

Attachment 1 to Resolution no. URN/42/2016
adopted by the PZU SA Supervisory Board on 24 May 2016

ANNUAL REPORT OF THE PZU SA SUPERVISORY BOARD
ON THE ACTIVITY OF THE PZU SA SUPERVISORY BOARD
AS THE COMPANY'S CORPORATE BODY IN 2015



I. Supervisory Board Composition

As at 1 January 2015, the following persons sat on the PZU SA Supervisory Board:

- Aleksandra Magaczewska – Supervisory Board Chairwoman;
- Zbigniew Ćwiągalski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Daniluk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Dariusz Kacprzyk – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

On 30 June 2015, the Ordinary Shareholder Meeting of PZU SA appointed the following to the PZU SA Supervisory Board of the new term of office as of 1 July 2015: Dariusz Kacprzyk, Dariusz Filar, Aleksandra Magaczewska, Zbigniew Ćwiągalski, Jakub Karnowski, Maciej Piotrowski, Alojzy Nowak, Zbigniew Derdziuk, Paweł Kaczmarek.

On 8 July 2015, Zbigniew Ćwiągalski became the Supervisory Board Chairman, Paweł Kaczmarek the Deputy Chairman and Dariusz Filar Secretary.

Accordingly, as of 8 July 2015, the composition of the Supervisory Board was as follows:

- Zbigniew Ćwiągalski – Supervisory Board Chairman
- Paweł Kaczmarek – Supervisory Board Deputy Chairman
- Dariusz Filar – Supervisory Board Secretary
- Zbigniew Derdziuk – Supervisory Board Member
- Dariusz Kacprzyk – Supervisory Board Member
- Jakub Karnowski – Supervisory Board Member
- Aleksandra Magaczewska – Supervisory Board Member
- Alojzy Nowak – Supervisory Board Member
- Maciej Piotrowski – Supervisory Board Member

As at 31 December 2015, the PZU SA Supervisory Board composition did not change.

II. Supervisory Board's activity

In the reporting period, the legal basis for the activity of the Supervisory Board included: Commercial Company Code, Insurance Activity Act and other provisions of generally binding laws, as well as the Company's Articles of Association and Supervisory Board Bylaws. Following the provisions of the Articles of Association and the Bylaws, the Supervisory Board held correctly convened and prepared meetings, with high attendance.

During the financial year, the Supervisory Board held twelve meetings on the following dates:

- 13 January 2015,
- 29 January 2015,
- 16 March 2015,
- 28 April 2015,
- 21 and 28 May 2015,
- 24 June 2015,
- 8 July 2015,
- 29 July 2015,
- 1 September 2015,
- 12 October 2015,
- 9 November 2015,
- 8 December 2015.

The Supervisory Board made pertinent decisions in the form of resolutions and opinions submitted to the Company's Management Board and PZU SA Shareholder Meeting. In the reporting period, the Supervisory Board adopted sixty four resolutions, including six resolutions by circulation (list of resolutions constitutes attachment 1 to this report). All Supervisory Board resolutions – with the exception of resolutions nos. URN/52/2015, URN/62/2015 and URN/63/2015 – were adopted unanimously, with the quorum required by the regulations. The Supervisory Board meeting agendas prepared by the PZU SA Supervisory Board Chairpersons comprised all the topics that the Supervisory Board should address according to its powers and took into consideration additional issues that the Management Board or Supervisory Board members thought material.

All meetings were attended by most PZU SA Supervisory Board members. Absence of individual persons at Supervisory Board meetings was caused mainly by important business trips and was justified through the adoption of justification resolutions by the Supervisory Board (Supervisory Board meeting attendance record constitutes attachment 2 to this report). Pursuant to § 26 Item 1 of the PZU SA Supervisory Board Bylaws, in 2015, PZU SA

Management Board members, PZU Group Directors, Managing Directors, Head Office Department Directors and representatives of advisory companies and law offices cooperating as part of projects carried out by the Company were invited to PZU SA Supervisory Board meetings, providing exhaustive explanations and presenting all documents pertaining to the Company's operations. In addition, PZU SA Supervisory Board meetings were also attended by the representatives of the auditor – KPMG Audyt Sp. z o.o. Sp. k.

Regardless of the on-site meetings, the Supervisory Board was informed of the key aspects of the Company's operations on an on-going basis by electronic mail (Supervisory Board Members were sent current and periodic reports resulting from the functioning of PZU SA as a company listed at the Warsaw Stock Exchange).

The cooperation of the Supervisory Board with the PZU SA Management Board was good and focused on increasing the value of the Company and care for its good. The information and materials delivered by the Management Board were mostly prepared in a clear and reliable manner and according to the requirements specified by the Supervisory Board.

III. Key issues addressed by the Supervisory Board

During the financial year ended 31 December 2015, the PZU SA Supervisory Board addressed all the issues which, pursuant to the Company's Articles of Association, lie within the powers of this governing body. As part of its activities, the Supervisory Board actively supported the Management Board in its pursuance of the Company's strategic objectives, reviewed the Management Board motions pertaining to issues which, pursuant to the Company's Articles of Association, required the Supervisory Board's approval, and familiarized itself with other issues presented by the Management Board.

Key issues addressed by the Supervisory Board in 2015:

- Systematic assessment of the Company's and PZU Group's financial and economic standing, market position and key strategic initiatives and plans for 2015.
- Approval of the PZU SA and PZU Group financial plan for 2015 and on-going monitoring of its implementation.

- Approval of the long-term Company development plan presented in the document entitled: "PZU Group Strategy "PZU 3.0" for 2015-2020".
- Monitoring of the implementation status of the "PZU Group Strategy "PZU 2.0"".
- Monitoring of the implementation status of the "PZU Group Strategy "PZU 3.0"".
- Ongoing monitoring of the preparation of the PZU SA and PZU Group financial plan for 2016.
- Assessment of the PZU SA financial statements for the year ended 31 December 2014 and recommendation to the PZU Ordinary Shareholder Meeting to approve them.
- Assessment of the Management Board report on PZU SA's activity in 2014 and recommendation to the PZU SA Ordinary Shareholder Meeting to approve it.
- Assessment of the Management Board motion on the distribution of PZU SA's net profit for the year ended 31 December 2014 and recommendation to the PZU SA Ordinary Shareholder Meeting to approve it.
- Assessment of the PZU SA Capital Group consolidated financial statements for the year ended 31 December 2014 and recommendation to the PZU Ordinary Shareholder Meeting to approve them.
- Assessment of the Management Board report on the PZU SA Capital Group's activity in 2014 and recommendation to the PZU SA Ordinary Shareholder Meeting to approve it.
- Recommendation to the PZU SA Ordinary Shareholder Meeting to discharge PZU SA Management Board Members on the performance of their duties in the Management Board in 2014.
- Approval of the Supervisory Board Report on the assessment of the PZU SA financial statements for the financial year ended 31 December 2014 and the Management Board report on PZU SA's activity in 2014 and the Company's Management Board motion on distribution of profit.
- Adoption of the PZU SA Supervisory Board report on the activity of the Supervisory Board as the Company's governing body in 2014.
- Assessment of the motion submitted by the Company's Management Board on a split of PZU SA shares and amendments to the Articles of Association of PZU SA.
- Ongoing monitoring of the implementation of strategic projects, with particular consideration

of the Everest project (implementation of the target operating model along with the target PZU SA policy system).

- Ongoing risk monitoring.
- Ongoing investment activity monitoring.
- Giving consent to the subscription to shares and coverage of share capital and organizational fund of the newly-established Mutual Insurance Company of the Polish Mutual Insurance Company.
- Giving consent to the acquisition of Alior Bank S.A.'s shares and ongoing monitoring of transactions.
- Monitoring of acquisition projects in the banking sector, which includes making relevant decisions.
- Giving consent for PZU SA to grant a collateral guarantee to secure liabilities under the Eurobonds to be issued by PZU Finance AB (publ).
- Giving consent to the execution of a loan agreement between PZU Finance AB (publ) as the lender and PZU SA as the borrower.
- Approval of the answers provided in the BION questionnaire.
- Accepting information on the application of Corporate Governance Rules for Regulated Institutions and assessing the draft resolution to be adopted by the PZU SA Ordinary Shareholder Meeting on adopting Corporate Governance Rules for Regulated Institutions
- Election of the Chairman, Deputy Chairman and Secretary of the PZU SA Supervisory Board for a new term of office.
- Election of the composition of Audit, Nomination and Compensation and Strategy Committees for the PZU SA Supervisory Board of the new term of office.
- Appointment of the President of the PZU SA Management Board for the new term of office and appointment of new PZU SA Management Board Members of the new term of office.
- Awarding annual bonuses for the year ended 31 December 2014 to the PZU SA Management Board President and Management Board members.
- In connection with the changes in the PZU SA Supervisory Board - electing the new Supervisory Board Chairperson and determining the composition of the Audit Committee and Strategy Committee.

- Ongoing monitoring of operation of the Audit, Nomination and Compensation and Strategic Committees at the PZU SA Supervisory Board.

To correctly perform the supervisory activities in the Company, the Supervisory Board appointed advisory and opinion-making committees. In 2015, three Committees were active within the PZU SA Supervisory Board:

- Audit Committee,
- Nomination and Compensation Committee,
- Strategy Committee.

Audit Committee

The Audit Committee was appointed by virtue of a PZU SA Supervisory Board resolution on 3 June 2008 to increase the effectiveness of supervisory activities performed by the Supervisory Board in the area of monitoring the Company's financial reporting process, financial audit activities and effectiveness of internal control, internal audit and risk management systems in place in the Company. In addition, the scope of activity of the Audit Committee may comprise other issues as instructed by the Company's Supervisory Board.

The Committee is composed of three members, including at least one independent member holding accounting or financial audit qualifications. The detailed tasks and rules of the appointment and operation of the Audit Committee are specified in the PZU SA Supervisory Board Bylaws, PZU SA Supervisory Board Audit Committee Bylaws and a resolution of the Supervisory Board which, when selecting Audit Committee members, takes into consideration the competences and experience of the candidates in the matters entrusted to the Committee.

In 2015, the composition of the PZU SA Supervisory Board Audit Committee was as follows:

- Dariusz Filar – Committee Chairman,
- Dariusz Kacprzyk – Committee Member,
- Tomasz Zganiacz – Committee Member.

Dariusz Filar was indicated by the Supervisory Board as an independent member holding accounting or financial audit qualifications within the meaning of Article 86 Section 4 of the Act on Statutory Auditors and their Self-government, Entities Authorized to Audit Financial Statements and Public Supervision of 7 May 2009 (consolidated text: Journal of Laws 2015 Item 1011).

On 30 June 2015, the Ordinary Shareholder Meeting of PZU SA chose not to appoint Mr. Tomasz Zganiacz to the PZU SA Supervisory Board. Accordingly, as at 30 June 2015, the Audit Committee did not meet the criteria concerning the number of its members specified in § 20 sec. 10 of the Company's Articles of Association.

On 8 July 2015, the PZU SA Supervisory Board determined the following composition of the Audit Committee for the new term of office:

- Dariusz Filar – Committee Chairman,
- Dariusz Kacprzyk – Committee Member,
- Paweł Kaczmarek – Committee Member.

As at 31 December 2015, the composition of the Audit Committee did not change.

Audit Committee decisions were made in the form of resolutions which were each time submitted to the Company's Supervisory Board. In connection with the amendment of the Bylaws of the PZU SA Supervisory Board Audit Committee of 1 September 2015, Committee decisions were made in the form of opinions and recommendations which were each time submitted to the Company's Supervisory Board. The report of the PZU SA Supervisory Board Audit Committee on its activity in 2015 constitutes attachment 3 to this report.

Nomination and Compensation Committee

Pursuant to the PZU SA Articles of Association, from the moment the Company's shares were introduced into trading on the regulated market within the meaning of the Act on Trading in Financial Instruments of 29 July 2005, the Supervisory Board could appoint the Nomination and Compensation Committee which was appointed on 12 May 2010.

The Nomination and Compensation Committee is an advisory and opinion-making body to the Supervisory Board with regard to the governance structure, including organizational solutions, compensation rules and compensation, and the selection of appropriately qualified staff.

As at 1 January 2015, the PZU SA Supervisory Board Nomination and Compensation Committee was as follows:

- Zbigniew Cwiąkalski – Committee Chairman,
- Zbigniew Derdziuk – Committee Member,
- Dariusz Filar – Committee Member,
- Maciej Piotrowski – Committee Member,
- Tomasz Zganiacz – Committee Member.

On 30 June 2015, the Ordinary Shareholder Meeting of PZU SA chose not to appoint Mr. Tomasz Zganiacz to the PZU SA Supervisory Board.

On 8 July 2015, the PZU SA Supervisory Board set the following composition of the Nomination and Compensation Committee for the new term of office:

- Zbigniew Cwiąkalski – Committee Chairman,
- Zbigniew Derdziuk – Committee Member,
- Dariusz Filar – Committee Member,
- Maciej Piotrowski – Committee Member,
- Paweł Kaczmarek – Committee Member.

As at 31 December 2015, the composition of the Audit Committee did not change.

Decisions of the PZU SA Supervisory Board Nomination and Compensation Committee were made in the form of opinions and recommendations which were each time submitted to the Company's Supervisory Board.

Pursuant to the provisions of the Articles of Association, the Committee is to be dissolved upon the appointment of five Supervisory Board members by group voting, upon which its powers are to be taken over by the full Supervisory Board.

Strategy Committee

The Strategy Committee's tasks include issuing opinions on all strategic documents submitted to the Supervisory Board by the PZU SA Management Board (in particular the Company's development strategy) and presenting recommendations in respect of the planned investments with significant impact on the Company's assets to the Supervisory Board.

As at 1 January 2015, the following persons sat on the PZU SA Supervisory Board Strategy Committee:

- Alojzy Nowak – Committee Chairman,
- Dariusz Kacprzyk – Committee Member,
- Jakub Karnowski – Committee Member,
- Aleksandra Magaczewska – Committee Member,
- Maciej Piotrowski – Committee Member.

On 8 July 2015, the PZU SA Supervisory Board set the following composition of the Strategy Committee for the new term of office:

- Alojzy Nowak – Committee Chairman,
- Zbigniew Derdziuk – Committee Member,
- Jakub Karnowski – Committee Member,
- Aleksandra Magaczewska – Committee Member,

- Maciej Piotrowski – Committee Member.

As at 31 December 2015, the composition of the Strategy Committee did not change.

In 2015, decisions of the PZU SA Supervisory Board Strategy Committee were made in the form of opinions and recommendations which were each time submitted to the Company's Supervisory Board.

IV. Information on the implementation of PZU SA Shareholder Meeting resolutions

The Supervisory Board states that in 2015 it was not obligated to perform any actions following from the resolutions of the PZU SA Shareholder Meeting.

V. Observance of reporting and information duties

The PZU SA Supervisory Board states that all the reporting and information duties imposed on it by the provisions of law were observed in 2015 in a timely fashion.

VI. Self-assessment of the work of the Supervisory Board

The PZU SA Supervisory Board diligently and effectively discharged its duties, exercising constant supervision over the activity and development of the Company in all areas of its activity and taking all actions reported by the PZU SA Management Board and required for the efficient conduct of the statutory activity and attainment of the Company's strategic objectives. The scope, method of operation and composition of the Supervisory Board in 2015

complied with generally prevailing laws, the Company's internal regulations and requirements imposed on public companies, in particular those specified in the "Code of Best Practice for Warsaw Stock Exchange Listed Companies" in effect in 2015. All PZU SA Supervisory Board members represented a high level of preparation and professional experience in the area of management and supervision of commercial law companies, as a result of which they properly discharged their codical and statutory powers, guaranteeing appropriate supervision over the Company. All the Supervisory Board members exercised due diligence and displayed commitment in performance of their duties in the Supervisory Board and were guided in their actions by the Company's interests and independence of opinions and judgments. The diversified composition of the Supervisory Board and interdisciplinary knowledge and skills of its Members made it possible to comprehensively review and issue opinions on the topics put forward, and ensure broad representation of views regarding the assessment of the work of the Management Board and the functioning of PZU SA as a public company.

The Supervisory Board discharged its duties without interruptions and actively supported the Management Board in the execution of the most important tasks. Considering the above, the Supervisory Board is prepared to exercise its powers as stated in the statutes and articles of association and properly discharges them, guaranteeing appropriate supervision over the Company. In the Supervisory Board's opinion, the activity of the PZU SA Supervisory Board in 2015 can be assessed as effective, in accordance with the best market practices.

Chairman of the
PZU SA Supervisory Board

Paweł Kaczmarek

Warsaw, 24 May 2016