

Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

**Motion
to the Shareholder Meeting of PZU SA**

Regarding:

adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members.

Body of the motion:

The Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (**PZU**) hereby moves for the adoption of a resolution on the Compensation Policy for PZU SA Management Board and Supervisory Board Members.

Justification:

The 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 ("**Amending Act**") introduced the obligation that a compensation policy for Management Board and Supervisory Board members should be adopted by the Shareholder Meeting. Pursuant to Article 36 of the act, the shareholder meeting of a company adopts a resolution on compensation policy for management board and supervisory board members, as referred to in Article 90d section 1, **until 30 June 2020**.

Pursuant to Article 90d section 1 of the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies, it is members of the company's management board who are responsible for information included in the compensation policy, while providing untrue data or withholding true data affecting the content of the policy in a significant manner shall be subject to a fine.

Consequently, the Management Board hereby moves for the adoption of a resolution on the Compensation Policy for PZU SA Management Board and Supervisory Board Members (hereinafter referred to as the "Policy") with the proposed wording.

The submitted draft takes into consideration the following regulations in particular:

- 1) the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies (hereinafter referred to as the "Compensation Act");
- 2) the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies (hereinafter referred to as the "Act on Offerings");
- 3) Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
- 4) the Insurance and Reinsurance Activity Act of 11 September 2015;
- 5) Corporate Governance Rules prepared by the Polish Financial Supervision Authority ("KNF").

The submitted draft **subsumes provisions** of currently prevailing Extraordinary Shareholder Meeting resolutions **No. 4/2017 and No. 5/2017 of 8 February 2017 on the rules for setting the compensation of Management Board and Supervisory Board Members**, implementing the Compensation Act, and at the same time adds to them required elements of the compensation policy as defined in Article 90d section 3 of the Act on Offerings. In connection with the above, it is moved that Shareholder Meeting resolution from 2017 on the rules for setting the compensation of Management Board and Supervisory Board members should be waived by a Shareholder Meeting resolution introducing the discussed draft.

The new regulations introduced in the draft to comply with the provisions of the Act on Public Offerings include primarily:

- 1) precise specification of the provision concerning Management Objectives, introducing the necessity of linking them with the performance of the PZU Group Strategy and activities taking into consideration public interests, including activities that make the Company contribute to environmental protection, which implements provisions of Article 90d section 4 item 1 of the Act on Offerings;
- 2) the authorization of the Supervisory Board to define periods for deferring the disbursement of Variable Compensation and the possibilities for the Company to demand its refund – in compliance with Article 90d section 7 of the Act on Offerings;
- 3) the Company's entitlement to pursue a claim for refund (of the entire amount or some part) of the disbursed Variable Compensation if after the disbursement it is proved that it was granted (in its entirety or some part of it) to the Management Board Member on the basis of data which has turned out to be untrue – this provision is included in the agreements entered into with Management Board Members, whose wording was approved by Resolution No. URN/52/2019 adopted by the Supervisory Board; introduction of the provision to the Policy follows from Article 90d section 4 item 4 of the Act on Offerings, according to which the Policy should include information about the possibility for the company to demand refund of variable compensation components;
- 4) the possibility of temporary withdrawal from the application of the Policy if it is necessary to perform the Company's long-term interests and financial stability or to guarantee its profitability – this provision implements Article 90f of the Act on Offerings;
- 5) the rules of performing a review of the Policy – this provision implements Article 90d section 3 item 6 of the Act on Offerings.

The Policy will enter into force on 1 January 2021, which is justified by the settlement period adopted in the Company and the rules of setting management objectives for a full financial year. In addition, this will give the Company time to adjust prevailing internal documents and practices to the new regulations.

Furthermore, the wording of the Policy will affect the Supervisory Board's report on compensation, which has to be prepared and submitted to the Shareholder Meeting as follows from Article 90g of the Act on Offerings (introduced by the Amending Act). Because the first report by the Supervisory Board should include the years 2019 and 2020 (Article 36 section 2 of the Amending Act), to ensure coherence and comparability of the data subsumed by the report, it is justified not to make significant changes to compensation rules in the 2020 reporting year.

In compliance with § 25 section 2 item 19 of the PZU SA Articles of Association, the Supervisory Board issued an opinion on the Management Board's motion in this matter before it was submitted to the Shareholder Meeting.

Submitted on behalf of the PZU Management Board by:

/Beata Kozłowska-Chyła/

/Marcin Eckert/

Attachments:

- 1) Resolution No. UZ/115/2020 of 21.04.2020 in the matter of submitting a motion to the Shareholder Meeting of Powszechny Zakład Ubezpieczeń Spółka Akcyjna on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members;
- 2) Resolution No. URN/49/2020 of 28.04.2020 in the matter of evaluation of the motion submitted by the Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members;
- 3) draft resolutions of the PZU Shareholder Meeting to adopt the Compensation Policy for the PZU SA Management Board and Supervisory Board Members.



RESOLUTION NO. UZ/115/2020

ADOPTED BY THE MANAGEMENT BOARD OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 21 April 2020

in the matter of submitting a motion to the Shareholder Meeting of PZU SA on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members

Pursuant to § 4 items 20 and 21 of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Management Board Bylaws, the following is hereby resolved:

§ 1

It is hereby resolved to submit a motion to the Shareholder Meeting of PZU SA for adoption of resolutions on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members, in the wording constituting an attachment to the resolution.

§ 2

A motion shall be submitted to the PZU SA Supervisory Board to issue an opinion on the motion referred to in § 1.

§ 3

This resolution comes into force on the date of its adoption.

The ballot was held in an open procedure.

Number of attendees: 7 Number of votes in favor: 7 Number of votes against: 0 Number of abstentions: 0

Acting President of the Management Board

Beata Kozłowska-Chyła



RESOLUTION NO. URN/49/2020

ADOPTED BY THE SUPERVISORY BOARD OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 28 April 2020

in the matter of evaluation of the motion submitted by the PZU SA Management Board on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members

Pursuant to § 13 and § 25 section 2 item 18 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and § 13 section 1 item 19 of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Supervisory Board Bylaws, the following is hereby resolved:

§ 1

The PZU SA Supervisory Board hereby issues a positive opinion on the PZU SA Management Board's motion to the PZU SA Shareholder Meeting on adoption of the Compensation Policy for the PZU SA Management Board and Supervisory Board Members in the wording constituting an attachment to the resolution.

§ 2

This resolution comes into force on the date of its adoption.

The ballot was held in an open procedure.

Number of attendees: 9 Number of votes in favor: 9 Number of votes against: 0 Number of abstentions: 0

Chairperson
of the PZU SA Supervisory Board

Maciej Łopiński

RESOLUTION NO. ... /2020

ADOPTED BY THE ORDINARY SHAREHOLDER MEETING

OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA

on 26 May 2020

in the matter of Compensation Policy for the PZU SA Management Board and Supervisory Board Members

Pursuant to Article 2 Section 2 Item 1, Article 4, Article 5, Article 6, Article 7 and Article 8 of the Act on the Rules for Setting the Compensation of Persons Managing Certain Companies of 9 June 2016, Article 90d Section 1 of the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies of 29 July 2005 and § 18 Items 10 and 12 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna, the Shareholder Meeting hereby resolves as follows:

§ 1

The Compensation Policy for the PZU SA Management Board and Supervisory Board Members in the wording constituting an attachment to the resolution is hereby adopted.

§ 2

The resolutions adopted by the Extraordinary Shareholder Meeting of PZU SA on 8 February 2017 are hereby repealed:

- 1) no. 4/2017 to define the rules for setting the compensation of Management Board Members of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (as amended);
- 2) no. 5/2017 on the rules for setting the compensation of Supervisory Board Members of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (as amended).

§ 3

This resolution shall come into force as of 1 January 2021.

Chairperson
of the Ordinary Shareholder Meeting of PZU SA

The attachment to the draft resolution of the Ordinary Shareholder Meeting is provided in the attached file.

Attachment to Resolution No. adopted by the PZU SA Shareholder Meeting on

The Compensation Policy for the PZU SA Management Board and Supervisory Board Members was adopted, with the PZU SA Management Board's motion to the PZU SA Shareholder Meeting (Resolution No. UZ/115/2020 adopted by the PZU SA Management Board on 21.04.2020), and with an opinion by the Supervisory Board PZU SA (Resolution No. URN/49/2020 adopted by the PZU SA Supervisory Board on 28.04.2020)

Compensation Policy for the PZU SA Management Board and Supervisory Board Members

Chapter 1. General provisions

Substantive and subjective scope, aims of the Policy

§ 1

1. The Compensation Policy for the PZU SA Management Board and Supervisory Board Members, hereinafter referred to as the "Policy", defines in particular:
 - 1) a description of fixed and variable compensation components that may be granted to the Management Board Members and Supervisory Board Members and their mutual proportions;
 - 2) the period for which contracts are executed with Management Board Members and specification of the periods and terms and conditions for terminating them;
 - 3) a description of measures taken to avoid conflicts of interest connected with the compensation policy or management of such conflicts of interest.
2. The Policy includes in particular the following regulations:
 - 1) the Act of 9 June 2016 on the Rules for Shaping the Compensation of Persons Managing Certain Companies (hereinafter referred to as the "Compensation Act");
 - 2) the Act of 29 July 2005 on Public Offering and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies;
 - 3) Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance;
 - 4) the Insurance and Reinsurance Activity Act of 11 September 2015;
 - 5) Corporate Governance Rules prepared by the Polish Financial Supervision Authority ("KNF").
3. The aim of the Policy is in particular:
 - 1) to support the performance of the PZU Group's mission, vision and strategy;
 - 2) adjustment of the level and structure of compensations to the risk profile of PZU SA (hereinafter referred to as the "Company");
 - 3) ensuring sound management of the Company's finances and its long-term stability;
 - 4) conducting flexible bonus policy adjusted to the Company's business situation by tying the variable compensation system for persons actually managing the Company to the performance of defined management objectives and ensuring the right proportion between variable and fixed compensation;
 - 5) counteracting the occurrence of conflicts of interest.

Chapter 2. Principles for compensating Management Board Members

Agreement with a Management Board Member

§ 2

1. For the duration of discharge of the Management Board Member's function, a management services agreement is entered into with the Company's Management Board Member ("Agreement"), providing for an obligation to provide the services in person, regardless of whether he/she acts within the framework of his/her business activity.
2. The content of the Agreement is determined by the Supervisory Board on the terms and conditions laid down in the Compensation Act, subject to § 13 section 1, and in accordance with provisions of the Policy.

Components of compensation of Management Board Members

§ 3

1. The total compensation for the Company's Management Board Member is composed of the fixed part, constituting the monthly base salary ("Fixed Compensation") and variable part, constituting variable compensation for the Company's financial year ("Variable Compensation").
2. Because compensation of the Management Board Members is regulated by the Compensation Act, the terms and conditions of employment and salary for the Company's employees were not taken into consideration when establishing the Policy, subject to provisions of § 6.
3. The Fixed Compensation for individual Management Board Members is within the range from seven to fifteen times the average monthly compensation in the corporate sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office.
4. The Company's Supervisory Board is hereby authorized to set the specific amount of the Fixed Compensation for individual Management Board Members in accordance with section 3.
5. All the amounts referred to in this sections 1-3 will be increased by VAT, if due.
6. It is acceptable to introduce some other amount of Fixed Compensation than that defined in section 3 if there are exceptional circumstances in favor of such an amount regarding the Company or the market on which it operates; in particular, the Company performs a program of consolidation of the companies belonging to the Company's Group, leading to a considerable change of its structure or revenues, taking into consideration Article 4 section 4 item 1 of the Compensation Act.
7. The Supervisory Board is hereby authorized to determine a list of circumstances referred to in section 6, and to monitor regularly if they are confirmed, to make comparisons of the set Fixed Compensation of the Management Board Members to the amount of compensation for members of managing bodies of public companies of a similar scale or subject matter of activity, and to modify its amount appropriately if it is found that the change of the amount of Fixed Compensation of the Management Board Members is justified.

Management Objectives

§ 4

1. The Variable Compensation depends on the level of attainment of the management objectives ("Management Objectives") and may not exceed 100% of the Fixed Compensation in the previous financial year, for which the amount of the Variable Compensation is calculated.
2. General Management Objectives concern in particular:
 - 1) improvement of economic and financial indicators;
 - 2) taking activities taking into consideration social interests, including such that make the Company contribute to environmental protection.
3. Management Objectives are set, taking into account strategic objectives and indicators which show their attainment as defined in the PZU Group Strategy.
4. A separate Management Objective determining the possibility of receiving the Variable Compensation is hereby set, which involves implementation of the rules for compensating members of the management

and supervisory bodies consistent with the provisions of the Act in all of the Company's subsidiaries in the group within the meaning of Article 4 item 14 of the Competition and Consumer Protection Act of 16 February 2007 ("Group").

5. A separate Management Objective determining the possibility of receiving the Variable Compensation is hereby set, which involves the fulfillment of the duties referred to in Articles 17-20, Article 22 and Article 23 of the Act on Rules for Managing State Property of 16 December 2016.
6. The Company's Supervisory Board is authorized to define precisely the Management Objectives for Management Board Members and to set the Weights for such Objectives and objective and measurable indicators for their attainment and settlement (KPIs).
7. The Supervisory Board, shaping the Fixed Compensation and setting Management Objectives, makes efforts to ensure that they comply with standards concerning operation of regulated entities, including the principle of prudent and stable management of such an entity.

Variable compensation

§ 5

1. The Variable Compensation is due to a given Management Board Member, after:
 - 1) the Supervisory Board confirms that conditions for granting such compensation have been fulfilled;
 - 2) the Management Board's report on the Company's activity and of the financial statements for the previous financial year are approved by the Shareholder Meeting;
 - 3) the Shareholder Meeting discharges the Management Board Member on the performance of his or her duties.
2. The Supervisory Board confirms satisfaction of the conditions for granting the Variable Compensation for the given financial year on the basis of financial statements verified by statutory auditors and other documents appropriate for assessment of attainment of the set Objectives.
3. Having verified that the conditions referred to in section 2 are fulfilled, the Supervisory Board determines the amount of the Variable Compensation for each Management Board Member.
4. In the case of expiry of the mandate of a Management Board Member during the financial year, the amount of the Variable Compensation is determined taking into account the period in which the Management Board Member discharged the function in the given financial year.
5. Payment of 40% of Variable Compensation will be deferred for a period of up to 36 months, of which 1/3 will be paid gradually upon elapse of 12, 24 and 36 months, respectively, from the date of awarding the Variable Compensation for a given financial year, provided that no facts arise in that period that would indicate that the conditions for disbursing the current portion of Variable Compensation have not been satisfied, subject to section 8.
6. Expiry of the mandate during or after elapse of the financial year assessed for attainment of the Management Objectives does not cause forfeiture of the right to the Variable Compensation.
7. The Company is entitled to a claim for refund (of the entire amount or some part) of the Variable Compensation disbursed if after the disbursement it is proved that it was granted (in its entirety or some part of it) to the Management Board Member on the basis of data which has turned out to be untrue.
8. The Supervisory Board is authorized to define periods, other than those set in section 5, for deferring the disbursement of Variable Compensation and the possibilities for the Company to demand its refund, taking into consideration generally applicable laws.

Extra benefits

§ 6

In addition to the compensation referred to in § 3 and § 5, the Supervisory Board may additionally, in justified cases, award Management Board members in the Agreement with the right to receive the same benefits as other Company employees receive, in particular:

- 1) training to improve professional qualification that is needed to serve as a the Company's Management Board Members;

- 2) medical care;
- 3) insurance:
 - a) liability insurance for management staff (D&O),
 - b) liability insurance for issuance of securities,
 - c) insurance of life and health and compensation lost due to inability to work caused by an illness or an accident;
- 4) additional old age or disability pension schemes or early retirement plans.

Management of a conflict of interest

§ 7

1. To avoid the emergence of a conflict of interest, the Agreement provides for the Management Board Member's obligation to notify the intention to discharge a function in the corporate bodies of another commercial company or acquisition of shares in such company and may provide for a prohibition to discharge functions in the corporate bodies of any other commercial company or introduce other limitations regarding additional activity of the Management Board Member.
2. The Management Board Member may not receive compensation for discharging the function of a member of the corporate body in the Company's subsidiary in the Group.
3. The Supervisory Board is hereby authorized to set the prohibitions and limitations referred to in Sections 1 and 2, the reporting duties regarding their execution and sanctions for improper execution.

Competition ban

§ 8

1. The Supervisory Board may enter with the Management Board Member into a non-competition agreement prevailing upon cessation of discharging the function; it may be concluded, however, only if the Management Board Member has discharged the function for at least 3 (three) months.
1. It is not permitted to enter into the non-competition agreement after termination or dissolution of the Agreement.
2. The non-competition period may not exceed 6 (six) months of cessation of discharging the function by the Management Board Member.
3. In the event of failure to perform or improper performance of the non-competition agreement by the Management Board Member he/she shall be obligated to pay a contractual penalty to the Company, not lower than the amount of the compensation he/she is entitled to for the whole non-competition period.
4. The competition ban becomes ineffective before elapse of the period for which the non-competition agreement has been concluded if the Management Board Member assumes a function in another company within the meaning of Article 1 Section 3 Item 7 of the Compensation Act.

Using the Company's assets

§ 9

1. The Supervisory Board shall determine in the Agreement the scope and rules for providing the Management Board Member with the technical devices and resources constituting the Company's property, required to perform the function, and the limits or the methods of setting them for the costs that the Company incurs in connection with provision and use of the devices and resources by the Management Board Member for business purposes.
2. The Agreement may also define the rules for the use of the Company's property by the Management Board Member for private purposes.

Agreement Termination, Severance Pay

§ 10

1. In the event of expiry of the mandate, in particular as a result of death, dismissal or submission of a resignation, the Agreement is terminated as of the last day of discharging the function without a termination notice period and without any additional activities required.

2. In the event of termination of the Agreement by mutual consent of the Parties, the agreed Agreement termination date may not be later than 3 (three) months.
3. Each of the Parties has the right to terminate the Agreement with immediate effect in the event of material breach of the provisions of the Agreement by the other Party.
4. Each of the Parties has the right to terminate the Agreement for reasons other than specified in Section 3 with the maximum notice period of 3 (three) months; however, if the event referred to in Section 1 occurs during the termination notice period, resulting in termination of the Agreement as a result of cessation of discharging the function, the Agreement is terminated in accordance with Section 1.
5. The Agreement may provide for different termination notice periods depending on the time for which the Management Board Member discharges his/her function, subject to Section 1, and that the termination notice period elapses as of the end of the calendar month.
6. In the event of termination or dissolution of the Agreement by the Company for reasons other than breach of the basic duties, the Management Board Member may be granted a severance pay in the amount not higher than 3 (three) times the Fixed Compensation on the condition he/she has discharged the function for the period of at least 12 (twelve) months before termination of the Agreement.
7. The severance pay referred to in section 6 does not apply to the Management Board Member if he or she, after the termination of the Contract, continues or starts to discharge the function of management board member in a Group company.

Chapter 3. Principles for compensating Supervisory Board Members

Appointment

§ 11

Supervisory Board Members discharge their functions on the basis of being appointed by the Shareholder Meeting.

Fee

§ 12

1. The monthly compensation for Supervisory Board Members is hereby set as the product of the average monthly compensation in the corporate sector without profit-sharing in the fourth quarter of the previous year, as announced by the President of the Central Statistical Office and the multiplier of 2.75.
2. For the Supervisory Board Chairperson, the monthly compensation specified in Section 1 is increased by 10% per month.
3. For the Supervisory Board Deputy Chairperson, the monthly compensation specified in Section 1 is increased by 9%.
4. For the Supervisory Board Secretary, the monthly compensation specified in Section 1 is increased by 8%.
5. For the Chairpersons of Supervisory Board committees, the monthly compensation specified in Section 1 is increased by 9% per month.
6. The additional compensations referred to in Sections 2-4 and Section 5 are not cumulative.

Chapter 4. Miscellaneous

Withdrawal from the application of the Policy

§ 13

1. If it is necessary to perform the Company's long-term interests and financial stability or to guarantee its profitability, the Company's Supervisory Board may, by a resolution, following a motion of the Company's Management Board or at the Supervisory Board's own initiative, decide to withdraw temporarily from the application of the Compensation Policy.
2. The withdrawal referred to in section 1 may concern any provisions of the Policy.

Review of the Policy

§ 14

1. The Policy shall be reviewed by the Company's Management Board every year.
2. As a result of the review, the Management Board prepares a report describing the status of the performance of the Policy and recommendations for amendments to the Policy, which is presented to the Supervisory Board.
3. A resolution about the Policy is adopted by the Shareholder Meeting not less frequently than every four years.
4. The Company shall publish on its website immediately:
 - 1) an up-to-date version of the Policy;
 - 2) the Shareholder Meeting's resolution in the matter of the Policy, with the date of its adoption and results of voting;
 - 3) list of amendments introduced to the Policy.