

# PZU (2016)

- report on the application of corporate governance



Warsaw 15 March 2017



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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 principles 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. The document accepted by the Resolution of WSE Council regarding amendments to the Good Practices of Companies Quoted on WSE of 21 November 2012 was effective between 1 January 2013 and 31 December 2015.

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 and on the PZU's corporate website ([www.pzu.pl](http://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, the relations with stakeholders are based on our internal PZU Code of Good Practices. The document is available on the website: <http://www.pzu.pl>.

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

The rules are a set of guidelines, which should be used by supervised entities from 1 January 2015 under the applicable law and with respect to the principle of proportionality.

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

## 2 Application of Best Practices of WSE Listed Companies

In 2016, PZU followed the recommendations and regulations expressed in the Good Practices of Companies Quoted on WSE, except for recommendation IV.R.2 which refers to enabling the shareholders to participate in general shareholders' meeting using electronic means of communication, especially by:

- real-time broadcast of the general shareholders' meeting,
- mutual real-time communication which allows shareholders to speak at the general shareholders' meeting, while physically being in a different location than the place where the meeting is held,
- exercising, in person or via proxy, voting right at the general shareholders' meeting.

At the moment, the PZU shareholders can watch a broadcast of the general shareholders' meeting. The company, however, has not made a decision to introduce a so-called e-GSM. PZU believes that there is a number of technical and legal factors which may obstruct the proper course of general shareholders' meeting. The legal concerns refer to the possibility of identification of shareholders and checking relevant documents of GSM participants. The risk related to technical problems, such as the Internet connection or a potential external interference with IT systems, may disturb the operations of the general shareholders' meeting and raise doubts as to the effectiveness of resolutions adopted in the course of such a meeting. If such risks materialize, this may impact proper application of the relevant principle as a whole.

Moreover, the following rules do not apply to PZU:

- Rule I.Z.1.10 that refers to presenting on PZU's corporate website financial forecasts – provided that the company has decided to publish them – published at least over the last 5 years, along with the information on the degree of their materialization, because as at these financial statements PZU SA was not publishing financial forecasts and estimations;
- Rule III.Z.6 that refers to non-distinguishing of an internal auditing function in a company's organization, because such a function was distinguished in PZU's organization;
- Recommendation IV.R.3 that refers to a situation where securities issued by a company are traded in several different countries (or on several markets) and in different legal systems, because PZU's securities are traded exclusively on the Polish market.

Information on the PZU's application of recommendations and rules included in Good Practices of Companies quoted on WSE 2016 was published by the Company on 24 March 2016.

### 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:

- rule specified in § 8 section. 4. the 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;
- rule specified in § 21 section. 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;
- rule specified in § 49 section 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 refrained from fulfilling 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 shareholders should be reflected in a basic act regulating operation of the institution.”
  - derogation from applying the principle is justified by the unfinished privatization of the Company carried out by the State Treasury;
- rule 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.”
  - derogation from applying the principle is justified by the unfinished privatization of the Company carried out by the State Treasury;
- rule 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:

- rule specified in § 11.3 in the following 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;
- rule 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;

- rule 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 an Independent Member and at least one 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 18 February 2014, the Supervisory Board of PZU appointed KPMG Audyty 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.

The scope of the agreement includes in particular:

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

<b>Fee of the entity authorized to audit financial statements</b>	<b>1 January–31 December 2016</b>	<b>1 January–31 December 2015</b>
statutory audit of annual financial statements	1,365	1,488
other attestation services	1,350	248
tax advisory services	-	
other services	27	27
<b>Total</b>	<b>2,742</b>	<b>1,763</b>

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

The work referred to above includes 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.

## 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 shares of PZU by decreasing the nominal value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares which constitute the share 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 shares 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.

On 27 April 2016, a notice from the Ministry of Treasury was delivered to PZU that informed about a decrease in State Treasury's share in the total number of votes and share capital of PZU. As per the above notice, that share amounted to 34.19% as at 31 March 2016.

As per the current report no. 17/2017, at the PZU SA Ordinary Shareholders' Meeting that was opened on 18 January 2017 and continued on 8 February 2017, the following shareholders held the majority share packages: State Treasury that held

295 217 300 of shares, which constituted 34.19% of PZU share capital and translated into 295 217 300 votes at General Shareholders' Meeting, and Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK that held 44 260 000 of shares, which constituted 5.13% of PZU share capital and translated into 44 260 000 votes at General Shareholders' Meeting.

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 2016, 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 voting right restriction does 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.

In line with the PZU's By-laws, the above voting restrictions will expire 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.

### Shares or rights to shares held by persons managing or supervising

Neither as at the date of conveying this Management Report, nor as the date of conveying the PZU Group Management Report for 2015 (i.e. 15 March 2016) did any of the members of the Management Board or the Supervisory Board or the Directors of the PZU Group hold any PZU shares or rights to PZU shares.

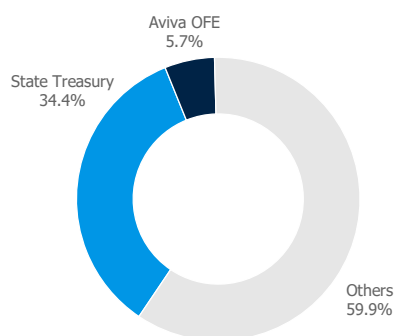
Votes from shares of PZU are not restricted.

## 7 PZU's Articles of Association

### Amendments to the By-laws

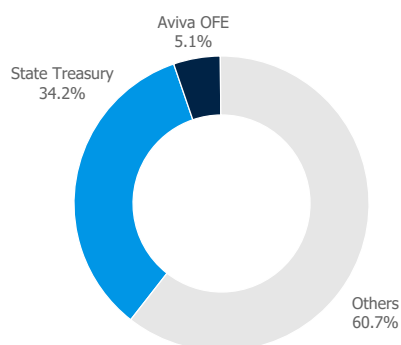
The By-laws of PZU can be amended by the General Shareholders' Meeting in the form of a resolution passed by a majority of three fourths of votes. In cases specified in the Act on Insurance Activity GLOSSARY such change must be approved by the PFSA and then recorded in the National Court Register. The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

### PZU shareholding structure as at 31 December 2015



Source: current report no. 3/2016

### PZU shareholding structure as at 31 December 2016



Source: current report no. 17/2017

## 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 and the By-laws.

The By-laws are available on PZU's corporate website ([WWW.PZU.PL](http://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 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 combination 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](http://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 or number of represented shares. Ballots are open. The secret ballot vote 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 method 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, 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 GLOSSARY and Their Self-Governing Body, Auditing Firms and on Public Oversight. 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 2016:

- Zbigniew Cwiąkański – Chairman of the Supervisory Board;
- Paweł Kaczmarek – Deputy Chairman of the Supervisory Board;
- Dariusz Filar – Secretary of the Board;
- Zbigniew Derdziuk – Member of the Board;
- Dariusz Kacprzyk – Member of the Board;
- Jakub Karnowski – Member of the Board;
- Aleksandra Magaczewska – 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 7 January 2016, the Extraordinary General Shareholders' Meeting of PZU dismissed the following people from the Supervisory Board of the Company, with effect on 7 January 2016: Zbigniew Cwiąkański, 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 Potrzezszcz and Jerzy Paluchniak.

On 19 January 2016, Paweł Kaczmarek was appointed Chairman of the Supervisory Board, Marcin Gargas – Deputy Chairman, and Maciej Zaborowski – Secretary of the Board.

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

- Paweł Kaczmarek – Chairman of the Supervisory Board;
- Marcin Gargas – Deputy Chairman of the Supervisory 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 Potrzezszcz – Member of the Board.

Marcin Gargas, Maciej Zaborowski, Marcin Chludziński, Eligiusz Krześniak, Alojzy Nowak, Piotr Paszko and Radosław Potrzezszcz fulfilled the criteria of Independent Members of the Supervisory Board.

On 1 July 2016, Jerzy Paluchniak resigned from his membership in the PZU Supervisory Board as at 1 July 2016. On 1 July 2016, the General Shareholders' Meeting of PZU appointed Piotr Walkowiak as a Member of the Supervisory Board, effective as of 2 July 2016.

Therefore, since 2 July 2016, composition of the Supervisory Board of PZU was as follows:

- Paweł Kaczmarek – Chairman of the Supervisory Board;
- Marcin Gargas – Deputy Chairman of the Supervisory 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;
- Piotr Paszko – Member of the Board;
- Radosław Potrzezszcz – Member of the Board;
- Piotr Walkowiak – Member of the Board.

On 7 July 2016, acting under § 20 section 7 of PZU's By-laws, the Minister of Treasury of the Republic of Poland appointed Jerzy Paluchniak as a Member of the Supervisory Board of PZU, and therefore the composition of the Board was as follows:

- Paweł Kaczmarek – Chairman of the Supervisory Board;
- Marcin Gargas – Deputy Chairman of the Supervisory 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 Potrzezszcz – Member of the Board;
- Piotr Walkowiak – Member of the Board.

On 4 August 2016, Piotr Walkowiak resigned from his membership in the PZU Supervisory Board as at 4 August

2016. Therefore, since 5 August 2016, composition of the Supervisory Board of PZU was as follows:

- Paweł Kaczmarek – Chairman of the Supervisory Board;
- Marcin Gargas – Deputy Chairman of the Supervisory 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 Potrzezszcz – Member of the Board.

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. 2016 was the first financial year of the company. 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 8 February 2017, Eligiusz Krześniak resigned from his membership in the Supervisory Board with immediate effect.

On 8 February 2017, as of 8 February 2017 the Extraordinary Shareholders' Meeting of PZU dismissed from the Supervisory

### The PZU's Supervisory Board composition as at 31 December 2016

Name and surname	Term of office of the member of the Supervisory Board of PZU
Paweł Kaczmarek	Deputy Chairman of the Board from 8 July 2015 to 18 January 2016 Chairman of the Board since 19 January 2016 Member of the Board since 30 June 2015
Marcin Gargas	Deputy Chairman of the Board since 19 January 2016 Member of the Board since 7 January 2016
Maciej Zaborowski	Secretary of the Board since 19 January 2016 Member of the Board since 7 January 2016
Marcin Chludziński	Member of the Board since 7 January 2016
Eligiusz Krześniak	Member of the Board since 7 January 2016
Alojzy Nowak	Member of the Board since 7 January 2016
Jerzy Paluchniak	Member of the Board since 7 January 2016 (excluding 2-6 July 2016)
Piotr Paszko	Member of the Board since 7 January 2016
Radosław Potrzezszcz	Member of the Board since 7 January 2016

Board of the Company the following members: Marcin Gargas, Piotr Paszko and Radosław Potrzezszcz.

Simultaneously, on 8 February 2017, it appointed the following people to the Supervisory Board of PZU: Agata Górnicka, Łukasz Świerzewski, Paweł Górecki, Bogusław Banaszak.

Therefore, from 9 February 2017 to the date of signing the separate financial statements, the composition of the Supervisory Board of PZU was as follows:

- Paweł Kaczmarek – Chairman of the Supervisory Board;
- Maciej Zaborowski – Secretary of the Board;
- Bogusław Banaszak – Member of the Board;
- Marcin Chludziński – Member of the Board;
- Paweł Górecki – Member of the Board;
- Agata Górnicka – Member of the Board;
- Alojzy Nowak – Member of the Board;
- Jerzy Paluchniak – Member of the Board;
- Łukasz Świerzewski – Member of the Board.

As at 14 March 2017 Paweł Kaczmarek and Maciej Zaborowski resigned from the functions performed at the presidium of the Supervisory Board of PZU and, from the same day, Paweł Górecki was appointed to the function of the Chairman of the Supervisory Board of PZU, Łukasz Świerzewski the Deputy Chairman and Alojzy Nowak the Secretary.

With regard to the above from 14 March 2017 the composition of the Supervisory Board of PZU was as follows:

- Paweł Górecki – Chairman of the Board;
- Łukasz Świerzewski – Deputy Chairman of the Supervisory Board;
- Alojzy Nowak – Secretary of the Board;
- Bogusław Banaszak – Member of the Board;
- Marcin Chludziński – Member of the Board;
- Agata Górnicka – Member of the Board;
- Paweł Kaczmarek – Member of the Board;
- Jerzy Paluchniak – Member of the Board;
- Maciej Zaborowski – Member of the Board.

### The PZU's Supervisory Board composition as at 14 March 2017

Name and surname	Term of office of the member of the Supervisory Board of PZU
Paweł Górecki	Chairman of the Board since 14 March 2017 Member of the Board since 8 February 2017
Łukasz Świerzewski	Deputy Chairman of the Board since 14 March 2017 Member of the Board since 8 February 2017
Alojzy Nowaki	Secretary of the Board since 14 March 2017 Member of the Board since 7 January 2016
Bogusław Banaszak	Member of the Board since 8 February 2017
Marcin Chludziński	Member of the Board since 7 January 2016
Agata Górnicka	Member of the Board since 8 February 2017
Paweł Kaczmarek	Member of the Board since 30 June 2015
Jerzy Paluchniak	Member of the Board since 7 January 2016 (excluding 2-6 July 2016)
Maciej Zaborowski	Member of the Board since 7 January 2016



**Paweł Górecki – Chairman of the Supervisory Board since 14 March 2017**

He graduated from the Faculty of Law and Economy at the University of Wrocław and from Post-graduate Studies. Holder of the scientific degree of doctor of laws. Completed judge's and legal adviser's internship, entered on the list of legal advisers. Attended numerous courses and seminars in evidence, civil, and criminal law as well as public entity management and public procurement planning and implementation. Authored dozens of reviewed publications in scope of law published in Polish and foreign science magazines and numerous unpublished legal opinions. Active guest of scientific conferences organized by Polish academic centers. University lecturer. Specializes in handling legal matters for corporations and applying administrative, fiscal, and court and administrative proceedings.



**Łukasz Świerżewski – Deputy Chairman of the Supervisory Board since 14 March 2017**

Graduate from the Faculty of International Relations at the University of Warsaw. Doctor of economics. Obtained degree of doctor from the Collegium of Business Administration at the Warsaw School of Economics. Warsaw School of Economics lecturer for postgraduate studies. Associated with PKO Bank Polski for a period of three years. Jobs there included Director of the Department of Corporate Communication and said department's coordinator of the Strategic Projects and Analysis Group. Previously worked as assistant editor-in-chief of Harvard Business Review Poland and director of a research institute specializing in analyzing management practices of Polish enterprises. Worked as a journalist for Puls Biznesu in the years 1999-2004 in areas such as financial markets and institutions. Author of numerous economic and business publications. Currently serves as the director of the Office of Communication and Promotion and the Press Officer of the Ministry of Finances.



### **Alojzy Zbigniew Nowak – Secretary of the Supervisory Board since 14 March 2017**

In 1984, he graduated from the present Warsaw School of Economics (Foreign Commerce faculty) and in 1992 from University of Illinois at Urbana – Champaign, USA, M.A. in economics. In 1993 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?" and a book titled "Banki a gospodarstwa domowe – dynamika rozwoju". 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. External Reviewer in the PhD programs of the University of Cambridge, Postgraduate School of Management, Grenoble, University of Zululand, RSA. He is a long-term Committee Member of "Teraz Polska" Award. Authored over 300 publications published in Poland and abroad. 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. Except University of Warsaw he gives lectures in France, UK, USA, Russia, China and South 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. Was seated on numerous supervisory boards, including of PTE WARTA S.A., PKO BP S.A., JSW S.A., TFI KBC, and served as President and Vice President Supervisory Board of EUROLOT S.A. Member of National Council of Development to the President of Poland.



### **Bogusław Banaszak – Member of the Supervisory Board since 8 February 2017**

Full professor and Dean of the Law and Administration Faculty (from 2014) at the University of Zielona Góra and professor at the Witelon State University of Applied Sciences in Legnica (from 2005). Over the years 1977-2014, he was employed as an academic at the Faculty of Administration and Economics at the University of Wrocław. In 1998, he received the title of Professor of Law. Over the years 1998–2008, he was a professor of the Faculty of European Law at the University Viadrina Frankfurt (Oder), where he was in charge of the Faculty of Polish Public Law. Over the years 1995-2005, he was a professor at the Wrocław Academy of Management and Marketing. From May 2006 to May 2010, he served as Chair of the Legislative Council to the Prime Minister. Member of said Board since April of 2016. Member of the European Commission for Democracy through Law (so-called Venice Commission) since April of 2016. From April of 2013, served as nominal member of the Group of Independent Experts on the European Charter of Local Self-Government. Member of the editorial committees (boards) of numerous domestic and foreign science magazines and member of several domestic and foreign scientific councils. Furthermore, correspondent member of the Spanish Royal Academy of Moral and Political Sciences (from 2010) and the European Academy of Sciences, Arts and Literature in Paris (from 2004) and member of the Committee for Legal Sciences of the Polish Academy of Sciences (from 2011). Also member of the following: Advisory Board for Human Rights to the Minister of Foreign Affairs (2000-2001), Program Board to the Centre of Electoral Studies at the University of Łódź and the Nicolaus Copernicus University (2008 -2016), Advisory Directorate International at the American Biographical Institute (from 2009). Has been in close cooperation with the legislative forces of the parliament since 1992. Author of dozens of expert studies for supreme public authorities and of several expert studies for business entities. Author of over 300 scientific papers, including monographs, textbooks, commentaries, studies, and articles. Decorated with the following awards: the Polish Gold Cross of Merit (2001), the Knight's Cross of the Order of Polonia Restituta (2008), the Order of Merit of the Federal Republic of Germany Ribbon (2008), the Grand Cross of Merit of the Republic of Austria (2000), the Grand Badge of Merit of the Republic of Austria (2007), the Austrian Cross 1st Class of Honor for Science and Art, and the 1st Class Badge of Righteousness of the World Jurist Association (2011). Also holds honorary degrees from the Pecs University (Hungary – 2004), the Alba Julia University (Romania – 2009), the Pitesti University (Romania – 2010), and the Kyiv University of Law (Ukraine 2011).



**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, and since 2006 he has been holding the position of the President of this company. From 21 January 2016, he has served as the president of the management board in Agencja Rozwoju Przemysłu S.A. He has nine years of experience in managing commercial law companies. The main domain of his activity was financing the investment projects, advising in strategic planning, restructuring processes, and audit and internal controlling. He is a licensed trainer 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 the University of Warsaw, Collegium Civitas and Lazarski University, and many others. He is entitled to act as a member of the supervisory boards of companies whose shares are held by the State Treasury. He is experienced in supervising municipal heating 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 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 heating industry, and knowledge about the models of realizing the objectives of the state by the state-owned companies.



**Agata Górnicka – Member of the Supervisory Board since 8 February 2017**

Holds Master's degree in political sciences from the Faculty of Journalism and Political Sciences of the University of Warsaw. Completed postgraduate media management at Leon Koźmiński Academy in Warsaw. Gained professional experience at Telewizja Polska S.A. in the years 2006–2012, as Project Coordinator at the Bank Zachodni WBK Foundation in the years 2012–2013, as the Assistant to the Chairman of the Management Board at Bank Zachodni WBK S.A. in the years 2013–2014, and later as the Manager of the Office of Management and Supervisory Boards at Bank Zachodni WBK S.A. in the years 2014–2015. Appointed to Director of the Political Cabinet of the Ministry of Development in December of 2015.





**Paweł Kaczmarek – Member of the Supervisory Board since 30 June 2015**

He graduated from the Faculty of Law and Administration at the University of Łódź. From 1994 to 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 bodies supervising 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 State Treasury Department in the Prime Minister's Office. His responsibilities include coordination of execution of State Treasury authorizations in companies and ensuring uniform performance of rights from State Treasury shares, including development of systems solutions for ownership supervision in companies with shares held by the State Treasury, execution of rights from shares held by the State Treasury including consequential personal rights, approval of written instructions for voting prepared by the entity authorized to execute rights from shares held by the State Treasury or state legal persons, organization and supervision of exams to the supervisory board of companies with shares held by the State Treasury, provision of services to the Board for matters of companies with shares held by the State Treasury and state legal persons, evaluation and analysis for ownership supervision and good practices in companies with shares held by the State Treasury, specifically those considered as companies important to state economy, and monitoring implemented strategic investment projects and assumed development paths of government programs and strategies.



**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 Computer Science, specialization in Management and Marketing, major in Business Management. Since November 2003, he has worked as a Certified Internal Auditor (CIA). In December 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 to 7 January 2016, he worked in audit department of KPMG located in Wrocław, where in 2008 he was promoted to a position of Senior Manager. Besides his work as key chartered auditor in financial report audits, worked in management of projects concerning process reviews and audits, implementation of internal audit functions, and investigative projects. Obtained title of Certified Coach at KPMG. He provided job-related training in audit, accounting and personal and interpersonal competencies for the clients and employees of KPMG. Moreover, in his work at the KPMG office located in Wrocław, he was in charge of the activities concerning social responsibility of business. In the years 2016 – 2017 served as Internal Audit director of Tauron Polska Energia S.A. responsible for internal audit in all companies of the Tauron Polska Energia S.A. group, where he made extensive changes to internal audit functions adapting them to the new business model of Tauron Group. Since 2010 he has been a Member of the Regional Council of Chartered Auditors in Wrocław.



### **Maciej Zaborowski – Member of the Supervisory Board since 7 January 2016**

Lawyer. Graduate from the Faculty of Law and Administration at the University of Warsaw. He completed also 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. Also completed legal training in the Warsaw Bar Chamber, concluded with a passed bar exam. He is also a graduate of Center for American Law Studies (shared initiative of the Florida State University and the Faculty of Law and Administration of the University of Warsaw), Leadership Academy for Poland, XVI School for Civic Leaders founded by Zbigniew Pełczyński of Oxford University in Great Britain, and the Academy of Young Diplomats (European Academy of Diplomacy), specialization: Foreign Service. He gained professional experience in several prominent law firms in Warsaw as well as the Embassy of the Republic of Poland in Rome, the Ministry of Justice, and the Sejm of Poland. He was also a member of several supervisory boards. Professional mediator of the Mediation Center to the Supreme Bar Council in Warsaw entered in the register of mediators of the District Court in Warsaw and legal internship lecturer at the Bar Chamber in Warsaw. Currently operates his own legal practice and is a Managing Partner of the Kopeć Zaborowski Adwokaci i Radcowie Prawni sp. p. law firm. From his youngest years, he has been associated with pro publico bono activity, including as President of the Benefactor's Council of Fundacja Odpowiedzialność Obywatelska. Laureate of the prestigious Risings Stars – Lawyers Leaders of Tomorrow contest organized by Gazeta Prawna and Wolters Kluwer publishing.

## 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:

- a 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 24 February 2016 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.

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 Chairman of the Management Board, 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 2016:

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

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

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

Mr Jerzy Paluchniak was indicated by the Supervisory Board as a member with qualifications in accounting or auditing as understood by the Act on Statutory Auditors GLOSSARY art. 86 par. 4 and 5 since 19 January 2016. Furthermore, Mr Marcin Chludziński meet the criteria of independence by the Act on

Statutory Auditors art. 86 par. 4 and 5 since 19 January till 18 March 2016.

On 18 March 2016, the PZU Supervisory Board changed the composition of the audit committee into the following:

- Piotr Paszko – Chairman of the Committee;
- Marcin Chludziński – Member of the Committee;
- Jerzy Paluchniak – Member of the Committee.

On 22 July 2016, the PZU Supervisory Board confirmed the composition of the audit committee into the following:

- Piotr Paszko – Chairman of the Committee;
- Marcin Chludziński – Member of the Committee;
- Jerzy Paluchniak – Member of the Committee.

As at 31 December 2016, the composition of the Committee did not change.

In relation to the changes in the composition of the Supervisory Board of PZU Group, on 23 February 2017 the Supervisory Board of PZU Group decided that the Audit Committee should consist of 3 people, while simultaneously establishing the following composition of the Committee:

- Bogusław Banaszak – Chairman of the Committee;
- Marcin Chludziński – Member of the Committee;
- Jerzy Paluchniak – 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 5 persons. Composition of the Promotion and Compensation Committee as at 1 January 2016:

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

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

On 18 March 2016, the PZU Supervisory Board changed the composition of the Promotion and Compensation Committee into the following:

- Radosław Potrzezszcz – Chairman of the Committee;;
- Marcin Gargas – Member of the Committee;
- Paweł Kaczmarek – Member of the Committee;
- Eligiusz Krześniak – Member of the Committee.

As at 31 December 2016, the composition of the Promotion and Compensation Committee did not change.

- In relation to the changes in the composition of the Supervisory Board of PZU, on 23 February 2017 the Supervisory Board of PZU decided that the Promotion and Compensation Committee should consist of 3 people, while simultaneously establishing the following composition of the Committee:
- Agata Górnicka – Chairwoman of the Committee;
- Paweł Górecki – Member of the Committee;
- Paweł Kaczmarek – 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 2016:

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

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 Potrzyszcz – Member of the Committee;
- Maciej Zaborowski – Member of the Committee.

As at 31 December 2016 the composition of the Committee did not change.

In relation to the changes in the composition of the Supervisory Board of PZU Group, on 23 February 2017 the Supervisory Board of PZU Group 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;
- Bogusław Banaszak – Member of the Committee;
- Marcin Chludziński – Member of the Committee;
- Agata Górnicka – Member of the Committee;
- Łukasz Świerżewski – 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 Chairman of the Management Board, 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 2016, 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.

On 19 January 2016, Rafał Grodzicki and Tomasz Tarkowski resigned from their membership in the Management Board as of 19 January 2016, and the PZU Supervisory Board appointed Michał Krupiński, Rogera Hodgkiss, Beata Kozłowska-Chyła, Robert Pietryszyna as Members of the Management Board as of 19 January 2016, and Paweł Surówka as a Member of the Management Board as of 20 January 2016.

Therefore, since 20 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.

On 18 March 2016, Przemysław Dąbrowski resigned from his membership in the Management Board as of 18 March 2016. On 19 March 2016, Paweł Surówka resigned from his membership in the Management Board as of 19 March 2016. On 19 March 2016, the PZU Supervisory Board appointed

Sebastian Klimek and Maciej Rapkiewicz as Members of the Management Board, effective as of 22 March 2016.

Therefore, since 22 March 2016, composition of the Management Board has been as follows.

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Sebastian Klimek – 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;
- Maciej Rapkiewicz – Member of the Management Board.

On 13 May 2016, Robert Pietryszyn resigned from his membership in the Management Board. Moreover, on 13 May 2016, the PZU Supervisory Board appointed Andrzej Jaworski as a Member of the Management Board, effective as of 14 May 2016.

Therefore, since 14 May 2016, composition of the Management Board has been as follows:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Andrzej Jaworski – Member of the Management Board;
- Sebastian Klimek – Member of the Management Board;
- Beata Kozłowska-Chyła – Member of the Management Board;
- Dariusz Krzewina – Member of the Management Board;
- Maciej Rapkiewicz – Member of the Management Board

On 23 June 2016, Dariusz Krzewina resigned from his membership in the Management Board, and therefore the composition of the Management Board was as follows:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Andrzej Jaworski – Member of the Management Board;
- Sebastian Klimek – Member of the Management Board;
- Beata Kozłowska-Chyła – Member of the Management Board;
- Maciej Rapkiewicz – Member of the Management Board.

On 30 August 2016, Sebastian Klimek resigned from his membership in the Management Board, and therefore the composition of the Management Board was as follows:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;

- Andrzej Jaworski – Member of the Management Board;
- Beata Kozłowska-Chyła – Member of the Management Board;
- Maciej Rapkiewicz – Member of the Management Board.

As of 17 October 2016 Beata Kozłowska-Chyła resigned from her membership in the Management Board. On 14 October 2016, the Supervisory Board appointed Tomasz Kulik as a Member of the Management Board. Therefore, the composition of the Management Board was as follows:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Andrzej Jaworski – Member of the Management Board;
- Tomasz Kulik – Member of the Management Board;
- Maciej Rapkiewicz – Member of the Management Board.

As at 31 December 2016, composition of the Management Board was as follows:

- Michał Krupiński – Chairman of the Management Board;
- Roger Hodgkiss – Member of the Management Board;
- Andrzej Jaworski – Member of the Management Board;
- Tomasz Kulik – Member of the Management Board;
- Maciej Rapkiewicz – 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 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.

The regulations of the Management Board determine:

- 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:

- approval of a long-term plan for development and operations of the Company;
- approval of an action and development plan for PZU Group;
- approval 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 non-compulsory insurance and general non-compulsory insurance terms and conditions;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- approval 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.

Resolutions of the Management Board are adopted only in the presence of the Chairman 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.





**Michał Krupiński – CEO of PZU since 19 January 2016**

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. He used to work as a counselor. His advisory activities focused on asset management, investment policy and capital structure, i.a. in banking and insurance sector. Earlier, between 2008 and 2011, he was the Alternate Executive Director – Member of the Board of Directors at the World Bank in Washington. 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.



**Roger Hodgkiss – Member of the Management Board in PZU since 19 January 2016 / PZU Życie since 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).



**Andrzej Jaworski – Member of the Management Board of PZU since 14 May 2016 / PZU Życie since 25 May 2016**

Graduated in humanities from the Institute of Ethnology and Anthropology of Culture at the Adam Mickiewicz University in Poznań in 1995. Graduate of doctoral studies in political sciences and social studies at ATK in Warsaw in 1999 (Cardinal Stefan Wyszyński University). Completed numerous courses and postgraduate studies, including "Modernes Firmenmanagement: Marketing und Finanzen" (Berlin International Academy) and "The Baltic Sea Environment" (The Baltic University). Furthermore, in 1999, Mr Andrzej Jaworski passed the State Exam for Members of Supervisory Boards of State Treasury Single-Person Companies. Over the years 1999–2003 worked as chief specialist and subsequently Deputy Director for tourism at the Office of the Pomorskie Voivodeship's Marshal. In 2003–2006 served as Vice President and subsequently President of the Management Board of Przedsiębiorstwo Gospodarki Maszynami Budownictwa Warszawa sp. z o.o. In the years 2006–2008, Mr. Andrzej Jaworski held the position of President of the Management Board of Stocznia Gdańsk S.A. He also served as the Chairman of the Supervisory Board of MCSE sp. z o.o., Chairman of the Supervisory Board of KE Energia, and Member of the Supervisory Board of PKP Intercity. Deputy of the Sejm of the Republic of Poland in the 6th and 7th terms. His community services included service as instructor of the independent Polish Organization of Scouts and he initiated the establishment of the first Polish scout troop in Vilnius. For many years, he founded and was active in numerous social organizations and worked for the benefit of the Pomorskie self-government.



**Tomasz Kulik – Member of the PZU Management Board since 14 October 2016 / PZU Życie Management Board since 19 October 2016**

Until appointment to the Management board of PZU, he served as the Director of the Planning and Controlling Office. He prepared the PZU Capital Group's strategy for the years 2016-20 and the capital and dividend policy. He is also on the Management Board of TFI PZU (and formerly on the Management Board of PZU Asset Management) and supervises finances, risk, operations, and IT. As coordinator of the work of the TFI PZU Management Board, he is also responsible for the corporate segment. He has many years of experience in insurance and financial institutions. Graduate of the Warsaw School of Economics. He graduated from MBA studies at the University of Illinois and from the Warsaw-Illinois Executive MBA program. Member of the Association of Chartered Certified Accountants. For most of his career, he has been associated with the Aviva Group (formerly Commercial Union).



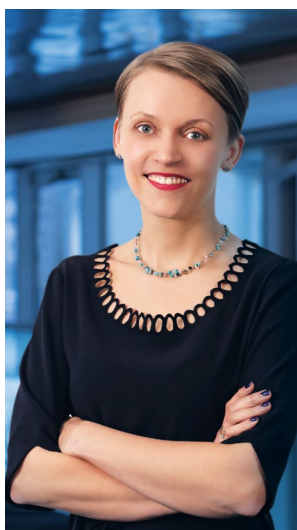
**Maciej Rapkiewicz – Member of the Management Board of PZU since 22 March 2016/  
of PZU Życie since 25 May 2016**

Graduated law at the Faculty of Law and Administration of the Łódź University, completed postgraduate studies in business insurance at the Academy of Economics in Kraków, MBA Finance & Insurance at the Łódź University of Technology / Illinois State University, and doctoral studies at the Faculty of Economics of the Institute of Finances, Banking, and Insurance at the Łódź University. In 1998–2009, he was associated with PZU Group as Member of the Management Board (in 2006–2009) and subsequently as Vice President of the Management Board of TFI PZU SA. In 1998-2006, he worked at PZU S.A. in the financial division and took part in strategic projects. Worked at TFI BGK S.A. from 2015, where he served as Member of the Board before his appointment to the Management Board of PZU S.A. (in 2016). He was also the President of the Management Board of ŁSSE S.A., the Director of the Financial Department of TVP S.A., and Member of the Management Board of the Sobieski Institute Foundation. He also operated a business consulting activity. He gained extensive experience as Member of the Supervisory Board of Morizon S.A (2015-2016), President of the Supervisory Board of Dom Invest sp. z o.o. (from 2016), Vice President of the Supervisory Board of Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. in Sochaczew (2013–2016). Authored scientific publications on the financial sector and public finances.



**Paweł Surówka – CEO of PZU Życie Management Board since 23 June 2016 and  
Director in PZU Group since 1 November 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 w 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 automotive 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 automotive 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 speaks the following foreign languages: English, French and German.



**Aleksandra Agatowska – Member of the Management Board of PZU Życie and Director in PZU Group since 25 March 2016**

Graduate of the Jagiellonian University with specialization in Sociology of Economics and Market Research. Previously associated with the private financial sector. Worked for ING Group's companies, including ING Życie, ING Powszechnie Towarzystwo Emerytalne, and ING Spółka Dystrybucyjna. Chosen for the Talent Pool program for two percent of the most talented employees and recognized with the award of employee of the year in the Marketing Division. Also worked with the group of the Center of Evaluation and Analyses of Public Policies of the Jagiellonian University. At HDI (the present Warta S.A.), which was a part of the Talanx Group, she coordinated the marketing team in creation and implementation of sales support campaigns. She then was in charge of Marketing Intelligence at Sony Europe and coordinated work in 20 European countries. Recognized with the award of employee of the year in Europe. At Philips S.A., she was in charge of Marketing and Business Intelligence in 17 countries of the region. As an external consultant, she advised on implementation of projects concerning distribution channels of Aviva S.A. In all companies, she implemented original projects in marketing, sales, process management, and product management.

**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. Specializes in company management. He is also a certified internal auditor and qualified to sit on supervisory boards of 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 unit and subsequently as 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 S.A. 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 present, he is also a member of the supervisory board of the Azoty S.A. Group.

**Bartłomiej Litwińczuk – Member of the Management Board of PZU Życie and Director in PZU Group since 19 August 2016**

Graduate of the Faculty of Law and Administration at the University of Warsaw. Practices law at the Bar Chamber in Warsaw. As a lawyer, he specialized in civil law. Combines business knowledge with extensive experience resulting from providing legal assistance in cases associated with commercial companies law, copyrights, administrative law, and criminal law. Also served as advisor to the Sejm's Extraordinary Committee for changes to codification. Bartłomiej Litwińczuk is also a member of supervisory authorities of commercial law companies.



**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.



**Roman Pałac – Member of the Management Board of PZU Życie and Director in PZU Group since 15 February 2016**

Graduated 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 at home and abroad. In 2003-2007, he worked at 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.

Name and surname (composition of the Management Board as at the end of 2016)	In PZU Group	Scope of responsibility
Michał Krupiński	Chairman of the PZU Management Board since 19 January 2016	Management of PZU Group, corporate management, internal audit, strategies and projects, banking projects, macroeconomic analysis
Roger Hodgkiss	Member of the Management Board of PZU since 19 January 2016 Member of the Management Board of PZU Życie since 29 January 2016	Mass property insurance – sales, products and tariffs, management of PZU branches network and sales channels, bancassurance, agency sales of life products, sales to corporate clients in PZU Życie
Andrzej Jaworski	Member of the Management Board of PZU since 14 May 2016 Member of the Management Board of PZU Życie since 25 May 2016	Health care, real estate
Tomasz Kulik	Member of the Management Board of PZU since 14 October 2016 Member of the Management Board of PZU Życie since 19 October 2016	Finance, actuary
Maciej Rapkiewicz	Member of the Management Board of PZU since 22 March 2016 Member of the Management Board of PZU Życie since 25 May 2016	Risk management
Paweł Surówka	Member of the Management Board of PZU between 20 January 2016 and 19 March 2016 Member of the Management Board of PZU Życie since 29 January 2016 Chairman of the PZU Życie's Management Board since 23 June 2016 (acting as a Chairman from 17 June 2016) Director in PZU Group since 1 November 2016	Investments, PZU Życie: corporate management, internal audit, strategy and projects, investment and protective products, tariffs actuary, macroeconomic analysis
Aleksandra Agatowska	Member of the Management Board of PZU Życie/ Director in PZU Group since 25 March 2016	Marketing, innovations, purchases, customer relation management
Tomasz Karusewicz	Member of the Management Board of PZU Życie/ Director in PZU Group since 29 January 2016	IT, property and life insurance operations
Bartłomiej Litwińczuk	Member of the Management Board of PZU Życie/ Director in PZU Group since 19 August 2016	Security, legal counseling, HR
Sławomir Niemierka	Member of the Management Board of PZU Życie/ Director of the Group since 19 March 2012	Reinsurance, compliance
Roman Pałac	Member of the Management Board of PZU Życie/ Director in PZU Group since 15 February 2016	Claims handling, contact center and post-sales customer service, non-life corporate insurance

## 9 Compensation of the members of governing 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 2014–2016, 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.

### 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.

On 8 February 2017, Extraordinary Shareholders' Meeting of PZU adopted resolution no. 4/2017 on regulations that govern the forming of compensation of Members of the Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna. The next step will be the implementation of the regulation in question by the Supervisory Board of PZU.

### 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.

As at 1 January 2016, PZU Group Directors were the following:

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

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 of 25 March 2016, Aleksandra Agatowska became the Group Director. On 2 September Bartłomiej Litwińczuk was appointed the Group Director, effective as of 19 August 2016, and on 25 October 2016 Paweł Surówka was appointed the Group Director effective as of 1 November 2016.

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:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Sławomir Niemierka;
- Roman Pałac;
- Paweł Surówka.



Remuneration and other short-term employee benefits paid by other entities of PZU Group (in thousands)	1 January – 31 December 2016		1 January – 31 December 2015	
		including bonuses and special benefits:		including bonuses and special benefits:
<b>Management Board, including:</b>	<b>9,066</b>	<b>-</b>	<b>8,124</b>	<b>2,862</b>
Przemysław Dąbrowski <sup>1)</sup>	683	-	1,112	371
Rafał Grodzicki <sup>2)</sup>	520	-	312	-
Rodger Hodgkiss	634	-	-	-
Andrzej Jaworski	434	-	-	-
Witold Jaworski <sup>3)</sup>	436	-	260	-
Andrzej Klesyk <sup>4)</sup>	1,950	-	2,970	1,170
Sebastian Klimek <sup>5)</sup>	579	-	-	-
Beata Kozłowska-Chyła <sup>6)</sup>	634	-	-	-
Michał Krupiński	1,377	-	-	-
Dariusz Krzewina <sup>7)</sup>	668	-	1,281	507
Tomasz Kulik <sup>8)</sup>	-	-	-	-
Robert Pietryszyn	273	-	-	-
Maciej Rapkiewicz	581	-	-	-
Paweł Surówka	176	-	-	-
Tomasz Tarkowski	121	-	995	332
Ryszard Trepczyński <sup>9)</sup>	-	-	1,194	482
<b>Top management (PZU Group Directors), including:</b>	<b>4,503</b>	<b>199</b>	<b>3,799</b>	<b>1,530</b>
Aleksandra Agatowska	505	-	-	-
Tobiasz Bury <sup>10)</sup>	706	-	1,276	606
Przemysław Dąbrowski	-	-	-	-
Rafał Grodzicki	-	-	624	312
Przemysław Henschke <sup>11)</sup>	542	-	936	312
Tomasz Karusewicz	611	-	-	-
Bartłomiej Litwińczuk	241	-	-	-
Sławomir Niemierka	862	199	963	300
Roman Pałac	581	-	-	-
Paweł Surówka <sup>12)</sup>	455	-	-	-

Remuneration and other short-term employee benefits paid by other entities of PZU Group (in thousands)	1 January – 31 December 2016		1 January – 31 December 2015	
		including bonuses and special benefits:		including bonuses and special benefits:
<b>Supervisory Board, including:</b>	<b>1,241</b>	-	<b>1,224</b>	-
Marcin Chludziński	119	-	-	-
Zbigniew Cwiąkalski	3	-	180	-
Zbigniew Derdziuk	2	-	120	-
Dariusz Filar	2	-	132	-
Marcin Gargas	167	-	-	-
Dariusz Kacprzyk	2	-	120	-
Paweł Kaczmarek	191	-	84	-
Jakub Karnowski	2	-	120	-
Eligiusz Krześniak	119	-	-	-
Aleksandra Magaczewska	2	-	156	-
Alojzy Nowak	120	-	120	-
Jerzy Paluchniak	118	-	-	-
Piotr Paszko	119	-	-	-
Maciej Piotrowski	2	-	120	-
Radosław Potrzyszcz	119	-	-	-
Piotr Walkowiak	11	-	-	-
Maciej Zaborowski	143	-	-	-
Tomasz Zganiacz	-	-	72	-

1) including remuneration resulting from competition prohibition clause of PLN 332 thousand

2) including remuneration resulting from competition prohibition clause of PLN 312 thousand

3) including remuneration resulting from competition prohibition clause of PLN 195 thousand

4) including remuneration resulting from competition prohibition clause of PLN 1.350 thousand

5) including remuneration resulting from competition prohibition clause of PLN 111 thousand

6) including remuneration resulting from competition prohibition clause of PLN 55 thousand

7) including remuneration resulting from competition prohibition clause of PLN 55 thousand

8) including remuneration from PZU Życie only, the amount presented in the next table

9) including remuneration resulting from competition prohibition clause of PLN 185 thousand

10) including remuneration resulting from competition prohibition clause of PLN 371 thousand

11) including remuneration resulting from competition prohibition clause of PLN 312 thousand

12) including remuneration by virtue of being an Advisor of the PZU Management Board during the period from 24/04/2016 to 31/10/2016

Remuneration and other short-term employee benefits paid by other entities of PZU Group (in thousands)	1 January – December 2016		1 January – 31 December 2015	
		including bonuses and special benefits:		including bonuses and special benefits:
<b>Management Board, including:</b>	<b>4,266</b>	<b>-</b>	<b>3,310</b>	<b>1,279</b>
Przemysław Dąbrowski <sup>1)</sup>	368	-	799	400
Rafał Grodzicki <sup>2)</sup>	280	-	504	168
Rodger Hodgkiss	599	-	-	-
Andrzej Jaworski	208	-	-	-
Witold Jaworski <sup>3)</sup>	235	-	138	-
Sebastian Klimek <sup>4)</sup>	208	-	-	-
Beata Kozłowska-Chyła <sup>5)</sup>	329	-	-	-
Michał Krupiński	-	-	-	-
Dariusz Krzewina <sup>6)</sup>	360	-	690	273
Tomasz Kulik	206	-	-	-
Robert Pietryszyn	135	-	-	-
Maciej Rapkiewicz	208	-	-	-
Paweł Surówka	329	-	-	-
Tomasz Tarkowski <sup>7)</sup>	801	-	536	179
Ryszard Trepczyński <sup>8)</sup>	-	-	643	259
<b>Top management (PZU Group Directors), including:</b>	<b>2,332</b>	<b>107</b>	<b>1,546</b>	<b>492</b>
Aleksandra Agatowska	272	-	-	-
Tobiasz Bury <sup>9)</sup>	380	-	578	217
Przemysław Henschke <sup>10)</sup>	292	-	504	168
Tomasz Karusewicz	329	-	-	-
Bartłomiej Litwińczuk	147	-	-	-
Sławomir Niemierka	599	107	464	107
Roman Pałac	313	-	-	-

- <sup>1)</sup> including remuneration resulting from competition prohibition clause of PLN 179 thousand (PZU Życie)  
<sup>2)</sup> including remuneration resulting from competition prohibition clause of PLN 168 thousand (PZU Życie)  
<sup>3)</sup> including remuneration resulting from competition prohibition clause of PLN 105 thousand (PZU Życie)  
<sup>4)</sup> including remuneration resulting from competition prohibition clause of PLN 138 thousand (PZU Życie)  
<sup>5)</sup> including remuneration resulting from competition prohibition clause of PLN 119 thousand (PZU Życie)  
<sup>6)</sup> including remuneration resulting from competition prohibition clause of PLN 30 thousand (PZU Życie)  
<sup>7)</sup> including remuneration resulting from competition prohibition clause of PLN 150 thousand (Link 4)  
<sup>8)</sup> including remuneration resulting from competition prohibition clause of PLN 100 thousand (PZU Życie)  
<sup>9)</sup> including remuneration resulting from competition prohibition clause of PLN 200 thousand (PZU Życie)  
<sup>10)</sup> including remuneration resulting from competition prohibition clause of PLN 168 thousand (PZU Życie)

<b>Total estimated value of non-financial benefits granted by PZU and the subsidiaries of PZU (in thousands)</b>	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
<b>Management Board, including:</b>	<b>1,057</b>	<b>1,224</b>
Przemysław Dąbrowski	92	191
Rafał Grodzicki	51	129
Rodger Hodgkiss	36	-
Andrzej Jaworski	77	-
Witold Jaworski	39	40
Andrzej Klesyk	56	298
Sebastian Klimek	66	-
Beata Kozłowska-Chyła	105	-
Michał Krupiński	79	-
Dariusz Krzewina	126	209
Tomasz Kulik	76	-
Robert Pietryszyn	51	-
Maciej Rapkiewicz	101	-
Paweł Surówka	54	-
Tomasz Tarkowski	48	178
Ryszard Trepczyński	-	179
<b>Top management (PZU Group Directors), including:</b>	<b>605</b>	<b>600</b>
Aleksandra Agatowska	97	-
Tobiasz Bury	60	213
Rafał Grodzicki	-	44
Przemysław Henschke	82	167
Tomasz Karusewicz	51	-
Bartłomiej Litwińczuk	51	-
Sławomir Niemierka	171	176
Roman Pałac	93	-
<b>Supervisory Board, including</b>	<b>-</b>	<b>11</b>
Zbigniew Cwiąkowski	-	10
Waldemar Maj	-	1