over the past four years, we have increased our female employees from 9% to 14% companywide, which we consider a positive trend, in line with our equal opportunities ambitions. In 2022, we had one female member on our management board.



Our greatest challenge is retaining staff in an industry that faces labor shortages across the board. Over the past years, we have experienced high retention within our office roles but a high turnover within the physician workforce, which is characteristic of the industry in general. We have also seen several re-entries, meaning that staff who leave the company often returns within a short period of time to work with us again.

Workforce by gender	2020	2021	2022
Female	40	68	74
Male	388	537	463
Total	428	605	537
Female %	9	11	14

Age of new starts in 2022	Female	Male
under 30	4	23
30 - 50	8	47
over 50	6	39
Total	18	109



Staff Turnover	2020	2021	2022
Total turnover rate %	48	43	45
Exit turnover % - white collar workers	5,14	6,28	10,45
Exit turnover % - blue collar workers	42,99	36,69	33,96
Entry turnover % - white collar workers	16,35	15,04	6,34
Entry turnover % - blue collar workers	35,28	18,35	17,16

calculated as number of exits or entries / average employee numbers \* 100

**Our CEO, Attila Balázs, believes that in addition to wages, providing a good work environment is the key to retaining talent and dedicated staff. We hope to reduce employee turnover in the coming years through our policies and actions below.**

The HR department developed an Equal Opportunities Policy in 2021. This policy mainly ensures that no employees suffer unfair treatment due to gender, race, religion, belief, sexual orientation, disability, health condition, or other status or characteristic. We have also nominated an Equal Opportunities Office that employees can turn to if they have noticed or personally experienced any policy violations. Concerns are passed on - first anonymously - to management. The employer will investigate the matter based on the report submitted together with the opinion of the equal opportunities officer and will designate a department to conduct the investigation. The designated department conducts an investigation and informs the employer of the outcome of the investigation. The equal opportunities officer shall report annually on any complaints made in the previous year. So far, no claims have been lodged at Bayer Construct Zrt.

Apart from formal grievance procedures, our Open-Door company policy ensures that staff can raise concerns and questions. Bayer Construct sets the standards of fair treatment and inclusion throughout the group, and topics such as ethical business-related concerns, employee satisfaction, and feedback dialogue are followed as a company philosophy. We are conscious of retaining the company culture that we created as a small family business, and our management staff remains approachable and always open to listening.



## Our goal is to ensure that for all jobs, we:

- » determine the eligibility criteria and training needs and provide the relevant training,
- » evaluate the effectiveness of the training and the measures taken,
- » maintain appropriate education, training, skills, and practice records.

### 6.3. Training and Education

We underscore the importance of continuous learning and development for our employees. This section explains our strategies for employee skill enhancement, our training programs, and the impact on our workforce. Our emphasis on training and education aligns with the broader objectives of UN SDG 4 (Quality Education).

We have a robust Learning & Development program. A standout example is our “Future Leaders” initiative, which provides promising employees with mentorship and training to prepare them for leadership roles. We also offer tuition reimbursement for employees seeking further education related to their roles.

As part of the annual management review, we prepare the training schedule for that year that considers staff development goals, legal requirements, and work-related training needs.



Our training schedule for 2022 included seventeen different programs. Most of these relate to developing core competencies - for instance, occupational safety and fire safety education, integrated management system education, and informing staff about legal and administrative updates. We also provide

opportunities for attending conferences and exhibitions to keep up to date with the latest developments in the construction sector. Our managers and engineers regularly visit construction sites abroad to study and learn from examples that work elsewhere.

Regarding independent learning, our company has access to the online library of the National Standards Body of Hungary, where employees can access the latest standards at any time to do their work with up-to-date information.

## 6.4. Labor Practices and Human Rights

We maintain a robust commitment to human rights and fair labor practices. This segment delves into our policies and practices concerning labor rights, our measures to prevent discrimination, child labor, or forced labor, and our ongoing commitment to human rights. These commitments mirror the principles of UN SDG 8 (Decent Work and Economic Growth).

We have a robust Learning & Development program. A standout example is our “Future Leaders” initiative, which provides promising employees with mentorship and training to prepare them for leadership roles. We also offer tuition reimbursement for employees seeking further education related to their roles.

Respect for Human Rights is a core principle that we all stand by. Thanks to long-standing EU and national legislation, breaches are rare in our geographic area of operation. However, we acknowledge that the construction industry is considered a higher-risk sector in this aspect, and our company is a positive example of providing equal opportunities to our employees.

Ethical behavior is a cornerstone of the company’s leadership, and we reject all forms of corruption. Our company culture and the management’s open-door policy foster organizational transparency. We have not recorded unethical behavior incidents in the reporting year.

We are responsible for our employees and committed to working only with partners and suppliers who treat their staff well, so we examine compliance with labor regulations when selecting and cooperating with partners. To the best of the BAYER Group’s knowledge, there were no suspected cases of forced and/or child labor among the BAYER Group’s partners during the period under review.

At the same time, we recognize that our operations will diversify with the organization’s growth. It will be helpful to perform a more detailed assessment of potential human rights and ethical risks in our activities and formalize our approach to minimizing them. We would also like to extend our training program to include modules on recognizing signs of human rights and ethical business conduct violations. This approach is the best way to empower our employees to identify and report potential issues.

## 6.5. Community Impacts

Bayer Construct Zrt recognizes the importance of fostering positive relationships with local communities. This subsection provides insights into our community engagement initiatives, our strategies for contributing to community development, and the wider impact of our operations on the communities we serve. Our initiatives in this domain resonate with the spirit of UN SDG 11 (Sustainable Cities and Communities).

Our “Building Communities” program is a flagship initiative. We collaborate with local communities to identify their needs and contribute to projects such as building schools, improving infrastructure, and creating green spaces. We also offer apprenticeships and work placements to help local people develop skills and gain employment.

Bayer Construct’s commitment to society is firmly rooted in sport, which the group has always supported to some extent since its foundation in 2002. Attila Balázs, the CEO of

Bayer Construct, is the president and main sponsor of two successful hockey clubs, the Gyergyó Hockey Club and the Kárpáti Farkasok in Érd. Bayer Construct’s sports sponsorship activities have taken on a more profound level in recent years, with the construction of the ice hockey hall in Érd, accompanied by the creation of a hockey club, mainly for developing junior players.

Our social commitment also extends beyond sports. The company has implemented agricultural, food, and tourism developments in Gyergyóremete, which is Attila’s hometown, which is crucial for the economic and social development of the region. The planned projects will include a hotel, a milk powder factory, a lyophilization plant, cold storage, a hockey hall, and a high school in the village of around 6000 residents.

In addition to job creation and regional development in Székelyföld, it is equally crucial for Bayer Construct to provide value-creating jobs in Hungary, thus ensuring a European standard of living and security for its employees.

## CASE STUDY: Conservation and Cultural Heritage at A47

Repurposing existing building stock is an environmentally conscious approach to development and an opportunity to restore important historical and cultural heritage that gives cities like Budapest its charm. We are proud of our recent A47 project, which involved the renovation of a Neo-Renaissance-style historic property at Andrásy út, a UNESCO World Heritage Site. Our goal was to revive this important heritage building and salvage as much of its original features as possible while turning it into homes that meet modern requirements. The project required innovative solutions and careful planning in order not to cause disruption to the neighborhood or damage the adjoining properties.

The energy required for heating and cooling is produced centrally with modern air-to-water heat pump systems and condensation gas boilers. Each flat has a central heat recovery ventilation system and a smart-home system accessible via a smartphone application.



## 6.6 Considerate Construction

During construction, dust, light, and noise impact is inevitable. However, we emphasize minimizing disturbance to the communities around our projects by following national legislation and best practice.

Some simple but effective ways to minimize negative impact are enforcing working hours, setting up site boundaries, and keeping the work areas clean to prevent dust from spreading. Before the commencement of construction works, we also carry out condition surveys to assess, record and take photographs of the existing condition of the utilities and infrastructure. At the end of the project, we refer back to this documentation to ensure that we return the area in an equally good condition.

During construction, the public and communities can submit their concerns or claim damages in various forums. The submission is made by reporting to the construction or project manager on site or by sending a report to the contact address indicated on the company's website. If it is found that any party has suffered damage as a result of the works, we take measures to compensate for the damage.

In 2022, there was one complaint from a resident about the bright light from a floodlight on the Balance Garden project, which was resolved by mutual agreement. In the reporting period, no noise impact objections were recorded.

We also recognize that new developments can pressure local resources and infrastructure. When we built our site in Sósokút, we started discussions with the local government on improving the road network inside the industrial park to handle the increased traffic. We have incurred the cost of designing a roundabout junction directly to our headquarters at the front of the road and have actively been redesigning the municipal road that runs alongside our reinforcing steel processing plant. We are also a professional partner in preparing water utility development plans for the Sósokút area, aimed at increasing capacity and making improvements needed shortly on both the drinking water and wastewater networks.

## 6.7. Customer Health and Safety

We take the health and safety of our customers very seriously. This section presents an overview of our measures to ensure the safety of our products and services, our response strategies for addressing safety concerns, and our overarching commitment to customer well-being. Our focus on customer health and safety aligns with the aspirations of UN SDG 3 (Good Health and Well-being).

Our "Safety by Design" approach ensures that safety is considered at every stage of the product development process. For instance, we use virtual reality technology to simulate end-user experiences and identify potential safety issues before construction begins. We also have a responsive customer feedback system to address safety concerns promptly.

Customers value long-term responsibility. In our case, the long-term operation of the properties we develop can also be taken Care of by a group member, so it is in our best interest to build high-quality buildings and minimize snagging issues.

Any recorded deviations and corrections indicate the task, the responsible person, and the deadline. In the reporting year, we had 18 reported incidents on projects, and the company took corrective action in all

cases. In 2022, we reduced the revenue-adjusted warranty repair costs from 0.35% to 0.18%, which shows a positive trend.

The company identifies its partners, including customers in the Navision ERP system and BayERP. Stakeholder needs and expectations are evaluated annually during management reviews. Employees report to management continuously on any exceptional stakeholder expectations and the action taken or planned to address them.

Based on our experience over the past years, our clients are satisfied with our quality and meeting deadlines. There have been no serious, negative comments on our company, and we respond promptly to problems raised at the construction cooperation meetings.

## Case Study C - Social: Bayer Construct Zrt's Strategic Initiative for Vocational Training - "Tudásépítő-Team"

In a significant move demonstrating its commitment towards fostering social responsibility and human capital development, Bayer Construct Zrt, in collaboration with two other leading Hungarian construction companies, KESZ Group Zrt. and Market Epitő Zrt., founded a strategic initiative to establish a vocational training school. The school, aptly named "Tudasepitő-Team," is a testament to the companies' collective commitment to enhance skill development, generate employment, and foster future leaders within the construction industry.

In terms of UN SDGs, this initiative contributes to the following:

**SDG 4 (Quality Education):** By providing quality vocational education to young students and blue-collar workers, the program ensures inclusive and equitable quality education and promotes lifelong learning opportunities for all.



**TUDÁSEPÍTŐ  
TEAM**

**SDG 8 (Decent Work and Economic Growth):** The initiative promotes sustained, inclusive, and sustainable economic growth by providing training and employment opportunities, thereby contributing to achieving full and productive employment.

Inspired by the German vocational training system ("Berufsschule und berufsbegleitende Bildung"), the curriculum at Tudasepitő-Team is designed to offer a balanced blend of theoretical knowledge and practical experience. It aims at training students from the age of 16 and blue-collar workers in various construction-related professions, including carpentry, painting, plastering, masonry, electrical work, plumbing, and civil engineering.

The unique aspect of this program is the integration of part-time work experience at one of the three founding companies. This allows students to gain firsthand exposure to the working environment, understand the practical applications of their theoretical learning, and hone their skills under the mentorship of experienced professionals.

Inaugurated in 2022, Tudasepitő-Team welcomed over 100 students in its first year. The vision for this initiative is ambitious yet achievable - to train more than 500 students annually, providing them with professional certifications and an early start to their careers.



The establishment of Tudasepitő-Team goes beyond the confines of traditional corporate social responsibility. It represents an innovative approach to address the skills gap in the construction industry, foster local talent, and contribute to the broader socio-economic development of Hungary. This initiative also enhances Bayer Construct Zrt's reputation as a company that builds infrastructure and invests in building people and communities.

Through this case study, Bayer Construct Zrt exemplifies how businesses can create shared value by aligning their strategic objectives with the broader social and economic goals of the communities they serve, in line with GRI standards and UN SDGs.



## 7. Integration with UN Sustainable Development Goals (SDGs)

At Bayer Construct Zrt, we understand businesses' critical role in achieving the United Nations Sustainable Development Goals (SDGs). These 17 global goals act as a blueprint for a more sustainable future, addressing the world's most pressing challenges, such as poverty, inequality, and climate change. Our commitment to these goals is reflected in our strategic planning and daily operations as we strive to align our business activities with the broader global sustainability agenda.

**SDG 7: Affordable and Clean Energy:** As a construction and building technologies company, we significantly promote energy efficiency. Our design principles and construction methods focus on reducing energy consumption and promoting clean and renewable energy sources in our projects.

**SDG 8: Decent Work and Economic Growth:** We are committed to creating a safe, inclusive, and rewarding work environment for all our employees. We ensure fair labor practices and provide opportunities for continuous learning and development, contributing to economic growth and decent work.

**SDG 9: Industry, Innovation, and Infrastructure:** Through our innovative construction practices and technologies, we aim to build resilient infrastructure and foster innovation. Our research and development activities focus on creating sustainable solutions for the construction industry.



**SDG 11: Sustainable Cities and Communities:** Our projects prioritize sustainable urban development. We build environmentally friendly and energy-efficient buildings and infrastructures that create sustainable cities and communities.

**SDG 12: Responsible Consumption and Production:** We are committed to minimizing waste and promoting resource efficiency. Our waste management strategies aim at reducing, reusing, and recycling waste generated from our construction activities.

**SDG 13: Climate Action:** We recognize the construction sector's impact on greenhouse gas emissions and are committed to mitigating our carbon footprint. We strive to reduce our greenhouse gas emissions and adapt our operations to the realities of climate change.

Each of these alignments with the SDGs represents a commitment on our part not only to contribute positively to these global goals but also to hold ourselves accountable for our impact on the world. By integrating the SDGs into our strategic planning and operational decision-making, we ensure that our business growth does not come at our planet's or its people's expense. As we move forward, we will continue to explore new ways to deepen our alignment with the SDGs and further our contribution to a more sustainable future.



## 8. Stakeholder Engagement and Feedback

At Bayer Construct Zrt, we believe in open dialogue and collaboration with our stakeholders. Their insights, perspectives, and feedback are crucial in shaping our Environmental, Social, and Governance (ESG) practices.

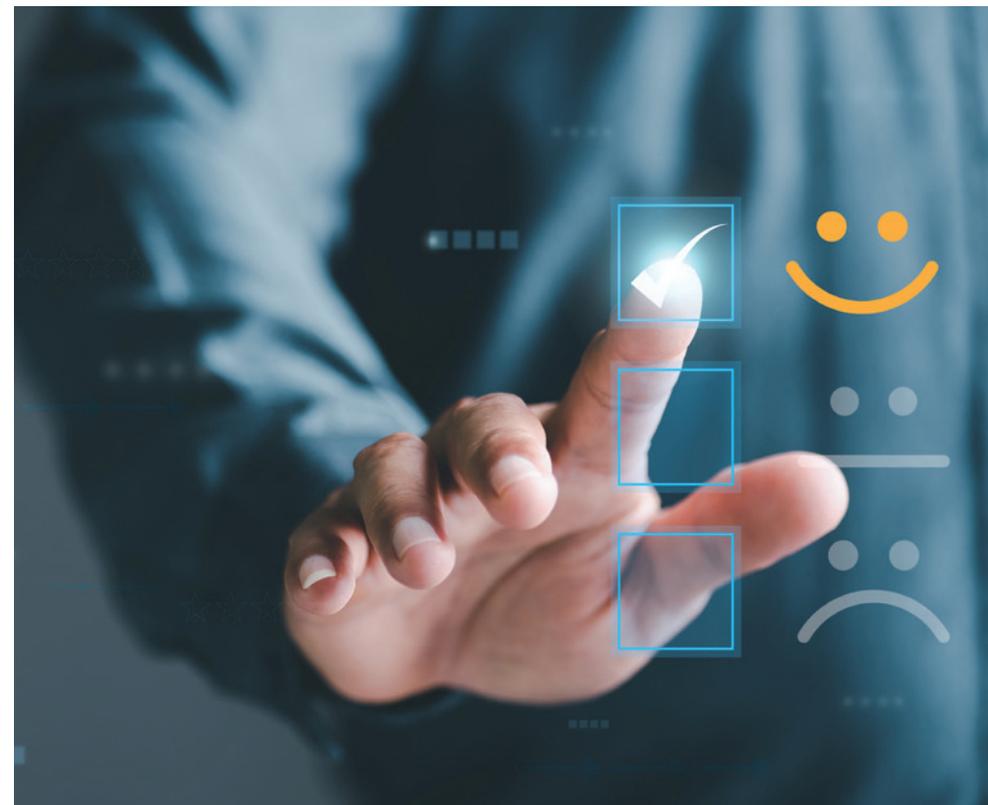
**Employees:** Our employees are integral to the company's growth and success. In 2022, we conducted a comprehensive Employee Engagement Survey that yielded crucial insights from over 85% of our workforce. The feedback received was a mix of positive remarks and areas requiring improvement. We were proud to learn of our employees' appreciation for our proactive approach to workplace safety. However, it was equally important to recognize their call for more robust initiatives regarding diversity and inclusion. The response prompted us to initiate an enhanced safety training program, a mentorship scheme for career progression, and regular diversity and inclusion workshops. For 2023, we plan to form an employee-led ESG committee to further engage our employees in our sustainability efforts.

**Customers:** Our commitment to our customers is unwavering. Regular customer satisfaction surveys and direct communication channels in 2022 indicated a growing demand for energy-efficient structures. While we received positive feedback on our commitment to quality, there were calls for greater involvement in sustainable practices. This led to our

significant investment in advanced green building technologies. In the coming year, we will engage our customers further by delivering regular project updates and soliciting feedback to meet the growing demand for sustainable solutions.

**Investors:** Through continuous dialogue with our investor community, we gained valuable insights into their expectations, especially regarding our ESG performance. We were commended for our transparency in addressing our carbon footprint. However, they also highlighted the need for a more detailed strategy for reducing greenhouse gas emissions. As a result, we intensified our efforts to reduce emissions by adopting cleaner construction processes and materials. In 2023, we plan to establish a dedicated Investor Relations ESG sub-committee to facilitate more frequent and focused discussions on sustainability issues.

**Communities:** As responsible corporate citizens, we value our relationship with our communities. Regular community consultations allowed us to adapt our construction schedule to minimize noise and disruption during school hours. While we appreciated our efforts to engage, we also noted concerns about our waste management practices. This led us to reevaluate and improve our waste management strategies. We plan to launch a Community Engagement Initiative to deepen these relationships.



**Regulators:** In 2022, our engagement with environmental regulators ensured our adherence to new water management regulations. This proactive approach was well-received, but it was also noted that we could take more initiative in anticipating upcoming regulations. In response, we will participate more actively in industry forums and discussions in 2023 to stay ahead of regulatory changes.

In conclusion, our stakeholder engagements have proven invaluable in shaping our ESG strategies and actions. We have celebrated our successes but also acknowledged areas for improvement. As we look to 2023, we are committed to enhancing these relationships and continually learning from our stakeholders, driving our journey toward a sustainable future.



## 9. Future Outlook, Actions and Targets



Bayer Construct Zrt is dedicated to enhancing its Environmental, Social, and Governance (ESG) performance, recognizing its integral role in our overall business strategy and corporate responsibility. As we look to the future, our commitment is to continuous improvement, evolving our strategies and initiatives to meet emerging ESG expectations and challenges.

In 2022, our inaugural ESG reporting was centered on Bayer Construct Zrt. As we move forward, we are expanding the breadth of our reporting to reflect better our corporate structure and the diverse environmental and social impacts of our operations. In 2023, we will extend the scope of our ESG reporting to include all our subsidiaries. By 2024, we aim to broaden this scope to encompass all affiliated companies. This comprehensive approach will provide a more holistic view of our ESG performance, allowing us to identify and address areas for improvement more effectively.

Our future commitments encompass ambitious yet achievable targets across all facets of our ESG performance. We aim to reduce our greenhouse gas emissions by 20% by 2025, increase our energy efficiency by 30% across all operations by the same year, and ensure gender parity in leadership roles by 2026. We also strive to improve our waste recycling rate to 75% by 2025 and achieve a zero-harm safety record across all our workplaces by 2024.

In pursuit of these targets, we have outlined several key initiatives. These include investments in renewable energy sources, implementing advanced waste management systems, and launching comprehensive diversity and inclusion programs. We will also enhance our stakeholder engagement to ensure their valuable insights continue to inform and shape our ESG strategies.

### Emissions Reduction Roadmap

1. Develop a more comprehensive data monitoring system to improve our data collection practices.
2. Calculate Scope 1 & 2 emissions - our direct impact and purchased energy.
3. Identify an achievable target and framework for Scope 1 & 2 emissions reduction.
4. Identify Scope 3 emissions sources.
5. Collect data and calculate Scope 3 emissions.
6. Identify an achievable target for reducing Scope 3 emissions and an approach for tracking our progress.

Recognizing the critical importance of climate-related financial disclosure, we are committed to implementing the Task Force on Climate-related Financial Disclosures (TCFD) guidelines within our annual reporting regime. This step will provide our stakeholders with a clear view of how we are managing and mitigating climate-related risks and capitalizing on related opportunities. Concurrently, we will continue using the Sustainability Accounting Standards Board (SASB) and the Climate Disclosure Standards Board (CDSB) frameworks to enhance our climate-related financial disclosures further.

Moreover, with the upcoming EU Taxonomy regulation in 2025, this is an opportune moment to align our business even more closely with industry-leading sustainability practices. Our goal is to establish Bayer Construct Zrt as a frontrunner in ESG-conscious decision-making in the construction industry in Central Europe.

In summary, we are wholeheartedly committed to advancing our ESG performance. We believe in the power of transparency and accountability and will continue to report our progress candidly, acknowledging our achievements and embracing our challenges. We are excited to embark on this journey and look forward to contributing to a more sustainable future for our company, stakeholders, and planet.



# 10. Glossary

<b>BIM</b>	Building Information Modelling
<b>BREEAM</b>	Building Research Establishment Environmental Assessment Method
<b>CEO</b>	Chief Executive Officer
<b>ERP</b>	Enterprise resource planning
<b>ESG</b>	Environmental Social Governance
<b>EU</b>	European Union
<b>FOCF</b>	Free Operating Cash Flow
<b>GRI</b>	Global Reporting Initiative
<b>HQ</b>	Headquarters
<b>H&amp;S</b>	Health and Safety
<b>ISO</b>	International Organization for Standardization
<b>LEED</b>	Leadership in Energy and Environmental Design
<b>MEBIR</b>	Operational Health and Safety Management System
<b>MEWA</b>	Multiple Employer Welfare Arrangements
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SDG</b>	Sustainable Development Goal
<b>UN</b>	United Nations
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization

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Thank you for your attention!

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