

PZU (2019)

- report on the application of corporate governance



Warsaw 12 March 2020



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1 Application of corporate governance rules

PZU applies the corporate governance rules laid down by law, in particular the Commercial Company Code and the Insurance and Reinsurance Activity Act, the regulations governing the operation of the capital market and the rules set forth in the documents described below.

PZU applies the [Corporate Governance Rules for Regulated Institutions](#) published on 22 July 2014 by the Polish Financial Supervision Authority (“KNF”). This a collection of rules that define the internal and external relations of regulated institutions, including their relations with shareholders and customers, their organization, the functioning of internal oversight and key internal systems and functions as well as the governing bodies and the rules for their cooperation. This document is available on KNF’s website: (https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego) and on PZU’s website.

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](#) 2016 adopted by the Supervisory Board of the Warsaw Stock Exchange on 13 October 2015. The best practices of public companies constitute a collection of corporate governance rules and rules of conduct that affect how public companies interact with their market environment. The best practices are available on the Warsaw Stock Exchange’s website: (www.gpw.pl/dobre-praktyki) and on PZU’s website.

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”) informs how PZU conducts its business operations and shapes relations with its stakeholders. This document defines the rules of corporate social responsibility in terms of how insurance undertakings interact with customers, insurance intermediaries, the regulatory authority and the Financial Ombudsman, the media and in public securities trading. By applying the Best Insurance Practices insurance undertakings conduct regular efforts to develop insurance awareness in the public at large.

The rules for interactions with stakeholders are shaped by its own code entitled [PZU Group’s Best Practices](#). PZU Group’s Best Practices lay down the fundamental ethical standards and standards of conduct employed by PZU Group entities. They

constitute a set of values and rules by which all the employees of PZU Group entities should be guided.

Application of Corporate Governance Rules to regulated institutions

The PZU Management Board and Supervisory Board have declared their readiness to apply the Rules to the broadest possible 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 provided on PZU’s website on the application of the Corporate Governance Rules, including rules that are partially applied, 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 stating that the supervising body should have a separate chairperson function 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 and PZU's Articles of Association, the chairperson function has been established in the PZU Supervisory Board; the PZU Supervisory Board's composition and the chairperson's function are shaped using the independence criteria in the Statutory Auditor Act; the Supervisory Board Chairperson is selected using the criterion of knowledge, experience and skills confirming the competences required to discharge duly the duties of supervision; applying the independence criterion to the chairperson according to the KNF Office's explanation 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.

Application of Best Practices of WSE Listed Companies

In 2019, 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 legal, technical and organizational factors that may affect the proper course of the Shareholder Meeting. Legal doubts pertain to the inability to identify shareholders and check their right to participate in the shareholder meeting. The risk of technical difficulties may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions adopted during its course. PZU has a stable majority shareholder structure, and a large portion of the minority shareholder structure attends every shareholder meeting.

Furthermore, the following rules are not applicable to PZU:

- rule I.Z.1.10, providing for posting financial projections on the corporate website, insofar as the company has decided to publish them, published for at least the last 5 years, including information about their execution because, as at the date of publication of this report, PZU has not published any financial projections or estimates;
- rule III.Z.6., concerning cases of non-separation of the 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.

A detailed description of how these rules are applied has been set forth in the collection entitled [Best Practices of WSE Listed Companies 2016](#) available on the Company’s website in the Investor Relations tab.

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 documents, efforts are promptly taken to reinstate the website’s full functionality.

2 System of control in the process of preparing financial statements

Financial statements are prepared in the Finance Division 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 and reporting requirements applicable to insurers and carries out appropriate adaptation processes in these areas.

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



3

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



Women constitute



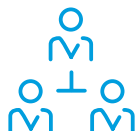
18%

of the PZU Supervisory Board

Women constitute

36%

of the Management Boards in PZU and PZU Życie



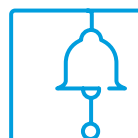
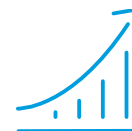
PZU has been a signatory of the diversity charter

since 2013



863,523,000

ordinary shares with a nominal value of PLN 0.10 each forming PZU's share capital



Long-term and stable shareholder

34.19%

the percentage of the PZU shareholder structure held by the State Treasury

Application of all the recommendations and rules expressed by 2016 best practices of public companies except for the recommendation pertaining to holding an e-shareholder meeting



PZU Group's Code of Best Practices

is a set of ethical standards and standards of conduct according to which all PZU



Group employees should conduct themselves

13

Supervisory Board meetings

16

Audit Committee meetings in 2019



ETYKA

Daily application of

the Best Insurance Practices

laying down the principles according to which insurance sector companies as institutions of social trust should conduct themselves

Endorsement and application of

Corporate Governance Rules for Regulated Institutions

in accordance with the 2015 declaration



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.

The process of consolidated financial reporting is governed by a number of internal regulations. They govern the principles of accounting policy adopted by the PZU Group and accounting standards. Moreover, they are subject to 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 and at least one member has knowledge and skills in accounting or audit of financial statements in accordance with the requirements provided for in the Statutory Auditor Act, which is the key legal act applicable to the operation of the audit committee. Moreover, PZU analyzes Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee as published by the Office of the Polish Financial Supervision Authority on 24 December 2019.

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 and is appointed to improve the effectiveness of the Supervisory Board's oversight activities in respect of the correctness of financial reporting, the effectiveness of internal control system, including internal audit, and the risk management system.

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).

3 Audit firm auditing the financial statements

On 23 May 2019 KNF gave a permit to PZU to extend for another two years the maximum period for the engagement for KPMG Audyt to audit the standalone and consolidated financial statements. In this manner the Supervisory Board made the decision to continue cooperation with the auditor to audit the 2019-2020 financial statements.

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 when selecting the audit firm the recommendations given by the audit committee;

- 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 2019 the audit firm auditing the financial statements rendered permitted non-audit services to PZU. 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.

Fee payable to the audit firm auditing PZU's financial statements (PLN 000s)	1 January –31 December 2018	1 January –31 December 2019
compulsory audit of the annual financial statements / consolidated financial statements	609	828
other assurance services, including a review of financial statements/consolidated financial statements	759	878
tax advisory services	-	-
other services	-	-
Total	1,368	1,706

Fee charged by the entity authorized to audit the PZU Group's financial statements (PLN 000s)	1 January –31 December 2018	1 January –31 December 2019
audit of financial statements	7,813	8,371
other assurance services	4,814	5,148
Total	12,627	13,519

4 Share capital and shareholders of PZU, stock 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 the Management Board of the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, "KDPW") adopted Resolution No. 789/15 on setting 30 November 2015 as the date for splitting 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.

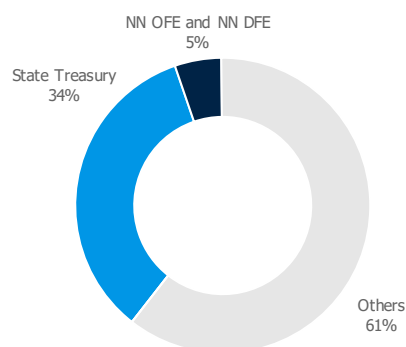
The State Treasury is the sole PZU shareholder holding a majority equity stake as of 31 December 2019 and as of the date of publishing these financial statements.

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.

On 24 July 2019, PZU received a notification pertaining to movement in the equity stake held in PZU by Nationale Nederlanden Otwarty Fundusz Emerytalny.

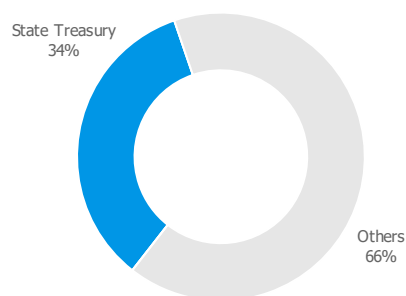
According to this notification, as a result of selling PZU shares in transactions on the Warsaw Stock Exchange settled on 18 July 2019, Nationale-Nederlanden OFE reduced its equity stake in PZU to below 5% of the votes at PZU's shareholder meeting. At the same time, as a result of the same transaction, the funds managed by Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A.: Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz

PZU's shareholder structure as at 31 December 2018



Source: Current Report 21/2018
(data rounded to the nearest integer)

PZU's shareholder structure as at 31 December 2019



Source: Current Report 19/2019
(data rounded to the nearest integer)

Emerytalny, reduced their total stake in PZU to a level below 5% of the votes at PZU's 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 2013-2019, PZU did not have any employee stock 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.

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, only Tomasz Kulik, Member of the PZU Management Board held PZU shares numbering 2,847, which the Company reported in current report 23/2018. No changes transpired from the date of conveying the 2018 consolidated financial statements (i.e. 13 March 2019) with respect to members of the Management Board and Supervisory Board or Group Directors holding PZU shares or rights to shares.

5 Rules for amending the Company's 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, the Polish Financial Supervision Authority's approval is issued in the cases referred to in the Insurance Activity Act and the amendments are entered in the National Court Register. The Supervisory Board has the powers to approve the consolidated amended text.

6 Shareholder Meeting and shareholder rights

The Shareholder Meeting is PZU's highest corporate body. The method of operation and the rights of the Shareholder Meeting are regulated by the Commercial Company Code and PZU's 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 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 rem 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;
- setting the rules for shaping the compensation of Management Board members.

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:
 - 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.

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.

The Management Board convenes an extraordinary shareholder meeting at its own initiative or in response to the written motion of the Supervisory Board, a shareholder or shareholders representing at least one-twentieth of the share capital. A motion can be filed electronically.

The Supervisory Board convenes:

- an Ordinary Shareholder Meeting if the Management Board fails to convene an Ordinary Shareholder Meeting by the prescribed deadline;
- an Extraordinary Shareholder Meeting if it deems that to be necessary;
- an Extraordinary Shareholder Meeting if the Management Board fails to convene an Extraordinary Shareholder Meeting in response to a motion submitted by an eligible shareholder, eligible shareholders or the Supervisory Board within fourteen days after the motion is filed.

Shareholders representing at least one-half of the share capital or at least one-half of the total number of votes in the Company may convene an Extraordinary Shareholder Meeting. These shareholders designate the Chair of this meeting.

Shareholder Meetings are held in Warsaw and convened by placing an 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 in the form of current reports. Such announcement should be made not later than twenty-six days before the date of the Shareholder Meeting. The announcement and materials presented to shareholders are available on the date of convening the Shareholder Meeting on PZU's corporate website in the "Investors relations" section under the "Shareholder Meeting" tab.

A duly convened Shareholder Meeting is deemed valid regardless of the number of attending shareholders.

All the matters submitted by the Management Board to the Shareholder Meeting should be first presented to the Supervisory Board to be examined and get an opinion. The Supervisory Board's opinions are presented to the Shareholder Meeting no later than prior to the opening of the shareholder meeting along with other documents conveyed to the shareholders participating in the Shareholder Meeting and are available on the company's website.

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.

Shareholder rights and the method of exercising them at the Shareholder Meeting are specified in the Commercial Company Code 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, subject to restrictions on exercising the voting rights described in the Articles of Association. A shareholder may vote differently from each of the shares held by it.

According to the Articles of Association, shareholders' voting rights are restricted in a way that no shareholder may exercise at a Shareholder Meeting more than 10% of the overall number of votes existing in the Company on the date of the Shareholder Meeting, with the reservation that, for the purposes of determining the obligations of the buyers of large blocks of shares contemplated by the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and the Insurance and the Reinsurance Activity Act of 11 September 2015, such restriction of voting rights will

be deemed to be non-existent. The restriction on voting rights does not apply to the following:

- shareholders who on the date of adopting a Shareholder Meeting resolution implementing this limitation were entitled to shares representing more than 10% of the total number of votes in existence in the Company;
- shareholders acting with the shareholders specified in item 1 pursuant to executed agreements pertaining to jointly exercising the voting rights attached to shares.

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

In accordance with the Commercial Company Code, detailed procedures concerning participation in the Shareholder Meeting and exercising 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.

7 Supervisory Board and Management Board - composition, powers, method of operation

Supervisory Board's 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. According to this article, the entity eligible to exercise the rights to shares owned by the State Treasury or a state legal person as a candidate to be a member of the supervising body designates a person holding a positive opinion from the Council for companies with State Treasury shareholding and state legal persons who:

- holds the pertinent education and experience supported by an academic title or certificate enumerated in a law;
 - is not employed by the company, does not do work for it, or provide services to it, on the basis of some other legal relationship;
 - does not hold shares in a subsidiary except for shares permitted to be traded on a regulated market within the meaning of the Financial Instruments Trading Act of 29 July 2005;
 - is not employed by the company, does not do work for it, or provide services to it, on the basis of some other legal relationship;
 - is not engaged in activities that are at odds with his/her duties as a member of a supervising body or that could evince a suspicion of partiality or interest or generate a conflict of interest with the company's business;
- and
- meets the requirements for a member of a supervising body as laid down in separate regulations.

As at 1 January 2019, the following persons sat on the PZU Supervisory Board:

- Maciej Łopiński - Supervisory Board Chairman;
- Paweł Górecki - Supervisory Board Deputy Chairman;
- Alojzy Nowak - Supervisory Board Secretary;
- Marcin Chłudziński - 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.

PZU's Ordinary Shareholder Meeting appointed the following Supervisory Board members to serve on the new term

of office in 2020-2022 as of 24 May 2019: Maciej Łopiński, Robert Jastrzębski, Alojzy Nowak, Marcin Chludziński, Agata Górnicka, Robert Śnitko, Maciej Zaborowski, Elżbieta Mączyńska-Ziemacka, Tomasz Kuczur and Krzysztof Opolski. Paweł Górecki was appointed by the State Treasury to the Supervisory Board pursuant to § 20 Section 7 of PZU's Articles of Association.

The current term of office of the PZU Supervisory Board will end after the elapse of three full financial years, i.e. on 31 December 2022. 2020 will be the first full financial year. The mandates of Supervisory Board members will expire no later than on the date of the Shareholder Meeting approving the financial statements for the last full financial year in which they server in their capacity, i.e. for 2022.

On 27 May 2019 PZU's Supervisory Board selected its chairman, deputy chairman and secretary from among its membership.

The PZU Supervisory Board composition 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;
- Tomasz Kuczur - Supervisory Board Member;
- Elżbieta Mączyńska-Ziemacka - Supervisory Board Member;
- Krzysztof Opolski - Supervisory Board Member;
- Robert Śnitko - Supervisory Board Member;
- Maciej Zaborowski - Supervisory Board Member.

PZU's Supervisory Board composition as at 31 December 2019

Name	Period of acting in the capacity of a PZU Supervisory Board member
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 Chludziński	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
Tomasz Kuczur	Supervisory Board Member since 24 May 2019
Elżbieta Mączyńska-Ziemacka	Supervisory Board Member since 24 May 2019
Krzysztof Opolski	Supervisory Board Member since 24 May 2019
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 legal advisor registry. He attended numerous training courses and workshops in law of evidence, civil and penal law and management of public entities. He has authored several dozen peer-reviewed papers on the subject of law published by Polish and international journals. Member of supervisory boards of several capital companies. Currently the Vice-President of the KDPW S.A. Management Board.



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 economics studies at the University of Illinois Urbana-Champaign in the USA and completed studies in banking, finance and capital markets at the University of Exeter in the United Kingdom; international economic at the Freie Universität in Berlin and in Belgium. 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, in the past an adviser to the Prime Minister. Has extensive experience in corporate governance, including, among others, as a Supervisory Board member in PTE WARTA S.A., PKO BP S.A. and JSW S.A., Millennium and Eurolot. Authored more than 300 publications in Poland and abroad. Visiting professor at numerous universities internationally. In December 2018, along with 22 prominent economists from around the world, including 4 Nobel Prize winners, he became a member of the Academic Council of the Institute for New Structural Economics at the University of Beijing.



Marcin Chłudziński

Supervisory Board Member

In the Supervisory Board since 7 January 2016

President of the KGHM Polska Miedź S.A. Management Board since June 2018. He graduated from the Social Policy Institute at Warsaw University. Completed MBA studies at the Institute of Economics of the Polish Academy of Sciences. He worked for Warsaw University, the Collegium Civitas and the Łazarski University as a lecturer. A member of the National Development Council, a consultative and advisory body for the President of the Republic of Poland. From January 2016 to June 2018 he served as President of the Agencja Rozwoju Przemysłu S.A. Management Board where he was in charge of restructuring processes, mergers and acquisitions. He defined the strategic directions of growth for Agencja Rozwoju Przemysłu S.A. He was in charge of restructuring projects involving such companies as Przewozy Regionalne, H. Cegielski – FPS and ŚKSM, among others. President of the Republican Foundation (a Polish economic think tank) in 2011–2015. Since 2005 he has been sitting on management boards and supervisory boards of commercial law companies. An experienced manager in the field of strategic consulting and corporate governance. He specializes in development-oriented restructuring of enterprises and capital investments.



Agata Górnicka

Robert Jastrzębski

Tomasz Kuczur

Elżbieta Mączyńska-Ziemacka

Supervisory Board Member

Supervisory Board Member

Supervisory Board Member

Supervisory Board Member

On the Supervisory Board since 8 February 2017

On the Supervisory Board since 9 March 2018

On the Supervisory Board since 24 May 2019

On the Supervisory Board since 24 May 2019

Master of political science at the Faculty of Journalism and Political Science of the University of Warsaw. She received a post-graduate diploma in media management from the Kozminski University in Warsaw. She acquired professional experience: in 2006-2012 in Telewizja Polska S.A., in 2012-2013 as a Project Coordinator at the Bank Zachodni WBK S.A. Foundation and then as CEO's Assistant in Bank Zachodni WBK S.A. from 2013 to 2014 and subsequently as the Manager of the Management Board and Supervisory Board Office in Bank Zachodni WBK S.A. from 2014 to 2015 then in 2015-2017 as Director of the Political Office at the Ministry of Development and in 2017-2018 as chief advisor at the Prime Minister's Office. Since April 2018 she has been a Director of the External Relations Office at PKN ORLEN S.A. and Chairwoman of the ORLEN Foundation Council.

Graduated from the Faculty of Law and Administration at the Warsaw University. In 2001 he was granted a doctor of juridical science degree and in 2009 a degree of habilitated Ph.D. degree. Employed since 2019 as a university professor. Authored about 100 academic publications. Recipients of awards and distinctions, including the Awards of the Department of Law and Administration of Warsaw University for outstanding scholarly achievements and the Team Award granted by the Rector of the Warsaw School of Economics. Employed since 2001 in the Department of Law and Administration at the University of Warsaw. Since 2015, Head of the Laboratory of Polish 20th Century Law and since 2019 Head of the Administration History Department. Member of the program board of the "Review of Economic Legislation" journal (2010), the editorial committee of the "Scholarly Papers of the Sejm Analysis Office" journal (2016).

Lawyer and political scientist. He graduated from the Faculty of Law and Administration of the University of Warmia and Mazury in Olsztyn majoring in law and from the Bydgoszcz Academy (currently, the Kazimierz Wielki University in Bydgoszcz). He was awarded a Ph.D. degree in law by the Faculty of Law and Administration of the University of Warmia and Mazury. He holds a Ph.D. Hab. degree from the University of Wrocław in social sciences, specializing in political systems. A Professor Extraordinarius at the Faculty of Humanities of the Kazimierz Wielki University in Bydgoszcz. A member of the Local Government Board of Appeals in Bydgoszcz. Member of the Academic Council of the "Sejm Review" journal. He was appointed by the Minister of Science and Higher Education to serve as a member of the Interdisciplinary Team for projects submitted within the framework of the "Support for Scientific Journals" initiative.

Professor of economic science. Graduate of the Faculty of Economics at the University of Warsaw. Author of econometric models for predicting bankruptcies in enterprises and of a concept of early warning systems pinpointing threats to business activity. She headed the postgraduate course in Real Estate Valuation held by the Institute of Corporate and Investment Finance at the Business Administration College of the Warsaw School of Economics. Member of the Presidium of the "Poland 2000 Plus" Forecasting Committee, the Economics Committee of the Polish Academy of Sciences and the Academic Council of the Institute of Economics of the Polish Academy of Sciences. President of the Polish Economic Society. In 1996-1998 she was a member of the Supervisory Board of Polski Bank Rozwoju S.A. and in 2005-2007 she sat on the Supervisory Board of BGŻ S.A. Since 24 June 2013, she has been a member of the Supervisory Board of PKO BP S.A. Currently, she is also a member of the National Development Council at the President of the Republic of Poland.



Krzysztof Opolski

Supervisory Board Member

On the Supervisory Board since 24 May 2019

Professor Ordinarius of Economics. Head of the Department of Banking, Finance and Accounting at the Faculty of Economics of the University of Warsaw. A graduate of the Faculty of Psychology and Pedagogy of Warsaw University. Founder and long-term editor-in-chief of the “Economics. Market, economy, society” journal. Head of the Ph.D. program “Economy and Market. Financial Institutions and Corporate Business Strategies” at the Faculty of Economics of Warsaw University. Head of the Editorial Board of the “MAZOVIA – Regional Studies” journal and a member of the Academic Council of the “Safe Bank” journal. Head of the Academic Councils of the “Central European Economic Journal” and “E-Finance” journals. A former member of the supervisory boards of Bank Handlowy S.A., AXA Polska S.A. and Centrum Giełdowe S.A. In 2009-2010 he managed the team of strategic advisors to the President of the National Bank of Poland. Chairman of the Business Award Jury of the President of the Republic of Poland, Deputy Chairman of the Polish Economic Exhibition jury and a member of the “Teraz Polska” Contest Jury.



Robert Śnitko

Supervisory Board Member

On the Supervisory Board since 12 April 2017.

Academic teacher, deputy department director at the Ministry of Finance. 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

On 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. He is also a graduate of the Harvard Law School (ALP), 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 Kopec Zaborowski Adwokaci i Radcowie Prawni sp.p. Member of the State Tribunal since February 2018. He has acquired experience in corporate governance as a member of the supervisory boards in various companies.

Supervisory Board's powers

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its activity. 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 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, giving consideration to the rules defined by the Shareholder Meeting, in accordance with § 18 item 12 of the Articles of Association;
- 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 its 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.

Supervisory Board's method of operation

The Supervisory Board adopts the Bylaws of the Supervisory Board which define its organization and manner of acting. The Rules and Regulations were adopted by a Supervisory Board resolution of 24 February 2016, specifying the composition of the Supervisory Board and the way in which it is appointed, the tasks and the scope of its activities and the manner of convening its meetings and conducting them.

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, PZU'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. In addition, the audit committee may request the Supervisory Board to request specific control activities in the Company, whereby the requested activities may be performed by an internal unit or external entity.

The audit committee was appointed by a Supervisory Board resolution of 3 June 2008.

The following persons sat on the audit committee as at 1 January 2019:

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

On 27 March 2019 the PZU Supervisory Board resolved that the audit committee will number 4 people and simultaneously established the following composition of the committee:

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

The audit committee composition was extended to 5 people on 27 May 2019 while establishing the following composition:

- Alojzy Nowak – Przewodniczący Komitetu;
- Marcin Chludziński – Członek Komitetu;
- Krzysztof Opolski – Członek Komitetu;
- Robert Śnitko – Członek Komitetu;
- Maciej Zaborowski – Członek Komitetu.

As at 31 December 2019, the composition of the committee was unchanged.

Alojzy Nowak, Krzysztof Opolski, Robert Śnitko and Maciej Zaborowski submitted a declaration of being independent members within the meaning of Article 129 Section 3 of the Act on Statutory Auditors, Audit Firms and Public Supervision. All audit committee members submitted a declaration of having the knowledge and skills in the industry in which PZU operates.

The following audit committee members hold qualifications in accounting or auditing financial statements: Alojzy Nowak, Krzysztof Opolski, Robert Śnitko and Marcin Chludziński.

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 2019, the audit committee held 16 meetings.

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.

The following persons sat on the nomination and compensation committee as at 1 January 2019:

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

On 27 March 2019 the PZU Supervisory Board resolved that the nomination and compensation committee will number 6 people and simultaneously established the following composition of the committee:

- Paweł Górecki – Committee Chairman;
- Katarzyna Lewandowska – Committee Member;
- Agata Górnicka – Committee Member;
- Alojzy Nowak – Committee Member;
- Robert Jastrzębski – Committee Member;
- Maciej Łopiński – Committee Member.

In connection with the appointment of the PZU Supervisory Board for its new term of office, the composition of the nomination and compensation committee was established as of 27 May 2019 as follows:

- Robert Jastrzębski – Committee Chairman;
- Agata Górnicka – Committee Member;
- Paweł Górecki – Committee Member;
- Tomasz Kuczur – Committee Member;
- Maciej Łopiński – Committee Member;
- Alojzy Nowak – Committee Member.

The nomination and compensation committee composition was extended to 7 people on 29 November 2019 while establishing the following composition:

- Robert Jastrzębski – Committee Chairman;
- Agata Górnicka – Committee Member;
- Paweł Górecki – Committee Member;

- Tomasz Kuczur – Committee Member;
- Maciej Łopiński – Committee Member;
- Elżbieta Mączyńska-Ziemacka;
- Alojzy Nowak – Committee Member.

As at 31 December 2019, 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 growth strategy) and providing the Supervisory Board with recommendations on planned investments that materially affect the Company's assets.

The following people served on the strategy committee as at 1 January 2019:

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

In connection with the changes in the PZU Supervisory Board, on 27 May 2019 the PZU Supervisory Board resolved that the strategy committee would number 6 people, while simultaneously establishing 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 2019, the composition of the committee was unchanged.

The attendance of Supervisory Board members in Supervisory Board meetings in 2019

	Attendance at meetings	Number of meetings over the time of performing the mandate
Maciej Łopiński	13	13
Paweł Górecki	13	13
Alojzy Nowak	13	13
Marcin Chludziński	10	13
Agata Górnicka	11	13
Robert Jastrzębski	13	13
Tomasz Kuczur (since 24 May 2019)	6	8
Katarzyna Lewandowska (since 24 May 2019)	3	5
Elżbieta Mączyńska-Ziemacka (since 24 May 2019)	7	8
Krzysztof Opolski (since 24 May 2019)	7	8
Robert Śnitko	13	13
Maciej Zaborowski	12	13

Supervisory Board's activity in 2019

The Supervisory Board held 13 meetings in 2019 at which it adopted 93 resolutions. It also adopted 22 resolutions between meetings under the written procedure. These resolutions pertained to all the areas of the Company's business and were consistent with the scope of oversight functions defined by the requirements of the generally binding law, the Insurance and Reinsurance Activity Act of 11 September 2015, the Polish FSA's recommendations, corporate governance rules and the ones described in PZU's Articles of Association and the Supervisory Board Rules and Regulations.

The results generated by the PZU Group and various business divisions were regularly discussed and evaluated at Supervisory Board meetings in 2019 versus the financial plan. The Supervisory Board also discussed and accepted other legally-required detailed reports on various areas of the Company's business, including, among others, regular reports on risk, compliance, audit and IT security. On top of that, the

Supervisory Board monitored the execution of the PZU Group Strategy for 2017-2020 on an ongoing basis.

During regular meetings held in 2019 the Supervisory Board's committees discussed in detail the most important issues relating to the various areas of the company's business, which must be approved by the Supervisory Board in accordance with the prevailing regulations.

The table above illustrates the attendance of Supervisory Board members in Supervisory Board meetings in 2019.

Management Board composition

In accordance with PZU's Articles of Association, the Management Board is composed of three to eight members appointed for a joint term of office spanning 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 designed to verify and evaluate qualifications of the candidates and to select the best candidate, for a shared 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 political party's governing body externally representing a political party and authorized to take down obligations;

- 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 of 1 January 2019 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.

On 27 March 2019 the PZU Supervisory Board adopted a resolution to appoint Paweł Surówka to the PZU Management Board for the new term of office and entrusted him with discharging the function of CEO of PZU.

The appointment of Paweł Surówka was for the joint term of office commencing as of the date on which the PZU Supervisory Board resolution on his appointment was adopted and will span three full financial years from 2020-2022.

On 28 March 2019, the PZU Supervisory Board adopted resolutions to appoint the following persons to the PZU Management Board for its new term of office:

- Tomasz Kulik, entrusting him with discharging the function of Management Board Member;
- Maciej Rapkiewicz, entrusting him with discharging the function of Management Board Member;
- Małgorzata Sadurska, entrusting her with discharging the function of Management Board Member;
- Marcin Eckert, entrusting him with discharging the function of Management Board Member;
- Adam Brzozowski, entrusting him with discharging the function of Management Board Member;
- Elżbieta Häuser-Schöneich, entrusting her with discharging the function of Management Board Member.

Adam Brzozowski and Elżbieta Häuser-Schöneich were appointed on the day following the day of holding the PZU Ordinary Shareholder Meeting approving the financial statements for the 2018 financial year for a joint term of office commencing at the time of appointing the CEO of PZU and spanning the three full financial years from 2020 to 2022.

The other persons were appointed on 28 March 2019 for a joint term of office commencing at the time of appointing the CEO of PZU and spanning the three full financial years from 2020 to 2022.

The mandate held by PZU Management Board Member Roger Hodgkiss expired on 24 May 2019 in connection with the holding of the PZU Ordinary Shareholder Meeting.

Aleksandra Agatowska was appointed to the PZU Management Board on 24 October 2019.

Management Board consisted of the following persons:

- Paweł Surówka – President of the Management Board;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member;
- Małgorzata Sadurska – Management Board Member;
- Marcin Eckert – Management Board Member;
- Adam Brzozowski – Management Board Member;
- Elżbieta Häuser-Schöneich – Management Board Member;
- Aleksandra Agatowska – Management Board Member.

On 19 February 2020, Aleksandra Agatowska resigned from the position of Member of the PZU Management Board.

As at the date of conveying this periodic report, the PZU Management Board consisted of the following persons:

- Paweł Surówka – President of the Management Board;
- Tomasz Kulik – Management Board Member;
- Maciej Rapkiewicz – Management Board Member;
- Małgorzata Sadurska – Management Board Member;
- Marcin Eckert – Management Board Member;
- Adam Brzozowski – Management Board Member;
- Elżbieta Häuser-Schöneich – Management Board Member.

Up to the date of publication of this report, the Management Board composition has not changed.

The current term of office of the PZU Management Board spans three full consecutive financial years from 2020 to 2022. 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.

Management Board's powers and operating rules

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 a commercial proxy 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, amended by a Management Board resolution on 8 April 2013 and on 10 May 2018 and approved by a resolution of the Supervisory Board on 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, Management Board resolutions are especially required for:

- adoption of a long-term plan for the Company's development and operations;
- adopting an action and development plan for the PZU Group;
- adoption of an annual financial plan and a report on its implementation;
- accepting 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;
- accepting the solvency and financial condition report of the Company and the solvency and financial condition report of the PZU Group;
- accepting the Company's own risk and solvency assessment report and the PZU 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;
- determining 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;
- determining 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, Management Board meetings are held at least once a fortnight. The work of the Management Board is headed by the President of the Management Board whose powers include 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 CEO's consent, may adopt resolutions in writing, 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 in 2019:

Name (Management Board composition at the end of 2019)	In the PZU Group	Scope of responsibilities (as at the end of 2019)
Paweł Surówka	CEO of PZU from 13 April 2017 / CEO of PZU Życie from 23 June 2016 to 13 April 2017	internal audit, compliance, reinsurance, corporate communication, sponsoring, strategy and projects, PZU Group's business development, corporate sales, cooperation with the brokerage channel, individual health products
Aleksandra Agatowska	PZU Management Board Member since 24 October 2019 (PZU Group Director from 25 March 2016 to 23 October 2019)/ PZU Życie Management Board Member since 25 March 2016	marketing, client relations, health insurance
Adam Brzozowski	Member of the PZU Management Board since 25 May 2019 / PZU Group Director at PZU Życie since 25 May 2019	PZU – mass products and insurance programs, tariff actuarial services, product research PZU i PZU Życie – effectiveness of the retail sales network and commission systems
Marcin Eckert	PZU Management Board Member since 28 March 2019 / PZU Życie Management Board Member since 1 May 2019	management and corporate oversight, administration, IT, innovations, insurance operations
Elżbieta Häuser – Schöneich	PZU Management Board Member since 25 May 2019 / PZU Życie Management Board Member since 1 June 2019	retail sales, CRM, remote sales, digital services, development of mobile apps
Tomasz Kulik	PZU Management Board Member since 14 October 2016 / Member of the PZU Życie Management Board since 19 October 2016	actuarial, finance and investments
Maciej Rapkiewicz	PZU Management Board Member since 22 March 2016 / PZU Życie Management Board Member since 25 May 2016	risk
Małgorzata Sadurska	PZU Management Board Member since 13 June 2017 / PZU Życie Management Board Member since 19 June 2017	PZU and PZU Życie – oversight over international companies, procurement, assurbanking, bancassurance and strategic partnership programs PZU Życie – bank protection products, investment products, sales of investment products
Roman Pałac	CEO of PZU Życie since 26 April 2017 / PZU Group Director since 15 February 2016	PZU Życie – internal audit, compliance, reinsurance, corporate communication, sponsoring, strategy and projects, cooperation with the brokerage channel, agency sales, corporate sales, group, individual and health products, tariff actuarial services, product research PZU and PZU Życie – claims and benefits handling, assistance, customer service, management of the PZU branch network
Bartłomiej Litwińczuk	PZU Życie Management Board Member / PZU Group Director since 19 August 2016	HR, security, advisory services and legal services
Dorota Macieja	PZU Życie Management Board Member / PZU Group Director since 15 March 2017	prevention, CSR, customer communication, real estate



Paweł Surówka

CEO of PZU from 13 April 2017 / CEO of PZU Życie from 23 June 2016 to 13 April 2017 / Chairman of the Bank Pekao Supervisory Board since 8 June 2017

Graduate of Université Panthéon Sorbonne, Ecole des Hautes Etudes en Sciences Sociales (EHESS) and Hochschule für Philosophie in Munich. He is a CFA Charterholder. In 2016, he was head of corporate and investment banking in Germany of PKO Bank Polski, Poland's biggest bank. He set up PKO's Frankfurt branch, the first outlet of this kind of a Polish bank. He started his career with Merrill Lynch Bank of America in Paris where he was responsible for the biggest private and institutional clients from CEE. In the Boryszew Group (Management Board Member) he was responsible for the restructuring of its German automotive division. He is fluent in four languages. He has been named Young Global Leader (YGL) by the World Economic Forum. One of the most effective managers of stock listed companies in Poland according to Harvard Business Review.



Adam Brzozowski

Member of the PZU Management Board since 25 May 2019 / PZU Group Director at PZU Życie since 25 May 2019

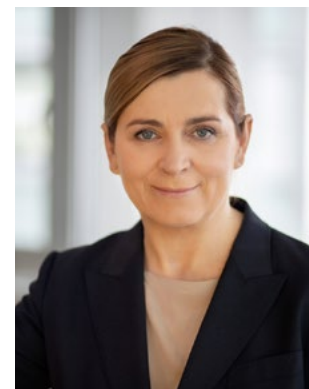
He studied economics and banking at universities in Poland and received his degree in management from Kingston University in London. He gained experience working for international corporations, consulting firms and the start-up community, including as InsurTech Leader at EY in the Asia-Pacific region or as Head of Operations and Technology for Octo UK. During his career, he developed digital strategies, implemented innovative solutions and customized products with a transformative approach to insurance pricing and analytics. He worked with companies such as Allianz Insurance, BMW, Coverbox, InsureTheBox, Swiss Re and Zurich Insurance.



Marcin Eckert

PZU Management Board Member since 28 March 2019 / PZU Życie Management Board Member since 1 May 2019

Graduate of the Faculty of Law and Administration at the Nicolaus Copernicus University in Toruń. Graduate of the Leadership Academy for Poland. Associated with the PZU Group since 2017, where he previously was Managing Director on Corporate Matters. Since 2001 he has been practicing as a legal advisor. He specializes in commercial law, tax law, labor law. Prior to his employment in the PZU Group, he was a Senior Associate at Bird & Bird Szepietowski i wspólnicy (as leader of the Benefits & Compensation practice). Previously he was also associated with TGC Corporate Lawyers Warszawa (Director of the Tax Department), Mazars & Guerard Audy (Director of the Law and Tax Department) and Ernst & Young (Senior Manager).



Elżbieta Häuser - Schöneich

PZU Management Board Member since 25 May 2019 / PZU Życie Management Board Member since 1 June 2019

She is a graduate in art history from the Catholic University in Lublin and of post-graduate studies in Value-Based Management at the Warsaw School of Economics. She is also a graduate of the General Management Programme at CEDEP/INSEAD and the Entrepreneurship and Innovation program at Stanford University. She has more than twenty years of experience in business development, management, sales and marketing gained in international institutions operating in the insurance, telecommunications and FMCG industries. Through most of her professional career, she was associated with the life and property insurance markets. She was one of the creators of the direct insurance market in Poland. In 2005-2007 associated with ING Nationale-Nederlanden. In 2008-2015 she worked for the Aviva Group as vice-president and a supervisory board member of one of the group companies. Prior to taking a position in the PZU Management Board she was a management board member with T-Mobile Polska.



Tomasz Kulik

PZU Management Board Member since 14 October 2016 / PZU Życie Management Board Member since 19 October 2016 / Alior Bank's Supervisory Board Chairman since 9 September 2017 / TFI PZU's Supervisory Board Chairman since 26 June 2018

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 and is a graduate of the Harvard Business School Advanced Management 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.

Maciej Rapkiewicz

PZU Management Board Member since 22 March 2016 / PZU Życie 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, an MBA in finance and insurance and risk management. Associated with the PZU Group intermittently since 1998. From 2006 to 2009 he was a Management Board Member and then Vice-President of the TFI PZU Management Board. Since 2015 he has worked for TFI BGK S.A., serving as a Management Board Member. He was also the President of the ŁSSE S.A. Management Board. He sits on supervisory boards of PZU Group companies: Alior Bank, PTE PZU, LINK4. He served on supervisory boards of foreign companies owned by the PZU Group. He also sat on supervisory boards of companies not affiliated with PZU.

Małgorzata Sadurska

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

Graduate of the Law and Administration Faculty of the Maria Curie-Skłodowska University in Lublin and a post-graduate course in Organization and Management at the Lublin School of Business. She completed her Master of Business Administration at the Faculty of Management at the Lublin University of Technology. 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. 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.

Aleksandra Agatowska

ACEO of PZU Życie since 19 February 2020 / PZU Życie Management Board Member since 25 March 2016 / PZU Management Board Member since 24 October 2019 till 19 February 2020 and PZU Group Director (from 25 March 2016 to 23 October 2019, reappointed from 20 February 2020)

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.



Roman Pałac

PZU Życie SA Management Board Member since 20 February 2020 / CEO of PZU Życie since 26 April 2017 till 19 February 2020 and PZU Group Director since 15 February 2016

He graduated from the Economics Faculty at the Warsaw School of Economics. Also a Master of Business Administration (MBA) graduate from the London Business School. Has extensive experience working for Polish and foreign financial institutions. In 2003-2007 he worked as a Project Manager for the World Bank. From 2009 to 2016 associated with The Boston Consulting Group, where he worked for the largest financial sector companies in Poland and abroad. Served on the PZU Group Management Board since February 2016. Appointed to the position of the CEO of PZU Życie in April 2017.



Bartłomiej Litwińczuk

PZU Życie Management Board Member and 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 particular in cases related to commercial company law, copyright law, administrative law and criminal business 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.



Dorota Macieja

PZU Życie Management Board Member and 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. 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".

8 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) 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 concluded for the term of serving in the Company's Management Board 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.

As at 31 December 2019, the benefits for 2017 and 2018 for PZU Management Board members under the variable compensation system were awarded and paid. This payment was for the non-deferred portion of variable compensation.

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 2019, 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

A joint management model is in place at PZU and PZU Życie. Under this model, the positions of PZU Group Directors exist, 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. Similarly, PZU Management Board members may be simultaneously employed as PZU Group Directors in PZU Życie.

The following persons served as PZU Group directors in PZU in 2019:

- Aleksandra Agatowska (until 23 October 2019);
- Tomasz Karusewicz (until 30 April 2019);
- Bartłomiej Litwińczuk;
- Dorota Macieja;
- Roman Pałac.

The following persons served as PZU Group directors in PZU Życie in 2019:

- Adam Brzozowski (since 25 May 2019);
- Roger Hodgkiss (from 1 until 24 May 2019).

Below is the compensation or non-cash benefits paid or transferred in 2019 or 2018 to the current and former members of the PZU Management Board, PZU Group Directors and Supervisory Board members.

Compensation and other short-term employee benefits paid by PZU (PLN thous.)	1 January – 31 December 2018		1 January – 31 December 2019	
		including bonuses and special awards:		including part of variable compensation for 2017 and 2018
Management Board, of which:	3,857	-	10,664	4,412
Paweł Surówka	793	-	1,799	915
Aleksandra Agatowska	nd.	nd.	611	423
Adam Brzozowski	nd.	nd.	532	-
Marcin Eckert	nd.	nd.	672	-
Elżbieta Häuser-Schöneich	nd.	nd.	532	-
Tomasz Kulik	766	-	1,482	627
Maciej Rapkiewicz	766	-	1,733	879
Małgorzata Sadurska	766	-	1,543	689
Rodger Hodgkiss	766	-	1,760 ¹⁾	879
High-level managers (PZU Group Directors), including	1,451	11	3,530	2,034
Aleksandra Agatowska	203	-	239	-
Tomasz Karusewicz	307	-	793 ²⁾	565
Bartłomiej Litwińczuk	307	-	821	482
Dorota Macieja	317	11 ³⁾	754	415
Roman Pałac	317	-	923	572
Management Board, of which:	1,420	-	1,761	-
Maciej Łopiński	169	-	184	-
Paweł Górecki	170	-	182	-
Alojzy Nowak	170	-	182	-
Marcin Chludziński	156	-	167	-
Agata Górnicka	156	-	167	-
Robert Jastrzębski	127	-	176	-
Tomasz Kuczur	nd.	nd.	101	-
Elżbieta Mączyńska – Ziemacka	nd.	nd.	101	-
Krzysztof Opolski	nd.	nd.	101	-
Robert Śnitko	156	-	167	-
Maciej Zaborowski	156	-	167	-

Compensation and other short-term employee benefits paid by PZU (PLN thous.)	1 January – 31 December 2018		1 January – 31 December 2019	
		including bonuses and special awards:		including part of variable compensation for 2017 and 2018
Katarzyna Lewandowska	157	-	66	-
Aneta Fałek	3	-	nd.	nd.

¹⁾ Including non-competition fee of PLN 383 thousand and severance pay of PLN 192 thousand.

²⁾ Including non-competition fee of PLN 49 thousand and severance pay of PLN 77 thousand.

³⁾ Bonus for the Sponsoring Director function discharged from 1 January to 14 March 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 2019	
		including bonuses and special awards:		including part of variable compensation for 2017 and 2018
Management Board, of which:	90	-	1,471	1,012
Paweł Surówka	90 ¹⁾	-	67	67
Aleksandra Agatowska	nd.	nd.	788	377
Marcin Eckert	nd.	nd.	48	-
Tomasz Kulik	-	-	298	298
Maciej Rapkiewicz	-	-	135	135
Roger Hodgkiss	-	-	135	135
High-level managers (PZU Group Directors), including	2,206	6	3,831	1,946
Aleksandra Agatowska	344	-	nd.	nd.
Tomasz Karusewicz	460	-	857 ²⁾	515
Bartłomiej Litwińczuk	460	-	979	471
Dorota Macieja	466	6 ³⁾	943	434
Roman Pałac	476	-	1,052	526

¹⁾ Remuneration for the function of Pekao Supervisory Board Member discharged from 1 January to 20 June 2018.

²⁾ Including non-competition fee of PLN 74 thousand and severance pay of PLN 115 thousand.

³⁾ Bonus for the Sponsoring Director function discharged from 1 January to 14 March 2017.

Total estimated value of non-cash benefits granted by PZU and PZU's subsidiaries	1 January – 31 December 2018	1 January – 31 December 2018
Management Board, of which:	515	2,242
Paweł Surówka	149	331
Aleksandra Agatowska	nd.	207
Adam Brzozowski	nd.	148
Marcin Eckert	nd.	200
Elżbieta Häuser – Schöneich	nd.	119
Tomasz Kulik	77	649 ¹⁾
Maciej Rapkiewicz	64	227
Małgorzata Sadurska	110	259
Rodger Hodgkiss	115	102
High-level managers (PZU Group Directors), including	525	768
Aleksandra Agatowska	111	nd.
Tomasz Karusewicz	89	143
Bartłomiej Litwińczuk	118	200
Dorota Maciejka	78	197
Roman Pałac	129	228

¹⁾ Including PLN 473 thousand for the Advanced Management Program at Harvard Business School.

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.

9 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, PZU in particular takes into account the criteria defined in the provisions of the Commercial Company Code of 15 September 2000, the Insurance and Reinsurance Activity Act of 11 September 2015 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. Management Board and Supervisory Board members are selected for the new term of office in compliance with the principles of equal access of men and women 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.