

Attachment to Resolution No. URN/42/2021
of the PZU SA Supervisory Board of 12 may 2021



**PZU SA SUPERVISORY BOARD'S REPORT ON THE
ACTIVITY OF THE PZU SA SUPERVISORY BOARD AS A
GOVERNING BODY OF THE COMPANY IN 2020**

I. Composition of the Supervisory Board

As at 1 January 2020, 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,
 - 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.
- Maciej Łopiński – Supervisory Board Chairman,
 - Paweł Górecki – Supervisory Board Deputy Chairman,
 - Robert Śnitko – 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,
 - Józef Wierzbowski – Supervisory Board Member,
 - Maciej Zaborowski – Supervisory Board Member.

On 21 April 2020, Mr. Alojzy Nowak tendered his resignation from the function of a Supervisory Board Member. On 28 April 2020, the Supervisory Board elected Robert Śnitko to the position of Secretary. On 26 May 2020, the PZU SA Shareholder Meeting appointed Józef Wierzbowski to the Supervisory Board. Accordingly, the composition of the PZU SA Supervisory Board was as follows:

The independence criteria set out in § 20 sec. 8 of the PZU SA Articles of Association, set out in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision were satisfied by Maciej Łopiński, Elżbieta Mączyńska-Ziemacka, Krzysztof Opolski, Tomasz Kuczur, Józef Wierzbowski, Maciej Zaborowski, Robert Śnitko and Robert Jastrzębski.

As at 31 December 2020, 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 twelve meetings on the following dates:

- 14 January 2020,
- 11-12 March 2020,
- 15 April 2020,
- 28 April 2020,
- 15 May 2020,
- 28 May 2020,
- 2 July 2020,

- 17 August 2020,
- 9 September 2020,
- 2 November 2020
- 18 November 2020,
- 16 December 2020.

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 140 resolutions, including 28 resolutions by circulation (the list of resolutions forms Attachment 1 to this Report).

Most resolutions of the Supervisory Board, except for Resolution Nos. URN/3/2020 – URN/7/2020, URN/11/2020, URN/19/2020, URN/29/2020, URN/30/2020, URN/35/2020, URN/40/2020 – URN/42/2020, URN/57/2020, URN/80/2020, URN/92/2020 and URN/139/2020, were adopted

unanimously while maintaining the quorum required by the applicable laws.

The agendas of the Supervisory Board meeting prepared by the Chairperson 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 connection with the Covid-19 pandemic in 2020, Supervisory Board Members participated in the meetings also using means of direct remote communication.

In compliance with § 26 sec. 1 of the Rules and Regulations of the PZU SA Supervisory Board, invitations to attend its meetings in 2020 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 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 2020, 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 2020:

- 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 2020,
- ongoing monitoring of the implementation of the financial plan of PZU SA and the PZU Group for 2020,
- monitoring of the implementation status of the PZU Group Strategy "New PZU",
- appointment of the President and Members of the Company's Management Board,
- assessment of PZU SA's consolidated financial statements for the year ended 31 December 2019 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 2019 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 2019 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 2019 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 2019, the Consolidated Financial Statements of the PZU SA Group for the year ended 31 December 2019, the Management Board Report on the Activity of the PZU Group and PZU SA in 2019 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2019,

- 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 firm to review and audit the financial statements of PZU SA and the PZU SA Group for the financial years 2021-2022 with an extension option for 2023,
- adoption of the PZU SA Supervisory Board report on the activity of the PZU SA Supervisory Board as a governing body of the Company in 2019,
- 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 SREP questionnaire,
- approval of amendments to the PZU SA Articles of Association,
- in connection with the changes in the PZU SA Supervisory Board – electing the Secretary and establishing the composition of the Audit 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:

- 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 Guarantee Fund and Polish Motor

Insurers' Bureau Act and the Insurance and Reinsurance Activity Act;

- in connection with 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),
- International Financial Reporting Standards 17 "Insurance Contracts" (IFRS 17),
- Act of 19 July 2019 on Amending Certain Acts to Reduce Payment Backlogs (the so-called Backlog Act),
- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law,
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, entered into force,
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088.

With a view to properly performing its supervisory duties in the Company, the Supervisory Board established certain advisory and consultative committees. In 2020, 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 obligation to establish an Audit Committee in PZU SA as a public-interest entity, follows from the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision.

The Audit Committee includes at least three members. Most members, including the chairperson, satisfy the independence criteria laid

down in the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. At least one Audit Committee member must hold knowledge and qualifications in accounting or audit of financial statements. Detailed tasks and principles governing the appointment and operation of the Audit Committee are laid down in the PZU SA Articles of Association, 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 2020, the PZU SA Supervisory Board Audit Committee functioned in the following composition:

- 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.

On 21 April 2020, Mr. Alojzy Nowak tendered his resignation from the function of a Supervisory Board Member. On 28 April 2020, the Supervisory Board established the following composition of the Audit Committee:

- 1) Krzysztof Opolski – Committee Chairperson,
- 2) Marcin Chludziński – Committee Member,
- 3) Robert Śnitko – Committee Member,
- 4) Maciej Zaborowski – Committee Member.

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. 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 2020, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

In the reporting period, i.e. from 1 January 2020 to 31 December 2020, the Committee held 11 meetings on the following dates:

- 14 January 2020,
- 17 January 2020,
- 4 March 2020,
- 11 March 2020,
- 1 April 2020,
- 28 April 2020,
- 15 May 2020,
- 28 May 2020,
- 9 September 2020,
- 18 November 2020,
- 16 December 2020.

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 2020 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 2020, the PZU SA Supervisory Board Nomination and Compensation Committee functioned in the following composition:

- 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.

On 21 April 2020, Mr. Alojzy Nowak tendered his resignation from the function of a Supervisory Board Member. Accordingly, from 22 April 2020, the Nomination and Compensation Committee composition was as follows:

- 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.

As at 31 December 2020, the composition of the Nomination and Compensation Committee was unchanged.

During the financial year, the Nomination and Compensation Committee held 6 meetings on the following dates:

- 11-13 March 2020,
- 15 April 2020,
- 28 April 2020,
- 2 July 2020,
- 9 September 2020,
- 18 November 2020.

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 2020, the composition of the PZU SA Supervisory Board Strategy Committee was as follows:

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

On 21 April 2020, Mr. Alojzy Nowak tendered his resignation from the function of a Supervisory Board Member. Consequently, on 28 April 2020, the Supervisory Board established the new composition of the Strategy Committee:

- Robert Śnitko – Committee Chairperson,
- Marcin Chludziński – Committee Member,
- Agata Górnicka – Committee Member,
- Robert Jastrzębski – Committee Member,
- Maciej Zaborowski – Committee Member.

As at 31 December 2020, the composition of the Strategy Committee was unchanged.

During the financial year, the Strategy Committee held 5 meetings on the following dates:

- 11 March 2020,
- 28 May 2020,
- 9 September 2020,
- 18 November 2020,
- 16 December 2020.

In 2020, 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.

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

Acting pursuant to § 2 of Resolution Nos. 30/2020, 31/2020, 33/2020, 34/2020, 35/2020 adopted by the Ordinary Shareholder Meeting of PZU SA on 26 May 2020 on amendments to the PZU SA Articles of Association, the Supervisory Board accepted, by Resolution No. URN/77/2020 of 13 July 2020, the consolidated text of the Articles of

Association, incorporating the amendments resulting from the said resolutions.

The PZU SA Supervisory Board declares that all duties imposed on it by resolutions adopted by

the PZU SA Shareholder Meeting in 2020 were implemented in a proper and timely manner.

V. Compliance with reporting and information obligations

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

on it by the applicable laws were timely fulfilled throughout 2020.

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 Global Ratings (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 2016-2020, the average return on equity (ROE) for PZU SA was 16.4% and in 2020 11.8%.

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 (88.5% in 2020, 88.7% in 2019, 87.0% in 2018, 89.3% in 2017).

On 6 April 2020, S&P changed the ratings outlook for PZU SA from positive to stable. PZU SA's financial strength and credit rating remained at A-. The rating outlook has changed as a result of the deterioration in financial and business conditions in Poland due to the outbreak of the COVID-19 pandemic. According to the agency's analysts, this may affect the PZU Group's business; in particular, it may lead to a lower contribution from banking activity. At the same time, S&P issued a forecast that the PZU Group's position will remain stable. The viewpoint of the agency's analysts is that the PZU 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 capital requirement in PZU SA is calculated using the standard formula for the primary purpose of covering the risks associated with the existing activity to the largest extent possible. As at 31 December 2020, 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 268%. This high value puts PZU among insurance groups with the highest capital strength.

In 2020, PZU SA recorded a technical result of PLN 1,533 million, compared to PLN 1,405 million in 2019, a growth of 9.1%. Net profit was PLN 1,919 million and fell by 27.6% relative to PLN 2,651 million achieved in the previous year. Disregarding the dividends received from PZU Życie, PZU's net profit was PLN 588 million, and was by PLN 731 million, i.e. 55.4%, lower compared to 2019.

As regards the individual net result items, PZU recorded:

- decrease in gross written premium down to PLN 12,537 million, i.e. by 3.9% relative to the previous year. It was a result of lower sales of motor insurance (due to the much lower new vehicle sales and a slowdown in the lease market), as well as of the increased premiums on accident, sickness and various financial losses insurance. After the reinsurers' share and movement in the provision for unearned premiums, net earned premium was PLN 12,061 million and was 2.0% lower than in 2019;
- lower level of claims and benefits - amounting to PLN 7,523 million, which means a fall by 3.1% compared to 2019. The major change, i.e. the drop in the loss ratio in motor insurance and assistance, was partly set off by a higher loss ratio in insurance against fire and other damage to property and general third party liability insurance;

- a fall of the net investment result down to PLN 1,103 million (by 50.4% in comparison to 2019), as a result of lower results of subsidiaries;
- lower acquisition expenses, including the reinsurance commission, by PLN 19 million, i.e. 0.8%, in comparison to 2019, resulting from lower premiums on motor third party liability insurance, which are characterized by lower commission rates and a high share of the multiagency channel with higher commissions;
- increase of administrative expenses by 3% - from PLN 704 million in 2019 to PLN 725 million in 2020. It resulted primarily from the introduction in sales of a COVID-19 pandemic aid package and increase of personnel costs due to payroll pressure.

In 2020, PZU SA collected gross written premium of PLN 12,537 million, i.e. 3.9% less than in 2019. The premium comprised mainly:

- TPL motor insurance premiums, accounting for 38.3% of PZU's insurance portfolio (39.2% in the prior year). The lower share in the portfolio, by 0.9 percentage point, was attributable to a lower number of policies combined with a drop in the average price. The slowdown in sales, chiefly in the branches as well as in the Group's own network and dealership network, was a consequence of the restrictions imposed in connection with the COVID-19 pandemic and the resulting limited availability of services to customers. The negative effect was further amplified by: a fall in the average price due to changes in sales channel mix (slowdown of new vehicle sales in dealerships and leasing) and continuing wage pressure;
- the MOD motor insurance premium with a 23.8% share of PZU's total gross written premium (i.e. 0.9 p.p. less than in the previous year). As in the case of the TPL motor insurance portfolio, a strong impact was felt of the slowdown in the lease financing sector and lower sales of new vehicles (primarily in dealerships);
- insurance against fire and property damage premiums, accounting for 20.2% of PZU's premium portfolio. Compared to 2019, their share in the insurance portfolio fell by 0.5 p.p., and by 5.9% in terms of value. It is a result of the conclusion in 2019 of a long-term agreement of high standalone value and lower premium on crop insurance (due to the high competitiveness of the market and the natural erosion of the portfolio in the context of a limited pool of government subsidies);

- premiums on ADD and other insurance, whose share in the portfolio reached 11.5%, i.e. up 2.0 p.p. higher than in 2019. The premium increased mainly in accident and sickness insurance. It is a result of higher sales, offered in cooperation with PZU Group banks, cash loan insurance and mortgage loans. The increase is also attributable to providing insurance cover to physicians and medical personnel against COVID-19 infection. The effect was further augmented by the higher premium written from aircraft casco insurance, following conclusion of a few high value agreements, as well as from various financial risks insurance (predominantly loss of profit).

A fall in 2020 of the net investment result down to PLN 1,103 million (by 50.4% in comparison to 2019) was primarily an outcome of lower results of the banking sector subsidiaries portfolio. It was also related to a non-recurring effect of the impairment loss on goodwill arising from the acquisition of Alior Bank, in the amount of PLN -781 million, out of which PLN -747 million was recognized through the income statement, and Bank Pekao, in the amount of PLN -374 million, out of which PLN -51 million was recognized through the income statement. The other impairment losses have been charged to the revaluation reserve.

In 2020, net claims and benefits and the incremental growth in PZU's provisions totaled PLN 7,523 million, i.e. 3.1% less than in 2019.

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

- lower claims and benefits in motor TPL and MOD insurance. It was a result of a lower frequency of claims due to the traffic restrictions introduced at the time of the COVID-19 pandemic. The negative factors were partly offset by increased value of average disbursement;
- higher level of losses caused by natural forces and other property damage, including events of high standalone value and claims under crop insurance policies. The number of losses caused by weather phenomena, such as rain and hail, increased disproportionately at the turn of Q2 and Q3 2020;
- increased claims and benefits in third party liability insurance. It is mainly a result of a higher movement in provisions for outstanding

claims and benefits, primarily in third party liability insurance of medical entities;

- higher loss ratio in accident and sickness insurance, predominantly group ADD insurance.

In 2020, acquisition expenses (including reinsurance commissions) amounted to PLN 2,423 million, and declined by 0.8% in comparison to 2019, which along with a 2% decrease in net earned premium y/y translated into a deterioration of the acquisition expense ratio by 0.2 p.p. The growth rate of the acquisition expense ratio was influenced, among others, by a change in the product and sales channels - lower growth rate of motor TPL insurance, which are characterized by lower commission rates and high share of the multi-agent channel.

In 2020, administrative expenses reached PLN 725 million, i.e. 3% higher than in the previous year, which alongside the drop in net earned premium by 2% y/y translates into a worse administrative expense ratio, by 0.3 p.p. The increase in administrative expenses is attributable mainly to higher intervention expenses incurred in connection with the COVID-19 pandemic and personnel costs caused by the continuing wage pressure. The growth has been partly curbed by cost discipline in non-personnel items.

The balance of other technical income and expenses in 2020 was negative and stood at PLN 251 million. The 1.4% improvement in comparison to 2019 is an outcome of a higher allowance to prevention fund and an impairment charge on receivables, as well as higher interest income for untimely premium payments.

The balance of other operating income and expenses was also negative. It amounted to PLN 148 million, whereas in the previous year - when it was also negative - it was PLN 387 million.

In 2019, 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 and repaid on 28 June 2019. In 2019, revenues on account of foreign exchange differences on the loan received from PZU Finance AB (publ.) amounted to PLN 38 million, while the costs of interest on the loans received amounted to PLN 29.7 million. In addition, the level of other operating expenses in 2019 was significantly influenced by adding a provision for

taxation risk related to different interpretations of the provisions of the Swedish tax law pertaining to taxation on foreign exchange differences realized on repayment of loans granted in a currency other than the functional currency of the company granting the loan, in the amount of PLN 79 million - the provision was released in 2020.

At the end of 2020 PZU SA's balance sheet total amounted to PLN 44,665 million and was 7.4% higher compared to the previous year.

The main component of PZU's assets were investments which stood at PLN 40,207 million (up 9.7% compared to the end of 2019), which accounted for 90% of PZU's total balance sheet value, compared to 88.1% as at the end of the previous year. The level of investments, excluding investments in subordinated entities, increased in connection with the achieved investment performance and the inflow of premiums driven by business growth.

As at the end of 2020, PZU's receivables stood at PLN 1,689 million, and accounted for 3.8% of assets, whereas in the previous year they amounted to PLN 2,085 million (5.0% of assets). The biggest drops were noted in the value of receivables on direct insurance (PLN -352 million y/y) and other receivables, including from subordinated entities (PLN -80 million y/y), where the fall was attributable to the lower receivables from the service of acting as emergency adjuster to Group companies.

Non-current assets, in the form of intangible assets, goodwill and property, plant and equipment, were disclosed in the balance sheet at PLN 424 million (PLN -18 million y/y). They accounted for 0.9% of assets.

As at the end of 2020, PZU held cash of PLN 124 million (0.3% of assets). The year before, the corresponding value was PLN 126 million.

At the end of 2020, technical provisions were the main component of PZU's equity and liabilities. They reached the value of PLN 21,707 million (net), which accounted for 48.6% of equity and liabilities. Their share in the balance sheet decreased by 3.3 p.p. compared to 2019, while in terms of value they rose by PLN 134 million, in particular due to a higher provision for outstanding claims and benefits, mainly in the group of TPL motor insurance and general third party liability insurance. It was partly offset by: a

lower provision for unearned premiums and release of the equalization provision.

As at the end of 2020, equity was PLN 17,689 million and accounted for 39.6% of equity and liabilities, up 3.6 p.p. compared to yearend 2019.

Contingent receivables amounted to PLN 3,976 million, i.e. were lower by PLN 281 million (-6.6% y/y) in comparison to the previous year. 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 obtained 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 was PLN 1,201 million, which represents a growth by PLN 52 million (+4.5% y/y) in comparison to 2019. It is primarily a result of the higher, by PLN 87 million, level of liabilities under guarantees and sureties granted as well as disputed claims not recognized by the insurer. In 2020, PZU generated a return on equity (ROE) of 11.8%, up 6.6 p.p. compared to 2019. In 2016-2020, the average return on equity (ROE) was 16.4%.

On 25 March 2021 the PZU Supervisory Board adopted a resolution to approve the PZU Group's Capital and Dividend Policy for 2021-2024 (hereinafter "Policy"). The adopted Policy is a continuation of the capital management principles defined in the PZU Group's Capital and Dividend Policy for 2016-2020.

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

- 1) manage capital effectively by optimizing the usage of capital from the Group's perspective;
- 2) 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 organic growth and acquisitions;
- 3) ensure sufficient financial means to cover the Group's liabilities to its clients.

The capital management policy rests on the following principles:

- 1) manage the PZU Group's capital (including excess capital) at the level of PZU;

- 2) sustain target solvency ratios at the level of 200% for the PZU Group, PZU SA and PZU Życie SA (according to Solvency II);
- 3) maintain the PZU Group's financial leverage ratio at a level no higher than 25%;
- 4) ensure funds for growth and acquisitions;
- 5) maintain the financial conglomerate's surplus own funds above the pertinent requirements for solvency;
- 6) PZU will not issue any new shares for the duration of this Policy.

It is assumed that certain temporary deviations in the actual solvency ratio above or below the target level may occasionally occur.

The Policy rests on the following principles:

- 1) The PZU Group 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;
 - 2) the dividend amount proposed by the parent company's Management Board which PZU SA pays for the respective financial year is determined on the basis of the PZU Group's consolidated financial result attributable to equity holders of the parent company, where:
 - a) no more than 20% will be earmarked as retained earnings (supplementary capital) for goals associated with organic growth and innovations as well as execution of growth initiatives;
 - b) no less than 50% is subject to payment as an annual dividend;
 - c) the remaining part will be paid in the form of annual dividend or will increase retained earnings (supplementary capital) if significant expenditures are incurred in connection with execution of the PZU Group Strategy, including in particular, mergers and acquisitions
- subject to items 3 and 4;
- 3) according to the Management Board's plans and risk and solvency self-assessment of the parent company, the own funds of the parent company and the PZU Group following the declaration of payment or payment of a dividend will remain at a level that will ensure fulfillment of the conditions specified in the capital policy;

4) when determining the dividend the regulatory authority's recommendations concerning dividends will be taken into consideration.

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 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.

PZU has an internal control system (ICS) in place, adjusted to the scale of its operations and its organizational structure, the purpose of which is to ensure the effectiveness and efficiency of operations within the organization, reliability of financial reporting and compliance of the Company's operations with the applicable laws and internal regulations.

The internal control system 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 security and stability of the Company's operations by ensuring:

- 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.

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 and 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 or 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 Supervisory Board 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.

Addressing the expectations of the Polish Financial Supervision Authority specified in the document entitled “Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee”, in 2020, the Supervisory Board Audit Committee participated in the selection of an independent auditor to review the internal audit function. A third-party assessment of the internal audit function at PZU conducted by PwC and an analysis of coordination of the Group’s internal audit run by the Internal Audit Department demonstrated general compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics developed by the Institute of Internal Auditors.

In 2020, 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 2020, 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 2020, 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 as well as tolerance levels for the 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 Management 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 process in the PZU Group is 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 mutual cooperation agreements. In addition, in connection with the PZU Group obtaining the status of a financial conglomerate, a risk concentration management system was implemented to ensure that entities in the PZU Financial Conglomerate attain their business objectives in a manner ensuring financial stability at the level of both the entire conglomerate and individual entities. The system monitors appropriate risk concentration measures and their limits and threshold values. Risk measurement permits identification of the sources of concentration in individual risks at the level of both the financial conglomerate and individual regulated entities and supports an assessment of the impact of these concentrations on financial stability;
- 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 to ensure effective risk management on the PZU Group level, risk management rules applicable to subsidiaries have been introduced, containing a recommendation issued by PZU regarding the organization of the risk management system (in both the insurance and the banking sector).

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.

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 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 2020, specifically to:

- Beata Kozłowska-Chyła, President of the Management Board,
- Paweł Surówka, President of the Management Board,
- Aleksandra Agatowska, Management Board Member,
- Ernest Bejda, Management Board Member,
- Adam Brzozowski, Management Board Member,
- Marcin Eckert, Management Board Member,
- Elżbieta Häuser-Schöneich, Management Board Member,
- Małgorzata Kot, Management Board Member,
- Tomasz Kulik, Management Board Member,
- Maciej Rapkiewicz, Management Board Member,
- Małgorzata Sadurska, Management Board Member,
- Krzysztof Szypuła, Management Board Member.

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; in addition, pursuant to § 20 sec. 8 of PZU SA's Articles of Association, at least two Supervisory Board members meet the independence criteria set forth in the "Best Practices of WSE Listed Companies" adopted by the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange). The selection of the Supervisory Board Chairperson is, in particular, made 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.

In 2020 PZU SA complied with 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, effective as of 1 January 2016.

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 2020, PZU SA complied with all 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 via the following: real-time bilateral communication where shareholders may take the floor during a shareholder meeting from a location other than the shareholder meeting.

Presently, PZU SA shareholders may follow the broadcast of the shareholder meeting and exercise their voting rights during the shareholder meeting in person or by proxy. 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 2020, 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. W 2020 the Compensation Policy was not updated. 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.

In addition, on 26 May 2020, with the resolution of the PZU SA Ordinary Shareholder Meeting, the Compensation Policy for the PZU SA Management Board and Supervisory Board Members was adopted. The aforementioned Policy includes in particular the following regulations: the Act on the Rules for Shaping the Compensation of Persons Managing Certain Companies of 9 June 2016, 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, 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, the Insurance and Reinsurance Activity Act of 11 September 2015, Corporate Governance Rules prepared by the Polish Financial Supervision Authority.

- 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 methodology adopted by the Company.

- Every year, the HR Management 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 Compensation Policy for the PZU SA Management Board and Supervisory Board Members. The

compensation components described above do not apply to Supervisory Board members.

ASSESSMENT OF THE OPERATION OF THE COMPENSATION POLICY AT PZU SA IN 2020

- 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 2020, 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 2019 and setting the Management Objectives for 2020. In addition the Committee issued a recommendation to the Supervisory Board in the matter of Compensation Policy for the PZU

SA Management Board and Supervisory Board Members.

- In 2020, 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 2020, 6 regular meetings of the Nomination and Compensation Committee of the PZU SA Supervisory Board were held.

In the opinion of the Supervisory Board, in 2020 the Company properly implemented the adopted Policy along with all compensation principles dedicated to individual groups of persons forming it.

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

The essence of PZU's activity is based corporate social responsibility and sustainable development, hence efforts aimed at increasing the Company's value while taking into account the interests of the stakeholders and utilizing resources responsibly and taking actions to benefit society. It involves supporting socially useful initiatives in the area of health, sport, science, culture, national heritage, environment and development of local communities. It is based on consistently pursued "Corporate social responsibility strategy of the PZU Group for 2018-2020". In 2020 these efforts were dominated by the COVID-19 pandemic, which became the biggest social problem. The Company got involved in the battle with the pandemic, supporting public services and institutions.

Prevention activities

PZU SA's prevention activity in 2020 was dominated by initiatives aimed at counteracting the COVID-19 pandemic. To limit the effects of insurable accidents resulting from the transmission of the virus, prevention subsidies for purchase of medical equipment, disinfectants and personal protection equipment worth over PLN

4.4 million were granted to 38 medical centers. In addition, 90 hospitals and medical rescue stations received 1.1 million protection gloves. In addition, 27 hospitals received in total 860 bands for remote monitoring of patients' vital signs with the complete ICT infrastructure. The Voluntary Mountain Rescue Service received 6 vehicles for transporting patients in a difficult terrain and personal protection equipment. In Q4 2020 PZU supported the operation of two nationwide information lines – "Support the senior" and the information line of the Chief Sanitary Inspectorate. In total PZU consultants answered over 70,000 calls. PZU SA earmarked over PLN 9.3 million from the prevention fund budget, i.e. over 40% of the total expenditures, for tasks aimed at counteracting the COVID-19 pandemic.

As part of the road safety efforts, PZU organized the second edition of the nationwide social campaign "Are you driving? Then put the phone down!", aimed to limit the number of accidents caused by the use of mobile phones by road traffic participants (drivers, pedestrians, bikers). This summer the Company focused particularly on reaching young Poles, who practically do not part with their smartphones. Four prevention

spots were shown in the Internet, including three made by young authors, participants of the Film Spring Open 2019 workshops. PZU tried to reach the young population speaking “the language of the young”. The spots were seen by 10 million unique users (vs. the assumed number of 8 million UU). The campaign was complemented by 3 videocasts with experts from the Road Traffic Department of the General Police Headquarters. In addition, in cooperation with Polish Television, PZU made the fourth season of the documentary series entitled “Seconds that altered life”. This time the prevention cycle, in addition to topics associated with road traffic safety, educated viewers also about safety in the household and safe recreation. The premiere episodes on TVP 1 were watched by 8.8 million viewers.

Continuation of the prevention programs for clients, among others Safe Fleet, Audax, PRO Risk, limiting the risk of insurable accidents among PZU’s insureds, was an important aspect of the prevention activity. Last year, as part of cooperation with the rescuer organizations – Voluntary Mountain Rescue Service and Voluntary Water Rescue Service, the Company conducted joint educational efforts in the area of safe recreation and financed the purchase of rescue equipment. PZU also continued its involvement in the provision of therapeutic assistance to individuals suffering from post-accident trauma and mourning persons, adapted to the conditions of the pandemic.

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 or Polish Royal Opera, 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 “1920. Grateful to our Heroes” and “Testimonium Veritatis. 7 virtues according to the Pope and the Primate”, a concert “Solidarity with Belarus” or the Grand Poland Project Congress.

Due to the outbreak of the COVID-19 epidemic most of key economic events in 2020 were cancelled or were held in a very limited formula.

PZU representatives took part in them as experts, but the possibility of sponsoring such events was very limited this year. The most important events which the Company supported in this period included the project entitled “Polish Compass” and the “Technobiznes 2020” Gala. In 2020, despite difficulties associated with pandemic restrictions, the support for sports events was continued. PZU became the official sponsor of the 77th Tour de Pologne, “Warsaw Jumping” National Horse-Riding Competition, and continued to support running events, including the PZU Orlen Warsaw Marathon and PZU Cracovia Marathon. As part of its sponsorship activities, the Company also supported a large number of smaller events organized for 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.

PZU’s care for the natural environment follows the PZU Group’s environmental standard “Green PZU” which defines the key assumptions pertaining to its governance approach to this issue.

They are embodied by these principles:

- sustainable development,
- high level of environmental protection,
- prudence and prediction of the possible adverse impacts of actions,
- prevention of pollution and its elimination at source,
- inclusion of environmental protection elements into business policy and strategy.

The “Green PZU” standard pertains both to PZU’s direct and indirect impact on the environment. In the first dimension, it comprises, among others,

air pollution emissions, generation of waste, and consumption of water, energy and paper. Indirect impact is associated with relations with third parties and pertains to environmental practices of PZU's suppliers and business partners and development of environmental awareness.

Minimizing the negative impact on the environment in the direct dimension focuses on reduction of consumption of materials, raw materials and electricity. This pertains predominantly to the real estate and car fleet areas. In 2020, these activities consisted in curtailing the consumption of utilities, conducting rational waste management, installing air conditioning devices with an ecological cooling agent, and preferring environmental and social aspects when choosing space for rent.

The efforts in the area of administration comprised reduction of consumption of office supplies and generation of paper documentation, secondary utilization of consumed materials and other assets and their disposal in cooperation with companies which satisfy the highest environmental standards, and expansion of the car fleet to include hybrid and electric cars.

Development of environmental awareness and responsible attitudes in 2020 was supported by numerous educational initiatives among employees. On the occasion of the Global Day of Action for Sustainable Development, the "SDG (Sustainable Development Goals) Challenge" contest, i.e. how PZU may stimulate sustainable development?" was organized to come up with innovative business ideas. The contest brought nearly 60 initiatives, the best of which stand the chance of being implemented. They were

forwarded to the appropriate business units to this effect.

At the same time, PZU gradually expands its range of products designed to help reduce the adverse environmental impact for retail, corporate and institutional clients. The solutions offered to big corporations, especially industrial companies, include among others, engineering risk assessment from the environmental perspective. They serve the purpose of preventing events unfavorable to the environment.

In the case of retail clients, PZU offers attractive insurance cover for equipment used in and around the home to save energy or protect the environment. The PZU Home property insurance covers, even in the basic package, photovoltaic and solar installations, environmental heating installations, solutions serving electricity saving and minimizing energy losses, household waste treatment plants and rainwater recovery installations.

The actions taken by PZU in the area of environmental protection confirm that environmental protection and climate change issues are an important element of the Company's daily business practice. They attest to its responsibility and maturity in this regard.

In consideration of the aforementioned activities, the PZU Supervisory Board is of the opinion that the rules defined in 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'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 2020 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 2020. 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 2020 were conducted in an effective manner and in accordance with the best market practices.

Chairperson
of the PZU SA Supervisory Board

Maciej Łopiński
Warsaw, 12 May 2021

Attachment 1

to the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as the Company's corporate body in 2020

Resolution number	Resolution date	Subject matter of the resolution:
URN/1/2020	14 January 2020	to approve the PZU SA and PZU Group Financial Plan for 2020
URN/2/2020	14 January 2020	to give consent to placing an order for advisory services regarding estimation, design and execution of actions aimed at improving the operational efficiency of the PZU Group to the framework agreement for the provision of advisory services entered into with McKinsey & Company Poland sp. z o.o.
URN/3/2020	11 February 2020	regarding payment of part (tranche) I of Deferred Variable Compensation for the 2017 financial year to Paweł Surówka, President of the PZU SA Management Board
URN/4/2020	11 February 2020	regarding payment of part (tranche) I of Deferred Variable Compensation for the 2017 financial year to Mr. Roger Hodgkiss
URN/5/2020	11 February 2020	regarding payment of part (tranche) I of Deferred Variable Compensation for the 2017 financial year to Tomasz Kulik, Member of the PZU SA Management Board
URN/6/2020	11 February 2020	regarding payment of part (tranche) I of Deferred Variable Compensation for the 2017 financial year to Maciej Rapkiewicz, Member of the PZU SA Management Board
URN/7/2020	11 February 2020	regarding payment of part (tranche) I of Deferred Variable Compensation for the 2017 financial year to Małgorzata Sadurska, Member of the PZU SA Management Board
URN/8/2020	11 February 2020	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 2019
URN/9/2020	27 February 2020	to give consent to the granting of a donation to the PZU Foundation for its statutory activities
URN/10/2020	11 March 2020	to approve the Risk Management Strategy in the PZU Group
URN/11/2020	11 March 2020	regarding the recommendation to discharge Aleksandra Agatowska on the performance of her duties in the PZU SA Management Board in 2019
URN/12/2020	11 March 2020	regarding the recommendation to discharge Adam Brzozowski on the performance of his duties in the PZU SA Management Board in 2019
URN/13/2020	11 March 2020	regarding the recommendation to discharge Elżbieta Häuser-Schöneich on the performance of her duties in the PZU SA Management Board in 2019
URN/14/2020	11 March 2020	regarding the recommendation to discharge Marcin Eckert on the performance of his duties in the PZU SA Management Board in 2019
URN/15/2020	11 March 2020	regarding the recommendation to discharge Maciej Rapkiewicz on the performance of his duties in the PZU SA Management Board in 2019
URN/16/2020	11 March 2020	regarding the recommendation to discharge Małgorzata Sadurska on the performance of her duties in the PZU SA Management Board in 2019
URN/17/2020	11 March 2020	regarding the recommendation to discharge Paweł Surówka on the performance of his duties in the PZU SA Management Board in 2019
URN/18/2020	11 March 2020	regarding the recommendation to discharge Tomasz Kulik on the performance of his duties in the PZU SA Management Board in 2019
URN/19/2020	11 March 2020	regarding the recommendation to discharge Roger Hodgkiss on the performance of his duties in the PZU SA Management Board in 2019

Resolution number	Resolution date	Subject matter of the resolution:
URN/20/2020	11 March 2020	to assess the Financial Statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2019 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
URN/21/2020	11 March 2020	to assess the Consolidated Financial Statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/22/2020	11 March 2020	to assess the Management Board Report on the Activity of the PZU Group and PZU SA in 2019 together with the Non-Financial Report of the PZU Group and PZU SA for 2019 and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/23/2020	12 March 2020	to adopt a form of the agreement to the management services contract concluded with Paweł Surówka on 31 August 2017 and authorize the Chairperson of the PZU SA Supervisory Board
URN/24/2020	12 March 2020	to initiate and conduct a recruitment procedure for a PZU SA Management Board Member
URN/25/2020	12 March 2020	to initiate and conduct a recruitment procedure for the President of the PZU SA Management Board
URN/26/2020	12 March 2020	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/27/2020	12 March 2020	to appoint the President of the PZU SA Management Board Beata Kozłowska-Chyła
URN/28/2020	12 March 2020	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/29/2020	12 March 2020	to appoint a Management Board member Małgorzata Kot
URN/30/2020	23 March 2020	to define the Management Objectives for Members of the PZU SA Management Board for 2020
URN/31/2020	26 March 2020	to give consent for the acting President of the PZU SA Management Board Beata Kozłowska-Chyła to assume a function in the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Supervisory Board
URN/32/2020	26 March 2020	to give consent to the execution of framework cooperation agreements with suppliers of book calendars and related items
URN/33/2020	26 March 2020	to give consent to execute a framework agreement with OEX E-Business sp. z o.o. regarding storage and distribution of advertising materials
URN/34/2020	2 April 2020	to approve the Solvency and Financial Condition Report of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2019
URN/35/2020	10 April 2020	to give consent to the granting of a donation to the PZU Sport Team for its statutory activities in 2020
URN/36/2020	15 April 2020	Repealing Resolution No. URN/29/2020 to appoint a Management Board member Małgorzata Kot
URN/37/2020	15 April 2020	to initiate and conduct a recruitment procedure for a PZU SA Management Board Member
URN/38/2020	15 April 2020	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/39/2020	15 April 2020	to appoint a Management Board member Ernest Bejda

Resolution number	Resolution date	Subject matter of the resolution:
URN/40/2020	28 April 2020	to elect the Secretary of the PZU SA Supervisory Board
URN/41/2020	28 April 2020	to set the composition of the PZU SA Supervisory Board's Audit Committee
URN/42/2020	28 April 2020	to determine the number of members and composition of the PZU SA Supervisory Board's Strategy Committee
URN/43/2020	28 April 2020	to grant additional benefit to the Manager
URN/44/2020	28 April 2020	on the assessment of the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2019
URN/45/2020	28 April 2020	to accept the PZU SA Supervisory Board Report on its assessment of PZU SA's Financial Statements for the year ended 31 December 2019, the consolidated financial statements of the PZU SA Group for the year ended 31 December 2019, the Management Board Report on the activity of the PZU Group and PZU SA in 2019 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2019
URN/46/2020	28 April 2020	to adopt the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as a governing body of the Company in 2019
URN/47/2020	28 April 2020	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 2019
URN/48/2020	28 April 2020	to evaluate the PZU SA Management Board's motion to introduce amendments to the Articles of Association of PZU SA
URN/49/2020	28 April 2020	to evaluate 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
URN/50/2020	15 May 2020	to give consent for the acting President of the PZU SA Management Board Beata Kozłowska-Chyła to assume a function in the Supervisory Board of Bank Pekao S.A. with its registered office in Warsaw
URN/51/2020	15 May 2020	to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Bank Pekao S.A. with its registered office in Warsaw
URN/52/2020	15 May 2020	to give consent for Ernest Bejda, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of PZU Centrum Operacji SA with its registered office in Warsaw
URN/53/2020	15 May 2020	to give consent for Ernest Bejda, Member of the PZU Management Board, to assume a function in the Supervisory Board of Towarzystwo Funduszy Inwestycyjnych PZU SA with its registered office in Warsaw
URN/54/2020	15 May 2020	to give consent for Ernest Bejda, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Alior Bank S.A. with its registered office in Warsaw
URN/55/2020	15 May 2020	to give consent for Marcin Eckert, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Bank Pekao S.A. with its registered office in Warsaw
URN/56/2020	15 May 2020	to give consent for Tomasz Kulik, Member of the PZU Management Board, to assume a function in the Supervisory Board of Towarzystwo Funduszy Inwestycyjnych PZU SA with its registered office in Warsaw
URN/57/2020	15 May 2020	to give consent to enter into an Investment Agreement and Shareholder Agreement between Powszechny Zakład Ubezpieczeń Spółka Akcyjna and PZU Życie SA, PKN Orlen S.A. and Alior Bank S.A., and subscribe for shares in the increased share capital of RUCH S.A.
URN/58/2020	28 May 2020	to approve the Solvency and Financial Condition Report of the

Resolution number	Resolution date	Subject matter of the resolution:
URN/59/2020	28 May 2020	Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2019 to extend, for the years 2021-2022, with an option of extension till 2023, of the order for KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa for review and audit of the standalone financial statements of PZU SA and the consolidated financial statements of the PZU SA Group
URN/60/2020	25 June 2020	to give consent for the acting President of the PZU SA Management Board Beata Kozłowska-Chyła to assume a function in the Supervisory Board of Grupa LOTOS S.A. with its registered office in Gdańsk
URN/61/2020	25 June 2020	to rectify the consolidated text of PZU SA's Articles of Association adopted by Supervisory Board Resolution No. URN/90/2019 of 8 October 2019
URN/62/2020	2 July 2020	to pay part (tranche) I of Deferred Variable Compensation for the 2018 financial year to Maciej Rapkiewicz
URN/63/2020	2 July 2020	to pay part (tranche) I of Deferred Variable Compensation for the 2018 financial year to Małgorzata Sadurska
URN/64/2020	2 July 2020	to pay part (tranche) I of Deferred Variable Compensation for the 2018 financial year to Paweł Surówka
URN/65/2020	2 July 2020	to pay part (tranche) I of Deferred Variable Compensation for the 2018 financial year to Roger Hodgkiss
URN/66/2020	2 July 2020	to pay part (tranche) I of Deferred Variable Compensation for the 2018 financial year to Tomasz Kulik
URN/67/2020	2 July 2020	to assess the performance of Management Objectives for 2019
URN/68/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 23 October 2019 for Aleksandra Agatowska
URN/69/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 27 May 2019 for Adam Brzozowski
URN/70/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 27 May 2019 for Elżbieta Häuser-Schöneich
URN/71/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 18 April 2019 for Marcin Eckert
URN/72/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 7 August 2017 for Maciej Rapkiewicz
URN/73/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 7 August 2017 for Małgorzata Sadurska
URN/74/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 31 August 2017 for Paweł Surówka
URN/75/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 7 August 2017 for Roger Hodgkiss
URN/76/2020	2 July 2020	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 31 August 2017 for Tomasz Kulik
URN/77/2020	13 July 2020	to adopt the consolidated text of the Articles of Association of PZU SA
URN/78/2020	31 July 2020	amending Resolution No. URN/81/2017 on the policy for the selection of an audit firm to perform the audit

Resolution number	Resolution date	Subject matter of the resolution:
URN/79/2020	31 July 2020	amending Resolution No. URN/82/2017 on the policy for the provision of permitted non-audit services by the audit firm conducting the audit, by entities related to this audit firm and by a member of the audit firm's network
URN/80/2020	19 August 2020	to give consent to the extension of framework agreements for performance marketing services
URN/81/2020	09 September 2020	amending Resolution No. URN/1/2020 of the PZU SA Supervisory Board to approve the PZU SA and PZU Group Financial Plan for 2020
URN/82/2020	09 September 2020	to adopt a draft agreement to the management services contract concluded with Elżbieta Häuser-Schöneich on 27 May 2019
URN/83/2020	09 September 2020	to adopt a draft agreement to the management services contract concluded with Adam Brzozowski on 27 May 2020
URN/84/2020	09 September 2020	to give consent to conclude with S&P Global Ratings Europe Limited annex no. 6 to the agreement on making an assessment and assigning a financial strength rating and credit rating for PZU SA
URN/85/2020	09 September 2020	to initiate and conduct a recruitment procedure for PZU SA Management Board Members
URN/86/2020	09 September 2020	amending Resolution No. URN/30/2020 adopted by the PZU SA Supervisory Board to define the Management Objectives for PZU SA Management Board Members for 2020
URN/87/2020	09 September 2020	to give consent to the execution of a framework agreement on strategic partnership with the University of Warsaw
URN/88/2020	09 September 2020	regarding the Rules and Regulations of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Supervisory Board
URN/89/2020	09 September 2020	regarding the Rules and Regulations of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Management Board
URN/90/2020	09 September 2020	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for PZU SA Management Board Members
URN/91/2020	09 September 2020	to appoint a Management Board member Krzysztof Szypuła
URN/92/2020	09 September 2020	to appoint a Management Board member Małgorzata Kot
URN/93/2020	09 September 2020	amending the consent for Krzysztof Szypuła to assume a function in PZU Życie SA
URN/94/2020	09 September 2020	to give consent to the execution of a framework agreement on media activities with Sigma Bis S.A.
URN/95/2020	16 September 2020	to give consent to the execution of framework agreements with creative agencies providing ATL and digital services to PZU
URN/96/2020	16 September 2020	to give consent to placing an order for advisory services regarding defining the ultimate model of cooperation within the PZU insurance and banking group and obtaining management, client, income and cost synergies, to the framework agreement for the provision of advisory services entered into with The Boston Consulting Group sp. z o.o.
URN/97/2020	1 October 2020	to give consent for Marcin Eckert, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of DEVELIA S.A. with its registered office in Wrocław
URN/98/2020	14 October 2020	to give consent to the acquisition of shares in Armatura Kraków S.A. with its registered office in Kraków
URN/99/2020	14 October 2020	amending the consent to the placement of orders to selected framework agreements for marketing services
URN/100/2020	14 October 2020	to give consent to the execution of framework agreements with interactive agencies providing Internet marketing services to PZU
URN/101/2020	14 October 2020	to give consent to the placement of orders for the broadcast of commercials in an advertising campaign to encourage purchases and

Resolution number	Resolution date	Subject matter of the resolution:
URN/102/2020	14 October 2020	strengthen the intention to buy motor insurance to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to give lectures at the University College of Enterprise and Administration in Lublin
URN/103/2020	02 November 2020	to give consent to the execution of a Annex no. 1 to the Mandate Agreement to Provide Unfunded Credit Protection from Time to Time with Alior Bank Spółka Akcyjna
URN/104/2020	4 November 2020	to give consent to the placement of orders for the broadcast of commercials in the winter image advertising campaign
URN/105/2020	18 November 2020	to give consent to the placement of an order with Ernst & Young spółka z ograniczoną odpowiedzialnością Consulting sp. k. for consulting services under the M&A "Post" project
URN/106/2020	18 November 2020	to give consent to the placement of orders to a selected group of framework agreements for services regarding PZU's special events
URN/107/2020	18 November 2020	to give consent to the placement of orders to a group of framework agreements for advisory services regarding strategic consulting
URN/108/2020	18 November 2020	to give consent to the purchase of bonds issued by Bank Gospodarstwa Krajowego S.A. on behalf of the COVID-19 Response Fund and backed by the State Treasury of the Republic of Poland
URN/109/2020	18 November 2020	on the principles of investing funds in shares and ownership interests by PZU SA
URN/110/2020	18 November 2020	on the Rules and Regulations of the PZU SA Supervisory Board's Audit Committee
URN/111/2020	18 November 2020	regarding the rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee
URN/112/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Maciej Łopiński
URN/113/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Paweł Górecki
URN/114/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Robert Śnitko
URN/115/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Marcin Chludziński
URN/116/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Agata Górnicka
URN/117/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Robert Jastrzębski
URN/118/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Tomasz Kuczur
URN/119/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Elżbieta Mączyńska-Ziemacka
URN/120/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Krzysztof Opolski
URN/121/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Józef Wierzbowski
URN/122/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Member – Maciej Zaborowski
URN/123/2020	18 November 2020	regarding assessment of collective suitability of the PZU SA Supervisory Board
URN/124/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Audit Committee Member – Krzysztof Opolski
URN/125/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory Board Audit Committee Member – Marcin Chludziński
URN/126/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Supervisory

Resolution number	Resolution date	Subject matter of the resolution:
URN/127/2020	18 November 2020	Board Audit Committee Member – Robert Śnitko regarding assessment of individual suitability of a PZU SA Supervisory Board Audit Committee Member – Maciej Zaborowski
URN/128/2020	18 November 2020	regarding assessment of collective suitability of the PZU SA Supervisory Board Audit Committee
URN/129/2020	18 November 2020	regarding the Rules for assessment of suitability of the PZU SA Management Board
URN/130/2020	18 November 2020	regarding individual suitability of a PZU SA Management Board Member – Beata Kozłowska-Chyła
URN/131/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Ernest Bejda
URN/132/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Marcin Eckert
URN/133/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Małgorzata Kot
URN/134/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Tomasz Kulik
URN/135/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Maciej Rapkiewicz
URN/136/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Małgorzata Sadurska
URN/137/2020	18 November 2020	regarding assessment of individual suitability of a PZU SA Management Board Member – Krzysztof Szypuła
URN/138/2020	18 November 2020	regarding collective assessment of suitability of the PZU SA Management Board
URN/139/2020	16 December 2020	to give consent to the execution of framework agreements for performance marketing services
URN/140/2020	16 December 2020	to adopt the Procedure for periodic assessment of transactions executed by PZU SA with related parties on an arm's length basis in the ordinary course of business

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 2020

Full name of the Supervisory Board Member PZU SA	14.01	11-12.03	15.04	28.04	15.05	28.05	02.07	17.08	09.09	02.11	18.11	16.12
Marcin Chludziński	√	√	√	X	X	√	X	√	√	√	√	√
Paweł Górecki	√	X	√	√	√	√	√	√	√	√	√	√
Agata Górnicka	√	√	√	√	√	√	√	√	√	√	√	√
Robert Jastrzębski	√	√	√	√	√	√	√	√	√	√	√	√
Maciej Łopiński	√	√	√	√	√	√	√	√	√	√	√	√
Tomasz Kuczur	√	√	√	√	√	√	√	√	√	√	√	√
Elżbieta Mączyńska-Ziemacka	√	√	√	√	√	√	√	√	X	√	√	√
Alojzy Nowak	√	√	√	/	/	/	/	/	/	/	/	/
Krzysztof Opolski	√	√	√	√	√	√	√	√	√	√	√	√
Robert Śnitko	√	√	√	√	√	√	√	√	√	√	√	√
Józef Wierzbowski	/	/	/	/	/	√	√	√	√	√	X	√
Maciej Zaborowski	√	X	√	√	√	√	X	√	√	√	√	√

√ – present
 X – absence justified

Appendix to Resolution No. UKA/4/2021
adopted by the PZU SA Supervisory Board Audit Committee on 24 March 2021



(Appendix 3 to the PZU SA Supervisory Board report
on the activity of the PZU SA Supervisory Board as the Company's governing body ii

REPORT OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA SUPERVISORY BOARD AUDIT COMMITTEE ON THE ACTIVITY IN 2020

Warsaw, 24 March 2021

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 2020, the PZU SA Supervisory Board Audit Committee functioned in the following composition:

- 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.

On 21 April 2020, Mr. Alojzy Nowak tendered his resignation from the function of a Supervisory Board Member. Consequently, on 28 April 2020, the Supervisory Board established the following composition of the Audit Committee:

- 1) Krzysztof Opolski – Committee Chairperson,
- 2) Marcin Chludziński – Committee Member,
- 3) Robert Śnitko – Committee Member,
- 4) Maciej Zaborowski – Committee Member.

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. 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 2020, 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,
- 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 2020 to 31 December 2020, the Committee held 11 meetings on the following dates:

- 14 January 2020,
- 17 January 2020,
- 4 March 2020,

- 11 March 2020,
- 1 April 2020,
- 28 April 2020,
- 15 May 2020,
- 28 May 2020,
- 9 September 2020,
- 18 November 2020,
- 16 December 2020.

In the corresponding period, the PZU SA Supervisory Board held 12 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 Audyty 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 2020, the PZU SA Supervisory Board Audit Committee held its meetings in the following composition:

Name Audit Committee Member	14.01	17.01	04.03	11.03	01.04	28.04	15.05	28.05	09.09	18.11	16.12
Marcin Chludziński	√	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 2020, the Audit Committee addressed in particular the following issues:

- discussion of the risk report for Q4 2019 and for Q1-3 2020;
- discussion of the annual report on the Internal Audit Department's activity in 2019;
- discussion of the findings of external inspections conducted in PZU SA in 2019;
- discussion of the report on the Internal Audit Department's activity in Q4 2019 and Q1-Q3 2020;
- participated in the selection of an independent auditor to perform the service of reviewing the audit function;
- discussion of the results of independent external assessment of the work of internal audit and coordination of the group internal audit function by the Internal Audit Department, carried out by PwC Advisory;
- 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 the draft audit plan for 2021;
- discussion of the results of the annual and ad hoc own risk and solvency assessment, including results of the annual risk analysis and identification of key risks,
- information on the PZU Group Corrective Measures Plan.

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:

- 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);
- 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 on amending the Mandatory Insurance, Insurance Guarantee Fund and Polish Motor Insurers' Bureau Act and the Insurance and Reinsurance Activity Act;
- International Financial Reporting Standards 17 "Insurance Contracts" (IFRS 17);
- Act of 19 July 2019 on Amending Certain Acts to Reduce Payment Backlogs (the so-called Backlog Act);
- Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law;
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, entered into force;
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088;
- "Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee", as published by the Office of the Polish Financial Supervision Authority.

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 2020, 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 2019, and the Management Board report on the activity of the PZU Group and PZU SA in 2019, with the report on non-financial information;
- discussion on the preliminary results of PZU SA and the PZU Group for 2019, the H1 2020 and Q1-Q3 2020;
- 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 2019;
- discussion of the additional report for the Audit Committee;
- acceptance of the PZU SA Supervisory Board Audit Committee's report on its activity in 2019;
- 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 2019, the consolidated financial statements of the PZU SA Group for the year ended 31 December 2019, the Management Board Report on the activity of the PZU Group and PZU SA in 2019 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2019;
- issuance of a recommendation to extend, for the years 2021-2022, with an option of extension till 2023, of the order for KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa for review and audit of the standalone financial statements of PZU SA and the consolidated financial statements of the PZU SA Group;
- discussion of the amendment to the Financial Plan of PZU SA and the PZU Group for 2020;
- 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 2019;
- issuing recommendations to the Supervisory Board on the assessment of the solvency and

financial condition report of PZU SA Group for the year ended 31 December 2019;

- discussion, pursuant to the Best Practices, of the process of changes in PZU SA's financial reporting pertaining to: application of the accounting principles (policy), information systems in which the company's accounting ledgers are maintained and the ways in which they are interconnected, reporting duties, specifying the timing of performance of such duties, accounting ledger closing schedules and control procedures in place in the company.

As part of the extension for the years 2021-2022, with an option of extension till 2023, of the order for KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa for review and audit of the standalone and consolidated financial statements of the PZU SA Group, the PZU SA Supervisory Board Audit Committee focused, in particular, on issues associated with:

- organization of the audit process, in particular the approach to management of time and resources required to carry out the audit;
- the internal control system applied by the audit firm to assure the quality of the audit;
- the existing cooperation with the audit firm, in particular, whether areas indicating weaknesses of the audit firm in the audit process are identified.

These issues were discussed with the representatives of the audit firm and PZU SA.

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 2019 as well as the assumptions and plans concerning the audit of the financial statements for 2020 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. Additional questions pertained, in

particular, to issues associated with identified adjustments, in particular, whether any material adjustments influencing the reliability of preparation of the financial statements were identified, and whether areas in which it will be necessary to increase supervision or issue recommendations were identified. In the audit conclusions for 2020 the audit firm did not formulate any recommendations.

In addition, on 11 March 2020, 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 2019.

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 2019 and submitted declarations about their independence. Furthermore, each time the Audit Committee adopted resolutions on acceptance of permitted services to be provided by KPMG to PZU SA, PZU Życie SA and PZU Group companies. The Committee Members were assured that:

- KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k., member firms of 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 2019 to 31 December 2019, 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 § 17 sec. 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.

Chairperson
PZU SA Supervisory Board Audit Committee

Krzysztof Opolski

