

**RESOLUTION NO. 36/2020**

**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 90d sec. 1 of the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies of 29 July 2005, 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

This resolution shall come into force on the date of its adoption, however §4 sec. 2 item 2) of the "Compensation Policy for the PZU SA Management Board and Supervisory Board Members" constituting an attachment to this resolution, shall come into force as of 1 January 2021.

Attachment to Resolution.

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 April 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 April 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 calculation base referred to in Article 1 section 3 item 11 of the Act on the Rules for Setting the Compensation of Persons Managing Certain Companies of 9 June 2016.
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.

### **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 and dismissal**

#### **§ 11**

Supervisory Board Members are appointed and dismissed by the Shareholder Meeting, with the proviso that, pursuant to § 20 sec. 7, the State Treasury shall have the right to appoint and dismiss one Supervisory Board Member by way of a written statement submitted to the Company's Management Board.

### **Fee**

#### **§ 12**

1. The monthly compensation of Supervisory Board Members is set as the product of the base amount referred to in Article 1 Section 3 Item 11 of the Act on the Rules for Setting the Compensation of Persons Managing Certain Companies of 9 June 2016 and the following 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 deviation referred to in section 1 may concern selected provisions of the Policy, excluding the provisions following from the Compensation Act.

##### **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.

565,931,018 valid votes were cast on 565,931.018 shares (65.54% of the share capital), of which 352,269,542 votes were in favor, 1,423,267 votes were against and 212,238.209 votes abstained.