

RESOLUTION NO. /2011

ADOPTED BY THE EXTRAORDINARY SHAREHOLDER MEETING
OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on

in the matter of amending the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

(“Articles of Association”)

Acting pursuant to art. 430 § 1 of the Commercial Company Code, the Extraordinary Shareholder Meeting of Powszechny Zakład Ubezpieczeń SA hereby resolves as follows:

§ 1

1. § 10 section 5 shall read as follows:

“5. *The Shareholder Meeting shall be convened by an announcement made twenty six days before the Shareholder Meeting's date, on the Company's website and in the manner specified for publication of current information according to the Act of 29 July 29 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies*”.

2. § 11 sec. 2 and 3 shall read as follows:

“2. *The request mentioned in Section 1 should be submitted to the Management Board no later than twenty one days before the set date of the Shareholder Meeting.*

3. *The Management Board shall announce any changes in the agenda of the meeting, made upon request of the Supervisory Board, a shareholder or shareholders, immediately, but no later than four days before the set date of the Shareholder Meeting. The announcement shall be made in the manner specified in § 10 Section 5*”.

3. § 12 section 2 shall read as follows:

“2. *A shareholder or shareholders of the Company representing at least one twentieth of the share capital may, before the date of the Shareholder Meeting, file with the Company in writing or electronic form draft resolution regarding items inserted or to be inserted on the agenda of the Shareholder Meeting. The Company shall immediately announce draft resolutions on its website*”.

4. § 13 shall read as follows:

“*All matters brought by the Management Board for deliberation at the Shareholder Meeting should first be presented to the Supervisory Board for examination and opinion. The Supervisory Board's opinions are presented to the Shareholder Meeting no later than prior to opening its meeting along with the other documents transmitted to the shareholders participating in the Shareholder Meeting and they are made available on the Company's website*”.

5. § 16 shall read as follows:

- “1. *Shareholder Meeting resolutions concerning the following issues require a three-fourths majority of votes cast:*
 - 1) *amendments to the Articles of Association,*
 - 2) *reduction of the share capital, subject to sec. 2,*
 - 3) *selling and leasing a business or an organized part thereof and establishing a limited material right thereon,*
2. *Shareholder Meeting resolutions in the matter of introducing the preference of shares and in the matter of the Company's merger by transferring all of its assets to another company or merger by establishing a new company, dissolution of the Company (also as a result of moving the Company's registered office or its main establishment abroad), its liquidation, transformation and reduction of its share capital by retirement of a portion of shares without its simultaneous increase, require the majority of 90% of the votes cast.*
3. *Shareholder Meeting resolutions on other business than stated in Sections 1 and 2 above shall be adopted by an absolute majority of votes unless the Articles of Association or an act stipulates otherwise.*
4. *The resolution to abolish dematerialization of the Company's shares shall be adopted with the majority of 4/5 of votes cast when at least half of the share capital is represented.*
5. *The shareholders' voting right shall be restricted in a way that no shareholder may exercise at the Shareholder Meeting more than 10% of the overall number of votes existing in the Company on the date of the Shareholder Meeting, with a reservation that, for the purposes of determining the obligations of the buyers of large blocks of shares according to the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and the Insurance Activity Act of 22 May 2003, such restriction of the voting right will be deemed non-existent.*
6. *The voting right restriction mentioned in section 5 shall not apply to the shareholders specified in § 37 section 1.*
7. *For the purposes of restricting the voting right according to section 5, the votes of the shareholders connected by a parent or subsidiary relationship are added up according to the principles described below.*
8. *A shareholder within the meaning of section 5 is any person, including its parent company and subsidiary, which holds a direct or indirect voting right at the Shareholder Meeting under any legal title; this also applies to a person holding no shares in the Company, in particular a user, lien holder, beneficiary under a depositary receipt within the meaning of the Act of 29 July 2005 on Trading Financial Instruments, and a person authorized to take part in the Shareholder Meeting despite selling the shares after the date when the right to participate in the Shareholder Meeting was determined.*
9. *The parent company and the subsidiary shall mean, respectively, a person:*
 - 1) *meeting the prerequisites enumerated in Article 4 § 1 item 4) of the Commercial Company Code,*
 - 2) *having the status of a parent entrepreneur, subsidiary entrepreneur or a parent and subsidiary entrepreneur simultaneously, within the meaning of the Competition and Consumer Protection Act of 16 February 2007; or*

- 3) *having the status of a parent, higher-level parent, a subsidiary or a lower-level subsidiary or a co-subsidiary or an entity which is both parent (including a higher-level parent) and subsidiary (including a lower-level subsidiary and co-subsidiary) within the meaning of the Accountancy Act of 29 September 1994; or*
 - 4) *exerting decisive influence (parent) or on which such decisive influence is exerted (subsidiary) within the meaning of the Act of 22 September 2006 on Transparency of Financial Relationships between Public Authorities and Public Entrepreneurs and on Financial Transparency of Certain Entrepreneurs; or*
 - 5) *whose votes under the Company's shares held directly or indirectly are subject to aggregation with votes of another person or other persons according to the principles set forth in the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies, in connection with the holding, selling or purchasing significant blocks of the Company's shares.*
10. *The shareholders whose votes are aggregated and reduced according to the provisions of sections 7-9 are jointly referred to as a Grouping. The aggregation of votes involves adding up the votes of the respective shareholders comprising a Grouping. The reduction of votes involves reducing the overall number of votes in the Company to which the shareholders comprising the Grouping are entitled to at the Shareholder Meeting. The votes shall be reduced according to the following principles:*
- 1) *the number of votes of the shareholder holding the largest number of votes in the Company among all of the shareholders comprising the Grouping shall be reduced by the number of votes equal to the surplus over 10% of the total number of votes in the Company to which all the shareholders comprising the Grouping are entitled.*
 - 2) *if the total number of votes at the Shareholder Meeting to which the shareholders comprising the Grouping continues to exceed the threshold specified in section 5, despite the reduction mentioned in item 1) above, the votes held by the remaining shareholders comprising the Grouping shall be reduced. The votes held by the respective shareholders shall be further reduced following the order determined by the number of votes held by the shareholders comprising the Grouping (from the highest to the lowest number of votes). Further reduction is performed until a situation is achieved in which the overall number of votes held by the shareholders comprising the Grouping no longer exceeds 10% of the overall number of votes in the Company;*
 - 3) *if the vote reduction order cannot be determined for the purpose of the reduction mentioned in item 1) or item 2), due to the fact that two or more shareholders hold the same number of votes, then the votes held by the shareholders with the same number of votes shall be reduced pro rata, while any fractions shall be rounded down to a full share. The principles set forth in item 1) or item 2) shall be applied accordingly;*
 - 4) *in any case, a shareholder whose exercise of its voting rights has been restricted, shall keep the right to exercise at least one vote;*
 - 5) *the restriction of exercise of the voting right shall also apply to shareholders absent from the Shareholder Meeting.*
11. *In order to determine the basis for the aggregation and reduction of votes, each Company shareholder, the Management Board, the Supervisory Board and the individual members of those bodies as well as the Shareholder Meeting Chairperson may request that a Company shareholder subject to the voting right restriction principle provide information whether it is a parent or subsidiary, within the meaning of section 9, to any other shareholder of the Company. The right mentioned in the previous sentence shall also apply to the right to demand disclosure of the number of votes held by the Company shareholder individually or*

jointly with other Company shareholders, for which it is a parent or a subsidiary within the meaning of section 9. Until the default on the information duty is remedied, a person failing to perform the information duty mentioned in the first sentence or performing it unduly may exercise its voting right on a single share only and exercise of the voting right on the remaining shares by such a person shall be ineffective.

12. *In the event of doubts, the provisions regarding the restriction of the voting right shall be subject to interpretation according to Article 65 § 2 of the Civil Code.*
13. *From the moment the stake of the shareholder defined in § 37 section 1 item 1) in the Company's share capital drops below the 5% level, the restrictions on the shareholders' voting rights set forth in section 5 shall expire”.*

6. § 18 shall read as follows:

“Adopting resolutions in the following matters belongs to the Shareholder Meeting’s powers in addition to other matters stipulated as being within its powers in accordance with a statute or the Articles of Association:

- 1) *examination and approval of the Management Board’s report on the Company’s activity and the financial statement for the previous financial year and granting a discharge to individual members of the Company’s corporate bodies on the performance of their duties,*
- 2) *distribution of profit or covering the loss,*
- 3) *decisions on claims to remedy damages incurred during the incorporation of the Company or in its administration or oversight,*
- 4) *sale or lease of the enterprise or an organized part thereof and establishment of a limited material right thereon,*
- 5) *retirement of shares,*
- 6) *issue of bonds,*
- 7) *establishment of reserve capital accounts and decision on their allocation or manner of allocation,*
- 8) *division of the Company, merger of the Company with another company, winding up or dissolving the Company,*
- 9) *appointment and dismissal of Supervisory Board members, without prejudice to §20,*
- 10) *establishment of the rules for remunerating the Supervisory Board members”.*

7. § 20 shall read as follows:

1. *Subject to Section 2, the Supervisory Board consists of 7 to 11 members. Subject to § 37 Section 5, the number of Supervisory Board members shall always be odd; the Shareholder Meeting shall specify the number of Supervisory Board members by a separate resolution. Supervisory Board members are appointed for a joint term of office, which encompasses three consecutive full financial years. The Supervisory Board shall elect the Supervisory Board Chairman and Deputy Chairman from among the Supervisory Board members.*

2. *At least one Supervisory Board Member must hold qualifications in accounting or financial review within the meaning and in accordance with the Act of 7 May 2009 on Statutory Auditors and Their Self-Regulatory Body, Approved Entities to Audit Financial Statements and Public Oversight.*

3. *The Supervisory Board elected by group voting consists of five members.*

4. *Subject to section 7, Supervisory Board members are appointed and dismissed by the Shareholder Meeting.*

5. *Half of the Supervisory Board members appointed based on the procedure set forth in section 4 shall be selected from among the persons named by the shareholder specified in § 37 section 2.*

6. *A motion to appoint a Supervisory Board member shall be submitted to the Management Board, however, if this motion is submitted at the Shareholder Meeting whose object is to elect the Supervisory Board, then this motion, to be valid, should be submitted to the Chairman of the Shareholder Meeting immediately upon his election, however, not later than before commencing the voting to elect Supervisory Board members. Each one of these motions shall be put to a separate vote.*

7. *The State Treasury shall have the right, in line with Article 354 § 1 of the Commercial Company Code, to appoint and dismiss one Supervisory Board Member by way of a written statement submitted to the Company's Management Board. Such appointment or dismissal shall be effective from the moment of delivering the pertinent representation to the Management Board and shall not require a Shareholder Meeting resolution. The State Treasury's right shall expire at the time when it ceases to be a shareholder in the Company.*

8. *At least one Supervisory Board member must meet the independence criteria (Independent Members). The independence criteria are met in the case of a person who:*

- 1) has not been a member of the Company's Management Board, or its commercial proxy during the five years prior to the date of election to be a Supervisory Board member;*
- 2) has not been employed as a manager or director officially reporting to the Management Board or the President of the Management Board in the Company or an entity related to the Company within the meaning of accounting regulations within the three years preceding the day of being elected to be a Supervisory Board member;*
- 3) does not receive any remuneration from the Company or an entity related to the Company other than for performing the duties of a Supervisory Board member;*
- 4) is not a Company shareholder or a shareholder, member or entity holding other ownership titles in an entity related to the Company within the meaning of the provisions of the Accounting Act of 29 September 1994;*
- 5) is not authorized to represent such an entity referred to in item 4);*
- 6) does not maintain and for at least 1 year preceding the date of election to be a Supervisory Board member did not maintain significant commercial relationships with the Company or an entity related to the Company, where significant commercial relationships mean those whose value exceeds 5% of the Company's revenues for the last financial year;*
- 7) has not participated for the three years preceding the date of election to be a Supervisory Board member in keeping the Company's accounting ledgers or in preparing its financial statements;*
- 8) is not and has not been for the three years preceding the date of election to be a Supervisory Board member employed in an entity that audits the Company's financial statements;*
- 9) is not a member of a managing body or a commercial proxy of an entity in which a Company Management Board member or a Company commercial proxy holds the function of a Supervisory Board member;*

- 10) *has not served more than three consecutive terms in the Supervisory Board;*
- 11) *is not related by blood or marriage in a direct line up to the second order or some other person closely related to:*
- a) *a member of the Company's Management Board, Supervisory Board or entity related to the Company,*
 - b) *a commercial proxy of the Company or an entity related to the Company,*
 - c) *a person employed in the position of manager or director officially reporting to the Management Board or the President of the Management Board in the Company or an entity related to the Company, or*
 - d) *a Company shareholder holding shares in the Company representing at least 5% of the Company's share capital, where a closely related person means a person referred to in the provisions of the Act on Trading Financial Instruments of 29 July 2005 and*
- 12) *does not employ any of the persons referred to in item 11 to conduct financial review activities within the meaning of the regulations of the Act of 7 May 2009 on Statutory Auditors and Their Self-Regulatory Body, Approved Entities to Audit Financial Statements and Public Oversight.*
9. *An Independent Member of the Supervisory Board is obliged to submit a written representation to the Company on meeting all the independence criteria along with an obligation to notify the Company immediately about ceasing to meet the independence criteria.*
10. *The Supervisory Board shall appoint an audit committee. The Supervisory Board shall specify the detailed tasks and rules of appointment and operation of the audit committee, where the Supervisory Board when electing the members of the audit committee shall take into consideration the competence and experience of the candidates within the scope of affairs with which the committee deals. The audit committee shall consist of three members, including at least one Independent Member and at least one member holding qualifications in accounting or financial review within the meaning and in accordance with the Act of 7 May 2009 on Statutory Auditors and Their Self-Regulatory Body, Approved Entities to Audit Financial Statements and Public Oversight.*
11. *The Supervisory Board may appoint a nomination and compensation committee. The detailed rules for the appointment and operation of the nomination and compensation committee shall be defined by a Supervisory Board resolution. The nomination and compensation committee shall comprise at least one Independent Member. In the event that the Supervisory Board elected by group voting is composed of 5 members, the nomination and compensation committee shall not be appointed, while the Supervisory Board in its full composition shall perform its tasks.*
12. *In that event that as a result of the expiration of the mandate of a Supervisory Board member, the number of Supervisory Board members falls below the minimum number prescribed by Section 1 above, the Management Board shall convene a Shareholder Meeting immediately to supplement the Supervisory Board's composition. In the event of the expiration of the mandate of even one Supervisory Board member elected by group voting, the State Treasury shall regain the individual right referred to in section 7”.*

8. § 25 sec. 2 items 3 and 4 shall now read as follows:

“3) *submitting a written report to the Shareholder Meeting on the results of the evaluation referred to in items 1 and 2, a concise annual assessment of the Company’s standing with an assessment of its internal control system and the Company’s system of managing significant risk and an annual report on the Supervisory Board’s work,*

4) *concluding, terminating and amending agreements with Management Board members and setting the rules for their compensation”;*

9. § 25 sec. 2 item 13 shall read as follows:

“13) *granting consent for the Company to conclude with an entity related to the Company a significant agreement within the meaning of the provisions regarding current and periodic information submitted by issuers of securities admitted to be traded on a regulated market, excluding typical agreements concluded by the Company on market terms under its operational activity;”*

10. Section 3 shall be deleted in § 25,

11. § 36 sec. 2 and 3 shall read as follows:

“2. *The Shareholder Meeting sets the day according to which the list of shareholders entitled to a dividend for a given financial year is determined (dividend date) as well as the day of dividend distribution. The dividend date should be set as at the date of adoption of the profit distribution resolution or the date no later than within 3 months of adopting the resolution”.*

“3. *An Ordinary Shareholder Meeting resolution preventing distribution of the dividend within no more than 15 business days after the dividend date should contain a detailed justification in this respect”.*

12. Chapter VII reading as follows shall be added:

“VII. Final Provisions

§ 37

1. *The voting right restriction referred to in § 16 sec. 5 shall not apply to:*

- 1) *the shareholders holding the voting rights under shares representing over 10% of the overall number of votes in the Company on the date of adopting the Shareholder Meeting resolution introducing the restriction;*
- 2) *the shareholders acting along with the shareholders specified in item 1 under the concluded arrangements regarding the joint exercise of the voting right under the shares.*

2. *The right defined in § 20 Section 5 shall only be vested in the shareholder, who holds the highest stake in the Company's share capital on the date of adopting the Shareholder Meeting introducing this right.*

3. *The right defined in § 20 Section 5 shall only be vested in the shareholder referred to in section 2 until the shareholder's stake in the Company's share capital drops below 20%.*

4. *Upon expiration of the right vested in the shareholder mentioned in section 2 pursuant to section 3, the right set forth in § 20 section 5 shall be vested in a different shareholder with the highest stake in the Company's share capital, provided that the shareholder holds at least 20% of the share capital.*

5. *Should the shareholder fail to exercise the right mentioned in § 20 section 7, the Supervisory Board may operate in the composition appointed pursuant to § 20 section 4. The above does*

not prevent the possibility of adding to the Supervisory Board's composition following the procedure of § 20 section 7.

§ 38

Should the prerequisites referred to in § 37 sections 2 – 4 fail to occur, the Supervisory Board, subject to § 20 sec. 7, shall be appointed by the Shareholder Meeting on general terms.”

JUSTIFICATION:

The proposed amendments to the Company’s Articles of Association refer to the following:

1. Editorial amendments removing any transitory regulations pertaining to the periods before and after the Company entered the regulated market.
2. Restriction of the shareholders' voting right and adoption of the principles for aggregating and reducing votes.
3. The manner of appointing the Supervisory Board.
4. Specification of the entity whose rights under the shares are not restricted and the entity which will use the entitlement to name the candidates to the Company's Supervisory Board.

The proposed amendments ensue from the need to stabilize the Company's position on the regulated market and on the insurance market.

The removal of transitory regulations is aimed at increasing transparency of the Company’s Articles of Association by giving up some of the regulations which, as the factual statuses specified therein had become true, became redundant.

The voting right restriction applies only to the shareholders who would intend to obtain a block of shares and exercise their voting right under the shares giving them a more than 10% stake in the Company's share capital. The proposed change influences the stability of exercise of the voting rights under the shares, which in turn discourages any actions leading to speculative trading in the Company's shares, especially those that could lead to temporary investment decisions. This change does not prevent the possibility of a strategic investor entering the Company. Stability of the Company's listings on the Warsaw Stock Exchange will increase stability of the key stock market index WIG-20. As a result, it will affect the stability of trading on that market.

The proposed amendments regarding the rules for appointing the Supervisory Board are to ensure a long-term stability in managing the Company. They should also strengthen the Company on the insurance market through persistent execution of the assumed objectives.

The applied solution will link special rights to the largest block of shares held by a single investor. This entitlement is transitory and will expire upon fulfillment of the specified conditions which continue to guard the stability of the Company's operations.