

PZU (2015)

- report on the application of corporate governance



Warsaw 15 March 2016



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1 Corporate governance principles applied by PZU

Since the IPO of PZU on a regulated market the Issuer has followed the corporate governance rules laid down in Good Practices of Companies quoted on WSE.

The document was accepted by WSE Council on 4 July 2007 and has undergone several modifications since then. Since 1 January 2013 to 31 December 2015 obligate document adopted by resolution of WSE Council dated 21 November 2017 regarding amendments to the Good Practices of Companies quoted on WSE.

On 13 October 2015, a new set of corporate governance rules under the name of „Good Practices of Companies quoted on WSE 2016” was accepted by the resolution of WSE Council. The new rules are in force as at 1 January 2016.

The current contents are available on the website devoted to corporate governance of WSE-quoted entities WWW.CORP-GOV.GPW.PL, as well as on the PZU’s corporate website (www.pzu.pl), in the section dedicated to PZU’s shareholders – „Investor Relations”.

Code of Good Insurance Practices adopted on 8 June 2009 by the General Meeting of the Polish Chamber of Insurance („PIU”), an organization associating insurance companies operating in the Polish market is another document determining the manner of business operations and of developing relations with stakeholders. The document is available on the website: <http://piu.org.pl>.

Further, stakeholder relations are based on our internal PZU Code of Good Practices. The document is available on the website: <http://www.pzu.pl/en>

On 22 July 2014, Polish Financial Supervision Authority issued Corporate Governance Rules for Supervised Institutions („Rules”).

The rules and information on how to use them can be found on the PZU website: <http://www.pzu.pl/grupa-pzu/pzu-sa/zasady-ladu-korporacyjnego>

2 Application of Best Practices of WSE Listed Companies

In 2015, PZU complied with the principles included in Good Practices of Companies quoted on WSE except for the one referred to in Section IV pt.10 and Section I pt.5, I pt.9 and I pt.12.

With regard to the principle referred to in Section IV pt.10, regarding enabling shareholders’ exercise voting rights personally or by proxy on in General Shareholders’ Meetings using IT tools to allow mutual real-time communication and participation in discussions during the meeting of shareholders who are physically absent at the meeting venue, please note that, in our opinion, there are a number of technical and legal factors that may affect the course of a General Shareholders’ Meeting, and therefore the appropriate application of the above rule. Moreover, in our view, the company’s principles concerning participation in Shareholders’ Meetings applicable in PZU allow for exercising rights from shares and protect interests of all shareholders. The communication regarding non-compliance with the principle included in Section VI pt.10 was submitted by the Issuer on 29 January 2013.

The following issues mentioned in section I of Good practices of companies quoted on WSE defining “Recommendations concerning good practices of companies quoted on WSE” should be emphasized:

- as for the recommendation included in Section I pt.5 concerning the policy of remunerating members of management and supervisory bodies, remunerations of members of the Supervisory Board for participation in the works of the Board are determined by the General Shareholders’ Meeting and those of the Management Board are set based on a resolution of the Supervisory Board;
- policy of remunerating members of the management and supervisory bodies of PZU does not include all elements indicated in the recommendation of the European Commission of 14 December 2004 fostering an appropriate regime for the remuneration of directors of quoted companies (2004/913/EC), supplemented by recommendation of EC of 30 April 2009 (2009/385/EC). Moreover, PZU did not present a declaration presenting remuneration policy on its corporate website. The decision concerning future compliance with the mentioned above rule will be taken by the Supervisory Board and the General Shareholders’ Meeting;

- at the same time, please note that implementing the Ordinance on current and periodic information, the Issuer discloses information regarding remuneration, awards or profits for each member of the managing and supervisory bodies in PZU in the annual report;
- as for the recommendation specified in Section I pt.9 concerning gender parity principle to be followed in the Company's management and supervisory bodies, PZU has always pursued the policy of appointing competent, creative, experienced and educated people to the Company's bodies. The composition of the Management and Supervisory Board is determined based on a decision of the Supervisory Board or a General Shareholders' Meeting, respectively, and other factors, such as gender, are not taken into account;
- with regard to the recommendation referred to in Section IV pt.12, regarding enabling shareholders' participation in General Shareholders' Meetings using IT tools to allow mutual real-time communication and participation in discussions during the meeting of shareholders who are physically absent at the meeting venue, please note that, in our opinion, there are a number of technical and legal factors that may affect the course of a General Shareholders' Meeting, and therefore the appropriate application of the above rule. Moreover, in our view, rules concerning participation in Shareholders' Meetings applicable in PZU allow for exercising rights from shares and protect interests of all shareholders.

The announcement on non-compliance with these recommendations was not issued in line with the waiver of the obligation to publish issuers' reports referred to in Article 29.3 of the Regulations of WSE with respect to corporate governance principles set forth in Section I of Good practices of companies quoted on WSE, in accordance with the resolution of the Management Board of WSE dated 11 December 2007 regarding partial waiver of the obligation to publish reports on corporate governance adopted on the WSE Main Market.

3 Application of Corporate Governance Principles to Supervised institutions

The Management Board and the Supervisory Board of PZU declared their readiness to apply the Principles to the furthest objectively possible extent, taking into account the principle of proportionality and the „comply or explain“ rule, arising from their content. These statements of the Management Board and the Supervisory Board of PZU were confirmed by their appropriate resolutions.

The Management Board and the Supervisory Board of PZU announced the decision on implementing the Principles during the General Shareholders' Meeting that took place on 30 June 2015. The General Shareholders' Meeting of PZU declared that while acting within its mandate it will follow the Corporate Governance Rules in the wording of Polish Financial Supervision Authority of 22 July 2014 with the exception of the rules that the General Shareholders' Meeting of PZU decided to waive.

Detailed information about the application of the Principles by PZU can be found on PZU's website. That includes the principles whose application is partial, that is:

- principle specified in § 8.4: Principles facilitating the participation of all shareholders in the General Shareholders' Meeting, e.g. by ensuring the active electronic participation in meetings; it should be emphasized that the current shareholders of PZU can follow the broadcast of the meeting, but the Company decided not to introduce the so-called e-GSM; in the assessment of PZU, there are many technical and legal factors that could affect the proper conduct of the General Shareholders' Meeting. The legal concerns are related to the possibility of identifying shareholders and inspecting the ID cards of the GSM's participants; the risk of technical problems, e.g. with the Internet connection or a potential intrusion into information systems, can disrupt the work of the General Shareholders' Meeting and raise doubts about the effectiveness of the resolutions adopted during the meeting; the occurrence of the above-mentioned risks may affect the correct application of the principle in full;
- principle specified in § 21.2: Principles which state that in the composition of the supervisory body there should be a separate function of a chairperson who manages the works of the supervisory body and that the choice of the chairperson of the supervisory body should be

- made based on the experience and team leadership skills, taking into account the criterion of independence; it must be emphasized that, in accordance with the Code of Commercial Companies GLOSSARY and the By-laws of PZU, there is a separate function of a chairperson in the Supervisory Board of PZU; the composition of the Supervisory Board of PZU, including the office of the chairperson, are shaped according to the criterion of independence set out in the Act on statutory auditors GLOSSARY; the election of the chairperson of the Supervisory Board is made on the basis of their knowledge, experience and skills, which confirm that the chosen person has the competencies necessary for the proper performance of their supervising duties; the application of the criterion of independence in the case of the chairperson in accordance with the PFSA's explanation of the principle may raise doubts about the potential conflicts of law relating to shareholders' rights;
- in relation to the principle specified in § 49.3 of the Principles concerning appointment and dismissal in supervised institutions of the person heading the internal audit unit or the person heading the compliance unit, it should be noted that PZU complies with the principles specified in § 14 of the Principles fully, which means that PZU's Management Board is the only one entitled to and responsible for management of the operations of the company; furthermore, in accordance with the provisions of the labor law, the activities related to the labor law are performed by the governing body; in view of the above, PZU adopted a solution according to which the decision about appointment and dismissal of the person heading the internal audit unit is made, taking into account the opinion of the Audit Committee of the Supervisory Board; the same applies to the appointment and dismissal of the person heading the compliance unit; the Management Board consults the Audit Committee about such decisions.

The General Shareholders' Meeting of PZU decided against implementing the following principles:

- rule specified in § 10.2 in the following wording: „Introduction of personal entitlements or other special entitlements for shareholders of a supervised institution should be justified and serve realization of the objectives of this supervised institution. Having such entitlements by a shareholders should be reflected in a basic act regulating operation of the institution.”
 - waiver from applying the principle is justified by the unfinished privatization of the Company carried out by the State Treasury;
 - principle specified in § 12.1 in the following wording: „The shareholders are responsible for providing immediate capital injection to the supervised institution in a situation in which it is necessary for maintaining the own capitals of the supervised institution on a level required by the legal or supervisory regulations and also when it is required for the reasons concerning safety of the supervised institution.”
 - waiver from applying the principle is justified by the unfinished privatization of the Company carried out by the State Treasury;
 - principle specified in § 28.4 in the following wording: „A decision-making authority shall assess whether the agreed remuneration policy is beneficial to the development and safety of the supervised institution.”
 - waiver from applying the principle is justified by the scope of application of the remuneration policy assessed by the decision-making authority being too broad. The remuneration policy for persons performing key functions and not being the members of the supervisory body or governing body should be assessed by their employer or principal, which is the Company represented by the Management Board and controlled by the Supervisory Board.
- Moreover, the following rules do not apply to PZU:
- principle specified in § 11.3 in the wording: „In the event that the decision concerning a transaction with a related party was made by the General Shareholders' Meeting, all shareholders should have access to any information necessary for assessment of the terms on which the transaction is to be executed and its impact on the situation of the supervised institution.”
 - in PZU the General Shareholders' Meeting does not make decisions concerning transactions with related parties;
 - principle specified in § 49.4 in the following wording: „In a supervised institution, where there is no internal audit unit or compliance unit, the entitlements referred to in items 1–3 shall be held by the people responsible for performance of those functions.”
 - there is both an internal audit unit and a compliance unit at PZU;
 - principle specified in § 52.2 in the following wording: „In a supervised institution, where there is no audit unit or compliance assurance unit, and where no unit responsible for that area has been appointed, the information referred to in item 1 shall be submitted by the people responsible

for fulfilling those functions.”

– there is both an internal audit unit and a compliance unit at PZU;

- the rules specified in Chapter 9 – Execution of Rights Resulting from Assets Acquired at Client’s Risk, as PZU offers no products which involve managing assets at client’s risk.

4 Control system applied during preparation of the financial statements

Financial statements are prepared within the PZU Finance Division including PZU Head Office (with the Accounting Office) and central units operating based on applicable regulations. PZU Finance Division is supervised by a Member of the Management Board of PZU.

The elements which facilitate completing the process are the accounting principles (policy), the chart of accounts with a commentary and other detailed internal regulations approved by the Management Board of PZU specifying the key rules of recording business events in PZU and dedicated reporting systems.

Data is prepared in the source systems using formal operating and acceptance procedures which specify the competencies of individual persons.

The reporting process is controlled by appropriately qualified, skilled and experienced staff.

PZU monitors the changes in the external regulations concerning e.g. the accounting policy (procedures) and reporting requirements of insurance undertakings and carries out appropriate adaptation processes.

The accounting records are closed and financial statements are prepared in accordance with detailed schedules, including the key activities and control points with assigned liability for timely and correct completion.

The key controls during preparation of the financial statements include:

- controls and permanent monitoring of the quality of input data, supported by the financial systems with defined rules of data correctness, in accordance with PZU internal

regulations concerning the control of correctness of the accounting data;

- data mapping from the source systems to financial statements supporting appropriate presentation of data;
- analytical review of financial statements by specialists to compare them with the business knowledge and knowledge about business transactions;
- formal review of the financial statements to confirm compliance with the valid legal regulations and market practice in terms of required disclosures.

PZU internal audit periodically reviews the organization and the process of preparing the financial statements.

Activities within the consolidated financial reporting are coordinated through the organizational structure of the Finance Division in the PZU and PZU Życie Head Offices, which is shared, i.e. organized based on a personal union. PZU controls all the consolidated subsidiaries through Management Boards and Supervisory Boards of the companies.

The process of consolidated financial reporting is regulated by a number of internal acts. The acts regulate the accounting principles (policy) adopted by PZU Group and applied accounting standards. Additionally, the process is also subject to detailed schedules including the key activities and control points with assigned liability for timely and correct completion.

Audit Committee

The Supervisory Board of PZU appoints three members of the Audit Committee. At least one of them must be qualified in accounting or auditing, as understood by the Act on Statutory Auditors and Their Self-Governing Body, Auditing Firms and on Public Oversight. The Audit Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting, effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board.

A statutory auditor appointed by the Supervisory Board of PZU based on the recommendation of the Audit Committee reviews interim separate and consolidated financial statements of PZU and audits its annual separate and consolidated financial statements.

5 Entity authorized to audit financial statements

On 18th February 2014, the Supervisory Board of PZU appointed KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. with the registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, entered on the list of entities authorized to audit financial statements under No. 3546 by the National Chamber of Statutory Auditors as the entity authorized to audit financial statements, with whom an agreement on audit and review of financial statements will be concluded.

The scope of the agreement will include:

- audit of annual separate financial statements of PZU and of annual consolidated financial statements of PZU Group;
- review of interim separate financial statements of PZU and of interim consolidated financial statements of PZU Group.

The work referred to above will include three subsequent financial years ending, respectively, on: 31 December 2014, 31 December 2015 and 31 December 2016, with an option to extend the agreement for further two financial years ending, respectively, on 31 December 2017 and 31 December 2018.

Former cooperation of PZU with KPMG Audyt included mostly tax advisory services.

6 Share capital and shareholders of PZU; stock held by members of its authorities

On 30 June 2015, the General Shareholders' Meeting of PZU adopted the resolution on splitting all stocks of PZU by decreasing the nominal value of each PZU share from PLN 1 to PLN 0.1 and increasing the number of PZU shares which constitute the stocks capital from 86,352,300 to

863,523,000. The split of shares was performed through the exchange of all shares in 1:10 ratio. The split of stocks had no influence on the share capital of PZU.

On 3 November 2015, the District Court for the capital city of Warsaw, XII Economic Division of the National Court Register recorded the appropriate change to the By-laws of PZU.

On 24 November 2015, the Management Board of the National Depository for Securities adopted at the request of PZU a resolution No. 789/15 on determining the day of 30 November 2015 as the day of splitting 86,348,289 PZU shares with the face value of PLN 1 each to 863,482,890 PZU shares with the face value of PLN 0.10 each.

Therefore, the share capital of PZU is divided into 863,523,000 ordinary shares with the face value of PLN 0.10 each, giving right to 863,523,000 votes on the General Shareholders' Meeting.

In accordance with the current report No. 3/2016, on the Extraordinary General Shareholders' Meeting of PZU on 7 January 2016 the shareholders of PZU with significant share packages were as follows: the State Treasury holding 297,420,578 shares, i.e. 34.44% of the share capital of PZU and the right to 297,420,578 votes at the General Shareholders' Meeting, and Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK holding 49,156,660 shares, i.e. 5.69% of the share capital of PZU and the right to 49,156,660 votes at the General Shareholders' Meeting.

There were no significant changes in the ownership structure of blocks of PZU shares in 2015.

Fee of the entity authorized to audit financial statements	1 January - 31 December 2015	1 January - 31 December 2014
Statutory audit of annual separate/consolidated financial statements	1,488	714
Other attestation services including review of separate/consolidated financial statements	248	248
Tax advisory services	-	-
Other services	27	27
Total	1,763	989

The Management Board of the Company has no knowledge about concluded agreements which may result in changes in the proportion of shares held by the shareholders.

PZU did not issue, redeem or repay any debt or equity instruments that would provide its shareholders with special control rights.

From 2013 to 2015, no employee stock ownership plans existed in PZU.

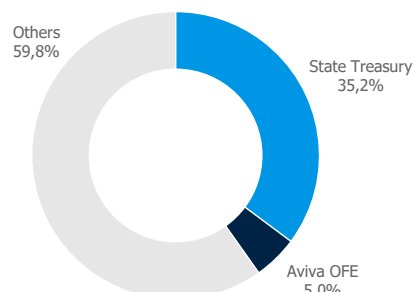
In line with the PZU By-laws, the voting right of the shareholders is restricted in a way that none of them can exercise more than 10% of the total number of votes at PZU at the date of the General Shareholders' Meeting, with the reservation that for the purpose of determining obligations of parties acquiring material blocks of shares provided for in the Act on Public Offering and the Act on Insurance Activity, such voting restrictions are considered non-existent. The restrictions do not apply to:

- shareholders who held shares entitling to more than 10% in the total number of votes in the Company as at the date of adopting a resolution of the General Shareholders' Meeting;
- shareholders co-acting with shareholders defined in the point above based on agreements concerning joint voting rights attached to the shares. For the purposes of voting rights restrictions, the votes of the shareholders being parent companies or subsidiaries will be added up in line with the principles specified in the By-laws.

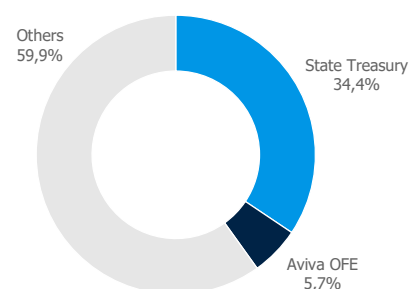
In case of any interpretation doubts with respect to the voting restrictions, Article 65.2 of the Civil Code will apply. GLOSSARY

In line with the PZU's By-laws, the above voting restrictions will expire starting from the moment when a share of a shareholder who, at the date of adopting a resolution of the Shareholders' Meeting introducing the restriction, held shares entitling him to more than 10% in the total number of votes in the Company, drops below 5% of the share capital.

PZU shareholding structure as at 31.12.2014



PZU shareholding structure as at 31.12.2015



7 PZU's Articles of Association

Amendments to the By-laws

The By-laws of PZU can be amended by the General Shareholders' Meeting in the form of a resolution passed by a majority of three fourths of votes. In cases specified in the Act on Insurance Activity GLOSSARY such change must be approved by the FSA and then recorded in the National Court Register. The Supervisory Board can approve the unified amended text of the By-laws.

On 30 June 2015, the General Shareholders' Meeting of PZU adopted amendments to the By-laws of PZU.

Then, on 18 September 2015, the Supervisory Board of PZU adopted a resolution regarding the wording of the consolidated amended By-laws of PZU. On 3 November 2015, the By-laws were recorded in the National Court Register.

Shares or rights to shares held by management and PZU supervisory personnel

No.	Body / Name and surname	Number of shares / rights to shares as of the date of Management Report (i.e. 14 March 2016)	Number of shares / rights to shares as of the date of Management Report (i.e. 17 March 2015)	The resulting change in the period between these dates
Management Board				
1.	Michał Krupiński	-	na	na
2.	Przemysław Dąbrowski	-	-	-
3.	Roger Hodgkiss	-	na	na
4.	Beata Kozłowska-Chyła	-	na	na
5.	Dariusz Krzewina	-	-	-
6.	Robert Pietryszyn	-	na	na
7.	Paweł Surówka	-	na	na
8.	Andrzej Klesyk	na	-	na
9.	Tomasz Tarkowski	na	800	na
10.	Ryszard Trepczyński	na	-	na
Group Directors				
1.	Tomasz Karusewicz	-	na	na
2.	Sławomir Niemierka	-	-	-
3.	Roman Pałac	-	na	na
4.	Tobiasz Bury	nd	500	na
5.	Rafał Grodzicki	nd	-	na
6.	Przemysław Henschke	nd	-	na
Supervisory Board				
1.	Paweł Kaczmarek	-	na	na
2.	Marcin Gargas	-	na	na
3.	Maciej Zaborowski	-	na	na
4.	Marcin Chludziński	-	na	na
5.	Eligiusz Krześniak	-	na	na
6.	Alojzy Nowak	-	-	-
7.	Jerzy Paluchniak	-	na	na
8.	Piotr Paszko	-	na	na
9.	Radosław Potrzebacz	-	na	na
10.	Aleksandra Magaczewska	nd	-	na

11.	Zbigniew Cwiakalski	na	-	na
12.	Tomasz Zganiacz	na	-	na
13.	Zbigniew Derdziuk	na	-	na
14.	Dariusz Filar	na	-	na
15.	Dariusz Kacprzyk	na	-	na
16.	Jakub Karnowski	na	280	na
17.	Maciej Piotrowski	na	-	na
Total		-	1 580	

8 General Shareholders' Meeting, Supervisory Board, and Management Board

General Shareholders' Meeting

The General Shareholders' Meeting is the highest body of PZU. The general operational principles and the rights of the General Shareholders' Meeting have been determined by the Code of Commercial Companies GLOSSARY and the By-laws.

The By-laws are available on PZU's corporate website (WWW.PZU.PL) in the „Investors relations” section, tab: „Company”.

The General Shareholders' Meeting did not issue its Regulations.

The General Shareholders' Meeting is a body authorized to make decisions concerning issues related to the organization and operations of the issuer. Resolutions of the General Shareholders' Meeting are adopted by an absolute majority of votes, except for cases specified in the Code of Commercial Companies GLOSSARY or the By-laws.

The competencies of the General Shareholders' Meeting, in addition to those specified in the Commercial Companies Code and the By-laws of PZU, include passing resolutions concerning the following:

- examination and approval of the Management Board report on the issuer's activities, financial statements for the previous financial year and acknowledgement of the fulfillment of duties by members of the company's authorities;

- profit distribution or loss coverage;
- making decisions concerning claims for redressing damage inflicted upon formation of the company or exercising management or supervision;
- disposal of the enterprise or its organized part or its lease or establishment of a limited property right;
- redemption of shares or issue of bonds;
- creating reserve capitals and making the decision whether to use them and, if so, how;
- division of the Company, its merger with another company, its liquidation or dissolution;
- appointing and dismissing members of the Supervisory Board, subject to the right granted to the State Treasury to appoint and dismiss one member of the Supervisory Board;
- establishing the rules of remunerating members of the Supervisory Board;
- acquisition or disposal by the issuer of real property, perpetual usufruct or share in real property or in perpetual usufruct with a value exceeding the equivalent of a gross amount of EUR 30.0 million (thirty million euro).

In accordance with the By-laws, a majority of three fourths of votes is required to pass the General Shareholders' Meeting's resolutions on the following:

- amendments to the By-laws;
- decrease in the share capital;
- disposal of the enterprise or its organized part or its lease or establishment of a limited property right;

A majority of 90% of votes at the General Shareholders' Meeting is required to pass resolutions relating to the following:

- preference shares;
- issuer's business combination by transferring all its assets to another company;
- its merger by forming a new company;
- dissolving the Company (also as a result of moving its seat or the head office abroad);
- its liquidation, transformation or reduction in the share capital through redemption of a portion of shares without a similar capital increase.

The General Shareholders' Meeting is held:

- as an Ordinary General Shareholders' Meeting, which should be held within six months from the end of each financial year;
- as an Extraordinary General Shareholders' Meeting, which is convened in cases specified in the generally applicable law and the By-laws.

The General Shareholders' Meetings are held in Warsaw and convened by placing an appropriate announcement on PZU's website in accordance with the method for providing current information specified in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies of 19 July 2005, i.e. in the form of current reports. Such announcement should be made no later than 26 days before the date of the General Shareholders' Meeting. From the date of convening the General Shareholders' Meeting the announcement with materials presented to shareholders at the General Shareholders' Meeting are available on PZU's corporate website (www.pzu.pl) in section „Investors relations”, tab „General Shareholders' Meeting”. A duly called General Shareholders' Meeting is deemed valid regardless of the number of attending shareholders. Ballots are open. The secret ballot is used when appointing and dismissing members of the Issuer's bodies or liquidators, in cases of their personal responsibility towards the issuer and in personal cases, except when an open ballot is required by the applicable law, upon request of any shareholder present or represented at the General Shareholders' Meeting. The rights of the shareholders and the method of exercising thereof at the General Shareholders' Meeting are specified in the Code of Commercial Companies GLOSSARY and the By-laws. Only persons who were shareholders of the issuer 16 days before the date of the General Shareholders' Meeting have the right to participate

in the Meeting (date of registration of attendance at the Meeting). Shareholders may attend the General Shareholders' Meeting and exercise the right to vote personally or through a proxy. The power of attorney to participate in the General Shareholders' Meeting and to exercise the voting right may be granted in writing or in an electronic form. One share of PZU gives the right to a single vote at the General Shareholders' Meeting, including restrictions with respect to exercising the voting rights described in the Company's By-laws. The shareholder has the right to vote in a different manner under each share held.

During the General Shareholders' Meeting each shareholder may provide resolution drafts concerning items on the agenda.

In accordance with the Code of Commercial Companies GLOSSARY, detailed procedures concerning participation in the General Shareholders' Meeting and exercising the voting rights are always presented in an announcement of the General Shareholders' Meeting published on the date of convening the Shareholders' Meeting on PZU's corporate website (WWW.PZU.PL), section „Investors relations”, tab „General Shareholders' Meeting”.

Composition, powers and functioning of the Supervisory Board

Composition

The Supervisory Board is composed of seven to eleven members. The number of members is specified at the General Shareholders' Meeting.

Members of the Supervisory Board are appointed by the General Shareholders' Meeting for a shared term which includes three consecutive full financial years.

At least one member of the Supervisory Board must be qualified in accounting or auditing, as understood by the Act on Statutory Auditors and Their Self-Governing Body, Auditing Companies and on Public Oversight GLOSSARY. Furthermore, at least one member of the Supervisory Board should meet the independence criteria specified in the By-laws (Independent Member) concerning e.g. professional and personal relations, especially with members managing or supervising PZU and entities in PZU Group. The Independent Member has to present a written statement that all independence criteria provided for in the By-laws have been met and inform the Company when the criteria are no longer

met. In addition, the By-laws give the State Treasury the right to appoint and dismiss one member of the Supervisory Board by way of a written statement submitted to the Management Board. The right will expire once the State Treasury ceases to be the Company's shareholder.

Composition of the Supervisory Board of PZU as at 1 January 2015:

- Aleksandra Magaczewska - Chairperson of the Board;
- Zbigniew Ćwiąkowski - Deputy Chairman of the Board;
- Tomasz Zganiacz - Secretary of the Board;
- Zbigniew Derdziuk - Member of the Board;
- Dariusz Filar - Member of the Board;
- Dariusz Kacprzyk - Member of the Board;
- Jakub Karnowski - Member of the Board;
- Alojzy Nowak - Member of the Board;
- Maciej Piotrowski - Member of the Board.

The criteria of an Independent Member of the Supervisory Board were met by Dariusz Kacprzyk and Dariusz Filar.

On 30 June 2015, Tomasz Zganiacz's mandate of a member of the Supervisory Board expired.

On 30 June 2015, with effect on 1 July 2015, the General Shareholders' Meeting of PZU established the composition of the Supervisory Board of PZU of the new term as follows: Dariusz Kacprzyk, Dariusz Filar, Aleksandra Magaczewska,

Zbigniew Ćwiąkowski, Jakub Karnowski, Maciej Piotrowski, Alojzy Nowak, Zbigniew Derdziuk, Paweł Kaczmarek.

On 8 July 2015, the Supervisory Board of PZU entrusted the function of the Chairperson of the Board to Zbigniew Ćwiąkowski, the function of the Deputy Chairperson of the Board to Paweł Kaczmarek, and the function of the Secretary of the Board to Dariusz Filar.

Therefore, since 8 July 2015, composition of the Supervisory Board of PZU was as follows:

- Zbigniew Ćwiąkowski – Chairman of the Board;
- Paweł Kaczmarek – Deputy Chairman of the Board;
- Dariusz Filar – Secretary of the Board;
- Zbigniew Derdziuk – Member of the Board;
- Aleksandra Magaczewska – Member of the Board;
- Dariusz Kacprzyk – Member of the Board;
- Jakub Karnowski – Member of the Board;
- Alojzy Nowak – Member of the Board;
- Maciej Piotrowski – Member of the Board.

The criteria of an Independent Member of the Supervisory Board were met by Dariusz Kacprzyk and Dariusz Filar.

The terms of office of the members of the Supervisory Board (according to its composition as at 31 December 2015) have been presented below:

Name and surname of the member of the Supervisory Board of PZU (the composition as at 31 December 2015)	Term of office of the member of the Supervisory Board of PZU
Zbigniew Ćwiąkowski	Chairman of the Board from 8 July 2015 to 6 January 2016 In the Board from 10 June 2010 to 6 January 2016
Paweł Kaczmarek	Deputy Chairman of the Supervisory Board from 8 July 2015 to 6 January 2016 Chairman of the Board since 19 January 2016
Dariusz Filar	Secretary of the Board from 8 July 2015 to 6 January 2016 In the Board from 10 June 2010 to 6 January 2016
Zbigniew Derdziuk	Member of the Board from 30 June 2011 to 6 January 2016
Aleksandra Magaczewska	In the Board from 18 June 2014 to 6 January 2016 Chairman of the Board from 15 July 2014 to 30 June 2015
Dariusz Kacprzyk	Member of the Board from 18 June 2014 to 6 January 2016
Jakub Karnowski	Member of the Board from 18 June 2014 to 6 January 2016
Alojzy Nowak	Member of the Board since 30 May 2012
Maciej Piotrowski	Member of the Board from 30 May 2012 to 6 January 2016

The current term of office of the Supervisory Board of PZU started on 1 July 2015 and will end after the lapse of three financial years. The mandates of members of the Supervisory Board expire not later than on the date of the General Shareholders' Meeting approving the financial statements for the last full financial year of their term.

On 7 January 2016, the Extraordinary General Shareholders' Meeting of PZU removed the following people from the Supervisory Board: Zbigniew Ćwiąkalski, Zbigniew Derdziuk, Maciej Piotrowski, Dariusz Kacprzyk, Jakub Karnowski, Aleksandra Magaczewska, Dariusz Filar. Simultaneously, on 7 January 2016, it appointed the following people to the Supervisory Board of PZU: Piotr Paszko, Marcin Chludziński, Marcin Gargas, Maciej Zaborowski, Eligiusz Krześniak, Radosław Potrzyszcz, Jerzy Paluchniak.

On 19 January 2016, the Supervisory Board of PZU entrusted the function of the Chairperson of the Board to Paweł Kaczmarek, the function of the Deputy Chairperson of the Board to Marcin Gargas, and the function of the Secretary of the Board to Maciej Zaborowski.

Therefore, since 19 January 2016, composition of the Supervisory Board of PZU was as follows:

- Paweł Kaczmarek – Chairman of the Board;
- Marcin Gargas – Deputy Chairman of the Board;
- Maciej Zaborowski – Secretary of the Board;
- Marcin Chludziński – Member of the Board;
- Eligiusz Krześniak – Member of the Board;
- Alojzy Nowak – Member of the Board;
- Jerzy Paluchniak – Member of the Board;
- Piotr Paszko – Member of the Board;
- Radosław Potrzyszcz – Member of the Board.

The criteria of an Independent Member of the Supervisory Board are met by Marcin Gargas, Maciej Zaborowski, Marcin Chludziński, Eligiusz Krześniak, Alojzy Nowak, Piotr Paszko, Radosław Potrzyszcz.



**Paweł Kaczmarek – Chairman of the Supervisory Board since 19 January 2016;
Deputy Chairman of the Supervisory Board from 8 July 2015 to 6 January 2016**

He graduated from the Faculty of Law and Administration at the University of Łódź. In 1994-2014, he worked in the Ministry of Finance. For several years he dealt with legal aspects concerning the issue of public debt: its financing, conversion and restructuring, cooperation with the regulatory authorities of the capital market to develop regulations applying to broadly understood capital market, and also the state's policy towards small and medium-sized enterprises, with particular consideration of financial support provided by the state. At present, he holds the position of the Director of the Strategic Companies Department in the Ministry of the State Treasury. His responsibilities include preparation of the system solutions concerning ownership supervision towards the companies whose shares are held by the State Treasury and which were indicated in separate instructions given by the Minister. In the past he was a member of several supervisory boards, including WSE, Industrial Development Agency S.A. and Polish Press Agency S.A.



Marcin Gargas – Deputy Chairman of the Supervisory Board, in the Supervisory Board since 7 January 2016

Graduate in the field of Law from the Faculty of Law and Administration at Adam Mickiewicz University in Poznań. In 2006-2009 he was a trainee legal advisor in the Regional Chamber of Legal Advisors in Poznań. In 2010, he obtained the title of Legal Advisor (record No. PZ/2614). He gained his professional experience working as a lawyer in Rödl & Partner's branch office in Poznań (from September 2006 to July 2007). Then, from August 2007 to April 2009, he continued his career as a lawyer in the Legal Department of Ruch S.A. From May 2009 to March 2010 he was employed as a lawyer in Zakrzewska, Skowronek, Jurkiewicz Kancelaria Prawna Spółka Cywilna law office with its seat in Poznań. From April 2010 he leads the individual professional practice within the legal adviser's office. He specializes in providing comprehensive legal services for business entities operating within the holding structures. He gained significant experience in the development, acquisition and transformation of commercial companies and their restructuring and ongoing corporate support. In the course of his professional activity he carried out many legal audits and advised on complex transactions involving the purchase and sale of real estate. He coordinated the legal aspects of major real estate projects and investment processes including commercial buildings (shopping malls, gas stations, supermarkets network). He has considerable experience in conducting litigation as well as in the conduct of proceedings before the authorities and administrative courts.



Maciej Zaborowski – Secretary of the Supervisory Board, in the Supervisory Board since 7 January 2016

Graduate from the Faculty of Law and Administration at the University of Warsaw. He is also a graduate of XVI School of Civic Society Leaders, school founded by Prof. Zbigniew Pełczyński from Oxford University in United Kingdom, Center for American Law Studies (shared initiative of the Florida State University and the Faculty of Law and Administration of the University of Warsaw) and the Academy of Young Diplomats (European Academy of Diplomacy), specialization: Foreign Service. As of 2012, he holds the professional title of attorney. In addition, he completed post-graduate studies in Intellectual Property Law at the Faculty of Law and Administration of the University of Warsaw and post-graduate studies in Law of Evidence at the Faculty of Law and Administration of the Cardinal Stefan Wyszyński University. From December 2005 to September 2007 he performed activities commissioned by the Ministry of Justice. From September 2006 to September 2007 he worked as an assistant of the Minister of Justice – Prosecutor General. From September 2007 to February 2008 he worked as a legal expert at the Embassy of the Republic of Poland in Rome – Consular Department (his duties included i.a. organization and coordination of the state’s parliamentary elections taking place in the Italian Republic and duties of Vice-President of the District Electoral Committee in Rome). From January 2010 to November 2010 he assisted the Committee of Inquiry (so-called gambling committee) in the Parliament of the Republic of Poland, and from July 2008 to March 2012 he worked as a lawyer for the Justice and Human Rights Committee in the Parliament of the Republic of Poland. From January 2009 to November 2012 he worked as a lawyer and advocate trainee in Kancelaria Adwokacka prof. dr. hab. Piotra Kruszyńskiego legal office and from May 2010 to February 2012 he was a lawyer in Kancelaria Adwokacka Adwokata Rafała Rogalskiego legal office. Since January 2013 he has been working as a mediator for the Mediation Center at the Polish Bar Council. Since May 2013 he has been keeping his own law office as an advocate. Since 2014 he has been a Member of the Young Advocates Initiatives Commission of the Polish Bar Council (legislative subcommittee) and a Member of the Young Advocates Association – District Bar Council in Warsaw. Since March 2012 he has been the Chairman of the Founders’ Board of the Fundacja Odpowiedzialność Obywatelska (Social Responsibility Foundation), (earlier, from January 2008 to February 2012, he was a Member of the Founders’ Board). He is a prizewinner of prestigious competition, Rising Stars – Prawnicy Liderzy Jutra 2015 (Lawyers Leaders of Tomorrow 2015) organized by „Dziennik Gazeta Prawna” and Wolters Kluwer. He is also commenting on the legal context of current affairs in Panorama, news program on TVP 2 television channel. He holds safety certificate issued by the Internal Security Agency (ABW) entitling to access classified information marked as „top secret” (applying also to information with lower mark).



Marcin Chludziński – Member of the Supervisory Board since 7 January 2016

Graduate from the Center for European Regional and Local Studies and Faculty of Journalism and Political Science of the University of Warsaw. Since 2004 he has been associated with Invent Grupa Doradztwa i Treningu (Invent Advisory and Training Group), and since 2006 he has been holding the position of the President of this company. Since 2009 he also has been holding the position of the President of the Management Board of Urbino sp. z o.o., an Internet technology company.

He has nine years of experience in managing commercial law companies. The main domain of the companies' activity was financing the investment projects, advising in strategic planning, restructuring processes, and audit and internal controlling. He is a licensed coach and advisor specializing in strategic and organizational planning and project management. He is also experienced in defining and managing advisory projects in public administration and business. As a lecturer, he cooperates on a regular basis with i.a. the University of Warsaw, Collegium Civitas and Łazarski University. He is qualified to sit on supervisory boards of companies whose shares are held by the State Treasury. He is experienced in supervising municipal heat companies. He published articles on public management in such periodicals as „Rzeczy Wspólne”, „W sieci”, „Wprost”. He developed his personal accomplishments through pro publico bono activities by leading a think tank of the Republican Foundation as a co-author and expert, concerning especially the context of the role the State Treasury companies play in realizing the objectives of the state, managing public sector in the context of focusing on development goals and supporting national economic expansion through cooperation carried out within public sector. His main professional competencies are: ability to manage a commercial law company concerning the organizational, legal and financial aspects, experience in corporate supervision, skill in conducting processes of reorganization, restructuring, cost optimization and internal control, capacity of guiding horizontal controlling and auditing processes, qualification to define and supervise projects – especially the ones financed with EU funds, possession of the expertise in the field of energy and heat industry, and knowledge about the models of realizing the objectives of the state by the state-owned companies.



Eligiusz Krzeńskiak – Member of the Supervisory Board since 7 January 2016

He is a graduate of the Faculty of Law and Administration, University of Wrocław, where he also obtained a degree of Ph.D. Moreover, he studied at the Law Faculty of the Philipps-Universität Marburg and Rheinische - Wilhelms - Universität Bonn as well as at the State University of North Carolina at Charlotte. He is a graduate of the Academy of Leadership Psychology and the School of Mentors operating as a part of the School of Business of the Warsaw University of Technology. Lawyer in Warsaw since 2002. Author and co-author of several law books and dozens of articles published in Rzeczpospolita, Puls Biznesu, Dziennik Gazeta Prawna and many legal publications. Columnist for Forbes magazine. International partner in the global law firm Squire Patton Boggs and general partner in its Polish office - Squire Patton Boggs Święcicki Krzeńskiak sp. k. He has extensive experience in managing projects in the field of mergers and acquisitions, acquisition of companies, as well as intellectual property and manage complex negotiations. For years, he is indicated as a leading lawyer in Poland in international rankings of Chambers Europe and Legal 500; according to the annual ranking of the Rzeczpospolita he won twice, in 2013 and 2014 (in 2014. ex aequo with two other persons) as the best TMT lawyer. In 2008-2009, he held the position of the Vice-Chairman of the Supervisory Board of PKO Bank Polski SA. He entered the list of recommended arbitrators of the two largest arbitration tribunals in Poland - the Arbitration Court at the Polish Chamber of Commerce and the Arbitration Court of the Polish Confederation of Private Employers Lewiatan. For several tenure he served as inspector and member of the District Bar Council in Warsaw for the training of trainee lawyers and the Committee. Foreign relations of the Supreme Bar Council; also acted as a mediator. He began his career in the nineties as a radio journalist and foreign correspondent in Germany and in the United States.



Alojzy Nowak – Member of the Supervisory Board since 30 May 2012

In 1984, he graduated from the present Warsaw School of Economics and in 1992 from University of Illinois at Urbana – Champaign, USA, M.A. in economics. In 1993 he completed studies in banking, finance and capital markets at Exeter, UK, and in 1996 economic studies at Free University of Berlin, while in 1997 in International Economics at RUCA. In 2002, he gained the title of Professor of Economics. He has won a number of prestigious awards, including Rector Award for Scientific Achievements (annually since 1997), Award of the Minister of Education for a book „Integracja europejska. Szansa dla Polski?” („European Integration. Opportunity for Poland?”) and a book titled „Banki a gospodarstwa domowe – dynamika rozwoju” („Banks and households – the dynamics of development”). He has been a member of scientific organizations and professional editing boards of periodicals, among others Foundations of Management (Member), Journal of Interdisciplinary Economics (Editor in Chief), Yearbook on Polish European Studies, Mazovia Regional Studies, Gazeta Bankowa and a reviewer in PWE S.A. Warszawa editing company. He is a long-term Committee Member of Teraz Polska Award and Scientific Council Member. He gained his professional experience working as the Head of International Business Relations Section at Management Faculty of the University of Warsaw, the Head of National Economy Unit at Management Faculty of the University of Warsaw, the Director of European Center at the University of Warsaw, the Deputy Dean in charge of foreign cooperation at Management Faculty of the University of Warsaw, the Dean at Management Faculty of the University of Warsaw and the Deputy Rector in charge of scientific research and cooperation at the University of Warsaw. He is a lecturer at the University of Warsaw, and also in France, UK, U.S., Russia, China and Korea. Further, he worked as: advisor to the Prime Minister, to the Minister of Agriculture, the President of University Sports Association at the University of Warsaw, a Member of the Advisory Committee NewConnect at Management Board of Warsaw Stock Exchange, a Member of the Foundation Council of the National Bank of Poland, the Chairman of the Scientific Council of the National Bank of Poland. He held positions in supervisory boards of various institutions, to include: PTE WARTA S.A., PKO BP S.A., JSW S.A., the Chairman and the Deputy Chairman of the Supervisory Board in EUROLOT S.A.



Jerzy Paluchniak – Member of the Supervisory Board since 7 January 2016

He is a graduate of the Wrocław University of Economics, the Faculty of Management and Information Technology, specialization in Management and Marketing, major in Business Management. Since 2003, he works as a Certified Internal Auditor (CIA). In 2005, he achieved the title of Statutory Auditor (No. 10649) and successfully passed all ACCA exams. In 1999–2000, he gained his professional experience as an assistant of a Brand Manager in Zielona Budka Zbigniew Grycan S.A. In 2000, he continued his professional career in audit department of Arthur Andersen/Ernst&Young located in Wrocław, at positions from an assistant to a manager (promoted in 2005). Since 2007, he worked in audit department of KPMG located in Wrocław, where in 2008 he was promoted to a Senior Manager. He specialized in the study of financial statements prepared in accordance with Accounting Act and International Financial Reporting Standards. He got a Certified Trainer at KPMG. He conducted trainings in the field of audit, accounting and personal and interpersonal competence for customers and employees of KPMG. Furthermore, he was responsible for the actions of corporate social responsibility at KPMG office in Wrocław. On 7 January 2016 he finished work at KPMG. On 1 February 2016 he assumed the position of Director of Internal Audit in Tauron Polska Energia SA. Since 2010 member of the Regional Council of Chartered Accountants in Wrocław.



Piotr Paszko – Member of the Supervisory Board since 7 January 2016

Holds a Ph.D. in Economics, his specialization is Management Science. He is a graduate of the Wrocław University of Economics. He was a scholarship holder of Deutscher Akademischer Austauschdienst – Universität Mainz; faculty name: Volkswirtschaftslehre. Manager, entrepreneur and counselor with nearly twenty years of professional experience in the business counseling sector. Manager of tens of consulting projects connected with organization of investment and development activities, business restructuring and public-private partnerships. Provided counseling support concerning designing new development directions, privatization, preparation of investments, improving management, implementation of financial control systems and mergers and acquisitions processes to a number of energy and industrial companies. He is a member of the boards of capital companies. He has been combining counseling activity with research for several decades. Authored a number of research papers and expert opinions. as awarded the Medal for Long Service by the President of Poland.



Radosław Potrzezszcz – Member of the Supervisory Board since 7 January 2016

He completed his studies at the Faculty of Law and Administration of the University of Wrocław. Furthermore, he was a court and advocate trainee. Member of the Bar Council in Wrocław. He co-designed post-graduate studies in a form of the Company Academy at the Warsaw School of Economics, where he is a lecturer. In addition, he runs classes at other post-graduate studies, i.a. for bank analysts, courses concerning business insurances and trainings for advocate trainees. He is an arbiter in the Arbitral Tribunal of the Insurance Ombudsman. In 2003, he co-created the Act amending the Code of Commercial Companies. As an expert appointed by the Minister of Justice, he provided parliamentary assistance concerning work on this amendment. He developed and opined a number of other acts, including the opinion given on the draft legislation for the Office of Analyses of the Parliament during the term of the Parliament dated 2005–2007. Since the Autumn of 2006 he has been an expert in the Committee of Inquiry investigating the solutions concerning ownership and capital changes in banking sector and the activities of banking supervisory bodies in the period of 4 June 1989 – 19 March 2006 (the so-called Banking Committee of Inquiry). He also held the position of the Member of the Supervisory Board in TVP S.A. and in Polskie Radio S.A. He authored a monograph titled: „Kapitały własne spółek handlowych” („Equity of Commercial Companies”), published by the Association of Chartered Auditors and Accountants in 2002. He is also a co-author and co-editor of a four-volume commentary to the Code of Commercial Companies published by LexisNexis, and a co-author of a commentary „Prawo Ubezpieczeń” („Insurance Law”) consisting of the legal act and a comment to it published by Poltext in Warsaw, 2004. He authored a number of articles published in law periodicals focusing on the topic of company law and law of business insurance.

Competencies

The Supervisory Board exercises constant supervision over the Company's activities in all aspects of its business. In accordance with the By-laws, the powers of the Supervisory Board include:

- review of the Management Board's report on the activities of the Company and financial statements for the previous financial year in terms of their compliance with the accounting records, documents and facts;
- review of the motions of the Management Board concerning profit distribution or loss coverage;
- presenting the General Shareholders' Meeting with a written report on the results of the review described above and submitting a brief annual assessment of the situation of the Company, including internal controls and key risk management and an annual report on the work of the Supervisory Board;
- concluding, terminating and amending the agreements with members of the Management Board and setting the terms and conditions of remuneration and the amount of remuneration;
- appointing, suspending and dismissing the CEO, members of the Management Board or the entire Management Board, as well as making decision to stop the suspension;
- agreeing to transfer the entire or portion of the insurance portfolio;
- accepting motions of the Management Board concerning acquisition, assumption or disposal of shares in companies, as well as the Company's participation in other entities – the Supervisory Board may specify the amount, terms and conditions and the way in which the Management Board may carry out the activities without the acceptance of the Supervisory Board;
- delegating members of the Supervisory Board to temporarily perform the functions of members of the Management Board who have been dismissed, resigned or cannot perform their functions for other reasons;
- accepting instructions concerning votes being cast by the Company's representatives during the General Shareholders' Meeting of PZU Życie concerning: an increase and decrease in the share capital, bonds issue, disposal and lease of a PZU Życie enterprise or establishment of a usufruct right, division of PZU Życie combination of PZU Życie with a different company, liquidation or termination of PZU Życie;
- selection of the entity authorized to audit the financial statements which will audit the annual financial statements of the company;

- wording of the consolidated amended By-laws;
- approval of the long-term plans for the development of the company and annual financial plans drafted by the Management Board;
- approval of the regulations of the Management Board;
- examination and evaluation of issues submitted by the Management Board for discussion during the General Shareholders' Meeting.

Moreover, the Supervisory Board grants consent to:

- acquisition or disposal of a real property, perpetual usufruct or share in the real property or in perpetual usufruct exceeding the equivalent of EUR 3.0 million;
- conclusion of a material agreement by the Company and its related party, as understood by the Ordinance on current and periodic information, excluding standard agreements concluded by the Company on an arm's length basis as part of its operating activities;
- conclusion of the agreement by the Issuer with the underwriter referred to in Article 433.3 of the Code of Commercial Companies;
- advance payment against expected dividend;
- creation and closing of regional and foreign branches.

Mode of operation

The Supervisory Board adopts the regulations of the Supervisory Board specifying its organization and the manner of performing activities.

The regulations of the Supervisory Board were adopted by its Resolution of 9th October 2012 and specify its composition and the way in which its members are appointed, the tasks and the scope of its activities and the manner of calling the Supervisory Board and conducting debates.

The By-laws stipulate that the Supervisory Board should meet at least once every quarter. The Supervisory Board may delegate its members to fulfill specific supervising activities on their own and to this effect appoint temporary committees. The scope of responsibility of a delegated member of the Supervisory Board and the committee is specified in a resolution of the Supervisory Board.

Resolutions of the Supervisory Board are adopted by an absolute majority of votes. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. The resolutions of the Supervisory Board may be adopted using means of direct distant communication and in a written form.

Additionally, the By-laws stipulate that a vote may be cast in writing through another member of the Supervisory Board.

In accordance with the By-laws, the resolutions of the Supervisory Board are adopted in an open ballot, except for resolutions concerning appointment of the Chairman, Deputy Chairman and the Secretary of the Supervisory Board, delegation of members of the Supervisory Board to temporarily fill in for members of the Management Board and for resolutions with respect to appointing, suspending and dismissing the CEO, members of the Management Board or the entire Management Board as well and taking decision to stop such suspension which are adopted in a secret ballot. Moreover, a secret ballot may be chosen on request of a member of the Supervisory Board.

The Supervisory Board appoints the Chairman and the Deputy Chairman of the Supervisory Board from its members and it may also select the Secretary of the Supervisory Board.

In accordance with the Regulations of the Supervisory Board, apart from appointing the audit committee and promotion and compensation Committee, provided for in the By-laws to properly perform its supervision, the Supervisory Board may appoint other permanent advisory and consultative committees whose competencies, composition and way of work is specified by regulations adopted by the Supervisory Board. The regulations of the Supervisory Board stipulate that the Supervisory Board and the appointed committees may use the services of experts and advisory companies.

Members of the Management Board, employees of the Company competent for the discussed issue selected by the Management Board and other persons invited by the Supervisory Board may take part in the meetings of the Supervisory Board; however, they cannot cast votes. In specific cases, the Supervisory Board of PZU may also invite members of the management board or a supervisory board of a different company in PZU Group. Moreover, members of the Supervisory Board, upon consent of the Supervisory Board, may select one advisor authorized to take part in the meetings of the Supervisory Board devoted to reports and financial statements, and give their advice, provided that such person respects confidentiality and signs a confidentiality statement.

At present, the following committees function as part of the Supervisory Board of PZU:

- Audit Committee;
- Promotion and Compensation Committee;
- Strategy Committee.

The By-laws provide for appointing an Audit Committee by the Supervisory Board. The Committee is composed of three members, including at least one independent member qualified in accounting or auditing. Detailed tasks and terms and conditions of appointing members of the Audit Committee and its functioning have been specified in a resolution of the Supervisory Board, which views relevant competencies and experience of the candidates for members of the Committee.

In accordance with the Regulations of the Audit Committee adopted by a resolution of the Supervisory Board, the Audit Committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the supervision of the correctness of financial reporting and of internal control, including internal audit and risk management, exercised by the Supervisory Board. Moreover, the Audit Committee may apply to the Supervisory Board for commissioning specific controls in the Company to be exercised by an internal or external entity.

The Supervisory Board appointed the Audit Committee on 3 June 2008. Composition of the Audit Committee as at 1 January 2015:

- Dariusz Filar – Chairman of the Committee;
- Dariusz Daniluk – Member of the Committee;
- Tomasz Zganiacz – Member of the Committee.

Dariusz Filar was indicated by the Supervisory Board as an independent member, having accounting and audit qualifications as defined in Article 86.4 of the Act on Statutory Auditors GLOSSARY.

In relation to the appointment of the Supervisory Board of PZU of the new term on 1 July 2015 by the General Shareholders' Meeting of PZU, at the session of 8 July 2015 the Supervisory Board of PZU established the following composition of the Audit Committee:

- Dariusz Filar – Chairman of the Committee;
- Dariusz Kacprzyk – Member of the Committee;
- Paweł Kaczmarek – Member of the Committee.

As at 31 December 2015, the composition of the Committee had not changed.

In relation to the changes in the composition of the Supervisory Board of PZU, on 19th January 2016 the Supervisory Board of PZU established the following composition of the Audit Committee:

- Marcin Chludziński – Chairman of the Committee;
- Jerzy Paluchniak – Member of the Committee;
- Paweł Kaczmarek – Member of the Committee.

In accordance with the Regulations of the Supervisory Board, once the Company's shares are quoted on the regulated market, as understood by the Act on Trading in Financial Instruments of 29 July 2005, the Supervisory Board may appoint a Promotion and Compensation Committee.

In accordance with the By-laws, detailed responsibilities and the method of appointing members of the Promotion and Compensation Committee, the way it works and remuneration are specified in a resolution of the Supervisory Board. The Committee should include at least one independent member. If the Supervisory Board includes five members elected in a vote, the Promotion and Compensation Committee is not appointed and its tasks are carried out by the entire Supervisory Board.

According to the regulations of the Promotion and Compensation Committee adopted by a resolution of the Supervisory Board of 4 April 2013, it is an advisory and consultative body to the Supervisory Board and is to improve efficiency of the Board's supervisory activities related to establishing the management structure, including organizational issues, remuneration system, remuneration principles and selection of properly qualified staff.

The Supervisory Board decided that the promotion and compensation committee would be composed of five persons. Composition of the Promotion and Compensation Committee as at 1 January 2015:

- Zbigniew Ćwiąkowski – Chairman of the Committee;
- Zbigniew Derdziuk – Member of the Committee;
- Dariusz Filar – Member of the Committee;
- Maciej Piotrowski – Member of the Committee;
- Tomasz Zganiacz – Member of the Committee.

In relation to the appointment of the Supervisory Board of PZU of the new term on 1 July 2015 by the General Shareholders' Meeting of PZU, at the session of 8 July 2015 the Supervisory Board of PZU established the following composition of the Promotion and Compensation Committee:

- Zbigniew Ćwiąkowski – Chairman of the Committee;
- Zbigniew Derdziuk – Member of the Committee;
- Dariusz Filar – Member of the Committee;
- Maciej Piotrowski – Member of the Committee;
- Paweł Kaczmarek – Member of the Committee.

As at 31 December 2015, the composition of the Promotion and Compensation Committee had not changed.

In relation to the changes in the composition of the Supervisory Board of PZU, on 19 January 2016 the Supervisory Board of PZU decided that the Promotion and Compensation Committee should consist of 4 people, while simultaneously establishing the following composition of the Committee:

- Radosław Potrzebacz – Chairman of the Committee;
- Marcin Gargas – Member of the Committee;
- Paweł Kaczmarek – Member of the Committee;
- Piotr Paszko – Member of the Committee.

The Committee is dissolved once five members of the Supervisory Board are elected in a vote cast in groups and its rights are then taken by the entire Supervisory Board.

According to the regulations of the Strategy Committee adopted by a resolution of the Supervisory Board of 4 April 2013, it is an advisory and consultative body to the Supervisory Board and is to improve efficiency of the Board's supervisory activities related to consulting of all strategic documents presented by the Management Board (in particular, the Company development strategy) and presenting the Supervisory Board with recommendations on planned investments that materially impact the Company's assets.

Composition of the Audit Committee as at 1 January 2015:

- Alojzy Nowak - Chairman of the Committee;
- Zbigniew Derdziuk – Member of the Committee;
- Aleksandra Magaczewska – Member of the Committee;
- Jakub Karnowski – Member of the Committee;
- Maciej Piotrowski – Member of the Committee.

In relation to the appointment of the Supervisory Board of PZU of the new term on 1 July 2015 by the General Shareholders' Meeting of PZU, at the session of 8 July 2015 the Supervisory

Board of PZU established the following composition of the Strategy Committee:

- Alojzy Nowak – Chairman of the Committee;
- Zbigniew Derdziuk – Member of the Committee;
- Aleksandra Magaczewska – Member of the Committee;
- Jakub Karnowski – Member of the Committee;
- Maciej Piotrowski – Member of the Committee.

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

In relation to the changes in the composition of the Supervisory Board of PZU, on 19 January 2016 the Supervisory Board of PZU decided that the Strategy Committee should consist of 6 people, while simultaneously establishing the following composition of the Committee:

- Alojzy Nowak – Chairman of the Committee;
- Marcin Chludziński – Member of the Committee;
- Marcin Gargas – Member of the Committee;
- Piotr Paszko – Member of the Committee;
- Radosław Potrzebacz – Member of the Committee;
- Maciej Zaborowski – Member of the Committee.

Management Board

Composition

In accordance with the By-laws of PZU, the Management Board is composed of three to seven members appointed for a shared term which includes three consecutive full financial years.

Members of the Management Board, including the CEO, are appointed and dismissed by the Supervisory Board. The CEO of the new term appointed before the end of the current term may apply to the Supervisory Board for appointing other members of the Management Board of the new term before the end of the current term.

Since 1 January 2015, composition of the Management Board was as follows:

- Andrzej Klesyk – Chairman of the Management Board;
- Przemysław Dąbrowski – Member of the Management Board;
- Dariusz Krzewina – Member of the Management Board;
- Tomasz Tarkowski – Member of the Management Board;
- Ryszard Trepczyński – Member of the Management Board.

On 30 June 2015, Ryszard Trepczyński's mandate of

a member of the Supervisory Board expired, and on 1 July 2015, the Supervisory Board of PZU established the following composition of the Management Board of the new term:

- Andrzej Klesyk – Chairman of the Management Board;
- Przemysław Dąbrowski – Member of the Management Board;
- Rafał Grodzicki – Member of the Management Board;
- Dariusz Krzewina – Member of the Management Board;
- Tomasz Tarkowski – Member of the Management Board.

On 1 September 2015, the Management Board of PZU appointed Witold Jaworski as a Member of the Management Board of PZU.

Therefore, since 1 September 2015, composition of the Management Board was as follows:

- Andrzej Klesyk – Chairman of the Management Board;
- Przemysław Dąbrowski – Member of the Management Board;
- Rafał Grodzicki – Member of the Management Board;
- Witold Jaworski – Member of the Management Board;
- Dariusz Krzewina – Member of the Management Board;
- Tomasz Tarkowski – Member of the Management Board.

On 8 December 2015, Andrzej Klesyk and Witold Jaworski submitted a statement of resignation coming into effect on 9 December 2015, and the Supervisory Board of PZU entrusted temporary performance of duties of CEO to Dariusz Krzewina.

As at 31 December 2015, composition of the Management Board was as follows:

- Dariusz Krzewina – acting as Chairman of the Management Board;
- Przemysław Dąbrowski – Member of the Management Board;
- Rafał Grodzicki – Member of the Management Board;
- Tomasz Tarkowski – Member of the Management Board.

The current term of the Management Board of PZU started on 1 July 2015 and will last until the end of three consecutive financial years. The mandates of members of the Management Board expire not later than on the date of the General Shareholders' Meeting approving the financial statements for the last full financial year of their term.

The scope of responsibility of the Members of the Management Board constituting the Management Board in 2015 has been presented below:

Name and surname (composition of the Management Board in 2015)	In PZU Group	Scope of responsibility
Andrzej Klesyk	Chairman of the Management Board of PZU between 14 December 2007 and 8 December 2015	Governing PZU Group
Dariusz Krzewina	Acted as Chairman of the Management Board of PZU between 9 December 2015 and 18 January 2016 Chairman of the Management Board of PZU Życie since 10 August 2007 Member of the Management Board of PZU since 15 March 2013 Joined the Group in September 1993	Corporate government, HR, corporate insurance, administration and logistics, bancassurance and reinsurance
Przemysław Dąbrowski	Member of the Management Board of PZU since 21 December 2010 Member of the Management Board of PZU Życie since 29 January 2010 Joined PZU Group in 2000	Finance, actuary
Rafał Grodzicki	Member of the Management Board of PZU between 1 July 2015 and 18 January 2016 Member of the Management Board of PZU Życie between 11 August 2008 and 19 January 2016 Joined PZU Group in February 2004	Insurance activities, foreign operations (international activities) and health business
Tomasz Tarkowski	Member of the Management Board of PZU between 21 April 2011 and 19 January 2016 Member of the Management Board of PZU Życie between 1 July 2011 and 29 January 2016 Joined PZU Group in 1996	Loss adjustment
Ryszard Trepczyński	Member of the Management Board of PZU / PZU Życie between 1 July 2011 and 30 June 2015	Investments
Witold Jaworski	Member of the Management Board of PZU between 1 September 2015 and 9 December 2015 Member of the Management Board of PZU Życie since 2 September 2015, Chairman of the Management Board of PZU Życie between 29 September 2015 to 9 December 2015	Individual insurance, marketing
Sławomir Niemierka	Member of the Management Board of PZU Życie / Director of the Group since 19 March 2012 Joined PZU Group in 2008	Risk management, reinsurance, compliance and safety
Tobiasz Bury	Member of the Management Board of PZU Życie / Director of the Group between 16 January 2014 and 29 January 2016 Joined PZU Group in 2009	Mass client insurance, governing the network of PZU branches and channels of distribution, contact center and post-sale support
Przemysław Henschke	Member of the Management Board of PZU Życie between 3 February 2012 and 29 January 2016 Director of PZU Group between 7 February 2012 and 29 January 2016	IT

The Management Board exercises all management rights which have not been reserved by the provisions of law or provisions of the By-laws for the General Shareholders' Meeting or the Supervisory Board. The Company may be represented by two members of the Management Board acting jointly or one member of the Management Board acting with a commercial proxy. The Management Board adopts its regulations which are approved by the Supervisory Board. The regulations of the Management Board were adopted by the Management Board on 2 October 2012, amended with a Resolution of the Board of 8 April 2013, and approved by a resolution of the Supervisory Board of 16 April 2013.

On 19 January 2016, Rafał Grodzicki and Tomasz Tarkowski submitted a statement of resignation, and the Supervisory Board of PZU established the following composition of the Management Board:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Beata Kozłowska-Chyła – Member of the Management Board;
- Robert Pietryszyn – Member of the Management Board;
- Paweł Surówka – Member of the Management Board, appointed on 20 January 2016.

Therefore, since 19 January 2016, composition of the Management Board has been as follows.

- Michał Krupiński – Chairman of the Management Board;
- Przemysław Dąbrowski – Member of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Beata Kozłowska-Chyła – Member of the Management Board;
- Dariusz Krzewina – Member of the Management Board;
- Robert Pietryszyn – Member of the Management Board;
- Paweł Surówka – Member of the Management Board (appointed on 20 January 2016).



Michał Krupiński – CEO of PZU since 19 January 2016

Michał Krupiński graduated from Warsaw School of Economics. He was awarded a diploma with distinction after the completion of expert studies in Economics at Catholic University in Louvain. Completed an MBA program at Columbia University Graduate School of Business and, what is more, studied at Harvard University. In 2012, was awarded the title of Young Global Leader by the Davos World Economic Forum. He is fluent in the following languages: English, French, German and Spanish.

Since 2011, he has been the CEO of Merrill Lynch Polska and Head of Investment Banking for Central and Eastern Europe in Bank of America Merrill Lynch. His responsibilities concern governing and managing the projects centered on mergers and acquisitions and financing in private and public markets. His advisory activities focused on asset management, investment policy and capital structure, i.a. in banking and insurance sector. Previously, between 2008 and 2011, he was the Alternate Executive Director – Member of the Board of Directors at the World Bank in Washington, D.C. He co-decided on the proposals concerning IBRD loans and guarantees, IDA loans and guarantees, IFC, investment guarantees and strategy and policies of the World Bank. Between 2006 and 2008 he was the Undersecretary of State in the Ministry of State Treasury, where he was responsible i.a. for ownership supervision. He supervised the program of energy sector consolidation.



Dariusz Krzewina – CEO of PZU Życie since 10 August 2007, Member of the Management Board in PZU since 15 March 2013

Dariusz Krzewina graduated from the Faculty of Economy and Sociology of the University of Łódź and post-graduate studies in insurance at Warsaw School of Economics. He has worked in the insurance industry for many years. From September 1993 to August 1998 he was employed in PZU Życie as Head of Sales Department, Deputy Director and Director of the Insurance Office. From September 1997 to September 1998 he was a Member of the Management Board of PZU Życie. In the period from September 1998 to March 2000, he was the General Sales Director and, from April 2000 to August 2001, a Member of the Management Board of STUnŻycie ERGO HESTIA S.A. From April 2002, he was a Sales Director and from October 2002 to June 2004 he was the CEO and the Sales Director at SAMPO TUnŻ S.A. In August 2004, he was appointed the Director of the Group Insurance Office in PZU Życie and in January 2006 he started his work as the Coordinating Director in charge of Corporate Clients. He has been in the Management Board of PZU Życie since March 2007. From August 2007 to September 2015 and, again, since 29 January 2016 he has been holding the position of the CEO. From 1 February 2010 to 14 March 2013 Director in PZU Group. Member of the Management Board of PZU since 15 March 2013. Between 9 December 2015 and 18 January 2016, he acted as CEO. He is in charge of corporate, financial insurance, life operations, agency sale of life insurance and products management of life insurance.



Przemysław Dąbrowski – Member of the Management Board in PZU since 21 December 2010 / PZU Życie since 29 January 2010

Przemysław Dąbrowski graduated from the University of Warsaw, the Faculty of Information Technology and a Post-Graduate Management Course. He graduated from MBA studies at the University of Illinois and from the Warsaw-Illinois Executive MBA program. He has vast experience in financial management services for the insurance sector, in managing financial investments and large financial transactions. He has knowledge and experience in accounting, tax and actuarial issues. He started his professional career in 1993. From 1993 to 1998 he worked at Whirlpool Polska sp. z o.o. as an analyst and financial controller. In 1998–2000 he was the Treasurer at AIG Poland. In the years 2000–2001, he was the Financial Director and a Member of the Management Board of Creative Team S.A. (the Elektrim Group). From 2001 to 2006, he was the Planning and Controlling Director at PZU. In 2006–2008, he worked at at Kearney and Accenture as a Manager and a Senior Manager. From October 2008 to March 2009, he held the function of the Director – Deputy Head of Financial Division in the Head Office of PZU and PZU Życie. From November 2008 to February 2009, he was the Planning and Controlling Director in the Head Office of PZU and PZU Życie, and in March 2009 he was appointed the Information Management Director in the Head Office of PZU and PZU Życie. He has been holding the position of a Member of the Management Board of PZU Życie since January 2010. He has been holding the position of a Member of the Management Board of PZU since December 2010. In PZU Group, he is responsible for finance, accounting operations, debt collection and actuary.



Roger Hodgkiss – Member of the Management Board in PZU from 19 January 2016 / PZU Życie from 29 January 2016

He has many years of experience in financial services. He graduated with honors from the University of Liverpool as an engineer. He is a Statutory Auditor, certified in the United Kingdom. Between 1998 and 2007, he worked for GE Capital on various management positions concerning finance. In the years 2007–2008, he held the position of the CEO of AAS Balta – the largest insurance company in Latvia. From 2008 to 2009, he worked as Sales Director in Intouch Insurance Group, a holding company part of RSA Group. Since 2009, he has been in the Management Board of Link4 Towarzystwo Ubezpieczeń S.A., and since 2012 has been the CEO. He was awarded prize of „Gazeta Ubezpieczeniowa”: the title of Człowiek Roku Ubezpieczeń 2014 (Man of the Year in Insurance). In PZU Group, he is responsible for retail sale of non-life insurance, sales support, direct channels, sales network, CRM and product management of non-life insurance.



Beata Kozłowska-Chyła – Member of the Management Board in PZU since 19 January 2016 / PZU Życie since 29 January 2016

She is a PH.D. of Laws and a lecturer at the Faculty of Law and Administration of the University of Warsaw, where she graduated. Between 1994 and 1997, she was a trainee legal advisor and entered the list of legal advisors of Regional Chamber of Legal Advisors in Warsaw. In 2015, the Central Committee for Degrees and Titles took action in order to award Beata Kozłowska-Chyła with habilitation in Legal Sciences. She was performing the functions of the Director of State Company „Uzdrowsko Konstancin” in Konstancin-Jeziorna. She was the Deputy Director of the Legal and Licensing Department of the Pension Funds Supervisory Authority (UNFE). Between 2000 and 2007, she was a lecturer at the College of Public Administration in Ostrołęka. She also was the Deputy Dean of the Faculty of Administration at Public Administration University in Ostrołęka. She was an advisor to the Minister of Finance. She was a Member of the Supervisory Board of PZU and then a Member of the Management Board of PZU. Moreover, she performed a function of a Member of the Supervisory Board of TFI PZU and PTE PZU, and also of a Member of the Supervisory Board of Telewizja Polska S.A. Until January 2016, she provided legal advice in a legal advisory office. What is more, since 2010, she has been a recommended arbitrator of the Arbitration Court of the Polish Chamber of Commerce in Warsaw. Authored a number of scientific publications concerning company law, securities law and issues of ownership transformation and privatization of state companies. She is also the author of legal expert opinions prepared on the order of the Parliament, covering i.a. the draft of the Act on Financial Market Supervision. She is involved in teaching activities at the Faculty of Law and Administration of the University of Warsaw and the Faculty of Economics at the University of Warsaw. In PZU Group, she is responsible for administration, purchases, non-life operations (post-sale contract support), legal activities.



**Robert Pietryszyn – Member of the Management Board in PZU since 19 January 2016
/ PZU Życie since 29 January 2016**

Graduate from the Faculty of Law, Administration and Economics of the University of Wrocław, Master of Business Administration (MBA) studies and Post-graduate Management Studies „Company Management” at the Oscar Lange University of Economics in Wrocław. He started his professional career as a Management Board proxy for Kronn sp. z o.o., where, between 2001 and 2004, he worked on financial risk management, receivables purchasing and representation concerns (i.a. acquisition of several major entities). Between 2004 and 2006, he worked as a Project Consultant/Project Manager at PROFES Capital sp. z o.o. and focused on the area of investment banking: company restructuring, mergers transactions, financing (Polcolorit S.A.) and crisis management. In 2006, he was employed as an Expert for PKO BP S.A., where he worked on optimization of bank’s operations and cost restructuring. At the same time, he was also a Member of the Management Board in charge of organization and strategy in Dolfamex sp. z o.o. Between 2006 and 2008, he was associated with Grupa Kapitałowa KGHM Polska Miedź S.A. Between 2008 and 2011, he was running his own business (consulting services). His activities covered economic counseling concerning restructuring of business areas, strategic advice, and marketing. From January 2011 to January 2016, he was the CEO of Wrocław 2012 sp. z o.o. (Municipal Stadium, Wrocław). His activities focused on supervising investment process (the biggest investment in the history of post-war Wrocław: PLN 900 million), strategy and business operations. At present, he is also a Member of the Supervisory Board of LOTOS Group S.A. In the past, he used to perform the role of a Member of the Supervisory Board of the following companies: DOLMED SA, Polcolorit SA (company quoted on WSE), Wrocław 2012 sp. z o.o., Radio Merkury S.A. (Chairman of the Supervisory Board), WKS Zawisza Bydgoszcz S.A., PGE Dystrybucja Rzeszów sp. z o.o. (Chairman of the Supervisory Board), Ruch S.A. (Chairman of the Supervisory Board, company quoted on WSE), Pri Bazalt S.A. (Deputy Chairman of the Supervisory Board). In PZU Group, he is responsible for foreign operations (international activity), health business, marketing, client relation management, bancassurance and property management.



Paweł Surówka – Member of the Management Board in PZU since 20 January 2016 / PZU Życie since 29 January 2016

Graduate of Université Paris I Panthéon Sorbonne and Ecole des Hautes Etudes en Sciences Sociales (EHESS). Completed his main studies at Ludwig Maximilian Universität (LMU) in Munich. Between 2007 and 2013, he worked as a financial advisor at Bank of America Merrill Lynch. He represented the Bank in the CEE region by building relationships with investors. His activities covered counseling on portfolio management, asset allocation and their diversification, alternative financial instruments and market analysis. From 2013 to 2015, he was a Member of the Management Board of Boryszew S.A., the Office Director in charge of automotive sector development, and the CEO of the subsidiaries from the automotive sector. During his time spent in Boryszew Group, he was responsible for strategic and operational management and supervision over budget policy of the motor sector. His activities covered preparation and implementation of a business strategy for automotive area. Moreover, he was responsible for mergers and acquisitions performed as a part of expansion policy and disinvestment of Boryszew Group. He also led restructuring processes of the companies from motor sector. Until January 2016, he was an advisor to the CEO of PKO Bank Polski S.A., and the Director of Corporate Banking and Investments in Germany responsible for opening the first foreign corporate branch of PKO Bank Polski. His activities covered also counseling and financial processing for the largest corporate clients of PKO Bank Polski concerning their expansion and foreign operations. He is fluent in English, French and German. In PZU Group, he is in charge of investments.



Sławomir Niemierka – Member of the Management Board of PZU Życie and Director in PZU Group since 19 March 2012

He graduated from the Faculty of Law and Administration at the University of Warsaw and from Harvard Business School. He has the qualifications of legal advisor. Co-authored a number of publications on financial law and bank supervision. He was an academic teacher at post-graduate courses at Polish Academy of Sciences, the University of Warsaw and the Academy of Insurance and Finance. For many years, he worked in the National Bank of Poland, where he headed the Inspection Office responsible for inspections carried out in banks. Member of a Steering Committee of the General Inspectorate of Banking Supervision in charge of the implementation of the second Basel Accord, supervision over risk models, operational risk and accounting standards. He was in a Team in charge of the development of the risk management system in the National Bank of Poland. As a Member of the Management Board of the Bank Guarantee Fund, he supervised the operational risk management system. He joined PZU Group in 2008 and was appointed the Managing Director in charge of auditing. On 19 March 2012, he joined the Management Board of PZU Życie and was appointed the Director of PZU Group. He is in charge of risk management, reinsurance, compliance and safety.

Tomasz Karusewicz – Member of the Management Board of PZU Życie and Director in PZU Group since 29 January 2016

Graduate from the Faculty of Economic Sciences and Management at the University of Szczecin – specialization company management. Is also a Certified Internal Auditor and qualified to sit on supervisory boards of the State Treasury companies. He gained his experience and vast practical knowledge on functioning of large economic entities during his work in the area of supervision, institutional control and internal audit. As a member of supervisory boards of commercial law companies, he participated in decision-making processes which were strategically vital to current operations of these entities, concerning i.a. such areas as: investments, planning, IT strategy, acquisition, or finance operations. Between 2003 and 2005, he was employed by the Municipal Office of Szczecin. He worked in the Internal Control Division, and afterwards he was an internal auditor. From 2006 to 2008, he worked in Ciech Group. He was a Member of the Supervisory Board of Ciech S.A. He was also the Deputy Director of the Ownership Supervision Office, where he was performing ownership supervision over the companies of Ciech Group. In addition, he was a Member of the Supervisory Boards of the companies of Ciech Group, i.e. Zakłady Chemiczne Alwernia S.A. and Ciech Polfa Sp. z o.o. From 2007 to 2009, he worked as the Deputy Director of the Foreign Investments Office (Business Development Office) at PZU. Between 2010 and 2012, he worked in Telewizja Polska S.A. At first, as the Deputy Director of the Office of the Management Board and Corporate Issues, then – as the Director of the Audit and Internal Control Office. Moreover, he sat in management boards of many companies, i.a. Enea S.A., IKS Solino S.A. and Zakłady Azotowe w Tarnowie – Mościcach S.A. At the present he is a Member of Supervisory Board of Azoty S.A. Group. Since January 2016 again employed in PZU. He is a Member of Supervisory Board in PZU Życie, he is in charge of IT.



Roman Pałac – Member of the Management Board of PZU Życie and Director in PZU Group since 29 January 2016

Graduate from Economy at Warsaw School of Economics. He earned the title of Master of Business Administration (MBA) at London Business School along with the dean's award for the best graduates. He has many years of experience in financial services in Poland and abroad. In 2003-2007, he worked as a Project Manager in the World Bank where he was responsible for preparing and coordinating the implementation of borrowing programs that were aimed to introduce policies to improve energy efficiency in the CEE countries. He coordinated also the works on a coal industry reform in Poland. In 2009-2016, he has collaborated with The Boston Consulting Group, where he has held the position of a Junior Partner and was responsible for insurance and banking consulting e.g. in the following fields: motor claims handling, organizational changes, business strategy creation, and intensification of sales operations. He took part in several bank mergers where he acted as an expert. In PZU Group, he is in charge of Claims Handling and Benefits.

The regulations of the Management Board determine:

- the scope of Management Board's competencies and activities that require approval or confirmation by the Supervisory Board;
- competencies of the CEO and Members of the Management Board;
- principles and organization of Board's activities, including its meetings and decision making procedures;
- rights and obligations of the Members of the Management Board upon dismissal.

In accordance with the regulations of the Management Board, resolutions of the Management Board are especially required for:

- adoption of a long-term plan for development and operations of the company;
- adoption of an action and development plan for PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- approval of the financial statements for the previous financial year and the Management Report on the activities of the company;
- approval of a motion concerning profit distribution or loss coverage;
- determination of premiums in the compulsory and voluntary insurance and general voluntary insurance terms and conditions;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- adoption of an annual audit and control plan and a report on its implementation with conclusions;
- determination of the terms and conditions of investments, prevention and sponsoring;
- giving sureties and guarantees (excluding insurance operations) and taking out and giving credit facilities or loans by the Company (excluding credit facilities and loans given from the Company's Social Benefits Fund);
- appointment of a commercial representation.

In accordance with the regulations, meetings of the Management Board are held at least once a fortnight. The work of the Management Board is administered by the CEO whose powers include in particular:

- defining the scope of responsibility of each member of the Management Board;
- calling meetings of the Management Board;
- setting the agenda of the meeting of the Management Board;

- applying to the Supervisory Board for appointing and dismissing members of the Management Board;
- designating a person to administer the work of the Management Board during the absence of the CEO.

The work of the Management Board is administered by the CEO who defines the scope of responsibility of each member of the Management Board.

Resolutions of the Management Board are adopted only in the presence of the CEO or a person designated to administer the work of the Management Board during their absence.

Resolutions of the Management Board are adopted by an absolute majority of votes and in the event of a voting tie the CEO has the casting vote. The Management Board, upon consent of the CEO, may adopt resolutions in writing, on paper or in an e-form (i.e. using means of distant communication and a qualified electronic signature). The By-laws also provide that the meetings of the Management Board may be held using means of direct distant communication.

The CEO takes decisions in the form of orders and official instructions. Other Members of the Management Board administer the operations of the Company within the scope specified by the CEO.

The By-laws of PZU do not provide for any special rights of the Management Board concerning decisions to issue or redeem shares.

9 Remuneration of the members of the Group's bodies

Employment contracts concluded with the Members of the Management Board, approved by resolution of the Supervisory Board, do not include compensation for resignation or dismissal from their positions without a valid reason, or if the dismissal results from a business combination through an acquisition of the issuer.

Separate non-competition agreements regulate among others refraining from post-employment competition with PZU in exchange for damages. In 2014–2015, PZU Group companies included in consolidation did not grant any loans or similar benefits to members of their management boards, higher level managers or members of their supervisory boards.

Compensation and other short-term employee benefits paid by PZU (PLN 000)	1 January – 31 December 2015		1 January – 31 December 2014	
		including bonuses and special prizes:		including bonuses and special prizes:
Management Board, including:	8,124	2,862	8,226	2,812
Andrzej Klesyk	2,970	1,170	2,714	914
Przemysław Dąbrowski	1,112	371	1,054	313
Dariusz Krzewina	1,281	507	1,314	534
Tomasz Tarkowski	995	332	891	228
Ryszard Trepczyński ¹	1,194 ²	482	1,165	424
Rafał Grodzicki ³	312	-	-	-
Witold Jaworski ⁴	260	-	-	-
Barbara Smalska ⁵	-	-	1,088	399
Contracts concluded with high level managers – High level management (Directors of PZU Group), including:	3,799	1,530	3,717	1,193
Rafał Grodzicki ³	624	312	936	312
Przemysław Henschke	936	312	936	312
Sławomir Niemierka	963	300	860	199
Tobiasz Bury	1,276	606	985	370 ⁶
Supervisory Board, including:	1,224	-	1,221	-
Zbigniew Ćwiąkowski	180	-	168	-
Paweł Kaczmarek	84	-	-	-
Dariusz Filar	132	-	120	-
Aleksandra Magaczewska	156	-	97	-
Tomasz Zganiacz	72	-	144	-
Zbigniew Derdziuk	120	-	120	-
Dariusz Kacprzyk	120	-	64	-
Jakub Karnowski	120	-	64	-
Alojzy Nowak	120	-	120	-
Maciej Piotrowski	120	-	120	-
Waldemar Maj	-	-	90	-
Dariusz Daniluk	-	-	57	-
Włodzimierz Kiciński	-	-	57	-

Total estimated valued of benefits in kind allocated by PZU and its subsidiaries (PLN thousands)	1 January – 31 December 2015		1 January – 31 December 2014	
		including bonuses and special prizes:		including bonuses and special prizes:
Management Board, including:	3,310	1,279	2,942	996
Przemysław Dąbrowski	799	400	599	200
Dariusz Krzewina	690	273	553	133
Tomasz Tarkowski	536	179	536	179
Ryszard Trepczyński ¹	643 ²	259	658	259
Rafał Grodzicki ³	504	168	-	-
Witold Jaworski ⁴	138	-	-	-
Barbara Smalska ⁵	-	-	596	225
Contracts concluded with high level managers – High level management (Directors of PZU Group), including:	1,546	492	1,844	478
Rafał Grodzicki ³	-	-	455	119
Przemysław Henschke	504	168	455	119
Sławomir Niemierka	464	107	427	70
Tobiasz Bury	578	217	507	170 ⁶

Total estimated valued of benefits in kind allocated by PZU and its subsidiaries (PLN thousands)	1 January – 31 December 2015		1 January – 31 December 2014	
Management Board, including:	1,224		1,307	
Andrzej Klesyk	298		282	
Przemysław Dąbrowski	191		186	
Dariusz Krzewina	209		217	
Tomasz Tarkowski	178		191	
Ryszard Trepczyński ¹	179		226	
Rafał Grodzicki ³	129		-	
Witold Jaworski ⁴	40		-	
Barbara Smalska ⁵	-		205	
Contracts concluded with high level managers – High level management (Directors of PZU Group), including:	600		908	
Rafał Grodzicki ³	44		170	
Przemysław Henschke	167		203	
Sławomir Niemierka	176		358	

Total estimated valued of benefits in kind allocated by PZU and its subsidiaries (PLN thousands)	1 January – 31 December 2015	1 January – 31 December 2014
Tobiasz Bury	213	177
Supervisory Board, including:	11	-
Zbigniew Cwiąkański	10	-
Jakub Karnowski	1	-

¹ Ryszard Trepczyński has not been appointed to the Management Board of PZU new term of office, which run began on 1 July 2015.

² The indicated amounts include remuneration for non-competition PLN 185 thousand (PZU) and PLN 100 thousand (PZU Życie) and the remuneration for the notice period.

³ Rafał Grodzicki was dismissed from the position of Director of the PZU Group on 30 June 2015 and appointed to the Management Board of PZU new term of office, which run began on 1 July 2015.

⁴ Witold Jaworski was appointed to the Management Board of PZU on 1 September 2015.

⁵ Barbara Smalska submitted a statement of resignation on 6 October 2014 into effect on 31 December 2014, in 2015 she received the remuneration for the notice period and for the non-competition in the amount of PLN 974 thousand (PZU) and PLN 525 thousand (PZU Życie) and PLN 71 thousand for non-cash benefits.

⁶ WThe indicated amount is the premium for 2013 years for performing other functions in PZU and PZU Życie.

Rules of granting annual bonuses to the Members of the Management Board

The bonuses of the Management Board's Members are dependent on their performance for the financial year. They are awarded by the Supervisory Board after the approval of the financial statements for the year.

The bonus amount depends on the performance of the business area supervised by the given Member of the Management Board; however, the areas that affect business results have much greater impact on remuneration than the support areas.

Group Directors

Positions of PZU Group Directors were established at PZU in relation to the implementation of the management model, according to which Members of the Management Board of PZU Życie as PZU Group Directors are in charge of the same business areas and functions in both companies. The positions of PZU Group Directors are established based on Organizational Regulations of PZU (paragraph 20, item 3).

As at 1 January 2015, PZU Group Directors were the following:

- Rafał Grodzicki;
- Przemysław Henschke;
- Sławomir Niemierka;
- Tobiasz Bury.

On 1 July 2015, the Supervisory Board of PZU appointed Rafał Grodzicki as a Member of the Management Board of PZU.

As at 31 December 2015, PZU Group Directors were the following:

- Tobiasz Bury;
- Przemysław Henschke;
- Sławomir Niemierka

On 29 January 2016, Tomasz Karusewicz was appointed a Director of the Group, and on 15 February 2016 Roman Pałac also was appointed to perform this function. Moreover, on 29 January the following people ceased to hold the position of Director of the Group: Tobiasz Bury and Przemysław Henschke.

As at the date of preparation of this Report on the activities, the following people have been performing the role of a Director of PZU Group:

- Sławomir Niemierka;
- Tomasz Karusewicz;
- Roman Pałac.