

Attachment 3 to Resolution No. URN/42/2016  
adopted by the PZU SA Supervisory Board on 24 May 2016

ASSESSMENT OF APPLICATION OF THE CORPORATE GOVERNANCE RULES FOR  
REGULATED INSTITUTIONS



On 22 July 2014, the Polish Financial Supervision Authority (KNF) issued the Corporate Governance Rules for Regulated Institutions ("Rules") constituting a set of guidelines (soft law norms) 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 declared their readiness to apply the Rules to the objectively broadest extent while giving consideration to the principle of proportionality and the principle "comply or explain" stemming from their wording. These declarations were confirmed by the PZU SA Management Board and Supervisory Board in their respective resolutions.

Information on the application of the Rules was presented by the PZU SA Management Board and Supervisory Board during the Ordinary Shareholder Meeting of PZU SA held on 30 June 2015. The Ordinary Shareholder Meeting of PZU SA declared that, acting within its powers, it will be guided by the Rules, except for certain specific ones waived by the Ordinary Shareholder Meeting of PZU SA.

Detailed information on the application of the Rules by PZU SA, indicating the rules that PZU SA satisfies in part and the rules that due to the nature or specificity of the Company's business do not apply to PZU SA, is posted on PZU SA's website.

The following rules are satisfied in part by PZU SA:

- the rule laid down in § 8 section 4 of the Rules concerning the enabling of all shareholders to participate in the Shareholder Meeting, including by procuring the possibility of actively participating electronically in the Shareholder Meeting
  - it should be emphasized that currently the PZU SA shareholders may follow the broadcast of the Shareholder Meeting, however PZU SA decided not to introduce the so-called e-Shareholder Meeting, because, in PZU SA's opinion, there are a number of factors of a technological and legal nature which may affect the proper conduct of the Shareholder Meeting; legal concerns include the possibility of identifying the shareholders and verifying their legitimacy; the risk of the occurrence of technical difficulties, e.g. with the Internet connection or possible external interference in the IT systems, may disrupt the work of the Shareholder Meeting and evince doubts concerning the efficacy of the resolutions

adopted during its course; the materialization of the above risks may affect the proper application of this rule to its full extent;

- the rule laid down in § 21 section 2 of the Rules according to which within the supervising body there should be a separate function of the chairperson in charge of managing the work of the supervising body, and the selection of the chairperson of the supervising body should be accomplished on the basis of experience and team management skills while giving consideration to the criterion of independence
  - it should be emphasized that, in accordance with the Commercial Companies 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 7 May 2009 on Statutory Auditors and Their Self-Regulatory Body (...); the selection of the Supervisory Board Chairperson is accomplished 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's

Audit Committee; the person managing the compliance cell is appointed and dismissed in an identical manner; in making these decisions, the Management Board obtains the Audit Committee's opinions.

The Ordinary Shareholder Meeting of PZU SA has waived the following rules:

- the rule laid down in § 10 section 2 of the Rules reading as follows: "The implementation of personal rights or other special rights for shareholders of the regulated institution should be justified and serve the accomplishment of the regulated institution's material operating goals. The possession of such rights by shareholders should be reflected in the wording of the primary governing document of the regulated institution."
  - the waiving of this rule was due to the unfinished process of the Company's privatization by the State Treasury;
- the rule laid down in § 12 section 1 of the Rules reading as follows: "Shareholders are responsible for recapitalizing without delay a regulated institution in a situation in which it is necessary to maintain the regulated institution's equity at the level required by the legal regulations or oversight regulations as well as when the security of the regulated institution so requires."
  - the waiving of this rule was due to the unfinished process of the Company's privatization by the State Treasury;
- the rule laid down in § 28 section 4 of the Rules reading as follows: "The decision-making body assesses whether the implemented compensation policy fosters the regulated institution's development and operating security."
  - the waiving of this rule was due to the overly broad scope of the subject matter of the compensation policy subject to assessment by the decision-making body. The compensation policy in respect of persons who discharge key functions but are not members of the supervising body or the managing body should be subject to assessment by such persons' employer or principal, i.e. the Company represented by the Management Board and supervised by the Supervisory Board.

Furthermore, the following rules are not applicable to PZU SA:

- the rule laid down in § 11 section 3 of the Rules reading as follows: "In the event that the decision-making body makes a decision concerning a transaction with an affiliate, all shareholders should have access to all information required to assess the conditions on which it is implemented and its impact on a regulated institution's standing."
  - in PZU SA, the Shareholder Meeting does not make decisions on transactions with an affiliate;
- the rule laid down in § 49 section 4 of the Rules reading as follows: "In a regulated institution in which there is no audit or compliance cell, the rights ensuing from sections 1-3 are vested in the persons responsible for performing these functions."
  - audit and compliance cells operate in PZU SA;
- the rule laid down in § 52 section 2 of the Rules reading as follows: "In a regulated institution in which there is no audit or compliance cell or no cell responsible for this area has been designated, the information referred to in section 1 shall be conveyed by the persons responsible for performing these functions."
  - audit and compliance cells operate in PZU SA;
- the rules laid down in Chapter 9 of the Rules entitled "Exercising the 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, there were no events causing the need to update the above information.

In consideration of the foregoing, the PZU SA Supervisory Board is of the opinion that the rules introduced by the document entitled "Corporate Governance Rules for Regulated Institutions" are applied properly and in accordance with the declarations of PZU SA's governing bodies.



Chairman  
of the PZU SA Supervisory Board

Paweł Kaczmarek

Warsaw, 24 May 2016