

# PZU (2018)

- report on the application of corporate governance



Warsaw 13 March 2019



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## 1 Corporate governance principles applied by PZU

Since the day when its shares were admitted to trading on a regulated market, PZU has followed the corporate governance rules laid down in the Best Practices of WSE listed companies.

This document was accepted by WSE's Supervisory Board on 4 July 2007 and has undergone several modifications since then. The document entitled "Best Practices of WSE Listed Companies 2016" adopted by a WSE Supervisory Board resolution on 13 October 2015 has been in force since 1 January 2016. Its current wording is available on the website devoted to the corporate governance of companies listed on WSE <https://www.gpw.pl/dobre-praktyki>, jak również na and on PZU's corporate website ([www.pzu.pl](http://www.pzu.pl)), in the section entitled "Investor Relations".

The set of principles expressed in the **Best Insurance Practices** adopted on 8 June 2009 by the General Assembly of the Polish Chamber of Insurance ("PIU"), an organization whose members are insurance undertakings operating on the Polish market informs how PZU conducts its business operations and shapes relations with its stakeholders. This document is available on the website: <http://piu.org.pl>.

Furthermore, our own code entitled **PZU Group's Best Practices** defines the principles for how we mold relations with our stakeholders. This document is available on our website: <http://www.pzu.pl>.

On 22 July 2014 the Polish Financial Supervision Authority ("KNF") published **Corporate Governance Rules for Regulated Institutions**. The Corporate Governance Rules constitute a set of guidelines that should be applied by regulated entities from 1 January 2015 under the applicable laws giving consideration to the rule of proportionality. The Corporate Governance Rules are available on PZU's website.

## 2 Application of Best Practices of WSE Listed Companies

In 2018, PZU complied with the recommendations and principles set forth in Best Practices of WSE Listed Companies 2016, except for recommendation IV.R.2. which provides for a possibility for shareholders to participate in a Shareholder Meeting using means of electronic communication, in particular via the following:

- real-time transmission of the Shareholder Meeting,
- real-time bilateral communication where shareholders may take the floor during a Shareholder Meeting from a location other than the shareholder meeting,
- exercising, in person or by proxy, voting rights during a Shareholder Meeting.

Presently, PZU shareholders may follow the broadcast of the Shareholder Meeting. However, the Company has not elected to introduce an electronic shareholder meeting. According to PZU, there are many technical and legal factors that may affect the proper course of the Shareholder Meeting. The legal doubts pertain to the ability to identify shareholders and check the legitimacy of participants in the shareholder meeting. The risk of the occurrence of technical difficulties, e.g. with the internet connection or possible external interference in the IT systems may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions adopted during its course. The appearance of these risks may affect the proper application of this rule to a full extent.

Furthermore, the following rules are not applicable to PZU:

- principle I.Z.1.10, providing for the publication of financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation, because, as at the date of publication of this report, PZU has not published any financial projections or estimates;
- principle III.Z.6., concerning cases of non-separation of an internal audit function within the company's organizational structure, because this function has been separated in PZU's organizational structure;
- recommendation IV.R.3., concerning situations where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, because PZU securities are traded only on the Polish market.

Information on the status of PZU's application of the recommendations and rules laid down in the Best Practices of WSE Listed Companies 2016 is available on PZU's website:

In conjunction with the work conducted in 2018 to modify the PZU Group's website and its implementation with a new look, incidental difficulties may have transpired in respect of accessing some of the material and content on the website. The scope of information on the site and access thereto are monitored on an ongoing basis. In the event of detecting any technical problems posing an impediment to specific resources, efforts are promptly taken to reinstate the website's full functionality.

### 3 Application of Corporate Governance Rules for Regulated Institutions

The PZU Management Board and Supervisory Board have declared their readiness to apply the Rules to the objectively broadest extent while giving consideration to the rule of proportionality and the rule "comply or explain" stemming from their wording. These declarations were confirmed by the PZU Management Board and Supervisory Board in their respective resolutions.

Information on the application of the Rules was presented by the PZU Management Board and Supervisory Board during PZU's Ordinary Shareholder Meeting held on 30 June 2015. The PZU Ordinary Shareholder Meeting declared that, acting within its powers, it will be guided by the Corporate Governance Rules in the wording issued by the Polish Financial Supervision Authority on 22 July 2014, except for certain specific rules waived by the PZU Ordinary Shareholder Meeting.

Detailed information is published on PZU's website on PZU's application of Corporate Governance Rules, including those rules whose application will be partial, namely:

- in reference to the rule laid down in § 8 sec. 4 the Corporate Governance Rules concerning the enabling of all shareholders to participate in the Shareholder Meeting, including by procuring the possibility of actively participating electronically in the Shareholder Meeting, it should be noted that, presently, PZU shareholders may follow the broadcast of the Shareholder Meeting, however the Issuer decided not to introduce the so-called e-Shareholder Meeting, because, in PZU's opinion, there are a number of factors of

a technological and legal nature which may affect the proper conduct of the Shareholder Meeting. Legal concerns include the possibility of identifying the shareholders and verifying their legitimacy; the risk of the occurrence of technical difficulties, e.g. with the Internet connection or possible external interference in the IT systems, may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions adopted during its course; the materialization of the above risks may affect the proper application of this rule to its full extent;

- in reference to the rule laid down in § 21 sec. 2. of the Corporate Governance Rules according to which within the supervising body there should be a separate function of the chairperson in charge of managing the work of the supervising body, and the selection of the chairperson of the supervising body should be accomplished on the basis of experience and team management skills while giving consideration to the criterion of independence, it should be emphasized that, in accordance with the Commercial Company Code GLOSSARY and PZU's Articles of Association, the function of chairperson has been established within the PZU Supervisory Board; the PZU Supervisory Board's composition and the chairperson's function are shaped in accordance with the criteria of independence stated in the Statutory Auditor Act GLOSSARY; the selection of the Supervisory Board Chairperson is accomplished on the basis of the criterion of knowledge, experience and skills that confirm the competences required to discharge duly the duties of supervision; applying the criterion of independence to the chairperson according to the KNF Office's explanation GLOSSARY of this rule may evince doubts concerning a possible collision with the legal regulations pertaining to shareholder rights;
- in respect of the rule laid down in § 49 section 3 of the Corporate Governance Rules concerning the appointment and dismissal, in a regulated institution, of the person managing the internal audit cell and the person managing the compliance cell with the consent of the supervising body or the audit committee, it should be pointed out that PZU applies the rules laid down in § 14 of the Rules to their full extent, which means that the PZU Management Board is the sole body empowered to, and responsible for, managing the Company's activity; moreover, according to the labor law regulations, the managing body exercises labor law activities; on account of the foregoing, PZU has adopted a solution that anticipates that the selection and dismissal of the person managing the internal audit cell is accomplished while taking into account the opinion of the Supervisory

- Board's Audit Committee; the person managing the compliance cell is appointed and dismissed in an identical manner; in making these decisions, the Management Board obtains the Audit Committee's opinions.

The PZU Ordinary Shareholder Meeting has waived the following rules:

- the rule laid down in § 10 section 2 of the Corporate Governance Rules reading as follows: "The implementation of personal rights or other special rights for shareholders of the regulated institution should be justified and serve the accomplishment of the regulated institution's material operating goals. The possession of such rights by shareholders should be reflected in the wording of the primary governing document of the regulated institution."
  - the waiving of this rule is due to the unfinished process of the Company's privatization by the State Treasury;
- the rule laid down in § 12 section 1 reading as follows: "Shareholders are responsible for recapitalizing without delay a regulated institution in a situation in which it is necessary to maintain the regulated institution's equity at the level required by the legal regulations or oversight regulations as well as when the security of the regulated institution so requires."
  - the waiving of this rule is due to the unfinished process of the Company's privatization by the State Treasury;
- the rule laid down in § 28 section 4 reading as follows: "The decision-making body assesses whether the implemented compensation policy fosters the regulated institution's development and operating security."
  - the waiving of this rule is due to the overly broad scope of the subject matter of the compensation policy subject to assessment by the decision-making body. The compensation policy in respect of persons who discharge key functions but are not members of the supervising body or the managing body should be subject to assessment by such persons' employer or principal, i.e. the Company represented by the Management Board and supervised by the Supervisory Board.

Furthermore, the following rules are not applicable to PZU:

- the rule laid down in § 11 section 3 reading as follows: "In the event that the decision-making body makes a decision concerning a transaction with a related party, all shareholders should have access to all information required to assess the conditions on which it is implemented and its impact on a regulated institution's standing."

- in PZU, the Shareholder Meeting does not make decisions on transactions with related parties;
- the rule laid down in § 49 section 4 reading as follows: "In a regulated institution in which there is no audit or compliance cell, the rights ensuing from sections 1-3 are vested in the persons responsible for performing these functions."
  - audit and compliance cells operate in PZU;
- the rule laid down in § 52 section 2 reading as follows: "In a regulated institution in which there is no audit or compliance cell or no cell responsible for this area has been designated, the information referred to in section 1 shall be conveyed by the persons responsible for performing these functions."
  - audit and compliance cells operate in PZU;
- the rules laid down in Chapter 9 entitled "Exercising rights from assets acquired at a client's risk"
  - PZU does not offer products entailing asset management at a client's risk.

#### 4 System of control in the process of preparing financial statements

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

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 PZU Management Board specifying key rules for recording business events in PZU, the valuation of assets and liabilities and dedicated reporting systems.

Data are prepared in the source systems using formal operating and acceptance procedures which specify the powers of specific persons.

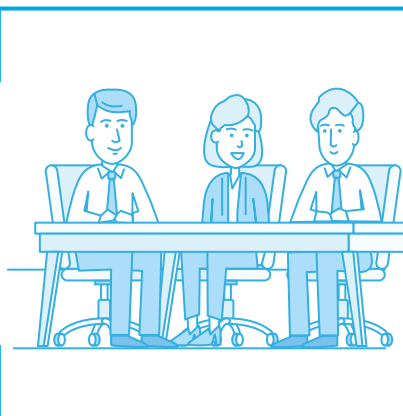
The reporting process is controlled by appropriately qualified, skilled and experienced staff.

PZU monitors changes in external regulations concerning, without limitation, the accounting policy (procedures) and reporting requirements applicable to insurance undertakings



3

Supervisory Board committees: audit committee, nomination and compensation committee, strategy committee

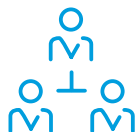


22%

of PZU's Supervisory Board members are women

30%

of the PZU and PZU Życie Management Board members are women



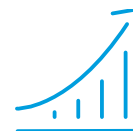
PZU has been a signor of the Charter of Diversity

since 2013



863,523,000

common shares with a par value of PLN 0.10 each make up PZU's share capital



Long-term and stable shareholder – the State Treasury holds a

34.19%

equity stake in PZU

Application of all recommendations and principles expressed in



DPSN2016,

except for the electronic shareholder meeting recommendation

The PZU Group Best Practices Code

is a collection of ethical standards and standards of conduct to be followed by all PZU Group employees



8

Audit Committee meetings in 2018



Application, in daily operations, of



the Best Insurance Practices

comprising principles that should be followed by insurance sector companies as institutions of social trust

Adoption and application of

Corporate Governance Rules for Regulated Institutions

in accordance with the declaration of 2015



and carries out appropriate adaptation processes in these areas.

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 financial systems with defined rules of data correctness, in accordance with PZU's internal regulations governing the control of accuracy of accounting data;
- data mapping from the source systems to financial statements supporting the proper presentation of data;
- analytical review of financial statements by specialists to compare them with the business knowledge and business transactions;
- formal review of the financial statements to confirm compliance with the applicable 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 processes 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 its consolidated subsidiaries through these companies' management boards and supervisory boards.

Consolidated financial reporting is governed by a number of internal regulations concerning the accounting principles (policy) adopted by the PZU Group and applied accounting standards as well as detailed schedules including the key activities and control points with assigned liability for timely and correct completion.

Consolidation packages forwarded by subsidiaries are subjected to:

- verification procedures by a statutory auditor scrutinizing the PZU Group's consolidated financial statements;
- analytical reviews by specialists and, in the case of consolidation packages forwarded by banks, also

reconciliation with their published stock exchange disclosures.

### **Audit Committee**

The PZU Supervisory Board appoints the Audit Committee composed of at least three Supervisory Board Members. The majority of Audit Committee Members, including the Chairperson, satisfy the independence criteria defined in the Statutory Auditor Act GLOSSARY and at least one Member has knowledge and skills in the fields of accounting or audit of financial statements in accordance with the requirements provided for in the Statutory Auditor Act.

The Audit Committee Members have knowledge and skills pertaining to the insurance industry, which is construed as at least one Audit Committee Member having knowledge and skills in the field of insurance or various Audit Committee Members having knowledge of specific branches within this field.

The Audit Committee is an advisory and consultative body to the Supervisory Board of PZU and is appointed to improve the effectiveness of supervision of the correct financial reporting at PZU and the effectiveness of internal control, including internal audit and risk management, exercised by the PZU Supervisory Board.

A statutory auditor appointed by the PZU Supervisory Board, based on a recommendation of the Audit Committee, reviews interim standalone and consolidated financial statements, audits annual standalone and consolidated financial statements and audits annual solvency and financial standing reports required by the Solvency II Directive (for PZU and the PZU Group).

## 5 Audit firm auditing the financial statements

On 18 February 2014, the PZU Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw, ul. Inflancka 4A, 00-189 Warsaw, entered by the National Chamber of Statutory Auditors on the list of audit firms under no. 3546 as the entity to audit the financial statements for the years 2014-2016, and on 27 April 2017 the PZU Supervisory Board exercised the option of extending this cooperation to include 2017-2018.

The scope of the concluded agreement encompasses the following in particular:

- auditing PZU's annual standalone financial statements and the PZU Group's annual consolidated financial statements;
- reviewing PZU's interim standalone financial statements and the PZU Group's interim consolidated financial statements.

### Main assumptions underlying the policy for selecting the audit firm.

The following are among the main assumptions underlying PZU's policy for selecting the audit firm:

- ensuring that the process of selecting the audit firm is done correctly and determining the responsibility and the duties of the participants in this process,

- analyzing the recommendations given by the Audit Committee when selecting the audit firm;
- giving consideration to the rule of rotating the audit firm and the key statutory auditor in the embraced time horizon.

The main assumptions underlying the Policy for the provision of permitted non-audit services by the audit firm conducting the statutory audit, by entities related to this audit firm and by a member of the audit firm's network:

- ensuring correctness in the process of procuring permitted services;
- determining the responsibility and the duties of the participants in this process;
- defining the catalogue of permitted services;
- establishing the procedure for procuring permitted services.

In 2018 the audit firm auditing the financial statements rendered permitted services to PZU that were not part of the audit. The Company conducted an assessment of the audit firm's independence and the PZU Supervisory Board consented to the rendering of the foregoing services.

In recent years, PZU's additional cooperation with KPMG Audyt has covered, without limitation, audits of solvency and financial standing reports required by the Solvency II Directive.

<b>Fee charged by audit firm auditing PZU's financial statements (PLN thous.)</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
compulsory audit of the annual financial statements / consolidated financial statements	609	4,950
other assurance services, including a review of financial statements/consolidated financial statements	759	1,793
tax advisory services	-	-
other services	-	-
<b>Total</b>	<b>1,368</b>	<b>6,743</b>

<b>Fee charged by audit firm auditing the PZU Group's financial statements (PLN thous.)</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
audit of the financial statements	7,813	7,673
other assurance services	4,814	3,568
<b>Total</b>	<b>12,627</b>	<b>11,241</b>



## 6 PZU's share capital and its shareholders; shares held by members of its governing bodies

On 30 June 2015, PZU's Ordinary Shareholder Meeting adopted a resolution to split all PZU shares by decreasing the par value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares making up the share capital from 86,352,300 to 863,523,000 shares. The split was effected by exchanging all the shares at a ratio of 1:10. The share split did not affect the amount of PZU's share capital.

On 3 November 2015 the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register registered the pertinent amendment to PZU's Articles of Association.

On 24 November 2015, at PZU's request, the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A., "KDPW") adopted Resolution No. 789/15 on setting 30 November 2015 as the date of a split of 86,348,289 PZU shares with a par value of PLN 1 each into 863,482,890 PZU shares with a par value of PLN 0.10 each.

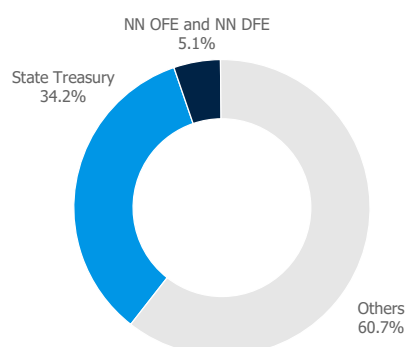
Accordingly, PZU's share capital is divided into 863,523,000 ordinary shares with a par value of PLN 0.10 each carrying the right to 863,523,000 votes at the Shareholder Meeting.

The State Treasury and the funds managed by Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A. are PZU shareholders holding significant equity stakes in PZU: Nationale-Nederlanden Otwarty Fundusz Emerytalny („OFE”, Open-end Pension Fund) and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny („DFE”, Voluntary Pension Fund).

The State Treasury holds 295,217,300 shares representing 34.19% of PZU's share capital giving the right to 295,217,300 votes at the Shareholder Meeting.

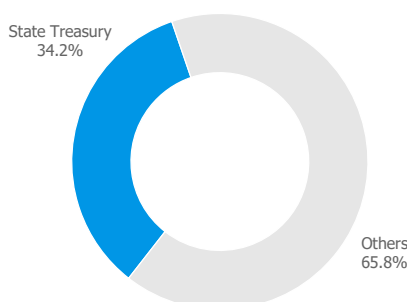
A notification pertaining to movement in the equity stake held in PZU SA by the NN open-end pension fund and the NN voluntary pension fund was transmitted to PZU on 12 June 2018. This notification indicated that as a result of a transaction to buy PZU shares settled on 6 June 2018, OFE and DFE increased their shareholding in PZU to 43,456,903 shares, representing 5.03% of PZU's share capital and giving

### PZU shareholder structure as at 31 December 2018



Source: current report no. 21/2018

### PZU shareholder structure as at 31 December 2017



Source: current report no. 42/2017

it the right to 43,456,903 votes at Shareholder Meeting. On 28 June 2018, i.e. on the date of holding the PZU SA Ordinary Shareholder Meeting, NN OFE and NN DFE held a total of 43,825,000 shares, representing 5.0751% of PZU's share capital and giving the right to 43,825,000 votes at the Shareholder Meeting.

The PZU Management Board does not have any information about executed agreements as a result of which changes may transpire in the future in the equity stakes held by its shareholders to date.

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

In 2013-2018, PZU did not have any employee share programs in place.

According to the Articles of Association, the shareholders' voting rights have been limited in such a manner that no shareholder may exercise more than 10% of the total number of votes in existence in PZU at its Shareholder Meeting on the date of holding a Shareholder Meeting subject to the reservation that for the purposes of determining the obligations of the buyers of significant equity stakes contemplated by the Act on Public Offerings and the Insurance Activity Act, such limitation of voting rights shall be deemed not to exist. The restriction on voting rights does not apply to the following:

- shareholders who on the date of adopting the Shareholder Meeting resolution implementing this limitation were entitled to shares representing more than 10% of the total number of votes;
- shareholders acting with the shareholders specified in the item above pursuant to executed agreements pertaining to jointly exercising the voting rights attached to shares.

For the purpose of limiting voting rights, the votes of shareholders among whom there is a parent or subsidiary relationship are totaled in accordance with the rules described in the Articles of Association.

In the event of doubt, the provisions regarding the restriction on voting rights are subject to interpretation according to Article 65 § 2 of the Civil Code GLOSSARY.

In line with PZU's Articles of Association, these voting restrictions will expire starting from the moment when the equity stake held by the shareholder who held shares giving the right to more than 10% of the total number of votes in PZU when the Shareholder Meeting adopted the resolution drops below 5% of the Company's share capital.

#### **Shares or rights to shares held by members of management or supervisory bodies and PZU Group Directors**

As at the date of publication of this Activity Report, Tomasz Kulik, Member of the PZU Management Board held 2,847 PZU shares, which the Company reported in current report 23/2018. As at the date of the Activity Report for 2017 (i.e. 15 March 2018) none of the members of the Management Board or the Supervisory Board or the Directors of the Group held any PZU shares or rights thereto.

## **7 PZU's Articles of Association**

The Articles of Association are available on PZU's corporate website in the "Investor relations" section [www.pzu.pl/ri](http://www.pzu.pl/ri)

#### **Amendments to the Articles of Association**

PZU's Articles of Association may be amended by the Shareholder Meeting provided that a resolution is adopted by a majority of three fourths of the votes, KNF's approval is issued in the cases referred to in the Insurance Activity Act GLOSSARY and the amendments are entered in the National Court Register. The Supervisory Board has the powers to approve the consolidated amended text of the Articles of Association.

## **8 Shareholder Meeting, Supervisory Board and Management Board**

#### **Shareholder Meeting**

The Shareholder Meeting is PZU's highest corporate body. The general operational principles and the rights of the Shareholder Meeting are regulated by the Commercial Company Code GLOSSARY and the Articles of Association.

The PZU Ordinary Shareholder Meeting adopted its Rules and Regulations under Resolution No. 31/2018 of 28 June 2018.

The Shareholder Meeting is the body authorized to make decisions concerning issues related to the organization and operations of the Issuer. Resolutions of the Shareholder Meeting are adopted by an absolute majority of votes, except in cases provided for in the Commercial Company Code GLOSSARY or the Articles of Association.

The powers of the Shareholder Meeting, in addition to those specified in the Commercial Company Code or the Articles of Association, include the adoption of resolutions concerning the following:

- examination and approval of the Management Board's report on the Company's activity and the Management Board's report on the activity of the PZU Group and the Company's financial statements and consolidated financial statements of the PZU Group for the previous financial year and granting a discharge to individual members of the Company's corporate bodies on the performance of their duties;

- review of the Management Board's report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
  - distribution of profits or coverage of losses;
  - decisions on claims to remedy damages incurred during the incorporation of the Company or in its administration or oversight;
  - transfer or lease of a business or an organized part thereof or establishing a limited right in them thereon;
  - redemption of shares or issue of bonds;
  - establishing reserve capital accounts and making decisions on their allocation or manner of allocation;
  - split of the Company, merger of the Company with another company, winding up or dissolving the Company;
  - appointment and dismissal of members of the Supervisory Board, subject to the personal right granted to the State Treasury to appoint and dismiss one member of the Supervisory Board;
  - establishing the rules for remunerating members of the Supervisory Board;
  - purchase or transfer by the Issuer of real estate, perpetual usufruct or a share in real estate or perpetual usufruct whose gross value exceeds the equivalent of EUR 30.0 million (thirty million euros), subject to § 18a of the Articles of Association.
- one year if the asset is handed over on the basis of contracts entered into for an unspecified term,
  - the full duration of the term of validity in the case of contracts entered into for an unspecified term,
  - lending for use agreements and other agreements to hand over an asset to other entities for gratuitous use, the market value of the subject matter of a legal act is defined as the value of benefits that would be due if a lease or rental agreement was executed instead, for:
    - one year if the asset is to be handed over on the basis of a contract entered into for an unspecified term,
    - the full duration of the term of validity in the case of contracts executed for an unspecified term,
  - purchase of non-current assets within the meaning of the Accounting Act of 29 September 1994, with the value exceeding:
    - PLN 100 million or
    - 5% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements,
  - subscription or acquisition of shares in another company, with the value exceeding:
    - PLN 100 million or
    - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements,
  - disposal of shares in another company, with the value exceeding:
    - PLN 100 million or
    - 10% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements.

In accordance with the Articles of Association, the Shareholder Meeting's approval is required for:

- disposal of non-current assets within the meaning of the Accounting Act of 29 September 1994 (Journal of Laws of 2016, items 1047 and 2255) classified as intangible assets, property, plant and equipment or long-term investments, including contribution to a company or a cooperative – if the market value of those assets exceeds 5% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements; and also handing those assets over for use to another entity for a period longer than 180 days in a calendar year based on a legal act, if the market value of the subject matter of the legal act exceeds 5% of total assets, whereas the handing over of assets for use in the case of the following:
  - lease, rental and other agreements to hand over an asset for use to other entities against payment, the market value of the subject matter of a legal act is defined as the value of benefits for:

Shareholder Meeting resolutions concerning the following issues require a three-fourths majority of votes:

- amendments to the Articles of Association;
- decrease in the share capital;
- transfer or lease of a business or an organized part thereof or establishing a limited right in rem thereon.

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

- preference shares;
- Issuer's business combination by transferring all its assets to another company;

- merger by forming a new company;
- dissolving the Company (also as a result of moving its registered office or the head office abroad);
- liquidation, transformation or reduction in the share capital through the redemption of a portion of shares without a concurrent capital increase.

A Shareholder Meeting is held:

- as an Ordinary Shareholder Meeting which should be held within six months from the end of each financial year;
- as an Extraordinary Shareholder Meeting which is convened in cases specified in the generally applicable law and the Articles of Association.

Shareholder 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 Offerings, 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 not later than twenty-six days before the date of the Shareholder Meeting. From the date of convening the Shareholder Meeting, the announcement with materials presented to shareholders at the Shareholder Meeting are available on PZU's corporate website in the "Investors relations" section under the "Shareholder Meeting" tab QR code <https://www.pzu.pl/relacje-inwestorskie/akcje-i-obligacje/walne-zgromadzenia>. A duly convened Shareholder Meeting is deemed valid regardless of the number of attending shareholders. Resolutions are passed in an open ballot. A secret ballot is ordered in elections or on motions to dismiss members of the Issuer's corporate bodies or liquidators, in matters concerning their personal liability to the Company as well as in other personal matters or, excluding cases when voting by open ballot ensues from a statute, at the request of at least one of the shareholders attending or represented at the Shareholder Meeting. The rights of the shareholders and the method of exercising thereof at the Shareholder Meeting are specified in the Commercial Company Code GLOSSARY and the Articles of Association. Only persons who were shareholders of the Issuer sixteen days prior to the date of the Shareholder Meeting have the right to participate in the Meeting (date of registration of attendance at the Meeting). Shareholders may attend the Shareholder Meeting and exercise the right to vote in person or through a proxy. The proxy document to participate in the Shareholder Meeting and exercise the voting right must be granted in

writing or electronically. One PZU share gives the right to a single vote at the Shareholder Meeting, subject to restrictions with respect to exercising the voting rights described in the Company's Articles of Association. A shareholder may vote differently from each of the shares held by it.

During the Shareholder Meeting, each shareholder may provide draft resolutions concerning items on the agenda.

In accordance with the Commercial Company Code GLOSSARY, detailed procedures concerning participation in the Shareholder Meeting and exercising the voting rights are always presented in an announcement of the Shareholder Meeting published on the date of convening the Shareholder Meeting on PZU's corporate website in the "Investors relations" section under the "Shareholder Meeting" tab.

### **Supervisory Board's composition, powers and method of operation**

#### **Composition**

In accordance with the Articles of Association, the Supervisory Board is composed of seven to eleven members. The number of Supervisory Board members is specified by the Shareholder Meeting.

Members of the Supervisory Board are appointed by the Shareholder Meeting for a joint term of office which lasts three consecutive full financial years. At least one member of the audit committee appointed by the Supervisory Board must hold qualifications in accounting or auditing financial statements within the meaning of the Act on Statutory Auditors, Audit Firms and Public Supervision. Furthermore, in accordance with the said Act, the majority of the audit committee members should meet the statutory independence criteria (independent member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities. An independent supervisory board member is obligated to present a written declaration on satisfying all the independence criteria and advise the Company of ceasing to satisfy these criteria. In addition, the Articles of Association 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. This right will expire if the State Treasury ceases to be a Company shareholder. A candidate to be a Supervisory Board member named by the State Treasury

should meet the requirements set forth in Article 19 of the Act of 16 December 2016 on Rules for Managing State Property.

As at 1 January 2018, the following persons sat on the PZU Supervisory Board:

- Katarzyna Lewandowska – Supervisory Board Chairwoman;
- Aneta Fałek – Supervisory Board Deputy Chairwoman;
- Alojzy Nowak – Supervisory Board Secretary;
- Maciej Zaborowski – Supervisory Board Member;
- Marcin Chludziński – Supervisory Board Member;
- Bogusław Marian Banaszak – Supervisory Board Member;
- Paweł Górecki – Supervisory Board Member;
- Agata Górnicka – Supervisory Board Member;
- Robert Śnitko – Supervisory Board Member.

On 8 January 2018, Aneta Fałek tendered her resignation from membership in the Supervisory Board effective as of that date. As at 8 January 2018 Maciej Łopiński was appointed by letter. On 9 January 2018, the Supervisory Board entrusted the function of Chairman to Maciej Łopiński and the function of Deputy Chairman to Paweł Górecki.

Accordingly, the composition of the PZU Supervisory Board was as follows:

- Maciej Łopiński – Supervisory Board Chairman;
- Paweł Górecki – Supervisory Board Deputy Chairman;
- Alojzy Nowak – Supervisory Board Secretary;
- Bogusław Marian Banaszak – Supervisory Board Member;
- Marcin Chludziński – Supervisory Board Member;
- Agata Górnicka – Supervisory Board Member;
- Katarzyna Lewandowska – Supervisory Board Member;
- Robert Śnitko – Supervisory Board Member;
- Maciej Zaborowski – Supervisory Board Member.

On 9 January 2018, due to his death, the mandate of Bogusław Marian Banaszak as a Supervisory Board Member expired.

On 9 March 2018 the Extraordinary Shareholder Meeting appointed Robert Jastrzębski. Accordingly, the composition of the PZU Supervisory Board was as follows:

- Maciej Łopiński – Supervisory Board Chairman;
- Paweł Górecki – Supervisory Board Deputy Chairman;
- Alojzy Nowak – Supervisory Board Secretary;
- Marcin Chludziński – Supervisory Board Member;
- Agata Górnicka – Supervisory Board Member;
- Robert Jastrzębski – Supervisory Board Member;

- Katarzyna Lewandowska – Supervisory Board Member;
- Robert Śnitko – Supervisory Board Member;
- Maciej Zaborowski – Supervisory Board Member.

The current term of office of the PZU Supervisory Board started on 1 July 2015 and ended after the elapse of three full financial years, i.e. on 31 December 2018. 2016 was the first full financial year of this term of office. The mandates of members of the Supervisory Board will expire not later than on the date of the Shareholder Meeting approving the financial statements for the last full financial year of their term.

Presented below is the period of discharging the function in the Supervisory Board (according to the composition as at 31 December 2018):

#### **Powers**

The Supervisory Board continuously oversees the Company's business in all areas of its operation. In accordance with the Articles of Association, the powers of the Supervisory Board include:

- evaluating the Management Board's report on the Company's activity and the Management Board's report on the activity of the PZU Group and the Company's financial

## The PZU's Supervisory Board composition as at 31 December 2018

Name and surname	PZU Supervisory Board member's period of holding office
Maciej Łopiński	Supervisory Board Chairman since 9 January 2018 (on the Supervisory Board since 8 January 2018)
Paweł Górecki	Supervisory Board Deputy Chairman since 9 January 2018 (on the Supervisory Board since 8 February 2017)
Alojzy Nowak	Supervisory Board Secretary since 14 March 2017 (on the Supervisory Board since 30 May 2012)
Marcin Chłudziński	Supervisory Board Member since 7 January 2016
Agata Górnicka	Supervisory Board Member since 8 February 2017
Robert Jastrzębski	Supervisory Board Member since 9 March 2018
Katarzyna Lewandowska	Supervisory Board Member since 12 April 2017
Robert Śnitko	Supervisory Board Member since 12 April 2017
Maciej Zaborowski	Supervisory Board Member since 7 January 2016



**Maciej Łopiński**

Supervisory Board Chairman

In the Supervisory Board since 8 January 2018

Graduate of the University of Gdańsk. Editor-in-Chief of Tygodnik Gdański, a journalist of Głos Wybrzeża and Tygodnik Czas, among others. A member of parliament in the 7th term of office. Secretary of State in the Office of President Lech Kaczyński in 2005-2010 and in turn in the Office of President Andrzej Duda in 2015-2016. He has many years of experience in company law and corporate governance also gained in supervisory bodies in commercial law companies, among others, KGHM Poland Miedź SA, PZU Asset Management SA, Telewizja Polska SA.



**Paweł Górecki**

Supervisory Board Deputy Chairman

In the Supervisory Board since 8 February 2017

Graduated from the Faculty of Law, Administration and Economics of the University of Wrocław. He received the degree of Doctor of Law. He was a legal advisor trainee and a court trainee and has been entered in the registry of legal advisors. A university lecturer. He has authored several dozen peer-reviewed papers on the subject of law published by Polish and international journals and has authored numerous unpublished legal opinions. He has been an active participant of conferences organized by Polish academic centers. He specializes in the providing legal services to companies and applying administrative, fiscal and court-and-administrative procedures.



**Alojzy Nowak**

Supervisory Board Secretary

In the Supervisory Board since 30 May 2012

Professor ordinary at the University of Warsaw, a graduate of the Department of Foreign Trade of the Central School of Planning and Statistics. Completed, among others, economics studies at the University of Illinois Urbana-Champaign in the US and completed studies in banking, finance and capital markets at the University of Exeter in the UK. Head of the Department of National Economy at the Management Faculty of the University of Warsaw, Director of the European Center of the University of Warsaw, Dean of the Management Faculty of the University of Warsaw, Member of the National Development Council at the President of the Republic of Poland, adviser to the Prime Minister. He has extensive experience in corporate governance, gained, among others, while serving as a member of the supervisory boards of PTE WARTA S.A., PKO BP S.A. and JSW S.A.



**Marcin Chludziński**

Supervisory Board Member

In the Supervisory Board since 7 January 2016

Graduate of the European Regional and Local Studies and the Faculty of Journalism and Political Sciences of the University of Warsaw. From 2004, associated with Invent Grupa Doradztwa i Treningu. From 2009, President of the Management Board of Urbino sp. z o.o., a licensed coach and consultant specializing in strategic and organizational planning and project management. He has been working for the University of Warsaw, the Collegium Civitas and the Łazarski University as a lecturer. Has gained extensive experience in corporate governance in companies with a State Treasury shareholding and municipal companies. Author of articles on public management.

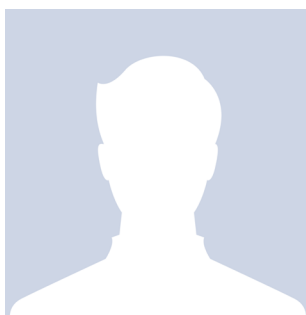


**Agata Górnicka**

Supervisory Board Member

In the Supervisory Board since 8 February 2017

Graduate of the Faculty of Journalism and Political Science at the University of Warsaw and. She has obtained a post-graduate diploma in media management from the Kozminski University in Warsaw. From 2006 to 2012 she was professionally associated with Telewizja Polska S.A., in 2012-2013 she was a Project Coordinator at the Bank Zachodni WBK S.A. Foundation, in 2013-2014 she was an Assistant to the President of the Bank Zachodni WBK S.A. Management Board. From 2014 to 2015, she was the Manager of the Office of the Management Board and Supervisory Board at Bank Zachodni WBK S.A. Since December 2015, she has served as the Director of the Political Office at the Ministry of Development.



**Robert Jastrzębski**

Supervisory Board Member

In the Supervisory Board since 9 March 2018

Graduate of the Faculty of Law and Administration at the University of Warsaw. In 2001 he obtained the academic degree of doctor of legal sciences in the law, and in 2009 he obtained the academic degree of a habilitated doctor. He is the author of more than 80 academic publications. Winner of awards and distinctions, including, among others, an Award from the Faculty of Law and Administration at the University of Warsaw for outstanding academic achievement. Employed since 2001 by the Faculty of Law and Administration at the University of Warsaw. Since 2015 Head of the Workshop on 20th century Polish law. Member among others of the program council of the magazine Przegląd Ustawodawstwa Gospodarczego (2010) (Business Legislation Review), editorial team of the magazine Zeszyty Naukowe Biura Analiz Sejmowych (2016) (Research Bulletin of the Parliamentary Research Office).



**Katarzyna Lewandowska**

Supervisory Board Member

In the Supervisory Board since 12 April 2017, she served as the Supervisory Board Chairwoman from 13 April 2017 to 8 January 2018.

Graduated from Warsaw School of Economics. From 1996 to 2017, an employee of the State Treasury Ministry where she gained extensive experience in exercising corporate governance in companies operating in the defense industry, operating in the coal mining industry, managing sea ports and exercising the State Treasury's monopoly in number games and cash lotteries. From March 2017 Deputy Director of the State Treasury Department in the Prime Minister's Office. Member of the Supervisory Board of the LOTOS S.A. Group. Acting Director of the State Treasury Department.



**Robert Śnitko**

Supervisory Board Member

In the Supervisory Board since 12 April 2017

Graduate of the London School of Economics and Political Science, University of London, School of Oriental and African Studies, University of London, Faculty of Economics at the Radom Technical University. Holder of a Scholarship awarded by the Minister of National Education (Minister of Science and Higher Education), the United Kingdom's Ministry of Foreign Affairs and non-governmental organizations from the United Kingdom and the United States. Ph.D. in economics obtained from the Warsaw School of Economics. Member of the International Institute for Strategic Studies.





### **Maciej Zaborowski**

Supervisory Board Member

In the Supervisory Board  
since 7 January 2016

Graduated from the Law and Administration Department at the University of Warsaw. Completed post-graduate studies in intellectual property law and postgraduate studies in evidence law. Graduate of the Center for American Law Studies, Leadership Academy for Poland. Advocate and professional mediator of the Mediation Center at the Polish Bar Council. Lecturer of advocate training at the Bar Association in Warsaw. Currently, he runs his own legal practice and is a Managing Partner at the law firm Kopeć Zaborowski Adwokaci i Radcowie Prawni sp.p. He has acquired experience in corporate governance as a member of the supervisory boards in various companies.

- statements and consolidated financial statements of the PZU Group for the previous financial year for compliance with the accounting ledgers and documents as well as the facts;
- approving the solvency and financial condition report of the Company and the solvency and financial condition report of the PZU group;
- evaluating the Management Board's motions to distribute the profit or cover the loss;
- submitting a written report to the Shareholder Meeting on the results of the evaluation referred to in the foregoing items and submitting a concise annual evaluation of the Company's standing with an assessment of its internal control system and the system for managing significant risks to the Company, and an annual report on the Supervisory Board's work;
- concluding, terminating and amending agreements with Management Board members and setting the rules for their compensation;
- appointing, suspending and dismissing the President of the Management Board, Management Board members or the entire Management Board and making decisions to discontinue such a suspension;
- granting consent to transferring an insurance portfolio in its entirety or in part;
- accepting motions submitted by the Management Board to purchase, subscribe to or sell ownership interest and shares in companies and on the Company's participation in other entities – the Supervisory Board may define the maximum amount, the terms and conditions and the procedure that the Management Board may use to conduct the foregoing activities without the obligation to obtain approval from the Supervisory Board, except in cases where the decision in this respect is made by the Shareholder Meeting pursuant to § 18a of the Articles of Association;
- seconding members of the Supervisory Board to perform temporarily the functions of members of the Management Board who have been dismissed, resigned or cannot perform their functions for other reasons;
- accepting instructions on how the Company's representatives should vote at Shareholder Meetings of PZU Życie in matters on increasing or decreasing the share capital, issuing bonds, selling or leasing PZU Życie's enterprise or establishing a usufruct right on the enterprise, dividing PZU Życie, merging PZU Życie with another company, liquidating or dissolving PZU Życie;
- selecting the audit firm to carry out the mandatory audit of the financial statements, including the annual financial statements of the Company and the annual consolidated financial statements of the PZU Group, and the solvency and financial condition report of the Company and the solvency and financial condition report of the PZU Group, and reviews of the financial statements in accordance with the obligations following from the prevailing laws;
- deciding on the consolidated text of the revised Articles of Association,
- approving the Company's long-term development plans and annual financial plans prepared by the Management Board;
- approving the Bylaws of the Management Board;
- examining and consulting matters submitted by the Management Board for deliberation at the Shareholder Meeting.

Moreover, one of the the Supervisory Board's powers is to give consent to the following:

- acquisition or disposal of real property, perpetual usufruct or share in real property or in perpetual usufruct with a value exceeding the equivalent of EUR 3.0 million;
- execution of a material agreement, as construed by the the Regulation on Current and Periodic Information, by the Company with its related party, except for standard agreements executed by the Company on an arm's length basis as part of its operating activities;
- executing an agreement with an underwriter of the kind referred to in Article 433 § 3 of the Commercial Company Code;
- paying out an interim dividend;
- creating and shutting down regional or foreign branches;
- executing an agreement to provide legal, marketing, public relations and public communication services or management consulting services if the total net fee to be paid for such services is greater than PLN 500 thousand annually;
- amending an agreement to provide legal, marketing, public relations and public communication services or management consulting services by increasing the said fee above and beyond the net amount of PLN 500 thousand annually;
- executing an agreement to provide legal, marketing, public relations and public communication services and management consulting services which do not specify the maximum amount of the fee;
- executing a donation or other agreement having a similar effect, the value of which exceeds PLN 20 thousand or

- 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements;
- executing a debt release or other agreement having a similar effect, the value of which exceeds PLN 50 thousand or 0.1% of total assets within the meaning of the Accounting Act of 29 September 1994, determined on the basis of the most recent approved financial statements.

### Mode of operation

The Supervisory Board adopts the Rules and Regulations of the Supervisory Board which define its organization and manner of acting. The Rules and Regulations of the Supervisory Board were adopted by its Resolution of 24 February 2016 (as amended), specifying the composition of the Supervisory Board and the way in which its members are appointed, the tasks and the scope of its activities and the manner of convening its meetings and conducting debates.

The Articles of Association stipulate that the Supervisory Board should meet at least once every quarter. The Supervisory Board may delegate its members to fulfil 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.

The Supervisory Board adopts its resolutions by an absolute majority of votes. In the event of a voting tie, the Chairman of the Supervisory Board has the casting vote. Resolutions of the Supervisory Board may be adopted using means of direct remote communication and circular vote. Additionally, the Articles of Association stipulate that a vote may be cast in writing through another member of the Supervisory Board.

Resolutions of the Supervisory Board are adopted in an open ballot, except for resolutions concerning the appointment of the Chairperson, Deputy Chairperson or 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 on appointing, suspending and dismissing the President, members of the Management Board or the entire Management Board as well and making decisions to stop such suspension, which are adopted in a secret ballot. Moreover, a secret ballot may be held at the request of a member of the Supervisory Board.

The Supervisory Board elects from among its members the Chairperson and Deputy Chairperson and may also elect the Secretary from among its members.

In accordance with the Rules and Regulations of the Supervisory Board, apart from appointing the audit committee and the nomination and compensation committee, provided for in the Articles of Association to properly perform its supervision, the Supervisory Board may appoint other permanent advisory and consultative committees whose competencies, composition and manner of operation are laid down in the rules and regulations of the committee in question adopted by the Supervisory Board. The Bylaws provide for the possibility for the Supervisory Board and its appointed committees to use the services provided by experts and consulting firms.

Members of the Management Board, the Company's employees relevant to the issue under consideration selected by the Management Board and other persons invited by the Supervisory Board may take part in the meetings of the Supervisory Board without the right to vote. In specific cases, the Supervisory Board may also invite members of the management board or supervisory board of other PZU Group member companies. Moreover, members of the Supervisory Board, with the consent of the Supervisory Board, may select no more than 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 a person adheres to the rules of confidentiality and signs a confidentiality undertaking.

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

- audit committee;
- nomination and compensation committee;
- strategy committee.

The Articles of Association provide for the appointment of an audit committee by the Supervisory Board. The audit committee shall include at least three members. Pursuant to the Act of 21 June 2017 on Statutory Auditors, Audit Firms and Public Supervision, at least one member of the audit committee appointed by the Supervisory Board should hold qualifications in accounting or auditing financial statements. Furthermore, the majority of the audit committee members, including its chairman, should meet the statutory

independence criteria (independent member) concerning, without limitation, professional or family ties, especially to managers or supervisors of PZU or PZU Group entities. The detailed tasks and for appointing members of the audit committee and its operation are specified in a resolution of the Supervisory Board which takes into account the relevant competencies and experience of candidates in respect of the matters entrusted to this committee.

In accordance with the rules and 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 effective supervision of the correctness of financial reporting and the effectiveness of internal control, including internal audit and risk management, exercised by the Supervisory Board. Moreover, the audit committee may request the Supervisory Board to commission the performance of specific control activities in the Company, and such commissioned control activities may be performed by an internal unit or an external entity.

The Audit Committee was appointed by a Supervisory Board resolution of 3 June 2008. Composition of the audit committee as at 1 January 2018:

- Bogusław Banaszak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Maciej Zaborowski – Committee Member.

Bogusław Banaszak and Maciej Zaborowski were indicated as independent members within the meaning of Article 129 Section 3 of the Act on Statutory Auditors, Audit Firms and Public Supervision, and Marcin Chludziński was indicated as a member holding accounting or financial audit qualifications.

On 9 January 2018, due to his death, the mandate of Bogusław Banaszak as the Committee Chairman expired.

On 9 February 2018 the PZU Supervisory Board resolved that the audit committee will be composed of 3 persons and simultaneously established the following composition of the committee:

- Alojzy Nowak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Maciej Zaborowski – Committee Member.

Alojzy Nowak and Maciej Zaborowski were indicated as independent members within the meaning of Article 129

Section 3 of the Act on Statutory Auditors, Audit Firms and Public Supervision, and Marcin Chludziński was indicated as a member holding accounting or financial audit qualifications.

As at 31 December 2018, the composition of the committee was unchanged.

All Members of the audit committee have the knowledge and skills in the industry in which PZU operates.

The qualifications of committee members in accounting and auditing financial statements and the knowledge and skills in the insurance industry stem from the education, experience and professional practice gained by the various committee members.

In 2018, 8 meetings of the Audit Committee were held.

In accordance with the Rules and Regulations of the Supervisory Board, once PZU's shares are listed on a regulated market within the meaning of the Financial Instruments Trading Act of 29 July 2005, the Supervisory Board may appoint a nomination and compensation committee.

In accordance with the Articles of Association, detailed responsibilities and the method of appointing members of the nomination and compensation committee, the manner of its operation and remunerations are defined by a Supervisory Board resolution. The committee should include at least one independent member. If the Supervisory Board includes five members elected in a vote, the nomination and compensation committee is not appointed and its tasks are carried out by the entire Supervisory Board.

According to the regulations of the nomination and compensation committee adopted by a resolution of the Supervisory Board of 4 April 2013, the committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board's oversight activities related to establishing the management structure, including organizational issues, the remuneration system and principles and the selection of properly qualified staff.

The committee is dissolved once five members of the Supervisory Board are elected by group voting, following which its powers are taken over by the whole Supervisory Board.

Composition of the nomination and compensation committee as at 1 January 2018:

- Aneta Fałek – Committee Chairwoman;
- Paweł Górecki – Committee Member;
- Katarzyna Lewandowska – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 9 January 2018 the PZU Supervisory Board resolved that the nomination and compensation committee will be composed of 3 persons and established the following composition of the committee:

- Paweł Górecki – Committee Chairman;
- Agata Górnicka – Committee Member;
- Katarzyna Lewandowska – Committee Member.

On 14 March 2018 the PZU Supervisory Board resolved that the nomination and compensation committee will be composed of 4 persons and simultaneously established the following composition of the committee:

- Paweł Górecki – Committee Chairman;
- Agata Górnicka – Committee Member;
- Katarzyna Lewandowska – Committee Member;
- Maciej Łopiński – Committee Member.

As at 31 December 2018, the composition of the committee was unchanged.

According to the rules and regulations of the strategy committee adopted by a resolution of the Supervisory Board of 4 April 2013, the committee is an advisory and consultative body to the Supervisory Board and is appointed to improve the effectiveness of the Supervisory Board's oversight activities related to issuing opinions on all strategic documents presented by the Management Board (in particular, the Company's development strategy) and providing the Supervisory Board with recommendations on planned investments that materially impact the Company's assets.

Composition of the strategy committee as at 1 January 2018:

- Alojzy Nowak – Committee Chairman;
- Bogusław Banaszak – Committee Member;
- Marcin Chludziński – Committee Member;
- Agata Górnicka – Committee Member;
- Robert Śnitko – Committee Member;
- Maciej Zaborowski – Committee Member.

In connection with the changes in the PZU Supervisory Board, on 14 March 2018 the PZU Supervisory Board resolved that

the strategy committee will be composed of 6 persons and established the following composition of the committee:

- Alojzy Nowak – Committee Chairman;
- Marcin Chludziński – Committee Member;
- Agata Górnicka – Committee Member;
- Robert Jastrzębski – Committee Member;
- Robert Śnitko – Committee Member;
- Maciej Zaborowski – Committee Member.

As at 31 December 2018, the composition of the committee was unchanged.

## **Management Board**

### **Composition**

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

Management Board Members, including the President of the Management Board, are appointed and dismissed by the Supervisory Board. Such appointment takes place following a recruitment procedure aimed at verifying and evaluating the qualifications of the candidates and selecting the best candidate, for a joint term of office of three consecutive full financial years. The President of the Management Board of the new term of office appointed before the current term elapses has the right to submit a motion to the Supervisory Board requesting appointment of the remaining Management Board members of the new term of office before the current term elapses.

A Management Board Member must fulfill all of the following conditions:

- holds a graduate degree or a graduate degree received abroad and recognized in the Republic of Poland pursuant to separate regulations,
- has at least 5-year employment period based on an employment agreement, appointment, selection, nomination, cooperative employment agreement or provision of services on the basis of another contract or conducting business activity on one's own account,
- has at least 3 years of experience on managerial or independent positions or arising from conducting business activity on one's own account,
- in addition to the above requirements, meets other requirements arising from separate regulations, in

particular is not in breach of any restrictions or prohibitions for holding an executive position in commercial companies.

A Management Board Member may not be a person who fulfills at least one of the following conditions:

- acts as a social associate or is an employee of an MP's office, senator's office, MP-senator's office or office of a member of European Parliament pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement;
- is a member of a body of a political party that represents the political party externally and is authorized to incur liabilities;
- is employed by a political party pursuant to an employment agreement or provides work on the basis of a mandate agreement or other similar agreement;
- is an elected official of a company trade union or a company trade union in a group company;
- his/her public or business activity raises conflict of interest with the Company's business.

As at 1 January 2018 the Management Board composition was as follows:

- Paweł Surówka – President of the Management Board;
- Roger Hodgkiss – Management Board Member;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member;
- Małgorzata Sadurska – Management Board Member.

As at 31 December 2018, the Management Board composition was unchanged.

Up to the date of publication of this report, the Management Board composition is unchanged.

The current term of office of the PZU Management Board started on 1 July 2015 and spans three full consecutive financial years. The mandates of the Management Board members will expire no later than on the date of the Shareholder Meeting approving the financial statements for the most recent full financial year of the discharge of their functions.

The Management Board exercises any and all rights related to managing PZU which are not otherwise reserved by law or the provisions of the Articles of Association to the Shareholder Meeting or the Supervisory Board. Two Management Board members acting jointly or one Management Board member

acting jointly with an attorney-in-fact are authorized to represent the Company. The Management Board adopts its rules and regulations, which are approved by the Supervisory Board. The Rules and Regulations of the Management Board were adopted by the Management Board on 2 October 2012, subsequently amended by Resolution of the Management Board of 8 April 2013 and Resolution of 10 May 2018, approved by the Supervisory Board resolution of 15 May 2018.

The Rules and Regulations of the Management Board define:

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

In accordance with the Rules and Regulations of the Management Board, resolutions of the Management Board are especially required for:

- adoption of a long-term plan for the Company's development and operations;
- adoption of an action and development plan for the PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- acceptance of the Management Board's report on the Company's activity and the Management Board's report on the activity of the PZU Group and the Company's financial statements and consolidated financial statements of the PZU Group for the previous financial year;
- acceptance of the solvency and financial condition report of the Company and the solvency and financial condition report of the PZU Group;
- acceptance of the Company's own risk and solvency assessment report and the Group's own risk and solvency assessment report;
- adoption of a report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services;
- approval of a motion to distribute profit or cover loss;

- determination of premiums in compulsory and voluntary insurance and the general terms and conditions of voluntary insurance;
- determination of the scope and size of outward reinsurance and the tasks for inward reinsurance;
- adoption of an annual audit and control plan and a report on its implementation with conclusions;
- determination of the terms and conditions of investment, prevention and sponsoring activities;
- granting sureties and guarantees (excluding insurance operations) and contracting or providing credit facilities or loans by the Company (excluding credit facilities and loans granted from the Company Social Benefits Fund);
- appointment of a commercial proxy.

In accordance with the Rules and Regulations, meetings of the Management Board are held at least once a fortnight. The President of the Management Board directs the work of the Management Board and its powers include the following in particular:

- defining the scope of responsibility of each member of the Management Board;
- convening meetings of the Management Board;
- setting the agenda of meetings of the Management Board;
- applying to the Supervisory Board for appointing or dismissing members of the Management Board;
- designating a person to administer the work of the Management Board during the absence of the President of the Management Board.

The work of the Management Board is headed by the President of the Management Board who defines the scope of responsibility for each member of the Management Board.

The Management Board prepares and presents to the Shareholder Meeting a report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services.

Resolutions of the Management Board are adopted only in the presence of the President of the Management Board or a person designated to head the work of the Management Board during the President's absence.

Resolutions of the Management Board are adopted by an absolute majority of votes; in the event of a voting tie, the President has the casting vote. The Management Board,

with the consent of the President, may adopt resolutions in writing, on paper or in electronic form (i.e. using means of remote communication and a qualified electronic signature). The Articles of Association also provide that meetings of the Management Board may be held using means of direct remote communication.

The President of the Management Board makes 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 President.

PZU's Articles of Association do not provide for the Management Board to have rights concerning decisions on issuing or redeeming shares.

Presented below are the scopes of responsibility of the Management Board members in office as at the end of 2018:

First and last name (Management Board composition at the end of 2018)	In the PZU Group	Responsibilities (as at the end of 2018)
Paweł Surówka	President of the PZU Management Board from 13 April 2017 / President of the PZU Życie Management Board from 23 June 2016 to 13 April 2017	management and corporate governance in the PZU Group, corporate management, strategy and development of PZU Group's business, internal audit, compliance, reinsurance, assurbanking, innovation, management of development of digital processes, administration
Roger Hodgkiss	PZU Management Board Member since 19 January 2016 /PZU Życie Management Board Member since 29 January 2016	mass non-life insurance (sales and sales network management, products and tariffs), corporate non-life insurance (sales and sales network management, underwriting, financial insurance), direct sales, CRM and development of sales tools, retail sales efficiency
Tomasz Kulik	PZU Management Board Member since 14 October 2016 /PZU Życie Management Board Member since 19 October 2016	finance, actuarial, investments
Maciej Rapkiewicz	PZU Management Board Member since 22 March 2016 /PZU Życie Management Board Member since 25 May 2016	risk management
Małgorzata Sadurska	PZU Management Board Member since 13 June 2017 / PZU Życie Management Board Member since 19 June 2017	bancassurance, strategic partnership programs, supervision over PZU Group's foreign companies, real property, procurement, environmental protection at the PZU Group
Roman Pałac	President of the PZU Życie Management Board since 26 April 2017 / PZU Group Director since 15 February 2016	management of the PZU branch network, health insurance, claims and benefits handling, remote channels
Aleksandra Agatowska	PZU Życie Management Board Member / PZU Group Director since 25 March 2016	no scope of duties assigned because of the temporary absence *
Tomasz Karusewicz	PZU Życie Management Board Member / PZU Group Director since 29 January 2016	IT, insurance operations
Bartłomiej Litwińczuk	PZU Życie Management Board Member / PZU Group Director since 19 August 2016	security, legal services, HR
Dorota Macieja	PZU Życie Management Board Member / PZU Group Director since 15 March 2017	marketing, client relations management, corporate communication, sponsoring, prevention and CSR

\* client relations management - area overseen since 28 January 2019





**Paweł Surówka**

President of the PZU Management Board since 13 April 2017/ President of the PZU Życie Management Board since 23 June 2016 to 13 April 2017

Graduate of Université Paris I Panthéon Sorbonne, Ecole des Hautes Etudes en Sciences Sociales (EHESS) and the Ludwig Maximilian Universität (LMU) in Munich. From 2007 to 2013, he held the position of financial advisor with Bank of America Merrill Lynch. From 2013 to 2015 he served as a Management Board Member in Boryszew SA, Director of the Automotive Sector Development Department and CEO of subsidiaries in the automotive sector. Until January 2016, he was an advisor to the CEO of PKO Bank Polski SA and Director of Corporate and Investing Banking for Germany, he was responsible for opening the first international corporate branch of PKO Bank Polski as well as for advisory and financial services for PKO Bank Polski's top corporate clients.



**Roger Hodgkiss**

PZU Management Board Member since 19 January 2016 / PZU Życie Management Board Member since 29 January 2016

Roger holds an Honours Degree in Mechanical Engineering from Liverpool University and also qualified as a Chartered Accountant in the United Kingdom. From 1998 to 2007, he worked for GE Capital where he held various managerial positions in finance and operations. From 2007 to 2008 he was the CEO of AAS Balta – the largest insurer in Latvia. From 2008 to 2009 he was the Commercial Director in Intouch Insurance Group, the Joint Venture established by the RSA Group and DIFI to establish Direct Insurance businesses in Emerging Markets. From 2009 he was CEO of Link4 Towarzystwo Ubezpieczeń S.A. He received the prestigious "Man of the Year" award from Gazeta Ubezpieczeniowa in 2014.



**Tomasz Kulik**

PZU Management Board Member since 14 October 2016 / PZU Życie Management Board Member since 19 October 2016

He graduated from the Warsaw School of Economics. He also completed MBA studies at the University of Illinois and the Warsaw-Illinois Executive MBA program. A member of The Association of Chartered Certified Accountants (ACCA). Through most of his professional career, he was associated with the Aviva Group (former Commercial Union). Prior to his appointment to the PZU Management Board, he served as the Director of the Planning and Controlling Department. He prepared the PZU Group's strategy for the years 2016-2020 and the PZU Group's capital and dividend policy. Member of the TFI PZU SA Management Board in charge of finance, risk, operations and IT. In his capacity as Member of the TFI PZU SA Management Board, he was also responsible for the corporate area.



**Maciej Rapkiewicz**

PZU Management Board Member since 22 March 2016 / PZU Życie Management Board Member since 25 May 2016

He graduated from the Faculty of Law and Administration at the University of Łódź and completed post-graduate studies in business insurance at the Kraków Academy of Economics, MBA Finance & Insurance at the Łódź University of Technology / Illinois State University, and Ph.D. studies at the Economics Faculty of the Finance, Banking and Insurance Institute of Łódź University. In 2006-2009, Member and then Vice President of the TFI PZU SA Management Board. Since 2015, he has been working for TFI BGK S.A., where he has been discharging the function Management Board Member. President of the ŁSSE S.A. Management Board, Member of the Morizon S.A. Supervisory Board (in 2015-2016), Chairman of the Dom Invest Sp. z o.o. Supervisory Board (since 2016).



**Małgorzata Sadurska**

PZU Management Board  
Member since 13 June 2017 /  
PZU Życie Management Board  
Member since 19 June 2017

Graduated from the Law and Administration Faculty of the Maria Curie-Skłodowska University in Lublin and completed a post-graduate course in Organization and Management. From 2002 to 2005, she was a Member of the Puławy County Board. From 2005 to 2015, she was a member of the Sejm of the Republic of Poland (of the 5th, 6th and 7th terms). She worked in the Committees on the European Union, Internal Affairs, Special Committee for changes in legal codes, where she acted as the deputy chairwoman of the Committee for two terms of office. She was also member of the National Council of the Judiciary of Poland, Chairwoman of the Supervisory Board of the ZUS Social Insurance Institution. In 2007, she was the Secretary of the State on labor and social policy at the Prime Minister's Office. In 2015-2017, she served as Head of the Chancellery of the President of the Republic of Poland.



**Roman Pałac**

President of the PZU Życie  
Management Board since  
26 April 2017/ PZU Group  
Director since 15 February  
2016

Graduated in Economics from the Warsaw School of Economics (SGH) and completed MBA studies at the London Business School. Gained extensive experience working for Polish and foreign financial institutions. In 2003-2007, he worked as Project Manager at the World Bank in charge of the preparation and coordination of loan programs aimed at implementing policies intended to improve energy efficiency in countries of Central and Eastern Europe. From 2009 to 2016, he was associated with The Boston Consulting Group where he was responsible for the provision of insurance and banking advisory services related to motor insurance claims handling, business strategy development and sales activation. He also participated as an expert in several bank merger deals.



**Aleksandra Agatowska**

PZU Życie Management Board  
Member / PZU Group Director  
since 25 March 2016

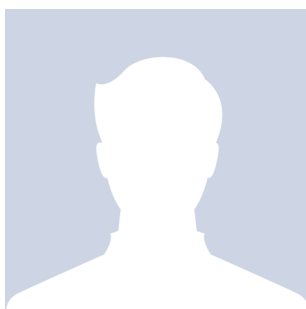
Graduate of the Jagiellonian University majoring in Economic Sociology and Market Research. She gained her professional experience working for ING Życie, ING Powszechnie Towarzystwo Emerytalne and ING Spółka Dystrybucyjna. She also collaborated with the team of the Public Policy Evaluation and Analysis Center. For HDI (currently Warta S.A.), she managed the product marketing team, developing and executing sales support campaigns. Then she headed the Marketing Intelligence team at Sony Europe. At Philips S.A. she managed the Marketing and Business Intelligence team in 17 countries of the region. As an external consultant, she advised among others Aviva on the implementation of distribution channel projects.



**Dorota Maciejka**

PZU Życie Management Board  
Member / PZU Group Director  
since 15 March 2017

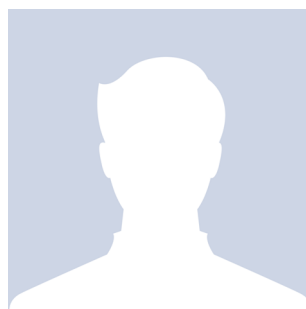
Graduate of Polish philology at the University of Warsaw. Associated with the PZU Group since 2016. As a director, she supervised prevention and sponsoring activities at PZU and PZU Życie SA. In 2010-2016, she coordinated and managed publishing and film production projects. In 2008-2010, she served as deputy director and director of Channel 1 of Telewizja Polska SA. Earlier, in 2007, she headed TVP1's News program. For many years, a journalist working for Tygodnik Solidarność, Wprost and Radio Free Europe. During martial law in Poland, she was associated with the underground publishing house "Wola".



### **Tomasz Karusewicz**

PZU Życie Management Board Member / PZU Group Director since 29 January 2016

Graduate of the Department of Economic Sciences and Management at Szczecin University. Certified internal auditor. In 2006-2008, he worked for the Ciech Group. He served as a member of the Ciech S.A. Supervisory Board and was also Deputy Director of the Corporate Governance Department. A member of the supervisory boards of Zakłady Chemiczne Alwernia S.A. and Ciech Polfa Sp. z o.o. In 2007-2009, the deputy director of the Foreign Investment Department at PZU. In 2010-2012, he worked for Telewizja Polska S.A., initially as Deputy Director of the Management and Corporate Department, then as Director of the Internal Audit and Control Department. He also served as a member of the supervisory boards of Enea S.A. and Zakłady Azotowe w Tarnowie-Mościcach S.A.



### **Bartłomiej Litwińczuk**

PZU Życie Management Board Member / PZU Group Director since 19 August 2016

Graduated from the Faculty of Law and Administration at the University of Warsaw. Advocate at the Bar Association in Warsaw. Practiced as an advocate specializing in civil law. He combines the knowledge of business with extensive experience resulting from his provision of legal assistance services in cases related to commercial company law, copyright law, administrative law and criminal law. He also served as an advisor to the Extraordinary Committee of the Sejm for changes in legal codes. He has acquired experience in corporate governance serving as a member of supervisory bodies of commercial law companies.

## 9 Compensation of the members of governing bodies

The rules for compensating Management Board members are shaped by the Supervisory Board in accordance with Resolution No. 4 adopted by PZU's Extraordinary Shareholder Meeting on 8 February 2017 in the matter of determining the compensation of the Management Board members, as amended by Resolution No. 38 adopted by PZU's Ordinary Shareholder Meeting on 29 June 2017 and the requirements set forth in the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Some Companies.

The foregoing rules stipulate that the total compensation due to a Management Board member for rendering management services and discharging other obligations ensuing from the Management Services Provision Agreement consists of the following:

- fixed compensation - flat monthly base compensation (for a calendar month) that cannot exceed the reference range established pursuant to art. 4 section 2 of the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies without prejudice to the situations outlined in art. 4 section 3 of the aforementioned act;
- variable compensation - supplementary compensation for a given financial year depending on the extent to which management objectives are attained, within the catalogue of management objectives defined pursuant to the aforementioned act, and which include, among others, growing the Company's value and improving its economic and financial ratios. The variable compensation for a given financial year may not exceed 100% of the annual fixed compensation in the previous financial year for which the amount of variable compensation due is to be calculated. In addition, a significant portion of the variable compensation is awarded in the form of deferred variable compensation. Deferred variable compensation is payable over 3 years. After the elapse of 12, 24 and 36 months, respectively from the date of allocation, a Management Board member may acquire the right to 1/3 of the deferred variable compensation for a given year subsequent to satisfying the conditions defined in the Management Services Provision Agreement.

Moreover, the Management Services Provision Agreements entered into with Management Board members regulate their term of notice and issues related to refraining from engaging in competitive activity to the Company's during their term of

validity after their termination in consideration for damages. These contracts do not contain provisions contemplating damages in the event Management Board members resign or are dismissed from their position without a valid reason except for severance pay distributed after the fulfillment of contractual prerequisites which include dismissal or release on account of the issuer undergoing a merger by way of acquisition.

In 2018, the PZU Group companies subject to consolidation did not grant any loans or similar benefits to members of their management boards, higher level managers or members of their supervisory boards.

### Group Directors

There is a common management model in PZU and PZU Życie. The rules governing the establishment of which and the appointment to and dismissal from which are laid down in the Organizational Rules and Regulations of these companies. According to this model, the persons discharging the functions of Management Board members at PZU Życie are at the same time employed as directors of the PZU Group at PZU and are in charge of the same business structures and areas at PZU and PZU Życie SA.

The following persons served as directors of the PZU Group throughout 2018:

- Aleksandra Agatowska;
- Tomasz Karusewicz;
- Bartłomiej Litwińczuk;
- Dorota Macieja
- Roman Pałac.

The compensation paid to members of PZU's key management staff (PZU Management Board Members, higher level managers and Supervisory Board members who discharged their duties for at least one day in 2018 and 2017).

Compensation and other short-term employee benefits paid by PZU (PLN thous.)	1 January – 31 December 2018		1 January – 31 December 2017	
		including bonuses and special awards:		including bonuses and special awards:
<b>Management Board, of which:</b>	<b>3,857</b>	<b>-</b>	<b>6,870</b>	<b>2,042</b>
Paweł Surówka	793	-	683	74
Rodger Hodgkiss	766	-	1,171	412
Tomasz Kulik	766	-	319	-
Maciej Rapkiewicz	766	-	1,152	379
Małgorzata Sadurska	766	-	421	-
Michał Krupiński	nd.	nd.	2,086 <sup>1)</sup>	895
Andrzej Jaworski	nd.	nd.	945 <sup>2)</sup>	282
Marcin Chludziński	nd.	nd.	93	-
<b>High-level managers (PZU Group Directors), including:</b>	<b>1,451</b>	<b>11</b>	<b>5,138</b>	<b>1,381</b>
Aleksandra Agatowska	203	-	854	254
Tomasz Karusewicz	307	-	1 031	356
Bartłomiej Litwińczuk	307	-	754	122
Roman Pałac	317	-	986	378
Dorota Macieja	317	11 <sup>3)</sup>	501	-
Paweł Surówka	nd.	nd.	261 <sup>4)</sup>	72
Sławomir Niemierka	nd.	nd.	751	199
<b>Supervisory Board, of which:</b>	<b>1,420</b>	<b>-</b>	<b>1,344</b>	<b>-</b>
Maciej Łopiński	169	-	nd.	nd.
Paweł Górecki	170	-	131	-
Alojzy Nowak	170	-	154	-
Marcin Chludziński	156	-	133	-
Agata Górnicka	156	-	133	-
Robert Jastrzębski	127	-	nd.	nd.
Katarzyna Lewandowska	157	-	115	-
Robert Śnitko	156	-	105	-
Maciej Zaborowski	156	-	146	-
Aneta Fałek	3	-	114	-
Bogusław Banaszak	nd.	-	142	-

Compensation and other short-term employee benefits paid by PZU (PLN thous.)	1 January – 31 December 2018		1 January – 31 December 2017	
		including bonuses and special awards:		including bonuses and special awards:
Marcin Gargas	nd.	-	18	-
Paweł Kaczmarek	nd.	-	48	-
Eligiusz Krześniak	nd.	-	13	-
Jerzy Paluchniak	nd.	-	39	-
Piotr Paszko	nd.	-	13	-
Radosław Potrzebacz	nd.	-	13	-
Łukasz Świerżewski	nd.	-	27	-

<sup>1)</sup> including non-competition compensation of PLN 600 thousand

<sup>2)</sup> including non-competition compensation of PLN 276 thousand

<sup>3)</sup> bonus for the Sponsoring Director function discharged from 1 January to 14 March 2017

<sup>4)</sup> compensation for the period of discharging the PZU Group Director's function until 12 April 2017

Compensation and other short-term employee benefits paid by other PZU Group entities (PLN thous.)	1 January – 31 December 2018		1 January – 31 December 2017	
		including bonuses and special awards:		including bonuses and special awards:
<b>Management Board, of which:</b>	<b>90</b>	<b>-</b>	<b>2,835</b>	<b>801</b>
Paweł Surówka	90 <sup>1)</sup>	-	499	214
Rodger Hodgkiss	-	-	491	214
Tomasz Kulik	-	-	840	103
Maciej Rapkiewicz	-	-	446	135
Michał Krupiński	nd.	-	67 <sup>2)</sup>	-
Andrzej Jaworski	nd.	-	492 <sup>3)</sup>	135
<b>High-level managers (PZU Group Directors), including:</b>	<b>2,206</b>	<b>6</b>	<b>3,030</b>	<b>706</b>
Aleksandra Agatowska	344	-	509	137
Tomasz Karusewicz	460	-	604	192
Bartłomiej Litwińczuk	460	-	455	66
Roman Pałac	476	-	604	204
Dorota Maciejka	466	6 <sup>4)</sup>	319	-
Sławomir Niemierka	nd.	nd.	539	107

<sup>1)</sup> remuneration for the function of Pekao Supervisory Board Member discharged from 1 January to 20 June 2018

<sup>2)</sup> remuneration for the function of Alior Supervisory Board Member discharged from 1 January to 14 June 2017

<sup>3)</sup> including non-competition compensation of PLN 149 thousand (PZU Życie)

<sup>4)</sup> bonus for the Sponsoring Director function discharged from 1 January to 14 March 2017

<b>Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries</b>	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
<b>Management Board, of which:</b>	<b>515</b>	<b>701</b>
Paweł Surówka	149	62
Rodger Hodgkiss	115	144
Tomasz Kulik	77	76
Maciej Rapkiewicz	64	107
Małgorzata Sadurska	110	15
Michał Krupiński	nd.	162
Andrzej Jaworski	nd.	135
<b>High-level managers (PZU Group Directors), including:</b>	<b>525</b>	<b>924</b>
Aleksandra Agatowska	111	201
Tomasz Karusewicz	89	138
Bartłomiej Litwińczuk	118	151
Roman Pałac	129	168
Dorota Macieja	78	119
Sławomir Niemierka	nd.	147

The Company does not have any pension liabilities or similar benefits to former managers, supervisors or former members of its administrative authorities or liabilities taken out in connection with these benefits.



## 10 Diversity policy applied to the issuer's administrative, managing and supervising bodies

PZU is a company in which the State Treasury has a shareholding. Accordingly, the persons who sit in its managing bodies are selected in accordance with the statutory regulations applicable to these types of entities.

PZU employs best practices promulgating diversity and it cares about equal treatment for employees.

Respecting human rights is assigned special significance in HR policy when it comes to organizational culture. This involves counteracting mobbing and discrimination, offering equal opportunities to all employees regardless of their professional position in the PZU Group, sex, age, disability, race, religion, nationality, political convictions, union membership, ethnic origin, ethnic origin, denomination, sexual orientation, employment for a specified or unspecified term or on a full-time or part-time basis while respecting the right of assembly and the right to strike.

Respecting individuality, promulgating equal treatment and combating discrimination at work are accomplished in practice by supporting procedures and initiatives:

- countering mobbing – support is given by the Anti-mobbing Procedure contemplating the appointment of an Anti-mobbing Commission to investigate every report of improper conduct that may involve elements of mobbing;
- ensuring equal treatment in employment opportunities and counteracting discrimination – support is given by the "Report an Incident" procedure enabling employees to convey information pertaining to the breach of a rule through the intranet platform.

In addition, e-learning training entitled "Mobbing – legal and psychological aspects" is available to all employees. This training deals not just with mobbing but also discrimination and equal treatment in employment opportunities.

Additionally, elements pertaining to the psychological working environment are part of regular occupational safety and health training offered to employees and managers alike.

PZU provides its employees equal opportunities for development to enhance their skills, being promoted and

compensation, while having regard for employees' individual potential, their accomplishments and work performance.

Respecting the personal dignity of employees is an important aspect of organizational culture.

Principles supporting diversity and equal treatment span all career stages in PZU, starting from the recruitment process to the duration of the employment relationship (employment terms, access to training and development-minded activities, opportunities to be promoted) to the termination of cooperation.

PZU confirmed its will to pursue a diversity policy by joining the signers of the Charter of Diversity in 2013.

As regards qualifications and requirements for those occupying positions in management and supervisory bodies in PZU, the Company in particular takes into account the criteria defined in the provisions of the Commercial Company Code of 11 September 2015 the Insurance and Reinsurance Activity Act of 11 September 2000 and the State Property Management Act of 16 December 2016. The criteria adopted by the legislator aim to ensure recruitment of people with the education and professional experience adequate to occupy management or supervisory positions in a company conducting insurance activity. Members of the management board and supervisory board of the new term of office are selected in compliance with the principles of equal access of women and men to positions in the company's statutory bodies. The current composition of the governing bodies also addresses the need of age diversification among PZU Management Board and Supervisory Board members.