

Attachment to Resolution No. URN/88/2022
adopted by the PZU SA Supervisory Board on 01.06.2022



**PZU SA SUPERVISORY BOARD'S REPORT ON THE
ACTIVITY OF THE PZU SA SUPERVISORY BOARD
AS A CORPORATE BODY IN 2021**

I. Composition of the Supervisory Board

As at 1 January 2021, the following persons sat on the PZU SA Supervisory Board:

- 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 7 June 2021, Maciej Łopiński submitted his resignation from serving on the PZU Supervisory Board. On 16 June 2021, the PZU SA Shareholder Meeting appointed Paweł Mucha to the Supervisory Board. On 16 June 2021, the Supervisory Board elected Paweł Mucha to the position of the Supervisory Board Chairman. Accordingly, the composition of the PZU SA Supervisory Board was as follows:

- Paweł Mucha – 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 11 October 2021 Tomasz Kuczur tendered his resignation. On 12 October 2021, the PZU SA Shareholder Meeting appointed Radosław Sierpiński to the Supervisory Board. Consequently, as of 12 October 2021 the composition of the PZU SA Supervisory Board was as follows:

- Paweł Mucha – 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,
- Radosław Sierpiński – Supervisory Board Member,
- Elżbieta Mączyńska-Ziemacka – Supervisory Board Member,
- Krzysztof Opolski – Supervisory Board Member,
- Józef Wierzbowski – Supervisory Board Member,
- Maciej Zaborowski – Supervisory Board Member.

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 Paweł Mucha, Elżbieta Mączyńska-Ziemacka, Krzysztof Opolski, Józef Wierzbowski, Maciej Zaborowski, Robert Śnitko and Robert Jastrzębski.

As at 31 December 2021, 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 fourteen meetings on the following dates:

- 18 January 2021,
- 10 February 2021,
- 15 March 2021,
- 24-25 March 2021,
- 7 April 2021,

- 12 May 2021,
- 26 May 2021,
- 7-10 June 2021,
- 15-16 June 2021,
- 20 July 2021,
- 25 August 2021,
- 7-11-12 October 2021,
- 17 November 2021,
- 15 December 2021

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 142 resolutions, including 7 resolutions by circulation (the list of resolutions forms Attachment 1 to this Report).

Most resolutions of the Supervisory Board – with the exception of Resolution Nos. URN/37/2021, URN/38/2021, URN/49/2021, URN/50/2021, URN/65/2021, URN/66/2021, URN/67/2021 and URN/106/2021 – 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 official duties. 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 2021, 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 2021 were sent to PZU SA Management Board members, PZU Group Directors, 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 to secure 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 2021, 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 activities, 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 2021:

- 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 2021,
- ongoing monitoring of the implementation of the financial plan of PZU SA and the PZU Group for 2021,
- monitoring the implementation status of the PZU Group Strategy “#PZU Potential and growth – We care about the most important things in life. PZU Group Strategy in 2021-2024
- appointment of the Company's Management Board Members,
- suitability assessment of Management Board Members;

- assessment of PZU SA's consolidated financial statements for the year ended 31 December 2020 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 2020 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 2020 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 2020 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 2020, the Consolidated Financial Statements of the PZU SA Group for the year ended 31 December 2020, the Management Board Report on the Activity of the PZU Group and PZU SA in 2020 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2020,
- approval of PZU SA's Solvency and Financial Condition Report (SFCR),
- approval of the PZU Group's Solvency and Financial Condition Report (SFCR),
- approval of the PZU Group's Risk Management Strategy,
- extension of the agreement with an audit firm to review and audit the financial statements of PZU SA and the PZU SA Group 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 2020,
- ongoing monitoring of the execution of strategic projects,
- ongoing risk monitoring, including the level of the actuarial risk, market risk, credit risk, operational risk and compliance risk
- ongoing investment activity monitoring,
- monitoring of acquisition projects, which includes making relevant decisions,
- approval of answers provided in the SREP questionnaire,
- in connection with the changes in the PZU SA Supervisory Board – electing the Supervisory Board Chairperson and establishing the

composition of the Nomination and Compensation 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 18 November 2020 on Electronic Service;
- revision of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);
- International Financial Reporting Standard 17 "Insurance Contracts" (IFRS 17);
- 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;
- 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 2021, 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 2021, the PZU SA Supervisory Board's Audit Committee functioned in the following composition:

- 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 2021, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

In the reporting period, i.e. from 1 January 2021 to 31 December 2021, the Committee held 11 meetings on the following dates:

- 18 January 2021,
- 15 March 2021,

- 24 March 2021,
- 7 April 2021,
- 12 May 2021,
- 26 May 2021,
- 7 June 2021,
- 25 August 2021,
- 7 October 2021,
- 17 November 2021,
- 15 December 2021

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 2021 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 2021, 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.

On 7 June 2021, Maciej Łopiński submitted his resignation from serving on the PZU Supervisory Board. On 16 June 2021, the Supervisory Board appointed Paweł Mucha to the Committee. Accordingly, from 16 June 2021, 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,

- Elżbieta Mączyńska-Ziemacka – Committee Member,
- Paweł Mucha – Committee Member.

On 11 October 2021 Tomasz Kuczur tendered his resignation from serving on the Supervisory Board. On 12 October 2021, the Supervisory Board appointed Radosław Sierpiński to the Committee. Accordingly, from 12 October 2021, the Nomination and Compensation Committee composition was as follows:

- Robert Jastrzębski – Committee Chairman,
- Paweł Górecki – Committee Member,
- Agata Górnicka – Committee Member,
- Elżbieta Mączyńska-Ziemacka – Committee Member,
- Paweł Mucha – Committee Member,
- Radosław Sierpiński – Committee Member.

As at 31 December 2021, the composition of the Nomination and Compensation Committee was unchanged.

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

- 10 February 2021,
- 12 May 2021,
- 26 May 2021,
- 7-10 June 2021,
- 15-16 June 2021,
- 20 July 2021,
- 25 August 2021,
- 7-11-12 October 2021,
- 15 December 2021

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.

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

The Supervisory Board states that in 2021 it was not obligated to perform any actions following

V. Compliance with reporting and information obligations

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

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

In 2021, the net profit attributable to the shareholders of the PZU Group's parent company was PLN 3,336 million, compared to PLN 1,912 million in 2020 (up 74.5%). Net profit reached PLN 5,434 million, i.e. PLN 2,904 million more than in 2020, and profit before tax stood at PLN 7,454 million, compared to PLN 4,058 million the year before.

IN 2021, decisions of the PZU SA Supervisory Board Nomination and Compensation Committee were made in the form of opinions and recommendations which were in each case submitted to the Company's Supervisory Board.

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 2021, the composition of the PZU SA Supervisory Board Strategy Committee was as follows:

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

As at 31 December 2021, the composition of the Strategy Committee was unchanged.

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

- 10 February 2021,
- 15 March 2021,
- 24 March 2021,
- 7 April 2021,
- 7 October 2021,
- 17 November 2021

In 2021, 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.

from the resolutions of the PZU SA Shareholder Meeting.

it by the applicable laws were timely fulfilled throughout 2021.

The net result rose 27.3% compared to last year, net of non-recurring events.

Operating profit in 2021 was PLN 7,469 million, up PLN 84.1 million compared to the result in 2020.

Operating profit was driven in particular by the following:

- higher gross written premium, especially in non-motor insurance and MOD insurance in the mass client segment and corporate client

segment, individual protection products in the bancassurance channel, and growth of sales in the Baltic companies, including property, MOD and health insurance products;

- increased valuation of shares in a logistics company following its IPO;
- poorer performance of the banking business. Last year, there was a one-off effect of the impairment losses on goodwill arising from the acquisition of Alior Bank (PLN 746 million) and Bank Pekao (PLN 555 million) coupled with a lower than last year costs of risk stemming from the recognition of additional provisions for expected credit losses;
- lower profitability in group and individually continued insurance, on account of the increased loss ratio due to deaths of the insured and co-insured in the group protection portfolio and in continued insurance;
- higher result in individual insurance achieved on a growing protection products portfolio in the bancassurance channel and term products sold in the own network, as well as higher insurance activity expenses;
- lower profitability in the mass insurance segment, which was an effect of a lower net earned premium, combined with higher loss ratio in motor insurance and higher acquisition expense ratio;
- lower operating result in the corporate client segment, which is an outcome of a decrease in motor insurance profitability, coupled with a lower loss ratio in the non-motor insurance portfolio, including natural catastrophe insurance, third party liability insurance, and insurance against various financial risks.

In the individual operating result items, the PZU Group posted:

- increase in gross written premium by 5.1% to PLN 25,080 million. It concerned mainly non-motor insurance, including insurance against fire and other damage to property in the corporate client segment, as a consequence of renewal of a long-term high-ticket contract and a higher premium written under a contract with a client from the fuel and energy sector, as well as other TPL and ADD insurance and other insurance in the mass client segment, including mainly accident insurance added to mortgage and cash loans thanks to the development of sales in cooperation with the Group's banks. At the same time, a higher premium was posted in MOD insurance in both segments, which is an effect of the gradual revival of new automobile sales after the slowdown caused by the COVID-19 pandemic. In life insurance, the higher sales are attributable to

individual protection products in the bancassurance channel; the growth of sales in the Baltic companies was generated by property, MOD and health insurance products. Allowing for the reinsurers' share and movement in the provision for unearned premiums, the net earned premium was PLN 23,232 million, and was 0.9% higher than in 2020;

- increase by 24.3% in investment income which, after factoring in the interest expenses, amounted to PLN 9,137 million, as compared to PLN 7,352 million in 2020. Growth was posted in investment income from banking activity. In banking activity, the increase in profit was triggered by the lower costs of risk due to last year's establishment of additional loan provisions for the anticipated deterioration in the quality of the loan portfolio in Bank Pekao and Alior Bank. Concurrently, interest income of both banks fell y/y as a result of the low level of interest rates persisting in the first three quarters. Income on investing activity, excluding banking business, fell by 1.6% as compared to the previous year, as an outcome of a lower investment activity result earned on the portfolio of assets held to cover investment products, offset by a better result on listed equities, in particular the higher valuation of the logistics company as a result of its listing on the stock exchange. The positive effect was also enhanced by the high result on the real property portfolio. Lower investment results of the portfolio of assets held to cover the investment products alone do not affect the PZU Group's overall net result, because they are offset by the movement in net insurance claims and benefits;
- the higher level of claims and benefits paid, which amounted to PLN 15,731 million, i.e. 1.0% more than in 2020. This growth was attributable primarily to life insurance, as a result of the increase in benefits for the insureds' and co-insureds' death in 2021, which is correlated with the frequency of these events in the overall population according to the data published by Statistics Poland (GUS);
- acquisition expenses higher by 7.7%, having increased to PLN 3,572 million, from PLN 3,317 million in 2020. This increase is mainly attributable to the modification in the product and sales channel mix, including a higher share of the multiagency and bancassurance channels in the mass client segment.
- increase of administrative expenses by 3.5% to PLN 6,826 million, from PLN 6,597 million in 2020. In the banking activity segment (net of adjustments on account of valuation of assets and

liabilities to fair value), administrative expenses increased by PLN 295 million; in the insurance activity segments in Poland, administrative expenses increased by PLN 45 million, which resulted from, among others, increased personnel costs associated with the payroll pressure and real property maintenance expenses resulting from the indexation of lease hire rents and costs of utilities;

- movement in the negative balance of other operating income and expenses – to PLN 2,315 million, compared with PLN 3,990 million in 2020. This resulted mainly from the non-recurring effects from last year – i.e. the impairment loss on goodwill arising from the acquisition of Alior Bank (PLN 746 million) and Bank Pekao (PLN 555 million), the impairment loss on assets arising from the acquisition of Alior Bank (i.e. trademark and relations with clients) in the amount of PLN 161 million, and the decrease of the BFG contribution from PLN 541 million in 2020 to PLN 396 million in 2021, respectively. At the same time, the burden related to the levy on financial institutions increased (the outcome of growth of the value of assets subject to the levy, and not the rate of the levy).

Drivers and atypical events affecting the results

In 2021, a higher result on investing activity was recorded owing to the IPO of a logistics company held in the portfolio of a mutual fund managed by TFI PZU. The increase in revenue driven by this event was PLN 485.3 million in 2021.

As for continued and group insurance, the technical rate applied to the calculation of life insurance provisions was reduced to 1.5% in June 2020. Previously, it was between 1.5% and 3%, depending on the date of execution or modification of the policy. Moreover, the PZU Group updated the assumptions on the portfolio behavior in connection with the mortality of the insured and the probability of the insured's having co-insureds, to prevent the growing mismatch relative to the previously adopted assumptions. The Group also modified its method of calculating provisions for the group insurance portfolio, by adopting an individual approach instead of the hypothetical portfolio structure.

PZU SA

In 2021, the issuer (PZU) recorded a technical result of PLN 1,269 million, compared to PLN 1,533 million in 2020, a drop by 17.2%. Net profit was PLN 2,028 million, up 5.7% relative to PLN 1,919 million generated in the previous year. Disregarding the dividends received from PZU Życie, PZU's net profit was PLN 814 million, and

was by PLN 226 million, i.e. 38.5% higher compared to 2020.

As regards the individual net result items, PZU recorded:

- increase in gross written premium to PLN 13,389 million, or 6.8% more than in the previous year. This was due to the higher premium in insurance against fire and other damage to property (impact of the renewal of several large contracts and improved sales of crop insurance) as well as motor, accident and sickness insurance. After the reinsurers' share and movement in the provision for unearned premiums, net earned premium was PLN 11,917 million and was 1.2% lower than in 2020;
- lower level of claims and benefits - amounting to PLN 7,356 million, which means a fall by 2.2% compared to 2020. The most significant change, that is the drop in insurance against fire and other damage to property and motor third party liability insurance, was partially offset by the greater value of losses, including in assistance and motor own damage insurance;
- net investment result up at PLN 1,558 million (by 41.3% in comparison to 2020), as a result of improved performance reported by subsidiaries;
- acquisition expenses higher by PLN 113 million, or 4.7%, compared to 2020, including reinsurance commissions, as a consequence of the growing insurance portfolio and the high share of bancassurance and multiagency channels in the sales structure, characterized by higher commission rates;
- administrative expenses down by 0.3% – from PLN 725 million in 2020 to PLN 723 million in 2021, suppressed by the lower costs of protective and preventive related to the COVID-19 pandemic (compared to the initial expenses in the first year of the pandemic) and intensification of marketing activities.

Rating

Since 2004, the main companies of the PZU Group, i.e. PZU and PZU Życie have been subject to regular reviews by the rating agency of S&P Global Ratings (S&P). The rating assigned to PZU and PZU Życie results from an analysis of financial data, competitive position, management and corporate strategy of both companies as well as the sovereign rating. It also includes a ratings outlook, or an assessment of the Company's future position in the event that specific circumstances occur.

In the most recent update of the rating dated 3 November 2021, S&P affirmed the financial strength and credit strength ratings for PZU and its

main subsidiaries at “A-”. The rating remained unchanged (stable). In its justification, the agency pointed to a good growth outlook and a stable capital position.

Capital policy and solvency

On 25 March 2021 the PZU Supervisory Board adopted a resolution to approve the PZU Group’s Capital and Dividend Policy for 2021-2024. The adopted policy is a continuation of the capital management principles set forth 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 PZU and PZU Group’s dividend 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.

As at the end of Q3 2021, the estimated solvency ratio (calculated according to the standard Solvency II equation) for the PZU Group was 229% and remained above the average solvency ratio reported by insurance groups in Europe.

As at the end of 2021 the audited “Solvency II” ratio for PZU SA was 247%.

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. Its purpose 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 ICS 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.

The following elements are distinguished within the ICS:

- control function aiming at ensuring compliance with control mechanisms concerning, in particular, risk management in the Company;
- independent compliance cell (Compliance Department – BCM) whose purpose is to execute the compliance function and to ensure systemic solutions with regard to efficiency and effectiveness of the ICS;
- independent internal audit cell (Internal Audit Department – BAW) whose purpose is to carry out independent and objective assessment and evaluation of adequacy and effectiveness of the internal control system and other elements of the system of governance.

The ICS is built on the basis of the said elements and is based on a model of three independent and complementary levels, i.e. three lines of defense, where:

- the first line of defense is comprised of activities of business processes owners, encompassing the operational management of risk associated with the Company's operations and processes carried out as part of those operations;
- the second line of defense is comprised of activities of the Compliance Department and risk management by other specialized business units specified in internal regulations on risk management and dealing with risk identification, measurement, monitoring and reporting and controlling the limits;

- the third line of defense is provided by activities of the Internal Audit Department.

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

- oversight exercised by the Supervisory Board;
- activities of the Management Board, including the establishment of an adequate and effective internal control system and periodic assessment of the functioning of the ICS;
- 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 ICS.

The head of the respective organizational division/unit/cell is responsible for the deployment of an effective Internal Control System in the supervised area of the companies' activity, in particular for designing and ensuring efficient operation of control actions as integral components of operating processes.

An element of the ICS adopted by PZU is the compliance function supervised by the Director of the Compliance Department. The appointment and dismissal of the Director of the Compliance Department must be consulted with the Audit Committee. The Director of the Compliance Department has direct access to the Company's Management Board Members and Supervisory Board Members, and representatives of the Compliance Department participate in meetings of selected committees established within the Company's structure.

The PZU Group's ICS has been developed at the leading entity (i.e. PZU) level and is applicable to all members of the Group, in consideration of their distinct nature, proportionality and adequacy. With regard to regulated entities existing within banking groups, the internal control system has been designed at the level of each of these groups, taking into account the applicable sectoral regulations.

As part of its cooperation with PZU Group entities, PZU analyzes information that it receives regularly from these entities concerning the organization of the internal control system, internal control conducted and evaluation of the internal control system, in order to improve unified standards for the operation of an effective internal control system.

The appointment of the Audit Committee has served the purpose of increasing the effectiveness of supervisory activities performed by the Supervisory Board with regard to the monitoring of financial reporting processes.

The Committee's tasks associated with monitoring the financial reporting process and the provision of advisory and evaluation services include, in particular:

- tentative evaluation of the Management Board's report on the activity of the Company and the Company's annual financial statements;
- tentative evaluation of the Management Board's report on the activity of the Company's group and the annual consolidated financial statements of the Company's group;
- tentative evaluation of all financial documents submitted to the Supervisory Board, in particular an annual financial plan prepared by the Management Board and a report on its implementation;
- issuing opinions on the core principles of the financial reporting and accounting system in place in the Company (including the criteria for consolidation of results of individual entities from the Company's group);
- providing the Supervisory Board with conclusions and recommendations concerning the rationale for any modification of the financial reporting system in place in the Company and the Company group and informing the Supervisory Board about significant irregularities in such system or risks associated with its organization and operation, known to the Committee.

The Audit Committee presents recommendations regarding the selection of an audit firm to perform the audit and review of the financial statements to the Supervisory Board.

A statutory auditor appointed by the PZU Supervisory Board upon a recommendation of the Audit Committee, reviews interim standalone and consolidated financial statements, audits annual standalone and consolidated financial statements and annual solvency and financial condition reports required by the Solvency II Directive (for PZU and the PZU Group).

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" and the rules set forth in the "Best Practice for GPW Listed Companies 2021", an independent auditor reviews the PZU SA's internal audit function at least once every five years. The selection of the auditor to carry out such a review is conducted with the participation of the Supervisory Board Audit Committee.

In 2021, audits at PZU SA were conducted on the basis of an 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 on-going 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 2021, 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 key entities of the PZU Group. As in the previous years, on the basis of cooperation agreements, the internal audit function obtains information regarding the adequacy and effectiveness of their risk management and internal control systems.

In 2021, the Company had in place a risk management system suitable for the scale of its activity and 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. Additionally, 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.

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

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, in particular in respect to capital requirements. The cooperation agreements and the scope of information to be provided take into consideration the specific legal nature of each entity concerned, including limitations arising from banking secrecy rules.

Effective risk management at the PZU Group level is ensured by the additional recommendation issued by PZU SA (as the parent company) regarding the organization of the risk management system in its insurance and banking sector subsidiaries. Guidelines regulating precisely the various risk management processes in PZU Group companies are also in place.

The management boards of PZU Group companies are responsible for fulfilling their own duties in accordance with the generally applicable provisions of national and international law. In particular, they are responsible for the implementation of an adequate and effective risk management system.

Supervision over the risk management systems in various regulated entities is exercised by the supervisory boards to which PZU SA appoints its representatives.

The PZU SA Supervisory Board recommends that the PZU SA Ordinary Shareholder Meeting grant a discharge to all members of the PZU SA Management Board on the performance of their duties in 2021, specifically to:

- Beata Kozłowska-Chyła, President of the Management Board,
- Ernest Bejda, Management Board Member,
- Marcin Eckert, Management Board Member,
- Krzysztof Kozłowski, 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.

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 the Ordinary Shareholder Meeting of PZU SA held on 30 June 2015. The Ordinary Shareholder Meeting of PZU SA declared that, acting within its powers, it will be guided by the Rules, except for certain specific ones waived by the Ordinary Shareholder Meeting of PZU SA.

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

PZU SA complies with the following rules partially:

- 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 emphasized that currently the 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 Ordinary Shareholder Meeting of PZU SA 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."
 - a waiver of the rule was justified by the incomplete privatization process of the Company by the State Treasury; in practice, in accordance with the applicable law, including the Commercial Company Code, all rights vested in shareholders are reflected in the Company's Articles of Association and are always justified; an example includes § 20 sec. 7 of the Articles of Association, which grants State Treasury the right to appoint and dismiss one Supervisory Board member. This right vested in the State Treasury was justified during the Company's privatization period, while according to the Articles of Association this right will expire when the State Treasury ceases to be a shareholder in the Company;
- 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."
 - a waiver of the rule was justified by the incomplete privatization process of the Company by the State Treasury; the decision to apply this principle should be adopted by Company's shareholders while taking into account the provisions of the generally

applicable law, in particular Article 301 § 4 and 5 of the Commercial Company Code, which stipulates that shareholders are only obliged to make the performances set forth in the articles of association and are not liable for the company's liabilities.

- 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."

- a waiver of this rule in respect to the compensation policy for persons holding key functions (i.e. other than the Management Board and the Supervisory Board) 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 is subject to assessment by such persons' employer or principal, i.e. the Company represented by the Management Board and supervised by the Supervisory Board.

According to Article 90g of the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies of 29 July 2005, a company's supervisory board is obligated to prepare every year a report on compensation of management board and supervisory board members. The first report on compensation of Management Board and Supervisory Board members covered the years 2019 and 2020 (pursuant to Article 36 of the Act of 16 October 2019 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and

on Public Companies) and was accepted by resolution of the Shareholder Meeting of PZU SA no. 32/2021 of 16 June 2021.

The Compensation Policy for the PZU SA Management Board and Supervisory Board Members adopted by Resolution No. 36/2000 adopted by the Shareholder Meeting on 26 May 2020 is reviewed by the Company's Management Board once a year and a report describing the status of the performance of the Policy and recommended amendments to the Policy, if necessary, is presented to the Supervisory Board. Moreover, an obligation

has been introduced to adopt a Shareholder Meeting resolution regarding the Policy no less frequently than every 4 years.

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 an affiliate;
- 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 application of corporate governance principles and the method of fulfillment of disclosure obligations related to their application as set forth in the Regulations of the Warsaw Stock Exchange and in the provisions of law concerning current and periodic information to be provided by securities issuers, along with information on the activities undertaken by the Supervisory Board to make such assessment

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.

By 1 July 2021 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.

On 1 July 2021, the document entitled “Best Practice of GPW Listed Companies 2021” (“DPSN 2021”) came into effect after being adopted by a resolution of the WSE Supervisory Board of 29 March 2021.

In connection with the coming into force of the “Best Practices of WSE Listed Companies 2021” on 1 July 2021, PZU applies all the rules included in that document, with the exception of:

- Rule 2.1., according to which the Company should have in place a diversity policy applicable to the management board and the supervisory board, approved by the

supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals; with regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

- Rule 2.2., according to which decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.
- Rule 2.11.6., according to which the supervisory board report should contain information regarding the degree of

implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in rule 2.1.

In respect to the above rules, PZU SA notes that in the reporting period, it had no diversity policy in place in respect to age and gender for the Company's Management Board and Supervisory Board, adopted by the Company's Supervisory Board and Shareholder Meeting, respectively, however it has taken action to develop and adopt such documents.

PZU SA points out the following issues:

- on 23 March 2022, the PZU SA Supervisory Board adopted a resolution in the matter of the Diversity Policy for members of PZU SA's corporate bodies, on the basis of which it adopted the Diversity Policy for the PZU SA Management Board and issued a positive opinion on the motion to the PZU SA Shareholder Meeting to adopt a resolution on the Diversity Policy for the PZU SA Supervisory Board. The Diversity Policy for the PZU SA Supervisory Board will come into effect when it is adopted by the PZU SA Shareholder Meeting;
- this Report contains information on the diversity policy for the PZU SA Management Board and Supervisory Board, where the information on the degree, to which the policy is fulfilled with regard to the goals referred to in principle 2.1 of DPSN, since there is no policy to cover all the elements specified in the above rule, which was in effect in 2021, will be presented in the report for the next reporting period;
- information on the diversity of the Management Board and the Supervisory Board in terms of age and gender in 2021 was presented in the Report concerning non-financial information on the PZU Group and PZU SA for 2021, which is available on the Company's website.
- the gender diversity condition for the minority share of no less than 30% is satisfied in the PZU SA Management Board;
- PZU SA has applied best practices promoting diversity and is committed to equal treatment of its employees; moreover, the issues related to activities aimed at ensuring gender equality, appropriate working condition and respect for employee rights are regulated in the Human Rights Policy in the PZU Group adopted by a resolution of the PZU SA Management Board;

- as regards qualifications and requirements for those occupying positions in management and supervisory bodies, PZU SA in particular takes into account the legal criteria for education and professional experience adequate to the functions discharged on such positions in the entity conducting insurance activity.
- Management Board and Supervisory Board Members are selected for the new term of office in compliance with the principles of equal access of men and women to positions in the company's statutory bodies. The composition of the PZU SA Management Board and Supervisory Board also addresses the need of age diversification among their Members;
- implementation of this rule in respect to criteria such as: education, knowledge and experience, is effected pursuant to the Rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee adopted by the PZU SA Shareholder Meeting and the Rules for assessment of suitability of PZU SA Management Board members adopted by resolution of the PZU SA Supervisory Board. Information on the assessment of PZU SA Supervisory Board members and candidates for PZU SA Supervisory Board members is presented to the PZU SA Shareholder Meeting.

Furthermore, PZU SA does not apply:

- Rule 4.1. according to which the Company should enable their shareholders to participate in a general meeting by means of electronic communication (e-meeting) if justified by the expectations of shareholders notified to the company, provided that the company is in a position to provide the technical infrastructure necessary for such general meeting to proceed.

With respect to this rule, PZU SA notes that the shareholders of PZU have not notified the Company of any expectations regarding the need and rationale for organizing an e-Shareholder Meeting. Moreover, PZU SA believes that there are many technical and legal factors that may affect the proper course of the shareholder meeting if an e-Shareholder Meeting is introduced. 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.

On 27 July 2021, PZU SA published Information on the progress of application of the rules included in DPSN 2021 ("Information") in performance of the obligation set forth in § 29 sec. 3 of the WSE Rules. The Information is available on PZU SA's website in the "Investor relations" section.

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 principle in an incidental manner, in accordance with § 29 section 3a of the WSE Rules. If the declared application of the DPSN 2021 rules changes, PZU SA will publish a revised Information in accordance with the WSE Rules and will post it on its website.

The level and manner of fulfillment of the rules included in DPSN 2021 are monitored continuously and on an ongoing basis and, if necessary, action is taken to ensure compliance with them to the fullest extent and in an unquestionable manner. The Company has in place appropriate mechanisms to monitor compliance with these rules and to publish information specified in the WSE Rules if necessary.

The declarations of compliance with the corporate governance principles adopted by the Supervisory

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. The Compensation Policy was revised in 2021. In particular, the revision of the Compensation Policy added provisions defining the ESG Strategy and pointing to the evaluation of fulfillment of ESG Strategy objectives as one of the criteria affecting the level of variable compensation. The Compensation Policy comprises all internal regulations that define the compensation principles, dedicated to specific employee groups or specific employees, which are established in

Board of the Warsaw Stock Exchange are included in the Bylaws of the PZU SA Management Board and Supervisory Board.

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 2021, a corporate governance statement forming a separate part of the Report. The statement contains all the elements specified in § 70 sec. 6 item 5 of the Regulation. The PZU SA Supervisory Board has issued a positive opinion on the Statement

Considering the above, the Supervisory Board of PZU SA hereby issues a positive assessment on the scope of application of DPSN 2021 by PZU SA and the wording of the clarifications published by the Company in this respect. Additionally, 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.

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.

In addition, on 26 May 2020, the PZU Ordinary Shareholder Meeting in its Resolution No. 36 adopted the Compensation Policy for Members of the PZU SA Management Board and Supervisory Board. The obligation to adopt such policy by the Shareholder Meeting arose under Article 36 of the Act of 16 October 2019 Amending the Act on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies and Certain Other Acts. 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 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, 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 employer's initiative,
 - 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 and the 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 2021

- 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 2021, 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 2020 and setting the Management Objectives for 2021. The Committee also issued a recommendation to the Supervisory Board regarding the adoption of the PZU SA Supervisory Board

X. Assessment of the rationale for expenditures made by the Company and the PZU Group to support culture, sports, charitable institutions, the media, social organizations, trade unions, etc.

The Supervisory Board has assessed that expenditures made by PZU SA and by the PZU Group to support culture, sports, charitable institutions, the media, social organizations, trade unions and similar in 2021 were made reasonably. The Supervisory Board believes that the activities undertaken in 2021 build a positive image of the PZU brand and strengthen its good reputation, which consequently translates into satisfaction of stakeholders: clients, shareholders and employees.

Social commitment of PZU is a permanent element of its business model, based on a comprehensive and organized approach to sponsorship, prevention or volunteering. It means that we recognize the importance of these issues not only from the viewpoint of business ethics and the perception of the PZU brand, but also believe that it is key to achieving effective business performance. In view of the pace of social and economic changes, we have decided to incorporate these actions into our new business strategy for 2021-2024. Our ambition is, among others, for our activities in the area of safety and sustainable lifestyle to reach 15 million beneficiaries every year.

Prevention activities

Report on compensation for the PZU SA Management Board and Supervisory Board Members for 2019–2020.

- In 2021, supervision over the implementation of the Compensation Policy was exercised by:
 - The Company's Shareholder Meeting, in the case 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 2021, 9 regular meetings of the Nomination and Compensation Committee of the PZU SA Supervisory Board were held.

In the opinion of the Supervisory Board, in 2021 the Company properly implemented the adopted Policy along with all compensation principles dedicated to individual groups of persons forming it.

For many years, safety has been the main theme of PZU's social commitment and contribution into the growth of local communities. However, the changing circumstances and the COVID-19 pandemic has caused that, in 2021, great emphasis was placed on the second key area of social engagement, i.e. promotion of healthy and active lifestyle.

Over PLN 6.2 million was earmarked to counter the effects of the pandemic. The funds were used to provide medical equipment, means of personal protection as well as disinfection equipment and substances to medical centers, including medical rescuer services. The hospitals, which reported the need to continue to use the bands providing remote monitoring of patients' vital signs, received in 2020, were able to use them in 2021 as well. Transport support for medical centers also continued and 73 vehicles were made available for 57 centers across the country. As part of the support for the Support the Senior hotline launched in 2020, in 2021 the hotline consultants received 22.1 thousand calls and the whole National Vaccination Program Hotline handled nearly 521 thousand calls.

In the healthy lifestyle promotion area, the Road to Health With PZU project was implemented in 2021.

From 4 June to 29 August, the *health zones* arranged on dedicated truck trailers visited 14 cities in Poland where these mobile doctor's offices provided 6,000 medical tests and consultations. As the next stage, the nationwide disease prevention campaign #drogadozdrovia (#roadtohealth) was launched. Its purpose was to raise awareness of Poles that they themselves have a great deal of influence on their health. As part of this campaign, ads were broadcast on television, radio and Internet, a special website with expert material was launched and a contest was carried out in the social media in which the participants could share their ideas on their own road to health.

Starting in October 2021, the PZU Group in cooperation with TVP2 produced a preventive care series entitled "Start with health", in which experts answered questions about, among others, hypertension, respiratory problems, cancers, diseases of affluence, or mental disorders. The show also provides advice on how to take care of one's health on an everyday basis, and how to handle stress.

PZU also responds to challenges related to the protection of mental health, by financing an educational and assistance Internet platform, operated by the Polish Suicidological Society, addressed to persons in suicidal crisis and their relatives and friends. Through crisis interventions or rehabilitation and rest vacation packages it provides psychological support and professional help also for families struggling with trauma caused by an accident or cancer.

Continuing its many-year history of activities in healthy lifestyle and regular physical activity promotion, in June 2021 PZU inaugurated the PZU Good Team project, whose aim is to support sports for children and young people, including sports activities for persons with disabilities.

In 2021, under the prevention campaign Helping is Power, PZU co-financed 58 local projects in the area of health protection and better safety. The slogan of the campaign is "Healthy and Safe Family". Almost 1,400 project applications were received, out of which 816 were qualified after a substantive evaluation. As a result, PZU earmarked over PLN 987 thousand on activities devoted to health protection, increasing safety or promoting a healthy lifestyle.

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, Voluntary Water Rescue Service and Voluntary Mazurian Rescue Service, cooperation with which was relaunched in 2021, the Company conducted joint educational efforts in the area of safe recreation and financed the purchase of rescue equipment.

In 2021, PZU allocated PLN 50,220,760 for preventive care activities. The expenditures made in 2021 from the PZU SA and PZU Życie SA prevention fund are justified, contribute to the mitigation of effects of insurable accidents and the risk of their occurrences. The funds spent on prevention activities, which are aimed, among others, at improving safety and protecting life and health are subject to regular evaluation of their effectiveness and are incurred in accordance with the guidelines issued by the regulator.

Strategic sponsorship activities were focused on supporting culture, national identity, expertise, sports, a healthy and active lifestyle, local communities and entrepreneurship. As part of these activities, PZU SA and PZU Życie SA implemented a total of 175 sponsorship projects.

On this account, the PZU Group incurred costs with a total gross amount of PLN 34,296,117.69, of which:

culture and art	4,604,510.49
science and education	893,630.32
sports	21,818,097.25
other	6,979,879.63

Out of that amount, PZU SA incurred total gross sponsoring costs of PLN 12,285,092.16, of which:

culture and art	1,827,402.25
science and education	363,471.46
sports	6,590,939.84
other	3,503,278.61

The most important and the largest new sponsorship project in 2021 was signing a partnership agreement with Iga Świątek, an international tennis star. The company also became a sponsor of, among others, the Academic Sports Association, the AMP Futbol Association, FKS Stal Mielec and, for the second time in a row, it sponsored Tour de Pologne.

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 major new cultural sponsorship project in 2021 was the cooperation with the Fryderyk

Chopin Institute and sponsoring the 18th International Chopin Piano Competition. The Company was also involved in a number of initiatives aimed at building the Polish identity and shaping patriotic attitudes. Among other things, it sponsored the translation and preparation of the academic edition of 8 Latin treatises as part of the Library of Old Polish Political Thought, but also the activity of the “Strzelec” Piłsudski Rifle Association or the Grand Poland Project Congress.

In 2021, the Company was present as a sponsor at major economic events, such as the Economic Forum in Karpacz, or Congress 590, where it had its promotional booths and took an active part in the substantive part of the events, as a sponsor of and with its representatives participating in panel discussions. As part of its sponsorship activities, the Company also supported numerous events for local and business communities, including the sponsorship of the “Gramy z Gestem” [Performing with Generosity] event.

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.

Commitment to the natural environment

In its ESG Sustainability Strategy for 2021-2024, PZU accepted the commitment and the role of a trusted partner of the green transition process. Environmental issues became an integrated part of the Company’s business strategy. The key document in this respect is the PZU Group’s Environmental Policy adopted in 2021. Additionally, the PZU Group’s “Green PZU” standard has been in operation in the organization since 2018. It was rolled out to ensure legal and more complete care for reducing the adverse environmental impact in direct business.

The mitigation of adverse environmental impact requires a focus on the reduction of consumption of materials, raw materials and electricity.

In 2021, action was taken to reduce scope 1 and 2 greenhouse gas emissions associated with combustion of fuels and consumption of energy. In order to achieve this, the fleet was expanded by 32 hybrid cars in 2021. The Group also continued its efforts aimed at reducing the consumption of heat and electricity and gas emission to the atmosphere. Following a replacement of worn-out gas boilers and a thermal modernization of buildings, the reduction of CO₂ emissions is estimated at 42 tons of CO₂ in 2021.

According to the commitment made in the ESG Strategy, PZU carried out the first offset of CO₂ emissions, to which it contributed in 2020. The offset was made by purchasing Carbon Dioxide Units (JDW) offered by State Forests. The funds from the purchase of JDWs – as indicated – will be used by State Forests to plant a forest in areas damaged by a cyclone in 2017. In the fall of 2021, State Forests and PZU volunteers planted the first 3,000 saplings. The cooperation with State Forest is a response to the fact that PZU’s largest direct environmental impact occurs where it conducts business activity and where its clients and partners operate. This is why the Company decided to carry out a local offsetting of the emissions, which is facilitated by State Forests. The offset of CO₂ emissions confirms that PZU implements its strategic declaration and strives towards climate neutrality.

Development of environmental awareness and responsible attitudes was supported by numerous educational initiatives among employees. In 2021 an educational campaign was organized to coincide with the European Sustainability Week. For 5 consecutive days, employees received a dose of knowledge on the Intranet portal. Educational materials were read by more than 1,000 employees. The Sustainability Week was accompanied by a contest entitled “SDG (Sustainable Development Goals) Challenge 2021”, or how PZU may stimulate sustainable development?”, in which employees were encouraged to come up with innovative business ideas. The contest was carried out via the Idea Generator, a platform for exchange of ideas and comments by PZU Group employees. 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.

By responding to the needs following from the burgeoning renewable energy market and living up to its strategic commitment as a “Trusted Partner in the Green Transition”, in 2021 PZU

marketed two new insurance policies for corporate clients. PZU Wind Power and PZU Solar Power are twin insurance products that protect wind and solar power plants in the event of a failure, damage or destruction. The new product - PZU Eko Energia is a solution, among others, for households, small and medium-sized enterprises and agricultural farms that use photovoltaic cells, solar thermal collectors or heat pumps to produce energy for their own needs.

PZU engages in initiatives promoting Poland's energy transition. In 2021 PZU joined the "Agreement for the Development of Offshore Wind Power in Poland" and the "Sector Agreement for the Development of the Hydrogen Economy". These projects have been initiated by the Ministry of Climate and Environment. They constitute a platform for intersector collaboration for Poland's economic development, enhancing the

XI. Information on the progress of implementation of the diversity policy applicable to the Management Board and the Supervisory Board

The Diversity Policy for Members of PZU SA Corporate Bodies, hereinafter referred to as the "Policy", in relation to the PZU SA Management Board, was adopted on 23 March 2022. The Diversity Policy for Members of PZU SA Corporate Bodies in relation to the PZU SA Supervisory Board will be presented to the Shareholder Meeting of PZU SA.

In accordance with the diversity criteria defined in the Policy, the PZU SA Supervisory Board and Management Board are diverse in respect to the key diversity criteria, i.e. the objective criteria concerning education, skills, specialist knowledge and professional experience. The objectives and criteria for diversity in such areas, as well as the timeframe and method of monitoring the achievement of those objectives are set out in the Rules for assessment of suitability of the PZU SA Supervisory Board, Audit Committee and Management Board, adopted respectively in resolutions of the PZU SA Shareholder Meeting and Supervisory Board.

The Shareholder Meeting and the Supervisory Board, when selecting the members of the Supervisory Board and the Management Board respectively, will strive to achieve a balance in gender representation in the Company's corporate bodies, taking into account the minimum participation of minority gender group of 30%.

XII. 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

competitiveness of Polish commercial undertakings, developing initiatives to ensure Poland's economic and energy security based on low and zero emission sources of energy. The actions taken by PZU to mitigate its environmental impact confirm that environmental protection and climate change issues are an important element of the Company's daily business practice and that it strives to achieve climate neutrality in accordance with the obligation adopted in the ESG Sustainability Strategy for 2024.

In consideration of the aforementioned activities, the PZU Supervisory Board is of the opinion that the rules defined in the ESG Sustainability Strategy for 2021-2024 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.

In line with the Policy, the Company publishes on its website data on the diversity of the composition of the Company's corporate bodies in terms of age, gender and length of professional experience. Information on the composition of the Management Board and the Supervisory Board in terms of age and gender in 2021 was presented in the Report concerning non-financial information on the PZU Group and PZU SA for 2021, which is available on the Company's website.

The composition of the PZU SA Supervisory Board and Management Board ensure access to a broad range of competencies, knowledge and skills (including knowledge of Polish language) that are adequate for these positions and that guarantee that PZU Supervisory Board and Management Board members, individually and as corporate bodies, issue independent opinions and decisions in relation to the entire scope of PZU's activity.

In view of the priority of the requirement of individual and collective suitability of the above bodies, the diversity objectives applicable to the composition of the Supervisory Board and the Management Board are considered in the selection of the members of the bodies only to the extent that it will have no adverse effect on the functioning and suitability of these corporate bodies.

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 2021 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 2021. 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 2021 were conducted in an effective manner and in accordance with the best market practices.

Chairman of the
PZU SA Supervisory Board

Paweł Mucha
Warsaw, 1 June 2022

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 2021

Resolution number	Resolution date	Subject matter of the resolution:
URN/1/2021	18.01.2021	to approve the PZU SA and PZU Group Financial Plan for 2021
URN/2/2021	27.01.2021	to give consent to the execution of a partnership agreement with Iga Świątek
URN/3/2021	10.02.2021	to give consent to PZU SA's execution of a donation agreement with the PZU Foundation
URN/4/2021	10.02.2021	to give consent to the placement of an order to support PZU SA in defining and rolling out a new model for directing claims to the framework agreement entered into with McKinsey & Company Polska sp. z o.o. sp. k.
URN/5/2021	10.02.2021	to give consent to the execution of an annex to order advisory services in the field of support in developing a distribution strategy for PZU Group products, submitted to the framework agreement for the provision of advisory services entered into with The Boston Consulting Group sp. z o.o.
URN/6/2021	10.02.2021	to approve amendments to the Rules and Regulations of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Management Board
URN/7/2021	10.02.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2017 to Roger Hodgkiss
URN/8/2021	10.02.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2017 to Tomasz Kulik, PZU SA Management Board Member
URN/9/2021	10.02.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2017 to Maciej Rapkiewicz, PZU SA Management Board Member
URN/10/2021	10.02.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2017 to Małgorzata Sadurska, PZU SA Management Board Member
URN/11/2021	10.02.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2017 to Paweł Surówka
URN/12/2021	10.02.2021	to define the Management Objectives for Members of the PZU SA Management Board for 2021
URN/13/2021	24.02.2021	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 2020
URN/14/2021	08.03.2021	to give consent to the placement of orders for the broadcast of commercials in the corporate image advertising campaign
URN/15/2021	15.03.2021	to give consent to the purchase of 243 ordinary shares in AAS BALTA, a strategic entity
URN/16/2021	15.03.2021	to give consent to the execution of a group of framework agreements for the provision of soft marking services, cars and the production of point-of-sale (POS) materials
URN/17/2021	24.03.2021	to assess the Financial Statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2020 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/18/2021	24.03.2021	to assess the Consolidated Financial Statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards and to recommend their approval by the PZU SA Ordinary Shareholder Meeting

Resolution number	Resolution date	Subject matter of the resolution:
URN/19/2021	24.03.2021	to assess the Management Board Report on the Activity of the PZU Group and PZU SA for the financial year ended 31 December 2020 and the Non-Financial Report of the PZU Group and PZU SA for 2020 and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/20/2021	24.03.2021	regarding the recommendation to discharge Aleksandra Agatowska on the performance of her duties in the PZU SA Management Board in 2020
URN/21/2021	24.03.2021	to recommend to discharge Ernest Bejda on the performance of his duties in the PZU SA Management Board in 2020
URN/22/2021	24.03.2021	regarding the recommendation to discharge Adam Brzozowski on the performance of his duties in the PZU SA Management Board in 2020
URN/23/2021	24.03.2021	regarding the recommendation to discharge Marcin Eckert on the performance of his duties in the PZU SA Management Board in 2020
URN/24/2021	24.03.2021	regarding the recommendation to discharge Elżbieta Häuser-Schöneich on the performance of her duties in the PZU SA Management Board in 2020
URN/25/2021	24.03.2021	to recommend to discharge Małgorzata Kot on the performance of her duties in the PZU SA Management Board in 2020
URN/26/2021	24.03.2021	regarding the recommendation to discharge Beata Kozłowska-Chyła on the performance of her duties in the PZU SA Management Board in 2020
URN/27/2021	24.03.2021	regarding the recommendation to discharge Tomasz Kulik on the performance of his duties in the PZU SA Management Board in 2020
URN/28/2021	24.03.2021	regarding the recommendation to discharge Maciej Rapkiewicz on the performance of his duties in the PZU SA Management Board in 2020
URN/29/2021	24.03.2021	regarding the recommendation to discharge Małgorzata Sadurska on the performance of her duties in the PZU SA Management Board in 2020
URN/30/2021	24.03.2021	regarding the recommendation to discharge Paweł Surówka on the performance of his duties in the PZU SA Management Board in 2020
URN/31/2021	24.03.2021	to recommend to discharge Krzysztof Szypuła on the performance of his duties in the PZU SA Management Board in 2020
URN/32/2021	24.03.2021	to approve the ESG Sustainability Strategy for 2021-2024
URN/33/2021	25.03.2021	to approve the PZU Group's Capital and Dividend Policy for 2021-2024
URN/34/2021	25.03.2021	to approve the long-term development and operation plan for the Company formulated in the document “#PZU Potential and growth – We care about the most important things in life. PZU Group Strategy in 2021-2024”
URN/35/2021	07.04.2021	to approve the Solvency and Financial Condition Report of Powszechny Zakład Ubezpieczeń Spółka Akcyjna as at and for the financial year ended 31 December 2020
URN/36/2021	07.04.2021	to approve the Risk Management Strategy in the PZU Group
URN/37/2021	07.04.2021	to exercise the extension option for 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/38/2021	07.04.2021	to give consent to extend 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 in respect of the ESEF Procedures
URN/39/2021	12.05.2021	to approve the Solvency and Financial Condition Report of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group as at and for the financial year ended 31 December 2020
URN/40/2021	12.05.2021	regarding assessment of the Management Board's motion regarding the distribution of PZU SA's net profit for the year ended 31 December 2020 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2019

Resolution number	Resolution date	Subject matter of the resolution:
URN/41/2021	12.05.2021	to approve the PZU SA Supervisory Board Report on its assessment of PZU SA's Financial Statements for the year ended 31 December 2020, the consolidated financial statements of the PZU Group for the year ended 31 December 2020, the Management Board Report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2020, the Non-financial report of the PZU Group and PZU SA for 2020 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2020
URN/42/2021	12.05.2021	to adopt the PZU SA Supervisory Board Report on the activity of the PZU SA Supervisory Board as the Company's governing body in 2020
URN/43/2021	12.05.2021	to adopt the PZU SA Supervisory Board Report on compensation for the PZU SA Management Board and Supervisory Board Members for 2019-2020
URN/44/2021	12.05.2021	amending Resolution No. URN/111/2020 on the rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee
URN/45/2021	12.05.2021	to accept the PZU SA Supervisory Board's report on the results of assessment of individual suitability of the PZU SA Supervisory Board Members and Audit Committee Members and assessments of collective suitability of the Supervisory Board and the Audit Committee conducted on 18 November 2020
URN/46/2021	12.05.2021	to amend Resolution No. URN/129/2020 regarding the Rules for assessment of suitability of the PZU SA Management Board
URN/47/2021	12.05.2021	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 2020
URN/48/2021	18.05.2021	to give consent for Beata Kozłowska-Chyła, President of the PZU SA Management Board, to hold a function in the Supervisory Board of Anwil SA with its registered office in Włocławek for the next term of office
URN/49/2021	26.05.2021	to give consent to the execution of a framework agreement on the provision of PZU communication services in social media with Sigma Bis SA,
URN/50/2021	26.05.2021	amending Resolution No. URN/99/2020 regarding the consent to the placement of orders to selected framework agreements for marketing services
URN/51/2021	26.05.2021	to give consent to the execution of annexes, to increase the value of the limit of a group of contracts and to the placement of orders to framework agreements for the provision of strategic advisory services
URN/52/2021	26.05.2021	to give consent for Maciej Rapkiewicz, PZU SA Management Board Member, to assume a function in the Supervisory Board of Alior Bank Spółka Akcyjna
URN/53/2021	07.06.2021	to give consent for Maciej Rapkiewicz, PZU SA Management Board Member, to assume a function in the Supervisory Board of PTE PZU SA
URN/54/2021	07.06.2021	to give consent to the placement of orders for the broadcast and production of commercials in the advertising campaign for PZU Dom and PZU Wojażer
URN/55/2021	07.06.2021	to give consent to the execution of a sponsorship agreement with Lang Team Sp. z o.o., the organizer of the 78th Tour de Pologne
URN/56/2021	07.06.2021	to adopt a draft agreement to the management services contract entered into with Marcin Eckert on 18 April 2019 and to grant an authorization
URN/57/2021	10.06.2021	regarding the secondary assessment of individual suitability of Robert Śnitko, PZU SA Supervisory Board member
URN/58/2021	10.06.2021	regarding the secondary assessment of individual suitability of Tomasz Kuczur, PZU SA Supervisory Board member
URN/59/2021	10.06.2021	amending Resolution No. URN/45/2021 to accept the PZU SA Supervisory Board's report on the results of assessment of individual suitability of the PZU SA Supervisory Board Members and Audit Committee Members and assessments of collective suitability of the Supervisory Board and the Audit

Resolution number	Resolution date	Subject matter of the resolution:
URN/60/2021	10.06.2021	Committee conducted on 18 November 2020 regarding collective assessment of suitability of the PZU SA Management Board
URN/61/2021	15.06.2021	to give consent for Małgorzata Kot, PZU SA Management Board member, to hold a function in the Supervisory Board of POL-Miedź Trans sp. z o.o.
URN/62/2021	15.06.2021	regarding the primary assessment of individual suitability of a candidate for a PZU SA Supervisory Board member
URN/63/2021	15.06.2021	regarding assessment of collective suitability of the PZU SA Supervisory Board
URN/64/2021	15.06.2021	amending Resolution No. URN/45/2021 to accept the PZU SA Supervisory Board's report on the results of assessment of individual suitability of the PZU SA Supervisory Board Members and Audit Committee Members and assessments of collective suitability of the Supervisory Board and the Audit Committee
URN/65/2021	16.06.2021	to elect the Chairperson of the PZU SA Supervisory Board
URN/66/2021	16.06.2021	to set the size and composition of the PZU SA Supervisory Board's Nomination and Compensation Committee
URN/67/2021	30.06.2021	to give consent to the execution of a group of framework agreements for the provision of services related to BTL activities
URN/68/2021	20.07.2021	to initiate and conduct a recruitment procedure for PZU SA Management Board Members
URN/69/2021	20.07.2021	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/70/2021	20.07.2021	regarding the assessment of individual suitability and appointment of Krzysztof Kozłowski as a PZU SA Management Board member
URN/71/2021	20.07.2021	to give consent for Krzysztof Kozłowski to assume a function in the PZU Życie SA Management Board
URN/72/2021	20.07.2021	regarding collective assessment of suitability of the PZU SA Management Board
URN/73/2021	20.07.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2018 to Roger Hodgkiss
URN/74/2021	20.07.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2018 to Maciej Rapkiewicz
URN/75/2021	20.07.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2018 to Małgorzata Sadurska
URN/76/2021	20.07.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2018 to Paweł Surówka
URN/77/2021	20.07.2021	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2018 to Tomasz Kulik
URN/78/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2019 to Aleksandra Agatowska
URN/79/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2019 to Adam Brzozowski
URN/80/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2019 to Elżbieta Häuser-Schöneich
URN/81/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2019 to Marcin Eckert
URN/82/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the 2019 financial year to Maciej Rapkiewicz
URN/83/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the 2019 financial year to Małgorzata Sadurska
URN/84/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the 2019 financial year to Paweł Surówka

Resolution number	Resolution date	Subject matter of the resolution:
URN/85/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the 2019 financial year to Roger Hodgkiss
URN/86/2021	20.07.2021	to pay part (tranche) I of Deferred Variable Compensation for the 2019 financial year to Tomasz Kulik
URN/87/2021	20.07.2021	to assess the performance of Management Objectives for 2020
URN/88/2021	20.07.2021	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 24 October 2020 for Aleksandra Agatowska
URN/89/2021	20.07.2021	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 27 May 2020 for Adam Brzozowski
URN/90/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 20 March 2020 for Beata Kozłowska-Chyła
URN/91/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 4 May 2020 for Ernest Bejda
URN/92/2021	20.07.2021	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 27 May 2020 for Elżbieta Häuser-Schöneich
URN/93/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 15 September 2020 for Krzysztof Szypuła
URN/94/2021	20.07.2021	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 18 April 2020 for Marcin Eckert
URN/95/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 18 September 2020 for Małgorzata Kot
URN/96/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 7 August 2017 for Maciej Rapkiewicz
URN/97/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 7 August 2017 for Małgorzata Sadurska
URN/98/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 31 August 2017 for Paweł Surówka
URN/99/2021	20.07.2021	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 31 August 2017 for Tomasz Kulik
URN/100/2021	17.08.2021	to give consent for Ernest Bejda, PZU SA Management Board member, to hold a function in the Management Board of PZU Życie SA with its registered office in Warsaw
URN/101/2021	25.08.2021	to give consent to the execution of an agreement for the use by PZU of the Google Marketing Platform
URN/102/2021	25.08.2021	to give consent to enter into framework agreements for external, internal and non-standard signage with Optex sp. z o.o. and Light s.c. Marcin Niemkiewicz, Mateusz Rybicki
URN/103/2021	25.08.2021	to give consent to the granting of a donation to the PZU Sport Team for its statutory activities in 2021
URN/104/2021	25.08.2021	regarding the secondary assessment of individual suitability of Ernest Bejda, PZU SA Management Board member
URN/105/2021	30.09.2021	regarding the assessment of the report on the periodic assessment of significant transactions executed by PZU SA and PZU SA subsidiaries with

Resolution number	Resolution date	Subject matter of the resolution:
URN/106/2021	07.10.2021	related parties in 2020 to give consent to an out-of-court settlement with Net Premium Spółka z ograniczoną odpowiedzialnością and Protektor SPF Spółka Akcyjna
URN/107/2021	07.10.2021	to give consent to the execution of agreements and the placement of orders to framework agreements for the provision of strategic advisory services
URN/108/2021	07.10.2021	amending Resolution No. URN/7/2013 of the PZU SA Supervisory Board on the adoption of the Rules and Regulations of the PZU SA Supervisory Board Nomination and Compensation Committee
URN/109/2021	07.10.2021	regarding the secondary assessment of individual suitability and to give consent for Krzysztof Kozłowski, PZU SA Management Board member, to hold a function in the Supervisory Board of PZU Zdrowie SA with its registered office in Warsaw
URN/110/2021	11.10.2021	to approve the primary assessment of individual suitability of a candidate for a PZU SA Supervisory Board member
URN/111/2021	11.10.2021	to approve the assessment of collective suitability of the PZU SA Supervisory Board
URN/112/2021	11.10.2021	to approve the PZU SA Supervisory Board report containing a proposal for a primary individual suitability assessment of a candidate for a Supervisory Board Member and a proposal for a collective suitability assessment of the Supervisory Board
URN/113/2021	12.10.2021	to set the size and composition of the PZU SA Supervisory Board's Nomination and Compensation Committee
URN/114/2021	17.11.2021	amending Resolution No. URN/106/2020 of 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/115/2021	15.12.2021	to approve the PZU SA and PZU Group Financial Plan for 2022
URN/116/2021	15.12.2021	to approve the secondary assessment of individual suitability of Paweł Mucha, PZU SA Supervisory Board Chairman
URN/117/2021	15.12.2021	to approve the secondary assessment of individual suitability of Paweł Górecki, PZU SA Supervisory Board Member
URN/118/2021	15.12.2021	to approve the secondary assessment of individual suitability of Robert Śnitko, PZU SA Supervisory Board Member
URN/119/2021	15.12.2021	to approve the secondary assessment of individual suitability of Marcin Chludziński, PZU SA Supervisory Board Member
URN/120/2021	15.12.2021	to approve the secondary assessment of individual suitability of Agata Górnicka, PZU SA Supervisory Board Member
URN/121/2021	15.12.2021	to approve the secondary assessment of individual suitability of Robert Jastrzębski, PZU SA Supervisory Board Member
URN/122/2021	15.12.2021	to approve the secondary assessment of individual suitability of Elżbieta Mączyńska-Ziemacka, PZU SA Supervisory Board Member
URN/123/2021	15.12.2021	to approve the secondary assessment of individual suitability of Krzysztof Opolski, PZU SA Supervisory Board Member
URN/124/2021	15.12.2021	to approve the secondary assessment of individual suitability of Radosław Sierpiński, PZU SA Supervisory Board Member
URN/125/2021	15.12.2021	to approve the secondary assessment of individual suitability of Józef Wierzbowski, PZU SA Supervisory Board Member
URN/126/2021	15.12.2021	to approve the secondary assessment of individual suitability of Maciej Zaborowski, PZU SA Supervisory Board Member
URN/127/2021	15.12.2021	to approve the secondary assessment of individual suitability of Maciej Łopiński, PZU SA Supervisory Board Member
URN/128/2021	15.12.2021	to approve the secondary assessment of individual suitability of Tomasz Kuczur, PZU SA Supervisory Board Member
URN/129/2021	15.12.2021	regarding the secondary assessment of individual suitability of Krzysztof Opolski, PZU SA Supervisory Board Audit Committee member

Resolution number	Resolution date	Subject matter of the resolution:
URN/130/2021	15.12.2021	regarding the secondary assessment of individual suitability of Marcin Chludziński, PZU SA Supervisory Board Audit Committee member
URN/131/2021	15.12.2021	regarding the secondary assessment of individual suitability of Robert Śnitko, PZU SA Supervisory Board Audit Committee member
URN/132/2021	15.12.2021	regarding the secondary assessment of individual suitability of Maciej Zaborowski, PZU SA Supervisory Board Audit Committee member
URN/133/2021	15.12.2021	to approve the PZU SA Supervisory Board Report on the proposed secondary assessment of individual suitability of PZU SA Supervisory Board members
URN/134/2021	15.12.2021	regarding the secondary assessment of individual suitability of Beata Kozłowska-Chyła, President of the PZU SA Management Board
URN/135/2021	15.12.2021	regarding the secondary assessment of individual suitability of Ernest Bejda, PZU SA Management Board member
URN/136/2021	15.12.2021	regarding the secondary assessment of individual suitability of Małgorzata Kot, PZU SA Management Board member
URN/137/2021	15.12.2021	regarding the secondary assessment of individual suitability of Krzysztof Kozłowski, PZU SA Management Board member
URN/138/2021	15.12.2021	regarding the secondary assessment of individual suitability of Tomasz Kulik, PZU SA Management Board member
URN/139/2021	15.12.2021	regarding the secondary assessment of individual suitability of Maciej Rapkiewicz, PZU SA Management Board member
URN/140/2021	15.12.2021	regarding the secondary assessment of individual suitability of Małgorzata Sadurska, PZU SA Management Board member
URN/141/2021	15.12.2021	regarding the secondary assessment of individual suitability of Krzysztof Szypuła, PZU SA Management Board member
URN/142/2021	15.12.2021	regarding the secondary assessment of individual suitability of Marcin Eckert, PZU SA Management Board member

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	18.01	10.02	15.03	24-25.03	07.04	12.05	26.05	7-10.06	15-16.06	20.07	25.08	7-11-12.10	17.11	15.12
Marcin Chludziński	√	√	√	√	X	√	√	√	√	X	√	√	√	√
Paweł Górecki	√	X	√	√	√	√	√	√	√	√	√	√	√	√
Agata Górnicka	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Robert Jastrzębski	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Maciej Łopiński	√	√	√	√	√	√	√							
Tomasz Kuczur	√	√	√	√	√	√	√	√	√	√	√	√		
Elżbieta Mączyńska-Ziemacka	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Paweł Mucha									√	√	√	√	√	√
Krzysztof Opolski	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Radostaw Sierpiński												X	√	√
Robert Śnitko	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Józef Wierzbowski	√	√	√	√	√	√	√	√	√	√	√	√	√	√
Maciej Zaborowski	√	√	X	√	√	√	√	√	√	√	√	√	√	√

√ – present
X – absence justified



Attachment to Resolution No. UKA/.../2022
adopted by the PZU SA Supervisory Board Audit Committee on 2022

(Appendix 3 to the PZU SA Supervisory Board report
on the activity of the PZU SA Supervisory Board as a corporate body of the Company in 2021)

REPORT OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA SUPERVISORY BOARD'S AUDIT COMMITTEE ON ITS ACTIVITY IN 2021

Warsaw,

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 2021, the PZU SA Supervisory Board's Audit Committee functioned in the following composition:

- 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 2021, 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 2021 to 31 December 2021, the Committee held 11 meetings on the following dates:

- 18 January 2021,
- 15 March 2021,
- 24 March 2021,
- 7 April 2021,
- 12 May 2021,

- 26 May 2021,
- 7 June 2021,
- 25 August 2021,
- 7 October 2021,
- 17 November 2021,
- 15 December 2021.

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

The meetings of the Audit Committee were attended by the Managing Director on Audit overseeing the Internal Audit Department and the Managing Director on Regulations overseeing the Compliance Department. Depending on the issues discussed, the following persons, among others, were invited to attend Audit Committee meetings: PZU SA Management Board Members, PZU Group Directors, the Director of the Accounting Department and representatives of the auditor – KPMG Audyt sp. z o.o. spółka komandytowa. Audit Committee decisions were made in the form of opinions and resolutions delivered each time to the Company's Supervisory Board.

In 2021, the PZU SA Supervisory Board's Audit Committee held its meetings in the following composition:

Name Audit Committee Member	18.01	15.03	24.03	07.04	12.05	26.05	07.06	25.08	07.10	17.11	15.12
Marcin Chludziński	√	√	√	X	√	√	X	√	√	√	√
Krzysztof Opolski	√	√	√	√	√	√	√	√	√	√	√
Robert Śnitko	√	√	√	√	√	√	√	√	√	√	√
Maciej Zaborowski	√	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 2021, the Audit Committee addressed in particular the following issues:

- discussion of the risk report for Q4 2020 and for Q1-3 2021;
- discussion on the annual report on the Internal Audit Department's activity in 2020, along with an assessment of the internal control system and the risk management system;
- discussion of the findings of external inspections conducted in PZU SA in 2020;
- discussion of the report on the Internal Audit Department's activity in Q4 2020 and Q1-Q3 2021;
- information on planned amendments to PZU SA's Internal Audit Rules and Regulations;
- discussion on the Internal Audit Strategy for 2021-2024;
- information regarding the status of implementing the recommendations ensuing from the independent evaluation of how the internal audit function operates in PZU conducted in 2020 by PwC Advisory spółka z ograniczoną odpowiedzialnością sp.k.;
- submission of recommendations to the PZU SA Supervisory Board on approving the Strategy in the risk management area.
- discussion of the draft audit plan for 2022;
- 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:

- Act of 18 November 2020 on Electronic Service;
- revision of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II);
- International Financial Reporting Standard 17 "Insurance Contracts" (IFRS 17);
- 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;
- 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.

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 the Company's financial audit**, in the period from 1 January to 31 December 2021, 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 2020, and the Management Board

- report on the activity of the PZU Group and PZU SA in 2020, with the report on non-financial information;
- discussion on the preliminary results of PZU SA and the PZU Group for 2020, H1 2021 and Q1 and Q3 2021;
 - 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 2020;
 - discussion of the additional report for the Audit Committee;
 - adoption of the PZU SA Supervisory Board's Audit Committee's report on its activity in 2020;
 - discussion of the draft versions of the report of the PZU SA Supervisory Board on its assessment of PZU SA's financial statements for the year ended 31 December 2020, the consolidated financial statements of the PZU SA Group for the year ended 31 December 2020, the Management Board Report on the activity of the PZU Group and PZU SA in 2020 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2020;
 - issuance of a recommendation to extend until 2023 the order for KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. to conduct the reviews and audit of the standalone financial statements of PZU SA and the consolidated financial statements of the PZU SA Group;
 - issuance of a recommendation regarding the Financial Plan of PZU SA and the PZU Group for 2021;
 - issuance of a recommendation regarding the Financial Plan of PZU SA and the PZU Group for 2022;
 - issuance of a recommendation to the Supervisory Board on the assessment of the solvency and financial condition report of PZU SA for the year ended 31 December 2020;
 - issuance of a recommendation to the Supervisory Board on the assessment of the solvency and financial condition report of the PZU SA Group for the year ended 31 December 2020;
 - discussion, pursuant to the Best Practices, of the process of changes in PZU SA's financial reporting pertaining to the following: the 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 process of extending until 2023 the order for KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. to perform reviews and audits of the standalone and consolidated financial statements of the PZU Group, the PZU SA Supervisory Board Audit Committee focused, in particular, on issues associated with the following:

- 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, respectively.

Furthermore, within the activities aiming to provide advice and issue opinions imposed on the Audit Committee by Regulation No. 537 and the Act on Statutory Auditors, the Audit Committee held meetings with representatives of the audit firm doing business as KPMG Audyt sp. z o.o. sp. k. During these 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 2020 as well as the assumptions and plans concerning the audit of the financial statements for 2021 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 24 March 2021, KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. provided an additional report to the Audit Committee satisfying the scope referred to in Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014. Thereby the Audit Committee forwarded a positive recommendation to the Supervisory Board concerning the assessment of the 2020 financial statements.

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 2020 financial year 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 other PZU Group entities. 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 2020 to 31 December 2020, 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 Audyt sp. z o.o. ograniczoną odpowiedzialnością sp. k., 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
adopted by the PZU SA Supervisory Board Audit
Committee

Krzysztof Opolski

