



Corporate Social
Responsibility
Report

PZU SA
for 2010



Letter from the CEO

Ladies and Gentlemen,

For over 200 years PZU has been committed to securing the future of Poles. In the minds of our customers, our name is indelibly linked to insurance, and we remain a leader in this sector.

It is central to us.

2010 was a breakthrough year for the company and saw the opening of a new chapter in our history. We became a public company, and we are now listed on the Warsaw Stock Exchange. This was not only the biggest launch in the history of the Warsaw Stock Exchange, but also for the stock markets of Central and Eastern Europe since the beginning of the political changes in Europe in 2007. This shows the scale of the PZU Group.

Our size and our 200-year history is a source of pride, but it is also a huge obligation and responsibility. We participate in the life of Poles, guaranteeing insurance coverage for their lives and property, and we take care of their pensions. We are the direct and indirect employer of a great many people. We are not only a publicly traded company, but also a significant investor, who invests capital and provides funds to entrepreneurs. One cannot ignore the crucial role played by insurance to a modern economy, stabilizing it and protecting it against turbulence, and providing opportunity for growth. It is difficult to imagine a functioning economic system, without insurance, and without the possibility of risk assurance. Had it not been for the support we provide, many visionary entrepreneurs would not have taken the risk of founding their enterprises.



Change brings new possibilities, but also new threats. Extreme weather events that stem from climate change are unfortunately becoming more frequent. Floods, blizzards, droughts, tornadoes can destroy the achievements of a lifetime. We try to be there for the victims of these disasters and provide them with support. Last year alone, we paid out about 600 million PLN in compensation to the victims of flood damage.

We have been present on the market for many years and many generations of Poles have tied their lives to the PZU. This has taught our organization to look far into the future. We offer our expertise in risk assessment, insurance and financial education. In the long run, it benefits everyone.

We have opened a new chapter in our history, that of being a listed company, and we want to think about our development as we have always done: from a bigger perspective. That is the reason why we are publishing the first report that summarizes our social and environmental results the same year as our first annual stock exchange report. It is a conscious decision aimed at ensuring long-term, sustainable growth for PZU SA.

Yours Sincerely,

Andrzej Klesyk,
CEO of PZU



Activities and Market Position of PZU SA¹

PZU SA² offers a wide range of insurance products for property and casualty insurance, including motor insurance, property, cars, agricultural and other third party insurance. The company offers more than 200 insurance products for eighteen insurance groups. Most of the insurance products offered by PZU are standardized products for individual and business customers but PZU also offers products addressed to large corporations.

PZU SA, whose history dates back to the early nineteenth century, is unquestionably the leader in the insurance market in Poland. According to the Polish Financial Supervision Authority (PFSA), PZU's market share stood at 34.2% at the end of 2010, and this was over three times larger than the share of the second biggest market player. The company, which initiated the development of insurance market in Poland, for 200 years has had the obligation (due to its leadership position) to support the development of the insurance market.

The basic financial volumes illustrate the size of the company³

	Unit of measurement	2009	2010	Change (%)
Gross insurance written premiums	in thousands PLN	7,791,169	7,783,936	-0.1%
Technical result of property and casualty insurance	in thousands PLN	166,308	(252,014)	
Net profit	in thousands PLN	2,510,379	3,516,709	40.1%
Total assets	in thousands PLN	28,936,978	26,213,094	-9.4%
Total equity	in thousands PLN	10,411,542	11,902,186	14.3%
Number of employees	permanent jobs	11,469	10,560	-7.9%

1. The information contained in this section is secondary to the corresponding information in the document „Report on the activities of General Insurance Company in 2010” and „Annual Report 2010”. The above mentioned documents are available at www.pzu.pl

2. Full name of the company: Powszechny Zakład Ubezpieczeń Spółka Akcyjna

3. Depending on the type, the data is for the period from 1 January to 31 December or on 31 December of that year



The generated economic value is also undeniable. In the last year, it was over 12 billion PLN, with over 2.4 billion PLN returned to the public in the form of various types of payments:

The economic value generated in 2010

Direct economic value generated (all values in thousands PLN)

Revenues	12,095,721
Divided economic value	
Operating costs	171,723
Salaries and employee benefits	357,406
Payments to investors	1,751,160
Payments to state	125,938
Investments in communities	5,538
Retained economic value	
Retained economic value (calculated as the economic value generated less the divided economic value)	9,683,956

What best illustrates the scale and position of PZU is the fact that the public issue of PZU shares in 2010, was the largest one in Central Europe since the beginning of the political transformation and the largest in Europe since 2007. Its market position is also confirmed by holding the eighth place on the "500 List" of the largest companies in Central and Eastern Europe, published by Rzeczpospolita newspaper. The PZU brand itself, one of the oldest and most recognizable brands in Poland, was awarded a gold emblem by the European Trusted Brands.



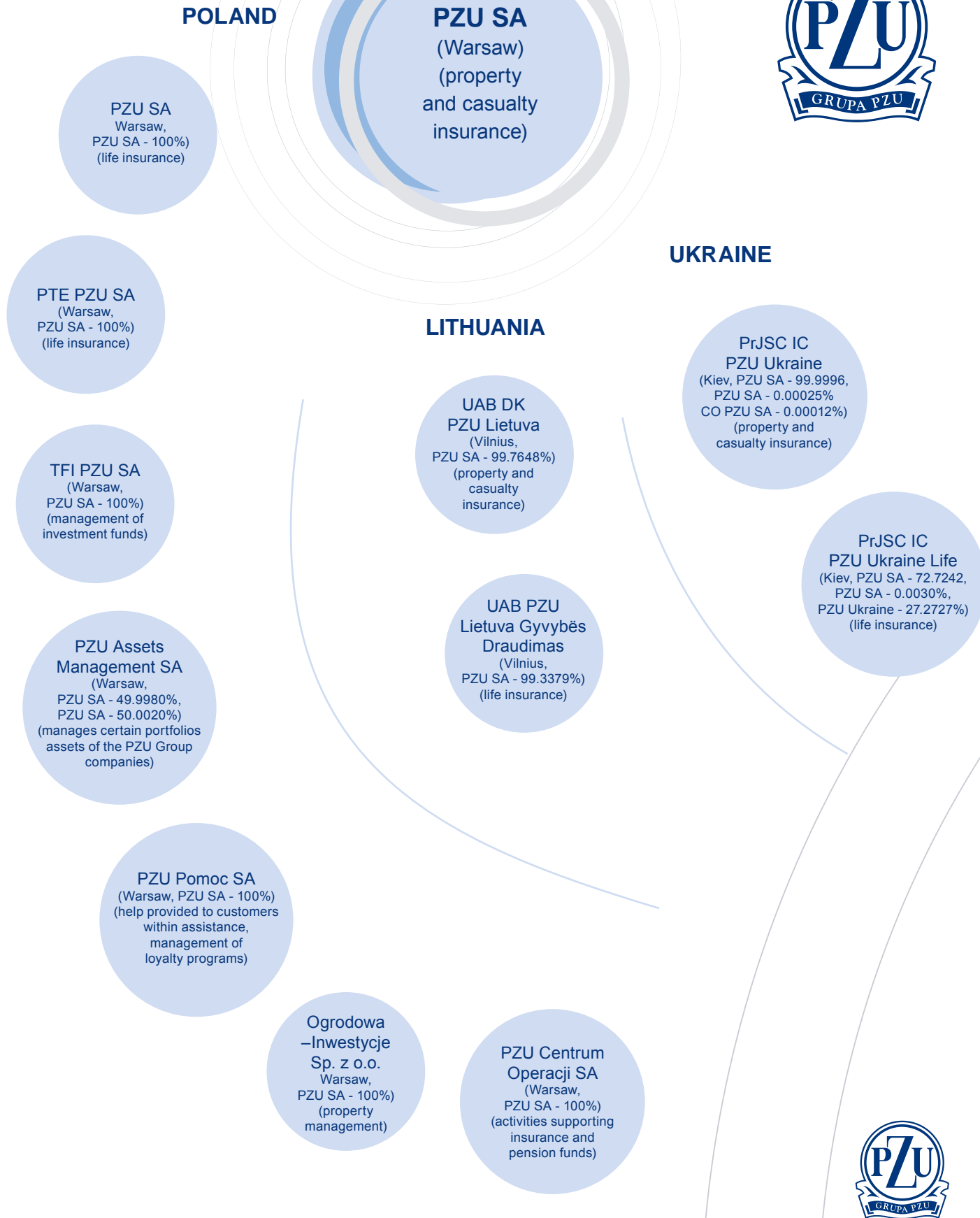
The Structure of the PZU Group (Simplified)

At the same time the company PZU SA, based in Warsaw is the parent company of the PZU Group and directly or indirectly controls a number of companies whose business involves offering services in other markets, both in terms of products as well as different countries (Lithuania, Ukraine). During the period covered in the report, there were no significant changes in the structure of the Group. Currently, these companies are not included in the social reporting process.

The most important of some 30 entities in the PZU Group are shown in the diagram (Figure 1).



Figure 1:



The Capital Market and Insurance Liability

It is no coincidence that a separate part of the social report has been dedicated to the aspects of the capital market and to investing and financing business activity by the market.

PZU SA plays a special role in this market because it is:

- one of the largest publicly listed companies,
- one of the most significant investors in the market that provides funding to many entities by providing its capital.

The IPO, which took place in 2010, was a key event for the company and helped open up a completely new chapter in its history.

Operating in both dimensions of the capital market is associated with a particular responsibility. Its various aspects are presented below.

Stock Market Debut

Over the past few years, the media has fed on information about disputes between the shareholders of PZU SA. This situation was not good for the long-term development of the company and did not have a positive effect on the company's image. In October 2009, an Agreement of Settlement and Divestments (Agreement) was reached between the State Treasury, Eureko B.V. PZU and Kappa SA, which subject was an amicable settlement of disputes connected with Eureko B.V. and the State Treasury in PZU. One of the conditions of the Agreement required the parties to immediately prepare the public offering of PZU (IPO). Thus, it was possible to break the vicious circle, which enabled the PZU SA to open a new chapter in the history the insurance company.

On 13 April 2010, the PFSA has approved the prospectus of PZU, which was published on 16 April 2010.

On 12 May 2010, PZU debuted on the Warsaw Stock Exchange. This was the largest IPO in history, not only of the Polish Stock Exchange, but also it was the biggest IPO in Central Europe since the beginning of transition. The company's shares are traded on the primary market on the continuous trading system. Since 17 May 2010, the shares have been included on the WIG20 index. The debut put an end to a 10-year-long conflict between PZU's two largest shareholders: Polish State Treasury and the Dutch Eureko B.V. Over the course of the preparation for the IPO the value of PZU increased by 11.7%.



Due to the settlement agreement between the shareholders, which resulted in PZU SA's debut on the stock exchange, the ownership structure has changed significantly as follows:

Shareholding	31.12.2009		31.12.2010	
	Number of shares	% of shares	Number of shares	% of shares
State Treasury	43,338,098	50.1875%	39,020,483	45.1875%
Eureko B.V.	19,856,968	22.9953%	-	-
Kappa SA	12,866,492	14.9000%	-	-
Other shareholders	10,290,742	11.9172%	47,331,817	54.8125%
Total	86,352,300	100.00%	86,352,300	100.00%

Best IPO in Eastern Europe in 2010.

The company East Capital has granted awards since 2004 to companies from Eastern Europe. It recognized PZU's IPO as the best debut in Eastern Europe in 2010. The Gala was held on 10 November 2010

East Capital is an independent asset management company. It specializes in Eastern European markets. Founded in 1997, East Capital manages capital worth 4.6 billion Euros.



Communication with Shareholders

Although the debut of PZU SA took place relatively recently, the company has many years of experience in dealing with numerous and fragmented shareholding structure. The loan for the acquisition of shares of PZU SA from the Treasury in 2000-2001 was signed by about 20,000 eligible employees of the Company. The number of shareholders of PZU SA over the years gradually diminished, but even before the IPO there were more than 7,000 shareholders.

Every day there are incoming e-mails, letters and telephone inquiries concerning mainly: the principles of operation of PZU SA on the stock exchange, dividend policy of a public company, the rules of participation in general meetings, the dates of general meetings and related documentation, and the dates of periodical reports. Our staff provides complete answers to all these inquiries.

PZU SA investors can be divided into three groups. The first group is individual investors. The company communicates with them through the press, Associations of Individual Investors and participation in conferences organized for the group. The second group is domestic institutional investors, including the majority of pension funds. Communication with them is primarily through direct meetings. This is easy because, like PZU SA, the funds are based in Warsaw. The third group is institutional investors from all over the world who manage large portfolios. The Management Board of PZU SA seeks to be in regular contact with this group and this sometimes proves to be a major challenge for the Board. To enable such investors to contact the company, numerous meetings and teleconferences with the Management Board of PZU SA are organized.



In addition to the day-to-day replies to any questions by phone, e-mail and letter, PZU SA includes the information and documents specified by law, on its website. Some information is also transmitted via an internal newsletter (some of the shareholders are current employees of the PZU Group).

In addition, sessions of the General Assembly of the Company are broadcasted on the Internet in Polish and English. They are then posted on the website of PZU SA.

Since its debut, PZU has also organized conferences for analysts and investors dedicated to the presentation and discussion of interim results by the Management Board of PZU. To give investors equal access to information, there are also broadcast in two language versions on the Internet (webcast). Recordings can be viewed on the company website.

In addition, the Management Board of PZU SA participates in road shows, during which they meet with investors at home and abroad, in Europe and the USA, adapting to their needs and visiting their premises. PZU SA also participates in numerous national and international investor conferences organized by the largest banks.



Governance and Management

The IPO, and the development into a public company, brought new challenges for PZU SA, including those related to corporate governance. Since the issuing of shares to the public, the trading company strives to provide all shareholders with access to information and respect their rights regardless of the amount of shares owned by them. We strive to ensure full transparency in our operations and proceedings in accordance with business ethics. This is reflected in PZU SA joining the „Best Practices of WSE Listed Companies”.

PZU reported non compliance with “Best Practices of WSE Listed Companies”, in special notices published in the first half of 2010. They concerned the content of the enterprise, the operation of the website in English and presentation by the Management Board of the evaluation of its work to the General Assembly.

From 1 July 2010, a revised „Best Practices of WSE Listed Companies” came into force. PZU complied with all the corporate governance rules from the best practices but for two recommendations. The recommendation on the balanced participation of women and men in the bodies of the company came into force during the term of both the Board and the Supervisory Board and so was not taken into account when appointing board members. The selection criterion was based on the competence of these people, not their gender. Secondly, at the end of 2010, the remuneration policy for members of the managing and supervisory bodies did not contain all the elements identified by the Stock Exchange. The Company has not presented a statement disclosing the remuneration policy on the corporate website⁴. The Board and General Assembly will make the decisions on this matter.



4. Remuneration of persons holding key positions in PZU SA is published and can be found in the „Report on the activities of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in 2010”, p. 41

In addition to the „Best Practices of WSE Listed Companies” the Board also applies the principles of ethical behaviour and social responsibility described in other documents:

- **Principles of Good Practice of Insurance**

adopted on 8 June 2009 by the General Assembly of the Polish Chamber of Insurance, a gathering of insurance companies operating on the Polish market. The rules specify how insurers shall conduct business relations with customers, brokers, insurers, the PFSA and the Insurance Commissioner and the media. They also regulate the relationship between the insurers themselves, as well as the activities of insurance companies acting as participants in public trading.

- **Best Practices in PZU**

This document highlights the role of ethical values in all aspects of the functioning of PZU. It describes good business practices in the company. It disseminates and promotes a culture of compliance with the applicable laws, and making decisions based on ethical criteria and taking responsibility for decisions.



Bodies of the Company

According to Polish regulations, the most important bodies of the company are:

- The General Assembly
- The Supervisory Board
- The Management Board

A detailed description of these bodies' functions has not been included in this report because the role of the bodies is strictly defined by law and has been discussed in the Management Report⁵, which is available on the PZU website.

However, in the interests of shareholders and management principles of transparency, it is worth emphasizing that among others, the shareholder or shareholders representing at least one twentieth of the share capital may, before the date of the General Assembly propose to the Company draft resolutions to be put on the agenda of the General Assembly or matters that are to be placed on the agenda. The Company shall immediately publish the draft resolutions on the website. Each shareholder of the Company may propose draft resolutions concerning matters on the agenda during the General Assembly. Each shareholder has the right to review the list of shareholders entitled to attend the Annual General Meeting. A shareholder may also require the Board to provide information about issues of interest.

The Supervisory Board is composed of seven to nine members. The number of members of the Supervisory Board is established by the General Assembly. Supervisory Board members are appointed by the General Assembly for the joint term of three full financial years. In addition, at least one member of the Supervisory Board should meet the criteria of autonomy (this condition is met). Due to the introduction of changes in ownership that stemmed from the IPO, the composition of the supervisory body underwent a number of changes during that year. By the end of 2010, two women held the two key roles of the CEO and Secretary of the Board. The term of the current Supervisory Board formally expired in mid-December 2010 but their mandates remain valid until the General Meeting of Shareholders.

The Supervisory Board shall appoint committees from among its members of the Supervisory Board. The existence of some of these committees was determined in the Statute. This applies to a committee for the IPO, the audit committee and the nomination committee and the remuneration committee. Additionally, in order to properly perform its supervisory duties, the Supervisory Board may form other standing committees such as an advisory and consultative committee. These bodies may be appointed by independent experts.



5. "Report on the activities of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in 2010"

In 2010, there were the following committees operating within the Supervisory Board:

• **Committee for the IPO**

This temporary Committee operated until the Company's shares were traded on the market on 7 May 2010. The task of the IPO committee was to monitor the activities of the Board in relation to conducting the Initial Public Offer and present to the Supervisory Board opinions on matters related to the process of the IPO.

• **The audit committee**

It is an advisory and consultative body to the Board and is appointed in order to increase the efficiency of the supervisory task of testing the correctness of financial reporting, the internal control system, including the internal audit and risk management system. The committee includes a Supervisory Board member who meets the criteria of autonomy.

• **Appointment and Remuneration Committee**

It advises and issues opinions in shaping the actions of the management structure, including the organizational reward system and the selection of staff with the appropriate qualifications.

• **Strategy Committee**

The purpose of the strategy committee is to provide opinions on all strategic documents submitted to the Supervisory Board by the Management Board and to provide the Supervisory Board with recommendations on the significant impact on the assets of the proposed investments.

The Board responsible for the daily management of the company is comprised of three to seven members, who are appointed for the joint term of three full financial years. The composition of the Board underwent changes during the year. At the end of 2010, it included: Andrzej Klesyk (CEO), Witold Jaworski (Board Member), Przemyslaw Dabrowski (Board Member).



Financial Credibility

PZU SA is regularly assessed by the rating agencies. The rating given PZU is the assessment resulting from the analysis of the company's financial data, competitive position, management and corporate strategy. It also includes a credit rating perspective (called Outlook), an evaluation of the company's future prospects based on certain circumstances.

At the end of 2010, PZU SA had a stable, long-term and high credit rating and financial strength rating of A (assigned by Standard & Poor's Ratings Services in July 2009 and maintained in the assessment in July 2010).

Due to the obligations imposed on insurers by the Polish Financial Supervision Authority, under its instructions, PZU SA carried out further stress tests on financial data reported as of 31 December 2009 and submitted results by the end of July 2010. These revealed that PZU SA has sufficient capital to continue operating safely in the event of an adverse business environment that had significant financial implications.



Uważaj na oszusta podającego się za krewnego!



Nie daj szansy złodziejowi!

Pamiętaj, okazja czyni złodzieja!
Jeśli chcesz uniknąć włamania do samochodu, zawsze przy opuszczeniu pojazdu:

- Zdobierz ze sobą cenne rzeczy (panel radiowy, telefon, bagaż, nawigację GPS itp.).
- Sprawdź elementy, które mogą świadczyć o tym, że znajdują się w nich przedmioty wartościowe.



PZU as a Responsible Investor

As mentioned in the introduction, PZU is not only a publicly listed company but also - as a key financial institution - an important player in the capital market. Investment decisions do not only provide the opportunity to fund the premiums of the insured, but are also an opportunity to increase the value of the companies that PZU SA has invested in.

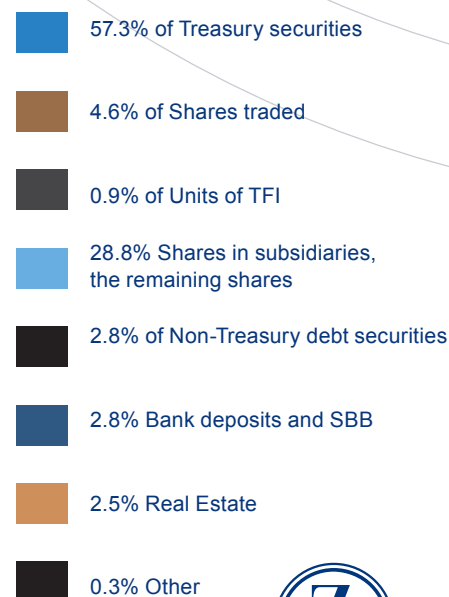
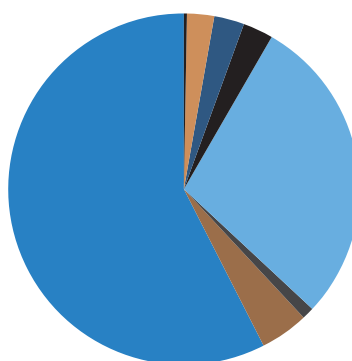
The total value of the investment portfolio at the end of 2010 amounted to over 23.8 billion PLN, of which 57.3% was invested in government securities. The aim of PZU is to ensure its investment portfolio is secure and guarantees stability. Moreover, these funds directly contribute to the implementation of state investment, including important infrastructure projects.

It is worth mentioning that in a portfolio of shares, which accounted for 4.6% of deposits (more than 1 billion PLN), nearly 0.5 billion PLN of stocks were in socially responsible companies, listed on the RESPECT index. This means that every second Polish zloty invested in shares, was funding the development of responsible companies. They have been screened in accordance with ESG criteria screening and verified by an independent auditor, who confirmed their social and environmental results (Table 1). The shares of each class of assets in PZU SA's investment portfolio on 31 December 2010 are shown in the chart:

In companies that are dependent on PZU SA within the capital group and are supervised by the Office of the Board (Polish companies) and the Office of Business Development PZU (foreign companies), the right to vote is exercised on the basis of relevant resolutions. The PZU Group includes (in addition to insurance companies) single entities from other industries in which PZU SA, directly or indirectly, has significant holdings and is a major capital investor. Examples of such arrangements include:

- Armatura Kraków SA (64.63% of shares, mainly by PZU SA),
- Kolej Gondolowa Jaworzyna Krynicka SA (37.53% of the shares by PZU SA).

PZU decisions are crucial for a stable and long-term development of these entities.



Insurance Products and Responsibility

Safe Products

PZU SA strives to maintain the highest standards and to provide customers with the appropriate insurance coverage for their needs and conducts its business in a manner consistent with the law, including consumer protection rules. Customers can take advantage of an extremely wide range of over 200 products to meet all their needs. The size and flexibility of the offers available were the subject of the communication campaign, „Insure what you need and pay less” which was carried out in March and April 2010.

All products are analyzed within the existing internal procedures, in terms of both customer expectations and the applicable laws, at the very stage of implementation or changes in existing offers. Particular attention is given while testing provisions of insurance contracts, which may raise questions from the President's Office of Competition and Consumer Protection. PZU's intention is to avoid solutions that could be considered detrimental to customers. Furthermore, the effect of PZU in this area is subject to continuous and detailed monitoring of the institution, whose tasks include the protection of the interests of the insured or claimants. PZU is aware of its advantage in the reliability of its offers and decided to strongly emphasize this in a marketing campaign based on the theme „In insurance you need to watch out for dummies”.

Concern for the safety and comfort of the insured is present not only in the design and implementation of the product, but throughout its life cycle, including the critical element associated with the actioning and claims procedure.

The claimant may do this by phone, having obtained the necessary assistance from a consultant; by the Internet, having accessed the detailed guide of conduct on the website, and in person in a branch of PZU. It is also worth mentioning that with solutions introduced in 2010, each claimant has the ability to track the status of their application; the stage of settlement of claims or payment for compensation through the Internet channel.

Regardless of the way the claim was made all customers can get full information on the PZU hotline open 24 hours before they start the claim procedure.

The convenience of access offered by such solutions can also present some security risks. To ensure the security of the communication channels, confidentiality and the security of data storage all operations are performed in accordance with the applicable requirements of the Inspector General.



PZU SA aims to ensure that the claims procedure is as transparent and simple as possible. The claimant has the complete freedom to choose the repair required regardless of the mode of settlement. The only restrictions arise from the law. In determining the amount of compensation, PZU uses all the available market prices of certified materials and components - the original and alternatives.

In the case of loss adjustment PZU SA, monitors customer satisfaction, ensures that the facilities selected for the repair network have the appropriate technical equipment, and enjoy a good reputation with customers. During the term of the agreement on cooperation repair facilities are inspected and evaluated.

It should be noted that the OCCP (Office of Competition and Consumer Protection), the Insurance Ombudsman and the PFSA (Polish Financial Supervision Authority) decided to review the procedures of the whole insurance industry. This review seeks to clarify what kind of methodology is used by the insurance company in providing services, for example: the method of assessing the total damage, the VAT in the estimates, the damage from the AC - AutoCasco – full comprehensive car insurance and the pricing of insurance prices of alternative parts. This is used usually in case of disputes between the company and the customer. It should be emphasized that these procedures apply to all insurance companies operating in the whole insurance market in Poland.

PZU SA attaches great importance to the quality of marketing communications. The document „Good practice in PZU” defines the principles of fair and honest communication. In 2010, the company was not penalized for actions related to ethics of advertising, unreliable or inadequate information to the customers⁶.

In 2010, there were administrative penalties for PZU SA for violations of the principles of free competition or monopolistic practices. However, during the period there were two investigations conducted by the OCCP, which PZU SA was a party too. In both cases, the President of the OCCP issued a decision stating that the PZU SA did not break the antitrust rules or abuse its dominant position. However, due to a formal appeal the matter is still pending. In 2010, no proceedings were held on the liabilities or debts of PZU, the value or the total value of which, would be at least 10% of PZU's own capital. As of 31 December 2010, the value of all 19,145 cases before the courts, appropriate to the arbitration proceedings or public administration conducted in PZU was worth a total of 968 million PLN.

6. In 2011, but before the publication of this report one of the educational publications aimed at younger people, supported by a subsidiary, of PZU Life, the company's name appeared in a manner that could be treated as an incentive to buy its services. The PZU Group strongly rejects the opportunity to engage in advertising to children. The organization expressed regret over the incident, and apologized to everyone, especially parents, who might get the impression that PZU promotional activities were directed at children.



Product Quality and Customer Satisfaction

PZU SA thoroughly analyzes the level of satisfaction with its products and services. The monitoring is divided into a series of tests.

„Study of customer satisfaction and loyalty of the PZU Group” is a monthly survey conducted since 2009 and it tests the satisfaction of customers, who participated in one of the key maintenance processes.

In PZU SA these are:

- sale of new policies,
- claims adjustment,
- after-sales service,
- renewal of policies.

In each wave of the survey 4000 interviews are carried out with a group of randomly selected customers. This allows for the identification of weaknesses and modification of products and processes.

Simultaneously, the company conducts regular call center’s satisfaction survey. This was initiated in 2010.

In addition, a series of tests is conducted monthly on:

- customer satisfaction with the processing of their claim,
- customer satisfaction with the processing of the payment of benefits,

as well we a series of parallel tests to assess:

- customer satisfaction with the small and medium-sized businesses insurance guarantees,
- quality of customer service by employees in the departments of Insurance Company and Call Center,
- timeliness and quality of performance of experts,
- quality of the whole process (from application to decision).

Customers dissatisfied with the decision of the PZU expert may challenge his decision. The number of instances of customer dissatisfaction compared to the number of reported claims has remained at a stable, low level for several years. Also only, in a small percentage of appeals, the analysis favoured the client against that of our expert. PZU has the lowest rate on the market of the number of appeals addressed to the Insurance Ombudsman in relation to the individual market shares of insurance companies.

The results are satisfactory, but of course the company is not going to stop trying to improve its performance further. PZU is still improving its processes. Studies show for example, that 95% of customers were satisfied with the assistance services, while only 4% were not (average from August-December 2010).



Recognition for Products and the Company

Gold Bumper

In 2010 for the second time in a row, PZU received the prestigious „Golden Bumper” for the best insurance company. The prize is awarded by the Polish Chamber of Automotive industry based on a survey carried out among owners and the employees of garages, responsible for the handling of claims.

The evaluation criteria included the speed and efficiency of the handing of the claim and the quality of cooperation with loss adjusters.

Top Player in 2010

Award of the Fleet magazine for actions to improve road safety.

Fleet Leader 2010

PZU was awarded the „Fleet Leader 2010” award by the editors of the Fleet magazine to individuals and businesses from the fleet industry for outstanding achievement in the fleet market and automotive industries. PZU has been recognized for the long-term effective implementation of its programs to improve road safety. At the same time its accident prevention program “Safe PZU Fleet” has been recognized.

Road Safety Partner in 2010

In the category of Company of the Year (November 2010) - a prize awarded by the Partnership for Road Safety (PBD) to leaders in the field of improving road safety. The panel judging the award included representatives of the National Road Safety Council, the Motor Transport Institute, the Polish Red Cross, the Polish Automobile Club, Shell Poland, and the Foundation for Integration and PBD.

Product of the Year 2010

PZU awarded the Product of the Year 2010

The magazine „Reader’s Digest” awarded the emblem „Product of the Year - Readers Choice” for the sixth time. The certificate is given to companies, whose products are most often chosen by the readers.

Best Campaign 2010

The PZU TPL insurance campaign “Apologies” recognized in two prestigious contests: four awards in the Advertising Authors’ Contest and silver Effie Award.



Availability of Services

One of the most the important advantages PZU SA has over its competitors is its extensive network of branches and repair network. This allows customers to have direct contact with a company representative, even if they live in rural areas of Poland.

PZU's network is present in virtually every city. PZU has 110 branches in villages of more than 15 thousand people. Many of them are now revitalized, and 26 have been completely renovated. If possible, they have been adapted for people with disabilities.

As an alternative to direct contact, it is possible to contact PZU online and through a hotline operating 24 hours a day. An advantage of both of these channels is the possibility of contact from anywhere and at any time of day.

Another dimension of the availability of products is their affordability. In the minds of many Poles, insurance is expensive. Therefore, many communication activities in 2010 were targeted (in addition to emphasis on quality of PZU products) to change the perception of insurance prices. In January, a campaign called „Newsboy” was conducted, which aimed at changing the perception of communication insurance in PZU. In the period of July-September in selected regions of Poland a campaign „Local Discounts”, was conducted and in August a campaign called „Good AC low OC” was launched, which reported a new offer of PZU insurance.





Data Security and Fraud Prevention

In the processing of personal data of its customers and others, PZU SA strictly adheres to the provisions for their protection and makes every effort to properly store confidential information.

In addition, adequate security measures are applied to other than the aforementioned legally protected information that is, data protected by the company's confidentiality. PZU Group companies apply the procedural and institutional mechanisms for the protection of personal data of customers and their privacy. Thus, procedural solutions are the foundation of the Security Bureau, which includes among others:

- Information Security Group,
- Operational Safety Team,
- Prevention and prophylaxis
- Safety Standards Team,
- Crime Prevention Team,
- Confidential Office
- Coordinator for Organized Crime.

Their scope is very broad and includes both the current protection of administered databases, safety training, analysis of observed events and activities related to the prevention of money laundering and terrorist financing.

The issues of data protection and preservation of the principles of information security are the subject of training for PZU Group employees. They are mandatory for all new employees, and refresher courses are also conducted. For example, from June to August 2010 Security Bureau staff conducted training on security of information for the management team and headquarters staff. Approximately 600 people attended the course.

The main point of an insurance company is to guarantee the payment of compensation to a claimant that has suffered a loss, which is covered by an insurance policy. The company uses statistics based on the number and amount of claims to work out the appropriate premium. Thus, the more often the claim occurs and the greater the value of the payment, the more expensive the insurance is. Unfortunately, sometimes the increase in premiums is due to the actions of a small group of rogue customers who extort undue compensation. PZU SA has introduced a complex measures set to prevent insurance crime.



PZU SA's Security Bureau conducts analysis of the threat of crime and proceedings to investigate security incidents or other important events. We also organize training and social initiatives related to the prevention of crime insurance. Each PZU SA employee if they are confronted with a case of possible extortion should immediately report it to the appropriate organizational unit for security. If an employee states that the incident requires immediate reporting, it can be done by phone, mail or in person.

Since December 2010, the detection of potential fraud is supported by a Compensation Analysis Module (MAO), which subjects three claims of damage to the same property to an automatic analysis in order to determine whether, there was insurance fraud. MAO is a system that is able to calculate/ recount the damage at any time. It is integrated with the List of Intelligent Search (LIS), which can pick out a person or event for which PZU SA has information corresponding to a reasonable suspicion of crime insurance.

The increasing effectiveness of the fraud prevention systems is best shown in the summary of the number of analyzed cases, and especially the amounts that were challenged as a result. In 2008 it was under 2 million PLN, while in 2010 it was already over 62 million PLN. The introduction of new computer systems will undoubtedly contribute to further increase of efficiency in that area (Table 2).

The anti-fraud mechanisms and training, that PZU SA and PZU Group companies have adopted, particularly the provisions described in the „security policy for dealing with crime” provide an effective means of fighting corruption. These procedures define bribery as especially serious conduct and requirement staff to submit notices of offense and to cooperate with law enforcement and participate actively in any criminal proceedings with the company's attorney. It should be noted that the mechanisms associated with insurance fraud and potential bribery are often directly linked.

In 2010, there were no violations by the Company as far as the management of personal data is concerned and thus no penalties.



People in Insurance

Reorganization and Social Dialogue

PZU SA, in order to effectively compete in the rapidly changing market of insurance, has to reorganize and optimize its business processes.

Only this way can we offer our customers the highest quality of insurance products at attractive prices. However, the centralization of functions previously scattered among several centres located in major Polish cities and the increasing specialization of employees, required a downsizing in staff numbers.

It is easy to be a responsible employer when creating new jobs. The real challenge is to be responsible, when some of them must be reduced, especially when a company employs over 10 thousand people (Table 3).

At the end of 2009, the Board of PZU announced a plan to implement a restructuring program for 2010-2012, and in February a resolution was passed on collective redundancies in 2010. In March 2010, an agreement was made on collective redundancies between the Management Board of PZU and the trade unions operating in the Company. The management board consulted fully with the trade unions representing the workforce.

There are 15 trade unions representing staff of PZU SA (Table 7), which is 25.16% of the total number of employees. The company conducts dialogue with employees through the trade unions and the Employees' Council. The notice an employer has to give to the trade unions about significant changes is prescribed by law. However, as a rule, PZU SA tries to make sure that the unions receive information as early as possible.

Regardless of the legal requirements, PZU SA has agreed to grant the trade unions the information necessary to conduct trade union activities, in particular information regarding working conditions and remuneration policy, no later than 14 days, which was reflected in the records of Collective Labour Agreement for Employees.

The restructuring process carried out between March and November 2010 concerned mostly employees of operations, finance, claims and benefits, and the PZU Group network. Staff, who were made redundant or who did not except the proposed change of employment conditions were offered more favourable conditions for leaving the company than those, provided by law. The amount of additional compensation depended on the wage scale of the individual employee was on and their seniority in the PZU Group but it could be as much as 18 times their basic monthly salary.



In 2010, the process of change covered 4,953 employees of PZU SA, of which 2,071 employees were made redundant. There was an outplacement program launched for the employees who had been made redundant, which was one of the largest programs to support redundant employees implemented in Poland in 2010. Within this program, people are able to participate in development workshops and explore their professional potential and to obtain assistance in their identifying career goals. Former employees got support from professional consultants in writing application documents and preparing for job interviews for specific jobs offers that match their goals and skills. The effectiveness of the program was demonstrated by the fact that despite a rather difficult situation on the labour market in Poland, 47.5% of participants of the program conducted in 2010 found new employment within 4 months.

Because the process of restructuring in 2010 consisted of (among others) centralization of functions in the larger cities, the workers who decided to relocate, were granted additional funds in the form of a relocation fund. (nearly 800 people took advantage of this fund).

Competition „Company Friendly to Employees”

PZU was awarded „Company Friendly to Employees „ in the first edition of the competition in the Mazovia region by the Association of Employers of Warsaw and Mazovia. They have supported the development of social dialogue and the award shows their appreciation of PZU's achievements in this area (April 2010).

At PZU SA at the moment, there is no general collective agreement for working conditions, but there are in-house collective work agreements. They regulate matters relating to the employment relationship, social issues, the principles of cooperation between employers and trade unions and formal principles associated with collective agreement. They also point to issues related to occupational health and safety. In addition, they define benefits exceeding legal requirements, such as:

- awards,
- annual awards,
- higher retirement bonuses,
- dependents of employee's working for PZU Group,
- a longer notice period for the long employment service of at least 20 years in the PZU Group,
- payments for sick pay and sickness benefits for specific diseases,
- the commitment of employers to create PPE (Table 6),
- mammography and prostate cancer examinations, and influenza vaccination are funded by the employer.

In addition to social benefits guaranteed by collective agreements, employees can also use a number of training and private medical care services.

Collective agreement covers almost 100% of employees (except for board members and key managers). In 2010, there was a dispute lodged by the trade unions concerning an increase in wages, this issue is still unresolved.



Respect for the Individual

The basic document, which governs respect for each person is „Best Practices in PZU”, it serves as a code of ethics. It says, inter alia, that „relations in PZU are based on the principle of equal opportunities. In all processes, particularly: recruitment, performance evaluation, promotion, career development and participation in training, employees must have equal chances and opportunities regardless of gender, age, disability, race, nationality, religion, political beliefs, union membership, ethnic origin, sexual orientation, and also regardless of the nature of employment (temporary or permanent, full-or part-time work). Our employees are treated fairly, we provide them with a work environment free from any discrimination.”

This document opens up a path for employees to report irregularities. Analysis of which, is done by the Office of Compliance Risk.

Ethical values, based on the Code of „Best Practices in PZU” and respect for the law, rule out any form of forced labour or child labour. Cooperation with PZU SA is in particular based on the principles of honesty and integrity, and respect for the principles of free competition. Purchase decisions are based solely on the criteria of quality, technical measurements and usability. However, at the moment, suppliers and subcontractors are not subject to verification of compliance with the rules of ethics. There are no ethical clauses in agreements and contracts. Respect for the individual also manifests itself by offering a fair, non-discriminatory wages. PZU SA aims at ensuring that employees receive wages at a level comparable to the salaries in the industry (Table 8).

The guarantee of respect for the suppliers and subcontractors on the other hand, are timely and regular payments. For example, it is indicated as a factor critical to the providers of assistance services. PZU conducts research on the quality of relationships with this group of subcontractors. The results indicate that virtually 100% of financial liabilities are met by the set deadline of 21 days.



Almost all purchases of materials and services are made at local (domestic) suppliers. Although there is no official policy in this regard, there are representatives of local communities working in the branches. The process of restructuring and related relocation offers for employees who were made redundant, can be regarded as a certain deviation from the described approach. However, it is a manifestation of the principle of internal recruitment rather than external one. In this way, employees keep their jobs, and PZU SA retains experienced and competent staff. Also, managers of PZU SA (including members of the highest authorities of the Company) are Polish. As for foreign subsidiaries operating in Ukraine and Lithuania, at the moment the executives are also Polish as they are very knowledgeable of the PZU Group's procedures, which ensures a smooth and effective cooperation with the company's headquarters. With time, however, they will be replaced by their Ukrainian and Lithuanian colleagues.



Development of Employees

PZU SA intensively supports the development of employees. In 2010 we financed training sessions (specialist, development, management) for 8.835 people which cost the Company about 7 million PLN. Total training time was estimated at more than 50 thousand hours. One hundred and twenty people were also awarded study grants (post-graduate, complementary, MA, MBA).

The „Academy of PZU and PZU Life” was a key development project in 2010. This program is co-financed by the European Social Fund, and the project is promoted by the National Chamber of Commerce and Combidata Poland Sp. z o.o. The project includes the training of 1.281 people in the field of ICT tools, technology, IT, project management and effective organization planning. Driven by business needs, with the consent of PARP and Combidata Poland Sp. z o.o. PZU has made the conversion from the subject area of project management to „Customer Service Standards.”

By investing in human capital, PZU has prepared motions to PARP for funding training projects aimed at building a modern sales network and the development the staff’s customer service skills.



Occupational Health and Safety

All new employees have an initial training on the first day of work, during which they are introduced to the basic principles of OSH. During the briefing they are given internal instructions for use of devices at the specific position, risk assessments and the Fire Safety Manual for the building in which they will work. All employees also regularly participate in periodic training appropriate to the job. However, in the year 2010, ninety-six accidents occurred at work and this number was, unfortunately, higher than in previous years, when the accident rate remained relatively stable (Table 5).

In 2010, the National Labour Inspectorate conducted 15 inspections at PZU Group premises, the purpose was to verify the correctness and legality of employment, working time records, etc. During one of the inspections working conditions were also examined. All the recommendations issued after its completion, have been fulfilled.



Environment and Insurance

The insurance business is strongly associated with aspects of the natural environment. Changes in the environment have a very large impact on the business of insurance. In this section the relationship between the PZU SA and the environment will be considered as limiting the report to the operations of offices and company cars would be an oversimplification.

Changes in the environment and their impact on insurance

Climate change is a reality, and its effects can be observed each year. Man's intensive economic activities and exploration of natural resources has changed the climate of planet Earth. That means more and more extreme weather such as floods, storms, hurricanes, tornadoes. Extreme events are becoming more intense: from the snowy winters to the drought and heavy rains that cause flooding and floods. A report on climate change, named the "Stern Report", after its author Sir Nicholas Stern, stated that the consequence of global warming might result in a 20% in reduction in global GDP. The report also suggested that the expenditure of 1% of GDP would be sufficient to stop these disturbing changes.

Extreme weather is often observed in nature today. The damage caused by them plays an important role in risk management insurance company due to the size of potential losses. PZU SA's portfolio is heavily exposed to this risk.

In 2007, the compensation paid for catastrophic damage amounted to 230 million PLN. From the viewpoint of PZU SA, the greatest damage was caused by Hurricane Cyril (gross liabilities amounted to 133 million PLN). The following year, compensation remained the same at 230 million PLN. Particularly noteworthy is the fact that in 2008, PZU SA paid 69 million PLN for the risk of drought (the total amount of liabilities caused by the drought amounted to 155 million PLN). PZU received 86 million PLN from the Ministry of Agriculture and Rural Development for subsidies to the mandatory subsidized agricultural insurance as a reimbursement.

The year 2009 brought a bit less damage. The largest payments were related to flooding (88 million PLN), and the total claims paid in respect of catastrophic damage amounted to 160 million PLN gross.

Compared to previous years, 2010 was the worst. Liabilities from catastrophic losses amounted to 945 million PLN gross. The largest losses were caused by the floods:

- May-June's flood: the gross liabilities of 616 million PLN,
- flood of August-September: the gross liabilities of 140 million PLN.

In addition, heavy snowfall caused major damage that increased liabilities to 160 million PLN.

Due to the existing risk of natural disasters, it is necessary to systematically monitor the exposure of the portfolio of PZU SA.



For the assessment we have developed a model of catastrophic damage. Due to the fact that the disasters are usually rare but with very high level of losses, a catastrophic damage model requires both a large database of historical data, as well as non-routine use of statistical methods for the analysis. With this in mind the company cooperates with external institutions, such as the Institute of Meteorology and Water Management, Research and Development Centre Fire Department, Warsaw School of Economics and reinsurance brokers.

Additionally, due to climate change and changes in the portfolio of PZU (e.g. the introduction of compulsory subsidized agricultural insurance in 2008, which significantly increases the risk of the portfolio's exposure to natural risk), the model is subject to the current catastrophic damage assessment and calibration.



Indirect Impact on the Environment

As a major financial institution PZU can have a significant influence on the behaviour of a particular company, because they provide financing, which can determine the direction a business goes in. As already mentioned, about half of the funds invested in shares of public companies (approximately 0.5 billion PLN) are the funds involved in the companies listed in the index RESPECT.

Furthermore, in the case of the insurer (and especially in the case of corporate insurance) the cost of insurance will depend on the technology and procedures used by the company. The less secure technology, procedures and security features, the greater the risk, and consequently, the more expensive the insurance. In extreme cases, outdated solutions can mean the denial of property insurance and liability insurance. Then all the risks lie with the organization, which may force a change in approach and solutions due to the need to secure cover.

Aspects related to technology and security procedures are usually evaluated during the audit on the premises of the company.

On the basis of this evaluation PZU makes, a decision to make an offer (or refusal). At the same time the customer receives post audit recommendations and the implementation by the company is monitored by PZU.

Some of the recommendations are organizational and do not entail costs, but some of the recommendations that refer to technology and security may require the company to incur certain capital expenditure. In summary, financial pressures from the PZU SA directly affect the reduction of environmental hazards. Preventive insurance funds, which finance the support of some solutions, may also play a certain role.



Direct Impact on the Environment

The direct impact of a company from the insurance industry on the environment is relatively small. It boils down to all aspects of the functioning of the offices, the building's consumption of electricity, water, heat for heating purposes, and any of consumables (paper, toner cartridges, fluorescent lamps, etc.).

An extensive network of offices means a large number of properties and hence, a correspondingly larger scale of impact on the environment. The company's carbon footprint size is also increased by its large fleet of company cars that are necessary due to the nature of its business (surveyors) (Table 9).

The processing of large amounts of data associated with an extensive IT infrastructure, means PZU is an important consumer of electricity. The issuing of such policies and the obligation to advise the consumer that requires the printing of the additional documents (e.g. policy conditions) represents a significant consumption of paper.

The relatively low impact the offices have on the environment of offices does not mean that this impact should not be ignored. The offices organize for example waste paper collection, and communication activities contribute to saving water and electricity and they have a measurable effect.

In 2010, paper consumption accounted to 74% of consumption from the previous year, and the consumption of other supplies 91.7%. Plans for 2011 assume further savings by e.g. optimizing the network printers.

A good example of measures to save resources are solutions in the building PZU Tower (central office PZU SA). By the initiative of the Real Estate Office PZU solutions were introduced there in order to reduce the use of electricity:

- using integrated building automation system (BMS), optimized settings for air conditioning and ventilation systems,
- optimized settings for lighting corridors,
- launched an information campaign (information posters, stickers) that encourage energy saving,
- batteries fitted with a button to lower the cost of water consumption,
- in the garage motion detectors were installed to control lighting,
- a change of light sources in the corridors and in the garage for more efficient energy.

In 2010, the PZU SA was not penalized for non-compliance with environmental protection.



The Insurer and the Social Environment

PZU SA tries to confront the problems found in Polish society through the PZU foundation and with money from the Prevention Fund. The Company initiates social campaigns, especially those that improve safety. The motto „Thinking about Safety” has become the keynote and the umbrella term for the activities in the area of social involvement of the company. The PZU Group has played an active role in Polish society for more than 200 years, it is also the patron of many important events, especially in terms of national culture, the arts and education.

Preventive Activities

As the largest insurer in Poland the PZU SA supports public financial education and other activities contributing to raising standards across the insurance industry. The company tries to actively increase awareness of issues concerning insurance among Poles, especially amongst those for whom the complicated rules regulating the functioning of financial and insurance products and services are not clear and understandable. A good example is the education portals: www.zyciena100procent.pl and www.jakieubezpieczenie.pl.

Insurance companies have an extremely long history, perhaps the longest of all industries, when it comes to community involvement focused on co-creation of social and business value. Preventive measures had been financed long before other industries began to talk about social investment.

In addition, the social and business benefits were realized long before the theory of management such as the trendy concept of Corporate Shared Values (CSV). The government Act regulating the activities of insurance companies even sanctioned such a solution. Insurance companies may (in accordance with the applicable law) create a prevention fund from certain amounts of personal income. The funds can be allocated primarily on removing the risk to human health and the protection of their property, and thus at lower risk. It should be noted that PZU SA and the PZU Group is one of the few insurance companies in Poland to have set up such a fund. The scale of financial commitment of PZU in prevention funds makes the company an undeniable leader in the Polish insurance market. Every year millions of Polish zloty are given by PZU to prevention activities, supporting the police and the National Volunteer Fire Department, Mountain Rescue and TOPR and to fund public awareness campaigns to promote road safety.

In addition to long-term actions PZU also created new ones. In 2010, we established cooperation with the Association „Teddy bears save the Children” in the field of therapeutic and psychological care for children injured in accidents. In 2010, more than 12 million PLN (Table 10) was allotted for the purposes of prevention.

The PZU Group cooperates with the National Police and the Office of the Traffic Police Headquarters, supporting nationwide programs and prevention campaigns.



The Company conducts prevention programs addressed to police officers, police staff and their families insured by PZU. One such program was started in June 2008 to provide financial aid for the Police in such areas as: improving the safety of employees in the police, protect their health, disease prevention and elimination of hazards to health and safety at work in police stations. PZU SA works with the Higher Police School in Szczytno to prevent and combat of insurance fraud. The scope of cooperation includes seminars and lectures. Since 2005, PZU SA has worked with the Volunteer Mountain Rescue Service, and since 2006 with the Tatra Volunteer Rescue Service. The cooperation involves the promotion of safe behaviour in the mountains.



Patronage and Sponsorship

In addition to PZU SA prevention actions, the company is one of the largest capital groups in Poland and wants to participate in the social life of the nation as a patron and sponsor of events.

One of the areas in which the PZU Group is involved is the care of Polish culture centres. For its support for the cultural life of Poland, PZU SA has been awarded an honourable title of Patron of Culture by the Ministry of Culture and National Heritage. However, often the company's commitment goes beyond this area.



The key activities in 2010 include:

- sponsorship of the Royal Castle in Warsaw;
- PZU zone during the Night of Museums at the Royal Castle in Warsaw;
- close cooperation with the National Museum Nowe Sukiennice in Cracow;
- sponsorship of the Teatr Wielki in Warsaw;
- sponsorship of the Teatr Nowy in Warsaw;
- sponsorship of a climbing expedition of Martyna Wojciechowska, Carstensch Expedition;
- sponsorship of Rzeszów Carpathia Festival 2010;
- sponsorship of the Villa Decius in Krakow;
- sponsorship of the Air Picnic in Góraszka;
- sponsorship of the European Centre for Pacanów Tales;
- sponsorship of the Capital Market Leaders Academy;
- sponsorship of the „Road to Harvard”;
- Sponsorship of 5th European Summer Games Special Olympics;
- Sponsorship of the 5th Congress of the Boards of Listed Companies SEG;
- Sponsorship of the Congress of „Business is Conversations” - NETIA;
- Sponsorship of the 20th Economic Forum;
- Cooperation with Lewiatan on the project „Cultural Manifesto”.

In 2010, the Company started an extremely important sponsorship from the perspective of tourists resting at the lakes, cooperation with the WOPR (Volunteer Water Rescue Service). As a result of PZU's efforts to improve safety, Mazurian WOPR has received a boat for water rescue, an ice rescue hovercraft, monitoring stations and boats. Financing the purchase, installation and operation of the system of cardinal buoys on Lake Śniardwy is equally important. The WOPR Suwalki, with whom continued cooperation started August 2010, received a trailer to transport the boat, basic emergency medical kits, pneumatic vest and clothes for rescuers.



Philanthropy

Charitable activity is carried out by the PZU Foundation, which is a part of the PZU Group. The foundation's mission is to work for the public good in education, culture and art, health and social care. The PZU Foundation pursues its objectives by initiating and supporting a wide variety of ideas and projects.

The main activity of the Foundation in 2010, was to provide funding for projects implemented by NGOs and other entities whose statutory aims are in its business areas. In addition, the PZU Foundation continued its cooperation with other respected community organizations within the partnership programs. The financial assistance will also benefit the PZU Group's employees who find themselves in difficult situations.

In 2010, the Foundation awarded grants to NGOs that have applied for projects for the next editions of competitions. As far as the activities in the area of „Education and upbringing” are concerned, the following actions were performed:

- **competition for grants**, „Enriching the educational offer in rural areas and small cities „- the purpose of this competition is to support education initiatives in rural areas and small towns, and to provide equal educational opportunities for children;
- **affiliate programs** - in collaboration with the Educational Foundation of Entrepreneurship in Lodz and the Polish-American Freedom Foundation - their commitment to help young people from villages and small towns continue their education at colleges and universities by funding scholarships for the first year of study;
- **actuarial competition** - the aim of the competition is to select the best master's thesis and doctoral dissertation in the field.

In „Culture and the Arts” PZU Foundation supported the interesting initiatives and cultural events, including projects of the National Museum in Warsaw and Krakow.



Within the „Welfare” activities, the following took place:

- **Competition for grants**

„Developing social activities for disabled children and young people,” whose goal is to provide assistance and support people with disabilities and their families, as well as to equalize opportunities for persons with disabilities in family and social life;

- **Grants for individuals**

including employees of PZU – financial support in this category means grants for individuals - both staff of the PZU Group and close family, and for individuals who suffered serious accidents or who are in financial difficulty;

- **PZU Foundation**

in 2010, in cooperation with the Polish Humanitarian Foundation PZU joined the efforts to organize support for people affected by the flood.

Under the „Health” awarded grants were intended to support local initiatives to the broader preventive health care and finance the purchase of medical equipment for healthcare facilities.



Participation in the Life of Society

The social projects described above demonstrate that PZU SA is actively working with the representatives of the community. In addition to the social projects the company engages in the projects organized by business and industry organizations. It is worth noting that among them are international, national and local organizations.

PZU is involved in social projects range from the local to the transnational level. PZU SA actively supports the development of the insurance industry or shares its opinions as a significant employer, participating also in the organizations of employers.

The PZU is a strategic partner of the Responsible Business Forum. PZU SA involvement in the launch of the „Coalition for Responsible Business,” is also important. It promotes the concept of responsible management and its implementation by polish employers.

Among the major organizations with which PZU SA collaborates on regular basis or is a member of, are the following:

- World Economic Forum (WEF),
- Economic Forum in Krynica,
- The Institute of International Finance Inc. (IIF),
- The Geneva Association (International Association For The Study Of Insurance Economics),
- Polish Business Council,
- Polish Chamber of Insurance,
- Insurance Guarantee Fund,
- Polish Motor Insurers' Bureau,
- The Polish Confederation of Private Employers „Leviathan”,
- Employers of Poland,
- Confederation of Polish Employers,
- The Polish Institute of Directors,
- Responsible Business Forum,
- Foundation for Mortgage Loan,
- Polish Mathematical Society,
- Association of Listed Companies,
- Chamber of Commerce and Industry in Bialystok,
- Lower Silesian Chamber of Commerce,
- West Chamber of Commerce,
- Regional Chamber of Commerce in Gliwice,
- Business Club Szczecin - Association for the development of Szczecin and West Pomerania,
- North Chamber of Commerce,
- University of Economics in Wroclaw,
- Foundation of the University of Lodz,



- The Convention Technical University of Lodz,
- Business Council of the Faculty of Management, University of Lodz,
- Association of Road Safety Partnership,
- The Association of Club 500,
- Mining Families Foundation,
- The Foundation Teraz Poland,
- Foundation April 10 (PZU Foundation is a founding member).

These organizations represent only a part of the stakeholders, which PZU SA identified and divided into categories (customers, employees, investors, communities, media, regulators), and with which it maintains a dialogue with different frequencies and different character. Dialogue, which this report has the potential to become a part of.



About the report

This report is the first report of the sustainable development of PZU SA, which was prepared based on the GRI G3 guidelines (2006), using the Sector Supplement for the financial industry (Sustainability Reporting Guidelines & Financial Services Sector Supplement). It includes the results of the PZU SA company range for the period from 1 January to 31 December 2010, with possible references to other subsidiaries or major events proceeding the reporting period. The report was not subjected to independent verification as defined in the Accounting Act dated on 29 September 1994 (OJ of 2009 No 152 item. In 1223, as amended.). However, independent experts participated in its preparation, whose task was to ensure the reliability of the information contained in the report.

The report was developed at the application level C using the core indicators, additives and supplements the sector indices. Scope of the report, and to be exact- the choice of aspects that are important (material) was developed jointly by a team of PZU SA and external experts. The support here was the process of analysis and research conducted in 2010, accompanied by 50 individual in-depth interviews (IDI) with selected stakeholders, qualitative research and an in-depth analysis of the relationship with stakeholders.

Due to the fact that this is the first such a report, it was impossible to talk about changes that affect the comparability of data, or the adjusted data from previous years, or changes in coverage or methods of measurement. There was also no significant limitation on the scope of the report identified (except the previously mentioned).

PZU SA plans to implement a two-year cycle of social reporting and the inclusion of the group companies, such as subsidiaries of PZU SA.



Attachments (tables)

Table 1

Involvement of PZU SA shares from the index RESPECT (as at 31.12.2010)

Lp.	The company	Total
1	KGHM	128,998,142
2	PKNORLEN	65,815,882
3	TPSA	46,633,830
4	PGNIG	27,876,766
5	BRE	18,323,296
6	BOGDANKA	3,713,050
7	INGBSK	9,901,944
8	LOTOS	11,859,733
9	HANDLOWY	7,626,141
10	MILLENNIUM	153,103,969
11	SWIECIE	3,185,715
12	BUDIMEX	7,727,867
13	ELBUDOWA	2,362,303
14	AZOTYTARNOW	448,108
15	BARLINEK	28,424
	Total	487,605,169

Table 2

Insurance fraud

	2008	2009	2010
Assumed to research issues, including:	379	1,616	1,757
On their own initiative	0	184	185
Completion of the test cases	305	1,451	1,497
Completion of refusal	71	357	387
Completion of the deduction or the regression	29	128	482
The amount of protected	1,901,392	42,703,656	62,223,654
	PLN	PLN	PLN
The number of notifications of suspected insurance fraud	0	102	80



Table 3
Employees by gender, type and nature of the contract of employment and education (as of 31.12.2010)

	2009	2010
Number of staff	11,469	10,560
Employees in the division:		
By gender		
women	7,149	6,661
%	62%	63%
men	4,320	3,899
%	38%	37%
According to the nature of employment (full, part-time)		
full	9,990	7,450
%	87%	71%
part-time	1,479	3,110
%	13%	29%
By type of contract		
permanent	10,608	9,520
%	92%	90%
temporary	409	569
%	4%	5%
probationary period	82	137
%	1%	1%
in representation	370	334
%	3%	3%
By education		
higher	7,137	7,143
%	62%	68%
secondary	4,175	3,312
%	36%	31%
basic	55	43
%	0%	0%
No data	88	47
%	1%	0%

Table 4
Staff turnover

	2009		2010	
	jobs	people	jobs	people
employment*	1,362	1,501	1,422	1,840
leave	1,748	1,918	2,760	2,858

*values include the number of employees already working in one company and forming a personal union



Table 5
Workplace accidents vs job related accidents at PZU SA

Year	The number of accidents in a given year	Growth year to year
2004	64	-
2005	63	-1.6%
2006	59	-6.3%
2007	73	23.7%
2008	68	-6.8%
2009	74	8.8%
2010	96	29.7%

Table 6
The sum of the contributions of basic PPE provided for in 2010

	2010
The amount of basic contributions in PLN	46,677,456

Table 7
The trade unions operating in PZU SA

L.p.	name
1	OZ "Solidarity"
2	Trade Union of Workers headquarters in Warsaw PZU SA
3	ZZ Insurance Workers in Gdansk
4	Trade Union of Workers of PZU SA province. Warmia and Mazury in Olsztyn
5	Workers MZZ PZU Group in Czestochowa
6	Trade Union of Workers of PZU SA in Opole
7	Trade Union of Workers Insurance in Krakow
8	Trade Union of Workers of PZU SA province. Holy Cross in Kielce
9	Trade Union of Workers of PZU SA and PZU SA province. Lublin
10	Trade Union of Insurance Workers in Lodz
11	Trade Union of Workers PZU SA, the Department of the District Court in Poznań
12	ZZ Workers PZU SA Torun Region
13	MOZ "Solidarity '80" in Szczecin
14	ZZ Workers PZU SA in Zielona Gora
15	ZZ Workers PZU SA Regional Branch in Szczecin



Table 8
Salary levels against the wages in the industry

Group Employee	comparison PZU SA / market (%)
Senior management	103.4%
Lower managers	100.3%
Senior specialists	
Experts	

Table 9
Consumption of energy resources and supplies

Raw material / material	Unit of measurement	the volume
Fuel and energy resources		
Gas [m3]	m3	1,098,582.16
Carbon [Mg] t	t	142.87
Oil [Mg] t	t	2,377.96
Petrol [Mg] t	t	1,218.38
Diesel [Mg] t	t	433.54
Paper		
papier A4 (risk)	risk	180,501
papier A3 (risk)	risk	285
Waste (consumables and waste other than municipal)		
toners	pcs.	7,026
Furniture kg	kg	111,526
Machines and electrical equipment	kg	21,499
HDD	pcs.	1,774

Table 10
Spending on prevention in 2010

The area of prevention	Expenditure on PLN
Prevention resultant	6,776,560
Health Prevention	0
Prevention of CAP	0
Fire Prevention	2,974,977
Preventive activities in the field of disaster prevention	0
Other directions of preventive	3,738,988
Total	13,490,525



GRI Index

No.	Indicator	Page in this report
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	page 2
1.2	Description of key impacts, risks, and opportunities	-
2.1	Name of the organization	page 4
2.2	Primary brands, products, and/or services	page 4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	page 7
2.4	Location of organization's headquarters	pages 6, 60 (cover)
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	page 6
2.6	Nature of ownership and legal form	page 6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	page 6
2.8	"Scale of the reporting organization, including: - Number of employees - Net sales (for private sector organizations) or net revenues (for public sector organizations) - Total capitalization broken down in terms of debt and equity (for private sector organizations) and - Quantity of products or services provided"	page 4
2.9	Significant changes during the reporting period regarding size, structure, or ownership	page 5, 6
2.10	Awards received in the reporting period	pages 5, 9, 21, 27
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	page 44
3.2	Date of most recent previous report (if any)	page 44
3.3	Reporting cycle (annual, biennial, etc.)	page 44
3.4	Contact point for questions regarding the report or its contents	page 60 (cover)
3.5	Process for defining report content	page 44
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	page 44



3.7	State any specific limitations on the scope or boundary of the report	page 44	3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	page 44
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	page 44	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	page 14
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	-	4.2	"Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)"	page 15
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)	page 44	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	page 14
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	page 44	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	page 10, 14
3.12	Table identifying the location of the Standard Disclosures in the report	page 49			



4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	-	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	-
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	-	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	-
4.7	"Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics"	page 12	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	page 13
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	page 13	4.13	"Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization"	page 42
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	-	4.14	List of stakeholder groups engaged by the organization	page 42
			4.15	Basis for identification and selection of stakeholders with whom to engage	page 42
			4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	-
			4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	-



FS1	Policies with specific environmental and social components applied to business lines	page 34	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	page 34
FS2	Procedures for assessing and screening environmental and social risks in business lines	page 34	FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	page 17
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	page 34	FS11	"Percentage of assets subject to positive and negative environmental or social screening"	pages 17, 46
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	page 34	FS12	"Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting"	page 17
FS5	"Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities"	page 34	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	pages 4, 5, 48
FS6	"Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector"	page 34	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	page 32
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	page 34	EC3	Coverage of the organization's defined benefit plan obligations	page 47
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	page 34	EC4	Significant financial assistance received from government	-
			EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	page 48



EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	page 29	EN8	Total water withdrawal by source	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	page 29	EN9	Water sources significantly affected by withdrawal of water	-
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	page 36	EN10	Percentage and total volume of water recycled and reused	-
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	page 17	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
EN1	Materials used by weight or volume	page 48	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	-
EN2	Percentage of materials used that are recycled input materials	-	EN13	Habitats protected or restored	-
EN3	Direct energy consumption by primary energy source	page 48	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	-
EN4	Indirect energy consumption by primary source	-	EN15	"Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk"	-
EN5	Energy saved due to conservation and efficiency improvements	-	EN16	Total direct and indirect greenhouse gas emissions by weight	-
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	-	EN17	Other relevant indirect greenhouse gas emissions by weight	-
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	page 35	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	-
			EN19	Emissions of ozone-depleting substances by weight	-



EN20	NO, SO, and other significant air emissions by type and weight	-	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	-
EN21	Total water discharge by quality and destination	-	EN30	Total environmental protection expenditures and investments by type	-
EN22	Total weight of waste by type and disposal method	page 48	LA1	Total workforce by employment type, employment contract, and region	page 46
EN23	Total number and volume of significant spills	-	LA2	Total number and rate of employee turnover by age group, gender, and region	page 46
EN24	"Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally"	-	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	page 28
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	-	LA4	Percentage of employees covered by collective bargaining agreements	page 27
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	-	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	page 26
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	-	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	-
EN28	"Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations"	-	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	pages 31, 47



LA8	"Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases"	-	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	-
LA9	Health and safety topics covered in formal agreements with trade unions	page 27	HR4	Total number of incidents of discrimination and actions taken	page 28
LA10	Average hours of training per year per employee by employee category	page 30	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	pages 26, 47
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LA12	Percentage of employees receiving regular performance and career development reviews	-	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	page 28
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	page 29	HR8	"Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations"	-
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HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	page 28			
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	page 28			



SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	page 36, 48	FS15	Policies for the fair design and sale of financial products and services	page 18
FS13	"Access points in low-populated or economically disadvantaged areas by type"	page 22	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	page 18
FS14	"Initiatives to improve access to financial services for disadvantaged people"	page 22	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	page 19
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PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	page 19
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	page 19
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