

Attachment to Resolution No. URN/78/2023  
adopted by the PZU SA Supervisory Board on 10 May 2023



## **PZU SA SUPERVISORY BOARD REPORT FOR 2022**

## I. Composition of the Supervisory Board

As at 1 January 2022, the following persons sat on the PZU SA Supervisory Board:

- Paweł Mucha – Supervisory Board Chairman,
- Paweł Górecki – Supervisory Board Deputy Chairman,
- Robert Śnitko – Supervisory Board Secretary,
- Marcin Chludziński – 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.

On 31 August 2022, Mr. Paweł Mucha tendered his resignation from the function of a Supervisory Board Member. On 1 September 2022, the PZU SA Shareholder Meeting appointed Piotr Wachowiak to the Supervisory Board. Accordingly, the composition of the PZU SA Supervisory Board was as follows:

- Paweł Górecki – Supervisory Board Deputy Chairman,
- Robert Śnitko – Supervisory Board Secretary,
- Marcin Chludziński – Supervisory Board Member,
- Agata Górnicka – Supervisory Board Member,
- Robert Jastrzębski – Supervisory Board Member,
- Elżbieta Mączyńska-Ziemacka – Supervisory Board Member,
- Krzysztof Opolski – Supervisory Board Member,
- Radosław Sierpiński – Supervisory Board Member,
- Piotr Wachowiak – Supervisory Board Member,

## 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 and Reinsurance 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

- Józef Wierzbowski – Supervisory Board Member,
- Maciej Zaborowski – Supervisory Board Member.

On 27 October 2022, the Supervisory Board elected Robert Jastrzębski to the position of the Supervisory Board Chairman. Accordingly, the composition of the PZU SA Supervisory Board was as follows:

- Robert Jastrzębski – Supervisory Board Chairman,
- Paweł Górecki – Supervisory Board Deputy Chairman,
- Robert Śnitko – Supervisory Board Secretary,
- Marcin Chludziński – Supervisory Board Member,
- Agata Górnicka – Supervisory Board Member,
- Elżbieta Mączyńska-Ziemacka – Supervisory Board Member,
- Krzysztof Opolski – Supervisory Board Member,
- Radosław Sierpiński – Supervisory Board Member,
- Piotr Wachowiak – 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 Robert Jastrzębski, Paweł Górecki, Marcin Chludziński, Agata Górnicka, Elżbieta Mączyńska-Ziemacka, Krzysztof Opolski, Robert Śnitko, Piotr Wachowiak, Józef Wierzbowski and Maciej Zaborowski.

No PZU SA Supervisory Board Member have any actual or material relations with any shareholder holding at least 5% of the total vote in the Company.

As at 31 December 2022, the composition of the PZU SA Supervisory Board remained unchanged.

provisions of the Articles of Association and the Rules and Regulations, the Supervisory Board held properly convened and prepared meetings, while maintaining a high attendance level.

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

- 20 January 2022,

- 4-7 February 2022,
- 25 February 2022,
- 3-23 March 2022,
- 23 March-7 April 2022,
- 7 April 2022,
- 27 April 2022,
- 18 May 2022,
- 1-9 June 2022,
- 28 June 2022,
- 28-29 July 2022,
- 24-31 August 2022,
- 28 September 2022
- 27 October 2022,
- 23 November 2022,
- 16 December 2022,
- 21 December 2022.

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 183 resolutions, including 10 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/30/2022, URN/33/2022, URN/139/2022, URN/153/2022 and URN/158/2022, 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.

### III. Material issues addressed by the PZU SA Supervisory Board

During the financial year ended 31 December 2022, 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

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). Supervisory Board meetings were held in hybrid form - with the possibility of participation by means of 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 2022 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.

familiarized itself with other matters presented by the Management Board.

Material issues addressed by the PZU SA Supervisory Board in 2022:

- 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 2022,
- ongoing monitoring of the implementation of the financial plan of PZU SA and the PZU Group for 2022,

- 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 members of the Company's Management Board, including for a new term of office beginning 1 January 2023 and spanning three full financial years from 2023 to 2025,
  - suitability assessment of Management Board Members;
  - assessment of PZU SA's consolidated financial statements for the year ended 31 December 2021 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 2021 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 2021 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 2021 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 2021, the Consolidated Financial Statements of the PZU SA Group for the year ended 31 December 2021, the Management Board Report on the Activity of the PZU Group and PZU SA in 2021 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2021,
  - 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,
  - adoption of the diversity Policy for Members of PZU SA Corporate Bodies,
  - selection of an audit firm to audit and review financial statements and to audit reports on solvency and financial condition of PZU SA and the PZU Group for the period of five financial years 2024-2028 with an option to extend the contract for two more financial years 2029-2030,
  - 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 2021,
  - 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,
  - determining the principles for the provision of information by the PZU SA Management Board resulting from the Commercial Company Code,
  - in connection with the changes in the PZU SA Supervisory Board – electing the Supervisory Board Chairperson and expanding the composition of the Audit 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 Amending the Commercial Company Code and certain other acts of 9 February 2022;
  - draft Act amending certain acts in connection with commitment to develop financial market and protect investors on that market;
  - amendments to the Labor Code Act, including in terms of implementing into the national legal order Directive 2019/1152 of 20 June 2019 on transparent and predictable working conditions in the European Union (the Information Directive) and Directive 2019/1158 of 20 June 2019 on work-life balance for parents and caregivers and repealing Council Directive 2010/18/EU (the Work-Life Balance Directive).
  - 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);
- draft Act on Protection of Whistleblowers;
- Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, and (EU) No 909/2014 (“DORA”);
- Act of 18 November 2020 on Electronic Service;
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, entered into force;
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU) 2019/2088;
- Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products;
- Commission Delegated Regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings;
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to sustainability indicators.

With a view to properly performing its supervisory duties in the Company, the Supervisory Board established certain advisory and consultative committees. In 2022, 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 2022, 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.

No PZU SA Supervisory Board Audit Committee Member have any actual or material relations with any shareholder holding at least 5% of the total vote in the company.

On 23 November 2022, the Supervisory Board expanded the Audit Committee to include Piotr Wachowiak as an Audit Committee Member. Accordingly, the composition of the Audit Committee as of 23 November 2022 was as follows and remained unchanged until 31 December 2022:

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

Krzysztof Opolski, Robert Śnitko, Piotr Wachowiak and Maciej Zaborowski satisfied the independence criteria within the meaning of Article 129 Section 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. As of 14 April 2022, the independence criteria referred to in Article 129 Section 3 Item 1 of the Act on Statutory Auditors, Audit Firms and Public Supervision were also satisfied by Marcin Chludziński.

Marcin Chludziński, Krzysztof Opolski, Robert Śnitko and Piotr Wachowiak held qualifications in accounting or auditing financial statements. All Audit Committee Members had knowledge and skills in the industry in which the Company operates.

As at 31 December 2022, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

In the reporting period, i.e. from 1 January 2022 to 31 December 2022, the Committee held 13 meetings on the following dates:

- 25 February 2022,
- 15 March 2022,
- 23 March 2022,
- 1 April 2022,
- 7 April 2022,
- 18 May 2022,
- 1 June 2022,
- 14 June 2022,
- 24 August 2022,
- 28 September 2022
- 27 October 2022,
- 23 November 2022,
- 21 December 2022.

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 2022 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 2022, 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,
- Elżbieta Mączyńska-Ziemacka – Committee Member,
- Paweł Mucha – Committee Member,
- Radosław Sierpiński – Committee Member.

On 31 August 2022, Paweł Mucha tendered his resignation from the function of a Supervisory Board Member. Accordingly, as of 1 September 2022, the composition of the Nomination and Compensation Committee was as follows and remained unchanged until 31 December 2022:

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

During the financial year, the Nomination and Compensation Committee held 13 meetings on the following dates:

- 4 February 2022,
- 25 February 2022,
- 1-23 March 2022,
- 23 March-7 April 2022,
- 7 April 2022,
- 27 April 2022,
- 18 May 2022,
- 1 June 2022,
- 28 June 2022,
- 28 July 2022,
- 24-31 August 2022,

- 23 November 2022,
- 16 December 2022,

In 2022, 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.

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

The Supervisory Board states that in 2022 it has not been obliged to implement any actions

#### **V. Compliance with reporting and information obligations**

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

#### **VI. Assessment of PZU SA's Financial Statements for the year ended 31 December 2022, Consolidated Financial Statements of the PZU Group for the year ended 31 December 2022, the Management Board Report on the Activity of the PZU Group and PZU SA for the financial year ended 31 December 2022, the Non-Financial Report of the PZU Group and PZU SA for 2022, and the Management Board's motion on the distribution of PZU SA's net profit for the year ended 31 December 2022.**

#### **I. Assessment of PZU SA's financial statements for the year ended 31 December 2022, consolidated financial statements of the PZU Group for the year ended 31 December 2022 and the Management Board report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2022.**

Pursuant to Article 382 § 3 of the Commercial Company Code, the special duties of the Supervisory Board include assessing the management board report on the company's activity and the financial statements for the previous financial year in terms of their compliance with the ledgers, documents and the facts and of the Management Board's motion on distribution of profit, and submitting to the shareholder meeting an annual written report on the outcome of such assessment.

Pursuant to Article 55(2a) of the Accounting Act and § 71(8) of the Finance Minister's Regulation of 29 March 2018 on Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member

As at 1 January 2022, the composition of the PZU SA Supervisory Board Strategy Committee was as follows and remained unchanged until 31 December 2022:

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

During the financial year, the Strategy Committee held 2 meetings on the following dates:

- 7 April 2022,
- 28 September 2022.

In 2022, 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.

resulting from the resolutions of the PZU SA Shareholder Meeting.

it by the applicable laws were timely fulfilled throughout 2022.

State as Equivalent, annual reports and consolidated annual reports of the management board or other management body on the issuer's activities and on the Group's activities may be prepared in the form of a single document.

Pursuant to Article 49b(9) of the Accounting Act, an entity that does not prepare a statement on non-financial information as an element of its management board activity report is required to prepare a separate non-financial report. By analogy, this regulation applies to a group report in this respect (Article 55(2c) of the Accounting Act).

The PZU SA Supervisory Board, acting pursuant to the Company's Articles of Association and the Rules and Regulations of the Supervisory Board, by Resolution No. URN/58/2019 of 23 May 2019, selected KPMG Audyt Sp. z o.o. sp. k. ("statutory auditor") as the audit firm authorized to audit the annual financial statements of PZU SA and the annual consolidated financial statements of the PZU Group, to review the interim standalone financial statements of PZU SA and the interim

consolidated financial statements of the PZU Group as well as to audit the annual consolidated solvency and financial condition reports of PZU SA and the annual consolidated solvency and financial condition reports of the PZU Group for two consecutive financial years ended 31 December 2019 and 31 December 2020 respectively. Next, by Resolution No. URN/59/2020 of 28 May 2020, the PZU SA Supervisory Board extended the agreement with KPMG Audyt Sp. z o.o. sp. k. as the audit firm to conduct corresponding audits and reviews of the annual financial statements for two consecutive financial years ended 31 December 2021 and 31 December 2022, respectively, with an extension option for 2023. On 7 April 2021, by Resolution No. URN/37/2021, the Supervisory Board approved the exercise of this option and extend the order for the services specified above to 2023. The total period of uninterrupted duration of statutory audit orders referred to above, to be executed by KPMG Audyt Sp. z o.o., sp. k. is 10 years. Accordingly, the maximum period of 10 years provided for in Article 17(1) 2nd paragraph of Regulation 537/2014 of the European Parliament and of the Council has been exceeded.

It is the Company's Management Board that is responsible for the preparation, on the basis of properly kept accounting ledgers, of the financial statements of PZU SA and the Management Board report on the activity of the PZU SA Group, providing a reliable and clear picture of assets and financial standing in compliance with the applicable regulations, and for internal control, considered necessary to ensure the preparation of financial statements free from any material misstatement due to fraud or error.

The preparation of the consolidated financial statements of the PZU Group, providing a reliable and clear picture of the Group's consolidated assets, financial standing and financial performance, in accordance with International Financial Reporting Standards, as endorsed by the European Union ("EU IFRS"), and in compliance with other applicable laws and articles of association, and for internal control, considered necessary to ensure the preparation of consolidated financial statements free from any material misstatement due to fraud or error is the responsibility of the parent company's Management Board.

In turn, the Supervisory Board and the Management Board are required to ensure,

pursuant to Article 4a of the Accounting Act of 29 September 1994 ("Accounting Act"), that the said financial statements and report satisfy the requirements stipulated in the Accounting Act, the executive regulations issued on its basis and other applicable laws. Supervisory Board Members are responsible for supervising the financial reporting process.

The Supervisory Board Audit Committee, pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors"), is required to:

- monitor the financial reporting process, including the audit the annual financial statements of PZU SA and the consolidated financial statements of the PZU Group;
- monitor the performance of financial audit activities and independence of the statutory auditor and the audit firm.

KPMG Audit Sp. z o.o. sp. k. has submitted the independence statement required by the Act on Statutory Auditors.

PZU SA's financial statements for the year ended 31 December 2022, the PZU Group's consolidated financial statements for the year ended 31 December 2022 and the Management Board report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2022 and the non-financial report of the PZU Group and PZU SA for 2022 were assessed in detail by the PZU SA Supervisory Board Audit Committee at its meeting held on 29 March 2023 and discussed with the Management Board and the Company's statutory auditor at the meeting of the PZU SA Supervisory Board held on 29 March 2023.

In its report, the statutory auditor warranted that the audit of the financial statements was planned and conducted in such a manner as to obtain reasonable certainty that PZU SA's financial statements and the PZU Group's consolidated financial statements as a whole do not contain any material misstatement due to fraud or error.

Key audit areas:

- measurement of the provision for outstanding claims and benefits for motor third party liability insurance,
- measurement of life insurance provisions,
- expected credit losses for loan receivables from clients and provisions for off-balance sheet liabilities in banking activity,
- risk of conducting business activity, including disputes and clients' complaints in the banking activity,



- impairment of goodwill,
- measurement of subordinated entities,
- recognition of revenues from received interest, commissions and fees in the banking activity,
- exercising supervision of subsidiaries,
- valuation of financial instruments,
- recognition of expenses and revenues,
- completeness of liabilities and provisions,
- completeness and correctness of consolidation,
- adequacy of disclosures and presentation,
- evasion of control by the management.

The evidence obtained during the audit forms a sufficient and appropriate basis for expressing an opinion.

In the opinion of the independent statutory auditor, the audited standalone financial statements of PZU SA:

- present a reliable and clear picture of the Company's assets and financial standing as at 31 December 2022, financial results of the business and cash flows generated during the financial year then ended, in compliance with the Accounting Act, the executive regulations issued on its basis and the adopted accounting principles (policy),
- have been drawn up, in all material respects, on the basis of duly kept accounting ledgers, in accordance with provisions of Chapter 2 of the Accounting Act,
- are consistent in all material respects as to form and content with the laws applicable to the Company and the Company's Articles of Association.

The statutory auditor's report on the audit of PZU SA's standalone financial statements issued on 29 March 2023 contains an unqualified opinion.

Moreover, the statutory auditor declared that the opinion on the audit of the financial statements is consistent with the additional report for the Audit Committee prepared by KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa. On 29 March 2023, the PZU SA Supervisory Board's Audit Committee issued a positive opinion about the said report.

At the same time, in the opinion of the independent statutory auditor, the audited consolidated financial statements of the PZU Group:

- present a reliable and clear picture of the PZU Group's consolidated assets and financial standing as at 31 December 2022,

consolidated financial results of the business and consolidated cash flows generated during the financial year then ended, in accordance with EU IFRS and the adopted accounting principles (policy).

- are consistent in all material respects as to form and content with the laws applicable to the Group and the parent company's articles of association.

Moreover, according to the statutory auditor, the consolidated financial statements of the PZU Group prepared in a uniform electronic reporting format contained in the reporting package pzu-2022-12-31.zip (in ESEF format) were marked in accordance with the requirements set forth in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format.

The statutory auditor also assured that the Management Board report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2022 in all material respects:

- has been prepared in compliance with the applicable provisions of law,
- is consistent with the information provided in the financial statements and the consolidated financial statements.

Moreover, the statutory auditor declared that in the light of its knowledge about the Company and the Company's Group and its environment obtained during the audit of the financial statements and the consolidated financial statements, no significant distortions were identified in the activity report.

At the same time, the statutory auditor confirmed that the declaration on the application of corporate governance, which is a separate part of the report on the Group's and the Company's activity, contains the information specified in § 70 section 6 item 5 of the Regulation of the Minister of Finance of 29 March 2018 on 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"). Furthermore, the information referred to in § 70 section 6 item 5(c)-(f), (h) and (i) of the Regulation, as presented in the corporate governance statement, in all material respects:

- has been prepared in compliance with the applicable provisions of law, and
- is consistent with the information provided in the financial statements and the consolidated financial statements.

Furthermore, the statutory auditor confirmed that the Company has prepared a separate report on non-financial information of the kind referred to in Article 49b Section 9 and Article 55 Section 2c of the Accounting Act together with a separate non-financial report of the Group.

The PZU SA Supervisory Board, having familiarized itself with the documents presented by the Management Board:

- 1) Financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2022, comprising:
  - a. balance sheet prepared as at 31 December 2022, showing total balance sheet value of PLN 45,935,032 thousand (forty-five billion nine hundred and thirty-five million thirty-two thousand Polish zloty),
  - b. revenue account of non-life insurance for the period from 1 January to 31 December 2022, showing a technical result to be transferred to the general profit and loss account in the amount of PLN 1,266,929 thousand (one billion two hundred sixty-six million nine hundred twenty-nine thousand Polish zloty),
  - c. general profit and loss account for the period from 1 January to 31 December 2022, showing a net profit of PLN 1,636,774 thousand (one billion six hundred thirty-six million seven hundred seventy-four thousand Polish zloty),
  - d. statement of changes in equity, showing a decrease in equity during the financial year ended 31 December 2022 by the amount of PLN 47,776 thousand (forty-seven million seven hundred and seventy-six thousand Polish zloty),
  - e. cash flow statement, showing an increase in cash in the course of the financial year ended 31 December 2022 by PLN 15,115 thousand (fifteen million one hundred and fifteen thousand Polish zloty),
  - f. notes to the Financial Statements for the year ended 31 December 2022;
- 2) The independent statutory auditor's report on the audit of the annual financial statements issued on 29 March 2023;
- 3) Consolidated financial statements of the Powszechny Zakład Ubezpieczeń Group for

the year ended 31 December 2022, prepared in accordance with the International Financial Reporting Standards, comprised of:

- a. consolidated statement of financial position as at 31 December 2022, showing assets and liabilities and equity totaling PLN 436,119 million (four hundred and thirty-six billion one hundred and nineteen million Polish zloty),
  - b. consolidated profit and loss account for the period from 1 January to 31 December 2022, showing a net profit of PLN 5,259 million (five billion two hundred and fifty-nine million Polish zloty),
  - c. consolidated statement of comprehensive income for the period from 1 January to 31 December 2022, showing net comprehensive income of PLN 2,335 million (two billion three hundred thirty-five million Polish zloty),
  - d. consolidated statement of changes in equity for the period from 1 January to 31 December 2022, showing a decrease in equity by PLN 242 million (two hundred and forty-two million Polish zloty),
  - e. consolidated cash flow statement for the period from 1 January to 31 December 2022, showing an increase in cash by PLN 6,513 million (six billion five hundred and thirteen million Polish zloty),
  - f. supplementary information and notes;
- 4) The independent statutory auditor's report on the audit of the annual consolidated financial statements issued on 29 March 2023;
  - 5) Management Board report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2022;
  - 6) Non-financial report of the PZU Group and PZU SA for 2022;
- issued a positive opinion on the said documents.

Therefore, the PZU SA Supervisory Board resolves to submit this opinion to the Ordinary Shareholder Meeting of PZU SA.

The Supervisory Board recommends the PZU SA Ordinary Shareholder Meeting to approve:

- financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2022,
- consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2022;

- Management Board report on the activity of the PZU Group and PZU SA for the financial year ended 31 December 2022,
- Non-financial report of the PZU Group and PZU SA for 2022

in accordance with § 18 item 1 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Article 395 § 2 Item 1 and Article 395 § 5 of the Commercial Company Code.

## **II. Assessment of the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2022**

The Supervisory Board hereby issues a positive opinion on the PZU SA Management Board's motion to the PZU SA Ordinary Shareholder Meeting to distribute PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2021, presented in Resolution No. UZ/128/2023 adopted by the PZU SA Management Board on 4 May 2023 on approving the motion to the PZU SA Ordinary Shareholder Meeting regarding the distribution of PZU SA's net profit for the year ended 31 December 2022 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2021 and recommends to the Ordinary Shareholder Meeting that the net profit for the year ended 31 December 2022 in the amount of PLN 1,636,773,956.28 (one billion six hundred thirty-six million seven hundred seventy-three thousand nine hundred fifty-six and

28/100 Polish zloty), increased by PLN 1,295,994,643.06 (one billion two hundred ninety-five million nine hundred ninety-four thousand six hundred forty-three and 06/100 Polish zloty) transferred from the supplementary capital created from the net profit for the year ended 31 December 2021, i.e. in the total amount of PLN 2,932,768,599.34 (two billion nine hundred thirty-two million seven hundred sixty-eight thousand five hundred ninety-nine and 34/100 Polish zloty), as follows:

- 1) designate PLN 2,072,455,200.00 (two billion seventy-two million four hundred and fifty-five thousand two hundred and 00/100 Polish zloty), that is PLN 2.40 (two and 40/100 Polish zloty) per share, to be paid as a dividend;
- 2) designate PLN 6,701,000.00 (six million seven hundred and one thousand and 00/100 Polish zloty) for the Company Social Benefit Fund (ZFŚS);
- 3) designate PLN 853,612,399.34 (eight hundred and fifty-three million six hundred and twelve thousand three hundred and ninety-nine and 34/100 Polish zloty) for supplementary capital.

The Supervisory Board recommends to the PZU SA Ordinary Shareholder Meeting that the dividend record date be set at 7 September 2023 and the dividend payment date be set at 28 September 2023.

## **VII. Brief assessment of the Company's consolidated standing, taking into account the adequacy and effectiveness of the Company's systems for internal control, risk management, ensuring compliance with standards or applicable practices, and internal audit function**

In 2022, the net profit attributable to the shareholders of the PZU Group's parent company was PLN 3,374 million, compared to PLN 3,336 million in 2021 (up 1.1%). Net profit reached PLN 5,259 million, i.e. 3.2% less than in 2021, and profit before tax stood at PLN 7,605 million, compared to PLN 7,454 million the year before.

The net result rose 91.9% compared to last year, net of non-recurring events<sup>1</sup>.

Operating profit in 2022 was PLN 7,630 million, up 2.2% compared to the result in 2021.

Operating profit was driven in particular by the following:

- higher gross written premium, especially in non-motor insurance in the mass client segment and corporate client segment, MOD insurance and growth of sales in the Baltic companies;
- higher profitability in group and individually continued insurance, on account of the decreased loss ratio due to deaths of the insured and co-insured in the group protection portfolio and in continued insurance;

<sup>1</sup> Non-recurring events include: a lower result related to an increase in technical provisions for older versions of individually continued products, consisting of the recognition of the expected effect of higher indexations; costs related to the accession of Alior Bank and Bank Pekao

to the Bank Protection Scheme; a provision made by Bank Pekao for the legal risk related to foreign currency mortgage loans, an impairment loss on financial assets and receivables in Ukrainian companies, and last year a higher result from investing activities as a result of the IPO of a logistics company in the portfolio of an investment fund managed by TFI PZU.

- higher profitability of the mass insurance segment driven mainly by the lower loss ratio of the MOD insurance; • a decline in profitability in the corporate client segment due to higher claims for non-motor products;
- slightly lower result on individual insurance despite a significant decline in sales of investment products;
- higher operating results related to banking activities (decrease at the net income level), including an increase in interest and commission income partially offset by non-recurring events: costs associated with the modification of agreements for PLN mortgage loans granted to consumers due to the suspension of loan repayments (the so-called moratorium periods), the recognition of an additional provision for the legal risk related to foreign currency mortgage loans in Bank Pekao, and contribution to the Commercial Bank Protection Scheme. Decrease in the net income level associated with the non-tax nature of the provision for legal risk related to foreign currency mortgage loans;
- lower result on investing activities excluding banking activities, including due to last year's one-off effect of an increase in the valuation of the shares of a logistics company in connection with its IPO, offset in part by an increase in income from floating-rate instruments as a result of the higher level of Polish interest rates, in particular in debt and money market portfolios.

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

- increase in gross written premium by 6.5% to PLN 26,710 million. It mainly concerned non-motor insurance, including fire and other property damage insurance in the corporate client segment, as a consequence of signing several high-value contracts, including a renewal of a contract for a fuel and energy client and in the mass client segment - MOD insurance due to the high growth rate of the number of insurances with simultaneous increase in the average premium, natural catastrophe insurance and other property damage insurance, chiefly as a result of higher sales of subsidized crop insurance (as a result of the subsidy pool from the state budget

greater than the year before), and building and real estate insurance. In the Baltic companies the growth of sales 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 24,297 million, and was 4.6% higher than in 2021;

- increase by 58.9% in investment income without factoring in the interest expenses and 14.0% higher income after factoring in the interest expenses<sup>2</sup> (increase by PLN 9,137 million to PLN 10,416 million). The growth related to investment income from banking activity. The higher result was related in particular to an increase in interest income for both banks as a result of a series of interest rate hikes. The above effect was partially offset by recognizing the costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called moratorium periods), in the amount of PLN 1,958 million at Pekao and PLN 502 million at Alior Bank, as well as legal risk allowances created for foreign currency mortgage loans by Bank Pekao (income from investing activities was charged to this account in the amount of PLN 1,246 million). At the same time, a decline in investment income was posted in investment activity, net of banking activity<sup>3</sup>. The income was lower than in 2021 mainly due to last year's effect of an increase in the valuation of the logistics company's shares as a result of its IPO, a decrease in the results on investment activities on the portfolio of assets covering investment products and lower results of Private Equity funds as a result of the downturn in the technology market. 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 impact of the above factors was partially offset by an increase in income from floating-rate instruments as a result of the higher level of Polish interest rates, in particular in debt and money market portfolios;
- the lower level of claims and benefits paid, which amounted to PLN 15,542 million, i.e.

<sup>2</sup> including: interest income calculated using the effective interest rate, other net investment income, result on derecognition of financial instruments and investments, movement in allowances for expected credit losses and impairment losses on financial instruments, net

movement in fair value of assets and liabilities measured at fair value, and interest expenses

<sup>3</sup>Banking activity: data of Bank Pekao and Alior Bank

1.2% less than in 2021. The decline pertained in particular to life insurance as a result of a decrease in the unit-linked life insurance technical provisions, as an effect of lower sales of these products (lower inflow of new investment premiums) as well as lower results on investment activity in comparison to the results generated last year, as well as a decrease in the loss ratio from deaths of insureds and co-insureds in the group protection portfolio and in continued insurance;

- acquisition expenses higher by 9.3%, having increased to PLN 3,572 million, from PLN 3,903 million in 2021. This increase is mainly attributable to the modification in the product and sales channel mix, including a higher share of the multiagency channel in the mass insurance segment;
- increase of administrative expenses by 11.0% to PLN 7,575 million, from PLN 6,826 million in 2021. In the banking activity segment (net of adjustments on account of valuation of assets and liabilities to fair value), administrative expenses increased by PLN 562 million; in the insurance activity segments in Poland, administrative expenses increased by PLN 153 million, which resulted from, among other things, rising personnel costs as a result of salary pressures, intensified sponsorship activities, as well as an increase in property maintenance expenses and equipment and furniture purchases in connection with the move to the new headquarters;
- movement in the negative balance of other operating income and expenses – to PLN 3,750 million, compared with PLN 2,315 million in 2021. It was mainly related to one-off effects in the banks - a contribution of PLN 696 million to the aid fund in connection with Alior Bank and Bank Pekao joining the Bank Protection Scheme and a contribution of PLN 231 million to the Borrower Support Fund. At the same time, the burden of the levy on financial institutions increased in total from PLN 1,290 million in 2021 to PLN 1,452 million in 2022 (the outcome of the growth of value of assets subject to the levy, and not of the levy rate).

#### **Drivers and atypical events affecting the results**

In H1 2022, an increase in technical provisions for older versions of individually continued products, recognizing the expected effect of higher indexations in the gross amount of PLN 203

million. This expectation is based on the high level of the observed and expected inflation rate.

In addition, the PZU Group's result in 2022 was burdened by non-recurring effects related to banking activities including:

- costs associated with the accession of Bank Pekao and Alior Bank to the Bank Protection Scheme in the gross amount of PLN 482 million and PLN 214 million, respectively;
- updating the provision for legal risk related to foreign currency mortgage loans at Bank Pekao in the gross amount of PLN 1,598 million (of which an amount of PLN 352 million was charged to other operating expenses and PLN 1,246 million was reported as a movement in allowances for expected credit losses and impairment losses on financial instruments);
- costs related to the modification of agreements for PLN mortgage loans granted to consumers due to their suspension of loan repayments (the so-called moratorium periods), in the gross amount of PLN 1,958 million at Bank Pekao and PLN 502 million at Alior Bank.

In addition, due to the Russian Federation's invasion of Ukraine on 24 February 2022, PZU's Management Board assessed the impact of this event on the PZU Group's operations, business continuity, financial position and going concern. As a result of this analysis and due to the downgrading of Ukraine's rating, the PZU Group decided to recognize write-downs in the consolidated profit and loss account for H1 2022, mainly for financial assets and receivables. The impact of these write-downs on the PZU Group's consolidated net result reached PLN 94 million. In the corresponding period of 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 the 12-month period ended 31 December 2021.

#### **PZU SA**

In 2022, the issuer (PZU) recorded a technical result of PLN 1,267 million, compared to PLN 1,269 million in 2021, a drop by 0.2% (PLN -2 million y/y). Net profit was PLN 1,637 million, down 19.3% relative to PLN 2,028 million generated in the previous year. Disregarding the dividends received from PZU Życie, PZU's net profit was PLN 1,089 million, and was by PLN 275 million, i.e. 33.8% higher compared to 2021.

As regards the individual net result items, PZU recorded:

- increase in gross written premium to PLN 14,692 million, or 9.7% more than in the previous year. This was due to the higher premium in insurance against fire and other damage to property (mainly as a result of renewal of several large contracts and improved sales of crop insurance) as well as MOD and various financial risk insurance. After the reinsurers' share and movement in the provision for unearned premiums, net earned premium was PLN 12,750 million and was 7.0% lower than in 2021;
- higher level of claims and benefits, which amounted to PLN 7,895 million, which means an increase by PLN 539 million, i.e. 7.3% compared to 2021. The main change is an increase in the group of fire and other property damage insurance, general liability and insurance guarantees, partially offset by lower claims costs in accident and sickness insurance and in the group of transportation, marine and aviation insurance;
- a fall of the net investment<sup>4</sup> result down to PLN 1,303 million (by 16.4% y/y), as a result of lower results of subsidiaries;
- acquisition expenses higher by PLN 279 million, or 11.0%, compared to 2021, including reinsurance commissions, as a consequence of the growing insurance portfolio and the high share of the multiagency channel in the sales structure, characterized by higher commission rates;
- increase of administrative expenses by 5.0% - from PLN 723 million in 2021 to PLN 759 million in 2022. The increase is primarily the impact of rising property maintenance expenses as a result of the indexation of rental prices and utilities, the move to the new headquarters, and the implementation of the New IT Work Organization and Tools Model. The effect was compounded by intensified sponsorship activities, wage pressures and the cost of aid support related to the situation in Ukraine.

### 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.

#### Latest rating/outlook change:

On 6 April 2020, S&P Global Ratings (S&P) changed the ratings outlook for PZU from positive to stable. PZU's financial strength and credit rating remained at A-.

**Latest rating/outlook affirmation:** On 28 June 2022, S&P Global Ratings (S&P) affirmed PZU's financial strength rating and credit rating at A- with a stable outlook.

#### Capital policy and solvency

On 25 March 2021 the PZU SA 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.

According to the policy, temporary deviations of the actual solvency ratio above or below the target level are allowed.

The PZU and PZU Group's dividend policy rests on the following principles:

<sup>4</sup> net investment result takes into account investment income, unrealized investment gains, investment activity expenses,

unrealized investment losses and share of the net profit (loss) of subordinated entities measured by the equity method

- 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 2022, the estimated solvency ratio (calculated according to the standard Solvency II equation) was 230% and remained above the average solvency ratio reported by insurance groups in Europe.

As at the end of 2022 the audited "Solvency II" ratio for PZU SA was 267%.

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 BCM 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 2022, 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 2022, 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 2022, 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. In 2022, the Actuarial, Operational and Models Risk Committee was established. The establishment of a committee dedicated to these risks will allow the development of the risk management system and ensure the accurate and timely flow of information related to actuarial, operational and model risks, which have so far been addressed at PZU Group Risk Committee meetings

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.

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

#### **VIII. Assessment of the application of Corporate Governance Rules for regulated institutions**

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

The PZU SA Management Board and Supervisory Board have declared their readiness to apply the Rules to the objectively broadest extent while giving consideration to the rule of proportionality and the rule "comply or explain" stemming from their wording. These declarations were confirmed by the PZU SA Management Board and Supervisory Board in their respective resolutions.

Information on the application of the Rules was presented by the PZU SA Management Board and Supervisory Board during PZU SA's Ordinary Shareholder Meeting held on 30 June 2015. The PZU SA Ordinary Shareholder Meeting declared

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.

In order to assess the situation of PZU SA, in 2022 the Supervisory Board periodically analyzed information and reports submitted by the PZU SA Management Board and commissioned additional analyses on issues relevant to the assessment of the Company's situation.

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 2022, specifically to:

- Beata Kozłowska-Chyła, President of the Management Board,
- Ernest Bejda, Management Board Member,
- Małgorzata Kot, Management Board Member,
- Krzysztof Kozłowski, Management Board Member,
- Tomasz Kulik, Management Board Member,
- Piotr Nowak, Management Board Member,
- Maciej Rapkiewicz, Management Board Member,
- Małgorzata Sadurska, Management Board Member,
- Krzysztof Szypuła, Management Board Member.

that, acting within its powers, it will be guided by the Rules, except for certain specific rules waived by the PZU SA Ordinary Shareholder Meeting.

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

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 noted that, presently, PZU SA shareholders may follow the broadcast of the Shareholder Meeting, however PZU SA

- decided not to introduce the so-called e-Shareholder Meeting, because, in PZU SA's opinion, there are a number of factors of a technological and legal nature which may affect the proper conduct of the Shareholder Meeting; legal concerns include the possibility of identifying the shareholders and verifying their legitimacy; the risk of the occurrence of technical difficulties, e.g. with the Internet connection or possible external interference in the IT systems, may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions adopted during its course; the materialization of the above risks may affect the proper application of this rule to its full extent;
- the rule laid down in § 21 section 2 of the Corporate Governance Rules according to which within the supervising body there should be a separate function of the chairperson in charge of managing the work of the supervising body, and the selection of the chairperson of the supervising body should be accomplished on the basis of experience and team management skills while giving consideration to the independence criterion
    - 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 section 8 of the Articles of Association of PZU SA, at least two members of the Supervisory Board meet the independence criteria set forth in the Best Practices of WSE Listed Companies, adopted by the WSE's Supervisory Board. The selection of the Supervisory Board Chairperson is accomplished in particular on the basis of the criterion of knowledge, experience and skills that confirm the competences required to discharge duly the duties of supervision; applying the criterion of independence to the chairperson according to the KNF Office's explanation of this rule may evince doubts concerning a possible collision with the legal regulations pertaining to shareholder rights;
  - the rule laid down in § 49 section 3 of the Rules concerning the appointment and dismissal, in a regulated institution, of the person managing the internal audit cell and the person managing the compliance cell with the consent of the supervising body or the audit committee
    - it should be pointed out that PZU SA applies the rules laid down in § 14 of the Rules to their full extent, which means that the PZU SA Management Board is the sole body empowered to, and responsible for, managing the Company's activity; moreover, according to the labor law regulations, the managing body exercises labor law activities; on account of the foregoing, PZU SA has adopted a solution that anticipates that the selection and dismissal of the person managing the internal audit cell is accomplished while taking into account the opinion of the Supervisory Board Audit Committee; the person managing the compliance cell is appointed and dismissed in an identical manner; in making these decisions, the Management Board obtains the Audit Committee's opinions.
- The PZU SA Ordinary Shareholder Meeting has waived the following rules:
- the rule laid down in § 10 section 2 of the Rules reading as follows: "The implementation of personal rights or other special rights for shareholders of the regulated institution should be justified and serve the accomplishment of the regulated institution's material operating goals. The possession of such rights by shareholders should be reflected in the wording of the primary governing document of the regulated institution."
    - 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. On 29 June 2022, by resolution of the PZU SA Shareholder Meeting no. 30/2022 the Supervisory Board’s Report on compensation for PZU SA Management Board and Supervisory Board members in 2021 was adopted.

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 related parties;
- the rule laid down in § 49 section 4 of the Rules reading as follows: “In a regulated institution in which there is no audit or compliance cell, the rights ensuing from sections 1-3 are vested in the persons responsible for performing these functions.”
  - audit and compliance cells operate in PZU SA;
- the rule laid down in § 52 section 2 of the Rules reading as follows: “In a regulated institution in which there is no audit or compliance cell or no cell responsible for this area has been designated, the information referred to in section 1 shall be conveyed by the persons responsible for performing these functions.”

- audit and compliance cells operate in PZU SA;
- the rules laid down in Chapter 9 of the Rules entitled “Exercising rights from assets acquired at a client’s risk”
  - PZU SA does not offer products entailing asset management at a client’s risk.

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

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

**IX. 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.

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

On 30 June 2022, PZU SA published an update to the Information on the progress of application of the rules includes in the Best Practices for WSE Listed Companies 2021, previously published on 27 July 2021, (“Information”) in performance of the obligation set forth in § 29 sec. 3 of the WSE Rules. The current Information is available on PZU SA’s website in the “Investor relations” section.

PZU SA applies all the rules laid down in this document, with the exception of some that are not fully implemented:

- Rule 2.1., in terms of actual gender diversity ensuring the diversity of the company’s corporate bodies through minority participation in a given body at a level of not less than 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.

PZU SA notes that it has in place a diversity policy for members of PZU SA’s corporate bodies

adopted by the PZU SA Supervisory Board and Shareholder Meeting. It defines the goals and criteria of diversity, including gender, education, expertise, age, professional experience, and specifies the timeframe and methods for monitoring the achievement of these objectives. According to the policy, the Shareholder Meeting and the Supervisory Board, when selecting members for, respectively, the Supervisory Board and the Management Board of the Company, strive to achieve a balance in gender representation in the Company’s corporate bodies, including the minimum percentage of the minority gender group at 30%. The gender diversity condition for the minority share of no less than 30% is not satisfied in the Supervisory Board of PZU SA. The condition is satisfied in the PZU SA Management Board.

Irrespective of the above, PZU SA points out as follows:

- 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.
- when shaping the composition of its corporate bodies, PZU SA applies the diversity policy while maintaining objectivity and following merit-based criteria;
- the objectives and criteria for diversity in such areas as education, expertise and professional experience, 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.

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.

During the reporting period, there was an incidental violation of Rule 4.9.1, according to which if the shareholder meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office, candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the shareholder meeting to make an informed decision and in any case no later than three days before the shareholder meeting; the names of candidates and all related documents should be immediately published on the company's website. In connection with the nomination of a candidate for a member of the PZU SA Supervisory Board by a shareholder of the Company, an incidental breach of Rule 4.9.1. of the Best Practices for WSE Listed Companies 2021 occurred on 31 August 2022, i.e. one day before the PZU SA Extraordinary Shareholder Meeting. The Company published a complete set of materials regarding the proposed candidate on its website promptly upon receipt. The report on an incidental

breach of the Best Practices for GPW Listed Companies was published by PZU SA on 1 September 2022.

Apart from the case described above, no events occurred as a result of which PZU SA would be required to publish a report on a breach of a particular rule in an incidental manner, in accordance with § 29 section 3a of the WSE Rules. The level and manner of fulfillment of the rules included in the Best Practices for WSE Listed Companies 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.

If the declared application of the Best Practices for WSE Listed Companies 2021 rules changes, PZU SA will publish a revised Information in accordance with the WSE Rules and will post it on the PZU SA website.

The declarations of compliance with the corporate governance principles adopted by the Supervisory Board of the Warsaw Stock Exchange are included in the Bylaws of the PZU SA Management Board and Supervisory Board.

In addition, on 29 June 2022, a resolution on the adoption of the Best Practices for WSE Listed Companies 2021 was adopted by the PZU SA Ordinary Shareholder Meeting, which declared that the Shareholder Meeting, acting within its powers, will be guided by the Best Practices for WSE Listed Companies 2021 to the extent addressed to the Shareholder Meeting and the shareholders, taking into consideration generally applicable laws and the Articles of Association of PZU SA.

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 2022, 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 the Best Practices for WSE Listed Companies 2022 by PZU SA and the wording of the clarifications published by the Company in this respect. Additionally, the PZU SA Supervisory

#### **X. 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 2022. In particular, the update of the Compensation Policy involved clarifying how the Compensation Policy takes into account ESG risks included in the risk management system. The Compensation Policy comprises all internal regulations that define the compensation principles, dedicated to specific employee groups or specific employees, which are established in accordance with regulatory requirements and other generally applicable laws, internal regulations of the Company and guidelines of the regulatory authority. This regulation also covers detailed solutions pertaining to compensating specific employee groups, i.e. key personnel as well as other employee groups whose work significantly affects the company's risk profile (hereinafter: "Entitled Persons"), Senior Management who are not classified as Entitled Persons and other employees. Entitled Persons who are not Management Board members have been specified on the basis of the Identification Method developed by the Company. The purpose for the adoption of the Identification Method was to implement the requirements of the delegated regulation "Solvency II" on the introduction of detailed compensation policies for employees whose work significantly affects the undertaking's risk

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.

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 on the Rules for Setting the Compensation of Persons Managing Certain Companies of 9 June 2016 (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 Setting 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 Scheme,
  - 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 2022

- 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 2022, 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 2021 and setting the Management Objectives for 2022. The Committee also issued a recommendation to the Supervisory Board regarding the adoption of the PZU SA Supervisory Board Report on compensation for the PZU SA Management Board and Supervisory Board Members for 2021.
- In 2022, 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 2022, 13 regular meetings of the Nomination and Compensation Committee of the PZU SA Supervisory Board were held.

#### **XI. 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 2022 were made reasonably. The Supervisory Board believes that the activities undertaken in 2022 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**

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 2022, great emphasis was placed on the second key area of social engagement, i.e. promotion of healthy and active lifestyle. From the times of the pandemic, PZU pays special attention not only to prevention and physical health, but also responds to the challenges of maintaining mental balance and preventing mental health problems.

In 2022, in the area of promoting healthy lifestyles, under the honorary patronage of the Presidential Couple, in cooperation with the Ministry of Health, the National Health Fund, the Ministry of State Assets and the Ministry of Education and Science, PZU carried out a nationwide health prevention campaign called Healthy Life. The National Blood Donor Center, the Sanitary Service, the State

In the opinion of the Supervisory Board, in 2022 the Company properly implemented the adopted Policy along with all compensation principles dedicated to individual groups of persons forming it.

Pharmacy Board and the National Security Bureau also joined the campaign.

One of the elements of the Healthy Life campaign were mobile health zones organized by PZU, where Poles could perform a number of tests free of charge, i.e. basic tests (sugar, blood pressure, cholesterol), spirometry, or lung ultrasound, and consult the results with specialists - PZU Zdrowie physicians (internist, pulmonologist, dietician, dermatologist, cardiologist). In the health zones there was also a mammobus performing tests for women aged 50 to 69.

The first mobile health zone was arranged outside the Presidential Palace in Warsaw from 3 to 4 June 2022. Over the next 5 months, the mobile health zone covered nearly 5,000 kilometers and visited 11 more cities across Poland. More than 34,000 people have benefited from the tests, consultations and medical services offered.

In 2022, as part of its prevention efforts, PZU continued its commitment to producing the television program Start with Health in cooperation with TVP 2. The program raised the most important issues related to preventive health care, prompted viewers to change their attitudes, suggested how to take care of their health in a simple way, and stressed the importance of regular examinations and an active lifestyle. Experts answered questions about the health of Poles after the pandemic, insomnia, diabetes, obesity or depression, among others. The program emphasized the importance of physical activity in preventive health care, with particular emphasis on sports activities for children and adolescents.

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.

PZU is aware of the significant role of physical activity in maintaining human health and how important it is for instilling proper habits in

children and youths – especially after the pandemic, during which they had fewer opportunities to practice sports. On 10 May 2022, PZU launched a general health-boosting sports program called PZU Good Team in which sports clubs and associations received funding for the organization of amateur sports activities, tournaments and competitions for children and youths up to 18 years of age, including those with disabilities. PZU is convinced that the Good Team program will significantly improve involvement of children and youths in physical exercise, which will contribute to their healthy development and will certainly reduce their susceptibility to diseases and injuries in adult age. 1,667 entities applied for the program under the recruitment process which lasted until 30 June 2022. Ultimately, 351 entities received funding. In total, the health-boosting program PZU Good Team involved 45,000 children practicing 43 sports disciplines across the country, predominantly in smaller towns and villages.

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 – the Voluntary Mountain Rescue Service, the Legionowo Voluntary Water Rescue Service and the Sea Voluntary Water Rescue Service, the Company conducted joint educational efforts in the area of safe recreation and financed the purchase of rescue equipment. PZU also supported volunteer fire brigades by subsidizing the purchase of specialist equipment and protective clothing.

In 2022, PZU allocated PLN 54,070,245 to preventive care activities. The expenditures made in 2022 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 229 sponsorship projects.

On this account, the PZU Group incurred costs with a total gross amount of PLN 35,514,665.30, of which:

expertise	4,460,179.64
culture	3,851,884.28
local communities and entrepreneurship	3,124,106.41
sports and a healthy and active lifestyle	21,610,288.96
national identity	2,468,206.01
Out of that amount, PZU SA incurred total gross sponsoring costs of PLN 17,858,435.41, of which:	
expertise	2,484,982.90
culture	1,946,389.10
local communities and entrepreneurship	1,448,580.88
sports and a healthy and active lifestyle	10,714,379.53
national identity	1,264,103.00

As part of sports sponsorship activities, in 2022 PZU continued its cooperation with Iga Świątek, the Academic Sports Association, the AMP Futbol Association, the FKS Stal Mielec Sports Club and the Tour de Pologne. The Company also signed a sponsorship agreement with the National Association of People’s Sports Teams and supported the organization of the Grand Charity Match for Ukraine, which took place in July 2022 at Iga Świątek’s initiative.

PZU 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, and the Fryderyk Chopin Institute, among others. The Company was also involved in a number of initiatives aimed at building the Polish identity and shaping patriotic attitudes. Among other initiatives, it sponsored the Gala of the Guardian of Memory, the activity of the “Strzelec” Piłsudski Rifle Association and the Grand Poland Project Congress.

In 2022, the Company was involved as a sponsor in large business-related events, such as the 590 Congress, but it also built its expert image by supporting events such as the 3rd Demographic Congress and the Open Days of the Notary Community targeted at more profiled audiences. As part of its sponsorship activities, the Company also supported numerous events for local communities, including the Festival of Rural Housewives Associations “Poland from the

Kitchen”, “Polska Press Giants 2022” and “Performing with Generosity”.

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.

## **XII. Assessment of the fulfillment of key sustainability commitments (ESG) by the Company and the PZU Group**

PZU SA and the PZU Group take actions that solidify its leadership and are consistent with the sustainability principles. In our approach, we treat environmental, climate-related, social and management factors on a par. PZU is involved in the pursuit of initiatives in 3 main areas: environmental (E), social (S) and governance (G).

In order to include ESG factors in all areas of activity, PZU SA included the ESG goals in the Company’s strategic objectives. These objectives were selected for pursuit by Senior Management. The ESG objectives include tasks aimed at achieving the ESG strategy’s effectiveness indicators that are related to key projects and have been established for selected organizational units responsible for the conduct of strategic activities. Owing to the assignment of relevant ESG objectives across the organization, PZU SA also included in the process those departments that are not directly involved in the pursuit of strategic sustainability goals. The degree of attainment of these goals translates into the value of variable compensation to be received by management for the respective year. Various ESG objectives were assigned to PZU SA Management Board members and to the Management Boards of selected subsidiaries.

A major sustainability element at PZU SA is the inclusion of ESG criteria in relations with business partners. PZU has a Code of CSR Best Practices for the PZU Group’s Suppliers in place. The Code is a collection of principles both for the PZU Group and for its all suppliers. Doing business in accordance with the Code and promoting its values are an important criterion in the classification and assessment of prospective business partners. For procedures pending or completed in 2022, PZU SA conducted an information campaign involving the

collection of pertinent statements from suppliers participating in key procurement processes.

The largest corporate insurance customers from sectors sensitive to ESG risk are evaluated in terms of ESG factors. Highly sensitive sectors include those that rely heavily on non-renewable energy sources, are responsible for the largest levels of greenhouse gas direct and indirect emissions and exert the greatest impact on the degradation of the natural environment. In 2022, a customer evaluation process was carried out based on two proprietary methodologies for public and private entities, developed within the PZU Group under PZU SA’s guidance. The application of ESG criteria in relation to corporate customers serves the purpose of risk assessment and is not aimed at preventing any customers from using the PZU Group’s services.

As a trusted partner in the country’s energy transition, the PZU Group is involved in wind farm construction and expansion projects. In 2022, the PZU Group continued its involvement that began the year before with a view to funding Poland’s energy transition. In 2022, TFI PZU SA became involved in financing a wind farm in Biały Bór with the target installed capacity of 144.9 MW. It also provided financing for the construction of 4 other wind farms with a total capacity of 108 MW. These projects are located in Pruszcz, Markowice (Kujawsko-Pomorskie Voivodship), Piaski and Wyszki (Wielkopolskie Voivodship). The annual volume of electricity generated by the wind farms funded by the PZU Group should provide green electricity to over 800,000 households across Poland.

The PZU Group has been measuring its direct and indirect emissions since 2018. Every year, the measurement process is improved and its scope

extended. The emissions calculation is independently verified by a certified entity. In 2022, action was taken by PZU SA and PZU Życie SA to reduce scope 1 and 2 greenhouse gas emissions associated with combustion of fuels and consumption of energy. To this end, in 2022, photovoltaic installations were put in 7 locations. Moreover, the companies expanded their fleet by 32 hybrid cars. It is estimated that this will translate into a reduction in the annual CO<sub>2</sub> emissions in the following years.

In accordance with the adopted assumptions, the path to climate neutrality has been primarily taken by the PZU Group's main companies: PZU SA and PZU Życie, which intend to achieve climate neutrality by 2024 through reducing their energy consumption, using RES and offsetting emissions (by executing emission reduction projects focused on diminishing the volume of greenhouse gas emissions). According to the commitment made in the ESG Strategy, PZU SA and PZU Życie SA carried out an offset of the CO<sub>2</sub> emissions to which they contributed in 2021. These emissions were offset by the purchase of certified CER offset units made available through the UN Carbon Offset Platform. As part of endeavors aimed at compensating the environment for the emissions generated in 2021, funds were allocated to the development of wind energy in India. The companies purchased offset

units corresponding to 17,508 Mg of CO<sub>2</sub> emissions generated by PZU SA and PZU Życie SA.

The PZU Group takes care of the well-being of its employees. The well-being strategy #DobryStan adopted in 2021 is a tool to improve the well-being of employees. It ensures a comprehensive approach based on the following three key pillars: taking care of vital energy, building mental resilience and work style optimization. It translates into the formation of an organizational culture that focuses on human beings. Its elements include dialogue, listening to employees' needs and opinions, analyzing the outcomes of engagement surveys and preparing appropriate actions. The strategy promotes a healthy lifestyle, an optimal work style, inspires and encourages employees to implement habits that improve the efficiency and quality of their everyday existence. It suggests how to effectively combine professional and private roles: that of an employee, parent and guardian. It uses modern technologies, we support employees to make sure they keep fit and mentally healthy. In 2022, employees were offered the opportunity to participate in a number of educational activities and obtain support in challenging situations. The culmination of these educational and promotional activities was the annual #TyTworzyszPZU [#YouCreatePZU] conference.

**XIII. Evaluation of the fulfillment by the Management Board of disclosure obligations towards the Supervisory Board, as referred to in Article 380<sup>1</sup> of the Commercial Company Code, and assessment of the method of preparing or submitting information, documents, reports or clarifications to the Supervisory Board by the Management Board in the manner described in Article 382 §4 of the Commercial Company Code**

In connection with the amendments to the Commercial Company Code adopted by the Act of 9 February 2022 amending the Commercial Company Code and Certain Other Acts, the Supervisory Board adopted Resolution No. URN/152/2022 to determine the principles for the provision of information resulting from the Commercial Company Code by the PZU SA Management Board. In accordance with the provisions of the resolution, the Supervisory Board was regularly provided, in particular, with information on the subject matter of resolutions adopted by the PZU SA Management Board and significant developments related to the conduct of the Company's business, in particular in the operational, investment and HR areas, also in respect of subsidiaries, which constituted the

fulfillment of obligations under Article 380<sup>1</sup> of the Commercial Company Code.

In the opinion of the Supervisory Board, the information provided by the PZU SA Management Board was sufficient and fulfilled the disclosure obligations towards the Supervisory Board, including those referred to in Article 380<sup>1</sup> of the Commercial Company Code. The said materials were provided in an appropriate form, to a sufficient degree and frequency, and in a proper and comprehensive manner. The Supervisory Board received all information, documents, reports and clarifications regarding the Company necessary to exercise supervision in the course of its ongoing cooperation with the Management Board.

**XIV. Information on the total remuneration due from the Company for all audits commissioned by the Supervisory Board during the financial year in the manner specified in Article 382<sup>1</sup>**

In 2022, the Supervisory Board did not adopt any resolution on examining, at the Company's expense, any specific matter concerning the Company's operations or assets by a selected

advisor (advisor to the Supervisory Board). Nor did it select an advisor to prepare any specific analyses or opinions. Accordingly, no payment of any remuneration on this account was made in 2022.

#### **XV. 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 was adopted by the PZU SA Ordinary Shareholder Meeting on 29 June 2022.

In accordance with the diversity criteria laid down in the Policy, the competent bodies, when selecting the members of the PZU SA Management Board or Supervisory Board, ensure the selection of persons having diverse knowledge, experience, skills and other qualifications and attributes required from members of those bodies by generally and internally applicable laws and regulations. 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, strive to achieve a balance in gender representation in the Company's corporate bodies, taking into account the minimum participation of the minority gender group at 30%.

#### **XVI. Self-assessment of the Supervisory Board's work**

The PZU SA Supervisory Board performed its duties in a diligent and effective manner, while exercising continuous supervision over the Company's operations and growth in all areas of its business and taking all actions necessary for the efficient conduct of the Company's business and the pursuit of the Company's strategic objectives, as requested by the PZU SA Management Board. The scope, method of operation and composition of the Supervisory Board in 2022 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 2022. All members of the PZU SA Supervisory

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 diversity of the Management Board and the Supervisory Board in terms of age and gender in 2022 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. The Nomination and Compensation Committee reviewed the application of the Diversity Policy. The report on this review forms Attachment 4 to this Report.

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 2022 were conducted in an effective manner and in accordance with the best market practices.

Chairman  
of the PZU SA Supervisory Board

Robert Jastrzębski

*Warsaw, 10 May 2023*



**Attachment 1**

to the PZU SA Supervisory Board Report for 2022

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/1/2022	20 January 2022	to give consent to the purchase of 150 700 ordinary shares in PRJSC IC "PZU Ukraine" with its registered office in Kyiv, a strategic entity
URN/2/2022	20 January 2022	to give consent to the execution of framework agreements for the delivery of marketing forms
URN/3/2022	20 January 2022	to give consent to the execution of framework agreements to conduct marketing research
URN/4/2022	20 January 2022	repealing resolution no. URN/16/2018 on the Principles for Assessment and Verification of Competence and Integrity of Members of the PZU SA and PZU Życie SA Management Boards and those PZU Group Directors at PZU SA who are also Members of the PZU Życie SA Management Board
URN/5/2022	24 February 2022	to give consent to the placement of orders for the broadcast and production of commercials in the motor insurance product campaign
URN/6/2022	24 February 2022	regarding collective assessment of suitability of the PZU SA Management Board
URN/7/2022	7 February 2022	to initiate and conduct a recruitment procedure for a PZU SA Management Board Member
URN/8/2022	25 February 2022	on evaluation of the motion submitted by the Management Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in the matter of issuing subordinated bonds on the domestic market
URN/9/2022	25 February 2022	to give consent to PZU SA's execution of a donation agreement with the PZU Foundation
URN/10/2022	25 February 2022	to give consent to conclude with S&P Global Ratings Europe Limited the agreement to carry out a review of PZU SA in terms of ESG factors and conduct annual monitoring
URN/11/2022	25 February 2022	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 2021
URN/12/2022	25 February 2022	to give consent to the acquisition of shares in Towarzystwo Funduszy Inwestycyjnych Energia S.A.
URN/13/2022	25 February 2022	to pay part (tranche) III of Deferred Variable Compensation for the financial year 2017 to Roger Hodgkiss
URN/14/2022	25 February 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2017 financial year to Tomasz Kulik
URN/15/2022	25 February 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2017 financial year to Maciej Rapkiewicz
URN/16/2022	25 February 2022	to pay part (tranche) III of Deferred Variable Compensation for the financial year 2017 to Małgorzata Sadurska
URN/17/2022	25 February 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2017 financial year to Paweł Surówka
URN/18/2022	25 February 2022	to approve the proposed secondary assessment of individual suitability of Agata Górnicka, member of the PZU SA Supervisory Board
URN/19/2022	25 February 2022	amending resolution no. URN/83/2017 on the procedure for the selection of an audit firm
URN/20/2022	25 February 2022	amending Resolution No. URN/81/2017 on the policy for the selection of an audit firm to perform the audit
URN/21/2022	3 March 2022	amending resolution no. URN/109/2019 to give consent to execute an adhesion agreement on broadcasting commercials with Facebook Poland sp. z o.o., Facebook Ireland Ltd. and Facebook Payments International Ltd.
URN/22/2022	22 March 2022	to give consent to PZU SA's execution of a donation agreements in connection with the aid related to the war in Ukraine

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/23/2022	23 March 2022	to define the Management Objectives for Members of the PZU SA Management Board for 2022
URN/24/2022	23 March 2022	on the assessment of the Financial Statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended 31 December 2021 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/25/2022	23 March 2022	on the assessment of the Consolidated Financial Statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/26/20212	23 March 2022	on the assessment of the Management Board Report on the Activity of the PZU Group and PZU SA in 2021 together with the Non-Financial Report of the PZU Group and PZU SA for 2021 and to recommend their approval by the PZU SA Ordinary Shareholder Meeting
URN/27/2022	23 March 2022	in the matter of selection criteria for an audit firm and the manner of assessing the proposals and the wording of the announcement containing an invitation to submit a proposal for reviews and statutory audits of financial statements of PZU SA and PZU SA Group entities
URN/28/2022	23 March 2022	on issuing an opinion on the motion of the PZU SA Management Board to the PZU SA Shareholder Meeting on adopting a resolution on adopting for application the Best Practices of WSE Listed Companies
URN/29/2022	23 March 2022	on issuing an opinion on the motion of the PZU SA Management Board to the PZU SA Shareholder Meeting on adopting a resolution on amendments to the Bylaws of the PZU SA Shareholder Meeting
URN/30/2022	23 March 2022	on the Diversity Policy for Members of PZU SA Corporate Bodies
URN/31/2022	23 March 2022	on election of the statutory auditor to evaluate the Compensation Report of PZU SA Management Board and Supervisory Board members for 2021,
URN/32/2022	23 March 2022	to give consent to the execution of a framework agreement with Sigma Bis SA for media planning and purchase services
URN/33/2022	23 March 2022	to give consent to the placement of an order to support PZU SA in the 2nd phase of the “New Claims Routing” Project” for implementing the mechanisms worked out to optimize the routing of claims for claims handling paths, to the framework agreement entered into with McKinsey & Company Polska sp. z o.o. sp. k.
URN/34/2022	7 April 2022	to approve the Solvency and Financial Condition Report of Powszechny Zakład Ubezpieczeń Spółka Akcyjna as at and for the financial year ended 31 December 2021
URN/35/2022	7 April 2022	to approve the proposed secondary assessment of individual suitability of Radosław Sierpiński, member of the PZU SA Supervisory Board
URN/36/2022	27 April 2022	to approve the report on the recruitment procedure and closure of the recruitment procedure for a PZU SA Management Board Member
URN/37/2022	27 April 2022	to initiate and conduct a recruitment procedure for a PZU SA Management Board Member
URN/38/2022	27 April 2022	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for a PZU SA Management Board Member
URN/39/2022	27 April 2022	regarding the initial assessment of individual suitability and appointment of Piotr Nowak as a PZU SA Management Board Member
URN/40/2022	27 April 2022	regarding collective assessment of suitability of the PZU SA Management Board

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/41/2022	2 May 2022	to give consent to PZU SA's execution of a donation agreements in connection with the aid related to the war in Ukraine
URN/42/2022	2 May 2022	to give consent to the placement of orders for the broadcast of commercials in the Dom and Wojażer advertising campaign
URN/43/2022	12 May 2022	to give consent for Piotr Nowak, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of TFI PZU SA with its registered office in Warsaw
URN/44/2022	18 May 2022	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 2021 and the auditor's report and opinion on the audit of that Report
URN/45/2022	18 May 2022	to give consent to the execution of a sponsorship agreement with Lang Team Sp. z o.o., the organizer of the "79th Tour de Pologne UCI World Tour"
URN/46/2022	18 May 2022	to give consent to the execution of a framework agreement to conduct mystery shopper surveys
URN/47/2022	18 May 2022	to approve the proposed secondary assessment of individual suitability of Józef Wierzbowski, member of the PZU SA Supervisory Board
URN/48/2022	18 May 2022	to approve the Risk Management Strategy in the PZU Group
URN/49/2022	26 May 2022	to give consent for Krzysztof Kozłowski, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of PZU Zdrowie SA with its registered office in Warsaw
URN/50/2022	26 May 2022	to give consent for Krzysztof Kozłowski, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of the Independent Public Clinical Hospital no. 2 PUM in Szczecin
URN/51/2022	26 May 2022	to give consent for Krzysztof Kozłowski, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Polskie Radio – Regionalna Rozgłośnia w Szczecinie "PR Szczecin" S.A.
URN/52/2022	1 June 2022	to adopt the report on compensation for PZU SA Management Board and Supervisory Board members in 2021,
URN/53/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Paweł Mucha, member of the PZU SA Supervisory Board
URN/54/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Paweł Górecki, member of the PZU SA Supervisory Board
URN/55/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Robert Śnitko, member of the PZU SA Supervisory Board
URN/56/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Marcin Chludziński, member of the PZU SA Supervisory Board
URN/57/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Agata Górnicka, member of the PZU SA Supervisory Board
URN/58/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Robert Jastrzębski, member of the PZU SA Supervisory Board
URN/59/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Elżbieta Mączyńska-Ziemacka, member of the PZU SA Supervisory Board
URN/60/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Krzysztof Opolski, member of the PZU SA Supervisory Board
URN/61/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Radosław Sierpiński, member of the PZU SA Supervisory Board
URN/62/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Józef Wierzbowski, member of the PZU SA Supervisory Board
URN/63/2022	1 June 2022	to approve the proposed secondary assessment of individual suitability of Maciej Zaborowski, member of the PZU SA Supervisory Board
URN/64/2022	1 June 2022	regarding the secondary assessment of individual suitability of Krzysztof Opolski, PZU SA Supervisory Board Audit Committee member
URN/65/2022	1 June 2022	regarding the secondary assessment of individual suitability of Marcin

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/66/2022	1 June 2022	Chludziński, PZU SA Supervisory Board Audit Committee member regarding the secondary assessment of individual suitability of Robert Śnitko, PZU SA Supervisory Board Audit Committee member
URN/67/2022	1 June 2022	regarding the secondary assessment of individual suitability of Maciej Zaborowski, PZU SA Supervisory Board Audit Committee member
URN/68/2022	1 June 2022	regarding the secondary assessment of individual suitability of Beata Kozłowska-Chyła, PZU SA Management Board member
URN/69/2022	1 June 2022	regarding the secondary assessment of individual suitability of Ernest Bejda, PZU SA Management Board member
URN/70/2022	1 June 2022	regarding the secondary assessment of individual suitability of Małgorzata Kot, PZU SA Management Board member
URN/71/2022	1 June 2022	regarding the secondary assessment of individual suitability of Krzysztof Kozłowski, PZU SA Management Board member
URN/72/2022	1 June 2022	regarding the secondary assessment of individual suitability of Tomasz Kulik, PZU SA Management Board member
URN/73/2022	1 June 2022	regarding the secondary assessment of individual suitability of Piotr Nowak, PZU SA Management Board member
URN/74/2022	1 June 2022	regarding the secondary assessment of individual suitability of Maciej Rapkiewicz, PZU SA Management Board member
URN/75/2022	1 June 2022	regarding the secondary assessment of individual suitability of Małgorzata Sadurska, PZU SA Management Board member
URN/76/2022	1 June 2022	regarding the secondary assessment of individual suitability of Krzysztof Szypuła, PZU SA Management Board member
URN/77/2022	1 June 2022	regarding assessment of the Management Board's motion regarding the distribution of PZU SA's net profit for the year ended 31 December 2021 and the amount transferred from supplementary capital created from the net profit generated for the year ended 31 December 2020
URN/78/2022	1 June 2022	regarding the recommendation to grant a discharge to Beata Kozłowska-Chyła on the performance of her duties in the Company's Management Board in 2021
URN/79/2022	1 June 2022	regarding the recommendation to grant a discharge to Marcin Eckert on the performance of his duties in the Company's Management Board in 2021
URN/80/2022	1 June 2022	regarding the recommendation to grant a discharge to Marcin Eckert on the performance of his duties in the Company's Management Board in 2021
URN/81/2022	1 June 2022	regarding the recommendation to grant a discharge to Małgorzata Kot on the performance of her duties in the Company's Management Board in 2021
URN/82/2022	1 June 2022	regarding the recommendation to grant a discharge to Krzysztof Kozłowski on the performance of his duties in the Company's Management Board in 2021
URN/83/2022	1 June 2022	regarding the recommendation to grant a discharge to Tomasz Kulik on the performance of his duties in the PZU SA Management Board in 2021
URN/84/2022	1 June 2022	regarding the recommendation to grant a discharge to Maciej Rapkiewicz on the performance of his duties in the PZU SA Management Board in 2021
URN/85/2022	1 June 2022	regarding the recommendation to grant a discharge to Małgorzata Sadurska on the performance of her duties in the PZU SA Management Board in 2021
URN/86/2022	1 June 2022	regarding the recommendation to grant a discharge to Krzysztof Szypuła on the performance of his duties in the PZU SA Management Board in 2021
URN/87/2022	1 June 2022	to adopt the Report of the PZU SA Supervisory Board on its assessment of PZU SA's financial statements for the year ended 31 December 2021, the consolidated financial statements of the PZU Group for the year ended 31 December 2021, the Management Board Report on the Activity of the PZU Group and PZU SA for the financial year ended 31 December 2021, the Non-Financial Report of the PZU Group and PZU SA for 2021 and the Management Board's motion on the distribution of PZU SA's net profit for the year ended

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/88/2022	1 June 2022	31 December 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 2021
URN/89/2022	1 June 2022	on issuing an opinion on PZU SA Management Board report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services for 2021,
URN/90/2022	1 June 2022	on issuing an opinion on the motion of the PZU SA Management Board to the PZU SA Shareholder Meeting to amend the PZU SA Articles of Association
URN/91/2022	1 June 2022	to amend resolution no. URN/133/2021 to accept the PZU SA Supervisory Board Report on the proposed secondary assessment of individual suitability of PZU SA Supervisory Board members
URN/92/2022	1 June 2022	to extend the Shareholder Agreement of 23 January 2017 between Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Polski Fundusz Rozwoju Spółka Akcyjna
URN/93/2022	1 June 2022	to give consent to the execution of the strategic partnership agreement with the National Association of People's Sports Teams (KZ LZS)
URN/94/2022	9 June 2022	to give consent to the subscription for shares in the increased share capital of PZU Zdrowie SA with its registered office in Warsaw
URN/95/2022	9 June 2022	to give consent for Krzysztof Kozłowski, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of Grupa Azoty Zakłady Chemiczne "Police" S.A. with its registered office in Police
URN/96/2022	9 June 2022	to give consent to PZU SA's execution of targeted donation agreements in connection with the aid related to the war in Ukraine
URN/97/2022	22 June 2022	to give consent for Małgorzata Sadurska, Member of the PZU SA Management Board, to assume a function in the Board of the PZU Foundation
URN/98/2022	22 June 2022	to give consent for Ernest Bejda, Member of the PZU SA Management Board, to assume a function in the Supervisory Board of the Polish Motor Insurers' Bureau
URN/99/2022	28 June 2022	regarding the secondary assessment of individual suitability of Krzysztof Kozłowski, PZU SA Management Board member
URN/100/2022	28 June 2022	to give consent to the execution of a sponsorship agreement with Event-Factory s.c K. Koper, S. Godula, the organizer of the "Great Charity Match for Ukraine"
URN/101/2022	28 July 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2018 financial year to Tomasz Kulik
URN/102/2022	28 July 2022	to pay part (tranche) III of Deferred Variable Compensation for the financial year 2018 to Roger Hodgkiss
URN/103/2022	28 July 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2018 financial year to Maciej Rapkiewicz
URN/104/2022	28 July 2022	to pay part (tranche) III of Deferred Variable Compensation for the financial year 2018 to Małgorzata Sadurska
URN/105/2022	28 July 2022	to pay part (tranche) III of Deferred Variable Compensation for the 2018 financial year to Paweł Surówka
URN/106/2022	29 July 2022	regarding the Procedure for periodic assessment of transactions executed by PZU SA with related parties on an arm's length basis in the ordinary course of business
URN/107/2022	29 July 2022	to assess the performance of Management Objectives for 2021
URN/108/2022	29 July 2022	to set the level of the Variable Compensation for 2020 as referred to in Management Services Provision Agreement of 4 May 2021 for Ernest Bejda
URN/109/2022	29 July 2022	to set the level of the Variable Compensation for 2019 as referred to in Management Services Provision Agreement of 18 April 2021 for Marcin Eckert

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/110/2022	29 July 2022	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 18 September 2021 for Małgorzata Kot
URN/111/2022	29 July 2022	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 20 March 2021 for Beata Kozłowska-Chyła
URN/112/2022	29 July 2022	to set the level of the Variable Compensation for 2021 as referred to in Management Services Provision Agreement of 4 August 2021 for Krzysztof Kozłowski
URN/113/2022	29 July 2022	to set the level of the Variable Compensation for 2021 as referred to in Management Services Provision Agreement of 31 August 2017 for Tomasz Kulik
URN/114/2022	29 July 2022	to set the level of the Variable Compensation for 2021 as referred to in Management Services Provision Agreement of 7 August 2017 for Maciej Rapkiewicz
URN/115/2022	29 July 2022	to set the level of the Variable Compensation for 2021 as referred to in Management Services Provision Agreement of 7 August 2017 for Małgorzata Sadurska
URN/116/2022	29 July 2022	to set the level of the Variable Compensation for 2020 as referred to in the Management Services Provision Agreement of 15 September 2021 for Krzysztof Szypuła
URN/117/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Aleksandra Agatowska
URN/118/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Adam Brzozowski
URN/119/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Marcin Eckert
URN/120/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Elżbieta Häuser-Schöneich
URN/121/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Roger Hodgkiss
URN/122/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the 2019 financial year to Tomasz Kulik
URN/123/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the 2019 financial year to Maciej Rapkiewicz
URN/124/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the financial year 2019 to Małgorzata Sadurska
URN/125/2022	29 July 2022	to pay part (tranche) II of Deferred Variable Compensation for the 2019 financial year to Paweł Surówka
URN/126/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2020 to Aleksandra Agatowska
URN/127/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2020 to Ernest Bejda
URN/128/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2020 to Adam Brzozowski
URN/129/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2020 to Marcin Eckert
URN/130/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the financial year 2020 to Elżbieta Häuser-Schöneich
URN/131/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Małgorzata Kot
URN/132/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Beata Kozłowska-Chyła
URN/133/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/134/2022	29 July 2022	financial year to Tomasz Kulik to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Maciej Rapkiewicz
URN/135/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Małgorzata Sadurska
URN/136/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Paweł Surówka
URN/137/2022	29 July 2022	to pay part (tranche) I of Deferred Variable Compensation for the 2020 financial year to Krzysztof Szypuła
URN/138/2022	29 July 2022	regarding the secondary assessment of individual suitability of Ernest Bejda, PZU SA Management Board member
URN/139/2022	29 July 2022	to give consent to place an order to support PZU SA and PZU Życie SA in the "Abakus II" Project by carrying out an analysis preceding the launch of the project of building an economic capital model for the PZU Group for the framework agreement concluded with Ernst & Young sp. z o.o. Consulting sp. k.
URN/140/2022	29 July 2022	to give consent to the placement of orders for the broadcast of commercials as part of the advertising campaign for TPL and MOD motor insurance
URN/141/2022	29 July 2022	to amend resolution no. URN/95/2020 to give consent to the execution of framework agreements with creative agencies providing ATL and digital services to PZU
URN/142/2022	29 July 2022	to adopt the consolidated text of the Articles of Association of PZU SA
URN/143/2022	24 August 2022	regarding the selection of PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the audit firm to audit and review financial statements and to audit reports on solvency and financial condition of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and the PZU Group for the period of five financial years 2024-2028 with an option to extend the contract for two more financial years 2029-2030
URN/144/2022	24 August 2022	to amend resolution no. URN/51/2021 of 26 May 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/145/2022	24 August 2022	to give consent to carry out an advertising campaign of agricultural insurance and to place orders to broadcast commercials as part of the campaign
URN/146/2022	31 August 2022	to approve the primary assessment of individual suitability of a candidate for a PZU SA Supervisory Board member
URN/147/2022	31 August 2022	to approve the assessment of collective suitability of the PZU SA Supervisory Board
URN/148/2022	31 August 2022	to approve the PZU SA Supervisory Board report containing a proposal for a primary individual suitability assessment of a candidate for a PZU SA Supervisory Board Member and a proposal for a collective suitability assessment of the PZU SA Supervisory Board
URN/149/2022	28 September 2022	to approve Attachment 4 to the Risk Management Strategy in the PZU Group
URN/150/2022	28 September 2022	to give consent for PZU SA to purchase shares in PKN Orlen SA
URN/151/2022	28 September 2022	to give consent for the organization of the Polish Zone (Polish House) during the World Economic Forum in Davos
URN/152/2022	28 September	to determine the principles for the provision of information resulting from the Commercial Company Code by the PZU SA Management Board

<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/153/2022	2022 27 October 2022	to elect the Chairperson of the PZU SA Supervisory Board
URN/154/2022	27 October 2022	amending resolution no. URN/115/2021 to approve the PZU SA and PZU Group Financial Plan for 2022
URN/155/2022	4 November 2022	to give consent to PZU SA's execution of a donation agreement with the PZU Foundation
URN/156/2022	23 November 2022	regarding the assessment of individual suitability of a candidate for a PZU SA Supervisory Board Audit Committee Member – Piotr Wachowiak
URN/157/2022	23 November 2022	regarding assessment of collective suitability of the PZU SA Supervisory Board Audit Committee
URN/158/2022	23 November 2022	to expand the composition of the PZU SA Supervisory Board's Audit Committee
URN/159/2022	16 December 2022	to approve the proposed secondary assessment of individual suitability of Marcin Chludziński, member of the PZU SA Supervisory Board
URN/160/2022	16 December 2022	to initiate and conduct a recruitment procedure for PZU SA Management Board Members, including the President of the PZU SA Management Board
URN/161/2022	16 December 2022	to approve the report on the recruitment procedure, approve the conduct and closure of the recruitment procedure for PZU SA Management Board Members, including the President of the PZU SA Management Board
URN/162/2022	16 December 2022	regarding the assessment of individual suitability of Beata Kozłowska-Chyła
URN/163/2022	16 December 2022	regarding the assessment of individual suitability of Małgorzata Sadurska
URN/164/2022	16 December 2022	regarding the assessment of individual suitability of Tomasz Kulik
URN/165/2022	16 December 2022	regarding the assessment of individual suitability of Maciej Rapkiewicz
URN/166/2022	16 December 2022	regarding the assessment of individual suitability of Krzysztof Kozłowski
URN/167/2022	16 December 2022	regarding the assessment of individual suitability of Małgorzata Kot
URN/168/2022	16 December 2022	regarding the assessment of individual suitability of Piotr Nowak
URN/169/2022	16 December 2022	regarding the assessment of individual suitability of Ernest Bejda
URN/170/2022	16 December 2022	to appoint Beata Kozłowska-Chyła as the President of the PZU SA Management Board
URN/171/2022	16 December 2022	to appoint Małgorzata Sadurska as a Management Board member
URN/172/2022	16 December 2022	to appoint Tomasz Kulik as a Management Board member
URN/173/2022	16 December 2022	to appoint Maciej Rapkiewicz as a Management Board member
URN/174/2022	16 December 2022	to appoint Krzysztof Kozłowski as a Management Board member
URN/175/2022	16 December 2022	to appoint Małgorzata Kot as a Management Board member
URN/176/2022	16 December 2022	to appoint Piotr Nowak as a Management Board member
URN/177/2022	16 December 2022	to appoint Ernest Bejda as a Management Board member
URN/178/2022	16 December 2022	regarding collective assessment of suitability of the PZU SA Management Board



<b>Resolution number</b>	<b>Resolution date</b>	<b>Subject matter of the resolution:</b>
URN/179/2022	16 December 2022	amending Resolution No. URN/48/2017 on the rules for setting the compensation of Management Board Members
URN/180/2022	21 December 2022	to approve the PZU SA and PZU Group Financial Plan for 2023
URN/181/2022	21 December 2022	regarding the approval and assessment of the Report on the periodic assessment of significant transactions executed by PZU SA and PZU SA subsidiaries with related parties in 2021
URN/182/2022	21 December 2022	to give consent to the execution of framework agreements with creative agencies
URN/183/2022	21 December 2022	to give consent to the execution of framework agreements with event agencies

**Attachment 2  
to the PZU SA Supervisory Board Report for 2022**

Name of a PZU SA Supervisory Board Member	20.01	04,07.0 2	25.02	03,23.0 3	23.03, 07.04	07.04	27.04	18.05	01.09. 06	28.06	28- 29.07	24, 31.08	28.09	27.10	23.11	16.12	21.12
<b>Marcin Chludziński</b>	√	√	√	√	√	√	√	X	√	X	√	√	√	√	√	√	√
<b>Paweł Górecki</b>	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Agata Górnicka</b>	X	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Robert Jastrzębski</b>	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Elżbieta Mączyńska- Ziemacka</b>	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Paweł Mucha</b>	√	√	√	√	√	√	√	√	√	√	√	√					
<b>Krzysztof Opolski</b>	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Radostaw Sierpiński</b>	√	√	√	√	√	√	√	√	√	X	√	√	√	X	√	√	√
<b>Robert Śnitko</b>	√	√	X	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Piotr Wachowiak</b>													√	√	√	√	√
<b>Józef Wierzbowski</b>	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Maciej Zaborowski</b>	√	√	X	√	√	√	√	√	√	√	√	√	√	√	√	√	X

√ – present  
X – absence justified

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attachment to Resolution No. UKA/3/2023  
adopted by the PZU SA Supervisory Board's Audit Committee on 22 March 2023



(Attachment 3 to the PZU SA Supervisory Board report for 2022)

## **REPORT OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA SUPERVISORY BOARD'S AUDIT COMMITTEE ON ITS ACTIVITY IN 2022**

Warsaw, 22 March 2023

## 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 2022, 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, Piotr Wachowiak and Maciej Zaborowski satisfied the independence criteria within the meaning of Article 129 sec. 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (the "Act on Statutory Auditors"). Marcin Chludziński, Krzysztof Opolski and Robert Śnitko held qualifications in accounting or auditing financial statements. All the Audit Committee Members had the knowledge and skills in the industry in which the Company operates.

On 23 November 2022, the Supervisory Board expanded the Audit Committee to include Piotr Wachowiak as an Audit Committee Member.

## 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.

In the course of its work the PZU SA Supervisory Board Audit Committee took into account the "Best practices for public interest entities pertaining to the appointment, composition and operation of the audit committee", as published by the Office of the Polish Financial Supervision Authority.

Accordingly, the composition of the Audit Committee as of 23 November 2022 was as follows and remained unchanged until 31 December 2022:

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

Krzysztof Opolski, Robert Śnitko, Piotr Wachowiak and Maciej Zaborowski satisfied the independence criteria within the meaning of Article 129 sec. 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. As of 14 April 2022, the independence criteria referred to in Article 129 sec. 3 item 1 of the Act on Statutory Auditors were also satisfied by Marcin Chludziński.

Marcin Chludziński, Krzysztof Opolski, Robert Śnitko and Piotr Wachowiak held qualifications in accounting or auditing financial statements. All the Audit Committee Members had the knowledge and skills in the industry in which the Company operates.

As at 31 December 2022, the PZU SA Supervisory Board Audit Committee's composition was unchanged.

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 2022 to 31 December 2022, the Committee held thirteen meetings on the following dates:

- 25 February 2022,
- 15 March 2022,
- 23 March 2022,
- 1 April 2022,
- 7 April 2022,
- 18 May 2022,
- 1 June 2022,
- 14 June 2022,
- 24 August 2022,
- 28 September 2022
- 27 October 2022,
- 23 November 2022,

- 21 December 2022.

In the corresponding period, the PZU SA Supervisory Board held seventeen 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. sp. k.

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

In 2022, the PZU SA Supervisory Board's Audit Committee held its meetings in the following composition:

Name Audit Committee Member	25 Februa ry	15 March	23 March	1 April	7 April	18 May	1 June	14 June	24 August	28 Septem ber	27 Octobe r	23 Novem ber	21 Decem ber
<b>Marcin Chludziński</b>	√	√	√	√	X	X	√	√	√	√	X	√	√
<b>Krzysztof Opolski</b>	√	√	√	√	√	√	√	√	√	√	√	√	√
<b>Robert Śnitko</b>	X	√	√	√	√	√	√	√	√	√	√	√	√
<b>Piotr Wachowiak</b>												√	√
<b>Maciej Zaborowski</b>	X	√	√	√	√	√	√	√	√	√	√	√	X

√ – present

X – not present

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

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

To perform activities in the area of **monitoring the effectiveness of internal control, internal audit and risk management systems**, in the period from 1 January to 31 December 2022, the Audit Committee addressed in particular the following issues:

- discussion of the risk report for Q4 2021 and for Q1-3 2022;
- discussion of the report on utilization of limits and threshold values of concentration in the PZU Financial Conglomerate as at the end of 2021 and Q1-3 2022;
- discussion on the annual report on the Internal Audit Department's activity in 2021, 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 2021;
- discussion of the report on the Internal Audit Department's activity in Q4 2021 and Q1-Q3 2022;
- discussion of 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 Risk Management Strategy;
- discussion of information on the implementation, in 2021, of the Strategy in the risk area for 2021-2023 as well as introduced changes;
- discussion of information regarding the SREP assessment for 2021;

- discussion of the draft audit plan for 2023;
- 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 an update to the Plan of Corrective Measures of the PZU Group and quarterly monitoring of ratios and indicators as at the end of 2021 and Q1-3 2022;

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 Amending the Commercial Company Code and certain other acts of 9 February 2022;
- draft Act amending certain acts in connection with commitment to develop financial market and protect investors on that market;
- amendments to the Labor Code Act, including in terms of implementing into the national legal order Directive 2019/1152 of 20 June 2019 on transparent and predictable working conditions in the European Union (the Information Directive) and Directive 2019/1158 of 20 June 2019 on work-life balance for parents and caregivers and repealing Council Directive 2010/18/EU (the Work-Life Balance Directive).
- 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);
- draft Act on Protection of Whistleblowers;
- Regulation of the European Parliament and of the Council on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, and (EU) No 909/2014 ("DORA");
- Act of 18 November 2020 on Electronic Service;
- 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;
  - Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products;
  - Commission Delegated Regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings;
  - Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to sustainability indicators.

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 2022, 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 2021, and the Management Board report on the activity of the PZU Group and PZU SA in 2021, with the report on non-financial information;
- discussion on the preliminary results of PZU SA and the PZU Group for 2021, H1 2022 and Q1 and Q3 2022;

- discussion on the preliminary results of IFRS 17 test calculations for PZU SA and the PZU Group for H1 2022 and Q3 2022;
- 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 2021;
- 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 2021;
- 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 2021, the consolidated financial statements of the PZU SA Group for the year ended 31 December 2021, the Management Board Report on the activity of the PZU Group and PZU SA in 2021 and the Management Board's motion to distribute PZU SA's net profit for the year ended 31 December 2021;
- issuance of a recommendation to the Supervisory Board regarding amendments in the document entitled "Procedure for the selection of an audit firm";
- issuance of a recommendation to the Supervisory Board regarding amendments in the document entitled "Policy for the selection of an audit firm to perform the audit";
- issuance of a recommendation to the Supervisory Board regarding selection of an audit firm to audit and review financial statements and to audit solvency and financial condition reports of PZU SA and the PZU Group for the period of five financial years 2024-2028 with an option to extend the contract for two more financial years 2029-2030;
- issuance of a recommendation to the Supervisory Board regarding amendment to the Financial Plan of PZU SA and the PZU Group for 2022;
- issuance of a recommendation to the Supervisory Board regarding amendment to the Financial Plan of PZU SA and the PZU Group for 2023 in compliance with IFRS 4;
- 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 2021;



- issuance of a recommendation to the Supervisory Board on the assessment of the solvency and financial condition report of the PZU Group for the year ended 31 December 2021;
- discussion of the statutory auditor's recommendations issued after the audit of the financial statements for the financial year ended 31 December 2021 with the PZU SA Management Board's position on those recommendations;
- 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.

Within the process of selecting an audit firm to audit and review financial statements and to audit solvency and financial condition reports of PZU SA and the PZU Group for the period of five financial years 2024-2028 with an option to extend the contract for two more financial years 2029-2030, the PZU SA Supervisory Board Audit Committee was especially interested in the issues connected with:

- organization of the audit process, in particular the approach to management of time and resources required to carry out the audit;
- the internal control system applied by the audit firm to assure the quality of the audit;

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 2021 as well as the assumptions and plans concerning the audit of the financial statements

for 2022 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 addition, on 23 March 2022, 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 2021 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. (KPMG), the auditor of PZU SA, presented the Committee with the findings of the audit of the financial statements for the 2021 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 Group entities. The Committee Members were assured that:

- KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k., the key statutory auditors, the top management and managers performing the audit of the standalone financial statements of PZU SA and consolidated financial statements of the PZU SA Group for the period ended 31 December

2021, are independent within the meaning of the Act on Statutory Auditors, within the meaning of the principles defined in the International Code of Ethics for Professional Accountants (including International Standards of Independence) adopted by the Polish Council of Statutory Auditors with Resolution No. 3431/52a/2019 on 25 March 2019 regarding principles of professional ethics for statutory auditors and pursuant to Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (“EU Regulation”);

- KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. confirmed that the prevailing regulations related to rotating the key statutory auditor and mandatory cooling off periods are complied with;
- KPMG Audyt sp. z ograniczoną odpowiedzialnością sp. k. confirmed that it did not provide any prohibited services pursuant to Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and Article 136 of the Act on Statutory Auditors;
- while conducting the audit works, no obstacles were encountered from employees of PZU SA which would make it impossible to issue an independent opinion; neither were any frauds or violations of law or regulations identified;

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

Based on an analysis of representations submitted by representatives of the entity performing the audit - KPMG Audit sp. z o.o. 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.

The Audit Committee, based on information and documents provided by the PZU SA Management Board and analyses carried out during meetings, performed risk assessment of monitored processes and areas. During the above work, no areas were found where the measures taken by the PZU SA Management Board would be inadequate. The risk assessment for areas and processes supervised by the Audit Committee was positive and did not make it necessary to take any additional measures.

#### **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. Thus, the PZU SA Supervisory Board Audit Committee provided the PZU SA Supervisory Board with information about supervisory activities performed and their results and findings.

Chairperson  
PZU SA Supervisory Board Audit Committee

Krzysztof Opolski



# Review of application of the Diversity Policy for members of PZU SA corporate bodies from 29 June 2022 to 31 December 2022

Warsaw, April 2023



# Diversity Policy for members of PZU SA corporate bodies



The Diversity Policy for Members of PZU SA Corporate Bodies was adopted by Resolution No. 47/2022 of the PZU SA Ordinary Shareholder Meeting of 29 June 2022.

The introduction of the Policy was an adaptation to the requirements resulting from item 2.1 in conjunction with item 2.2 of the “Best Practices of WSE Listed Companies 2021”.

Pursuant to § 4 sec. 2 of the Policy, the PZU SA Supervisory Board Nomination and Compensation Committee conducts an annual review of the Policy and the results of this review are discussed with the PZU SA Management Board and Supervisory Board and presented to the Shareholder Meeting.

This review covers the period from 29 June 2022 to 31 December 2022, i.e. from the date of adoption of the Policy until the end of the financial year. Subsequent reviews will refer to full financial years.

# Diversity of the Management Board and Supervisory Board at PZU SA – legal grounds



With regard to the requirements for persons holding positions in the management and supervisory bodies of PZU SA, the criteria applied are specified in particular in:

- ✓ the Commercial Company Code Act of 15 September 2000
- ✓ the Insurance and Reinsurance Activity Act of 11 September 2015
- ✓ the Act of 16 December 2016 on Rules for Managing State Property (as implemented in the Company's Articles of Association)
- ✓ The Rules for assessment of suitability of the PZU SA Supervisory Board and Audit Committee (Resolution No. 33/2021 of the Ordinary Shareholder Meeting) – implementing the KNF's Suitability Assessment Methodology in PZU SA
- ✓ The Rules for assessment of suitability of the PZU SA Management Board (Resolution No. URN/129/2020 of the Supervisory Board) – implementing the KNF's Suitability Assessment Methodology in PZU SA

# Publication of information on the diversity policy at PZU SA



Disclosures on the Diversity Policy in effect in PZU SA were included, as in previous years, in:

- ✓ The PZU SA Management Board Report on the Activity of the PZU Group and PZU SA, in accordance with the Regulation of the Minister of Development and Finance of 29 March 2018 on the Current and Periodic Information Submitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent, and
- ✓ Non-Financial Report of the PZU Group and PZU SA.

# Knowledge, professional experience, qualifications required by law – Rules for assessing suitability of the Supervisory Board, the Audit Committee and the Management Board



Education, expertise and professional experience, which are mentioned in the Policy, are reviewed in accordance with the Rules for assessment of suitability of the PZU SA Supervisory Board, Audit Committee and Management Board, adopted by resolutions of the PZU SA Shareholder Meeting and Supervisory Board, respectively (“Rules”).

Suitability assessment is carried out by the Shareholder Meeting for Supervisory Board members and by the Supervisory Board for Management Board members.

According to the Rules, an assessment is done each time before a person is appointed as a member of the corporate body (**initial individual assessment**) as well as during the term of office in the cases specified in the Rules (**secondary individual assessment**).

Among other things, the following criteria are taken into account as part of the individual assessment:

- ✓ competence (education, knowledge, experience and skills),
- ✓ assurance, including reputation and credibility,
- ✓ independence of judgment, including lack of conflicts of interest and commitment of sufficient time to perform the function,
- ✓ and, in the case of Supervisory Board members, also the independence criteria.

The Rules also provide for an obligation to carry out a **collective suitability assessment** of a corporate body to verify whether the body as a whole satisfies the prerequisites for suitability.

# Shaping the composition of the Company's corporate bodies



During the period subject to the review:

## **Shareholder Meeting**

Following the resignation from the Supervisory Board of PZU SA tendered on 31 August 2022 by Paweł Mucha, the Extraordinary Shareholder Meeting of PZU SA, following a suitability assessment, appointed Piotr Wachowiak as a member of the Supervisory Board of PZU SA effective as of 1 September 2022.

## **Supervisory Board**

In connection with the elapse of the previous term of office of the PZU SA Management Board, after a recruitment procedure carried out on 16 December 2022 in accordance with the Articles of Association, the PZU SA Supervisory Board appointed the Management Board for the new term of office, which covers financial years from 2023 to 2025 in the previous composition, which included: Beata Kozłowska-Chyła, Tomasz Kulik, Maciej Rapkiewicz, Małgorzata Sadurska, Ernest Bejda, Małgorzata Kot, Krzysztof Kozłowski and Piotr Nowak. In order to determine the best composition of the Management Board, the Supervisory Board, in particular:

- an analysis including objective assessment as to whether they possess the appropriate knowledge, experience and whether they meet the criteria required by law;
- a suitability assessment.

The PZU SA Shareholder Meeting and Supervisory Board, by appointing members of the Supervisory Board and the Management Board in accordance with the wording of the Diversity Policy, ensured the selection of individuals having diverse knowledge, experience, skills and qualifications and qualities required of members of these corporate bodies by generally applicable and internal laws.



As a result of these assessments, the relevant corporate bodies of the Company confirmed that the suitability criteria are satisfied by the Management Board and the Supervisory Board as corporate bodies, as well as by the individual members of the Management Board and Supervisory Board subjected to individual suitability assessment.



## Diversity criteria specified in the Policy – gender

According to the Policy the bodies appointing members of the Supervisory Board and the Management Board will strive to achieve a balance in gender representation in the Company's corporate bodies, taking into account the achievement of a minimum the participation of minority gender group of 30%.



	Supervisory Board			
	number of persons		%	
	women	men	women	men
<30 years old	0	0	0	0
30-50 years old	1	4	9%	36%
>50 years old	1	5	9%	46%
<b>Total by gender</b>	<b>2</b>	<b>9</b>	<b>18%</b>	<b>82%</b>

With regard to the Supervisory Board, the minimum re. the minority share of no less than 30% was not met, as allowed by the rule adopted in the Policy, according to which the composition of the Company's corporate bodies should not be shaped solely in order to increase diversity at the expense of the functioning and suitability of the Management Board or the Supervisory Board as a whole, or the suitability of individual members of the Company's corporate bodies.



	Management Board			
	number of persons		%	
	women	men	women	men
<30 years old	0	0	0	0
30-50 years old	2	5	25%	62.5%
>50 years old	1	0	12.5%	0
<b>Total by gender</b>	<b>3</b>	<b>5</b>	<b>37.5%</b>	<b>62.5%</b>

Women's participation of more than 30% has been ensured on the Management Board of PZU SA.

## Conclusions of the review of the application of the Policy



**As a result of the review, the Supervisory Board  
Nomination and Compensation Committee  
concludes that the Policy was applied.**