

Attachment 2 to Resolution No. URN/42/2016  
adopted by the PZU SA Supervisory Board on 24 May 2016

## REPORT ON ASSESSMENT OF THE OPERATION OF THE COMPENSATION POLICY



The basis for assessment of the operation of the compensation policy at PZU SA is § 28 section 3 of the Corporate Governance Rules for Regulated Institutions.

#### PRINCIPLES FOR SHAPING THE COMPENSATION POLICY AT PZU SA

- PZU SA (hereinafter: "Company") does not have a compensation policy captured in the form of a single dedicated internal regulation. PZU SA's compensation policy is laid down in several internal regulations defining the principles for compensating specific employee groups, determined in accordance with generally applicable laws, the Company's internal regulations and principles of corporate governance.
- The main objective of the Company's compensation policy is to recruit, retain and motivate employees to demonstrate the best possible performance by pursuing the Company's strategic objectives while maintaining optimal and rational employee compensation levels and taking into account the need for proper financial and risk management at PZU SA.
- Compensations in the Company are shaped in relation to the scope of tasks and the level of responsibility defined in the job description, which is subject to valuation in accordance with the Hay Group's methodology.
- On an annual basis, the HR Department verifies the market competitiveness of compensations offered by the Company.
- The Company's compensation system is communicated to all PZU SA employees.

#### ELEMENTS OF EMPLOYEE COMPENSATION

- Total compensation is divided into a fixed part and a variable part.
- The Company defines the appropriate ratio of fixed basic compensation component of total compensation to variable compensation where this ratio is appropriately balanced so that the fixed part of compensation forms a sufficiently large part of total compensation to enable the conduct of a flexible policy in respect of the variable components of compensation.
- Variable compensations are subject to limits on the allowable maximum amount – in a specific percentage of the fixed compensation for the applicable assessment period.
- 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 specificity. Information on the bonus system applicable to the employee is part of his/her employment contract.
- Moreover, as part of its compensation policy, PZU SA offers its personnel the following employee benefits:
  - Employee Pension Plan,
  - Medical care,
  - Pharmaceutical insurance,
  - Company Social Benefit Fund cafeteria (the amount of benefits depends on the level of income per family member),
  - Housing loans for employees,
  - Discounts on insurance products offered by the PZU Group,
  - Relocation benefit in case of a change of the place of work within the PZU Group at the initiative of the employer.
  - Managerial package for Senior Management specified in the applicable procedure (a company car, a mobile phone with accessories, a limit on phone calls and data transmission).
- The rules of compensation for members of the Management Board are defined by the Supervisory Board on the basis of opinions of the Nomination and Compensation Committee of the PZU SA Supervisory Board and are contained in individual employment contracts.
- The rules of compensation for Supervisory Board members are governed by resolutions adopted by the Company's Shareholder Meeting. The above components of compensation do not apply to members of the Supervisory Board.

#### ASSESSMENT OF THE OPERATION OF THE COMPENSATION POLICY AT PZU SA IN 2015

- PZU SA's compensation policy is consistent with the Company's business strategy, objectives, values and long-term interests, in particular in respect of sustainable growth, and incorporates measures aimed at avoiding conflicts of interest and eliminating the potential adverse impact of the compensation system on proper risk management.
- In September 2014, the Nomination and Compensation Committee of the PZU SA Supervisory Board reviewed the rules of

- compensating PZU SA's employees. In 2015, these rules did not change.
- In 2015, supervision over the implementation of the compensation policy was exercised by:
    - the Company's Shareholder Meeting in respect of members of the PZU SA Supervisory Board,
    - the PZU SA Supervisory Board and the Nomination and Compensation Committee of the PZU SA Supervisory Board in respect of members of the PZU SA Management Board,
    - the PZU SA Management Board and the HR Director in the PZU Group in respect of PZU SA's Senior Management,
    - the HR Director in the PZU Group in respect of the Company's other employees.
  - In 2015, 6 regular meetings of the Nomination and Compensation Committee of the PZU SA Supervisory Board were held.

The Supervisory Board is of the opinion that in 2015 the Company properly implemented the rules of compensation dedicated to the distinct employee groups, in line with PZU SA's compensation policy.

Chairman  
of the PZU SA Supervisory Board

Paweł Kaczmarek

Warsaw, 24 May 2016