

Report on non-financial information  
of the PZU Group and PZU for

2017



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#### Approach to reporting and methodology

**[GRI 102-50]** The Report on non-financial information of the PZU Group and PZU SA for 2017 has been prepared in accordance with the requirements for non-financial reporting provided for in the Accounting Act and on the basis of the following recognized solutions and best global practices:

- PN-ISO 26000 standard,
- GRI Standards,
- GRI G4 sectoral supplement for financial services.

Formally, however, this Report may not be considered as having been prepared in accordance with GRI Standards.

**[GRI 102-45]** This Report encompasses all members of the group included in the consolidated financial statements of PZU Group prepared according to International Financial Reporting Standards for year ended 31 December 2017. Taking into consideration the different scale and form of impact of each entity on the environment, attention has been focused predominantly on those entities that, in PZU's opinion, are the most significant. **[GRI 102-46]** Accordingly, in line with the approach stemming from the principle of materiality, the various pieces of non-financial information have been presented to the extent necessary to evaluate the development, performance and standing of the PZU Group, and relatively less space has been devoted to smaller entities whose impact on the overall depiction of the PZU Group is minor or even marginal. **[GRI 102-47]** In defining its contents, attention has been focused on non-financial matters defined by the Accounting Act.

In line with the principle of materiality and taking into consideration the existing business profile, the above areas have been depicted primarily in the area of insurance. At the same time, to present the complete picture of the Group, references have been added to several other specific areas, including health, investment and banking.



HEALTH



INVESTMENTS



BANKING



BEST PRACTICES  
IN PZU



HEALTH



INVESTMENTS



BANKING



Paweł Surówka  
CEO of PZU

The PZU Group is a mature and responsible organization that does its utmost for all business processes to be carried out in line with rational and responsible management of the available capital. That is also why we incessantly strive to maximize the benefits our stakeholders derive while adhering to all the generally recognized ethical standards we have defined in the document entitled Best Practices.

In 2017, in connection with the Group's dynamic development, we elected to expand the managerial aspects associated with the standards being implemented in subsidiaries. For this purpose, on 21 March 2017, an agreement was signed on the

principles of cooperation within the PZU Group whose purpose was to define and implement uniform policies for all the Group's strategic areas (excluding for Bank Pekao, Alior Bank and their subsidiaries). We are of the opinion that a shared managerial approach will translate into risk mitigation in all our fundamental operating areas in terms of product sales and our geographic reach coming from the PZU Group having a footprint in 5 countries.

The actions we have undertaken are of great significance for the execution of the "New PZU" Strategy (published on 9 January 2018), in which the added value from the client point of view is based on comprehensive solutions in insurance, health, investments and banking. It is our strategic ambition to craft a new approach to building client relations, thereby leading to the integration of all operating areas with the client at the focal point. This will make it possible to deliver products and services that are well-matched to clients at the appropriate time and place and respond to other client needs on a comprehensive basis. This process will be supported by harnessing tools rooted in artificial intelligence, big data and mobile solutions.

Our employees are the key node in this process as they are responsible for the PZU Group's joint success. This extraordinarily important capital has been the basis of our competitive advantage for years, especially on the financial market where we generate above average returns on equity. The goal we set for ourselves is to create ever more attractive places of work offering a friendly environment and atmosphere and development opportunities. We respect the work and life balance as reflected by our employees' commitment and effectiveness. Our ambition is to be the employer of first choice in the financial industry, to have the best and most committed staff on the market and also to have a high level of retention when it comes to the greatest talents in the organization.

We are aware that PZU's position as the leader on the insurance market obligates us not just to generate a high return for our shareholders or to sustain an attractive stream of dividends but also to build social relations in a broad context, especially through our prevention activities. For this purpose, we regularly conduct educational campaigns and we provide support directly to socially important initiatives and institutions such as the fire service, orphanages, schools, the police, hospitals, non-governmental organizations and rescue services (Voluntary Mountain Rescue Service „GOPR”, Voluntary

Water Rescue Service „WOPR”, Poland's Special Divers Group „GSPRP”).

Since 2012 we have maintained our presence in the RESPECT Index, thereby confirming the high managerial quality of our environmental, social and employee projects. On the basis of that evaluation we have devised our CSR strategy which has become a part of the "New PZU" strategy. It is based on aspects pertaining to clients, employees, the environment, risk management, social activity and suppliers. Initiatives and indicators defined in detail will enable us to enhance our operating standards steadily across the spectrum of sustainable development, which is reflected in building value for the PZU Group's stakeholders.

I heartily invite you to peruse this detailed description of our procedures, practices, policies and the measures the PZU Group is taking.

Respectfully,



Paweł Surówka  
CEO of PZU





1 Management area

1.1 PZU Group

**[GRI 102-1]** The Powszechny Zakład Ubezpieczeń Group (PZU Group, Group) is the largest financial institution in Poland and Central and Eastern Europe. PZU heads up the group and its traditions date back to 1803 when the first insurance company was established in Poland. Since 2010, PZU (Company, Issuer) has been listed on the Warsaw Stock Exchange where it has been one of the large cap blue chips offering the highest amount of liquidity from its floatation.

**[GRI 102-7]** The PZU Group has more than PLN 300 billion of assets under management and renders its services in five countries. According to brand awareness surveys, PZU is the most recognizable brand in Poland (spontaneous recognition of the PZU brand stands at 88% while assisted recognition is 100%)<sup>1</sup>.

**[GRI 102-2]** Group companies are active not only in life and non-life insurance but also in investment, pension, health care and banking products. They cooperate with various industry leaders in the framework of strategic partnerships by creating tailor-made products for their clients. For instance, by collaborating with companies in the telecommunications industry and the power sector, PZU offers insurance of electronic equipment and assistance services to individuals and businesses. In addition, the Group has kicked off collaboration with LOT and Allegro in the framework of strategic partnerships in 2018.

It is the Group's strategic ambition to pursue a new approach to building client relations, thereby leading to the integration of all operating areas with the client at the focal point. This will make it possible to deliver products and services that are well-matched to clients' needs at the appropriate time and place and respond to other client needs on a comprehensive basis. This process will be supported by harnessing tools rooted in artificial intelligence, big data and mobile solutions

<sup>1</sup> Other numerical data describing the scale of operations of the PZU Group are provided later on in the Management Board's statement and in the Management Board's report on the activity of the PZU Group and PZU SA.

that will contribute to building an entrenched technological advantage in integrated client service.

PZU is an organization operating at a large scale. It is also cognizant of the expectations various stakeholder have of it, including clients, employees, investors, partners, industry experts, social environment and a number of institutions and organizations. That is also why managing relations with stakeholders and their impact on the business community is accomplished in a deliberate and sustainable manner. PZU is a company that is open to social expectations. In the actions it takes it strives to set trends and construe business solutions responsibly. It also gets involved in actions to benefit the local communities in which the Group's clients and employees function. For the PZU Group, sustainable management is a deliberate choice of how it conducts its business, thereby making it possible to build the company's long-term value in an ethical and transparent manner while giving consideration to stakeholder needs and expectations.

Key companies of the PZU Group [GRI 102-3] [GRI 102-4] [GRI 102-6]



Responsible business management in the PZU Group [GRI 103-2]



The Group's value growth should be aligned to the needs of the environment and rely on sustainable and responsible resource utilization

Selected awards and distinctions

The PZU Group received numerous awards and distinctions for the activity in 2017. We present some selected ones below.



AWARDS:

Business:

PZU: National Treasure



PZU: Institution of the Year (quality of service in branch offices and remote channels)



PZU: Trustworthy Brand



PZU: CIPS (procurement standards)



PZU Zdrowie: Polish Compass (propagating health)



PZU: Ethical company



PZU: Mediation-friendly financial institution



PZU: Certificate of Straight-forward Polish Wording



PZU: Golden Earpiece "Organizational improvement"



LINK4: Client's Golden Laurel



LINK4: Super brand



Pekao: Best Corporate Bank in Poland 2017



Pekao: Best Trade Finance Provider 2017



Pekao: Best Investment Bank in Poland for 2017 & 2018



Pekao: Bank of the year 2016 (2017)



Alior Bank: Company of the Year



Business:

Alior Bank: Banking Technology Award



Alior Bank: Best Bank 2017



Alior Bank: Newsweek's Friendly Bank



PZU: Panthers



Marketing:

PZU: Top BRAND (position in the media)



LINK4: EFFIE AWARDS 2017



Innovations

Alior Bank: Bank of the Year in Poland



Pekao: Innovations of the Year (Pekao connect)



IR:

PZU: The Best Annual Report (distinction for the annual report offering the highest user value)



PZU: Best IR Professionals in Poland (3rd place)



HR:

PZU: Top Quality HR



PZU: Top Quality Internships and Apprenticeships



HR:

LINK4: Best quality employer



LINK4: Human Capital Investor



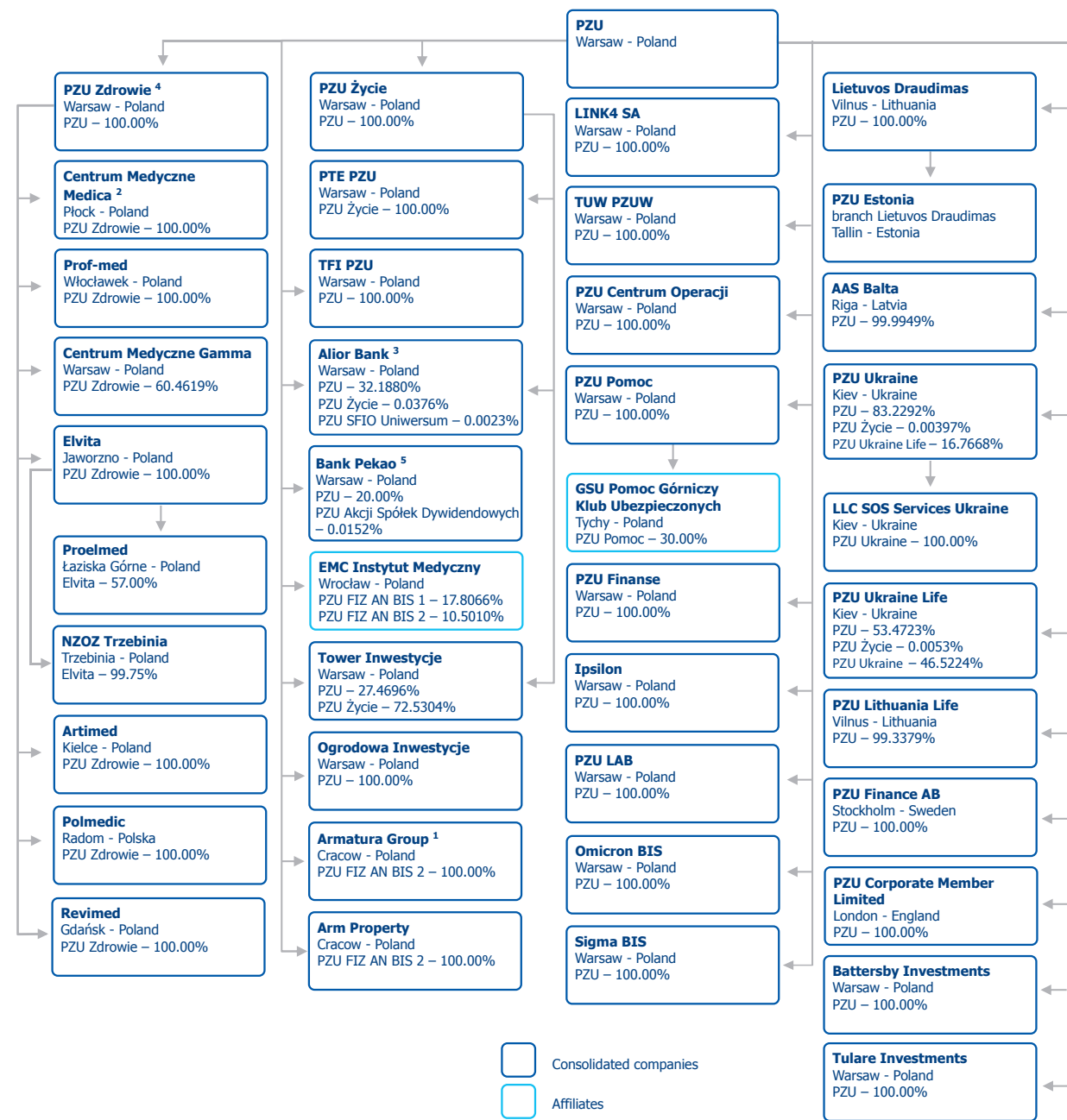
Pekao: Top Employer 2017



Pekao: Stars of Banking



Structure of the PZU Group (as at 31 December 2017) [GRI 102-45]



<sup>1</sup> Armatura Group included the following entities: Armatura Kraków SA, Aquaform SA, Aquaform Badprodukte GmbH, Aquaform Ukraine TOW, Aquaform Romania SRL  
<sup>2</sup> Centrum Medyczne Medica Group includes the following entities: Centrum Medyczne Medica Sp. z o.o., Sanatorium Uzdrowskie „Krystynka” Sp. z o.o.  
<sup>3</sup> Alior Bank Group includes the following entities i.a.: Alior Bank SA, Alior Services sp. z o.o., Centrum Obrotu Wierzytelnościami sp. z o.o., Alior Leasing sp. z o.o., Meritum Services ICB SA, Money Makers TFI SA, New Commerce Services sp. z o.o., Absource Sp. z o.o.  
<sup>4</sup> within PZU Zdrowie 3 branches are operating: CM Nasze Zdrowie, CM Cordis and CM Medicus  
<sup>5</sup> within Pekao Bank Group includes the following entities i.a.: Pekao Bank Hipoteczny SA, Centalny Dom Maklerski Pekao SA, Pekao Leasing sp. z o.o., Pekao Investment Banking SA, Pekao Faktoring sp. z o.o., Pekao PTE SA, Centrum Kart SA, Pekao Financial Services sp. z o.o., Centrum Bankowości Bezpośredniej sp. z o.o., Pekao Property SA, Dom Inwestycyjny Xelion Sp. z o.o., Pekao Investment Management SA, Pekao TFI SA, CPF Management  
The structure does not cover investment funds and entities in liquidation.

1.2 Corporate governance [GRI 102-18]

Pursuant to the Articles of Association, the Company's governing bodies are: the Shareholder Meeting, the Supervisory Board and the Management Board.

Shareholder Meeting

The Shareholder Meeting is PZU's highest corporate body. The general operational principles and the rights of the Shareholder Meeting are laid down by the Commercial Company Code and the Articles of Association.

The Shareholder Meeting is a body authorized to make decisions concerning issues related to the organization and operations of the Issuer. Resolutions of the Shareholder Meeting are adopted by an absolute majority of votes, except in cases provided for in the Commercial Company Code or the Articles of Association. The Shareholder Meeting has not adopted its rules and regulations.

Supervisory Board

The Supervisory Board exercises permanent supervision over the Company's operations in all areas of its activity.

In accordance with the Articles of Association, the Supervisory Board is composed of seven to eleven members. The number of Supervisory Board members is specified by the Shareholder Meeting. The Supervisory Board adopts the Rules and Regulations of the Supervisory Board which define its organization and manner of acting. The Rules and Regulations of the Supervisory Board were adopted by its Resolution of 14 November 2017, specifying the composition of the Supervisory Board and the way in which its members are appointed, the tasks and the scope of its activities and the manner of convening its meetings and conducting debates.

Management Board

The Management Board exercises any and all rights related to managing PZU which are not otherwise reserved by law or the provisions of the Articles of Association to the Shareholder Meeting or the Supervisory Board. Two Management Board members acting jointly or one Management Board member acting with a commercial proxy are authorized to represent the company. The Management Board adopts its bylaws which are subject to approval by the Supervisory Board. The Rules and Regulations of the Management Board were adopted by the Management Board on 2 October 2012, amended by Resolution of the Management Board of 8 April 2013 and approved by Resolution of the Supervisory Board of 16 April 2013.

In accordance with the Articles of Association of PZU, the Management Board is composed of three to seven members appointed for a shared term which includes three consecutive full financial years.

Audit Committee

The PZU Supervisory Board appoints the Audit Committee composed of three Supervisory Board Members. The majority of Audit Committee Members, including the Chairperson, satisfy the independence criteria defined in the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017 (hereinafter: "Statutory Auditor Act") and at least one Member has knowledge and skills in the fields of accounting or audit of financial statements in accordance with the requirements provided for in the Statutory Auditor Act.

The Audit Committee Members have knowledge and skills pertaining to the insurance industry, which is construed as at least one Audit Committee Member having knowledge and skills in the field of insurance or various Audit Committee Members having knowledge of specific branches within this field.

The Audit Committee is an advisory and consultative body to the Supervisory Board of PZU and is appointed to improve the effectiveness of supervision of the correct financial reporting at PZU and the effectiveness of internal control, including internal audit and risk management, exercised by the PZU Supervisory Board.

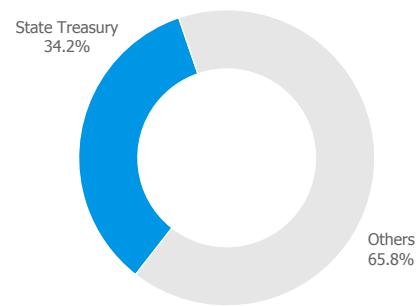
Complete information regarding the composition of the Company's governing bodies is presented in the Management Board's report on the activity of the PZU Group and PZU SA for 2017.

1.3 Shareholder structure

[GRI 102-5] PZU is a joint-stock company listed on the Warsaw Stock Exchange since 12 May 2010. Since day one, it has been included in the following indices: WIG20, WIG, WIG30, WIG-Poland, WIGdiv, WIG20TR and MSCI Poland. Since 2012, the PZU stock has also been taken into account in the sustainable development RESPECT Index (confirmed on 18 December 2017).

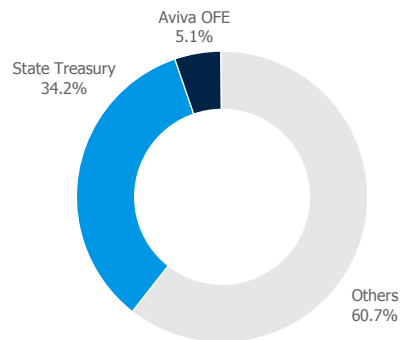


PZU shareholder structure as at 31 December 2017



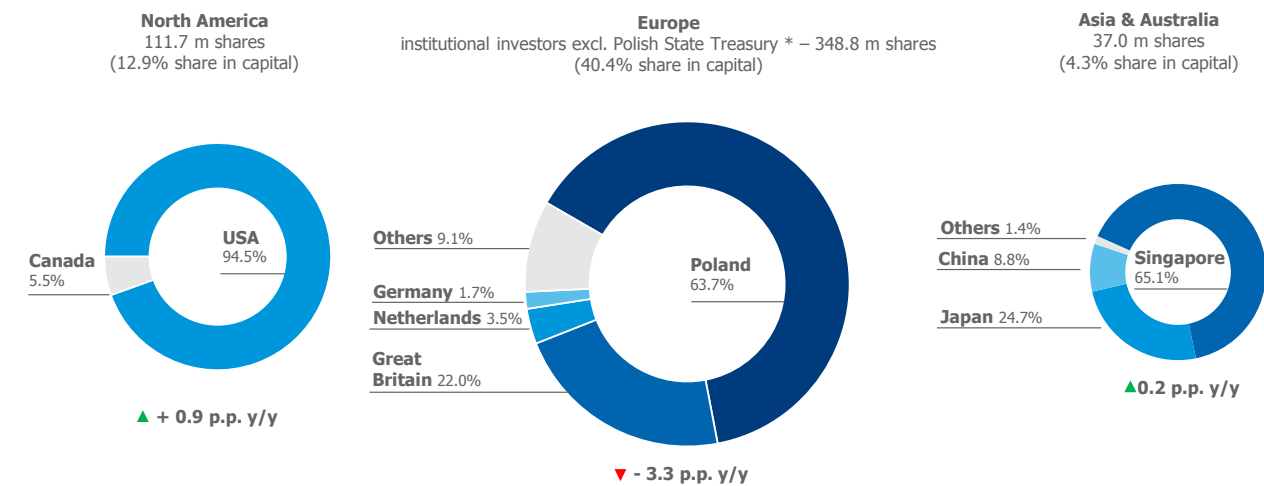
Source: current report no. 42/2017

PZU shareholder structure as at 31 December 2016

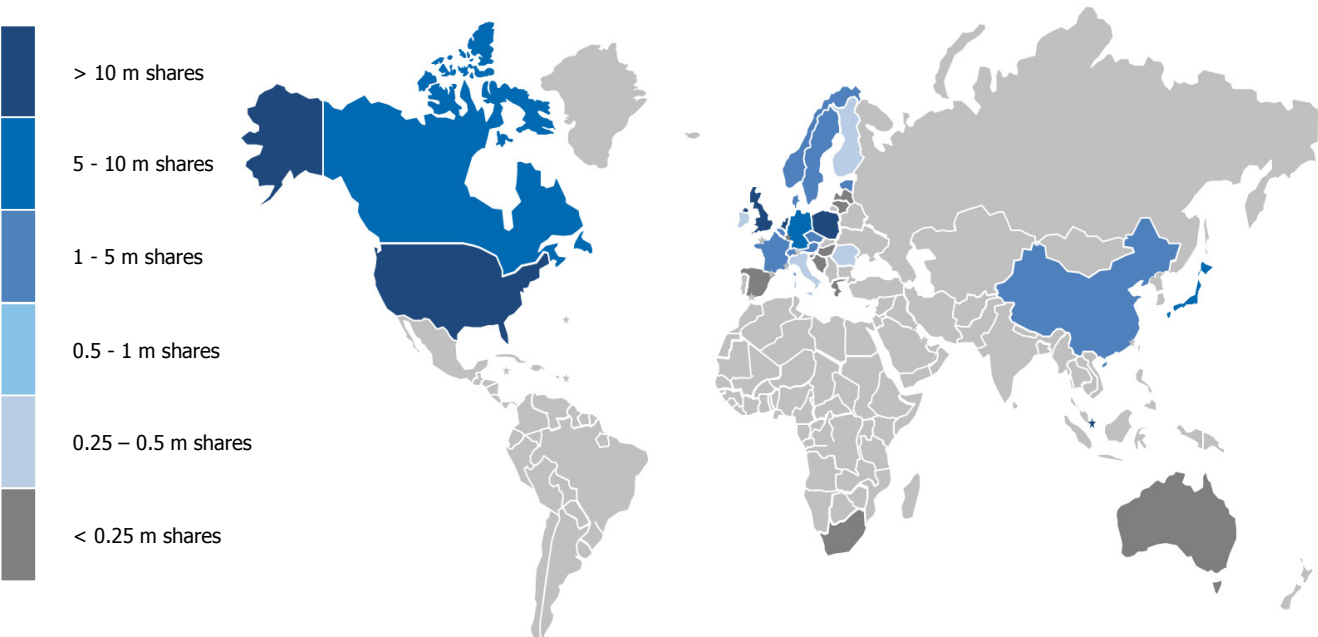


Source: current report no. 17/2017

Geographical structure of PZU’s shareholders [GRI 102-45]



▲▼ change 2017 vs 2016      \* Polish State Treasury – 34.2% share in capital

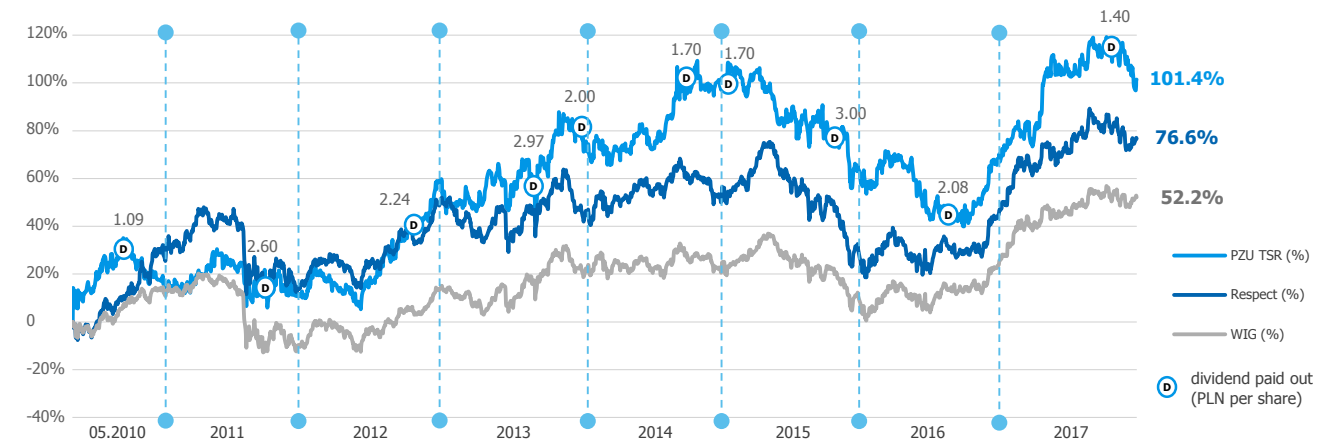


1.4 PZU Group’s consolidated highlights for 2013-2017 (PLN million) [GRI 102-7], [GRI 201-1]

	2017	2016	2015	2014	2013
Gross written premium	22,847	20,219	18,359	16,885	16,480
Revenues from commissions and fees	1,784	544	243	351	299
Net investment income	8,502	3,511	1,739	2,647	2,479
Net insurance claims and benefits	(14,941)	(12,732)	(11,857)	(11,542)	(11,161)
Acquisition expenses	(2,901)	(2,613)	(2,376)	(2,147)	(2,016)
Administrative expenses	(5,364)	(2,923)	(1,658)	(1,528)	(1,406)
Interest expenses	(1,365)	(697)	(117)	(147)	(104)
Operating profit	5,510	2,991	2,940	3,693	4,119
Net profit	4,233	2,374	2,343	2,968	3,295
Net profit attributable to the equity holders of the parent company	2,910	1,935	2,343	2,968	3,293
Assets in total	317,405	125,296	105,397	67,573	62,787
Financial assets, including:	281,854	105,286	89,229	56,760	55,086
Receivables from clients due to loans	169,457	44,998	30,254	-	-
Consolidated equity	37,601	17,084	15,118	13,168	13,128
Equity attributable to the shareholders of the parent company	14,622	12,998	12,924	13,166	13,111
Technical provisions	44,558	42,194	41,280	40,167	37,324

Restated data for the period 2013-2016

PZU compared to RESPECT Index





1.5 Stakeholders and forms of dialog

**[GRI 102-43]** The PZU Group’s stakeholders play an important role in the Group’s operations both in financial and non-financial terms<sup>2</sup>. Their involvement in the dialog process enables PZU to obtain useful information significantly affecting a host of its business areas (in particular strategic planning and environmental impact management). The selection of various groups of players is made with the significance of the pertinent relationship and the strength of their bonds with the PZU Group in mind.

<sup>2</sup> Groups or entities affected by the organization directly or indirectly as well as affecting the organization’s own business.

In 2017, a new initiative got underway involving the dialog with employees, intended to improve the transparency of the PZU Management Board’s actions. Accordingly, meetings have been held attended by employees and representatives of the PZU Management Board to discuss financial performance in the relevant reporting period and the degree of achievement of strategic objectives. During these meetings, employees have the opportunity to ask questions. The entire event is broadcast live on the Intranet. In 2017, three such meetings took place following the publication of quarterly results.

PZU’ Stakeholders **[GRI 102-40], [GRI 102-44]**

Stakeholder	Forms of dialogue	Purpose of dialogue
Employees	<ul style="list-style-type: none"><li>• annual/quarterly discussions;</li><li>• internal meetings;</li><li>• internal portal/intranet;</li><li>• mailboxes to clarify reported concerns;</li><li>• Employee Council and trade unions;</li><li>• internal publications;</li><li>• information campaigns expanding knowledge about the organization;</li><li>• commitment survey;</li><li>• meetings with Management Board members;</li><li>• video materials shown in the Company’s head office.</li></ul>	<ul style="list-style-type: none"><li>• listening to employee opinions;</li><li>• providing growth opportunities to employees;</li><li>• creating a satisfactory workplace;</li><li>• building an understanding of strategy implementation and achieved results;</li><li>• activation of employees to participate in new initiatives.</li></ul>
Clients	<ul style="list-style-type: none"><li>• website;</li><li>• satisfaction and opinion surveys;</li><li>• Client Council;</li><li>• financial and insurance education programs;</li><li>• Client Ombudsman.</li></ul>	<ul style="list-style-type: none"><li>• gathering client expectations and opinions;</li><li>• taking client opinion into account when designing business solutions;</li><li>• creating products and services aligned to client needs;</li><li>• developing transparent terms and conditions of bids and contracts.</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• meetings with new and current suppliers;</li><li>• CSR questionnaire.</li></ul>	<ul style="list-style-type: none"><li>• supporting the execution of the Group’s strategy and access to innovation;</li><li>• exerting influence on business standards in our surroundings and promoting best procurement practices.</li></ul>
Business partners: agents and brokers	<ul style="list-style-type: none"><li>• annual, monthly and ongoing meetings with agents;</li><li>• satisfaction and opinion surveys;</li><li>• internal communication portal for agents;</li><li>• sales training and support programs;</li><li>• Elite Agent Club and Elite Advisory Group.</li></ul>	<ul style="list-style-type: none"><li>• presentation of strategic objectives;</li><li>• addressing ongoing cooperation issues to ensure mutual benefits.</li></ul>

Local communities	<ul style="list-style-type: none"><li>• ongoing direct communication.</li></ul>	<ul style="list-style-type: none"><li>• execution of sponsorship and prevention projects;</li><li>• supporting the development of local communities;</li><li>• being a responsible citizen.</li></ul>
Investors and shareholders	<ul style="list-style-type: none"><li>• regular meetings during conferences, discussion panels (group meetings in the company and individual meetings);</li><li>• quarterly reports, factsheets, and results presentations;</li><li>• ongoing cooperation between Investor Relations and stakeholders (institutional investors, individual investors, analysts and capital market organizations);</li><li>• meetings and conference calls with the Management Board;</li><li>• Company’s website;</li><li>• electronic information channels.</li></ul>	<ul style="list-style-type: none"><li>• ensuring information transparency;</li><li>• creation of shareholder value;</li><li>• distribution of profits to shareholders.</li></ul>
Public administration	<ul style="list-style-type: none"><li>• cooperation in debates and conferences;</li><li>• answering inquiries and implementation of recommendations;</li><li>• legislative cooperation with the Polish Insurance Association.</li></ul>	<ul style="list-style-type: none"><li>• ensuring compliance with requirements and regulations;</li><li>• support for the creation of new market principles, including best practices.</li></ul>

This map does not describe the activities implemented at Bank Pekao or Alior Bank where tailored approaches to external relations are in place.

**[GRI 102-13]** The PZU Group is also engaged in the activity of plentiful organizations and associations:

Non-governmental organizations and public institutions	<ul style="list-style-type: none"><li>• building partnerships and conducting social diagnosis;</li><li>• joint planning, implementation and evaluation of projects;</li><li>• involvement in initiatives and projects to promote CSR and corporate foundation standards;</li><li>• organization of joint conferences, seminars – activities benefiting the third sector and the academic community;</li><li>• sharing know-how (training).</li></ul>	<ul style="list-style-type: none"><li>• implementation of educational and social programs promoting health, safety, social aid, culture and protection of cultural heritage.</li></ul>
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The most important of them are:

- Polish Insurance Association – since 1 January 2004,
  - Insurance Indemnity Fund – since 1 January 2004,
  - Polish Motor Insurers’ Bureau – since 1 January 2004,
  - Polish Association of Listed Companies – since 22 June 2010,
  - Road Safety Partnership – since 7 December 2010,
- Compliance Association Poland – since 16 October 2013,
  - Chamber of Fund and Asset Management,
  - Chamber of Commerce of Pension Fund Companies,
  - Polish Banks Association (with Alior Bank and Bank Pekao as its members).



**Andrzej Betlej Ph.D. Hab**  
Director of the National Museum in Kraków

PZU long-term involvement, renewed annually, as a patron of the National Museum in Kraków helps us achieve our objectives related to exhibition, educational and publishing projects and to ensuring the security of our buildings, to the national heritage collections presented in them and to the staff and visitors of the Museum. PZU as a patron of our Museum also contributes to our successes, for instance to the ever growing interest among the public – in 2017, we had more than one million visitors and more than 10 million followers of the Museum’s activities in social media! We would not have been able to enjoy this tremendous interest if it had not been for the holding of numerous, often very expensive, events. In recognition of their prestige and enormous importance for the propagation of cultural heritage, PZU provided its support, among other events, to the preparation of the “Maria Mater Misericordiae” exhibition accompanying the World Youth Days in 2016, ensured the security of presentation of Poland’s most valuable and only painting by Leonardo da Vinci, namely “Lady with an Ermine”, which had been purchased for the Museum’s permanent collection, and supported the organization of a monumental exhibition of Stanisław Wyspiański’s works. Through its involvement in plentiful cultural initiatives, PZU successfully combines the business dimension with the domain of culture and arts. PZU is a leader in creating a modern type of patronage, rooted in a dialog between the partners involved and the achievement of objectives that are significant to both parties. For us, the National Museum in Kraków, this objective consists in conveying our cultural proposal to as many people as possible, while for our patron the objective is to communicate the social responsibility of its brand. By supporting our endeavors, PZU exerts an impact on the shape of cultural education among the general public. It also contributes to the promotion of the image of our Museum as a modern and dynamic place, open and friendly to the public, always at the forefront with new and exciting projects.



**Andrzej Lesiewski**  
President of the Polish Freeskiing Association

Mountains cover only 3.1% of the country’s area, yet they occupy a very important place in the hearts of millions of Poles. Witness to the observation that mountain tourism is extremely popular is borne by the fact that nearly 3.5 million people visit the Tatra Mountains every year, of which over 500 hundred people come in the winter season. Walkers, climbers, skiers and snowboarders – with all of them in mind, the educational campaign kursylawinowe.pl has been carried out for 10 years now. In 2011, PZU became a strategic partner of the campaign, and since then the project has been developing at the speed of an avalanche, inspiring thousands of people to explore the mountains in winter in a safe manner. The long-term support we have received has allowed us not only to develop our preventive activities within the framework of which we have held over 100 training courses for over 2,000 participants but also helped us intensify our educational activities in traditional and social media. Owing to our cooperation with PZU, we are also present at all major mountain and travel festivals, where via the wonders of VR technology we teleport visitors to the exciting world of snow-covered peaks with its inherent concealed dangers. We also invest in the production of our own video content gathered within the #poradylawinowe series, which has already been viewed on our YouTube and Facebook channels more than 100,000 times. We are great admirers of the mountains ourselves and that is why we are fully cognizant of the need for such actions and reap their favorable results. The level of awareness among people going out into the mountains in winter is continuously rising, yet there is still plenty of room for improvement in this field. Preventing accidents is one of PZU’s most significant objectives, which also helps it build the image of a company approaching its clients as partners. And for people devoted to the mountains, partnership is the highest value.



**Jarosław Dominiak**  
President of the Management Board of the Individual Investors Association

Individual investors are generating about 15% of turnover on the Warsaw Stock Exchange in relation to the equity market. This is why it is extremely important to pursue an active policy information to this group of market participants. PZU from the very beginning of listing on the WSE implements a series of activities that enable investors to regularly and efficiently communicate with the company and is one of the best rated issuers in this area in the WIG20 index. There are tools that use the Internet and new technologies as well as direct meetings on the largest conventions of individual investors in Poland where participants have the opportunity to meet with representatives of the PZU Management Board. An extremely important factor is also open to dialogue and competent investor relations department. The activities carried out by PZU are appreciated by investors as the company has already been awarded many times for the highest standards in communication with individual investors. PZU can be a model to be followed in this respect by many other public companies.



**Izabela Albrycht**  
President of the Kosciuszko Institute

The Kosciuszko Institute has been and is cooperating with PZU within the framework of the Cybersecurity program area. PZU has been actively supporting the Institute’s mission, which is aimed at building national capabilities to strengthen Poland’s cybersecurity system and developing strategic recommendations to support effective and sovereign activities in the cyberspace and to enhance Poland’s economic development. PZU has also contributed to the success of the CYBERSEC brand beyond the country’s borders and to the promotion of Polish know-how in Brussels during CYBERSEC Brussels 2018.



**Marek Tronina**  
Director of the Warsaw Marathon Foundation

It is marvelous to enter the jubilee year with such a prestigious partner as PZU. This company has been insuring Poles for decades and, symbolically, also helps us insure our fellow citizens against the consequences of being in a constant hurry, anxious and stressed-out on a daily basis – by supporting us in administering the best medicine there is, namely physical exercise. This year, the Warsaw Marathon is going to turn 40. We are proud to be involved in keeping up an event of such tradition. And we are very glad that Poland’s most important street-running event is being organized in cooperation with a partner for whom tradition is as important as continuous development.





**Agnieszka Morawińska**  
Director of the National Museum in Warsaw

The National Museum in Warsaw enjoys the unique privilege of acting as a treasure trove of Polish national heritage, which both due to its quantity and cultural importance of the collection requires special care and attention. We are all only too aware of how significant is the support extended to cultural institutions by socially responsible corporations. In view of this, we are very happy that PZU as our long-term partner shares the same values and respects the same traditions, which helps us better protect the heritage we have been entrusted with and continuously develop the Museum's activity, for instance by refining our 19th Century Art Gallery, preparing new temporary exhibitions, regaining long-lost works of art and sharing them with the public. Without as solid and generous a patron as PZU, all these activities would be extremely difficult to pursue.



**Andrzej Mróz, Brigadier, M.Eng.**  
Acting Municipal Commander of the State Fire Department in Radom

These days, fire departments are involved not only in fighting fires, natural disasters or other local hazards. Our role is also to provide educational and informational services, in other words: socially beneficial prevention. We are perfectly aware how important it is to ensure safety, which is why we initiate and are actively involved in meetings arranged by various institutions, units, local governments and local communities, during which, alongside fire equipment displays, important educational information is disseminated on the proper and safe behaviors in emergency situations. We are involved in safety promotion activities by participating in social campaigns and, thanks to the support we obtain from PZU, by organizing training classes in the "Safe House" educational facility. It was created in November 2015 and was the first such facility in the Mazowsze region. Actually, we did not anticipate the enormous interest generated by our "Safe House" initiative. Since the opening event, we have already been visited by more than 11 hundred children, of which nearly 3 hundred participated in our classes in 2017. To execute the project, several rooms were rearranged in the Municipal Headquarters of the State Fire Department in Radom in line with the guidelines to resemble a typical apartment. These rooms were transformed into a model living room, kitchen and bathroom. This arrangement of the facility permits us to show the children how smoke spreads when fire is underway, how smoke and carbon monoxide detectors operate and how doors behind which a fire broke out warm up, which the children can touch and find out for themselves. During these classes, we also aim to demonstrate to the participants the proper evacuation from a place filled with thick smoke. The rearrangement of these rooms along with all the equipment and multimedia devices was funded using entirely PZU's prevention provisions. Moreover, with a view to supporting educational and informational activities intended to elevate the level of broadly construed safety among the general public, with particular emphasis on its youngest members, and in order to improve the physical fitness of the population, PZU also financed the purchase of the "Educational Firefighter's Track". I thank PZU for the support this organization has provided us in the execution of our activities to date and I count on our continued fruitful cooperation. I trust that the educational classes offered within the framework of this project will be remembered by our participants and in the future will bear fruit owing to their greater awareness, which will translate into safety when confronted with actual dangers.



**Marek Kisiel-Dorohinicki, Ph.D. Hab. Eng., Professor Extraordinarius of the AGH University of Science and Technology in Kraków**  
Head of the Computer Science Faculty – Department of Computer Science, Electronics and Telecommunications

I was truly happy to be informed of the establishment of scientific cooperation between the staff of my unit and one of the largest financial institutions in Poland and Central and Eastern Europe, namely PZU. I am deeply convinced that working hand in hand we will undertake a host of research and development activities in various areas of interaction between science and business, and in particular that we will develop solutions implementable in the reality of our country's business market. Our first joint undertaking is the execution of a TANGO 2 project entitled "Active-safety system for motor vehicles based on a driver's individual model", financed by the National Center for Research and Development. Within the framework of this project, we will develop telematic tools to monitor the behavior of drivers by applying solutions from the field of artificial intelligence. Once developed, we plan to deploy such a telematic product and perform numerous tests which will be significant both from the point of view of our business partner (concerning, for instance, the degree of effectiveness of the support provided to the driver while on the road) and from the scientific point of view (concerning, for instance, the application of neural networks to modeling the driver's individual profile).

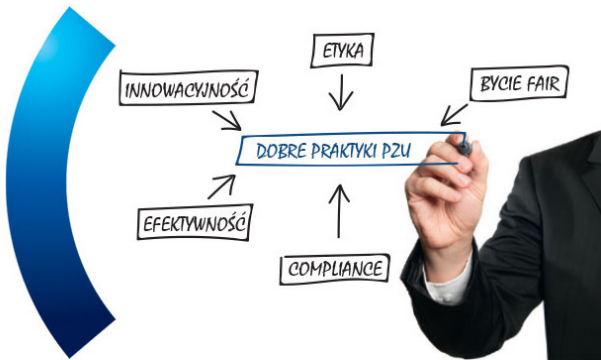
1.6 Best practices [GRI 102-16]  
[GRI 103-1] [GRI 103-2] [GRI 103-3]

The document underlying the PZU Group’s ethical standards in a set of best practices intended to shape the company’s organizational culture in all key aspects of its operation. Pekao and Alior groups have their own sets of ethical standards in place, which are in many aspects consistent with the practices adopted by the PZU Group.

The main objective of PZU’s Best Practices is to define the behaviors and manners of conduct toward all stakeholders of the company based on respect and trust. At the same time, this document serves as a common denominator for the corporate culture among all members of the Group. Due to the systemic compliance of our fundamental principles, all our activities and processes are carried out based on coherent assumptions, thus ensuring a high operating standard throughout the Group.

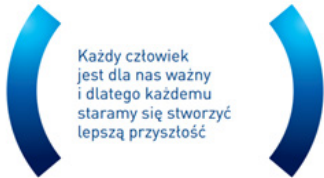
In keeping with the applied management philosophy, the set of Best Practices was initially defined within PZU and PZU Życie and was then subsequently adapted by other members of the Group, including its foreign subsidiaries. From the practical point of view, it contains fundamental values for the policies and regulations in place within the PZU Group, related to the following:

- reliability, honesty and accountability in relations with clients and the environment,
- preventive, charitable and sponsoring activities,
- interpersonal relations, innovation, occupational safety,
- respect for the human being,
- protection of information and personal data,
- counteracting corruption.



On the basis of the foregoing assumptions, the following guidelines have been developed for the policies implemented within the Group:

- Contacts with clients are based on trust.
- We inform clients honestly about PZU’s offering.
- We protect everyone’s personal data, in particular the data of our clients, business partners, employees and users of our websites.
- We care for the security and protect any electronic devices provided to us by PZU.
- We protect all resources, including information constituting intellectual property of PZU.
- In executing agreements, we comply with the law, in particular with the principles of fair competition and consumer protection.
- We always act in such a manner that our brand cannot be accused of violating any trademark protection laws.
- The duty of each of us is to act responsibly and avoid situations which could result in a conflict of interest




understood as a discrepancy between one’s individual interest and the interest of PZU.

- We have zero tolerance for corruption. We do not give or accept prohibited gifts or benefits in relationships with our business partners, their staff or representatives or other parties.
- Charitable donations or sponsorships are acceptable only if they comply with applicable laws and rules defined in PZU’s internal regulations.
- The employees cannot use the PZU name in any political projects or initiatives. It is prohibited to support any political candidates or parties using PZU’s funds.

[GRI 102-12] The processes executed within the PZU Group are based additionally on other generally recognized standards, such as:

- Code of Best Practice for WSE Listed Companies,
- Canon of Best Financial Market Practices,
- Corporate Governance Rules for Financial Institutions (including TFI PZU and PTE PZU)
- Best Insurance Practices,
- Rules for Advertising Insurance Services.

 Within the Pekao Group, there is a Rules Charter in place applicable to all companies engaged in operational activities<sup>3</sup>. The Charter is a set of the group’s fundamental corporate values, namely: equality, transparency, respect, reciprocity, freedom and trust, and indicates desirable patterns of behavior toward colleagues, clients, suppliers, investors and local communities.

In the Alior Bank Group, a Code of Ethics is in place, implemented in the four largest companies of the group, namely: Alior Bank, Alior Leasing Serwis Ubezpieczeniowy and Money Makers TFI<sup>4</sup>. The Code of Ethics is composed of several parts containing the rules of conduct toward clients, employees, business partners, market participants and local communities. Moreover, the document encourages employees to care for the natural environment. In 2017, during the event dubbed Compliance Week, the values contained in the Code were promoted throughout the Alior Bank Group.

<sup>3</sup> Bank Pekao, Centralny Dom Maklerski Pekao, Centrum Bankowości Bezpośredniej, Centrum Kart, Dom Inwestycyjny Xelion, Pekao Bank Hipoteczny, Pekao Financial Services, Pekao Investment Banking, Pekao TFI  
<sup>4</sup> The other companies’ staff are employed by Alior Bank and are required to comply with the Code adopted by the Bank



In TFI PZU, since 2006, an additional document has been in force, with only few exceptions, entitled “Code of Good Practices of Institutional Investors”, prepared and approved by the

Chamber of Fund and Asset Management. For TFI PZU, the Code provides a great deal of support in defining the rules, moral and ethical standards and due diligence levels in the company’s relationships with other institutional investors, clients and issuers of financial instruments.

1.7 Business model

[GRI 102-2] The Group’s operating model rests on a comprehensive offering of services in the fields of insurance (life, non-life), finance (banking, pension and investment products) and health (health insurance, insurance for medicine, medical service bundles). The factor which is assumed to ensure the permanence of relationships with clients is the sales proposition that is unique on the market in that it offers appropriately tailored products in accordance with the terms and conditions expected by the client.

[GRI 102-10] Due to the evolution of the Group’s structure and the rapidly evolving market situation, in 2018 PZU announced the “New PZU” Strategy”. It defines a new mission as “We help clients care for their future”, which is a new and broader approach to establishing a long-term relationship with the client in a manner that reaches way beyond the insurance area. In practice, this means a shift of the applied business model toward a service-oriented company that helps its clients to care for their future and where client relationships and the knowledge of clients are becoming the main value, while the chief product is the acumen in addressing client needs to build a stable future.

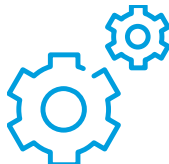
The primary “change vector” is system-based management in the area of client relation development. The redefined new approach assumes the integration of all corporate areas around the client and a transformation toward an advisory and service-oriented company. Such a shift will make it possible to care for the clients’ future and satisfy their needs comprehensively when it comes to life, health and property insurance as well as savings and finance. It will also contribute to achieving ambitious financial targets and building the position of the most innovative institution in the financial industry.

PZU’s values



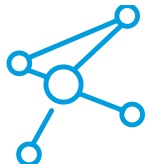
We play fair

we apply clearly defined rules and our offer is transparent and satisfies our clients’ genuine expectations



We are innovative

we never cease to look for improvements and constantly adapt to changing needs of our clients

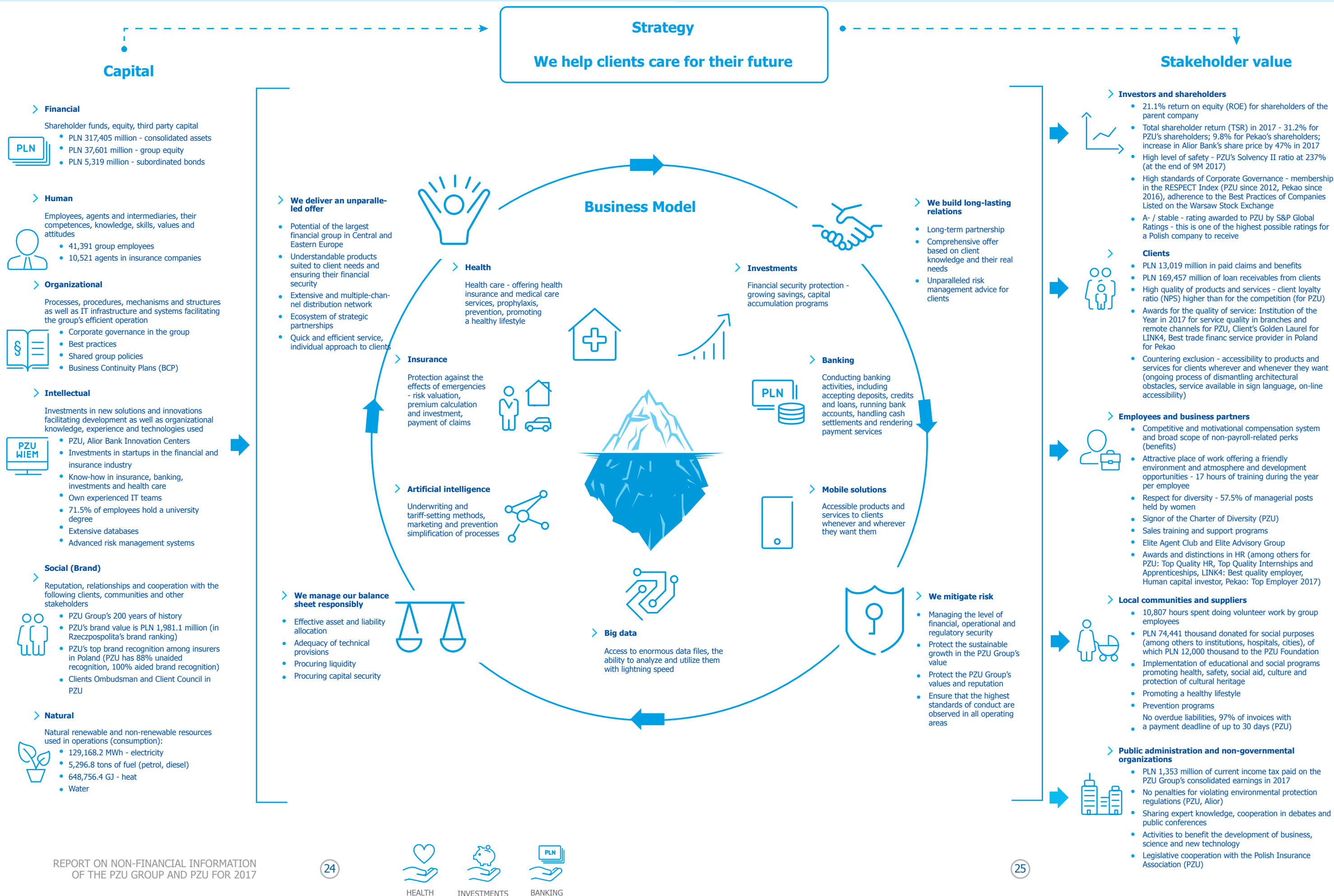


We are effective

we control costs and care for efficient processes, offering to our clients efficient and friendly service and competitive prices



# Value creation model of the PZU Group





1.8 PZU Group’s policies [GRI 103-1] [GRI 103-2] [GRI 103-3]

The PZU Group’s current shape is a consequence of the Group’s rapid growth, which gained additional momentum with PZU’s flotation on the Warsaw Stock Exchange (IPO in 2010). The core portion of the Group is composed of companies developed over a number of years through organic growth, namely PZU, PZU Życie, PTE PZU, TFI PZU, the slightly younger TUW PZUW and companies performing support functions (including PZU Pomoc, PZU CO and PZU Lab). In parallel, the PZU Group’s complementary development took the form of acquisitions. This is how the Group was enlarged by adding LINK4, healthcare companies focused around PZU Zdrowie, two large banking groups (Pekao, Alior Bank) and insurance companies from the Baltic states and Ukraine.

Using the Best Practices (described in SECTION 1.6) as the underlying material, further specific Management Policies were developed in key business areas. At first, they were implemented in the Group’s largest companies, namely PZU and PZU Życie, and then in other Group companies. In consideration of the scale of acquisitions in recent years, steps have been taken to better coordinate key processes and establish a system of the Group’s defining values to minimize compliance risk in each area. The objective was to create a system of values that would ensure seamless management

of the whole Group while bearing in mind the local market’s specific nature and each company’s competitive advantages.

On 21 March 2017, an agreement was signed on the principles of cooperation within the PZU Group, the purpose of which was to work out uniform policies for the Group’s strategic areas across the board. The parties to this agreement were members of the Group (with the exception of Bank Pekao, Alior Bank and their subsidiaries) all of which undertook to cooperate with one another in specific areas at the PZU Management Board level. It was agreed that the PZU Group Policies would apply to all key business areas.

The steps that have been undertaken are reflected in the “New PZU” strategy which describes the methods of fulfillment of the clients’ future needs. The new PZU will offer various solutions in the fields of insurance, health, investment and banking, with the intention to assist the client in planning his/her own future and that of his/her next of kin: from childbirth, education, first job, early independence period and setting up a family to retirement. This client-oriented and needs-oriented model assumes a shift away from thinking in terms of corporate product factories. The new PZU will operate as an advisory and service-oriented company, that is as one organism, while keeping up high standards in each area.

1.9 CSR ambitions

**Corporate social responsibility** “We are a socially responsible company and we want to contribute positive values to our relations with people and the environment. Harmonious coexistence at all stages of collaboration will be possible only after the rights and needs of the local community have been taken into consideration.

We are doing our best to limit any adverse effects of our operations on the environment through implementing “green” initiatives, getting our employees involved in activities that benefit the environment and using various IT tools to optimize the consumption of materials.

We promote openness, support emphatic attitudes and encourage everyone to participate in charitable campaigns. We support civic attitudes among our employees.

Our employees may not use PZU’s name in any political undertakings or initiatives. They are also forbidden from making statements suggesting that they represent, in this respect, the opinions of our company. It is prohibited to provide support to any political candidates or parties using the company’s funds.”



[GRI 103-2] [GRI 103-3] SThe “New PZU” strategy defines the Group’s ambitions in the corporate social responsibility area for its key members: PZU and PZU Życie. They are intended to bring a greater degree of order to PZU’s key areas of responsibility, operating directions and management approach to any initiatives being undertaken.

Once developed, these ambitions will eventually be transferred to other members of the Group in the form of a standalone CSR strategy (due to the autonomy enjoyed by the banking groups, their own CSR areas will be regulated entirely separately).

Uniform policies in the PZU Group



Key non-financial indicators

Ambitions in 2020		
Building our CSR position in the industry	> Membership in the Respect Index of listed companies observing corporate social responsibility	> Membership in the index at least at average level for the industry
Clients	> NPS for retail clients in insurance versus the competition > Indicator concerning the timeliness of examining complaints	> > the competition > 95% to 28 days
Employees	> Employee commitment index > % of women in managerial positions	> 55% > at least 50%
Environment	> Implementation of the Group's "Green PZU" standard	> Fully implemented (100%)
Risk management	> Risk assessment framework score (BION) for PZU and PZU Życie	> Good
Social activities	> Financial commitment to social activity	> >50 m PLN per annum
Suppliers	> Percentage of suppliers adhering to the "Code of CSR Best Practices for PZU's Suppliers"	> 90% of contracts contain an obligation to adhere to the "Code of CSR Best Practices for PZU's Suppliers"

2 Social issues [GRI 103-1]  
[GRI 103-2] [GRI 103-3]

2.1 Responsible products



**We are trustworthy** - "We have the right qualifications and tools to meet our obligations toward clients. Hence, we can credibly and logically inform them about our offer and our products. Do your best to use that knowledge wisely so that you never mislead anyone.

Model agreements and advertising materials that we draft should be transparent and unambiguous.

Contact with the client is based on trust. Remember that when discharging our professional duties, we act always in the name of PZU. If a client loses trust in us, they will be highly unlikely to continue their cooperation with us.

We are obliged to treat all our clients equally. None of them should be denied service, information or explanations."

A key area of responsibility for every financial institution is to design and offer its services in a responsible manner, which is one that makes the client's financial security an issue of top priority. In the case of PZU Group companies, the interpretation of this function is based on the literal application of the "we play fair" value to everyday business practice. This is the assumption that must be applied throughout the life cycle of any product.

**"New PZU" 2020 ambition**  
– NPS (satisfaction) indicator for retail clients in insurance  
> higher than the competition



**Honesty is most important to us** - "To us, honesty means more than just acting in compliance with the law. We are not afraid to admit any mistakes we've made and draw conclusions from them. But we also don't hesitate to present our own opinions, we're capable of meeting the obligations we've undertaken and we don't waver when it comes to expressing appreciation or doubt."

Product designing [GRI G4-FS15]

Aspects associated with the client's security are evaluated already at the stage of product concept creation by both the insurance companies and the banking sector companies. While being developed, a product gets subjected to review by a host of organizational units. Besides the acceptance by such units, required, for instance, in order to confirm the ability to implement a new product in the IT and accounting systems, the product must gain the acceptance of lawyers or compliance specialists. For this reason, the product is scrutinized in terms of its compliance with current case law (e.g. that issued by UOKiK). Such an approach helps reduce

the risk that agreements to be signed with clients contain clauses that might be considered to breach their interests. If found, they might not only dent the reputation of the PZU brand but also entail considerable financial penalties. All Polish insurance companies of the PZU Group have implemented programs of compliance with consumer law or competition law depending on the nature of their business



PZU Group brand architecture (the "corporate umbrella" model)



After-sales client service [GRI G4-FS13], [GRI G4-FS14]

"...Our approach to post-sale service is equally professional. We handle and pay out claims quickly and efficiently. At the same time, we reduce formalities as much as possible. We also put special emphasis on constant development and accessibility of our claims handling network, professionalism of our employees and a high standard of client service"



Responsible action in the claims handling area means both a fast and efficient payout and a tailored approach to each and every client. This is often associated with the provision of support in adjusting to new circumstances. One of such solutions is the "PZU Client Relationship Manager". The Team to Organize Assistance for Accident Victims (PZU Client Relationship Managers) provides comprehensive support to victims of accidents caused by persons covered by a third party liability (TPL) policy issued by PZU. The Team members are mobile employees who visit accident victims at home to determine their actual life situation and find out what their needs are. PZU Client Relationship Managers are deployed across the country to make it easier for them to establish a personal contact with the client and provide him/her with comprehensive support in returning to normal life. For severely injured accident victims, PZU Client Relationship Managers arrange broadly understood medical, social and occupational rehabilitation and psychological support. They explain to clients what benefits they are entitled to from both PZU and state institutions in connection with the accident. They provide advice on how to adapt the closest environment to the needs of a disabled person and how to properly select devices that

compensate for dysfunctions or disability. The extent of support provided by PZU Client Relationship Managers is adjusted to fit the challenges and needs of the specific accident victim.

**"New PZU" 2020 ambition**  
– Indicator concerning the timeliness of examining complaints  
> 95% up to 28 days  
  
– Percentage of non-life insurance cases handled during a single contact  
> 75%  
  
– Percentage of non-life insurance cases in which a decision is made within 7 days  
> 75%  
  
– Percentage of life insurance cases handled during a single contact  
> 90%  
  
– Percentage of life insurance cases in which a decision is made on the date of notification  
> 85%



PZU task’s Caretakers



**Diagnosing the needs of the accident victim.**



**Arranging the treatment process, medical and social rehabilitation, occupational mobilization and psychological support.**



**Providing the accident victim with reliable information about his/her rights and with support in preparing the documentation.**



**Providing information on how to obtain systemic assistance from state institutions, foundations and associations operating for the benefit of accident victims.**

In addition to standard claims handling processes, PZU introduced the so-called fast claims handling tracks in order to take as much burden associated with all formalities off the clients’ shoulders as possible. The fast track is very convenient for clients whose damage is minor, does not require a visual inspection, medical examination and accumulation of documentation. For this type of damage, a simplified procedure is available, which shortens the service time to a minimizes and relieves the client from the requirement to provide documentation.

A different dimension of a responsible approach toward clients, one that is enormously significant for the society, is the policy of **action during natural disasters**, such as floods, torrential rains, storms or hurricanes. At PZU, actions were launched to ensure a special treatment of losses in crisis situations. When confronted with such emergencies, the matter of priority becomes how to effectively reach the client, provide assistance and comprehensive services in the shortest possible time following the occurrence of the loss. This is possible owing to the deployment of mobile offices. During crisis situations, in addition to the services provided by mobile offices, assistance action is also undertaken to deliver protective materials (tarpaulins, foils) and, in cooperation with the PZU Foundation, first-aid materials (food and cleaning supplies).

In 2017, Alior Bank developed special solutions tailored to the needs of those of its clients who suffered losses due to the August storms that hit Kujawsko-Pomorskie and Pomorskie

Voivodships. The aid was targeted at clients with mortgage loans and cash loans in the bank. The Alior Bank Group also provided funds for the reconstruction of recreation rooms in two villages that were struck by the storms. The bank’s employees took an active part in providing aid to the victims by collecting money and various necessities.

The storms that hit Poland in 2017 caused the death of 6 persons and inflicted damage of millions of Polish zloty.

PZU immediately commenced the provision of assistance to the injured. Representatives of PZU Pomoc’s Mobile Office were sent to the affected regions of Poland. On 18 August 2017, vehicles arrived in Silno, Rytel and Brusy where PZU provided the people in need with tarpaulins, power generators, torches, power saws and food.

Watch the footage



**2.2 Responsible sales [GRI 417-1]  
[GRI G4-FS13] [GRI G4-FS14]  
[GRI G4-FS15]**

The PZU Group has adopted and applies top standards of communication with its stakeholders. This approach is tremendously important when dealing with intangible products such as financial services.

**Open communication and contact with the media** - “We provide precise and needed information to all the parties with whom we cooperate. We make every effort to ensure that reports and documents published or transferred to inspection or regulatory authorities are complete and comprehensible.

We comply with information policy standards applicable to public companies. We provide information about our business, products and intentions in a reliable and efficient manner to all market players who thus may receive comprehensive information about the PZU Group’s companies.

We publish detailed financial reports on a regular basis. We provide the media with information regarding our current matters in a professional and responsible fashion. At the same time, we pay special attention to the protection of our company’s image. Only the company’s authorized representatives may make statements in the media, and they are required to maintain the confidentiality of information regarding our operations.”

PZU’s Best Practices define what specific activities are in compliance with the Company’s key value of “We play fair”. They require that information about the offering must be conveyed in a reliable and comprehensible manner with special attention paid to removing any potentially misleading understatements or omissions. Such information must also present the actual benefits but also reliably describe any existing risks that accompany the offering.

**Responsibility is the key** - “We honestly inform our clients about PZU’s offers. We diligently describe the benefits, we honestly detail the risks associated with the offer, we take full responsibility for it and we deliver on our promises. We do our best to ensure that any problems our clients may have are addressed by PZU in a reasonable and diligent manner and any complaints are handled without undue delay. Should any disputes emerge, we employ mediation and make every effort to resolve them amicably.”

**[GRI 102-12]** In order to ensure the provision of a reliable and ethical message, the Group’s communication is based on the following:

- Best Insurance Practices,
- Code of Ethics in Advertising,
- Rules for Advertising Insurance Services (KNF).

All the above actions are intended to reduce the risk of selling the client a product that he or she does need or understand,

including the risk of misleading the client intentionally or unintentionally. Counteracting the practice of unethical sales is a matter of importance from the perspective of the PZU Group’s development. If incidents occur, they may contribute to a long-term erosion of confidence in the services offered by the Group. They might also expose the companies involved to regulatory procedures and the imposition of sanctions by administrative authorities. **[GRI 102-11] [GRI 102-30]**







**Professionalism all along the way** - "Our success and strong brand have been achieved thanks to the knowledge and experience of each one of us. Our continuous strive for perfection allows us not only to keep up with the world's development but also look into the future. Therefore, we gladly welcome any novel ideas.

The solutions that have already been verified can be used many times over and serve as a basis for the development of new products. We employ our knowledge and creativity to earn profits and accumulate savings. This has a positive impact on the image of our company which is always at the center of it all."

**[GRI 417-1] [GRI 102-11]** In order to find out which products are best matched to a particular client, the sales process is supported by the **Client Needs Assessment Questionnaire ("ADPK")** (mandatory for all insurers in Poland). The purpose of the questionnaire is to determine the client's needs in the context of his or her intention to enter into an individual life insurance agreement or enroll in a group life insurance agreement if the agreement in question is for a unit-linked or structured product. The assessment is intended to scrutinize the client's knowledge, needs and

experience in the domain of life insurance as well as his or her financial situation. Based on the results of such analysis, products are proposed to clients that are most suitable for them. The purpose of this exercise is to protect clients against entering into long-term agreements that would provide products inconsistent with their needs and entail the acceptance of a long-term commitment. Moreover, while completing the ADPK form, the client is each time required to provide answers to the questions contained in the Anti-Money Laundering and Terrorism Financing (AML) Questionnaire.



**Compliance with laws and regulations** - "PZU makes every effort to ensure that applicable laws and standards are complied with in all areas of its business.

In its dealings with the regulatory authority, the Polish Ombudsman for the Insured and other external institutions, PZU respects and recognizes all statutorily defined duties of such entities. PZU also provides them with assistance in the pursuit of their main task, i.e. protection of the insureds' interests.

The basic rights and duties of every employee should be precisely defined. However, should doubts emerge as to whether a decision is reasonable or when a situation seems questionable or there is a suspicion that the law or any of the adopted principles or standards may have been breached, the company's relevant units must be informed about it."

The systemic approach to sales management is also applied to PZU's own branches. The implemented **Client Service Standards** systematize the day-to-day work in the branches and explain how to serve clients and conduct the sales process professionally while building trust and a long-term relationship with the client. Special emphasis is put on recognizing the client's actual needs, which the client may sometimes have problems articulating properly. Consequently, it becomes possible to suggest the best solutions and eliminate the risk that the client might purchase a product that he or she does not really need. The document also contains various other guidelines, including those concerning identity verification and the updating of personal data with a view to preventing actual abuses.

When underwriting risks for hospitals and clinics, **TUW PZUW** conducts engineering and medical audits the deliverables of which are recommendations issued for the company's clients. Audits of medical centers often result in issuing recommendations regarding safety, hospital infections and patient rights. The implementation of post-audit solutions suggested by TUW PZUW is beneficial to patients of the audited entities. Furthermore, in specific cases, medical centers may apply for co-funding of necessary capital expenditures from PZU's prevention fund.



For a number of years, the Pekao Group has been guided by the principle of caring for its clients' interests. The staff are under the obligation to ensure that each client, when purchasing a product or service, is aware of both the benefits and risks associated with it. The duty to protect clients against the taking of excessive risk in investment decisions results from the bank's complete implementation of the Markets in Financial Instruments Directive (MiFID). Once completed by the client, the questionnaire serves the purpose of evaluating the adequacy of the service involving the acceptance and forwarding of the client's instructions on participation units in mutual funds or other investment products. The adequacy questionnaire contains a list of questions concerning the client's knowledge and experience in the area of investing in financial instruments or other investment products. On the basis of the outcome of such evaluation, the client obtains feedback as to the adequacy of the proposed service in his or her situation. This helps the client make a conscious investment decision.

**[GRI 102-11]** At the same time, with a view to conducting responsible sales, a host of internal regulations have been introduced, including a policy for managing conflicts of interest, a policy for classifying and reclassifying clients and a policy for selling investment products.

The Alior Bank Group makes efforts to ensure that its clients' decisions are responsible and always based on their full understanding of the products and technological solutions offered by the group's member companies. These companies have in place the rules for using a simple and comprehensible language enabling people who are not finance specialists to understand the information conveyed to them.

The policy of preventing dishonest sales is intended to counteract the practice of misselling. The document lays down the rules that must be applied in the process of designing and distributing products. The Alior Bank Group's competent units continuously monitor its sales processes looking for any misselling threats. Rules are also in place for dealing with any identified cases of misselling. All employees have also been trained in the principles of transparent sales, and their sales bonuses depend on the quality of the sales process, which is subject to regular inspections. The fundamental mechanism in this area takes the form of post-sale calls applied to those clients and products that are under the highest risk of

misselling. This mechanism is supplemented by evaluating the quality of documentation, complaints and early lapses.



In case of **PZU Zdrowie**, which is responsible for management of medical services, including the medical center chain, the specificity of the operations determines a slightly different management approach to social issues. Its key aspects include primarily: ensuring the protection character of the health products, patient service quality standards, ensuring clinical safety, protection of personal data, in particular sensitive medical information, and conducting educational and prophylactic health-related activities.

The following should be considered of key importance:

- Organizational bylaws of the healthcare entity,
- Patient handling standards book,
- Customer flow management procedure,
- Principles of handling patients' and clients' opinions (complaints),
- Clinical incident handling instruction,
- Rules of proceeding with sensitive results,
- Personal data processing security policy,
- Procedure for selection of suppliers of goods and providers of services.

In the main stream, health products are distributed through PZU's sales and service network and are subject to the rules prevailing in that network.



The distribution through PZU's network of the investment products based on investments in participation units of mutual funds is regulated primarily by the Regulation of the Minister of Development and Finance of 23 March 2017 in the matter of proceeding of the entities conducting the activities related to intermediation in sale and redemption of participation units and participation titles, and the investment consultancy related to such instruments. The internal requirements related to designing products are the same (CHAPTER 2.1 RESPONSIBLE PRODUCTS).

TFI PZU as well as Pekao TFI belong to the Chamber of Fund and Asset Management "IZFA". As part of their participation, they actively take part in, among others:

- representing the environment of mutual fund companies,
- supporting the development of mutual fund companies in Poland,



- disseminating knowledge of mutual funds,
- development and improvement of professional ethics rules for the mutual funds management specialists.

PTE PZU actively participates in shaping the social awareness in the pension system area. It promotes the solutions aiming at increasing that system's effectiveness and protecting the insureds' interests through participating in the Pension Fund Companies Economic Chamber (industry self-government). In addition, it takes part in campaigns promoting the pension and educational products, and it emphasizes the significance and role of voluntary insurance that increases the future pension benefits.



**Transparent supplier selection rules** - "We comply with the law in executing agreements. Our procurement decisions are based only on the price, quality, technical parameters and usefulness criteria.

We avoid transactions which due to their nature or method of conducting trading negotiations could give rise to doubt or create an impression of being inappropriate or illegal."

The suppliers selection procedure includes social and environmental criteria which are consistent with the principles of corporate social responsibility. The Procurement Department arranges purchases of goods and services for administrative, advisory, construction and renovation-related and IT needs of the PZU Group, among others. In the supplier selection process, we always follow the competition principle, hence the majority of our the purchases are made under a tender process.

The transparency of our procurement process is rooted in the internal regulations defining the organization of that process, the decision-making levels and the roles of the participants. When selecting the suppliers, we are guided by the "Supplier selection procedure", "Contract execution rules" as well as "PZU Best Practices". Their application is a guarantee that the procurement process will be carried out in a transparent and optimal manner.

**"New PZU" 2020 ambition**  
– percentage of suppliers adhering to the "Code of CSR Best Practices for PZU's Suppliers"  
> 90% of contracts contain an obligation to adhere to the "Code of CSR Best Practices for PZU's Suppliers"

2.3 Cooperation with suppliers  
[GRI 102-9]

Cooperation with suppliers within the PZU Group is based on mutual trust, respect and professionalism. The PZU Group aims at building long-term relations as part of long-term memoranda of agreement which guarantee adequate quality. In particular, we appreciate the suppliers which apply proven market practices and represent the highest level of professional ethics.

The following initiatives are carried out in the PZU Group, which increase the effectiveness of procurement practices:

- consistent approach and integration of the PZU Group;
- exchange of experience within the PZU Group in order to apply market-proven and most effective procurement practices;
- analysis of suppliers in terms of timeliness, quality and cooperation in a given area;
- conducting regular surveys of satisfaction with the services provided by the suppliers to the PZU Group's internal clients.



In Bank Pekao, the selection of the supplier depends on the environmental and social criteria. In the event of conducting tender procedures (exceeding EUR 1 million), the suppliers are obligated to fill out the Corporate Social Responsibility Declaration which contains, among other things, the information on environmental and social aspects as well as the issues concerning the respect for human rights. Thus, action is taken for sustainable development, protection of natural environment and prevention of breach of human rights by the group's business partners. Moreover, when conducting the tenders, the bank verifies potential bidders from the standpoint of corruption risk and in terms of sanctions lists (sanctions lists of the USA and the EU) as well as public warnings of the KNF.

The bank's policy is also implemented by CDM Pekao, Centrum Bankowości Bezpośredniej and Centrum Kart.

In Alior Bank, the entities seeking participation in the procurement procedure are obligated to submit a special attachment to the bid – the "Business Ethics" Representation, which constitutes an element of the formal and legal assessment of the supplier. When signing that document, the bidder represents that as part of the activities conducted by it, it adheres to the commonly prevailing law and the rules of ethics including, among other things, the environmental and social criteria as well as respect of human rights.

In 2017, the foregoing practice was followed only in Alior Bank, and it is planned that in 2018 it will be adopted also by other group companies.

2.4 Counteracting exclusion  
[GRI G4-FS13], [GRI G4-FS14]

The PZU Group's sales strategy mitigates the risk of marginalization and exclusion of certain social groups. The extensive branch chain and the networks of agents collaborating with the PZU Group comprise geographically broadest financial services sales network in the country. Moreover, it is supplemented by the remote channels – LINK4, and also the possibility of using the chain of Bank Pekao and Alior Bank outlets. All this allows to minimize the threat related to limited geographic availability and marginalization of certain groups of clients (e.g. residents of rural areas or disabled people). Moreover, the new business strategy places strong emphasis on leveraging the outlets of individual group entities to increase cross sales (cross-selling).

It is PZU's ambition to enable the client to make an optimal choice of the services to help him/her protect his/her life, health, property, savings and finances. This means that comprehensive solutions will be offered without segmenting them into product lines of individual group companies. New PZU operates as a uniform close-knit organism, and, as a logical consequence of this, all the companies' outlet chains are mutually used by all the individual companies. On one hand, this will make it possible to offer a full range of services to a broader group of clients, and, on the other hand, it will increase the accessibility of outlets which offer the Group's services. As much as 5 out of 12 key initiatives constituting the foundation of the New PZU are the cross-selling initiatives.

Another dimension of the exclusion issue is marginalization of specific groups, e.g. the elderly and the disabled, which are at particular risk of exclusion. At the end of 2017, 32% of PZU outlets were fully, and another 44% partially adapted to the needs of disabled people. There are continuous efforts to further increase the degree of adaptation, e.g. as part of conducted renovations or changes of locations. In addition, in 8 largest cities, clients are provided with access to services in sign language.



Besides architectonic barriers, which the PZU Group companies are trying to remove, there also exist the barriers of a completely different nature. Such barriers require not only the application of technical and infrastructural solutions but also empathy. The client service standards in effect in PZU's own branches, which have the form of the "Five Steps Theory", place particular emphasis on the senior citizens' needs (e.g. potential problems with vision, hearing, mobility or comprehension of complex information). Therefore, the employee guide contains recommendations on how to provide services to senior citizens. In particular, it contains the instruction that the information should be provided in an understandable manner, sometimes more slowly. The same principles apply when providing the services to disabled people, including people with hindered mobility, blind people or persons with impaired vision, deaf people or persons with impaired hearing, or people with speech impediment.

PZU also seeks to meet the expectations of the parents. Playroom corners have been prepared specially for the children, where the child may freely and safely occupy oneself while the parent is taking care of all the matters related to an insurance policy. As at the end of 2017, such playroom corners were in 30% of PZU's outlets.





In order to meet the needs of the disabled clients, Bank Pekao provides access to its products and services through alternative access channels (websites adapted to the needs of the persons with impaired vision, hotline, ATMs/ deposit machines, outlets), and it also consistently removes the architectonic barriers in the bank outlets by adapting them to the needs of disabled people. In 2016, 69.5% of the bank's outlets were adapted to the needs of the disabled clients, while in 2017 that figure stood at 72.9%.

In 2017, Alior Bank changed its brand's claim to "Higher Culture. The Bank of Innovation." ("Wyższa kultura. Bank Nowości.") Thus, the bank sent a message that it intended to take the client relations to the whole new level. Referred to as the "Fifth Dimension of Relations", it is based on the devised Client Service Philosophy. The main values of this approach, which are displayed by the bank employees, include swiftness, simplicity, ethics and teamwork.

Every client is different and has specific needs depending on his/her age, experience and knowledge. Accordingly, the bank no longer uses the official Book of Standards. Instead of it, the Power Cards were implemented, which serve as employee's guidelines for client relations and they do not contain a strict scenario on how to proceed. The departure from rigid norms allows the employees to provide services to customers in a natural way, i.e. resulting from their internal convictions and experience, in other words, in a way in which the client service employee would like to be treated if he/she were in the client's place.

2.5 Counteracting crime

Insurance fraud is pathology whose costs are born by the insurance undertakings as well as their shareholders and the insureds themselves. According to the estimates of the Polish Insurance Association (PIU)<sup>1</sup> in 2016, the amount of fraud in Section I (life insurance) reached PLN 13.7 million. The share of insurance crime in total benefits paid out in Section I amounted to 0.075%. Due to specific nature of life insurance, especially the coexistence of protection products and savings products, fraudulent activities other than traditional extortion

<sup>1</sup> P. Majewski, "Data analysis concerning the crimes disclosed in 2016 in relation to the operations of insurance undertakings – members of the Polish Insurance Association", the Polish Insurance Association, Warsaw, 2017.

of benefits may cause even greater losses. These include, in particular, the following:

- appropriation of premiums,
- entering into an agreement for the purpose of extorting the benefit,
- entering into an agreement for the purpose of extorting the commission,
- crime involving documentation,
- other criminal activities (including, among others, money laundering).

The scale of fraud on the Polish insurance market in 2016 was estimated at PLN 19.0 million. During that time, the employees of insurance undertakings of Section II (property and casualty insurance) recorded 9,515 criminal acts for total amount of PLN 211.9 million. According to PIU's estimates, they accounted for 1.15% of the claims paid. Most frequently, extortions occurred in the following areas:

- motor TPL insurance (property insurance),
- motor TPL insurance (casualty insurance),
- and motor own damage (MOD) insurance.

Insurance crime outside of the claim payout area was estimated at PLN 17.9 million.

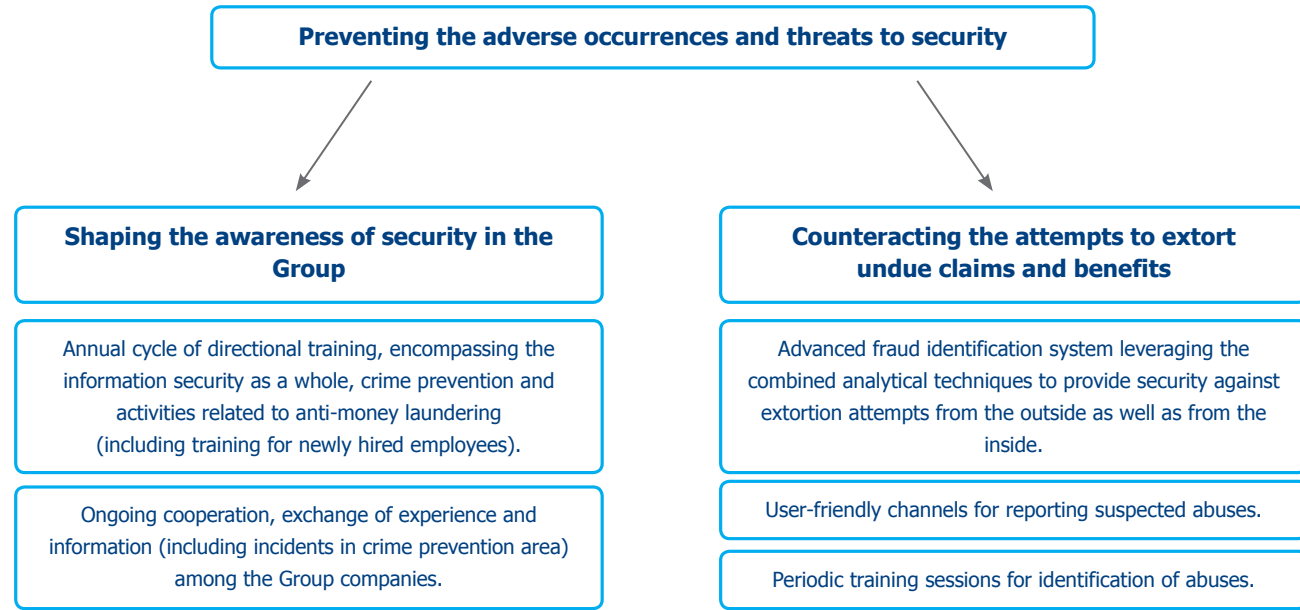
Standards concerning the activities associated with counteracting insurance crime are contemplated in several regulations and internal procedures. The document of key importance in PZU and PZU Życie is the Security policy. Some of the more detailed regulations and specific IT data analysis tools, which are described in the security policy, are confidential. If disclosed to the general public, they could increase the risk of criminal activities. The security policy is comprehensive and it covers a greater area than only insurance crime prevention. It regulates the following areas: information security, crime prevention, anti-money laundering (AML), physical security, operational continuity and IT security. The security policy defines the security principles, the employee rights and duties, as well as management activities.

**Preventing money laundering and financing of terrorism** - "Money laundering and terrorism financing are considered a real and material risk to our operations.

It is a global problem that has serious implications on the financial market. For this reason, our company takes any and all measures prescribed by law to prevent the occurrence of situations in which transactions involving PZU could be used as a tool for money laundering or financing of terrorism."

An important element of the PZU's security system includes shaping the awareness, including the awareness of the information protection obligation and crime prevention. Such an approach is the evidence for the organization's maturity as well as its compliance with an obligation to ensure the

security of its operations. PZU is placing a significant emphasis on increasing the employee awareness by seeking to mitigate the risk associated with the human factor. Therefore, the conducted activities are addressed at all the employees and are carried out on regular basis in order to solidify the provided contents.



As part of its crime prevention activities, Bank Pekao has implemented the Anti-Money Laundering and Terrorism Financing Prevention Policy. The document outlines the bank's tasks and procedures to ensure compliance with an obligation to prevent the exploitation of the bank's activities for purposes of committing the crime of money laundering or financing of terrorism, on the basis of domestic regulations and the regulations in effect in all the European Union (EU) member states. In addition, the policy introduces the Program for preventing money laundering and financing of terrorism. To supplement the foregoing activities, the bank also has in place the Financial Sanctions Policy which sets the standards of

proceeding with respect to clients, payments and transactions, in order to prevent the bank from taking the actions which are in contravention with the domestic and international financial sanctions, in particular sanctions imposed by the European Union, The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury and the United Nations (UN).

Other Pekao Group companies, which are conducting the operating activities (excluding Pekao Bank Hipoteczny and Pekao Investment Banking), have in place the crime-prevention policies and internal regulations that are adapted to the type of conducted activity.





Alior Bank has in place the Crime Prevention Policy which outlines the procedures for preventing the crimes from being committed to the detriment of the bank and its clients, and the unit responsible for that Policy is the Security Department. The provisions of the policy outline the basic principles for preventing the internal and external crime, crime detection, conducting explanatory proceedings, and carrying out prevention activities aiming at preventing such incidents from occurring in the future.


Other financial services companies also have in place the crime prevention policies. Money Makers TFI has implemented the anti-money laundering policy.

In order to promote online security, in 2017 Alior Bank assumed patronage over the Third European Cybersecurity Forum CYBERSEC. This is the conference which is dedicated to solutions supporting the conducting of effective and independent activities in the cyberspace. The bank's experts participated in the panel "Innovation & cybersecurity – potential of the CEE region" and in the debate "Blank cheque for cybersecurity in the financial sector?", and they presented model cybersecurity solutions in the banking sector. An




**Honesty is most important to us** - "To us, honesty means more than just acting in compliance with the law. We are not afraid to admit any mistakes we've made and draw conclusions from them. But we also don't hesitate to present our own opinions, we're capable of meeting the obligations we've undertaken and we don't waver when it comes to expressing appreciation or doubt."

PZU Group preventive activities



Road traffic safety



Cooperation with rescue organizations, professional and volunteer organizations alike



Support of local campaigns to enhance safety



Nationwide prevention campaigns

The PZU Group's management approach to social commitment was defined in the "Strategy for PZU's social commitment 2017-2020", published in 2016, whose implementation aimed at achieving business as well as social objectives.

The strategic pillars of PZU's social commitment were defined as: **safety** (including road safety, public safety, safety in local communities), **health**, **culture**, **expertise**.


important element of activities related to corporate social responsibility with regard to cybersecurity included also educational workshops for senior citizens.

2.6 Corporate Social Responsibility (CSR) [GRI 413-1]

One of the more important aspects of the PZU Group's operations in the corporate social responsibility area is the prevention area. The actions and activities undertaken contribute to reduction of the assumed risk.. Moreover, PZU is actively involved in the widely-understood sponsorship and charity activities (through the PZU Foundation).

**"New PZU" 2020 ambition**  
– financial commitment to social activity  
> at the level of over PLN 50 million annually

individualized depending on the nature of the market on which the given entity conducts its operations.



In 2017, the Pekao Group did not have a formalized approach to social commitment. Each of the Group companies carried out its own activities.

The Bank is implementing the policies for sponsorship and charitable activities in accordance with the internal regulation. The charitable activities are carried out by dr. Marian Kanton Bank Pekao Foundation. The Foundation's objectives stipulated in its articles of association include providing support in education and rearing of children and youth, scientific and research projects and educational projects of scientific institutions and schools, popularization of the knowledge of banking, helping the sick and disabled persons, popularization of physical education and sport, environmental protection, execution of projects and conducting the activities of charitable organizations, popularization of culture.

In addition to activities carried out through the Foundation, the bank collaborates directly with a few pro publico bono organizations. In 2017, one of the supported institutions was, among others, the Great Orchestra of Christmas Charity.

The Alior Bank Group does not have in place any formal policies related to the Group's impact on the society, however,

the Group's operations have been oriented on corporate social responsibility since the beginning of the Group's existence. The Group specializes in supporting the activities in the fine arts area. In the corporate social responsibility area, the bank is committed to supporting the initiatives that promote culture and counteract social exclusion, and it achieves such goals through facilitating access to cultural and sport activities.

- Safety on the road**
- Due to nature and structure of its business, the most important aspect is **safety on the road**. Activities in that area are carried out through:
- educating and training road users: conferences, equipment purchases, sharing experience and providing expert's support;
  - remedying the consequences of accidents (support for the injured persons, i.e. providing counseling to children injured in traffic accidents in cooperation with non-governmental organizations – the Teddy Bears Rescue Children's Lives (Misie Ratuja Dzieci) Association, the Suddenly Alone (Nagle Sami) Foundation, the Aid to Disabled Drivers (SPiNKa) Association);
  - social campaigns and prevention campaigns to enhance the level of road traffic safety: television programs regarding safety, nationwide projects promoting safe behavior on the road).

The aid programs in cooperation with non-governmental organizations:



Rusza nowa grupa wsparcia w Warszawie. Zapraszamy!  
Wszystkie osoby zainteresowane uczestnictwem w grupie wsparcia zapraszamy do kontaktu.



Rusza nowa grupa wsparcia w Warszawie.  
Spotkania będą się odbywać w co drugi wtorek miesiąca w godzinach 18.00-20.00 w siedzibie Fundacji. Zgłoszenia przyjmujemy na adres: info@naglesami.org.pl lub tel.: 502 511 138

The Teddy Bears Rescue Children's Lives Foundation. PZU funds the holidays with psychological counseling for children and their families if the victim is a minor child, the victim is an adult (who was injured or died) with a child, or the victim is another close family member of a minor child (e.g. sibling, grandparents). As part of psychological counseling, the child may participate in free-of-charge 12-day therapeutic and leisure holiday in the Teddy Bear the Rescuer Home. In 2017, PZU sent 219 people for rehabilitation holiday. .

Suddenly Alone Foundation. PZU is providing support to accident victims by offering psychological counseling to the persons who were injured in accidents and suffered damage to health and, as a result of this, experience adaptation difficulties, suffer from post traumatic stress disorder, acute shock or experience other emotional difficulties. It also offers psychological counseling to families whose relative died in an accident. It offers individual meetings with a psychologist, psychological consultations and support groups.





Among Suddenly Alone Foundation supported:

- **48** emergency dispatches;
- psychological counseling to more than **50** people;
- over **100** people in support groups in 6 Polish cities;
- almost **400** people by providing them with psychological counseling;
- **900** people through a hotline.

Activities related to corporate social responsibility are also carried out in foreign branches. **Lietuvos Draudimas**, which conducts its operations in Lithuania and Estonia, has implemented the charitable and sponsorship policy which reflects the Group’s objectives related to safety. For the 18th time in a row the company participated in the “Secure me” initiative. Jointly with all the Lithuania’s townships, it seeks to turn the drivers’ attention to the children’s safe road to school. The campaign is carried out annually in September because that month – despite decline of the number of traffic accidents by one-half during the last 10 years – continues to be the most hazardous month in the year. As part of this initiative, in September Lietuvos Draudimas provides insurance policy to every student free-of-charge for one month. At the same time, the participating townships are posting special yellow signs – the symbol of the initiative – on the most hazardous pedestrian crossings near the schools.

To turn the attention to the issue of children’s safety on the road, every year Lietuvos Draudimas is executing a new activity with a distinct innovative element. In 2017, a pioneering solution was implemented. Vilnius was the first European city to install the Talking Pedestrian Crossing. The pedestrians who are trying the cross the street on the red light are hearing the warning recorded by celebrities. Moreover, significantly greater attention was devoted to smaller towns which lack even the most basic safety infrastructure. The regional media campaign was carried out in more than 60 townships, and in 12 of them the events in schools were organized. As part of those activities, primary school students received more than 12 thousand safety vests.

Public safety

Activities related to enhancement of public safety are carried out through supporting the rescue services and collaboration with:

- Voluntary Mountain Rescue Service (GOPR),
- Voluntary Water Rescue Service (WOPR),
- Poland’s Special Divers Group (GSPRP),

- Voluntary Fire Service (OSP), State Fire Service (PSP) and Police.

PZU is committed to, among other things, purchasing state-of-the-art equipment for the aforementioned services. Those efforts are supported by national drives and prevention campaigns such as Safe Summer with PZU or Safe Winter with PZU. PZU’s extensive activity in that area results directly in risk reduction through increased effectiveness of rescue campaigns.

Training

Supporting the activities of the rescue services stipulated in their articles of association is only a small slice of PZU’s activities. Another important element includes organizing educational campaigns and training in cooperation with those services.

Many years of cooperation with the Voluntary Mountain Rescue Service (GOPR) translated itself into, among others, better identification of actual issues related to winter mountain hiking. A hiker can significantly increase his/her chances of survival if he/she follows the so-called avalanche ABC (avalanche transceiver, probe, avalanche shovel). However, in Poland, such devices are still not commonly used. To increase the hikers’ awareness and skills in using such equipment, PZU got involved in **avalanche training** organized by the Polish Freeskiing Association and TOPR. The training provides knowledge on how to plan the mountain hiking trips, how to avoid the avalanche hazard and how to behave after the avalanche. The training participants take part in mock rescue operations with use of transceivers where some of them act as rescuers and some as victims, and later they change. They also learn how to find a person caught in avalanche and how to administer first aid in to avalanche victims. In addition, in cooperation with the Tatra Mountains National Park (TPN), the **PZU Avalanche Training Center** was established in Kalatówki, which serves as the training center for hikers.

The hikers who prefer summer mountain hiking trips may take part in the **PZU Mountain Academy**. The idea behind the project is to promote safety in the mountains, and the project’s objective is to organize practical workshops with mountain rescue experts, including TOPR rescuers, instructors from the Polish High Mountain Climbing Association (Polski Związek Alpinizmu, PZA) and hiking guides from the Polish Association of High Mountain Climbing Guides (Polskie Stowarzyszenie Przewodników Wysokogórskich). The Academy is open to everyone who is interested in summertime activities in the mountains such as hiking or climbing.

The identification of the issues of the mountain hiking and climbing environment contributed to establishment of a new insurance product named **Safe Return (Bezpieczny Powrót)** which was created in cooperation with the Polish High Mountain Climbing Association (PZA). This niche product has become an alternative to the only insurance program which has been so far offered to mountain hikers and climbers, i.e. the program offered to the members of Alpenverein. PZU has been effectively acquiring the Alpenverein clients through promoting an offer not only on the largest market but also the niche markets such as insurance for high mountain climbers, sport climbers or ski mountaineers.

PZU jointly with the State Fire Service is carrying out an educational project entitled **Safe Home** which is aimed at children and youth. The purpose of the project is to educate on safe behavior in case of occurrence of fire. The training program consist of the theoretical part and the practical part. As part of theoretical part, information is provided on the causes of fire and how one should behave in the event of occurrence of fire. Next, the students may experience the simulation of fire in safe conditions. After entering the specially adapted room and experiencing the simulation of fire, the training participants may practically use the previously acquired theoretical knowledge, e.g. use the phone to call for professional help, used a fire extinguisher or safely evacuate.

**AAS Balta** is carrying out the project entitled “Play safely” whose purpose is to provide education on how to safely spend the leisure time at the waterfront. As part of the project, information posters with safety instructions were placed in public swimming facilities. The project was carried out in cooperation with local administration. The Company is also participating in the Latvian State Police’s campaign entitled “Superheroes don’t get lost” whose purpose is to promote safety among children.

Another dimension of activities related to promotion of safety include local activities. On one hand, these include the activities that focus on building the relationships as part of civic society through involving local residents and entrepreneurs in the following activities aiming at improving safety in the region:

- providing financial support to enhance the level of safety in work establishments;
- education about occupational safety and health, first aid and preventing other threats;
- activities aiming at increasing the anti-theft safety as well as fire safety.

Such activities also include social campaigns for children and youth which are aimed at providing education on safety on the road, and they are conducted on the local level with participation of local cultural institutions as well as educational and cultural establishments.

Promoting health



Another area of social involvement is **Health**. PZU’s objective in that area includes promoting an active and healthy lifestyle. The most recognizable element of the activities in that

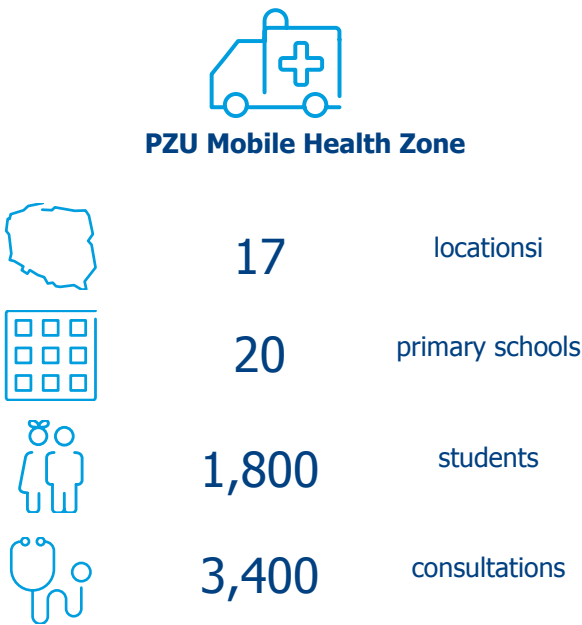
area includes supporting mass running events, including, among others, PZU Warsaw Marathon, PZU Warsaw Half-Marathon, PZU Cracovia Marathon, PZU Cracovia Half-Marathon. It also includes care for life and health of the Polish people, i.e. supporting the pro-health organizations (aid to hospitals and healthcare facilities, hospices, foundations and other entities that help save life and health).

In 2017, **PZU Zdrowie** undertook several activities inside and outside of the PZU Group, which **promoted pro-health habits**. It was present, among others, during the Second Health Challenges Congress (March 2017), in the Health Zone at PZU Tower (March 2017), during the Sixth Forum of Oncology Patients which was held under the claim “Challenges of Oncology”, during the Sixth HR Listed Companies Congress organized by the Polish Association of Listed Companies, where PZU Zdrowie showed how healthcare reinforces the employer’s image on the labor market. PZU Mobile Health Zone also visited more than ten primary schools – pupils were able to benefit from free preventive examinations, including consultation with physiotherapist, ophthalmologist and dietician.



In 2017 actions were initiated to bring about permanent changes of attitudes and behaviours, a perfect example of which is the "Share the kilometre" action. Anyone who chooses to run in the special sports zone not only spends his or her time in an active and healthy way but also helps those in the care of various non-governmental organizations to which funds are transferred: PLN 10 for 1 kilometre run.

As part of the PZU Mobile Health Zone, children from the regions on Pomerania affected by the August storms benefited from free preventive examinations. Specially imported truck from Czech, which turned into a medical clinic on wheels, within a month visited 17 locations in Pomerania. In the PZU Mobile Health Zone, students of primary schools could use free consultations: dietetics, ophthalmologist, specialist in the field of physiotherapy.



After the tests, the doctors passed on to the parents or guardians information on the health of children in the form of a specially prepared health book, which the child took it home. This information was an indication for parents how they can take care of their child's health.

Actions to support health promotion are also carried out by TUW PZUW. Last year these included the support for the program (under the patronage of the Ministry of Health) aimed at improvement of health care quality and reduction of the medical risk for hospitalized patients (training on interpersonal communication (medical personnel -patient), adverse health events, nosocomial infections and correct keeping of hospital documentation). The company also helped to buy an ultrasound scanner for the Delivery Room at the University Health Centre for Women and Infants in Warsaw, as part of the prevention project "Improvement of childbirth security".

Also the companies in Ukraine were engaged in the promotion of healthy lifestyle. Our activities included the organization of the international football championship for young people with disabilities SENI CUP, semi-marathon Run Ukraine in Kiev, Freedom Run in Kharkov, Marathon to celebrate the Day of the City of Krematorsk.

Bank Pekao is a long-standing partner to the biggest men's tennis tournament in Poland – Pekao Szczecin Open. The cooperation included the continuation of the training „Road too Pekao Szczecin Open”, which promotes sport among children and their parents. Additionally, the program discovers new tennis talents who in the future may become winners of the Szczecin challenger.

**Culture**

The PZU Group is also intensely active in the area of culture, conducting activities oriented at the protection of national heritage and modern patriotism. Above all, that means the patronage over the most eminent institutions of culture in Poland. This also means involvement in nationwide actions linked to the promotion of national art and culture. Another dimension of the activity concerns the support for modern patriotism and building of national identity. In practice this means inter alia the facilitating of access to the national cultural resources, a good example of which is the readiness to support financially the purchase of works of arts that

were once lost from Polish collections. This means also the involvement in the work of expert and opinion-making communities. In its support for culture, through the activities conducted by **PZU Litwa Życie**, the Group promotes Polish culture in Lithuania through its cooperation with the Embassy of the Republic of Poland in Vilnius. The Company also participated in the organization of the conference „Lithuania and Poland: what we still do not know?”. The conference was a discussion forum for distinguished Lithuanian and Polish business people about opportunities for cooperation.

In 2017 **PZU Ukraina** and **PZU Ukraina Życie** were involved in approx. 20 projects of social impact, incl. ones related to the patronage of culture (Etno Rock Festival Kozak Fest 2017 in Żółte Wody, ART-Jazz Festival in the town of Równe, Polish Film Festival "At the High Castle" in Lviv).

Bank Pekao has for years supported cultural initiatives at two levels: nationwide – where it sponsors strategic events with major impact on Polish culture, and local - where it supports initiatives dedicated to local communities.

In 2017 the bank supported inter alia: Bank Pekao Project Room at the Modern Art Centre, Ujazdowski Castle in Warsaw, Film and Art Festival Dwa Brzegi (Two Shores), Gdańsk Shakespearean Festival, Łódź Balet Meetings, Teatr Polski in Wrocław, Polish Composers Festival in Bielsko-Biała, Jan Kochanowski Theatre in Opole, Teatr Wielki in Poznań, Winobraniowe Spotkania Teatralne (Vine Harvesting Theatrical Meetings) in Zielona Góra, Theatrical Meetings in Gorzów and Philharmonic Hall in Lublin.

In 2017 the Alior Bank Group supported a series of cultural and sports events. A few selected initiatives of their number are presented below:

- as part of cooperation with the Polish Football Association, as the official sponsor, Alior Bank supports the Polish National Football Team. Many tickets were given to people who have limited access to direct participation in football matches and for whom financial issues constitute a major barrier to this access. The cooperation with the Polish Football Association also resulted in handing over of a range of football gadgets which constitute the bank's contribution to charitable actions;
- nationwide patronage of the 13th Cavalcade of Magi – the bank financed inter alia the printing of song books and

elements of outdoor identification given away for free throughout the country;

- Alior Bank's patronage of the 3rd edition of the "Capital of the Polish Language" Festival in Szczeczeszyn. The event popularizing Polish classical and contemporary literature as an important element of social and national identity became one of the major literary festivals in Poland.

2.7 Knowledge sharing

The ambition of the PZU Group as Poland's largest financial institution is to participate actively in social and economic life through **sharing its expertise** during a variety of events, conferences and symposia relevant to the industry. Also, broadly understood activity for the development of business, science and new technologies and engagement in the financial education of children and youth.

In 2017, **TUW PZUW** provided the subject-matter patronage of the project "Medical Simulation Centre", thanks to which it was possible to develop and implement a system of training for medical personnel with the use of childbirth simulators in order to reduce the number of childbirth complications and improve the health of pregnant women and infants.

Activity in this area was visible both in Poland (representatives of **PZU Zdrowie** repeatedly appeared as experts in the media, where they talked about challenges in health care) and abroad.

In 2017, **AAS BALTA** continued its long-standing grant program for the students of the School of Business and Financial Risk Management, supporting the education of future employees of the financial services sector. AAS BALTA regularly cooperates with educational institutions, familiarizing students with the rudiments of the insurance sector activity.

The Pekao Group is a responsible participant of the capital market, and it willingly provides financial and substantive support during business and economy-themed initiatives organized in Poland.

In 2017, Bank Pekao was present inter alia at the European Financial Forum in Sopot, Economic Forum in Krynica, Congress of Banking and Corporate Finance in Warsaw, and


the European Congress of Small and Medium-Sized Enterprises in Katowice.

It is also worth noting the Bank’s involvement in local initiatives, especially in the Rzeszowskie and Lubelskie voivodeships, where the bank was a partner to three gala events summing up contests in which the best business people were received awards: Business Forum and Gala of the Lubelin Business Club, Subcarpathian Economic Award, Fair Play Enterprise.

The Pekao Brokerage House - Centralny Dom Maklerski Pekao (CDM Pekao) – focuses its activity on disseminating knowledge about the capital market. In 2017, together with the WSE it organized the ABC of Investing conference. This is an initiative addressed to future and existing investors on the stock exchange as well as all those interested in the specific characteristics of financial instruments and rules of investing in shares and bonds quoted on the stock exchange. Additionally, as part of educational activities, CDM Pekao organized a cycle of online training sessions (webinars) about the capital market for its clients.

The Alior Bank Group extends its patronage over numerous events which support the development of Polish entrepreneurship and innovation by educating on broadly understood economics. In 2017, Bank Alior was a partner of the 27th Economic Forum held in Krynica-Zdrój. This is an annual international meeting of representatives of economic and political circles in Central and Eastern Europe, organized by the Eastern Studies Institute Foundation. The bank presented its expertise in the area of products and services for the segment of small and medium-sized enterprises.

Moreover, under one of the employee volunteering actions, Alior Bank participated in the program conducted by Mastercard – “Girls4Tech” – promoting education in science and technology. The bank employees conducted educational workshops in Warsaw concerning payment technologies. Approximately 120 girls from Tomaszów Lubelski participated in the workshops.

 **[GRI G4-FS16]** In the area of financial education a very active entity is TFI PZU, which participates inter alia in the following initiatives:

- Promotion of saving linked to Employee Pension Plans  
Employees of TFI PZU systematically have meetings with

representatives of big companies as well as small and medium-sized enterprises. During the meetings they provide general information about the pension system, in particular its 3rd pillar and the solutions available in the market for additional pension saving (IKE, IKZE, PPE, PPO, etc.) as well as rules of joining them. They present accessibly the benefits of having each of those solutions and they promote general knowledge about systematic and long-term saving.

- Cooperation with universities  
TFI PZU signed letters of intent with the Cracow University of Economics and Wrocław University of Economics on establishing a special faculty of economic studies concerned with the capital market. Graduates of those studies will be able to use the prestigious title of investment advisor. Until now gaining this title has been possible upon completion of a special, paid course and passing with a positive result a 3-level examination. Moreover, selected students will be able to gain professional practice as interns at TFI PZU.

2.8 Employee volunteering


The PZU Group Employee Volunteering Program has been in place since 2012. The current Strategy contains goals and directions of activity, including the definition of nationwide volunteering programs conducted by the PZU Foundations. It is important for the PZU Group for this activity to develop at regional and local levels. That is why the Employee Volunteering Coordinator cooperates with the Regional Volunteering Leaders and Local Volunteering Coordinators. Employee Volunteering fits into hitherto activities of the PZU Foundation and creates a new quality through innovative programs of major social and image impact. In 2017, there was an increasing number of family volunteering initiatives, involving people related to PZU and PZU Życie along with their families.

LINK4 encourages employees to be active in this area on the occasion of other events organized by the company. The company pursues a flexible policy of paid days off which can be spent on community activities. Employees are motivated to engage in community activities by providing services who use their professional skills and expertise for the benefit of the communities in which they function. LINK4 engages in selected money collection initiatives organized by employees,

especially when they are linked to one of the priority volunteering areas.

However, volunteering is not limited only to the companies in Poland. Also employees of AAS BALTA willingly act as volunteers. On average, approximately 10% employees are engaged in pro-social activities, with approximately 700 hours dedicated to such work. The Company has implemented a program under which the employees are invited to help one of the non-governmental organizations in Latvia.

Also employees from Lithuania work for the benefit of local communities. The employees of Lietuvos Draudimas organize money collections for children from worse off families, people living on their own or for animals.

 Bank Pekao embraced the employee volunteering as an element of building the company’s organizational culture in 2017 and the first volunteering action was held in December.

The employees of the Alior Bank Group also act as volunteers and the companies are willing to help in the organization of volunteering actions. The underlying principle of employee volunteering is to help people in need – mainly that involves organizing collections of objects for people threatened with social exclusions and in need.



3 Employee issues [GRI 103-1] [GRI 103-2] [GRI 103-3] [GRI 102-8]

3.1 Human Capital Management

The foundations underlying employee issues in the PZU Group are the PZU Good Practices which define:

- common values and ethics management rules;
- work conditions (incl. remuneration policy, benefits other than salaries);



The attainment of such ambitious goals is to be support by:

- enabling development within the largest financial institution in Poland and Central and Eastern Europe;
- building a new quality of corporate culture by promoting entrepreneurship, innovation and team work;
- improving the response time to a reported intention of leaving the company;
- developing a set of actions aimed to retain key employees.

The PZU Group aims to create increasingly attractive jobs that offer friendly work environment and development opportunities. It also ensures the respect for work and life balance, which is reflected in the engagement and efficiency of the employees.

- competence development;
- occupational health and safety.

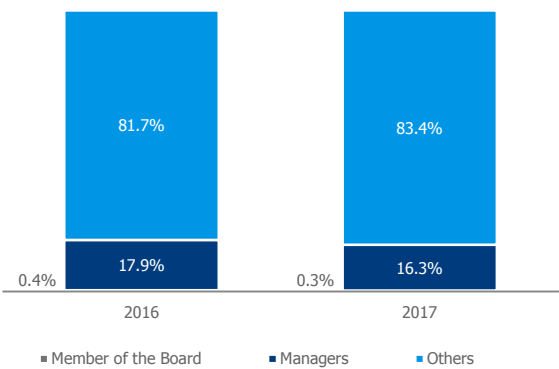
The ambition of the PZU Group is to be a first choice employer in the financial industry and have the best and most dedicated personnel in the market as well as a high retention level of the greatest talents in the organization.

**"New PZU" 2020 Ambitions**

- *employee engagement rate* > 55
- *percentage of women in managerial positions* > min. 50
- *position of the best employer* > TOP5
- *number of applications for 1 job opening in the internship program* > 100 applications
- *employment efficiency on completion of the internship program* > 66%

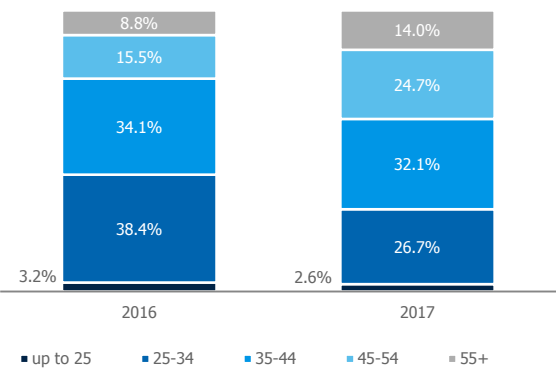
[GRI 103-2] In view of the scale of employment, the solutions adopted in PZU and PZU Życie (most procedures in both companies are the same) are of key importance for the PZU Group. What is more, they determine the approach and internal regulations applied or intended to apply in other companies within the group.

Number of employees by function (%)



The management philosophy focused on the most valuable employees guides the activities of the PZU Group still before the recruitment process, i.e. activities at universities in Poland, Lithuania and Latvia. The participation in various types of academic community events, organization of contests as well as internships allow the group on the one hand to get to know the best students and, on the other, persuade them that work at one of the largest financial firms in Central Europe is a great opportunity for them.

Number of employees by age (%)



of the given employee and the given organizational unit in conjunction with the overall results of the company.

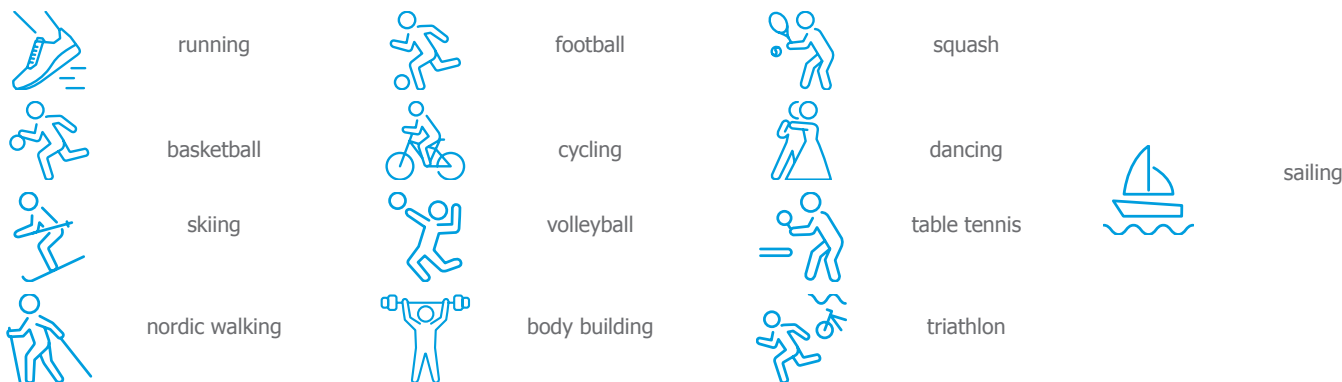
[GRI 401-2] An additional form of remuneration for employees are benefits:

- Employee Pension Plan;
- medical care;
- medicine insurance;
- company's social benefits fund cafeteria (the amount of benefits depends on income per family member);
- investment loan for employees;
- discount on products offered by the PZU Group;
- special offer of products of Bank Pekao;
- relocation benefit in the event of changing the place of work within the PZU Group on the employer's initiative;
- managerial packet for Senior Managers;
- support of non-professional activities, incl. possibility to practise sport in specialist section so of the PZU Sport Team, possibility to use employee gym in Warsaw and Szczecin, employee volunteering.

3.2 Work conditions

In accordance with the adopted management approach, persons employed in PZU and PZU Życie may expect attractive employment conditions, in terms of both salaries remuneration (base remuneration, variable remuneration) and benefits. Employee's base remuneration depends on the valuation of a given job<sup>1</sup>. Variable remuneration depends on the job group, business specifics, as well as assessment of the performance

<sup>1</sup> In accordance with the KF Hay Group methodology.





**PLN** Companies of the Pekao Group have remuneration policies aligned with the size and specific characteristics of their operations.

- Remuneration policy of Bank Pekao:
- defines remuneration pillars, management of the structure and of corporate and organizational processes;
  - confirms the compliance of the adopted remuneration systems with the generally applicable legal regulations;
  - specifies the rules of monitoring market practices and approach to remuneration systems ensuring sustainable functioning of the bank.

**[GRI 401-2]** The remuneration system includes offering benefits other than salaries to the employees of companies from the Pekao Group, i.e.:

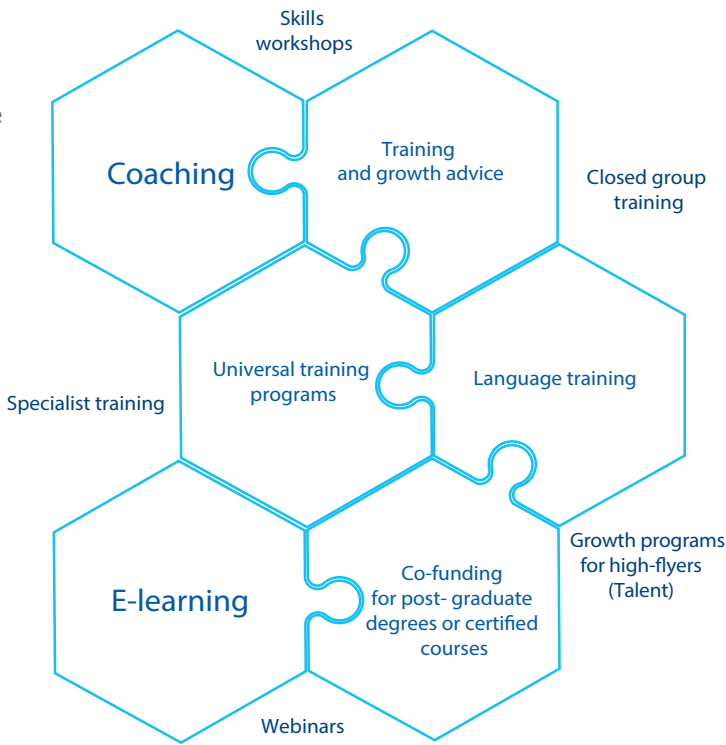
- medical care;
- sports cards;
- group insurance;
- Employee Pension Plan (for employees of Pekao TFI);
- special offer of products of Bank Pekao;

- discount on products offered by the PZU Group.
- Each company in the Alior Bank Group has a remuneration policy in place. **[GRI 401-2]** Additionally, employees of individual companies may expect a series of non-salary benefits whose scope differs depending on the company size. They include:
- discounts on products offered by the bank;
  - medical care;
  - sports cards;
  - group insurance;
  - co-funding of sports and culture from the company's social benefits fund;
  - support for sports activities – 10 sports sections of Alior Bank.

3.3 Employee development **[GRI 404-2]**

**We are responsible** - "We make every effort to manage our employees' knowledge in an attentive and responsible manner. Thanks to our perfect familiarity with the company's legal and business structure, we are able to operate efficiently."

Development of the offer of development activities for employees is preceded with an analysis of training needs in individual business divisions of the organization. The focus is made in particular on the development of specialist knowledge (training necessary to perform daily tasks and achieve business goals). A lot of importance is also attached to the development of interpersonal and managerial competencies – necessary for effective cooperation with teams. Bearing in mind various needs, the employees are offered a broad range of development tools:



2016 saw a completion (in PZU and PZU Życie) of a series of centrally conducted comprehensive development programs oriented at developing leadership and managerial skills. In response to the expectations of the organization, in 2017 the focus was made above all on increasing specialist knowledge in individual business areas.

**Our knowledge and ideas** - "We protect all our resources, including information which constitutes our company's intellectual property. Databases, registers and archives are managed in accordance with the law and internal regulations adopted by PZU."

Intellectual property has a unique value to our company.

It is something that distinguishes us in the market, makes our product offer stand out and guarantees PZU's market success."

The central development program conducted in the second half of 2017 and comprising almost 1,500 employees throughout Poland was PLUS. It is a program to develop business skills – Professionalism People Skills. The employees whose managers identified competence gaps during the periodic performance assessment. A new approach to the program was adopted in 2017 – the employees were offered 10 training topics, of which 9 were in-company training courses based on bespoke training contents.

We put into practice the idea of co-responsibility for professional development (according to the 70–20–10 rule, which assumes that 70% of competence development occurs as a result of gaining experience at work, 20% - in knowledge exchange, and 10% in formal training courses) and offered the employees a "Development Zone" – intranet guide to all development tools available in the organization and activities proposed for self-improvement. In view of the observed market trends, PZU enhances the area of e-learning tools and webinars by promoting the use of the Webex platform in the organization and increasing the catalogue of e-learning courses.



**PLN** Companies in the Pekao Group provide self-improvement opportunities and access to various forms of training for their employees. Educational programs in the bank comprise: classroom training, training at work, e-learning training, coaching, as well as a system of Virtual Classrooms, which makes it possible to convey knowledge at a distance in the form of webinars. Additionally, in 2017 the bank launches a system of training for the employees by the employees that allows the dissemination of specialist knowledge.

At the end of 2017 companies from the Pekao Group (excluding Pekao TFI, Pekao Financial Services and Pekao Investment Banking) conducted talent management programs. One of the programs, conducted in the Group - Talent Management Review - program for development and

assessment of employees with managerial potential is a three-year Managerial Competences Development Path. The Path set certain general rules within which each Talent individually selected development and training actions relevant at a given stage of development. Each participant – Talent every year went through the stages of: denomination, self-assessment, assessment by the manager and feedback.

Alior Bank makes available to its employees a wide choice of training programs conducted by both in-house and external trainers. The offer comprises training on products, sales and service quality, interpersonal and managerial skills.

Development paths in the sales network offer training the completion of which is among the preconditions for promotion.

Additionally, the Share Your Knowledge project came into being as part of the knowledge sharing culture. The initiative brought together all employees willing to conduct specialist training courses and workshops within the organization. Each employee who joins the program gets supports from the Training Team in the form of dedicated workshops to develop presentation and training skills.

3.4 OHS



Safe working environment - "We remain in compliance with the applicable laws and regulations concerning the environment, health and safety in all locations in which we conduct our operations.

We provide appropriate and safe working conditions to our employees, collaborators, subcontractors and suppliers. "

The financial services sector is characterized by low risk in the area of occupational health and safety. That results from the specific nature of office work, which involves few hazards. Apart from the usually light accidents (tripping over, slipping, etc.) which can occur in the office, road accidents related to the use of company cars are also recorded. In formal terms the management of occupational health and safety is regulated in a series of internal documents. PZU and PZU Życie, like other companies from the Group, comply with legal obligations related to occupational health and safety (e.g. assessment of occupational hazards in specific jobs, analysis of accidents, training for employees, etc.).

In spite of the low level of occupational health and safety risks in insurance services sector, the approach to managing occupational health and safety issues decidedly distinguishes PZU and PZU Życie against the background of average enterprises in the country. Thanks to the knowledge and skills of the OHS Team employees, the team nowadays does more than just be a support function for the core processes in the enterprise. The team to a large extent consists of rescuers and its ambition is to disseminate knowledge related to pre-

medical first aid. All employees interested in improving their knowledge in this regard participate in the training courses conducted by the OHS Team.

Thanks to their workshop form, the courses are very popular with employees (157 training courses were conducted for employees of the PZU Group in 2016-2017). An informal group also gathered, consisting of persons who had communicated the need for regular training at a mode advanced level. This is how the AED Project came into being. Its major goal was to establish quick response groups consisting of AED rescuers.

Additionally, internal "emergency lines" were put in place to allow the employees to find efficiently a person trained on providing first aid. The presence of employees-rescuers proved on a few occasions the advisability of this solution. The Group, already more than 50-strong, undergoes cyclical first aid training and workshops to improve their skills as well as the ability to work and coordinate activities. The OHS Team in the PZU Group received a letter of congratulations on this project from the Ministry of Labour and Social Policy in 2014 and 2015.

Conducts regular inspections of the buildings where our employees work to ensure that working conditions meet OHS standards.

Conducts OHS and first aid training for employees to raise awareness and feel safer.



Advise on changes in the layout of office facilities to make them comfortable and safe.

Supports employees with reimbursement for the purchase of glasses, claiming accident-related compensation.

[GRI 413-1] Besides the in-company courses, the employees of the OHS Team in PZU willingly join in the promotion of first aid outside the company. Such actions typically take place at schools, kindergartens or are conducted for social organizations. In 2016-2017 alone, over 11,000 people outside the PZU Group during cyclical actions. This is another example of the involvement of a company team in prevention activities for general security.

The OHS Team conducted also in-house actions such as: "Your security is in your hands", "Do not push too hard... Start exercising". The first concerned security of pregnant women in office work. The second action encouraged people to practise sport and be physically active to get fitter and feel better. An additional action which was not directly linked to the workplace was the in-company action concerning safety of children at home addressed to parents. Importantly, the above experience can be successfully used by persons responsible for nationwide social campaigns, which will contribute to greater effectiveness of such campaigns and to more efficient use of the expenses on the campaigns from the prevention funds.



Occupational Health and Safety Commission functions in Bank Pekao in order to improve the actions related to occupational health and safety. The responsibilities of the OHS

Commission:

- review work conditions;
- make periodical assessments of the condition of occupational health and safety;
- issue opinions on the measures taken by the employer to prevent accidents at work and occupational diseases;

- formulate recommendations concerning improvement of work conditions and cooperate with the employer in fulfilling the employer's obligations related to occupational health and safety.

In the other companies from the Pekao Group the responsibility for occupational health and safety rests with units /offices established for that purpose, operating in accordance with the relevant internal regulations in line with the type of conducted activity.



In branches (medical centres) of PZU Zdrowie and in the companies directly and indirectly controlled by PZU Zdrowie the vast majority of OHS regulations are of local nature related to the specific characteristics of their activity and of the market in which they function (e.g. expectations of the local branch of the National Health Fund).




In the area of investments (PTE PZU and TFI PZU) internal regulations concerning employee issues correspond to the regulations valid in PZU and PZU Życie, save for the differences resulting from the specific characteristics of company activity.



### 3.5 Restructuring

PZU and PZU Życie keep changing seeking more effective development paths, including by optimization and automation of many processes and by investing in new, innovative solutions. All that affects changes in employment, shaping both its level and structure in many areas of activity. On 22 March 2017 a memorandum of understanding was concluded with trade unions concerning the scope and rules of employment restructuring in all functional area. The plan assumed that in total in PZU and PZU Życie no more than 956 people would be affected by employment contract termination.

For all employees leaving the company due to restructuring special severance packets have been prepared, going much beyond the standards envisaged in the labour law and found in the market. An outplacement program was also launched. There was also a number of initiatives to limit the cases of employment termination – e.g. elimination of many vacancies, priority in participation in internal recruitment for candidates in the areas affected by reductions – and the initiatives proved extremely effective. Finally, the number of employees who received termination notices under the restructuring or termination memoranda of understanding (without a prior proposal of new conditions) decreased as much as by 40% (570 people).

 In 2017 Alior Bank was engaged in optimizing its organizational structure and rightsizing its headcount in its various business areas. The implementation of a new organizational structure is part of the effort to tap into the potential inherent in the merged BPH bank to attain the intended synergy effects and create a long-lasting foundation to build its long-term competitive advantage. On 25 November 2016 the Management Board of Alior Bank commenced the procedure of notifying the intercompany trade union organizations operating in the bank of beginning work on a memorandum of understanding on group layoffs. The intended restructuring measures were supposed to last until the end of 2017 and affect no more than 2,600 employees. The culmination of these talks took the form of the memorandum signed on 15 December 2016 with all the trade union organizations operating in the bank on defining the rules of conduct in matters pertaining to employees in connection with the group layoff process. Ultimately, at the end of 2017, Alior Bank's

headcount was 8,110 FTEs, which in comparison with the end of 2016 signifies a reduction of 2,135 FTEs.

## 4 Environmental issues [GRI 103-1] [GRI 103-2] [GRI 103-3]



**Safe working environment** - "We remain in compliance with the applicable laws and regulations concerning the environment, health and safety in all locations in which we conduct our operations."

Based on the adopted good practices, the PZU Group defined an approach to environmental management taking into account:

- sustainable development principle;
- implementation of pro-environmental practices;
- mitigation of negative impact on the environment;
- environmental aspects constituting an integral part of the Group's strategy;
- partnerships within the group in joint projects for the protection of the environment.

**"New PZU" 2020 Ambition**  
– implementation of the "Green PZU" standard by 2020 complete implementation

Environmental aspects in the PZU Group are managed from the perspective of the scale of occurrence of environmental risk in a given company in the Group and the potential impact on the environment. On this basis major areas of direct and indirect impact were identified.

### 4.1 Direct impact

Direct impact which can be effectively managed by the PZU Group companies is in the area of real estate administration and management. Direct impact on the environment is above all related to the maintenance of facilities and employment of personnel. It concerns consumption of electrical and heat energy, water consumption, generation of waste, etc. It is also the requirement for paper and other office supplies, as well as fuel consumption by the car fleet.

**[GRI 306-2]** Operations are related to the generation of waste, a large part of which can be recycled (paper and other recyclable materials), sewage, and dangerous waste in small quantities (toners, used up fluorescent lamps) managed in

compliance with legal regulations. Thermomodernization works are conducted in individual buildings (incl. renovations of central heating installations, façade heating, window replacement) and heater thermoregulators are replaced. For a few years there has been a selective collection of waste in branch buildings and buildings occupied by the PZU Group Headquarters.

In 2017, actions continued to optimize processes in order to reduce the generation of documents and their archiving. That included the reduction of the total number of printers in individual offices to be superseded with multifunction network devices and the reduction of paper documents in favour of documentation kept in electronic systems.

An important aspect of direct impact is also fleet management. A policy in this regard defines the aspects of key importance for the cycle of depreciation and purchase of new cars. In accordance with the adopted assumptions, old cars are replaced with cars with lower capacity and low fuel consumption. Additionally alternative solutions for fleet modernization are analyzed, e.g. purchase of hybrid propulsion cards.

Awareness of the direct impact on the environment is also visible in the approach adopted by subsidiaries. They are focused on activities that generate environmental savings by reducing their demand for utilities (e.g. electricity and water), optimizing the consumption of paper and reducing the volume of business travel. Two foreign companies, **Lietuvos Draudimas** and **AAS BALTA**, have formalized environmental policies in place.

Moreover, a portion of **Lietuvos Draudimas'** energy consumption comes in the form of green energy generated from renewable sources. In PZU Lithuania Life, centralized printing devices were deployed in 2017. This solution has both

brought savings in electricity consumption and enabled the company to reduce the number of unnecessary printouts.



Of key importance from the managerial viewpoint at PZU Zdrowie in the environmental dimension are the following elements:

- waste management, in particular pertaining to hazardous medical waste, in accordance with the applicable legal requirements,
- application, in medical procedures, of only those supplies that have been admitted to marketing and have been certified,
- strict compliance with the rules of safe sterilization, washing and disinfection,
- stringent approach to the rules of patient and personnel safety in radiological medicine (compliance with the requirements of atomic law),
- environmentally safe withdrawal from use of drugs past their expiry date and storage of vaccines,
- deployment of modern technologies and environmentally friendly solutions in medical services (including online consultations, electronic medical documentation, teleradiology),
- replacing paper printouts with documents existing in electronic form (where possible).

These issues are governed not only by the applicable provisions of law but also by the pertinent internal procedures and instructions.



The direct impact exerted by **TFI PZU** and **PTE PZU** on the natural environment is minor and may be considered immaterial. Their office-based activities are carried out in facilities

owned by the PZU Group and managed by other companies that endeavor to optimize the consumption of energy and utilities in the buildings under their management. For this reason, neither TFI PZU nor PTE PZU have any formal environmental policies in place.



By virtue of the character of their business, the banking sector companies exert no direct significant adverse impact on the natural environment. At the end of 2017,

the PZU Group's banking sector companies had no formal environmental protection policies in place. However, despite

the absence of such formal regulations, these companies strive to reduce their impact on nature to a minimum.

In Bank Pekao, the issue of environmental protection is taken into account in several sets of internal regulations. Through them, the bank attempts to minimize its environmental impact by installing environmentally friendly technological solutions in its own facilities, by renewing its vehicle fleet with low-emission cars and by monitoring its use of raw materials and consumables.

Moreover, for a number of years the bank has been consistently involved in efforts aimed at protecting the Polish bison – a unique and exceptional species threatened with extinction. Within the framework of these activities, in 2017 the bank continued its cooperation with six leading institutions engaged in conservation endeavors intended to save this largest European mammal. The aid provided by the bank is apportioned to the diversification and development of the bison population, maintenance of the Bison Breeding Center of the Białowieża National Park, care for the herds and co-funding of scientific and educational projects.



Thanks to the application of innovative solutions, members of the Alior Bank Group are able to take effective steps aimed at reducing the volume of printed documentation. Moreover, the practice of waste segregation is in place in the bank's headquarters in Warsaw, Kraków and Gdańsk. The company also intends to modernize, in the near future, its electrical installation and replace its lighting system with much more energy-efficient LED-based solutions.





4.2 Indirect impact

Indirect impact is associated with possible consequences of the PZU Group’s decisions on client behaviors and the bearing they may have on the natural environment. This applies to both insurance services and banking and investment activity.

**[GRI 203-1]** In respect of large clients, such as industrial plants, engineering underwriting is performed to enable the insurer to calculate the premiums. A detailed outcome of the underwriting exercise along with full risk assessment and scenarios are presented to the client. The underwriting covers business risks, which are often combined with environmental risks and occupational safety and health risks in the client’s enterprise. For this reason, the actions taken by the client to eliminate or reduce certain elements of its risks, even if induced solely by an attempt to suppress insurance costs, contribute to diminishing the risks to the environment or humans arising from the client’s business operations. Moreover, the use of PZU’s preventive funds in the enterprise may translate into a permanent curtailment of its risks.

A good example of a product offered by PZU in the environmental area is general third party liability insurance the structure of which enables the insured to apply the insurance cover also to **losses arising in connection with the release of hazardous substances into the air, water or soil** and the costs associated with the removal, treatment and disposal of such pollutants (TPL arising in connection with the release of hazardous substances into the air, water or soil).

Another example of a product which indirectly influences the actual behaviors of commercial undertakings served by PZU is the **environmental guarantee** the structure of which is similar to that of the financial guarantee. What it does is it requires PZU to pay a certain amount of money if the company to which the guarantee has been granted fails to remove adverse environmental consequences of its business operations or, despite having been delivered a demand for payment, fails to pay all or part of the costs of repair of the damage to the environment within the specified period. From the client’s perspective, this product provides security cover against claims arising from adverse consequences to the environment, as governed by the Environmental Protection Law, among other statutes. The beneficiary of this guarantee is the environmental protection authority issuing the relevant administrative instrument permitting the use of natural

resources, for instance the marshal, provincial governor (voivod) or county governor (starost).

Included among the products offered by **TUW PZUW** is **third party liability insurance against damage to the environment**. Also as part of the process of underwriting and formulating insurance programs, efforts are made to reduce the risk of damage to the environment.

An example of relatively simple actions that intertwine insurance sales with an environmentally friendly approach is the practice of socially engaged marketing, as applied by **Lietuvos Draudimas**. The company has organized a campaign associated with sales of residential insurance products: Lietuvos Draudimas committed itself in 2016 to plant a tree for every new residential policy sold. The campaign was run over a period of 3 months and in April 2017 the company planted 64,100 trees.



In **TFI PZU** and **PTE PZU**, environmental aspects are currently not a key criterion for making capital expenditures. The PZU Group keeps watching market trends and does not

rule out the possibility that along with the development of what is called ‘ethical investments’ it will supplement its offering with products based on ESG (environmental, social, governance) considerations.

**TFI PZU’s** offering includes the mutual sub-fund called **PZU Energia Medycyna Ekologia [Energy, Medicine, Ecology]**. It invests chiefly in equities of companies doing business in the following sectors: power (producers and distributors of electricity, companies dealing with the construction of power plants and energy infrastructure), healthcare (pharmaceutical and biotechnology companies, including manufacturers and distributors of innovative, generic and OTC drugs, manufacturers of medical equipment, diagnostic and medical equipment companies, medical service providers, companies providing funding to the healthcare sector) and environmental protection (companies generating energy from renewable sources, companies involved in recycling).



In the Pekao Group, the strongest indirect impact on the environment is exerted by the bank which has adopted an environmentally friendly policy based on the United Nations

Environment Programme and the United Nations Environment

Programme Finance Initiative. In line with this policy, the bank takes environmental issues into consideration in the process of credit risk assessment applied to potential transactions and in the process of their subsequent monitoring. On account of environmental considerations, the bank chooses not to provide financing to a number of lines of business. Some of them are enumerated in the so-called “List of environmental exclusions”, based on international standards, such as the Convention on International Trade in Endangered Species (CITES). Nor does the Bank provide financing for the pursuit of activities related to trade in goods posing a hazard to the environment or projects breaching legal regulations on public health or safety.

Moreover, the bank’s credit risk policy requires the bank to refrain from involvement in transactions related to financing the manufacture of military equipment, nuclear power plants or activities causing a serious threat to the natural environment. Any deviations from this policy must be approved by the Bank Pekao Management Board and require an opinion from the Supervisory Board.

In accordance with the Alior Bank Group’s internal regulations, loan financing may be provided only to execute responsible investments. For clients whose total exposure (the sum of current and requested exposure) is greater than PLN 1 million, the bank’s employees perform an in-depth assessment of environmental risk, including social risk. To enable precise assessment of the environmental risks related to transactions financed by Alior Bank, the Environmental Risk Assessment Charter has been created. All statements and documents submitted by clients are carefully scrutinized and verified. In special cases, the bank also commissions independent experts to provide their opinions on the level of environmental and social risks of specific projects.

Moreover, Alior Bank has regulations in place that specify the types of entities that are barred from obtaining financing. These restrictions apply, without limitation, to companies involved in the following activities:

- production or trade in arms and armament,
- gambling,
- generation of nuclear energy or production of nuclear fuels,
- growing of tobacco, manufacture of tobacco products,
- distilling, rectifying or mixing of alcohols.

Furthermore, Alior Bank does not provide financing to any activities of religious organizations, political parties, sports

clubs or ventures involving harmful or exploitative forms of forced labor, child labor, direct discrimination or practices preventing employees from exercising their lawful rights to association or collective bargaining.

# Respect for human rights

## 5 Respect for human rights [GRI 103-1] [GRI 103-2] [GRI 103-3]



**Everyone is provided with equal opportunities** - "All our relations are based on this principle. Our employees are provided with equal opportunities and possibilities in all processes, including recruitment, performance evaluation, promotion, professional development and participation in training.

Everyone is treated equally regardless of gender, age, disability, nationality, religious beliefs, political convictions, union membership, ethnic origin, sexual orientation and the capacity in which one is employed."

The relationships within the PZU Group are based on mutual respect. Regardless of gender, age, degree of fitness, nationality, religion, political beliefs, trade union membership, ethnicity, sexual orientation or the nature of employment, all humans are equal and deserve equal respect. None of the above characteristics forms a criterion for employee evaluation. Nor is it a factor affecting the employee's

compensation or professional development. Accordingly, everyone who becomes a witness of such unacceptable practices is required to report them via the mechanisms provided for by PZU's Best Practices.



**Let's respect one another** - "Respect is instilled in our attitude and approach to the persons that have put their trust in us. We do not tolerate any forms of discrimination. Anyone witnessing such practices should not hesitate to report them.

We respect all people regardless of the position they are employed in, and we value their contribution to the team's work. We believe that a variety of roles, traits and personalities builds the success of the entire organization."

### 5.1 Dignity of the individual



**Reporting ethically questionable issues** - "Each one of us is under the obligation to act in compliance with the highest ethical standards and regulations.

We are required to report any matters that are questionable from the ethical standpoint as well as any breaches of laws or internal regulations.

Should anything give rise to any doubt, our employees may ask their direct superior for clarifications or report their doubts to the Whistleblowing System. In the course of employment, one may encounter situations that do not fall under any procedures.

Therefore, before taking any action, in particular before reporting such a situation, an employee should ask themselves the following questions:

- Does this situation look suspicious?
- Is the observed behavior consistent with the company's internal procedures or provisions of generally applicable law?
- Is it listed in the irregularities catalog included in the detailed procedures?
- How will my decision impact other employees?
- Could my actions or omissions create an impression of an abuse of power?
- What will be the consequences of my actions or omissions?"

**[GRI 102-17]** PZU and PZU Życie have the so-called **Whistleblowing System**, which allows employees and entities cooperating with PZU to report irregularities of an ethical nature. The Whistleblowing System supports the application of PZU's standards laid down in PZU's Best Practices.

**Lietuvos Draudimas**, in addition to PZU's Best Practices, has in place a separate Human Rights Policy.

A special aspect of respect for the individual is regard for and protection of the individual's right to privacy. The business of insurance undertakings is based to a significant extent on information provided by clients looking for insurance cover.



**[GRI 405-1]** The respect for diversity and equality and the prohibition of discrimination are two principles that are deeply rooted in Bank Pekao's organizational culture. The bank

is involved in activities fostering conscious management of diversity, including workshops and training classes for employees and managers devoted to diversity management, thus supporting the creation of an organizational culture open to recognizing individual dissimilarities and differences and working to prevent any cases of employee discrimination on the grounds of dissimilarity. Owing to the implementation of a number of such regulations and practices, the bank is able to take actions within the framework of sustainable development while respecting diversity and applying equal treatment.

Moreover, in other Pekao Group companies, policies are in place requiring equal treatment regardless of gender.

In the Alior Bank Group, the dignity issue is taken care of in the Code of Ethics applicable to employees of all its member companies. The Code contains guidelines on applying the principles of professionalism and respect in the workplace as well as the principles of good manners, openness toward diversity and tolerance.

**[GRI 102-17], [GRI 406-1]** Furthermore, employees who witness any unethical behavior may report such cases anonymously to a special mailbox without fear of discrimination or repercussions.



PZU Zdrowie's managerial approach, in the context of the specific nature of its business, places special emphasis on the following aspects:

- respect for the patient's dignity and right to intimacy,
- understanding of the patient's needs and concerns at every stage of the service,
- protection of the patient's property, including the patient's personal data and medical information,
- respect for the rights of underage patients,
- full readiness to save the patient's life in emergency situations (e.g. after a shock or cardiac arrest),
- right to submit a complaint or opinion by a client or patient,
- provision of humanitarian services (such as assistance in the event of a motor accident where the injured person is not formally entitled to use the required medical services under the purchased policy or medical subscription),
- protection of personnel in cases of aggressive behavior displayed by a patient or third parties.

From the formal perspective, these rules are laid down in the applicable internal regulations.



Both **TFI PZU** and **PTE PZU** have implemented PZU's Best Practices. Moreover, PZU TFI has in place an internal Anti-Mobbing Procedure. In turn, PTE PZU, in addition to the implemented

PZU's Best Practices, has adopted a resolution on the "Rules for preventing mobbing in Powszechnie Towarzystwo Emerytalne PZU Spółka Akcyjna". Among the purposes of this procedure is to set forth the provisions governing the appointment and responsibilities of the anti-mobbing committee. Both companies respect their employees' right to association and trade union membership.



5.2 Personal data protection



**We protect personal data** - "Personal data of all persons, in particular our clients, employees, counterparties and users of our websites, are subject to rigorous protection. This concerns all data that may be used to identify a person.

Personal data protection regulations apply to all workstations and all IT systems used by our employees. Access to such data is granted only to persons who need them because of the duties they perform."

Policies regulating **data protection** issues:

- Security policy of PZU SA and PZU Życie SA
- Information security procedure of PZU SA and PZU Życie SA
- Instructions concerning the detailed implementation of information security standards in PZU SA and PZU Życie SA
- Authorization management instructions in the IT systems of PZU SA and PZU Życie SA

They allow us to do the following:

- properly secure the data flow;
- make sure that the system correctly processes information;
- limit the possibility of unauthorized disclosure of data
- verify whether data security policies work correctly.



**We safeguard information** - "We should remember that these days information may be accessed very easily, which fact entails a number of risks. Therefore, the principle of maintaining confidentiality is extremely important to us. Each one of us is under the obligation to ensure security of, safeguard and properly supervise any electronic equipment provided to us by PZU.

It is inadmissible to provide to third parties any passwords to such electronic equipment. Passwords are equivalent to electronic signatures, therefore every employee is liable for all operations performed by third parties while using his or her password.

PZU permits the use of hardware or software for personal purposes provided that such use is limited and sporadic. However, it is forbidden to use any hardware or software for illegal activities or for one's own business activity unrelated to collaboration with PZU.

No communication may contain inappropriate or illegal information."

GDPR

PZU and PZU Życie pay particular attention to the protection of personal data processed by each of them. In order to prepare as best as possible to the changes that will be brought about by the entry into force of the GDPR, a special project has been launched at PZU and PZU Życie. Work under the project has been distributed into stages which cover specific

changes in the distinct business areas in which personal data are processed. The provisions of the GDPR affect the majority of processes and areas of insurance activity, most notably sales and client service, on-line services, cross-selling, underwriting, marketing, CRM, counteracting insurance fraud and IT systems supporting business processes. To ensure

an appropriate level of data protection and to prepare and implement new procedures and guidelines in both companies, representatives of the majority of business areas have been involved in the work under the project.

Similar projects, intended to ensure compliance with the new legal requirements, are being executed in other member companies of the PZU Group.



Bank Pekao puts into practice the rules associated with the processing and protection of personal data, as enacted in the form of national and EU regulations, through a number of internally implemented regulations. Key regulations in this area are the personal data protection rules and the rules for obtaining consents to the bank's direct marketing activities. Moreover, in order to ensure that comprehensive actions are taken in the area of personal data protection, a number of internal regulations have also been implemented related to the various areas of the bank's business.

Moreover, within the framework of preventive activities, the bank has developed appropriate training programs. In 2017, the following topics were covered during the training classes:

- protection of electronic information in the bank,
- personal data protection,
- information protection/banking secrets.

Bank Pekao carries out regular inspections of the processing of personal data and information by various information owners.

As a follow-up to the 2015 recommendation, other members of the Pekao Group have implemented personal data protection regulations similar to the policies adopted by the bank.

Throughout the Alior Bank Group, stringent security procedures are in place to ensure confidentiality, integrity and availability of processed information. The security policy and all procedures in this area are updated on an ongoing basis in response to the changing market circumstances in the cybersecurity area as well as new requirements and guidelines issued by the regulatory authorities. In 2017, abundant inspections and tests of the security of IT systems and sensitive internal processes were carried out. A dedicated unit at Alior Bank is responsible for continuous monitoring of electronic banking systems and applying active response procedures in cases of attempted attacks.

5.3 Right to association and strike  
[GRI 102-41]

PZU and PZU Życie respect the right to unconstrained association and strike. Their dialog with trade unions enables them to keep the communication channels open on an ongoing basis, thus reducing the risk of potential conflicts. In most cases, this dialog takes the form of negotiations, consultations and an ordinary exchange of information between the partners involved. The overarching objective is to support the development of PZU and PZU Życie, implement the management strategy and build social order supported by the largest possible groups of people associated with the PZU Group. Management endeavors to have all arrangements reached with trade unions formalized in the form of a signed agreement.

PZU and PZU Życie hold regular meetings with all social partners. On average, such meetings take place in PZU's Head Office every other week over the course of two days. The schedule of such meetings along with the agenda is delivered to trade union representatives before each quarter. Furthermore, the employer holds meetings with each trade union organization independently of other meetings. Due to the appointment, within the structures of the HR Management Department, of the Team for Social Dialog at PZU, the social dialog has become embedded in the organizational culture and is now one of the strategic management tools.

Other companies in which trade unions operated in 2017 were as follows: PZU Zdrowie, PZU CO, PZU Pomoc, TFI PZU, Lietuvos Draudimas, Armatura Kraków, Centrum Medyczne Medica, Sanatorium Uzdrowskowe "Krystynka", Elvita as well as Bank Pekao and Alior Bank. In the Ukrainian companies, the employee representation function is discharged by the Employee Council. The Council represents all employees in their legal relationship with the employer and monitors and ensures the performance of the collective bargaining agreement.



In both banking groups, the freedom of employee association is respected. Trade unions operate both in the Pekao Group and in the Alior Bank Group and are engaged in a dialog with representatives of these companies based on respect for the parties' interests.



6 Issues related to counteracting corruption [GRI 103-1] [GRI 103-2] [GRI 103-3]

Formal solutions associated with counteracting corruption are implemented at the level of the internal control system and the level of organizational culture rooted in ethical values applicable to all employees.

6.1 Corruption and gift policy



**Corruption and gift policy** – “We do not tolerate corruption. We do not provide forbidden gifts or benefits to our counterparties, their employees, representatives or other third parties. We also do not promise, expect or accept such gifts or benefits. In particular, this applies to situations where the type or value of such gifts or benefits affects any decisions or actions of the recipient. It is also forbidden to take advantage of third parties to bypass this rule.

- We do not accept gifts or benefits from our clients, counterparties or collaborators if such gifts or benefits could:
- result in the emergence of an informal obligation toward a client, a counterparty or a person collaborating with the company,
  - cause a conflict of interest,
  - otherwise adversely affect the employee’s performance of his/her professional duties.”

PZU’s Best Practices constitute the PZU Group’s internal code of ethics applicable to all its member companies (except for banks). This code defines the principles of ethical conduct within the organization, pointing out unambiguously to zero tolerance for any form of corruption. According to the adopted principles, it is not permitted to give prohibited gifts or benefits to our business partners, their employees or representatives or other third parties. It is also forbidden to promise, expect and accept any such gifts or benefits. In particular, this applies to situations where the type and extent of a gift may affect the actions or decisions of the recipient. It is also unacceptable to make use of third parties to circumvent this rule.

In 2015, the management boards of PZU and PZU Życie adopted, by way of resolutions, the **Anti-Corruption Program** governing the rules applicable to corruption risk management in these companies and forming the basis for establishing and

supporting effective solutions aimed at preventing corruption in all areas of their business. The Anti-Corruption Program is among the elements implementing “we play fair” as one of PZU’s strategic values. It serves the purpose of ensuring transparency of PZU and PZU Życie’s activities and operates as a system minimizing corruption risk.

The purpose of the **Anti-Corruption Program** is to define the standards of conduct in such a manner that they reduce the companies’ corruption risk and eliminate corruption phenomena that may occur in their day-to-day operations. The scope of the Program covers general corruption risk management policies in these companies, used as the foundation for developing more detailed regulations in specific areas of business. Each organizational unit is responsible for ensuring full transparency of conducted activities and the application of appropriate anti-corruption control procedures commensurate with the scale of its operations.

All employees are prohibited from proposing, promising, giving or demanding any material or personal benefits in order to manipulate any pending decision. This pertains both to all forms of facilitation payments and, for instance, to the use of favoritism in the recruitment or promotion process. The Program defines the methods of managing corruption risk, including its identification, reduction and monitoring, for example by indicates symptoms of employee behavior or conduct that may suggest a possible corruption concern.

**[GRI 205-1]** The program also points to the business areas which are potentially most exposed to corruption risk. It provides criteria for the evaluation of business partners and supports the identification of warning signals. A score

is calculated for potential suppliers who are considered as new business partners for PZU or PZU Życie. Notably, the companies take steps to ensure that, as a matter of standard, agreements with their business partners contain appropriate anti-corruption clauses. The Program applies to such areas as: HR policy, social assistance area, prevention and sponsorship activities and bookkeeping. It also defines general rules applicable to dealing with gifts and conflicts of interest as well as rules for reporting employee suspicions concerning cases of corruption and their subsequent examination. Periodic corruption risk assessments and training in this area are the responsibility of the Compliance Department. **[GRI 205-2]**

**Transparent rules of cooperation** - “We treat our counterparties honestly. We are bound by strictly defined rules and policies related to gifts.

We will not initiate business contacts or enter into agreements in the name of or on behalf of PZU if our family members are a party to them. If cooperation is to be established with entities to which our relatives have any ties, we will request to be withdrawn from making decisions in such matters.

Our employees cannot have, without PZU knowing about it, any financial interests, as defined by the company, in the enterprises of PZU’s suppliers or clients or in competitive businesses.

We care for good relations with intermediaries. We do not, without a valid reason, apply different terms and conditions of cooperation with them due to the nature, form or size of the intermediary’s enterprise.”

Building on the general rules laid down in the Anti-Corruption Program, PZU and PZU Życie have adopted their **rules of conduct for handling gifts**. These rules define in transparent and very detailed terms the categories and types of gifts, the procedure for accepting or offering gifts and the rules for registering gifts. They apply to the acceptance and giving of gifts by employees in connection with their work for the company, regardless of their position or function. The employee may accept or offer a gift solely for the purpose of building business relations or to show appreciation in relations with a client or business partner, and provided that, due to the value or nature of the gift, the acceptance or offering of the gift does not create any form of mutual obligation on the part of the other party. It is also worthwhile to mention an additional document, namely the “Rules for acceptance and giving of gifts for management board members of PZU Group

companies”, forming an attachment to the “Code of ethics for management board members of PZU Group companies”.




The fundamental rules for counteracting corruption at Bank Pekao are laid down in the anti-corruption policy which defines general objectives and powers in the field of corruption risk management and introduces the Anti-Corruption Program. The policy applies to all subsidiaries of the Pekao Group to the extent it is permitted by the applicable laws, regulations and freedom of operation and to the extent reasonable in the specific business context. Within the framework of the Anti-Corruption Program, various elements have been distinguished, including: reporting, training and control activities.

All members of the Alior Bank Group engaged in operational activities are required to observe the rules established by



# Issues related to counteracting corruption

the Code of Ethics. The Code defines the principles of ethical conduct and unambiguously emphasizes zero tolerance for corruption. Moreover, the companies concerned are engaged in a number of activities and initiatives focused on improving employees' awareness and attitudes in the areas of compliance and ethics.

 PZU Zdrowie's managerial approach and policies in the anti-corruption area chiefly consist of the established and implemented ethical standards. The applied solutions are based on those adopted by the PZU Group, in consideration of the specific nature of the medical sector.



laws.

TFI PZU and PTE PZU have solutions in place that are based on their counterparts adopted by the PZU Group or whose implementation resulted from the applicable periodic reporting

## 6.2 Conflict of interest

**Every day we are striving to build good relations with our clients and we are continually working toward a positive image of our company** - "Any conflict of interest or even a possibility of a conflict of interest may damage our company's reputation. A conflict of interest may occur in various forms. It usually involves a situation entailing or likely to entail

a conflict between:

- an interest of the company or a person associated with the company and a client's interest
- interests of two or more of the company's clients
- an interest of a person associated with the company and the company itself.

A conflict of interest may emerge when an employee:

- uses his/her contacts or professional position to obtain personal benefits at the expense of the company's interests,
- is involved in a business outside of PZU's structures which interferes with the efficient performance of his/her duties toward the company,
- makes investments on his/her own based on any information he/she has obtained in the company.

A conflict of interest also arises when a relative or a family member obtains undue benefits as a result of any one of us being employed by PZU."

PZU and PZU Życie have adopted the **Rules for managing conflicts of interest at PZU and PZU Życie**. This regulation aims to ensure professional, reliable and fair treatment of all clients and persons related to the company in conflict of interest situations. The adopted approach, one that requires analysis of any identified cases of a conflict of interest, is yet another example of practical thinking in terms of corporate values ("we play fair"). This is because the management boards of PZU companies are aware that in their financial operations there may and do occur various forms of potential conflicts of interest. These are usually the situations where there is or there might occur a discrepancy between:

- the interests of PZU or its affiliates and the interests of a client;
- the interests of two or more PZU clients;
- the interests of a PZU affiliate and PZU.

A person associated with PZU companies (an employee or an insurance agent) who has determined that a conflict of interest has occurred or may occur as a result of the performance of his/her duties is required, on the one hand, to take steps aimed at eliminating the conflict of interest and, on the other hand, to notify the conflict of interest in accordance with the applicable Rules. Such a notification is delivered to the person's superiors but is also forwarded the Compliance Department for examination.



In particular, these internal regulations define the rules for

Within the Pekao Group, all companies engaged in operational activities have in place policies, regulations or instructions for employees on how to manage conflict of interest situations.

managing conflicts of interest and describe the circumstances that cause or may cause such conflicts. Detailed provisions of the regulations in each company reflect the type of business and services provided by the entity in question.

The Alior Bank Group has adopted the Instructions for managing conflicts of interest. The Instructions define in specific terms the notion of a conflict of interest and assist employees in understanding how they should act to avoid conflicts of interest. The document governs such elements as: serving one's relatives, accepting gifts or invitations and running a for-profit business by employees outside the Alior Bank Group. Furthermore, the Instructions contain a Gift Policy defining the rules for offering and accepting gifts in interactions with clients and business partners.

## 6.3 Whistleblowing system

**[GRI 102-17]** The PZU Group has implemented a Whistleblowing System. The System enables employees and entities cooperating with PZU to report issues of material importance for the company's legal and financial interest as well as irregularities of an ethical nature. It supports the application in PZU of the standards laid down in PZU's Best Practices. Every notification is examined observing the confidentiality of the whistleblower and the information so obtained. Employees may report any concerns of an ethical nature or violations of the provisions of law or internal regulations:

Reports by named individuals or anonymous are reviewed by a dedicated team in the Compliance Department. Identical solutions have been implemented in other PZU Group entities.



In Bank Pekao, the whistleblowing system is defined by the Whistleblowing Policy. This policy provides for the possibility of making anonymous (or non-anonymous) notifications of practices inconsistent with the applicable laws or internal regulations. All notifications are examined and processed properly.

Other Pekao Group companies also have in place their own mechanisms for anonymous notification of irregularities.

In 2017, Alior Bank defined the process of notifying breaches and established guarantees for whistleblowers. Employees may report a breach orally, in writing, by e-mail to dedicated addresses or directly to Members of the Management Board or the Supervisory Board. Whatever the selected form of notification, the whistleblower may choose to remain anonymous.

All member companies of the Alior Bank Group have a whistleblowing system in place.



**by telephone or fax** – at the dedicated contact number



**by mail** – to the postal address of PZU/PZU Życie – Compliance Department



**by e-mail** – to the following dedicated e-mail address: zareaguj@pzu.pl



**in person** – during a conversation with a member of staff of the Compliance Department.

6.4 Internal control



**Compliance with laws and regulations** - "PZU makes every effort to ensure that applicable laws and standards are complied with in all areas of its business.

In its dealings with the regulatory authority, the Polish Ombudsman for the Insured and other external institutions, PZU respects and recognizes all statutorily defined duties of such entities. PZU also provides them with assistance in the pursuit of their main task, i.e. protection of the insureds’ interests.

The basic rights and duties of every employee should be precisely defined. However, should doubts emerge as to whether a decision is reasonable or when a situation seems questionable or there is a suspicion that the law or any of the adopted principles or standards may have been breached, the company’s relevant units must be informed about it.”

In 2017, the Management Boards of PZU and PZU Życie adopted the amended Rules and Regulations of the Internal Control System. The Internal Control System comprises overall internal regulations, in particular administrative regulations, accounting regulations, regulations on capital adequacy, information issues, organizational structures, solutions implemented in IT systems, reporting systems, the compliance function, supervision and other control mechanisms contributing to the attainment of the companies’ objectives and security and stability of their operations. This is intended to ensure:

- efficiency and effectiveness of operating activity,
- credibility of information communicated inside and outside and assurance of availability and reliability of such information,
- adequacy and effectiveness of risk controls,
- responsible and transparent management,
- compliance of the companies’ activities with the laws, KNF recommendations, internal regulations and the standards of conduct adopted by the companies,
- efficient acquisition and transfer of any data and information that may be important to supplementary supervision.

The Internal Control System is based on a model of three independent and complementary levels, i.e. three lines of defense, where:

- the first line of defense is comprised of the activities of business processes owners, encompassing the operational management of risk associated with the companies’ business and processes carried out as part of that business,

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

The document defines the objectives, organization and rules of application of the Internal Control System at PZU and PZU Życie, including the control function, the control mechanisms, the rules for monitoring such mechanisms and reporting monitoring outcomes.

Internal auditors also examine any activities related directly to the social or environmental impact, albeit, due to their nature, they are not carried out annually.







7 Non-financial risk management  
[GRI 103-1] [GRI 103-2] [GRI 103-3]  
[GRI 102-11] [GRI 102-15] [GRI 102-30]

All risks inherent in the PZU’s business are covered by the Risk Management System established on the basis of the following four power levels: the Supervisory Board, the Management Board, the Committees and the operational level (in line with the concept of the so-called three lines of defense).

A key element of the Risk Management System is the PZU Group’s Risk Committee which provides support to the Supervisory Boards and Management Boards in implementing an effective and coherent risk management system for the whole PZU Group.

The most significant area covering almost all non-financial risks inherent in the operations of the PZU Group is the **operational risk area**. Operational risk is defined as a risk of suffering a loss resulting from improper or erroneous internal processes, human activities, system failures or external events. Its identification is performed through the

accumulation and analysis of information on operational risk incidents, self-assessment of operational risk and scenario analyses. Within the framework of assessment and measurement of operational risk, the consequences of the occurrence of operational risk incidents are determined and the effects of potential operational risk incidents that may occur in the business are estimated.

**"New PZU" 2020 ambition**  
– Risk assessment framework score (BION) for PZU and PZU Życie  
> good level

Monitoring and control of operational risk is performed mainly through an established system of operational risk indicators enabling assessment of changes in the level of operational risk over time and assessment of factors that affect the level of this risk in the business. Reporting involves communicating the level of operational risk and the effects of monitoring and control to various decision-making levels. The frequency of each report and the scope of information provided are tailored to the information needs of each decision-making level.

The risk management process consists of the following stages:

Identification  
Begins with the proposal to commence the creation of an insurance product, acquire a financial instrument, change the operating process, as well upon the occurrence of any other event which potentially results in a risk. The identification process takes place until the expiry of the liabilities, receivables or activities related to the given risk. The identification of market risk involves recognising the actual and potential sources of such risk which are then identified as to their relevance.

Risk measurement and assessment  
Risk measurement and assessment are performed depending on the characteristics of the given risk type and the level o its relevance. The risk assessment is performed by specialised units. In every company, the risk unit is responsible for development of risk assessment tools and risk assessment process to the extent which specifies risk appetite, risk profile and risk tolerance levels.

Risk monitoring and control  
This involves ongoing reviews of any variances from the assumed parameters, namely limits, thresholds, plans, values from the previous period, recommendations and guidelines issued.

Reporting  
Allows efficient risk communication and supports risk management at various decision-making levels.

Management actions  
These activities encompass among others risk mitigation, risk transfer, risk avoidance, specifying risk appetite, acceptance of risk tolerance levels, as well as tools which facilitate such activities, i.e. thresholds, reinsurance plans and reviews of underwriting policy.

Management actions entailing reactions to any identified and assessed operational risks involve, in particular:

- risk mitigation by taking actions aimed at minimizing risks, for instance by strengthening the internal control system,
- risk transfer, for instance by signing an insurance agreement,
- risk avoidance by refraining from undertaking or withdrawing from a particular type of business,
- risk acceptance – approval of consequences of a possible realization of operational risk unless they threaten to exceed the operational risk tolerance level.

An integral part of non-financial risk management is the area of business continuity management. The business continuity plans in PZU Group companies are kept up to date at the appropriate level and tested regularly.

Another significant area of non-financial risks is the **compliance area**, also referred to as the compliance risk area. Compliance risk is the risk that PZU Group entities or persons related to PZU Group entities may fail to adhere to or violate the applicable provisions of law, internal regulations or standards of conduct, including ethical standards, adopted by PZU Group entities, which will or may result in the PZU Group or persons acting on its behalf suffering legal sanctions, financial losses or a loss of reputation or trustworthiness. Compliance risk is identified and assessed for each internal process, in line with the demarcation of reporting responsibilities. Moreover, compliance risk is identified on the basis of information obtained from the legislative process and from notifications to the register of conflicts of interest, gifts, benefits and irregularities.

The systemic activities include, in particular:

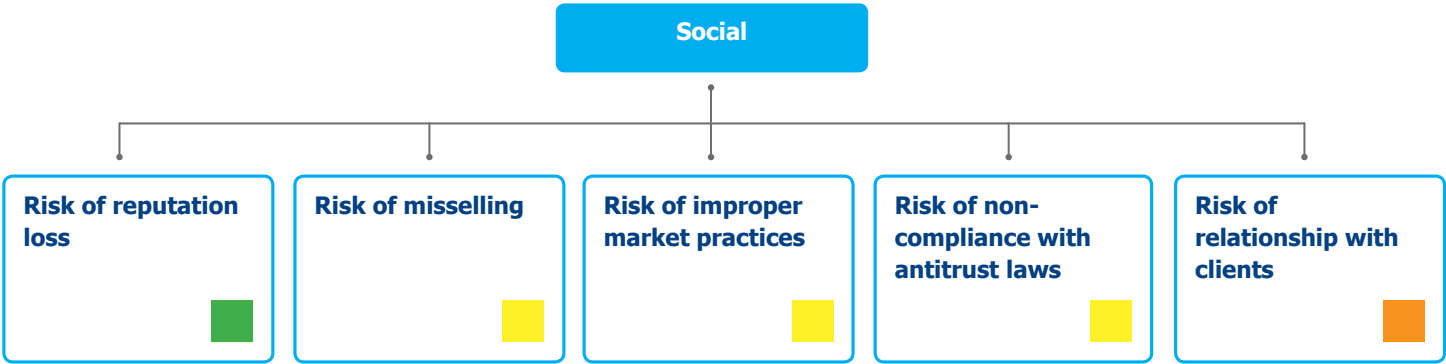
- development and implementation of systemic assumptions and internal regulations consistent with those assumptions,
- recommending to other PZU Group entities solutions for the application of a consistent compliance function and a systemic approach to compliance risk management,
- monitoring of the compliance risk management process, including in particular: performing compliance risk analyses, reviewing the degree of implementation.

The assessment of risks within each category was separated into the following 4 levels: low, moderate, elevated and high. A considerable majority of risks were assessed as existing at low or moderate levels. No risks were identified that might be classified as high.

7.1 Social risks

[GRI 102-31] PZU reduces risks in the social area chiefly by applying the following solutions:

- Training employees, in particular in sales and proper cooperation with clients;
- Introducing new systemic IT solutions;
- Developing of a network of medical centers under the PZU Zdrowie brand;
- Professional verification of marketing materials and product solutions,;
- Implementation of business policies, procedures and instructions;
- Careful, multi-stage selection of suppliers carried out as part of outsourcing processes, in particular for ‘basic’ or ‘important’ activities.



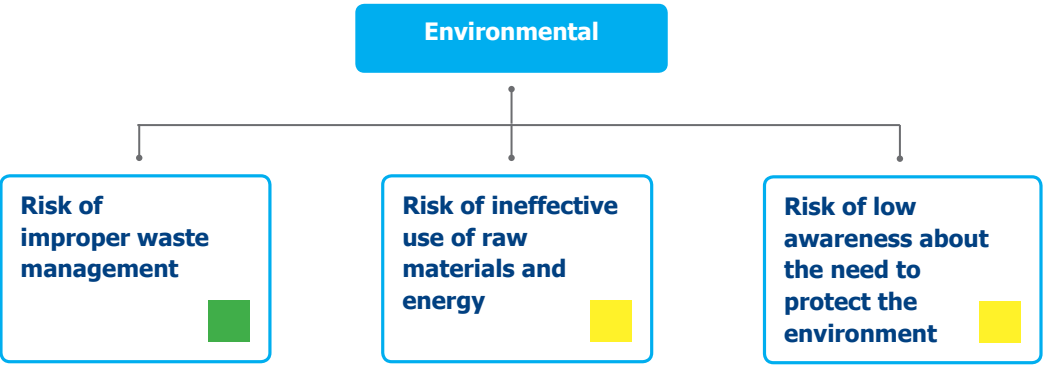


7.2 Environmental risks

[GRI 102-31] PZU reduces risks in the environmental area chiefly by applying the following solutions:

- Generating proper habits among employees, e.g. in the area of electricity saving (turning off workstations after a day's work) and reasonable management of office supplies (best practices in reducing the volume of printed materials: "Be green, keep it on the screen!") ;
- Switching from the purchase of a number of hard copies of newspapers and journals to their electronic versions;
- Taking into account the environmental impact criterion as part of the procurement process, as a consequence of which many cars in PZU's fleet have a hybrid drive and a significant portion of office equipment is energy-efficient (monitors, printers);
- Reducing exhaust emissions by reducing fuel consumption (introducing fuel limits on fleet cards), promoting environmentally friendly driving and taking action to encourage employees to travel by public transport;
- Installing the latest generation water dispensers which, in addition to standard temperature adjustment options

- (cooling and heating), offer a sparkling water dispensing option, which will significantly affect the volume of orders for bottled sparkling water in PET packaging;
- Recycling all packaging (card boxes from stationary materials, toner packaging, card boxes with forms) as separators for boxes and packaging for agent forms;
- Selective waste collection in the PZU Group's buildings: printer toners, furniture as fully processed waste, electronic equipment (computers, memory boards, cables, RAM, household appliances and audio/video devices, monitors, files), HDD drivers and others;
- Segregating and handing over used printing cartridges and faulty devices (printers and copiers) to appropriate entities for recycling;
- Running regular collections of used business mobile phones and modems, and handing them over to specialist entities collecting materials for recycling.

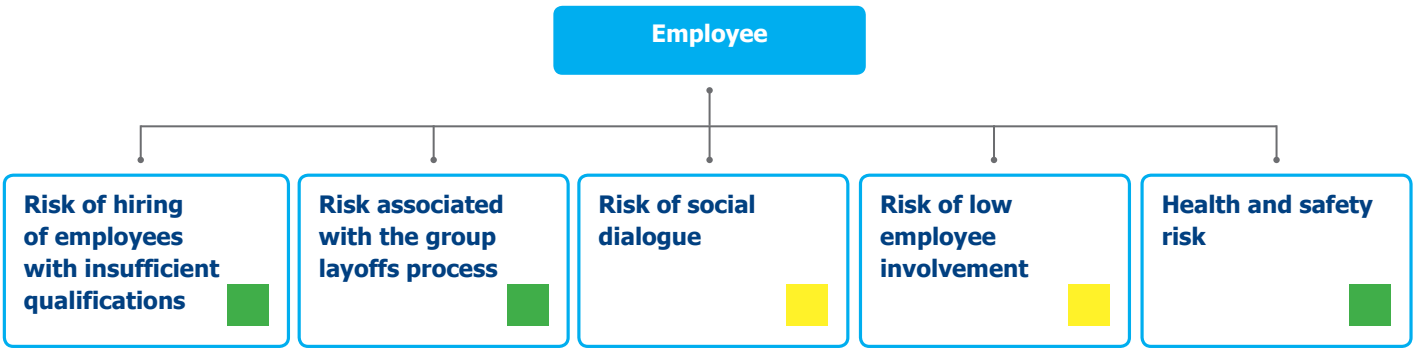


7.3 Employee risks

PZU reduces risks in the employee area chiefly by applying the following solutions:

- Organizing training classes for newly recruited members of staff (compulsory initial training and compulsory/optional e-learning courses);
- Detailed verification of competencies of persons hired within the framework of a multi-stage recruitment process;
- Open dialog with staff and representatives of trade unions operating at PZU;

- Observing the principles of the adopted bonus system in which employee compensation depends on a number of aspects, including: quality and timeliness of completed tasks and long-term development.
- Introducing specific instructions in the area of occupational safety and health.



7.4 Risks related to respect for human rights

PZU reduces risks in the area of respect for human rights chiefly by applying the following solutions:

- Implementing procedures intended to protect staff against undesirable phenomena, such as mobbing or discrimination;

- Open communication about the methods by which victims of such behaviors may obtain necessary assistance without their identity being revealed;
- In-depth verification of notified cases of activities considered undesirable at PZU.



low risk

moderate risk

increased risk

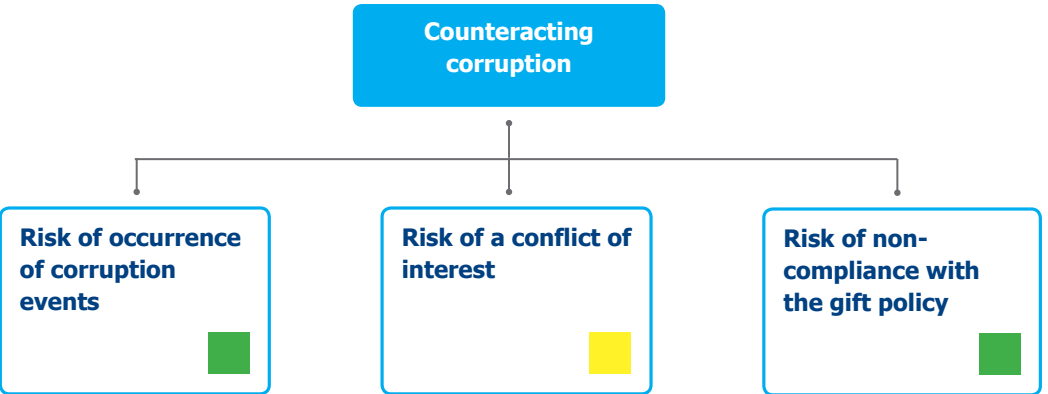
high risk

7.5 Risks related to counteracting corruption

PZU reduces risks in the anti-corruption area chiefly by applying the following solutions:

- Organizing training classes for employees;

- Implementing an anti-corruption program and PZU's Best Practices;
- Implementing the rules for managing conflicts of interest and recording of cases of such conflicts;
- Implementing the rules for accepting and offering gifts, keeping records of notifications about any gifts accepted or given.



## 8 Non-financial highlights

	2017	2016
<b>Social [GRI 413-1] [GRI G4-FS14]</b>		
Donations given to the PZU Foundation (thousand PLN)	12,000.0	2,030.0
including PZU	6,000.0	1,015.0
Total amount of funds donated during the year to social causes other than the funds given to the PZU <sup>1</sup> (thousand PLN)	62,440.6	74,220.9
including PZU	26,943.4	36,273.6
Number of hours of work by volunteers	10,807	8,923
including PZU <sup>4</sup>	10,245	8,021
Proprietary branches adapted to meet the needs of disabled clients	66.2%	58.1%
including PZU	76.1%	74.6%
Value of investments made in companies espousing corporate social responsibility listed in the RESPECT Index (m PLN) <sup>6</sup>	8,426.9	7,519.9
including PZU	0.0	0.0
<b>Employee [GRI 102-8] [GRI 403-2] [GRI 404-1]</b>		
Number of employees converted into FTEs as of the balance sheet date	41,391	27,090
including PZU	6,763	7,436
Number of hours of training during the year per employee (in FTEs) <sup>7</sup>	17	20
including PZU <sup>4,7</sup>	14	38
Number of accidents at work – total number of accidents	195	106
including PZU	42	52
Number of fatalities at work	1	1
including PZU	0	1
Accident severity rate <sup>5</sup>	30	28
including PZU	41	36
<b>Diversity [GRI 405-1] [GRI 102-8]</b>		
% of women employed by the PZU Group	68.9%	63.5%
including PZU	56.5%	57.7%
% women in the PZU Group companies' management boards	23.8%	24.6%
including PZU	20.0%	0.0%

	2017	2016
<b>Environmental [GRI 301-1] [GRI 301-2]</b>		
Petrol [tons]	3,658.7	2,958.3
including PZU	1,800.4	2,007.1
Diesel [tons]	1,638.1	1,148.2
including PZU	10.8	4.8
Heating oil [tons]	631.1	250.0
including PZU	183.5	189.1
Electricity [MWh]	129,168.2	69,718.5
including PZU	15,793.4	15,493.7
Thermal energy [GJ]	648,756.4	438,564.1
including PZU	66,216.9	68,389.5
Paper [tons]	1,780.1	840.2
including PZU	205.2	237.0
Amount of penalties paid in a given year for violating environmental protection regulations <sup>2</sup> (thousand PLN)	0.5	0.0
including PZU	0.0	0.0
<b>Human rights</b>		
Number of cases in which suspicions of unethical conduct have been reported under the mechanisms contemplated by the code of ethics	54	37
including PZU	9	15
<b>Counteracting corruption [GRI 205-3]</b>		
Number of probable cases of corruption reported to law enforcement authorities	0	2
including PZU	0	1
<b>Other [GRI 206-1] [GRI 419-1]</b>		
Amount of penalties paid in a given year for violating consumer rights <sup>2</sup> (thousand PLN)	490.3	0.0
including PZU	0.0	0.0
Amount of penalties paid in a given year for violating the rules of free competition <sup>3</sup>	0.0	0.0
including PZU	0.0	0.0
Number of incidents involving insurance fraud reported to law enforcement authorities	531	560
including PZU	442	458

<sup>1</sup> expenditures by virtue of prevention activity as well as financial and in-kind donations; net of sponsorship for advertising purposes

<sup>2</sup> legally-binding penalties paid in a given year

<sup>3</sup> In 2016 PTE paid a penalty of PLN 40 thousand to KNF. This penalty pertained to an investment (failure to report exceeding the 5% threshold). From the KNF's decision: Article 69 Section 1 Item 1 and Article 69 Section 4 Item 3 of the Act on Public Offerings and the Terms and Conditions for Introducing Financial Instruments to an Organized Trading System and on Public Companies according to its wording prior to being amended.

<sup>4</sup> PZU and PZU Życie together, on account of the shared employment contracts

<sup>5</sup> calculated as the ratio of the number of days of work lost caused by accident-related absenteeism divided by the total number of accidents

<sup>6</sup> own investments and assets managed by mutual funds and pension funds

<sup>7</sup> e-learning training has not been included

In connection with commencing the consolidation of Bank Pekao in 2017, comparable data for 2016 are lacking



9 GRI Standards content index

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Contact data [GRI 102-53]

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Report on non-financial information of the PZU Group and PZU for 2017 has 78 consecutively-numbered pages.

**Signatures of PZU Management Board Members**

- \_\_\_\_\_  
Paweł Surówka – President of the Management Board
- \_\_\_\_\_  
Roger Hodgkiss – Management Board Member
- \_\_\_\_\_  
Tomasz Kulik – Management Board Member
- \_\_\_\_\_  
Maciej Rapkiewicz – Management Board Member
- \_\_\_\_\_  
Małgorzata Sadurska – Management Board Member

Warsaw, 14 March 2018