

Attachment to Resolution No. URN/46/2020
adopted by the PZU SA Supervisory Board on 28.04.2020



**PZU SA SUPERVISORY BOARD'S REPORT ON THE
ACTIVITY OF THE PZU SA SUPERVISORY BOARD AS A
GOVERNING BODY OF THE COMPANY IN 2019**

I. Composition of the Supervisory Board

As at 1 January 2019, the following persons sat on the PZU SA 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

On 31 December 2018, the term of office of the PZU SA Supervisory Board ended, as a result of which on 24 May 2019, the Shareholder Meeting appointed PZU Supervisory Board for the new term of office for three full financial years 2020-2022. On 24 May 2019, by letter from the State Treasury, Paweł Górecki was appointed to the Supervisory Board, while the mandate of Supervisory Board Member Katarzyna Lewandowska expired on the date of the Shareholder Meeting which approved the financial statements for 2018. On 27 May 2019, Maciej Łopiński, Paweł Górecki and Alojzy Nowak took over the function of Supervisory Board

Chairman, Supervisory Board Deputy Chairman and Supervisory Board Secretary, respectively. Accordingly, the composition of the PZU SA Supervisory Board was as follows:

- 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
- 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

The criteria of independence in respect of Supervisory Board members were fulfilled by Maciej Łopiński, Elżbieta Mączyńska-Ziemacka, Krzysztof Opolski, Tomasz Kuczur, Alojzy Nowak, Maciej Zaborowski and Robert Jastrzębski.

As at 31 December 2019, the composition of the PZU SA Supervisory Board remained unchanged.

II. Activity of the Supervisory Board

During the reporting period, the Supervisory Board carried out its activity on the basis of the following regulations: the Commercial Company Code, the Insurance Activity Act, other generally applicable laws, the Company's Articles of Association and the Rules and Regulations of the Supervisory Board. In compliance with the provisions of the Articles of Association and the Rules and Regulations, the Supervisory Board held properly convened and prepared meetings, while maintaining a high attendance level.

During the financial year, the Supervisory Board held seventeen meetings on the following dates:

- 28 January 2019,
- 12 March 2019,
- 27 March 2019,
- 16 April 2019,
- 13 May 2019,
- 27 May 2019,

- 28 June 2019,
- 29 July 2019
- 28 August 2019,
- 23 October 2019,
- 13 November 2019,
- 21 November 2019,
- 26 December 2018.

The Supervisory Board made its decisions in the form of resolutions or opinions forwarded to the PZU SA Management Board or Shareholder Meeting.

In the reporting period, the Supervisory Board adopted 115 resolutions, including 22 resolutions by circulation (the list of resolutions forms Attachment 1 to this Report).

Most resolutions of the Supervisory Board, except for Resolution Nos. URN/2/2019 – URN/12/2019, URN/23/2019, URN/24/2019, URN/52/2019, URN/59/2019 – URN/61/2019, URN/72/2019 –

URN/77/2019, URN/96/2019, URN/101/2019 – URN/103/2019, URN/109/2019 and URN/113/2019, were adopted unanimously while maintaining the quorum required by the applicable laws.

The agendas of the Supervisory Board meeting prepared by the Chairmen of the PZU SA Supervisory Board covered all business to be dealt with by the Supervisory Board in accordance with its powers and included additional issues that the Management Board or Supervisory Board members deemed important.

All meetings were attended by a majority of PZU SA Supervisory Board members. The absence of individual persons at Supervisory Board meetings was caused mainly by important business trips. After the adoption of Resolution No. 5/2017 of 8 February 2017 by the PZU SA Extraordinary Shareholder Meeting to define the rules for setting the compensation of Supervisory Board Members of Powszechny Zakład Ubezpieczeń Spółka Akcyjna, the adoption of resolutions justifying absence was not required (list of attendance at the meetings of the Supervisory Board forms attachment 2 to this report).

In compliance with § 26 sec. 1 of the Rules and Regulations of the PZU SA Supervisory Board, invitations to attend its meetings in 2019 were sent to PZU SA Management Board members,

Directors of the PZU Group, Managing Directors, Directors of the Head Office Departments and representatives of advisory companies and law firms cooperating with the Company within the framework of its various ongoing projects, who provided comprehensive explanations and submitted all documents regarding the Company's business. Also, the PZU SA Supervisory Board's meetings were attended by representatives of the auditor, KPMG Audyt Sp. z o.o. Sp. k.

Outside its stationary meetings, the Supervisory Board was continuously informed about key aspects of the Company's business by e-mail (current and periodic reports prepared due to PZU SA's status of a public company listed on the Warsaw Stock Exchange were sent to the Supervisory Board members on an ongoing basis).

The cooperation between the PZU SA Supervisory Board and the Management Board proceeded properly with the aim of increasing the Company's value and out of concern for its interests. The information and materials provided by the Management Board were prepared in a clear and reliable manner, their content consistent with the requirements adopted by the Supervisory Board.

III. Material issues addressed by the PZU SA Supervisory Board

During the financial year ended 31 December 2019, the PZU SA Supervisory Board addressed all matters falling under its powers in accordance with the Company's Articles of Association. Within the framework of its powers, the Supervisory Board actively supported the Management Board in the pursuit of the Company's strategic objectives, examined the Management Board's motions regarding various issues that require the consent of the Supervisory Board in accordance with the Company's Articles of Association and familiarized itself with other matters presented by the Management Board.

Material issues addressed by the PZU SA Supervisory Board in 2019:

- Ongoing assessment of the financial and economic standing and market position of the Company and the PZU Group and their major strategic initiatives and plans for 2019.
- Ongoing monitoring of the implementation of the financial plan of PZU SA and the PZU Group for 2019.
- Monitoring of the implementation status of the PZU Group Strategy "New PZU".

- Appointment of the Company's Management Board for a new term of office for the financial years 2020-2023.
- Assessment of PZU SA's consolidated financial statements for the year ended 31 December 2018 and recommendation to the PZU Ordinary Shareholder Meeting to approve them.
- Assessment of the Management Board report on the activity of the PZU Group and PZU SA in 2018 and recommendation to the PZU SA Ordinary Shareholder Meeting to approve it.
- Assessment of the Management Board's motion on the distribution of PZU SA's net profit for the year ended 31 December 2018 and recommendation to the PZU Ordinary Shareholder Meeting to approve it.
- Assessment of the PZU SA Group's consolidated financial statements for the year ended 31 December 2018 and recommendation to the PZU Ordinary Shareholder Meeting to approve them.
- Acceptance of the PZU SA Supervisory Board report on its assessment of PZU SA's Financial Statements for the year ended 31

December 2018, the Consolidated Financial Statements of the PZU SA Group for the year ended 31 December 2018, the Management Board Report on the Activity of the PZU Group and PZU SA in 2018 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2018.

- Approval of PZU SA's Solvency and Financial Condition Report (SFCR).
- Approval of the PZU Group's Solvency and Financial Condition Report (SFCR).
- Selection of an audit company to review and audit the financial statements of PZU SA and the PZU SA Group for the financial years 2019-2020.
- Adoption of the PZU SA Supervisory Board report on the activity of the PZU SA Supervisory Board as the Company's governing body in 2018.
- Ongoing monitoring of the execution of strategic projects.
- Ongoing risk monitoring.
- Ongoing investment activity monitoring.
- Monitoring of acquisition projects, which includes making relevant decisions.
- Approval of answers provided in the BION questionnaire.
- Amendments to compensation rules and compensations for members of the PZU SA Management Board and amendments to draft management contracts for the President of the PZU SA Management Board and members of the PZU SA Management Board
- Approval of amendments to the PZU SA Articles of Association.
- In connection with the changes in the PZU SA Supervisory Board – electing the new Supervisory Board Chairperson, Deputy Chairperson and Secretary and establishing the composition of the Audit Committee, the Nomination and Compensation Committee and the Strategy Committee.
- Ongoing monitoring of work of the following Committees: the Audit Committee, the Nomination and Compensation Committee and the Strategy Committee of the PZU SA Supervisory Board.

During the reporting period, within the framework of ongoing monitoring of risks, the Supervisory Board was presented with the key changes to PZU SA's legal environment, leading to analysis and discussion of the challenges and risks present in PZU SA's regulatory environment. In particular, the Supervisory Board dealt with the following issues related to changes in PZU SA's existing

legal and regulatory environment or the need to fulfill new obligations:

- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data,
- Directive of 15 May 2014 on markets in financial instruments (MIFID 2) (this regulation is material for some PZU Group entities, in particular for TFI),
- Insurance Distribution Act of 15 December 2017,
- Act of 15 April 2005 on Supplementary Oversight over Credit Institutions, Insurance Undertakings, Reinsurance Undertakings and Investment Firms Comprising a Financial Conglomerate,
- Act of 16 October 2019 amending the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and Certain Other Acts,
- draft Act Amending the Mandatory Insurance, Insurance Indemnity Fund and Polish Motor Insurers' Bureau Act and the Insurance and Reinsurance Activity Act;
- Act of 19 July 2019 on Special Rights of Injured Persons with an Exhausted Indemnity.
- International Financial Reporting Standards 17 "Insurance Contracts" (IFRS 17).

With a view to properly performing its supervisory duties in the Company, the Supervisory Board established certain advisory and consultative committees. In 2019, three such committees operated within the PZU SA Supervisory Board:

- Audit Committee,
- Nomination and Compensation Committee,
- Strategy Committee.

Audit Committee

The Audit Committee was appointed by resolution of the PZU SA Supervisory Board of 3 June 2008 to increase the effectiveness of supervisory activities performed by the Supervisory Board with regard to monitoring the Company's financial reporting, financial audit activities in the Company and effectiveness of internal control, internal audit and risk management systems in the Company. Moreover, the scope of the Audit Committee's activities may include other matters entrusted to it by the Supervisory Board.

The Committee is composed of at least three members, most of whom are independent members, including at least one independent member holding accounting or financial audit qualifications. Detailed tasks and principles governing the appointment and operation of the Audit Committee are laid down in the Rules and Regulations of the PZU SA Supervisory Board, the Rules and Regulations of the PZU SA Supervisory Board Audit Committee and the pertinent resolution of the Supervisory Board which, in selecting members of the Audit Committee, takes into account the competences and experience of candidates in respect of the matters entrusted to the Committee.

As at 1 January 2019, the PZU SA Supervisory Board Audit Committee functioned in the following composition:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Maciej Zaborowski – Committee Member.

Alojzy Nowak and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak and Marcin Chludziński were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee Members were designated as members who have knowledge and skills in the industry in which the Company operates.

On 27 March 2019, the Supervisory Board established the following composition of the Audit Committee:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Robert Śnitko – Committee Member,
- 4) Maciej Zaborowski – Committee Member.

Alojzy Nowak, Robert Śnitko and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak, Marcin Chludziński and Robert Śnitko were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee Members were designated as members who have knowledge and skills in the industry in which the Company operates.

On 31 December 2018, the term of office of the PZU SA Supervisory Board ended, as a result of which on 24 May 2019, the Shareholder Meeting appointed PZU Supervisory Board for the new term of office for three full financial years 2020-2022. On 27 May 2019, the Supervisory Board of the new term of office established the following composition of the Audit Committee:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Krzysztof Opolski – Committee Member,
- 4) Robert Śnitko – Committee Member,
- 5) Maciej Zaborowski – Committee Member.

Alojzy Nowak, Krzysztof Opolski, Robert Śnitko and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak, Marcin Chludziński, Krzysztof Opolski and Robert Śnitko were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee members were named as members who have knowledge and skills in the industry in which the Company operates.

As at 31 December 2019, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

In the reporting period, i.e. from 1 January 2019 to 31 December 2019, the Committee held sixteen meetings on the following dates:

- 28 January 2019,
- 6 March 2019,
- 12 March 2019,
- 15 April 2019,
- 16 April 2019,
- 13 May 2019,
- 23 May 2019,
- 27 May 2019,
- 28 June 2019,
- 29 July 2019
- 28 August 2019,
- 9 October 2019,
- 13 November 2019,
- 21 November 2019,
- 12 December 2019,
- 16 December 2019.

Decisions of the PZU SA Supervisory Board Audit Committee were made in the form of resolutions, opinions and recommendations which were each

time submitted to the Company's Supervisory Board. The activity report of the PZU SA Supervisory Board Audit Committee in 2019 forms Attachment 3 to this Report.

Nomination and Compensation Committee

Pursuant to the PZU SA Articles of Association, from the moment the Company's shares were introduced into trading on the regulated market within the meaning of the Act of 29 July 2005 on Trading in Financial Instruments, the Supervisory Board could appoint the Nomination and Compensation Committee which was appointed on 12 May 2010.

The Nomination and Compensation Committee is an advisory and consultative body to the Supervisory Board in respect of issues related to the development of the management structure, including organizational solutions, the compensation principles and the selection of properly qualified staff.

As at 1 January 2019, the composition of the PZU SA Supervisory Board Nomination and Compensation Committee was as follows:

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

On 27 March 2019, the PZU SA Supervisory Board set the number of members of the Nomination and Compensation Committee at 6 and changed its composition to the following:

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

Subsequently, in connection with the appointment of the Supervisory Board of the new term of office, on 27 May 2019, the PZU SA Supervisory Board set the number of members of the Nomination and Compensation Committee at 6 and changed its composition to the following:

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

Moreover, on 29 November 2019, the PZU SA Supervisory Board set the number of members of the Nomination and Compensation Committee at 7 and changed its composition to the following:

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

As at 31 December 2019, the composition of the Nomination and Compensation Committee was unchanged.

During the financial year, the Nomination and Compensation Committee held 10 meetings on the following dates:

- 17, 21, 25 January 2019,
- 12 March 2019,
- 27 March 2019,
- 16 April 2019,
- 28 June 2019,
- 29 July 2019
- 28 August 2019,
- 23 October 2019,
- 13 November 2019,
- 16 December 2019.

Decisions of the PZU SA Supervisory Board Nomination and Compensation Committee were made in the form of opinions and recommendations which were in each case submitted to the Company's Supervisory Board.

In accordance with the provisions of the Articles of Association, 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.

Strategy Committee

The Strategy Committee's tasks include issuing opinions on all strategic documents submitted to the Supervisory Board by the PZU SA Management Board (in particular the Company's development strategy) and presenting recommendations in respect of the planned investments with significant impact on the Company's assets to the PZU SA Supervisory Board.

As at 1 January 2019, the composition of the PZU SA Supervisory Board Strategy Committee was as follows:

- 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 appointment of the new PZU SA Supervisory Board, on 27 May 2019 the PZU SA Supervisory Board resolved that the Strategy Committee will be composed of 6 persons and established the following composition of the Committee:

- Alojzy Nowak – Committee Chairman;
- Marcin Chludziński – Committee Member;

IV. Information on the performance of resolutions adopted by the PZU SA Shareholder Meeting

Acting pursuant to § 2 of Resolution Nos. 3/2019, 4/2019 and 5/2019 adopted by the Extraordinary Shareholder Meeting of PZU SA on 6 June 2019 on amendments to the PZU SA Articles of Association, the Supervisory Board accepted, by Resolution Nos. URN/89/2019 of 11 September 2019 and URN/90/2019 of 8 October 2019, the consolidated text of the Articles of Association, incorporating the amendments resulting from the said resolutions.

V. Compliance with reporting and information obligations

The PZU SA Supervisory Board confirms that all reporting and information obligations imposed

- 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 Strategy Committee was unchanged.

During the financial year, the Strategy Committee held four meetings on the following dates:

- 12 March 2019,
- 13 May 2019,
- 28 August 2019,
- 16 December 2019.

In 2019, decisions of the PZU SA Supervisory Board Strategy Committee were made in the form of opinions and recommendations which were in each case submitted to the Company's Supervisory Board.

The PZU SA Supervisory Board declares that all duties imposed on it by resolutions adopted by the PZU SA Shareholder Meeting in 2019 were implemented in a proper and timely manner.

VI. Brief assessment of the Company's standing, in consideration of its internal control system, compliance policy risk management system and internal audit function

PZU SA is in very good financial standing and satisfies all the security criteria imposed on it by the Insurance and Reinsurance Activity Act and the Polish Financial Supervision Authority. The high rating outlook issued by S&P for PZU SA at A- confirms the Company's strong business standing, high level of equity and continued competitive position on the insurance market. The financial results, calculated in accordance with Polish Accounting Standards, generated by PZU SA in recent years place it among the most profitable financial institutions in the country. At the same time, they translate into high asset utilization ratios. In 2019, PZU SA generated a return on equity (ROE) of 18.4%. In 2015-2019, the average return on equity was 17.7%.

COR (combined ratio) was one of the fundamental measures of productivity and operating efficiency of an insurance company; in PZU SA it has been maintained at a level confirming its high operating profitability in recent years (88.7% in 2019, 87.0% in 2018, 89.3% in 2017).

The PZU Group features a high level of security in its business. This is corroborated both by its high solvency ratios and by the investment grade rating awarded by S&P Global Ratings.

On 14 June 2019, S&P Global Ratings, a US-based rating agency raised PZU's rating outlook from stable to positive. PZU SA's financial strength and credit rating remained at A-. The S&P analysts decided that the PZU Group has demonstrated its capacity to generate good financial results, both

historically and in comparison to its competitors. They also emphasized the improving risk management practices resulting in greater capital resilience and high capital management discipline.

On 6 April 2020, S&P Global Ratings changed the ratings outlook for the Company from positive to stable. The change resulted from the deterioration in financial and business conditions in Poland due to the outbreak of the COVID-19 pandemic. According to the agency, this may affect the PZU Group's business; in particular, it may lead to a lower contribution from banking activity. At the same time, the analysts emphasized that the Group's position should continue to be stable. This outlook reflects the viewpoint of the agency's analysts that the group will maintain its leading business position in Poland, a strong capital position and a stable result on insurance activity whereby it will be capable of withstanding any further potential deterioration in the business environment.

As of 1 January 2016, the Insurance and Reinsurance Activity Act of 11 September 2015 introduced the Solvency II capital requirements to the Polish legal system. The purpose of calculation of the solvency capital requirement (SCR) is to cover the risks associated with the existing activity to the fullest extent possible. At PZU SA, the solvency capital requirement is calculated on the basis of the standard formula. As at 31 December 2019, the PZU SA satisfied the solvency requirements and the solvency ratio, which is the ratio of eligible own funds to the solvency capital requirement, was 267%. This high value puts PZU among insurance groups with the highest capital strength.

In 2019, PZU SA recorded a technical result at a level of PLN 1,405 million compared to PLN 1,539 million in the preceding year, which translates into a 8.7% decrease in the result year on year. Net profit was PLN 2,651 million, compared to PLN 2,712 million in 2018 (down 2.2%). Without taking into account the dividend received from PZU Życie SA, PZU's net profit was PLN 1,319 million, down PLN 135 million compared to 2018.

In the individual net result items, PZU SA recorded:

- an increase in gross written premium to PLN 13,039 million, or 0.3%, compared to the previous year, as a result of lower sales in motor insurance (due to strong competitive

pressure) and higher premiums in insurance of various financial losses and damage caused by the forces of nature. After consideration of the reinsurers' share and the movement in the provision for unearned premiums, net earned premium was PLN 12,303 million, up 1.8% from 2018;

- a higher level of claims and benefits totaling PLN 7,760 million, down 3.2% compared to 2018. The main change occurred in the class of insurance against damage to property and caused by the forces of nature and Motor Own Damage, partially offset by a lower loss ratio in motor TPL and other TPL insurance;
- an increase in net investment result by PLN 71 million, driven mainly by higher dividends received from PZU Życie and stabilization of income from other investments, primarily as a result of a change in the debt portfolio management strategy from short-term to long-term;
- an increase in acquisition expenses including reinsurance premiums (up by PLN 105 million) resulting from the changed mix of products and sales channels – a higher share of multi-agency and dealer channels characterized by higher commission rates, with a lower increase in sales of TPL motor insurance, which has lower commission rates;
- an increase in administrative expenses to PLN 704 million, compared to PLN 655 million in 2018, mainly as a result of an increase in personnel costs due to wage pressure on the market, partly curbed by maintaining cost discipline in non-personnel areas of activity.

In 2019, PZU SA collected gross written premium of PLN 13,039 million, 0.3% more than in 2018. They comprised mainly:

- TPL motor insurance premiums, accounting for 39.2% of PZU's insurance portfolio (41.5% in the prior year). In 2019, their value was 5.1% lower than in the previous year, mainly as an effect of a lower number of insurance policies combined with a decrease in average premium;
- MOD insurance premiums with a 24.7% share of PZU's total gross written premium (i.e. 0.3 p.p. lower than in the corresponding period of the previous year) – a slight decrease (-0.6% y/y) driven by a decrease in average premium and the number of concluded insurance policies in the

- corporate client segment and growth in the mass client segment;
- premiums on insurance against fire and property damage accounting for 20.7% of PZU's premium portfolio. In 2019 their percentage of the insurance portfolio edged up 0.9 p.p., while its value was up 5.0% versus the previous year – the effect of the higher premiums on residential and business insurance and indirect activity;
 - ADD and other insurance premiums whose share totaled 9.5% (up 1.5 p.p. versus 2018). In this insurance category, PZU posted an increase in premiums, mainly in various financial risk insurance products (including GAP financial loss offered to both clients of lease companies and individual clients) and accident and sickness insurance as a result of cooperation with PZU Group's banks (insurance of cash loans) and an increase in health insurance sales.

In 2019, the result on PZU SA's investment activity was PLN 2,223 million compared to PLN 2,152 million in 2018. This income stabilization was primarily the result of a change in the management strategy adopted for debt portfolios from short-term to long-term as well as limitation of volatility in the results of the PZU Global Macro EUR instrument portfolio in connection with the purchase of bonds aligned to the portfolio's investment horizon, mostly to cover the liabilities on own bonds denominated in EUR that will mature in the middle of this year.

In 2019, net claims and benefits and the incremental growth in PZU SA's provisions totaled PLN 7,760 million, i.e. 3.2% growth compared to 2018.

The following factors contributed to the change in the net value of claims and benefits:

- higher claims and benefits in motor own damage insurance group resulting from the observed increase in the average payout and an increasing frequency of losses in the mass segment;
- the higher level of claims in the group of damages caused by the forces of nature and other damage to property, including events with a high unit value and claims under crop insurance – above-average number of losses caused by weather events, such as ground frost, rainfall and hail.
- the lower value of claims and benefits in third party liability insurance class, resulting to a large extent from a much smaller change in the value of the annuities provision – in the corresponding period of 2018, the provisions were updated, mainly in third party liability insurance for medical entities;
- lower loss ratio in the motor TPL portfolio, driven by lower growth of sales and increasing inflation of loss amounts (in the corresponding period of 2018 the provision for claims for general damages was updated)

In 2019, acquisition expenses (net of reinsurance commissions) totaled PLN 2,489 million and were up 5.0% compared to 2018. The increase was driven by an increase in direct acquisition expenses (commissions) and direct sales expenses as a result of the change in the product and sales channel mix (multi agent and car dealer channels with a growing share while the sales of motor TPL insurance featuring lower commission rates have seen a slower pace of growth).

In 2019, PZU SA's administrative expenses were PLN 704 million, i.e. down 7.4% versus the prior year. The year-on-year growth was affected mainly by an increase in personnel costs as a result of the persisting wage pressure on the market and higher project activity costs, partly restrained by maintaining cost discipline in non-personnel areas of activity.

The balance of other technical income and expenses in 2019 was negative and stood at PLN 254 million. The deterioration of this balance compared to 2018 was caused, among other factors, by lower gains on foreign exchange differences coupled with a lower contribution made to the prevention fund and a lower impairment on receivables.

In 2019, the net balance of other operating income and expenses was negative and amounted to PLN 387 million compared with the also negative balance for 2018 of PLN 447 million. Starting in mid-2014 the balance of other operating expenses was charged with the interest expense and change of the valuation on account of foreign exchange differences on the loan taken from PZU Finance AB for the total amount of EUR 850 million (EUR 500 million in July 2014 and EUR 350 million in October 2015). The repayment date of the loans was set at 28 June 2019 and on this

date they were repaid. In 2019, revenues on account of foreign exchange differences on the loan received from PZU Finance AB (publ.) amounted to PLN 38.0 million, compared to the 2018 revenues of PLN 1.1 million, while the costs of interest on the loans received amounted to PLN 29.7 million in 2019 and PLN 69.7 million in 2018.

On 31 December 2019, PZU SA's total balance sheet value stood at PLN 41,643 million and was 4.5% lower than at yearend 2018.

The main component of PZU SA's assets were investments, which reached PLN 36,660 million (down 2.4% compared to the end of 2018), which accounted for 88.1% of PZU's total balance sheet value, compared to 86.2% as at the end of the previous year. Net of investments in subordinated entities, the level of investments was lower by 6.2% compared to the end of 2018. The main reason for the decrease in the value of investments was the repayment of own outstanding bonds denominated in EUR.

PZU SA's receivables stood at PLN 2,085 million and accounted for 5.0% of the assets. For comparison, at the end of 2018 they amounted to PLN 2,343 million (5.4% of PZU SA's assets). The biggest change was recorded in the value of other receivables from other entities (down by PLN 127 million) and receivables on reinsurance, including from subordinated entities (down by PLN 92.0 million compared to the end of 2018) resulting from the stabilization of the inward reinsurance portfolio with TUW PZUW. Non-current assets – in the form of intangible assets, goodwill and property, plant and equipment – were disclosed in the balance sheet at PLN 442 million. They constituted 1.1% of assets.

As at 31 December 2019, PZU SA's cash was PLN 126 million (0.3% of assets). The year before, its value was PLN 1,222 million.

At the end of 2019, technical provisions were the main component of PZU SA's equity and liabilities. They reached the (net) amount of PLN 21,465 million, i.e. 51.5% of equity and liabilities. Their share in the balance sheet increased by 3.4 p.p. compared to 2018, while in terms of value they rose by PLN 467 million, in particular due to a higher provision for outstanding claims and benefits, mainly in the group of TPL motor insurance, motor own damage insurance and insurance for other physical claims.

As at the end of 2019, equity was PLN 14,957 million and accounted for 36.0% of equity and liabilities, up 4 p.p. compared to yearend 2018.

Contingent receivables amounted to PLN 4,257 million, down PLN 233 million compared to the year before. They comprised among others: guarantees and sureties received, bills of exchange issued on account of granted insurance guarantees and other contingent receivables comprising mainly securities received in the form of a transfer of the debtor's assets, mortgage on the debtor's assets and other contingent receivables.

The balance of contingent liabilities decreased by PLN 3,471 million compared to the year before. This resulted predominantly from the expiration of a guarantee (granted in connection with the issue of unsubordinated bonds by PZU Finance AB) along with the expiration of the bondholders' claims against PZU Finance AB, which took place on 3 July 2019 following the subsidiary's repayment of the whole debt under these bonds.

PZU SA endeavors to manage capital effectively and maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions.

On 3 October 2016, the PZU SA Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2016-2020. The introduction of the Policy followed from implementation, as of 1 January 2016, of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance ("Solvency II"), as amended, the Insurance and Reinsurance Activity Act of 11 September 2015 and the expiration of the PZU Group's Capital and Dividend Policy for 2013-2015 updated in May 2014.

The capital management policy rests on the following principles:

- the PZU Group's capital management (including excess capital) is conducted at the level of PZU SA as the parent company;
- sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);

- maintain the PZU Group's financial leverage ratio at a level no higher than 0.35;
- ensure funds for growth and acquisitions in the coming years;
- PZU SA will not issue any new shares for the duration of this Policy.

In accordance with the Policy, the PZU Group endeavors to do the following:

- manage capital effectively by optimizing the usage of capital from the Group's perspective;
- maximize the rate of return on equity for the parent company's shareholders, in particular by maintaining the level of security and retaining capital resources for strategic growth objectives through acquisitions;
- ensure sufficient financial means to cover the PZU Group's liabilities to its clients.

PZU SA as the parent company, through its representatives in supervisory bodies of subsidiaries and voting at their shareholder meetings, exerts an impact on the selection of strategic directions regarding both the scope of business and the finances of the PZU Group members.

In the Supervisory Board's assessment, the operations carried out by PZU SA enable the continuation of the Company's further development and the achievement of good financial results in subsequent years.

In 2019, the Company had an internal control system in place, adjusted to the scale of its operations and its organizational structure, the purpose of which was to ensure the effectiveness and efficiency of operations within the organization, reliability of financial reporting and compliance of PZU SA's operations with the applicable laws and internal regulations.

The internal control system in PZU SA comprises supervision, overall administrative and accounting procedures, organizational structures, reporting systems, solutions implemented in IT systems, the compliance function and other control mechanisms contributing to the attainment of the Company's objectives and security and stability of its operations, implemented to ensure the following in a reasonable manner:

- efficiency and effectiveness of the operating activity;

- reliability of information communicated inside and outside the Company and assurance of availability and reliability of such information, in particular pertaining to financial statements;
- adequacy and effectiveness of risk controls (control operations should be commensurate with the level of risk involved in the operations and processes under control);
- responsible and transparent management of the Company;
- compliance of the Company's activity with internal regulations and the standards of conduct adopted by the Company;
- efficient acquisition and transfer of any data and information that may be important to supplementary oversight.

Supervision over the internal control system within the Company is exercised by:

- oversight exercised by the Supervisory Board;
- activities of the Company's Management Board, including the establishment of an adequate and effective internal control system and periodic assessment of the functioning of the internal control system;
- oversight exercised by the managers of functional divisions, specialist units and organizational cells in their subordinated organizational units/cells;
- oversight exercised by the Compliance Department in the area of system solutions aimed at ensuring adequacy and effectiveness of risk control in the business processes covered by the internal control system.

A key role in the system is played by the PZU SA Supervisory Board Audit Committee. Specifically, the Audit Committee plays an advisory and opinion-making role for the Supervisory Board and has been appointed to increase the effectiveness of supervisory activities performed by the Supervisory Board in the area of monitoring the Company's financial reporting, financial audit activities in the Company, independence of the statutory auditor and entity authorized to audit the financial statements, and effectiveness of internal control, internal audit and risk management systems in place in the Company.

The head of the respective organizational division/unit/cell is responsible for the deployment of an effective internal control system in the supervised area of the Company's activity, in particular for designing and ensuring

efficient operation of control actions as integral components of operating processes.

The internal control system and risk management system are evaluated, including by the internal audit function, which operates in conditions ensuring objectivity and independence. The manager of the internal audit services answers directly within the organization to the Management Board President and functionally to the Audit Committee, and is authorized to contact the Supervisory Board Chairman and the Audit Committee Chairman directly, in particular in matters concerning any discovered material irregularities. A double reporting system is in place to provide information on the results of actions taken: to the Management Board and to the Supervisory Board Audit Committee. The Supervisory Board Audit Committee's prior opinion is required for an audit plan to be accepted or amended, if applicable. The appointment or dismissal of the audit manager at PZU SA requires an opinion of the Audit Committee. Moreover, the internal audit function in PZU SA is independent of operational functions.

In 2019, audits at PZU SA were conducted on the basis of an annual audit plan approved by the Supervisory Board Audit Committee and adopted by resolution of the PZU SA Management Board, prepared while taking into consideration the assessment of risks in each area of the Company's business.

Audit results, recommendations issued and their implementation (subject to a monitoring process by the Internal Audit Department) are presented to the Company's Management Board on an ongoing basis and to the Supervisory Board Audit Committee on a periodical (quarterly) basis. The Internal Audit Department prepared an annual report on its activity in 2019, comprising information about the execution of the audit plan, the status of implementation of previously issued recommendations and an assessment of the internal control system and the risk management system.

The Internal Audit Department coordinates the internal audit function in the PZU Group's key companies. As in the previous years, on the basis of the cooperation agreements entered into with key PZU SA subsidiaries, the internal audit function obtains information regarding the adequacy and effectiveness of their risk management and internal control systems.

In 2019, the Company had a risk management system in place, adjusted to the scale of its

operations and its organizational structure. The risk management system is based on the following elements:

- split of duties and tasks performed by governing bodies, committees, individual organizational units and cells in the risk management process;
- risk management process, including risk identification, measurement and assessment, monitoring and control methods, risk reporting and undertaking management actions.

The split of duties and tasks within the risk management system is based on four decision-making levels. The first three levels comprise:

- The Supervisory Board, which supervises the risk management process and assesses its adequacy and effectiveness as part of its decision-making powers defined in the Company's Articles of Association and the Supervisory Board Rules and Regulations;
- The Management Board, which organizes the risk management system and ensures that it is operational, by adopting strategies and policies, setting the level of risk appetite, defining the risk profile and tolerance levels for individual categories of risk;
- committees, which make decisions to mitigate individual risks to a level determined by the risk appetite. The committees adopt the procedures and methodologies for mitigating various risks and they accept limits to mitigate the various types of risk. The special role of the PZU Group Risk Committee is to provide support to the subsidiaries in implementing an effective risk management system coherent for the entire PZU Group. The operational objective of the PZU Group Risk Committee is to coordinate and supervise activities related to the PZU Group's risk management system and processes.

The fourth level pertains to operations, where the tasks associated with the risk management process are broken down into the following three lines of defense:

- the first line of defense includes ongoing risk management at the business unit and organizational unit level and decision-making as part of the risk management process; The management is responsible for the implementation of an effective risk management system in the supervised area of the Company's business, in particular for designing and ensuring efficient operation of

identification and monitoring actions as integral components of operating processes, ensuring appropriate response to existing risks;

- the second line of defense – risk management by specialized cells responsible for risk identification, measurement, monitoring and reporting and controlling the limits. Within the second line of defense, the following departments play a special role: the Risk Department, the Compliance Department, the Security Department, the Planning and Controlling Department, the Actuarial Department, the Reinsurance Department, the Legal Department and the HR Department;
- the third line of defense – internal audit which conducts independent audits of the individual elements of the risk management system, as well as of control activities embedded in the Company's operations. This function is performed by the Internal Audit Department.

The risk management process consists of the following stages: identification, measurement and assessment, monitoring and controlling, reporting and management activities.

The basic risk categories identified in the company include: market risk, credit risk, concentration risk, actuarial risk, operational risk, model risk and compliance risk. Each risk deemed material is subject to measurement, which includes the definition of risk measures appropriate for the type and availability of data and risk quantification using established measures or expert judgment taken into account in the measurement of total risk.

Within the framework of the risk management processes, reports are prepared at decision levels appropriate for the type and significance of the respective risk. In particular, in accordance with the applicable regulations, reports are submitted to the Company's Supervisory Board, Management Board, PZU Group Risk Committee, Investment Risk Committee, Investment Committee and Asset-Liability Management Committee. Management activities related to each risk category are specified in internal regulations or adopted management standards related to the risks in question.

Depending on the type and nature of the risk, these activities may include, in particular: risk avoidance, risk transfer, risk mitigation, acceptance of risk level and the use of supporting tools, such as limits or a reinsurance program.

The risk management functions in the PZU Group are exercised at the following two levels:

- the PZU Group level – ensuring that the PZU Group attains its business objectives in a safe manner appropriate to fit the scale of the risk incurred. The PZU Group provides support for the implementation of a risk management system, including the introduction of compatible mechanisms, standards and organization of an efficient operation of the internal control system (with particular emphasis on the compliance function), the risk management system (in particular in the reinsurance area) and the security management system in the PZU Group, and also monitors their ongoing application. The PZU Group dedicated personnel cooperates with the Management Boards of companies and managers of such areas as finance, risk, actuarial services, reinsurance, investments and compliance on the basis of pertinent cooperation agreements;
- the entity level – ensuring that the PZU Group entity attains its business objectives in a safe manner appropriate to fit the extent of the risk incurred by that entity. The limits and risk categories specific to the company are monitored at this level and also, as part of the risk management system, mechanisms, standards and organization are implemented for the efficient operation of the internal control system (with particular emphasis on the compliance function), the risk management system (in particular in reinsurance) and the security management system.

PZU exercises supervision over the PZU Group's risk management system on the basis of cooperation agreements entered into with other PZU Group entities and the information provided thereunder, and manages the PZU Group's risk on an aggregate basis. The agreements entered into and the scope of information to be provided take into consideration the specific legal nature of each entity, including limitations arising from banking secrecy rules.

In order ensure effective risk management on PZU Group level, risk management rules applicable to subsidiaries have been adopted, containing a recommendation issued by PZU regarding the organization of the risk management system (in both insurance and banking sectors).

The management boards of PZU Group companies are responsible for fulfilling their own duties in accordance with the generally

applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system. Supervision over the risk management systems in various regulated entities is exercised by the supervisory boards to which PZU SA appoints its representatives.

The PZU SA Supervisory Board recommends that the PZU SA Ordinary Shareholder Meeting grant a discharge to all members of the PZU SA Management Board on the performance of their duties in 2019, specifically to:

- Paweł Surówka, President of the Management Board,

- Aleksandra Agatowska, Management Board Member,
- Adam Brzozowski, Management Board Member,
- Marcin Eckert, Management Board Member,
- Elżbieta Häuser-Schöneich, Management Board Member,
- Roger Hodgkiss, Management Board Member,
- Tomek Kulik, Management Board Member,
- Maciej Rapkiewicz, Management Board Member,
- Małgorzata Sadurska, Management Board Member.

VII. Assessment of the application of Corporate Governance Rules for regulated institutions

On 22 July 2014, the Polish Financial Supervision Authority issued Corporate Governance Rules for regulated institutions (“Rules”), which constitute a set of guidelines (soft law standards) that should be applied by regulated entities from 1 January 2015 under the applicable laws giving consideration to the rule of proportionality.

The PZU SA Management Board and Supervisory Board have declared their readiness to apply the Rules to the objectively broadest extent while giving consideration to the rule of proportionality and the rule “comply or explain” stemming from their wording. These declarations were confirmed by the PZU SA Management Board and Supervisory Board in their respective resolutions. Information on the application of the Rules was presented by the PZU SA Management Board and Supervisory Board during PZU SA’s Ordinary Shareholder Meeting held on 30 June 2016. The PZU SA Ordinary Shareholder Meeting declared that, acting within its powers, it will be guided by the Rules, except for certain specific rules waived by the PZU SA Ordinary Shareholder Meeting.

Detailed information on the application of the Rules by PZU SA, including rules that are partly complied with by PZU SA and rules which, due to the nature and specific characteristics of its business, do not apply to PZU SA, has been posted on PZU SA’s website.

The following are partly complied with by PZU SA:

- the rule laid down in § 8 section 4 of 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 SA shareholders may follow the broadcast of the Shareholder Meeting, however PZU SA decided not to introduce the so-called e-Shareholder Meeting, because, in PZU SA’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;

- the rule laid down in § 21 section 2 of the Corporate Governance Rules according to which within the supervising body there should be a separate function of the chairperson in charge of managing the work of the supervising body, and the selection of the chairperson of the supervising body should be accomplished on the basis of experience and team management skills while giving consideration to the criterion of independence
– it should be emphasized that, in accordance with the Commercial Company Code and PZU SA’s Articles of Association, the function of chairperson has been

established within the PZU SA Supervisory Board; the PZU SA Supervisory Board's composition and the chairperson's function are shaped in accordance with the criteria of independence stated in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision; the selection of the Supervisory Board Chairperson is accomplished on the basis of the criterion of knowledge, experience and skills that confirm the competences required to discharge duly the duties of supervision; applying the criterion of independence to the chairperson according to the KNF Office's explanation of this rule may evince doubts concerning a possible collision with the legal regulations pertaining to shareholder rights;

- the rule laid down in § 49 section 3 of the 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 SA applies the rules laid down in § 14 of the Rules to their full extent, which means that the PZU SA 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 SA 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 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 SA Ordinary Shareholder Meeting has waived the following rules:

- the rule laid down in § 10 section 2 of the 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 of the Rules 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 of the Rules 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 SA:

- the rule laid down in § 11 section 3 of the Rules 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 SA, the Shareholder Meeting does not make decisions on transactions with related parties;
- the rule laid down in § 49 section 4 of the Rules 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 SA;
- the rule laid down in § 52 section 2 of the Rules 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 SA;
- the rules laid down in Chapter 9 of the Rules entitled “Exercising rights from assets acquired at a client’s risk”

- PZU SA does not offer products entailing asset management at a client’s risk.

During the reporting period, no events were held that would require the information presented above to be updated.

In consideration of the foregoing, the PZU SA Supervisory Board is of the opinion that the rules introduced by the Corporate Governance Rules for regulated institutions are applied properly and in accordance with the declarations of PZU SA’s governing bodies.

VIII. Assessment of the Company’s fulfillment of the disclosure obligations associated with the application of the corporate governance principles set forth in the Warsaw Stock Exchange Rules and in the provisions of law concerning current and periodic information transmitted by securities issuers

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

Since 1 January 2016, a set of corporate governance principles entitled Best Practices of WSE Listed Companies 2016 (“BPLC 2016”), adopted by resolution of the WSE Board on 13 October 2015, have been in force.

In accordance with § 29 section 3 of the WSE Rules, the issuer is required to publish a report if a specific corporate governance rule is not applied on a permanent basis or is breached incidentally. Moreover, in accordance with principle I.Z.1.13 of BPLC 2016, information on the status of application of the recommendations and principles contained in BPLC 2016 should be posted by issuers on their websites.

In 2019, PZU SA complied with the recommendations and principles set forth in BPLC 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:

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

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

Furthermore, the following principles are not applicable to PZU SA:

- principle I.Z.1.10, providing for the publication of financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation, because, as at the date of publication of this report, PZU SA has not published any financial projections or estimates;
- principle 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 SA’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 SA securities are traded only on the Polish market.

Information on the actual application of the recommendations and principles contained in BPLC 2016 by PZU SA (“Information”) is available on PZU SA’s website in the “Investor relations” section.

Moreover, no events occurred during the reporting period as a result of which PZU SA would be required to update any such information or publish a report on a breach of a particular detailed principle in an incidental manner, in accordance with § 29 section 3 of the WSE Rules.

The scope of information on the site and access thereto were monitored on an ongoing basis. In the event of detecting any technical problems posing an impediment to specific resources, were

promptly taken to reinstate the website’s full functionality.

In performance of the obligation arising out of § 70 Section 6 Item 5 of the Finance Minister’s Regulation of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (“Regulation”), PZU SA included, in the Management Board report on the activity of the PZU Group and PZU SA in 2019, a corporate governance statements forming a separate part of this Report.

Taking the foregoing into consideration, the PZU SA Supervisory Board is of the opinion that the disclosure obligations regarding the application of the corporate governance principles set forth in the Warsaw Stock Exchange Rules and in the provisions of law concerning current and periodic information transmitted by securities issuers are fulfilled in a proper manner.

IX. Assessment report on the operation of the compensation policy at PZU SA

The basis for preparation of an assessment report on the operation of the compensation policy at PZU SA is § 28 section 3 of the Corporate Governance Rules for regulated institutions.

RULES FOR SHAPING THE COMPENSATION POLICY AT PZU SA

- The rules for compensating the Company’s employees are laid down in the PZU SA Compensation Policy (hereinafter: “Compensation Policy”), as adopted by the Company’s Management Board in 2016. In 2019, it was last updated by a Management Board resolution of 5 March 2019. The Compensation Policy comprises all internal regulations that define the compensation principles, dedicated to specific employee groups or specific employees, which are established in accordance with regulatory requirements and other generally applicable laws, internal regulations of the Company and guidelines of the regulatory authority. This regulation also covers detailed solutions pertaining to compensating specific employee groups, i.e. key personnel as well as other employee groups whose work significantly affects the company’s risk profile (hereinafter: “Entitled Persons”),

Senior Management who are not classified as Entitled Persons and other employees. Entitled Persons who are not Management Board members have been specified on the basis of the Identification Method developed by the Company. The purpose for the adoption of the Identification Method was to implement the requirements of the delegated regulation “Solvency II” on the introduction of detailed compensation policies for employees whose work significantly affects the undertaking’s risk profile. The detailed solutions pertaining to Entitled Persons in the developed documents concern Company employees but do not apply to Supervisory Board members whose compensation rules are regulated by the Shareholder Meeting or Management Board Members or PZU Group Directors in PZU SA who are also Members of the PZU Życie SA Management Board (hereinafter: “Managers”), whose rules of compensation are governed separately by:

- 1) Supervisory Board – in respect of Management Board Members, in the performance of Resolution No. 4 of the Extraordinary Shareholder Meeting of

Powszechny Zakład Ubezpieczeń S.A. of 8 February 2017 to define the rules for setting the compensation of Management Board Members (as amended) in conjunction with the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies (hereinafter: "Act").

- 2) PZU SA Management Board – in respect of PZU Group Directors who are also Members of the PZU Życie SA Management Board and the rules of whose compensation are specified in the contract for the provision of management services (hereinafter: "Agreement") and in the resolutions adopted in this matter by the Management Board in conjunction with the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies.

The total compensation due to a Manager for rendering management services and discharging other obligations ensuing from the Management Services Provision Agreement (hereinafter: "Agreement") consists of the following:

fixed compensation – flat monthly base compensation (for a calendar month) that cannot exceed the reference range established pursuant to Article 4 Section 2 of the Act without prejudice to the situations outlined in Article 4 Section 3 of the Act;

variable compensation – supplementary compensation for a given financial year depending on the extent to which management objectives are attained. 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. Moreover, a significant portion of variable compensation is allocated in the form of deferred variable compensation. Deferred variable compensation is subject to deferral for 3 years. 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 Agreement.

- The main purpose of the Company's compensation policy is to acquire, retain and motivate employees to maintain the highest level of work performance in pursuit of the Company's strategic objectives, while retaining an optimal and reasonable level of compensation based on sound financial and risk management at PZU SA.
- Compensation levels in the Company depend on the scope of tasks and the level of responsibility included in the job description, which is subject to valuation in accordance with the Hay Group methodology.
- Every year, the HR Department verifies the market competitiveness of compensation levels offered by the Company.
- The Company's compensation system is communicated to all PZU SA employees.

COMPONENTS OF COMPENSATION

- Total compensation is broken down into a fixed portion and a variable portion.
- The Company sets the appropriate ratio of fixed base compensation to variable compensation, making sure that this ratio is well balanced so that the fixed compensation constitutes a large enough part of the total compensation that it is possible to conduct a flexible policy in respect of the variable components of compensation.
- The variable compensation component is determined individually for each specific employee group or each individual. Its amount is linked to the Company's financial performance and the employee's individual work performance. Information about the bonus system applicable to the respective employee is included in his or her employment contract.
- The basis for specifying the total amount of variable compensation is an assessment of the performance of both the employee and his/her organizational unit in the connection with the Company's overall performance; any assessment of individual performance takes into account both financial and non-financial criteria.
- The bonus system depends on the job group and business specifics.
- The rules for awarding variable compensation, in particular in respect of Entitled Persons and Senior Managers, are designed to support proper and effective risk management, discourage excessive risk-taking beyond the limits accepted by the Supervisory Board,

support the pursuit of the business strategy and avert conflicts of interest.

- Variable compensations granted in the Company are subject to limits on the allowable maximum amount – in a specific percentage of the fixed compensation for the applicable assessment period. In the case of the Managers, the amount of their variable compensation is specified in the Agreement in compliance with the provisions of the Act. The ratio of fixed base compensation to variable compensation of an Entitled Person or a Manager enables the conduct of a flexible policy of variable components of compensation, including a reduction or elimination of the variable compensation component. Moreover, the total variable compensation awarded to Entitled Persons for any specific year may not limit the Company's ability to increase its capital base.
- The Compensation Policy and the Managers' Agreements also provide for the possibility of postponing the disbursement of a substantial part of variable compensation to an Entitled Person or a Manager for a given year. Such postponed disbursement is deferred for 3 years, and after 12, 24 and 36 months from the vesting date, as appropriate, the Entitled Persons may acquire the right to 1/3 of the deferred disbursement for a given year, provided that they satisfy the conditions defined in the Company's internal regulations, the Compensation Policy and the Managers' Agreements.
- Entitled Persons and Managers are required not to use their own hedging strategies or compensation and liability insurance, except for compulsory insurance arising from special laws that would neutralize the measures taken against such persons within the framework of implementation of the Compensation Policy.
- Also, within the framework of the Compensation Policy, the following benefits are offered by PZU SA to its employees:
 - Employee Pension Plan.
 - Medical care.
 - Insurance for medicine.
 - Company Social Benefit Fund cafeteria (the amount of benefits depends on the level of income per family member).
 - Housing loans for employees.
 - Discounts on insurance products offered by the PZU Group.

- Relocation benefit in case of a change of the place of work within the PZU Group at the initiative of the employer.
- Management package for the Senior Management, as specified in the relevant procedure (company car, mobile phone with accessories, limit for phone calls and data transmission).
- The rules for compensating members of the Supervisory Board are governed by resolutions adopted by the Company's Shareholder Meeting. The compensation components described above do not apply to Supervisory Board members.

ASSESSMENT OF THE OPERATION OF THE COMPENSATION POLICY AT PZU SA IN 2019

- The compensation policy in place at PZU SA is consistent with the Company's business strategy, objectives, values and long-term interests, in particular in terms of sustainable growth, and includes measures aimed at preventing the occurrence of conflicts of interest and eliminating the potential unfavorable impact of compensation systems on appropriate risk management.
- In 2019, the PZU SA Supervisory Board's Nomination and Compensation Committee focused predominantly on shaping the rules included in the compensation policy in respect of the Company's Management Board Members, evaluating the degree of achievement of the Management Objectives by the Management Board Members in 2018 and setting the Management Objectives for 2019.
- In 2019, supervision over the implementation of the Compensation Policy was exercised by:
 - Company's Shareholder Meeting in respect of PZU SA Supervisory Board members.
 - PZU SA Supervisory Board and PZU SA Supervisory Board Nomination and Compensation Committee in respect of PZU SA Management Board Members.
 - PZU SA Management Board and Compensation Director in respect of PZU SA's Senior Management.
 - Compensation Director in respect of other PZU SA's employees.
- In 2019, 10 regular meetings of the Nomination and Compensation Committee of the PZU SA Supervisory Board were held.

In the opinion of the Supervisory Board, in 2019 the Company properly implemented the adopted Policy along with all compensation principles

dedicated to individual groups of employees forming it.

X. Reasonability assessment of the Company's policy regarding sponsorship, charity or other similar activities.

In 2019, the Company pursued the "Corporate social responsibility strategy of the PZU Group for 2018-2020". The key indicators for all CSR areas constitute an integral part of the PZU Group's business strategy. Growth in the Company's value should be achieved in consideration of the interests of its environment and based on a responsible approach to the use of resources. This is why at PZU SA we manage all types of capital – financial, human, environmental and social – in a sustainable manner, aware of the strong social impact that we exert. In 2019, special emphasis was put on human capital – building employee involvement and social capital – PZU's social commitment as a response to social problems.

PZU's social commitment

As a leader of the market for financial and insurance services enjoying public trust, not only is PZU involved in a variety of activities in the corporate social responsibility domain but also shapes certain patterns of behavior and best practices in this area. Using its prevention funds, the Group consistently takes endeavors that result in a reduced risk of materialization of insurable events. For a number of years, on top of ordinary charitable activity (PZU Foundation) and sponsoring activity, the PZU Group has been involved in social investments. Their purpose is to reduce risk and thus produce business and social benefits. Since 2019, areas where the majority of accidents or insurable events occur have been analyzed. To prevent the occurrence of such events, the PZU Group has initiated a number of preventive measures.

The strategic pillars underpinning PZU's social involvement were: safety (road and public safety, at the local level) and health. In the area of prevention-related activities, in 2019 PZU continued the conduct of such activities related to safety of road traffic, public safety and safety at work. The PZU Group decided to counteract new threats that emerged only recently, specifically those related to the use of mobile phones or smartphones while driving. To this end, a nationwide social campaign was launched, entitled "Are you driving? Then put the phone down!". The campaign was sparked by PZU's research on distracted driving and an experiment

that showed the scale of the risk. The campaign lasted from 16 September to 6 October 2019. It involved a TV commercial and information materials presented on television, in the printed media and on the Internet. Also, the launch of the campaign was preceded by a press conference for journalists, security services and opinion-forming experts. The objective of the campaign was to reach all groups of road users, namely drivers, pedestrians and users of two-wheeled vehicles (such as bicycles and scooters). According to the outcome of the study conducted after the campaign, the number of persons who regularly read their text messages or instant messages decreased by 3 p.p., the number of drivers who think they are able to focus on several things at a time and can safely use a mobile phone while driving decreased by 9 p.p.

PZU also produced the third season of the documentary series on road safety entitled "Seconds that altered life", which was then broadcast on Channel 1 of Polish Television. In 2019, the Company ran a prevention-focused summer vacation campaign dubbed "Safe Summer Vacation with PZU". It also continued its involvement in the provision of therapeutic assistance to individuals suffering from post-accident trauma, by organizing stationary rehabilitation stays. The Company also provided assistance in the form of psychological support to people in mourning. Another significant aspect of PZU's social involvement was the Company's cooperation with rescue organizations, both professional ones and volunteer-based organizations, such as the Voluntary Mountain Rescue Service "GOPR", the Voluntary Water Rescue Service "WOPR", the Police and the State Fire Service. These long-term partnership programs were also continued in 2019.

PZU continued its Helping is Power (Pomoc To Moc) campaign, conducted since 2018, which is a nationwide program of support for local communities. The program is addressed to individuals willing to launch a project in their neighborhood aimed at improving safety with the possible use of funds provided by PZU. In 2019, as part of the Helping is Power program, PZU, having

noticed the need for the provision of support to Voluntary Fire Brigade units, prepared a nationwide project to equip them with specialized equipment to help save lives and property. Within less than two weeks, 2,880 applications were submitted to PZU. Under the campaign budget, PZU co-funded 306 projects for a total amount of over PLN 5 million.

Strategic sponsorship activities were focused on supporting culture, national identity, expertise, sports, a healthy and active lifestyle, local communities and entrepreneurship. The Company contributed to the preservation of Polish cultural heritage by providing its patronage to such institutions as the Royal Łazienki Museum in Warsaw, the Warsaw Uprising Museum, the National Museum in Kraków, the National Museum in Warsaw and the Grand Theater – National Opera in Warsaw, among others. The Company was also involved in a number of initiatives aimed at building the Polish identity and shaping patriotic attitudes, including by sponsoring such events as a concert on the anniversary of the pilgrimage of John Paul II to Poland and the Grand Poland Project Congress. PZU presented innovative projects, and its representatives shared their expertise at the Economic Forum in Krynica, Congress 590 and other important economic events. In 2019, the provision of support to sporting events continued, including marathons and half-marathons in Warsaw and Kraków. PZU was also one of the sponsors of a testimonial game with the

participation of the outstanding Polish tennis player Agnieszka Radwańska. As part of its sponsorship activities, the Company also supported a large number of smaller events organized by local and business communities.

PZU is a funder and active supporter of the PZU Foundation which carries out the PZU Group's philanthropic activities forming part of its social involvement strategy.

The Foundation enhances access to cultural and social events, promotes education for children and youth and also supports campaigns seeking to equalize opportunities for the disabled. By participating in various projects, the Foundation supports initiatives that stand out in terms of innovation and involvement of local communities and those whose effectiveness contributes to the creation of a permanent social change.

Since 2012, the PZU Foundation has also been conducting an employee volunteerism program at the PZU Group under which employees pursue their own projects and volunteering campaigns initiated by the Foundation.

In consideration of the foregoing activities, the PZU SA Supervisory Board is of the opinion that the rules introduced by the document entitled "PZU Group's corporate social responsibility strategy for 2018-2020" and the internal regulations adopted by the Company (Sponsoring Activity Bylaws, Prevention Activity Bylaws) are applied properly and in accordance with the declarations of PZU SA's governing bodies.

XI. Self-assessment of the Supervisory Board's work

The PZU SA Supervisory Board performed its duties in a diligent and effective manner, while exercising continuous supervision over the Company's operations and growth in all areas of its business and taking all actions necessary for the efficient conduct of the Company's business and the pursuit of the Company's strategic objectives, as requested by the PZU SA Management Board. The scope, method of operation and composition of the Supervisory Board in 2018 complied with generally prevailing laws, the Company's internal regulations and requirements imposed on public companies, in particular those specified in the "Best Practices of WSE Listed Companies" in effect in 2019. All members of the PZU SA Supervisory Board demonstrated a high degree of preparation and professional experience in running and supervising commercial law companies, which

meant that they fulfilled their statutory duties and obligations resulting from the Articles of Association in an appropriate manner, guaranteeing the exercise of appropriate supervision over the Company. Each Supervisory Board member exercised due care and involvement in performing his or her duties in the Supervisory Board and was guided in his or her actions by the Company's best interests and independence of opinions and judgments. The diverse composition of the Supervisory Board and the interdisciplinary collection of the knowledge and skills of its Members enabled the conduct of comprehensive examination and the issuance of opinions on the topics presented as well as a broad representation of views regarding the assessment of the Management Board's work and the operation of PZU SA as a public company.

The Supervisory Board fulfilled its duties without interruption and actively supported the Management Board in the performance of its key duties. In light of the foregoing, the Supervisory Board is well prepared to exercise the powers vested in it by the applicable laws and provisions of the Articles of Association and does so in an

appropriate manner, guaranteeing the exercise of proper supervision over the Company's business. In the opinion of the PZU SA Supervisory Board, its activities in 2019 were conducted in an effective manner and in accordance with the best market practices.

Chairman
of the PZU SA Supervisory Board

/-/ Maciej Łopiński
Warsaw, 28 April 2020

Attachment 1

to the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as a corporate body of the Company in 2019

Resolution number	Resolution date	Subject matter of the resolution:
URN/1/2019	11 January 2019	to give consent to the granting of a cash donation to the PZU Sport Team Association
URN/2/2019	28 January 2019	to determine the level of annual bonus for 2017 following from employment contracts and to adopt the form of agreement for employment contract
URN/3/2019	28 January 2019	to award an annual bonus for the financial year ended 31 December 2017 to Roger Hodgkiss, PZU SA Management Board Member
URN/4/2019	28 January 2019	to award an annual bonus for the financial year ended 31 December 2017 to Andrzej Jaworski, PZU SA Management Board Member
URN/5/2019	28 January 2019	to award an annual bonus for the financial year ended 31 December 2017 to Michał Krupiński, President of the PZU SA Management Board
URN/6/2019	28 January 2019	to award an annual bonus for the financial year ended 31 December 2017 to Maciej Rapkiewicz, PZU SA Management Board Member
URN/7/2019	28 January 2019	in the matter of performance of Management Objectives for 2017 and adoption of the form of management services contract
URN/8/2019	28 January 2019	to set the level of the Variable Compensation for 2017 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Roger Hodgkiss
URN/9/2019	28 January 2019	to set the level of the Variable Compensation for 2017 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Maciej Rapkiewicz
URN/10/2019	28 January 2019	to set the level of the Variable Compensation for 2017 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Małgorzata Sadurska
URN/11/2019	28 January 2019	to set the level of the Variable Compensation for 2017 as referred to in Management Services Provision Agreement of 31 August 2017 for President of the Management Board Paweł Surówka
URN/12/2019	28 January 2019	to set the level of the Variable Compensation for 2017 as referred to in Management Services Provision Agreement of 31 August 2017 for Management Board Member Tomasz Kulik
URN/13/2019	28 January 2019	to give consent to enter into an annex to extend the term of the agreement with Universal McCann sp. z o.o. media house
URN/14/2019	28 January 2019	to give consent to place orders within the framework of the MOD advertising campaign to the framework cooperation agreement on the performance of media activities entered into by and between PZU SA and PZU Życie SA on the one side and Universal McCann Sp. z o.o. on the other side
URN/15/2019	28 January 2019	in the matter of selection criteria for an audit firm and the manner of assessing the proposals as well as the wording of the announcement including an invitation to submit proposals for review and statutory audit of financial statements of PZU SA and the PZU SA Group
URN/16/2019	22 February 2019	to accept the selection of external advisor to conduct an audit of the Management Board report on the performance of Management Objectives, depending on which PZU SA Management Board members may receive variable compensation for 2018
URN/17/2019	12 March 2019	to assess the Financial Statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2018 prepared in accordance with Polish accounting standards in terms of their compliance with the accounting ledgers, documents and facts and to recommend their approval by the PZU SA Ordinary Shareholder Meeting

Resolution number	Resolution date	Subject matter of the resolution:
URN/18/2019	12 March 2019	to assess the Consolidated Financial Statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/19/2019	12 March 2019	to assess the Management Board Report on the Activity of the PZU Group and PZU SA in 2018 together with the Non-Financial Report of the PZU Group and PZU SA for 2018 and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/20/2019	12 March 2019	to approve the Risk Management Strategy in the PZU Group
URN/21/2019	12 March 2019	to give consent to the granting of a donation to the PZU Foundation for its statutory activities
URN/22/2019	12 March 2019	to define the Management Objectives for PZU SA Management Board Members for 2019
URN/23/2019	27 March 2019	to set the composition of the PZU SA Supervisory Board's Audit Committee
URN/24/2019	27 March 2019	to set the size and composition of the PZU SA Supervisory Board's Nomination and Compensation Committee
URN/25/2019	27 March 2019	to initiate and conduct a recruitment procedure for PZU SA Management Board Members
URN/26/2019	27 March 2019	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for President of the PZU SA Management Board
URN/27/2019	27 March 2019	to appoint President of the PZU SA Management Board
URN/28/2019	28 March 2019	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for PZU SA Management Board Members
URN/29/2019	28 March 2019	to appoint Małgorzata Sadurska a Management Board member
URN/30/2019	28 March 2019	to appoint Tomasz Kulik a Management Board member
URN/31/2019	28 March 2019	to appoint Maciej Rapkiewicz a Management Board member
URN/32/2019	28 March 2019	to appoint Adam Brzozowski a Management Board member
URN/33/2019	28 March 2019	to appoint Elżbieta Häuser-Schöneich a Management Board member
URN/34/2019	28 March 2019	to appoint Marcin Eckert a Management Board member
URN/35/2019	4 April 2019	to give consent for Małgorzata Sadurska to assume a function in PZU Życie SA
URN/36/2019	4 April 2019	to give consent for Marcin Eckert to assume a function in PZU Życie SA
URN/37/2019	4 April 2019	to give consent for Tomasz Kulik to assume a function in PZU Życie SA
URN/38/2019	4 April 2019	to give consent for Maciej Rapkiewicz to assume a function in PZU Życie SA
URN/39/2019	15 April 2019	to give consent for Paweł Surówka to assume a function in PZU Życie SA Supervisory Board
URN/40/2019	15 April 2019	to give consent for Elżbieta Häuser-Schöneich to assume a function in PZU Życie SA
URN/41/2019	16 April 2019	on the assessment of the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2018
URN/42/2019	16 April 2019	on the recommendation to discharge Roger Hodgkiss on the performance of his duties in the PZU SA Management Board in 2018

Resolution number	Resolution date	Subject matter of the resolution:
URN/43/2019	16 April 2019	on the recommendation to discharge Tomasz Kulik on the performance of his duties in the PZU SA Management Board in 2018
URN/44/2019	16 April 2019	on the recommendation to discharge Maciej Rapkiewicz on the performance of his duties in the PZU SA Management Board in 2018
URN/45/2019	16 April 2019	on the recommendation to discharge Małgorzata Sadurska on the performance of her duties in the PZU SA Management Board in 2018
URN/46/2019	16 April 2019	on the recommendation to discharge Paweł Surówka on the performance of his duties in the PZU SA Management Board in 2018
URN/47/2019	16 April 2019	to accept the PZU SA Supervisory Board report on its assessment of PZU SA's Financial Statements for the year ended 31 December 2018, the Consolidated Financial Statements of the PZU SA Group for the year ended 31 December 2018, the Management Board Report on the Activity of the PZU Group and PZU SA in 2018 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2018
URN/48/2019	16 April 2019	to adopt the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as the Company's governing body in 2018
URN/49/2019	16 April 2019	to issue an opinion on the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Management Board Report on representation expenditures and expenditures for legal services, marketing, public relations and public communication services and management consulting services for 2018
URN/50/2019	16 April 2019	to give consent to the execution of annexes to framework agreements for the provision of tax advisory services
URN/51/2019	16 April 2019	to grant additional benefit to the Manager
URN/52/2019	16 April 2019	amending Resolution No. URN/48/2017 on the rules for setting the compensation of Management Board Members
URN/53/2019	16 April 2019	to authorize the Chairperson of the PZU SA Supervisory Board SA to enter into management services contracts with PZU SA Management Board Members
URN/54/2019	16 April 2019	to give consent to the execution of an Agreement on termination of employment contract and non-competition agreement with Marcin Eckert, PZU SA Management Board Member
URN/55/2019	16 April 2019	to approve the Solvency and Financial Condition Report of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2018
URN/56/2019	24 April 2019	to evaluate the PZU SA Management Board's motion to amend the Articles of Association of PZU SA
URN/57/2019	24 April 2019	to evaluate the PZU SA Management Board's motion to the Shareholder Meeting of PZU SA on giving consent to the acquisition of securities issued, guaranteed or secured by the State Treasury of the Republic of Poland
URN/58/2019	23 May 2019	to select again KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa as the audit firm to review and audit the financial statements of PZU SA and the PZU SA Group for the financial years 2019-2020
URN/59/2019	27 May 2019	to elect the Chairperson of the PZU SA Supervisory Board
URN/60/2019	27 May 2019	to elect the Deputy Chairperson of the PZU SA Supervisory Board
URN/61/2019	27 May 2019	to elect the Secretary of the PZU SA Supervisory Board
URN/62/2019	27 May 2019	to set the composition of the PZU SA Supervisory Board's Audit Committee
URN/63/2019	27 May 2019	to determine the number of members and composition of the PZU SA Supervisory Board's Strategy Committee
URN/64/2019	27 May 2019	to set the size and composition of the PZU SA Supervisory Board's Nomination and Compensation Committee
URN/65/2019	27 May 2019	to approve the Solvency and Financial Condition Report of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2018
URN/66/2019	25 June 2019	to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to become a member of the Supervisory Board of Towarzystwo

Resolution number	Resolution date	Subject matter of the resolution:
URN/67/2019	25 June 2019	Ubezpieczeń Wzajemnych Polskiego Zakładu Ubezpieczeń Wzajemnych (TUW PZUW) to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna
URN/68/2019	25 June 2019	to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to assume a function in the Board of the PZU Foundation
URN/69/2019	25 June 2019	to give consent for Marcin Eckert, Member of the PZU SA Management Board, to assume a function in the Board of the PZU Foundation
URN/70/2019	25 June 2019	to give consent for Maciej Rapkiewicz, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Link4 Towarzystwo Ubezpieczeń Spółka Akcyjna
URN/71/2019	28 June 2019	to give consent to the placement of orders for the broadcast of commercials and production of advertising materials in an image advertising campaign
URN/72/2019	28 June 2019	in the matter of performance of Management Objectives for 2018 and adoption of the form of management services contract
URN/73/2019	28 June 2019	to set the level of the Variable Compensation for 2018 as referred to in Management Services Provision Agreement of 31 August 2017 for President of the Management Board Paweł Surówka
URN/74/2019	28 June 2019	to set the level of the Variable Compensation for 2018 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Maciej Rapkiewicz
URN/75/2019	28 June 2019	to set the level of the Variable Compensation for 2018 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Małgorzata Sadurska
URN/76/2019	28 June 2019	to set the level of the Variable Compensation for 2018 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Tomasz Kulik
URN/77/2019	28 June 2019	to set the level of the Variable Compensation for 2018 as referred to in Management Services Provision Agreement of 7 August 2017 for Management Board Member Roger Hodgkiss
URN/78/2019	29 July 2019	to evaluate the PZU SA Management Board's motion to introduce amendments to the Articles of Association of PZU SA
URN/79/2019	29 July 2019	in the matter of selection criteria for an audit firm and the manner of assessing the proposals as well as the wording of the announcement including an invitation to submit proposals for review and audit of financial statements of PZU SA and the PZU SA Group for the period of three financial years 2021-2023, with an option to extend the agreement for two consecutive financial years 2024-2025
URN/80/2019	29 July 2019	amending Resolution URN/60/2018 to approve the PZU SA and PZU Group Financial Plan for 2019
URN/81/2019	29 July 2019	amending Resolution No. URN/22/2019 adopted by the PZU SA Supervisory Board to define the Management Objectives for Members of the PZU SA Management Board for 2019
URN/82/2019	28 August 2019	amending Resolution No. URN/2/2017 of 13 January 2017 on the ethical principles applicable to members of the PZU SA Supervisory Board, the ethical principles applicable to members of management boards of PZU Group companies, the ethical principles applicable to members of supervisory boards of PZU Group companies who are not employees of any PZU Group company and are not bound with any PZU Group company by any other contract of a similar nature, the procedure for a member of the PZU SA Management Board to give consent to being a member of corporate bodies and actions of the PZU SA Supervisory Board in the event of a conflict of interest involving a PZU SA Management Board member

Resolution number	Resolution date	Subject matter of the resolution:
URN/83/2019	28 August 2019	to give consent to the execution of an agreement to provide Google Advertising services with Google Ireland Limited
URN/84/2019	28 August 2019	to give consent to execute a framework agreement with Carat Polska sp. z o.o. media house regarding performance of media activities of the PZU Group and with Wavemaker sp. z o.o. as a reserve media house
URN/85/2019	28 August 2019	to give consent to the placement of orders for the broadcast of commercials in an advertising campaign to change the perception of the brand in the context of motor insurance and, consequently, to strengthen the intention to buy these products in PZU
URN/86/2019	28 August 2019	to give consent to enter into framework agreements for external, internal and non-standard signage with Arteo sp. z o.o. Design sp.k., Light s.c. Marcin Niemkiewicz, Mateusz Rybicki i Studio Wektor sp. j. Ewa Leszczyńska-Nowakowska, Krzysztof Maciej Nowakowski
URN/87/2019	28 August 2019	to give consent to enter into an annex to the framework agreement on the provision of strategic advisory services with Deloitte Advisory sp. z o. o.
URN/88/2019	28 August 2019	to give consent to placing an order for advisory services regarding support for the selection of a vendor of an IFRS 17 calculation and reporting tool and its implementation as well as support in implementation of IFRS 17 for the needs of PZU SA to the framework agreement for the provision of advisory services entered into with Ernst & Young spółka z ograniczoną odpowiedzialnością Business Advisory spółka komandytowa
URN/89/2019	11 September 2019	
URN/90/2019	8 October 2019	to adopt the consolidated text of the Articles of Association of PZU SA
URN/91/2019	11 October 2019	to adopt the consolidated text of the Articles of Association of PZU SA
URN/92/2019	11 October 2019	to give consent to the execution of contracts for the provision of advisory services in the "Alexander" M&A Project
URN/93/2019	23 October 2019	amending Resolution No. URN/79/2019 in the matter of selection criteria for an audit firm and the manner of assessing the proposals as well as the wording of the announcement including an invitation to submit proposals for review and audit of financial statements of PZU SA and the PZU SA Group for the period of three financial years 2021-2023, with an option to extend the agreement for two consecutive financial years 2024-2025
URN/94/2019	23 October 2019	amending Resolution No. URN/71/2019 to give consent to the placement of orders for the broadcast of commercials and production of advertising materials in an image advertising campaign
URN/95/2019	23 October 2019	to initiate and conduct a recruitment procedure for a PZU SA Management Board Member
URN/96/2019	23 October 2019	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for a PZU SA Management Board Member
URN/97/2019	23 October 2019	to grant additional benefit to the Manager
URN/98/2019	24 October 2019	to appoint Aleksandra Agatowska a Management Board member
URN/99/2019	13 November 2019	to give consent to execute an agreement with Bank Pekao S.A. for the organization of a special event of the Polish House in Davos during the World Economic Forum
URN/100/2019	13 November 2019	amending Resolution No. URN/40/2018 to give consent to the execution of annexes and the placement of orders to framework agreements for the provision of strategic advisory services
		to give consent to the execution of framework agreements for the delivery of articles of functional advertising for the needs of PZU organizational units

Resolution number	Resolution date	Subject matter of the resolution:
URN/101/2019	13 November 2019	to give consent to pay Mr. Roger Hodgkiss Variable Compensation following from the management services contract and the annual bonus following from the employment contract
URN/102/2019	13 November 2019	to give consent to pay Mr. Andrzej Jaworski the annual bonus following from the employment contract
URN/103/2019	13 November 2019	to give consent to pay Mr. Michał Krupiński the annual bonus following from the employment contract
URN/104/2019	13 November 2019	to give consent to pay PZU SA Management Board Member Tomasz Kulik Variable Compensation following from the Management Services Provision Agreement
URN/105/2019	13 November 2019	to give consent to pay PZU SA Management Board Member Maciej Rapkiewicz Variable Compensation following from the Management Services Provision Agreement and the annual bonus following from the employment contract
URN/106/2019	13 November 2019	to give consent to pay PZU SA Management Board Member Małgorzata Sadurska Variable Compensation following from the Management Services Provision Agreement
URN/107/2019	13 November 2019	to give consent to pay Paweł Surówka, President of the PZU SA Management Board, Variable Compensation following from the Management Services Provision Agreement
URN/108/2019	29 November 2019	to set the size and composition of the PZU SA Supervisory Board's Nomination and Compensation Committee
URN/109/2019	16 December 2019	to give consent to execute an adhesion agreement on broadcasting commercials with Facebook Poland sp. z o.o., Facebook Ireland Ltd. and Facebook Payments International Ltd.
URN/110/2019	16 December 2019	to give consent to pay Paweł Surówka, President of the PZU SA Management Board, Variable Compensation following from the Management Services Provision Agreement
URN/111/2019	16 December 2019	to give consent to pay PZU SA Management Board Member Małgorzata Sadurska Variable Compensation following from the Management Services Provision Agreement
URN/112/2019	16 December 2019	to give consent to pay PZU SA Management Board Member Maciej Rapkiewicz Variable Compensation following from the Management Services Provision Agreement
URN/113/2019	16 December 2019	to give consent to pay Mr. Roger Hodgkiss Variable Compensation following from the management services contract
URN/114/2019	16 December 2019	to give consent to pay PZU SA Management Board Member Tomasz Kulik Variable Compensation following from the Management Services Provision Agreement
URN/115/2019	16 December 2019	to give consent to execute Master Brand sp. z o.o event agency for the organization of the Polish Zone (Polish House) during the World Economic Forum in Davos in 2020

Attachment 2

to the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as a corporate body of the Company in 2019

Full name of the Supervisory Board Member PZU SA	MEETING DATE												
	28.01	12.03	27.03	16.04	13.05	27.05	28.06	29.07	28.08	23.10	13.11	21.11	16.12
Marcin Chludziński	X	√	√	√	√	√	X	√	√	√	√	X	√
Paweł Górecki	√	√	√	√	√	√	√	√	√	√	√	√	√
Agata Górnicka	X	√	√	√	√	√	X	√	√	√	√	√	√
Robert Jastrzębski	√	√	√	√	√	√	√	√	√	√	√	√	√
Katarzyna Lewandowska	√	X	X	√	√	/	/	/	/	/	/	/	/
Maciej Łopiński	√	√	√	√	√	√	√	√	√	√	√	√	√
Tomasz Kuczur	/	/	/	/	/	√	X	√	√	√	√	X	√
Elżbieta Mączyńska-Ziemacka	/	/	/	/	/	X	√	√	√	√	√	√	√
Alojzy Nowak	√	√	√	√	√	√	√	√	√	√	√	√	√
Krzysztof Opolski	/	/	/	/	/	√	√	√	√	√	√	√	X
Robert Śnitko	√	√	√	√	√	√	√	√	√	√	√	√	√
Maciej Zaborowski	√	√	√	√	√	√	X	√	√	√	√	√	√

√ – present
 X – absence justified

Attachment to Resolution No. UKA/9/2020
Adopted by the PZU SA Supervisory Board's Audit Committee on 4 March 2020



(Attachment 3 to the PZU SA Supervisory Board report
on the activity of the PZU SA Supervisory Board as a corporate body of the
Company in 2019)

REPORT OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA SUPERVISORY BOARD'S AUDIT COMMITTEE ON THE ACTIVITY IN 2019

Warsaw, 4 March 2020

I. Appointment and composition of the PZU SA Supervisory Board's Audit Committee

The PZU SA Supervisory Board's Audit Committee was appointed on 3 June 2008 by the power of Resolution No. URN/20/2008 adopted by the PZU Supervisory Board in the matter of appointing the PZU SA Supervisory Board Audit Committee.

As at 1 January 2019, the PZU SA Supervisory Board Audit Committee functioned in the following composition:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Maciej Zaborowski – Committee Member.

Alojzy Nowak and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak and Marcin Chludziński were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee Members were designated as members who have knowledge and skills in the industry in which the Company operates.

On 27 March 2019, the Supervisory Board established the following composition of the Audit Committee:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Robert Śnitko – Committee Member,
- 4) Maciej Zaborowski – Committee Member.

Alojzy Nowak, Robert Śnitko and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak,

Marcin Chludziński and Robert Śnitko were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee Members were designated as members who have knowledge and skills in the industry in which the Company operates.

On 31 December 2018, the term of office of the PZU SA Supervisory Board ended, as a result of which on 24 May 2019, the Shareholder Meeting appointed PZU Supervisory Board for the new term of office for three full financial years 2020-2022. On 27 May 2019, the Supervisory Board of the new term of office established the following composition of the Audit Committee:

- 1) Alojzy Nowak – Committee Chairman,
- 2) Marcin Chludziński – Committee Member,
- 3) Krzysztof Opolski – Committee Member,
- 4) Robert Śnitko – Committee Member,
- 5) Maciej Zaborowski – Committee Member.

Alojzy Nowak, Krzysztof Opolski, Robert Śnitko and Maciej Zaborowski were designated as independent members within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. Alojzy Nowak, Marcin Chludziński, Krzysztof Opolski and Robert Śnitko were designated as members holding qualifications in accounting or auditing financial statements. All Audit Committee members were named as members who have knowledge and skills in the industry in which the Company operates.

As at 31 December 2019, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

II. Activity of the PZU SA Supervisory Board Audit Committee

In the reporting period, the legal basis for the activity of the PZU SA Supervisory Board Audit Committee was as follows:

- Company's Articles of Association,
- Rules and Regulations of the PZU SA Supervisory Board,
- Rules and Regulations of the PZU SA Supervisory Board Audit Committee,
- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (since 21 June 2017),
- other provisions of generally binding laws.

Committee meetings were convened by its Chairman with written notice given to all Committee Members of the proposed agenda, date and place of the meeting.

In the reporting period, i.e. from 1 January 2019 to 31 December 2019, the Committee held sixteen meetings on the following dates:

- 28 January 2019,
- 6 March 2019,
- 12 March 2019,
- 15 April 2019,
- 16 April 2019,

- 13 May 2019,
- 23 May 2019,
- 27 May 2019,
- 28 June 2019,
- 29 July 2019
- 28 August 2019,
- 9 October 2019,
- 13 November 2019,
- 21 November 2019,
- 12 December 2019,
- 16 December 2019.

In the corresponding period, the PZU SA Supervisory Board held thirteen meetings.

The meetings of the Audit Committee were attended by the Managing Director on Audit overseeing the Internal Audit Department and the Managing Director on Regulations overseeing the Compliance Department. Depending on the issues discussed, the following persons, among others, were invited to attend Audit Committee meetings: PZU SA Management Board Members, PZU Group Directors, the Director of the Accounting Department and representatives of the auditor – KPMG Audyt Sp. z o.o. spółka komandytowa.

Audit Committee decisions were made in the form of opinions and resolutions delivered each time to the Company's Supervisory Board.

In 2019, the PZU SA Supervisory Board Audit Committee held its meetings in the following composition:

Full name Audit Committee Member	28.01	6.03	12.03	15.04	16.04	13.05	23.05	27.05	28.06	29.07	28.08	09.10	13.11	21.11	12.12	16.12
Marcin Chludziński	X	√	√	X	√	√	X	√	X	√	√	X	√	X	X	√
Alojzy Nowak	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Krzysztof Opolski								√	√	√	√	√	√	√	√	X
Robert Śnitko				√	√	√	√	√	√	√	√	√	√	√	√	√
Maciej Zaborowski	√	√	√	√	√	√	√	√	X	√	√	√	√	√	X	√

√ – present

X – not present

III. Material issues addressed by the PZU SA Supervisory Board Audit Committee

Pursuant to the Rules and Regulations of the PZU SA Supervisory Board Audit Committee adopted by a resolution of the PZU SA Supervisory Board, the Audit Committee plays an advisory and opinion-making role for the Supervisory Board and has been appointed to increase the effectiveness of supervisory activities performed by the Supervisory Board in the area of monitoring the Company's financial reporting, financial audit activities in the Company and effectiveness of internal control, internal audit and risk management systems in place in the Company.

To perform activities in the area of monitoring the effectiveness of internal control, internal audit and risk management systems, in the period from 1 January to 31 December 2019, the Audit Committee addressed in particular the following issues:

- discussion of the risk report for Q4 2018 and for Q1-3 2019;
- discussion of the annual report on the Internal Audit Department's activity in 2018;
- discussion of the findings of external inspections conducted in PZU SA in 2018;
- discussion of the report on the Internal Audit Department's activity in Q4 2018 and Q1-Q3 2019;
- submission of recommendations to the PZU SA Supervisory Board on approving the Strategy in the risk management area.
- information on the implementation of the strategy in the risk management area in 2018-2020;
- discussion of information regarding the BION assessment for 2018;
- discussion of the draft audit plan for 2020.

During the reporting period, within the framework of monitoring the risk management system, the Audit Committee was presented with the key changes to PZU SA's legal environment, leading to analysis and discussion of the challenges and risks present in PZU SA's regulatory environment. In particular, the Audit Committee dealt with the following issues related to changes in PZU SA's legal and regulatory environment:

- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with

regard to the processing of personal data and on the free movement of such data;

- Directive of 15 May 2014 on markets in financial instruments (MIFID 2) (this regulation is material for some PZU Group entities, in particular for TFI);
- Insurance Distribution Act of 15 December 2017;
- Act of 16 October 2019 Amending the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and Certain Other Acts;
- the draft Act on amending the Mandatory Insurance, Insurance Indemnity Fund and Polish Motor Insurers' Bureau Act and the Insurance and Reinsurance Activity Act;
- the Act of 19 July 2019 on Special Rights of Injured Persons with an Exhausted Indemnity;
- International Financial Reporting Standards 17 "Insurance Contracts" (IFRS 17).

After analyzing the materials discussed in the reporting period, the Audit Committee assessed positively the internal control, internal audit and risk management systems operating in the Company.

To perform activities in the area of **monitoring the financial reporting process and monitoring the completion of activities of Company's financial audit**, in the period from 1 January to 31 December 2019, the Audit Committee addressed in particular the following issues:

- assessment of PZU SA's financial statements and the PZU SA Group's consolidated financial statements for the year ended 31 December 2018, and the Management Board report on the activity of the PZU Group and PZU SA in 2018, with the report on non-financial information;
- discussion on the preliminary results of PZU SA and the PZU Group for 2018, the first half-year of 2019 and the first and third quarters of 2019;
- assessment of the PZU SA Management Board's motion to the PZU SA Shareholder Meeting on the distribution of PZU SA's net profit for the financial year ended 31 December 2018;

- discussion of the additional report for the Audit Committee;
- acceptance of the PZU SA Supervisory Board Audit Committee's report on its activity in 2018;
- discussion of the draft report of the PZU SA Supervisory Board on its assessment of PZU SA's financial statements for the year ended 31 December 2018, the consolidated financial statements of the PZU SA Group for the year ended 31 December 2018, the Management Board Report on the activity of the PZU Group and PZU SA in 2018 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2018;
- discussion of the recommendations given by the audit firm (KPMG Audyt Sp. z o.o. Spółka komandytowa) after the audit of standalone and consolidated financial statements as well as the annual consolidated solvency and financial condition reports (SFCR) for 2018;
- completion of the procedure of selecting an audit firm for PZU SA for 2019-2020 and giving recommendations to the PZU SA Supervisory Board regarding the selection of an audit firm;
- initiation of the procedure of selecting an audit firm for PZU SA for 2021-2023 with the option of extension for 2024-2025 and ending the process without recommendations regarding the selection of an audit firm;
- discussion of the amendment to the Financial Plan of PZU SA and the PZU Group for 2019;
- issuing recommendations to the Supervisory Board on the assessment of the solvency and financial condition report of PZU SA for the year ended 31 December 2018;
- issuing recommendations to the Supervisory Board on the assessment of the solvency and financial condition report of PZU SA for the year ended 31 December 2018.

Furthermore, within the activities aiming to provide advice and issue opinions imposed on the Committee by Regulation No. 537 and the Act on Statutory Auditors, the Audit Committee held meetings with representatives of the KPMG Audyt Sp. z o.o. Spółka komandytowa audit firm. During the meetings, the issues discussed included: the basis, results and key areas of the audit of the standalone and consolidated financial statements and the standalone and consolidated annual solvency and financial condition report for the year ended 31 December 2018 as well as the assumptions and plans concerning the audit of the

financial statements for 2019 and potential risks associated with the Company's activity. During the meetings, the Committee members analyzed key issues of the audit and had the opportunity to ask detailed questions on the auditing process and the financial statements themselves.

In addition, on 12 March 2019, KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. provided an additional report for the Committee covering the scope referred to in Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014. Consequently, the Committee submitted to the Supervisory Board a positive recommendation about the assessment of the financial statements for 2018.

Having analyzed the financial data included in regular information on financial results and in financial statements, the Audit Committee assessed that the Company's economic and financial standing is secure and does not pose threats to continuing its business for the foreseeable future.

To perform the activities in the area of monitoring the independence of the statutory auditor and the audit firm, representatives of KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k., the auditor of PZU SA, presented the Committee with the findings of the audit of the financial statements for the financial year 2018 and submitted declarations about their independence. Furthermore, the Audit Committee adopted resolutions on the acceptance of the permitted services to be provided by KPMG to PZU SA, PZU Życie SA and PZU Group companies. The Committee Members were ensured that:

- the KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. audit firm, the firms belonging to the KPMG network and the team performing the audit and other employees of KPMG, including the statutory auditor performing financial audit activities for the standalone financial statements of PZU SA and consolidated financial statements of the PZU SA Group for the period from 1 January 2018 to 31 December 2018, are independent within the meaning of the principles defined in Articles 69-73 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision and within the meaning of the principles defined in Chapter 290 of the International Code of Ethics for Professional

Accountants of the International Federation of Accountants, adopted by the Polish Chamber of Statutory Auditors in its resolution of 13 June 2011, as amended;

- the KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. audit firm (KPMG) provided a representation that there are no connections or other matters between KPMG, member companies of the KPMG network and PZU SA, which, according to the professional judgment of KPMG, may be regarded as affecting its independence;
- the KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. audit firm confirmed that no prohibited services have been provided as referred to in Article 5(1) of the Regulation (EU), Article 136 [of the Act] on Statutory Auditors, Audit Firms and Public Supervision, taking into account transitional provisions defined in Article 285 of the Act;
- while conducting the audit works, no obstacles were encountered from employees of PZU SA which would make it impossible to issue an independent opinion; neither were

any frauds or violations of law or regulations identified;

- during the audit, no significant difference of opinion was recorded between team members involved in the audit and the management; neither were there any limitations of the scope of the audit.

Based on an analysis of representations submitted by representatives of the entity performing the audit - KPMG AUDIT Sp. z o.o. Spółka komandytowa, the PZU SA Supervisory Board Audit Committee made a positive assessment of the independence of the statutory auditor and the audit firm and confirmed that the auditor and the Company comply with the regulatory requirements concerning the rotation of the key statutory auditor and the audit firm performing audits of the standalone and consolidated financial statements and standalone and consolidated annual consolidated solvency and financial condition reports of PZU SA and the PZU SA Group respectively.

IV. Execution of reporting duties to the PZU SA Supervisory Board

Pursuant to the provisions of § 18 item 2 of the Rules and Regulations of the PZU SA Supervisory Board Audit Committee, at PZU SA Supervisory

Board meetings, the Audit Committee Chairman presented information about the work of the Committee to the Supervisory Board.

Chairman of the
PZU SA Supervisory Board Audit Committee

Alojzy Nowak